

**PUBLIC POLICY MAKING IN TURKEY: POLICY TRANSFER,  
BUREAUCRATIC AUTONOMY AND FOREIGN TRADE COMPANIES IN  
THE 1980s AND 1990s**

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## **PLAGIARISM**

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## **ABSTRACT**

### **PUBLIC POLICY MAKING IN TURKEY: POLICY TRANSFER, BUREAUCRATIC AUTONOMY AND FOREIGN TRADE COMPANIES IN THE 1980s AND 1990s**

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The policy transfer is becoming a more widespread form of policy development and is even claimed to replace policy making especially in developing countries. In this thesis, a foreign trade related policy transfer from advanced countries (Japan and Italy) to a developing country (Turkey) is analysed. The main object of the thesis is to identify whether the policy transfer can be a widely accepted and a common form of policy

making especially in the case of developing countries. To this end, the policy transfer model is studied with respect to key concepts with a potential to affect policy transfer outcomes in developing countries. Those key concepts are bureaucratic autonomy, selectivity, state intervention, rent seeking, government failure and market imperfection. In the first section, the stance of Turkey between developmental and neo-liberal countries is analysed. The thesis gradually continued to study the theory around the policy transfer and the key concepts finally operationalizing them in the case study of transferring Foreign Trade and Sectoral Foreign Trade Company models. It has been found that policy transfer warrants different and complicated measures in the cases of transfer from advanced to developing countries, it is not a fast way of policy making and the underlying conditions are critical for the policy transfer success or failure. In relation to this, the importance of the degree of policy transfer, elite and cognitive mobilization, scope of the policy search, interpretation of the transferred policy and most importantly multi-level models of policy transfer are stated as important findings.

Keywords: Policy transfer, policy network, bureaucratic autonomy, foreign / sectoral foreign trade companies, Turkey

## ÖZ

### TÜRKİYE’DE KAMU SİYASASI YAPMA: 1980’LER VE 1990’LARDA SİYASA TRANSFERİ, BÜROKRATİK ÖZERKLİK VE DIŞ TİCARET ŞİRKETLERİ

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Siyasa transferi, siyasa oluşturmaının yaygın bir haline gelmekte ve hatta özellikle kalkınmakta olan ülkelerde siyasa oluşturmaının yerini alacağı iddia edilmektedir. Bu tezde, ileri ülkelerden (Japonya ve İtalya) kalkınmakta olan bir ülkeye (Türkiye) yapılan dış ticaret alanıyla ilgili bir siyasa transferi analiz edilmektedir. Bu tezin ana amacı,

siyasa transferinin özellikle kalkınmakta olan ülkelerde geniş kabul gören ve yaygın bir siyasa yapma şekli haline gelip gelemeyeceğinin tespiti. Bu amaca yönelik olarak, siyasa transferi modeli, kalkınmakta olan ülkelerde transfer sonuçlarına potansiyel etki ihtimali olan bazı kavramlar üzerinden çalışılmıştır. Söz konusu anahtar kavramlar, bürokratik özerklik, seçicilik, devlet müdahalesi, rant arayışı, idari başarısızlık ve pazar hatasıdır. İlk bölümde, Türkiye'nin kalkınmacı ve neo-liberal devletle arasındaki yeri analiz edilmiştir. Daha sonra kademeli olarak siyasa transferi ve anahtar kavramların teorik tartışmaları yapılmış ve son olarak da bu kavramlar Dış Ticaret ve Sektörel Dış Ticaret Şirketleri konulu vaka analizinde operasyonel hale getirilmiştir. İleri ülkelerden kalkınmakta olan ülkelere siyasa transferinin farklı ve karışık yöntemler içerdiği, siyasa transferinin hızlandırılmış bir siyasa yapma aracı olmadığı ve siyasa transferi başarı ve başarısızlığında altta yatan transfer koşullarının kritik önemi haiz olduğu ortaya çıkmıştır. Bununla ilgili olarak, siyasa transferinin derecesi, üst düzey ve bilişsel hareket, siyasa transferinin kapsamı, transfer edilen siyasanın yorumlanması ve en önemlisi çok-seviyeli siyasa transferi modellemesi önemli bulgular olarak belirlenmiştir.

**Anahtar Kavramlar:** Siyasa transferi, siyasa ağ yapılanması, bürokratik özerklik, dış ticaret ve sektörel dış ticaret şirketleri, Türkiye.

To Murat



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## LIST OF ABBREVIATIONS

<b>COMECON</b>	:Council for Mutual Economic Assistance
<b>DP</b>	:Democrat Party
<b>EBF</b>	:Extra Budgetary Funds
<b>EEC</b>	:European Economic Community
<b>EPB</b>	:Economic Planning Board of South Korea
<b>EU</b>	:European Union
<b>FEDEREXPORT</b>	:Federation of Export Consortia, Italy
<b>GATT</b>	:General Agreement on Tariffs and Trade
<b>GNP</b>	:Gross National Product
<b>FTC</b>	:Foreign Trade Company
<b>ICE</b>	:Italian National Institute for Foreign Trade
<b>IMF</b>	:International Monetary Fund
<b>ISI</b>	:Import Substituting Industrialization
<b>JP</b>	:Justice Party
<b>KOSGEB</b>	:Republic of Turkey Small and Medium Enterprises Development Organization
<b>MITI</b>	:Ministry of International Trade and Industry of Japan
<b>MP</b>	:Motherland Party
<b>MÜSİAD</b>	: The Association of Independent Industrialists and Businessmen
<b>OECD</b>	:Organization for Economic Cooperation and Development
<b>RPP</b>	:Republican People's Party
<b>RUSF</b>	:Resource Utilization and Support Fund
<b>SEE</b>	:State Economic Enterprises
<b>SFTC</b>	:Sectoral Foreign Trade Company
<b>S. KOREA</b>	:South Korea
<b>SME</b>	:Small and Medium Sized Enterprises
<b>SPO</b>	:State Planning Organization of the Prime Ministry of Turkey
<b>SPSF</b>	:Support and Price Stabilization Fund
<b>TOB(B)</b>	:The Union of Chambers (and Commodity Exchanges) of Turkey
<b>TÜSİAD</b>	:Turkish Industry and Business Association
<b>UFT</b>	:Undersecretariat for Foreign Trade (Ministry of Economy since 2010)
<b>VAT</b>	:Value Added Tax
<b>WTO</b>	: World Trade Organization

## **CHAPTER 1**

### **1. INTRODUCTION**

Public policy making in any country exhibits similarities to the groups of countries in the similar region, income level or traditional background but still carry inherent differences from any other country in the world. Many factors, at objective or subjective basis, affect the policy making process. This renders the issue of “policy transfer” an even more interesting and difficult concept to study. In addition if a policy transfer comprises elements of incentive the diligence in analysing such policy should increase. In such a case, concerns such as bureaucratic autonomy, subsidization criteria, market imperfection and government failure and the last but not the least rent seeking arrangements may play an important role in the success or failure of that policy transfer.

This study belongs to the wider domain of the policy transfer analyses. The policy transfer concept itself has been analysed widely only to come to the generally accepted conclusion that it serves as powerful explanatory tool and a model rather than a theory. It has also been accepted by some as just another way of policy making and should not warrant a separate line of study. However, policy transfer becomes separate from the other forms of policy making as long as it focuses on the movement of ideas between various systems through policy transfer networks and the agents of policy transfer. The field of policy transfer has become more important with the advent of globalization and increasing interdependence among countries with the proliferation of international and

transnational institutions. Policy transfer can even take over traditional forms of policy making, especially in the developing countries with the coercion of such international and transnational institutions. Therefore the study of policy transfer posits an important area for study both for the advanced and the developing countries. In this thesis, an export incentive policy transfer case for a developing country, Turkey, will be analysed in order to contribute to the field of policy transfer from the perspective of developing countries.

The Turkish state's involvement with the export subsidies starts around the 1980s with the trade liberalization policies. These years are also the peak years of the success of the developmental states; mainly Japan. As a result and influenced by their success stories, Turkey tried to transfer some of its policies. One of the policies transferred was the export subsidization policy, through Foreign Trade Companies (FTCs) and later on a spin-off model labelled as Sectoral Foreign Trade Companies (SFTCs) which was also implemented in Italy. What is relevant for the purposes of this thesis is whether the policies of other states are transferable to other developing countries especially when the context and background is different.

Considering the fact that Turkey is a hybrid country falling between the East and the West, it becomes an entangled relation as to whether she should adopt the policies of the Eastern developmental countries which are known to be state led or the Western countries which are pro-free market policies. The mixture of the two may turn out to be to the detriment of Turkey especially when the country exhibits an inherent semi-transparent structure. This thesis will determine whether such a hybrid nature is a detriment or a benefit in policy transfer cases especially in a developing country. Therefore it will be critical to find out reason for selecting the domain country of the

policy transfer, the agents and the network of the policy transfer and the readiness of the recipient to receive the transferred policy.

### **1.1.1. The Main Research Questions**

**The main research focus** of this thesis is the transfer of an export incentive model (FTC model) to Turkey from Japan in the 1980s and the conditionalities of the transfer in the macroeconomic environment of Turkey and Japan in the 1980s. In doing this, we will also look at the environment that these countries have been in from an international, domestic and organizational point of view.

This thesis aims to contribute to the literature by highlighting important issues in the policy transfer case which mainly relate to the differences in the traditional and cultural environments of the two countries and the possibility of success under such conditions. The thesis also highlights the importance of carrying out an adaptability study before engaging in the policy transfer to raise the awareness and consciousness on the policy maker side and the policy recipient side for better adaptability. The contribution of the empirical case is also to emphasize the variations in the bureaucratic autonomy in response to demands coming from various interest groups. A specific response “resorting to excessive regulation making to protect the bureaucratic autonomy” will particularly be studied.

From this point of view, the main research questions of the thesis are as follows: 1. Why has the particular export incentive policy been selected as a transferrable policy and under whose initiative? 2. Who were the main actors of the policy transfer network? 3.

How did the legislative interventions and macroeconomic framework in Turkey play into the policy transfer especially when we take into account the following key factors: bureaucratic autonomy, state intervention and rent seeking?

There are three arguments of this study. In the context of a developing country such as Turkey, 1. Policy transfer has been seen as a fast way of policy making, whereas policy transfer has in fact its own peculiarities in terms of the importance of differences between domain and the host environment, the stages and the levels of the transfer, 2. The involvement and the rationality of actors in the policy transfer network have important consequences regarding the success of the policy transfer, 3. Outcome of the policy transfer is prone to change with respect to the transferability of the underlying conditions. The complementary arguments of the thesis are as follows 1. Policy transfer must be a conscious effort on the side of the transfer agents. Although full rationality may be difficult to achieve, consciousness under bounded rationality should still prevail. 2. The policy transfer method of copying versus adaptation will be a determinant factor in understanding the potential for the replication of the policy.

Regarding the first research question, this study concentrates on the case of the export policy of Turkey during the 1980s and the 1990s, which was based upon a transferred policy program, namely “foreign trade companies”. The part played by the bureaucracy in this process, the differences in the macroeconomic environments of the host and the recipient and the nature of the relations between the key policy-makers and the target group of the policy determined the fate of the transferred policy. To better explicate the first factor, the question of bureaucratic autonomy comes to the centre of analysis. The latter factors are problematized around the notions of state business relations, rent seeking mechanisms and selectivity in extending incentives to the policy recipients. The study reveals that these factors are historical products of the changing relations between

politics and administration, the political representation of business to the state, that country's changing role in the global political-economy and the overall (in)stability of the political system. Turkey has at times associated itself with the Eastern Asian countries, mainly on the basis of strong state model. However, the implementation of strong state pillars present differences which as we will see influence the foreign trade policy case that we will study in this thesis. The theory highlights the characteristics of the policy transfer in relation or contrast to policy transfer. The theory however, does not place due emphasis on policy transfer as a case of fast policy making for the developing countries. This study aims to make a contribution to this gap.

In relation to the second research question, the policy transfer agents and the implementing agencies as well as the policy recipients are likely to determine the fate of the transferred policy. A necessary criterion to identify a policy transfer is to identify the agent, identify the agent's role and the nature of the transfer that the agent is attempting to make. Some agents are labelled in the policy transfer such as politicians, bureaucrats, policy entrepreneurs, pressure and interest groups, think tanks and international and supranational organizations. In search for an alternative policy option to a problem, where an "in-house" solution cannot be produced, the policy transfer can be considered. This usually happens by trial and error mechanism in the developing country cases. The search activity and the scope and the density of the search in addition to keeping the transfer network wide can prove to be critical factors in the likelihood of coming up with the appropriate policy option to transfer. However, in an environment plagued by rent seeking arrangements and lack of bureaucratic autonomy, the agents shaping the policy transfer in line with their views cause an analytical bias. The Turkish case, especially in relation to Italy and in contrast to Japan will demonstrate this fact.

The third research question concerning the similarities and the differences in the policy domain and the recipient environment, and analysing the state's attempts to revive the transferred policy in an environment unnatural to the transferred policy have in fact proven to be the most important contributions of this thesis. In fact with the globalization where cross country interactions are quite common, it would be expected that experiences of other countries would be more commonly transferred into other political domains. However, policy transfer should not ignore indigenous policy practices and systems and should seek to be compatible with the indigenous traditional policies. Turkey has quite a unique stance of being a hybrid country which in fact created its own policy making traditions exclusive to itself. An adaptation of other environments' policies (and not even copying), should be expected to hardly ever work without a careful and diligent customization. This should not deter the country from following global trends, but it should be done with full commitment.

The main contribution of the thesis will be to add to the previous insights of the policy transfer model where a policy is transferred from an advanced to a developing country by voluntary or coerced mechanisms. A scan of literature reveals a dearth of analysis in the case of developing countries. This thesis will aim to put a stone in bridging this gap especially from the viewpoints of differences of policy making environments of the advanced and developing countries as well as the mechanisms to make the transferred policy work in the recipient environment such as resorting to extensive regulation making to continue the transferred policy even through artificial respiration.

The case study is developed through analysing the FTC model, which is a subsidy scheme to increase exports in Japan and then other East Asian countries. As the model has been successful in increasing exports, Turkey has decided to transfer the model. The model created its spin-off, which is the SFTC model designed towards small and



medium sized companies where the FTC model is mainly for big business groups. While the FTC model was transferred into Turkey from Japan, the SFTC model was transferred from Italy which is an example of a neoliberal state. As Turkey is a hybrid model between the East and the West and models transferred from both cases need to be cross-bred of two models. This will prove to be an interesting result in explaining the implementation of both models in Turkey.

In the thesis, we will argue that this particular policy transfer case did not come to full fruition in Turkey mainly because the underlying conditions in Turkey were quite different than the decision-making environments from where the policy was borrowed. To be more specific, vague selection criteria in extending incentives and the unstable political and economic environment in designing policies resulted in favouring the more powerful. The state, unable to guide and control the business environment and rent seeking through mechanisms such as maintaining bureaucratic autonomy, supporting corporatist arrangements, indirect checks and balances, clearly set goals, healthy public-private cooperation schemes has continuously reverted to extensive and restrictive regulation making. As a result an unclear policy making environment emerged where the designed policies exhibited a trial and error type characteristic, catered to the needs of either a certain group or solved the imminent problems of a certain period.

In retrospect, we will observe the limits to a given policy transfer case by looking at the outcomes achieved by transferring and implementing FTC models in Turkey in comparison to other countries. It will prove to be crucial to analyse the underlying circumstances and environment supporting this policy tool.

## **1.2. The Content of the Thesis**

Including this Introductory Chapter, the thesis will be elaborated in six Chapters (to be followed by a Concluding Chapter), whose content and outline are given below:

### *Chapter 2: Developmental and Pro-Free Market States*

The main argument of this Chapter is to introduce and look into the theoretical background of the developmental states theory and briefly discuss the “pro-free” markets theory for the purposes of comparison with the developmental states. Turkey stands between developmental and pro-free markets and in comparing the two theories we constantly draw links to the case of Turkey. Although Turkey has historically turned its face to the West, when studying the developmental states we will see that Turkey carries strong traces of developmental states hence the East. Therefore this Chapter will assist us in the next Chapters, by examining the hybrid nature of the Turkish case in the sense that on the one hand it is an interventionist state but on the other hand it has experimented with the neoliberal policies of the West.

### *Chapter 3: Key Concepts*

The second Chapter introduces the main concepts which we will constantly refer to in analysing the issue of policy transfer from a certain context with its historical, traditional, economic and social endowments into another one in a different climate.

Before analysing the key concepts in detailed I put forward a methodological analysis section to lay out the main focus of this research and the statement of the main research problem, together with the key research questions, reasons of the selection of the particular case study and the methodological framework.

The Chapter starts by discussing the policy transfer and the bureaucratic autonomy concepts and lays the theoretical foundations of these two main concepts. The main focus for policy transfer and bureaucratic autonomy concepts throughout the thesis will be foreign trade and exports related policies. The section will look at the boundaries of the concepts and the criticisms directed to them. Therefore we will review both subjects from various angles and mention the reasons as to why I find these concepts as important to study.

Later in this Chapter we will also study complementary concepts such as selectivity and performance requirements, market imperfection, government failure and rent seeking. These concepts are viewed as subcomponents of the thesis and are studied in relation to the main concepts which are policy transfer and bureaucratic autonomy.

#### *Chapter 4: Understanding the Policy Transfer Environment: Historical Background of Turkey*

In this Chapter I make an entry into the political and economic environment of Turkey. The target years are the 1980s and the 1990s when the FTC and the SFTC models are transferred into Turkey. However, it has proven to be quite important to analyse the

macroeconomic and foreign trade environment in Turkey to be able to delve more deeply the policy transfer circumstances. Therefore, I studied the period from the 1950s to 1980s as well. The thesis briefly touches upon the 1990s but not the 2000s, as the concepts studied and the focus of the case study does not cascade into 2000s. This Chapter especially sheds light on the bureaucratic autonomy, state business relations, rent seeking arrangements, government failure and market imperfections observed in Turkey from a general perspective. This general but descriptive analysis will prove to be useful in the next Chapter when we analyse the foreign trade atmosphere in Turkey from the perspective of the same key concepts. Step by step it will take us to the empirical study of a specific case study and allow us to analyse the conditions of a particular foreign trade incentive related policy transfer.

*Chapter 5: Foreign Trade Company Models from the State-Business Relations, Rent Seeking Arrangements and Bureaucratic Autonomy Perspectives*

With the insight developed for Turkey's stance vis a vis developmental and free market states and its general macroeconomic environment for developing and transferring policies in the previous Chapters, in Chapter 5 we make a more specific analysis of the FTC model in Japan and the SFTC model in Italy. The origins and the main pillars of these models in relation to the environment they have been initiated are studied. Then we make a brief entry into the transfer of these models to Turkey placing the emphasis into the foreign trade and export environment of Turkey in the light and critical analysis of our key concepts.

## *Chapter 6: Case Study: Transfer of the Foreign Trade Company Model into Turkey*

This Chapter starts off by the introduction of the methodology in analysing the case. We then, tackle the case in the following method: first, we analyse the legal background of Turkey in relation to foreign trade and export subsidies. Then, we examine the policy transfer by looking at the foreign trade environment, state business relations, bureaucratic autonomy and rent seeking arrangements around them. A detailed analysis of the recipient environment from the legislative and macroeconomic points of view is important to see what will happen when a foreign trade related incentive model will be transferred into Turkey. Then we turn to the policy transfer network and institutions initiating or receiving the policy transfer. The Chapter then proceeds to the analysis of the case study operationalizing the key concepts with the empirical instances. The Chapter concludes by analysing the fate and the and the future of the foreign trade company model in Turkey by looking at what has been done to remedy its shortcomings.

## **CHAPTER 2**

### **2. DEVELOPMENTAL AND PRO-FREE MARKET STATES**

In this Chapter we will discuss developmental and pro-free market models of state-economy relations to better locate the case of Turkey in relation to the host environments where the policies were transferred from. By doing so, we will better explicate the role of bureaucratic autonomy, rent seeking, selectivity in implementing state incentives; hence market imperfections and government failures and policy transfer. In doing these, we will constantly establish linkages to the Turkish case and try to determine the existence of these concepts in the Turkish case in comparison to the developmentalist states.

A structuralist development theory, with the main belief that market failure is an important feature of developing countries and government intervention is necessary to correct it, was the dominant orthodoxy in the 1950s and early 1960s. Neo-classical economists in the late 1960s and the 1970s criticized this view arguing that state intervention ends up in inefficient industries and rent seeking and that the successful experience of the East Asian countries in government intervention should not fool others as East Asian countries used an outward oriented model coupled with a strong private sector which may not be existent in many developing countries.

In this section, I would like to discuss the concept of development state vis a vis its relations with the bureaucracy, business world, and analyse the impact of neoliberalist approach on developmental states. These issues will be particularly analysed by referring to bureaucratic autonomy, selectivity and performance requirements and market imperfections and government failures in designing and transferring policy.

## **2.1. Developmental States : Basics and Conceptualization**

The state economy relations need to be analysed in relation to the wider political, economic, social and environmental transformations. In the capitalist industrialized West, the Keynesian approach is associated with an emphasis on state intervention to the markets to achieve full employment. With the breakdown of Keynesian welfarism during the 1970s, the 'New Right' started to criticize the failures of the mixed economy approach, as opposed to market-led economic growth. With the neoliberal approach to economic management, government was rhetorically recast as villain rather than saviour, and private enterprise recast as saviour rather than untrustworthy adventurer<sup>1</sup>.

Turkey had a mixed encounter with Keynesian welfarism. From the establishment of the Turkish Republic to multiparty era, the state took an active role in the economic life mostly owing to shortage of private capital and entrepreneurial skills as well as the ensuing 1929 Great Depression. The process of capital accumulation developed by means of securing contracts from the state. This resulted in a business world heavily reliant on the state and created patronage and favouritism, mainly for the big businesses.

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<sup>1</sup> Danson, M., Henrik Halkier, Greta Cameron. 2000. *Governance, Institutional Change and Regional Development*. London: Ashgate Publications

This pattern of relationships between the state and the businesses came as so far as today, however around 1990s Small and Medium Sized Enterprises also got involved in the picture.

Additionally, from 1923 to almost present times, some parts of state elite (mostly intellectual bureaucrats and the military) have been instrumental in introducing Western style reforms in government and society which played a dominant role in socioeconomic life. However, especially with the transition to a multi-party democracy in 1946, political patronage also became a way of approaching socio-economic problems. With the exception of military intervention periods, almost no effort has been made to develop coherent socioeconomic policies; instead, the political elite were very responsive to the demands of the public where they saw it as a way of securing votes. They passed decisions that looked like policies but instead they were efforts to silence voters' requests.<sup>2</sup> Religion was also an important instrument for securing political gains. As a result there was a constant tension between political and state elite (mostly military) where the latter represented secularism. In such cases democracy was interrupted for certain periods. On the other hand, transition to neo-liberalism in Turkey mostly presented itself in the 1980s and the 1990s with deregulation and privatization efforts but the state has always been dominant in the socio-economic life.

Throughout the rest of the world, neo-liberal philosophies since the late 1970s have emphasized narrowing the boundaries of the governments, deregulation and privatisation and market-led decision making. Towards the 1990s, with the advent of

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<sup>2</sup> Heper, Metin and Fuat Keyman. Double Faced State: Political Patronage and the Consolidation of Democracy in Turkey. *Middle Eastern Studies*. 1998. Vol.34. Issue.4. 259-27



such neo-liberal ideas, a shift has been observed from traditional methods of production towards thinking and producing in line with creative innovation. This is viewed as an outcome of globalization; as goods and services became globally available with similar standards, the markets and consumers started searching for the better and the 'more unique' which led to creative innovation on the part of the producers. This, in turn, is associated with greater entrepreneurialism on the part of both individuals and businesses, with the role of the state becoming to steer and regulate such initiatives<sup>3</sup>. This is known as the regulatory state. The United States was among the first to start controlling business through law-backed specialized agencies rather than through the technique of public ownership. Reliance on regulation - rather than public ownership, planning or centralized administration — characterizes the methods of the regulatory state.<sup>4</sup>

While these developments were taking place mostly in Western economies, some countries in East Asia had been following a different path. Developmental state, or hard state, is a term used to refer to the phenomenon of state-led macroeconomic planning in East Asia, mainly Japan and S. Korea) in the late twentieth century. In this model, the state has more independent, or autonomous, political power, as well as more control over the economy. A developmental state is characterized by having strong state intervention, as well as extensive planning.<sup>5</sup> These East Asian developmental states actively and regularly intervene in economic activities with the goal of improving the

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<sup>3</sup> Danson, M., Henrik Halkier, Greta Cameron. 2000. *Governance, Institutional Change and Regional Development*. London: Ashgate Publications

<sup>4</sup> Some of the early reformist zeal has been transformed in recent years, as governments had to acknowledge the limits of this approach, and the need for exploiting alternative systems of coordination<sup>4</sup>. International competitiveness remained the dominant theme, but getting the views of other stakeholders (such as business world, NGOs etc.) also became important in economic decisions.

<sup>5</sup> Leftwich, Adrian. 1994. The Developmental State. *Working Paper No. 6, University of York*.

international competitiveness of their domestic economies. They stand against the theory of pre-defined comparative advantage and try to create their own competitive advantage<sup>6</sup>.

The term has later been also used for countries outside East Asia which satisfy the criteria of a developmental state. Turkey presents similarities to developmental states in the sense that it is interventionist, however it is also a weak state in the sense that it tends to lack bureaucratic autonomy and is prone to patronage politics.

The first person to conceptualize the developmental state, Chalmers Johnson, described developmental states as the states that were late to industrialize, where the state itself led the industrialization drive, and took on developmental functions. In his view the two differing orientations toward private economic activities, (the regulatory orientation as explained above and the developmental orientation), produced two different kinds of business-government relationships and he sees Japan as a good example of a state in which the developmental orientation predominates.<sup>7</sup> In Japan, for instance, there is little government ownership of industry, but the private sector is closely guided and restricted by bureaucratic government elites. These bureaucratic government elites are not elected officials and are thus less subject to influence by either the corporate-class or working-class through the political process; a phenomenon lacking in many government offices in Turkey. The Japanese perspective is that a government ministry can have the freedom to plan the economy and look at long-term national interests without having their

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<sup>6</sup> Pempel, T.J. 1999. *The Developmental Regime in a Changing World Economy*. In *The Developmental State*. Ed. Woo-Cumings, Meredith. Cornell University Press: New York

<sup>7</sup> Johnson, Chalmers A. 1982. *MITI and the Japanese Miracle: The Growth of Industrial Policy*. California: Stanford University Press.

economic policies disrupted by the interests of either corporate-class or working-class. In summary, in Japan we do not observe state ownership but what we see is a close guidance to the business world. On the contrary, in Turkey we observe state ownership and mixed economy, but weak guidance.

In developmental states there is a strong focus on economic development, defined in terms of growth, productivity, and competitiveness. There is no commitment to equality and social welfare, which avoids conflict between these goals. The state selects a group of industries for strategic investment and heavily subsidizes them in preparation for international competition; an issue which will also be discussed under the case of Turkey as well. State intervention creates price distortions. However, the government specifies rigorous performance requirements in return for the subsidies provided. As a result price distortions do not lead to a waste of resources as in the case of many other middle income economies.

There is a strong commitment to private property and market, and state intervention is restricted by this commitment. The market, however, is guided with policy instruments such as market reports, international market access and market research programs formulated by a small group of elite economic bureaucracy. Within the bureaucracy, a pilot agency plays a key role in policy formulation and implementation. There is a close institutionalized link between the elite bureaucracy and private business and they regularly consult each other. As a result of such consultation and cooperation the policy formulation proceeds smoothly and on a consensus basis where there is a big deal of exchange of information as well. In addition to these the bureaucracy is given the necessary authority to take initiative in decisions when needed. It should also be noted that there has been a political stability in Japan for many years, unlike Turkey. In Turkey political stability started after 2002 which had an impact on the policy making.

However, bureaucratic autonomy still lacks in Turkey and sometimes bureaucracy is even more politicized.

What is relevant for the purposes of this thesis is whether the policy lessons of developmental states are transferable to other newly industrializing countries. Various studies<sup>8</sup> demonstrate that the East Asian developmental state is a result of unique historical circumstances and it is difficult to replicate them in other contexts. According to Öniş<sup>9</sup> “three key elements of the developmental state are extremely difficult to emulate: the single-minded adherence to growth and competitiveness at the expense of other objectives, the unusual degree of bureaucratic autonomy and capacity, and the equally unique and unusual degree of public-private cooperation.” Turkey has transferred FTC model from Japan. In analysing why and how Turkey’s experiment with the FTCs and most importantly the SFTCs (which is a spin-off model of FTCs) has failed, we need to look at the underlying conditions in the country in which the model originated and whether similar conditions existed in Turkey. In particular the thesis will look at the state autonomy and capacity and how this affected policy making process in FTC area. We will argue that this model mainly failed in Turkey, mainly because structure of the economic environment, bureaucratic autonomy, political conditions and state- business traditional engagement was very different in the two cases in the sense that it was very engaging and guiding in East Asia whereas it was haphazard and restrictive in Turkey.

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<sup>7</sup> Öniş, Ziya. 1991. The Logic of Developmental State. *Comparative Politics*. Vol.24.No:1

<sup>8</sup> Öniş, Ziya. 1991. The Logic of Developmental State. *Comparative Politics*. Vol.24.No:1

### 2.1.1. Historical Background

The idea of developmental state can be traced back a long way and finds expression in the works of various theorists<sup>10</sup> and attempts have been made to explain state's role in economic development. However, it was only when Chalmers Johnson published his important work<sup>11</sup> on developmental states; the concept was formally introduced into the literature. The reason as to why Johnson's work attracted so much attention was because he voiced something that was obvious to many, but was not brought to daylight before: his book "MITI and the Japanese Miracle" is not a country case study in comparative politics; rather it is an account of Japanese nationalism when Japan faced the harsh reality of a world dominated by the West and devised a system of political economy that

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<sup>10</sup> For instance Friedrich List argued that "less advanced nations needed to use the state to catch up with the advanced nations in order to prepare it for admission into the universal society of the future (*List, Friedrich. 1885/1996. The National System of Political Economy. New York: A.M. Kelly*). In the 1930s and beyond the idea and practice of a developmental state became more prominent. Gerschenkron recognized the need for a state with developmental functions (*Gerschenkron, Alexander. 1962. Economic Backwardness in Historical Perspective. Cambridge, MA: Harvard University Press*). This idea became the widely accepted among state planners and development economists in 1960s. The American political scientist Huntington also stressed the critical developmental importance of concentrating power in a bureaucratic polity (*Huntington Samuel P., 1968. Political Order in Changing Societies. New Haven, CT: Yale University Press*). According to Huntington, "if such a state wants to be successful it should undertake the political destruction of existing social, forces, interests, customs and institutions which have held back development and which continue to oppose modernization." Similarly Myrdal (*Myrdal, Gunnar. 1970. The Soft State in Underdeveloped Countries, in Paul Streeten (ed.) Unfashionable Economics. Essays in Honour of Lord Balogh. London: Weidenfeld and Nicolson*) drew the distinction between hard and soft states and in the Third World. Additionally in 1970s, theoreticians such as Nordinger (*Nordinger, Eric A., 1987. Taking the State Seriously. In M. Weiner and S.P.Huntington (eds.) Understanding Political Development. Boston, MA: Little Brown Co.*) and Trimberger (*Nordinger, Eric A., 1987. Taking the State Seriously. In M. Weiner and S.P.Huntington (eds.) Understanding Political Development. Boston, MA: Little Brown Co.*) strived to explain how autonomous and bureaucratically progressive bureaucratic states emerged in the Third World. They basically argued that a bureaucratic state apparatus achieved relative autonomy when first, those holding high civil and military office were not drawn from dominant landed commercial or industrial classes; and, second where they did not form these relations immediately with these classes after achieving power.

<sup>11</sup> Johnson, Chalmers. 1982. *MITI and the Japanese Miracle*. Stanford, CA: Stanford University Press.

was both admirable and dangerous.<sup>12</sup> So, Johnson discussed that, “Japanese state was a “hard-bitten” one; that chose economic development as the means to fight against Western imperialism and ensure national survival: for most of the twentieth century, economic development was a recipe for, overcoming depression, war preparations, war fighting, postwar reconstruction and independence from US aid.

In developmental states, nationalistic spirit has played an important role in state intervention in the economy and economic development among other reasons<sup>13</sup>. In Turkey, during the early days of the Republic, we see a strong adherence to domestic production and “balanced budget” in order not to be dependent on foreign aid. Liberal economic policies were adopted in this period. However due to missing accumulated capital and experienced entrepreneurs this strategy did not stand much chance to be successful. With the outbreak of Great Depression, etatism took over in Turkey. Turkey tried to implement an import substitution strategy for instance to cater to the needs of domestic markets by domestic production. However, the strategy failed and Turkey has not been able to “defy” Western style development and economic dominance. On the contrary, Turkey has been dominated by Western style development through organizations such as the World Bank and the IMF, received Marshall Aid, and kept close political ties with the West especially during the Cold War era. As a result, when Turkey wanted to transfer developmental state policies, it was transferring them into a Western style dominated environment.

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<sup>12</sup> Woo-Cumings, Meredith. 1999. *The Developmental State*. NJ: Cornell University Press

<sup>13</sup> Hirschmann, Albert O. 1958. *The Strategy of Economic Development*. New Haven: Yale University Press

Another result of the nationalism in East Asian states manifests itself in the single-minded commitment of the state elites in East Asia to growth, productivity, and international competitiveness. Two factors arising from specific historical circumstances deserve special emphasis. The first element involves the unusual degree of external threat faced by the East Asian states in the post-war period. The security threat was also due to weak resource base and shortage of raw materials in the East Asian economies<sup>14</sup>. Japan dedicated itself to economic development. This eventually rendered the realisation of a modernisation projects carried out by Japan. In Turkey, long term planning was introduced more formally in 1960 with the establishment of the State Planning Organization which produced 5 year development plans. Despite these plans the adherence to long term development in Turkey was interrupted regularly by political and economic turmoil and instability. However, contrary to East Asia, the focus on social welfare and income distribution remained an important item in the Turkish development agenda.

The second element was that East Asian economies in question all experienced a major redistribution of income and wealth from the outset. In the Japanese case, the impact of the war was such that all Japanese were made equally poor. In S. Korea and Taiwan the land was redistributed as a result of the land reforms. This rendered the land distribution more equal and eliminated the dominating effects of some strong social groups. Again, as a result of not having to worry about equal distribution and social welfare, the emphasis was placed on growth. In Turkey, the impact of capitalism especially after the II. World War gained speed in the Turkish villages in the 1960s and 1970s. Entry of

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<sup>14</sup> As much as the threat to Japan from the USA was rather far away, the threat to Taiwan from China was very close by and imminent. As a result of the security threat faced by the East Asian states helped to reinforce the nationalistic vision and the commitment to the long-term transformation of the economy in these states and social welfare and income distribution did not become a priority area and the focus was placed on economic growth (Öniş, Ziya. 1991. The Logic of Developmental State. *Comparative Politics*. Vol.24.No:1).

capitalism in the villages turned production for self-consumption into production for sales in the markets. This led to modernization of agricultural production and an increase in the village-urban relationships. Villagers migrated to cities and became low skilled labour. This transition occurred at different paces in different parts of Turkey<sup>15</sup>. Whatever the transition rate may be, one main consequence of such transition was more social inequalities and state intervention in markets to subsidize agricultural production unlike Japan. Therefore, Japan was able to focus on growth having solved distribution related problems, such problems continued to be a big agenda item for Turkey's development path in the ensuing years.

In studying the developmental states, it would be inadequate to place the unique emphasis on nationalism. There are also other characteristics attributed to the success of East Asian states. The governments in the East Asian states are observed to extract capital, generate and implement national economic plans, manipulate private access to scarce resources, coordinate the efforts of individual businesses, target specific industrial projects, resist political pressures from popular forces such as consumers and organized labour, insulate their domestic economies from extensive foreign capital penetration, and carry through a sustained project of constantly improving productivity, technological sophistication and increased world market shares better than many other developing countries<sup>16</sup>. Such a performance differentiated the East Asian states from the rest of the developing countries leading to continued success.

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<sup>15</sup> Akşit, Bahattin. 1999. *Cumhuriyet Döneminde Türkiye Köylerindeki Dönüşümler: 75 yolda Köylerden Şehirlere, Bilonço*. '98 Kitaplar Dizisi, Tarih Vakfı Yayınları, İstanbul, 1999.

<sup>16</sup> Pempel, T.J. 1999. *The Developmental Regime in a Changing World Economy*.in Woo-Cumings, Meredith (ed.).*The Developmental State*.



**Table 1: Summary: Reasons and Types for State Intervention in Japan and in Turkey**

<b>Japan</b>	<b>Turkey</b>
Strong nationalism to avoid Western influence	Traces of nationalism but state intervention unable to defy Western influence
Strong commitment to long term growth, productivity and international competitiveness due to external security threat and enabled by absence of redistribution related crises	Regular planning did not start until 1960. Productivity and international competitiveness did not take precedence and was interrupted by economic and political crises. Redistribution continued with a peak in the 1970s.
Extraction of capital through various domestic resources and manipulate private access to scarce economic resources and coordinate efforts of individual businesses	Scarce domestic resources were not directed into productive means of production, individual businesses were supported through unsustainable subsidy extension
Target specific industrial projects	Industrialization started late and did not follow international leads
Resist political pressures (from politics, businesses, labour)	Autonomy was not maintained. Politics, businesses and organized labour played a major role in resource distribution and decision making
Avoid extensive foreign penetration	Unable to avoid foreign resource penetration

In comparing the East Asian case with the Turkish case the above points will prove useful. In explaining developmental states in Turkey, we do not see nationalism and the existence of political stability as a major theme. Turkey is a hybrid model between the liberal West and the developmental East. It represents similarities with regard to state intervention but also is similar to West in adopting regulatory state policies. The next sections will analyse the main pillars of developmental and neoliberal states.

### **2.1.2. Industrial and Trade Policy and Big Business In Developmental States**

Strategic industrial policy forms a central component of the developmental state model. Wade<sup>17</sup> explains through the lens of governed market theory, the East Asian industrialization forming an alternative to the neoclassical "free market" theory. The governed market theory is an attempt to specify Johnson's model of the developmental state. The crux of the governed market theory can be exemplified by looking at the East Asian States: the superior economic performance of East Asian economies is mainly the consequence of very high levels of investment, more investment in certain key industries than would have occurred in the absence of government intervention, and exposure of many industries to international competition in foreign markets. At a more fundamental level the government "guides" or "governs" the process of resource allocation so as to produce a different production and investment profile than would result under a free market system<sup>18</sup>.

Amsden's<sup>19</sup> account of S. Korea provides a good explanation of a developmental state's industrial policy:

S. Korea may be characterized as a prototype case of a guided market economy in which market rationality has been constrained by the priorities of industrialization. ... the state has heavily subsidized and directed a selected

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<sup>17</sup> Wade, Robert.1990. *Governing the Marker: Economic Theory and rhe Role of Government in East Asian Industrialization*. Princeton: Princeton University Press.

<sup>18</sup> Öniş, Ziya. 1991.The Logic of Developmental State. *Comparative Politics*. Vol.24.No:1

<sup>19</sup> Amsden, Alice H. 1989. *Asia's Next Giant: South Korea and Lure industrialisation*, New York : Oxford University Press.

group of industries and subsequently exposed them to international competition. What is interesting, however, is that the industries apart from the priority sectors experienced policy intervention only intermittently, while the remaining industries have been exposed unaided to the rigors of market competition. Hence a high degree of selectivity has been the centrepiece of industrial policy. The state has retained sufficient instruments of control so that, whatever happened in the rest of the economy, sufficient investment would be forthcoming in the strategic sectors. Furthermore, the state has provided a stable and predictable environment within which the corporations could undertake long-term risks.

In striking contrast to neoclassical development theory, a high degree of government intervention has occurred which distorted relative prices to achieve desired levels of investment in the strategic sectors.

As mentioned above and as seen in the example of South Korea, the state had a close relationship and guidance over the private sector. Such guidance has several forms: the East Asian states have introduced industrial licensing policies through which the number of firms that are allowed to enter a specific industry were limited. This resulted both in competition in a given industry for the market shares and also in concentration. With such concentration the aim was to successfully compete in international markets<sup>20</sup>. A natural result of industrial licensing and concentration would be monopoly. In order to avoid monopoly power the states have introduced strict regulations, such as price controls and regular check on capital accounts. In addition to this, fiscal policies have also supported the interventionist policies. For instance in S. Korea<sup>21</sup>, expenditures from the budget have been directed to long-term investment, the state has also invested

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<sup>20</sup>Öniş, Ziya. 1991. The Logic of Developmental State. *Comparative Politics*. Vol.24.No:1.

<sup>21</sup> Amsden, Alice H. 1989. *Asia's Next Giant: South Korea and Lure industrialisation*, New York : Oxford University Press

heavily in education and human capital formation. The state has assumed no responsibilities outside the domains of production and capital accumulation, neglecting social welfare policies. In Turkey, when the state got involved in production and investment together with social welfare concerns, the outcome of production and investment became less profitable. Moreover, the state saw its business lines (comprised under the State Economic Enterprises) as its deep pockets of election investments. As a result, such SEEs did not become profitable production and investment centres but means of unsustainable employment creation and election financing centres.

In addition to these, the developmental states have protected the infant industries in their countries with a well-integrated export promotion strategy. It is widely acknowledged that the export success of East Asian countries was helped with undervalued currencies until the Plaza Accord of 1985<sup>22</sup>. The exchange rate policy is important in the short run, however in the long run it should be complemented by enough new industries so that the new low cost competitor countries would not compromise the country's foreign exchange earning capability. In addition, the East Asian states provided incentives for the exporting companies. These were in the form of subsidised loans for exporters, tariff rebates on exports or generous wastage allowances (so that they can sell wastes in domestic markets at a premium).

However, such infant industry subsidies should be used wisely not to cause favouring of certain groups over the others and towards developmental goals. They should also be withdrawn in time when the need ends. Continued export success needs successful infant industry programs which can sustain the continued upgrading of export industries

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<sup>22</sup> Chang, Ha Joon. 2006. The East Asian Development Experience: The Miracle, The Crisis and the Future. New York

as well as other state interventions in areas of exchange rate management, trade credit provision, marketing information service and product quality control<sup>23</sup>. In Turkey FTC model was one of the export promotion models which later on also subsidized small and medium sized enterprises. The model has been transferred from East Asia and has been adapted to Turkish settings. The model has not resulted in generating the same success as it did in East Asia, which will also be discussed in this thesis, mainly because Turkey was unable to follow consistent state intervention policies, could not maintain bureaucratic autonomy and has been vulnerable to economic crises wearing down most of its resources. The next section mainly looks at the importance of political arrangements and political stability in developmental states.

### **2.1.3. Political Arrangements and Stability: Bureaucracy and Authoritarianism**

In order to understand the government's bureaucratic autonomy and authoritarianism we need to look at the state's stance vis a vis the interest groups. Such a system of economic, political or social organization involves association of people of society into corporate groups on the basis of common interests. When we look at such corporatist arrangements on the political level, it is possible to see two extremes: on the one hand we can observe the authoritarian/exclusionary corporatism which involves close relation and cooperation between the business and state where labour and other groups are repressed (as in S. Korea and Taiwan); on the other hand we can observe the societal/democratic corporatism where there is cooperation between the state elites, the business and the labour (Japan). Western style pluralistic democracy is different from these cases where small business groups also have access to the state. Corporatism has

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<sup>23</sup> Chang, Ha Joon. 2006. *The East Asian Development Experience: The Miracle, The Crisis and the Future*. New York

been seen as an agent to limit bureaucratic autonomy. Mostly in the Western countries, corporatist arrangements were questioned for causing constraints on bureaucratic decision making. They have also been blamed for their contribution to the growth of public expenditures. Nevertheless, these arguments did not hold ground for too long since, despite the fact that the corporatist arrangements may be seen to circumscribe the administration's autonomy, interest group involvement also benefits bureaucratic actors by providing information, predictability and political support on the side of the politics<sup>24</sup>. In Turkey, corporatist arrangements have developed rather slowly and have been closely associated by political interest.

As much as the state supported and subsidized industries for growth, it also exercised strict controls over the industry. As a result, where in many other developing countries subsidies resulted in rent seeking, in East Asian developmental states the subsidies' such counterproductive affects were more controlled. This is also related to the particular bureaucracy prevalent in the East Asian developmental states and levels of authoritarianism observed.

As Chalmers Johnson puts clearly, "Who governs in Japan is Japan's elite state bureaucracy."<sup>25</sup> We see a peculiar structure in East Asian developmental states. For instance if we go with Johnson's example, which is observed in other East Asian developmental states as well,

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<sup>24</sup> Egeberg, Morten. Causes of Bureaucratic Autonomy: The Impact of Organizational and Cultural Factors. *Arena Working Papers*, WP98/15

<sup>25</sup> Johnson, Chalmers. 1995. Japan, who governs?: The Rise of the Developmental State. New York: WW Norton and Company.

...Bureaucracy is recruited from the top ranks of the best law schools in the country; appointment is made on the basis of legally binding national examinations—the prime minister can appoint only about twenty ministers and agency chiefs—and is unaffected by election results. The bureaucracy drafts virtually all laws, ordinances, orders, regulations, and licenses that govern society. It also has extensive extra-legal powers of “administrative guidance” and is comparatively unrestrained in any way, both in theory and in practice, by the judicial system. To find a comparable official elite in the United States, one would have to turn to those who staffed the E—Ring of the Pentagon or the Central Intelligence Agency at the height of the Cold War.

This explains how bureaucratic autonomy was acquired and how it was directed to developmental goals in East Asian developmental states. As mentioned above, the best talent available in the country was being selected to work in the public service. The recruitment was extremely meritocratic. As a result the talent selected to the ranks of the bureaucratic elite, which was quite small in number, ensured a high sense of capability, unity and common values. In Turkey, we do not see such unity around common values. Although some ranks of the bureaucracy were selected on meritocracy bases, still the cadres in bureaucracy were inflated towards the election times and especially the middle and lower ranks of the bureaucracy tended to have been employed around political concerns rather than meritocracy.

All bureaucratic systems are challenged with a tension between autonomy and accountability. Autonomy from both interest groups and other groups in a society is a must, but is hardly achieved in any state. There should be a solid system of checks and balances to keep the state autonomous. In developmental systems some degree of (it is questionable whether transparency was adequate or not) checks and balances are

observed to keep the bureaucracy autonomous<sup>26</sup>: First, the size of the bureaucratic system is kept very small. This both avoids the lack of control and also renders the members of a bureaucracy part of an elite group.

The second mechanism was to give certain powers to selected agencies, such as the MITI (Ministry of Economy, Trade and Industry) in Japan and EPB (Economic Planning Board) in S. Korea. It is however, a delicate balance as to how much power to give to a certain agency, in order not to make it too powerful over the other agencies and in the overall strategy of a country. In Japan the problem was solved to confine MITI's powers to a selected few strategic sectors. Hence the pattern of MITI's involvement in the economy became in line with state policy of subsidizing and protecting certain selected sectors and finding the balance in bureaucracy, autonomy and effectiveness.

The third mechanism involved the division of labor within the state; bureaucracy, political executives and military. The division of labor between the political executives and the bureaucracy is particularly important. As Johnson puts it, "politicians reign, while bureaucrats rule". Politicians can keep certain interest claimants away from the bureaucracy to have them operate in more autonomy. This is crucial for the operation of the system as it allows the bureaucrats the freedom of action. As a result interest groups do not work to deflect the bureaucrat's attention from developmental priorities. It also serves to promote freedom of action on the side of the bureaucrats as well as the misuse of their power. The commitment by the military elites to developmental goals in order to protect national existence and independence has been a key factor in deploying bureaucratic power. The military in Turkey clashed with polity in most of the time. This

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<sup>26</sup> Öniş, Ziya. 1991. The Logic of Developmental State. *Comparative Politics*. Vol.24.No:1



resulted not only in several coup d'états but also in a topsy turvy relation between the politicians and the military.

**Table 2: Means of Maintaining Bureaucratic Autonomy**

<b><i>Corporatist Arrangements</i></b>
Authoritarian/Exclusionary: Inclusion of business in state relations, exclusion of labor and interest groups (S. Korea, Taiwan)
Societal/Democratic: Inclusion of businesses, labor, interest groups in relations with the state (Japan)
Western Style/Pluralistic: Inclusion of businesses, labor, interest groups including small businesses in relations with the state
Hybrid (Turkey): Selective inclusion of businesses, labor, interest groups in relations with the state in line with political interests
<b><i>Exercise of Controls over the Industry</i></b>
Subsidies leading to development of productive sectors
Subsidies leading to rent seeking
<b><i>Maintaining the Autonomy of Bureaucracy</i></b>
<b>Putting in place hard and soft regulations to insulate bureaucracy:</b>
Keeping the size of bureaucracy small but efficient, give certain powers to selected agencies through controlling abuse, maintaining strong division and borders between bureaucracy, politics and military
<b>Placing limits to keeping bureaucracy open to external influence:</b>
Having a large bureaucracy base and recruitment through non meritocratic but political concerns, unable to distribute institutional powers efficiently, entangled interest relations and over-empowerment of either the bureaucracy, politics or military opens bureaucracy to external influences and should be avoided.

#### **2.1.4. Financial Aspects of the Developmental States**

The financial capacity of any state determines its capability to undertake any type of decision. Theda Skocpol puts this as: “The answers to (questions about the financial capacity of a state) taken together, provide the best possible general insight into the direct or indirect leverage a state is likely to have for realizing any sort of goal it may pursue. A state’s means of raising and deploying financial resources tell us more than could any other single factor about its existing (and immediately potential) capacities to create or strengthen state organizations, to employ personnel, to co-opt political support, to subsidize economic enterprises and to fund social programs.”<sup>27</sup>

The East Asian countries have imposed heavy tariffs and domestic taxes on the import of luxury products, especially in the earlier stages of their development. This helped to create a sense that there is a national community, which contributed to the political stability in East Asian countries. However, having ensured that investible surplus is not wasted in luxury spending, the governments still needed to ensure that the investors have spent their money in productive areas. So, it became important for the state to play the disciplinarian and guiding role. The success of East Asian states in using the discipline tool lies in the fact that they have vast influence in big corporations over their control of bank credits and other financial resources. In addition to these the state chose the strategic sectors for investment very pragmatically and watched the companies’ success through the export performances and the state followed domestic and international developments quite closely through mandatory reporting provided by state

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<sup>27</sup> Skocpol, Theda. Peter Evans and Dietrich Rueschmeyer. 1985. *Bringing the State Back In*. Cambridge: Cambridge University Press.

supported enterprises. As a result, the states were closely monitoring financial positions of the companies in the country and closely leading them to areas where they thought were profitable.

In the next section, we will compare the developmental state policies with the pro-free market model. Turkey remains in the middle of these two models as a strong state traditionally trying to implement Western style policies.

## **2.2. Pro Free Market States: Main Pillars of Free Markets Policy**

As briefly explained above, with the breakdown of Keynesian welfarism during the 1970s, the 'New Right' started to criticize the failures of the mixed economy approach, as opposed to market-led economic growth. Free market philosophies since the late 1970s have emphasized narrowing the boundaries of the governments, primacy of the market, privatisation of state enterprises, maximised competition through the liberalisation and deregulation of the economy in order to promote “free trade and market-led decision making.

Free market policies are commonly regarded as a set of economic practises premised on the rolling back of Keynesian economics and the welfare state. In the 1970s, policies and practises that eventually came to be collectively regarded as neoliberalism started making headway in the United States and Britain. Its rise was accelerated by the election of Ronald Reagan in the 1981 Presidential Elections and Margaret Thatcher as Prime Minister of Britain in 1979. Their respective economic policies were heavily influenced by the ideas of the Chicago School of Economics, notably those of Friedrich Von Hayek

and Milton Friedman. It was also during Reagan's administration and Thatcher's cabinet that the so-called Washington Consensus of 1989 came about<sup>28</sup>.

According to the free market theory, the state has neither the management capability to run the economy nor any legitimate authority to do so. On the contrary, far from benefiting society, state planning, state ownership of industries, state-initiated social programmes and state regulation of wages and economic policy should be avoided because they inevitably undermine entrepreneurial activity, diminish individual freedoms and lead to the inefficient use of resources. In summary, the best government is considered to be the least government.<sup>29</sup>

Neoliberalism seeks to transfer control of the economy from public to the private sector. John Williamson's "Washington Consensus"<sup>30</sup>, which is a list of policy proposals, summarizes the core of what can be labelled as neoliberalism.

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<sup>28</sup> Liow, Eugene Dili. 2011. *The Neoliberal-Developmental State: Singapore as Case Study*. <http://crs.sagepub.com/>

<sup>29</sup> Rojas, Robinson. <http://www.rrojasdatabank.info/neolibstate/>. Accessed on 24.01.2012

<sup>30</sup> Williamson, John. 1990. *What Washington Means by Policy Reform* in John Williamson, (ed) *Latin American Adjustment: How Much Has Happened?* Washington, DC: Institute for International Economics Briefly its main principles are: (1) Fiscal discipline: Constant deficits will lead to higher inflation and lower productivity, and should be avoided. Deficits should only be used for occasional stabilization purposes. (2) Reordering public expenditure priorities: This suggested switching expenditure in a pro-growth from things like non-merit subsidies to basic health and education and infrastructure. (3) Tax reform: The aim was to broaden the tax base and to adopt moderate marginal tax rates to encourage innovation and efficiency. (4) Interest rates that are market determined (5) Floating exchange rates. (6) Liberalization of imports, with particular emphasis on elimination of quantitative restrictions. (7) Liberalization of the Foreign Direct Investment (8) Privatization of state enterprises (9) Deregulation: Abolition of regulations that block market entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds, and prudent oversight of financial institutions.

However, in most cases, the practical outcome of the neoliberal agenda over the past 20 years has not been to diminish the state's institutional power or expenditures. Instead, it has redirected it elsewhere.

Moreover, instead of minimising state bureaucracy, neoliberal policies have in effect reorganised it. The privatisation of state industries, for instance, has cut down the direct involvement of the state in the production and distribution of many goods and services; but the process has been accompanied by new state regulations, subsidies and institutions aimed at introducing a favourable working environment for the businesses. Additionally, the state may have pulled out of directly managing state enterprises but, it is still existent in managing businesses through taxation policy, interest rate policy, subsidization policy and the like. As a result, neoliberalism has been another version of state intervention through more subtle means. In this thesis we will not go more into the details of the pillars of neoliberalism, however we will discuss what happens to developmental states as they start to use the tools of neoliberalism. This might give us an idea about the story of neoliberalism in Turkey during the post 1980 era.

### **2.2.1. Neoliberalism's Impacts on Developmental States**

Although the neoliberal state and the developmental state appear opposed to each other in theory, the two state regimes have main similarities in their beliefs. First, both regimes believe that expansion of the market economy is good for society. The developmental state intervenes with the market (mostly through selective industrial strategies) to guide economic growth whereas the neoliberal state gives incentives to individuals and firms to take part in the market. Second, both developmental and

neoliberal states believe that the market economy is self-regulating through competition. Competition is believed to eliminate unruly players from the markets. Whether by providing market players financial incentives such as tax relief and other forms of subsidies as in the neoliberal states or by imposing administrative guidance on domestic firms while restricting foreign access to the national market as in the developmental states, both regimes discourage the tight regulation of businesses that would otherwise reduce risks to customers and employees<sup>31</sup>.

While neoliberalism in the West emerged to manage the financial risks associated with the welfare state in the face of declining state income since the 1970s, the rise of neoliberalism in the developmental states came in response to foreign pressure to remove unnecessary regulation and administrative guidance to increase efficiencies of the market mechanism since 1980s<sup>32, 33</sup>. In Turkey there was a mixed interplay of two regimes. While the governments intervened in the markets through various incentive mechanisms under different strategies (import substituting industrialization or export oriented development for instance) there was also a deliberate switch to neoliberalism in 1980s where constant state intervention continued.

For instance we can look at the case of Japan as a developmental state to draw lessons for the Turkish case. A lengthy economic slowdown was observed in Europe and the United States whereas Japanese economy enjoyed a large current surplus in trade. As a

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<sup>31</sup> Shibata, Kuniko. 2008. Neoliberalism, risk, and spatial governance in the developmental state: Japanese planning in the global economy. *Critical Planning*. Vol: 15. 92-118

<sup>32</sup> Stiglitz, Joseph E. 2002. *Globalization and its discontents*. London: Allen Lane.

<sup>33</sup> Harvey, David. 2005. *A brief history of neoliberalism*. Oxford ; New York: Oxford University Press.

result, the U.S. started to believe that Japan's trade protectionism and low domestic demand were the main causes of trade imbalances between the two nations<sup>34</sup>. As a result Japan was forced to take some measures towards deregulation<sup>35</sup> and these changes in the market environment and the pressure to increase domestic demand led the Japanese government to ease financial regulations. Both the United States and Europe urged Japan to increase its domestic demand and reduce its exports to them. In order to tackle this problem, leading economies intervened in world financial markets and demanded that Japan must take decisive action in terms of market liberalization and deregulation, and, the G-5 nations (France, West Germany, Japan, the United States and the United Kingdom) devalued the U.S. Dollar against the Deutsche Mark and the Yen. This resulted in reducing the role of Japanese banks, who had predominantly supplied cash for industries up until then. The United States further asked Japan to implement deregulation measures. Under intense pressure from the United States, the Japanese government published the Maekawa Report, which concluded that Japan had to implement "structural changes" in order to increase domestic demand and rely less on the export income<sup>36,37</sup>.

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<sup>34</sup> Johnson, Chalmers. 1987. How to think about economic competition from Japan. *Journal of Japanese Studies* .Vol: 13.Issue:2. 415-427

<sup>36</sup> Ishi, Hiromitsu. 2000. Making fiscal policy in Japan : economic effects and institutional settings. Oxford: Oxford University Press.

<sup>37</sup> The set of public-private policies undertaken are often regarded as the equivalent to the smaller government, deregulation, privatization, and public-private partnership policies initiated under the Thatcher or Reagan regimes. For instance neoliberal planning selectively deregulated land-use controls and gave vast incentives to developers, the government expanded social welfare budgets and implemented more public works projects to stimulate investment against a slowdown in the economy, in addition to traditional public works such as road construction, the government promoted leisure and tourism-oriented development and spent vast resources towards these areas.



In addition, in time, “the East Asian archetypes have themselves been transformed by the rise of consumerism, the gradual democratisation of their polities, the end of the Cold War, and the economic and geopolitical consequences of the conversion of the Chinese communist elite to capitalism.”<sup>38</sup> Despite the transition, the state business relations and the bureaucratic autonomy has not indeed gone through an intense change.<sup>39</sup> In Turkey, there has not been such a clear definition of where the state business relations should sit unlike East Asia where the state and capital worked towards a common set developmental goal. As a result, the state business relations seemed to take an arbitrary stance. When the big business supported government’s views they were also supported by the government, but when they clashed the governments tightened its support to the private business.

Transition of Japan from being a developmental state to using the tools of neoliberal state reveals the differences in between two approaches. The developmental state possesses few regulations to protect its citizens from risks in the market economy. Instead, it has excessive government interventions to protect the domestic market from

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<sup>38</sup> Radice, Hugo. 2008. The New Developmental State Under Global Neoliberalism. *Third World Quarterly*. Vol.29. Issue: 6. 1153-1174

<sup>39</sup> Moreover, neoliberalism became more and more questioned with the financial crises taking place all around the world leading to a loss of faith in neoliberalism. An asset bubble in Japanese economy emerged as a consequence of the government’s rather uncontrolled budget expansion, macro-economic mismanagement and private speculative investment in the late 1980s. Shibata, Kuniko. 2008. Neoliberalism, risk, and spatial governance in the developmental state: Japanese planning in the global economy. *Critical Planning*. 15 . pp.92-118) The government provided lavish cheap loans and incentives from government which overheated speculation. The subsequent economic depression caused by the overinvestment lasted for more than a decade and exposed the limitations of Japan’s state-protected financial market, as well as a lack of “a checks and balances system for corporate behaviours from outsiders” (Suzuki, Takaaki. 2006. *Global finance, democracy, and the state in Japan*. In *Institutional and technological change in Japan’s economy: past and present*. New York: Routledge.)

foreign competition. While neo-liberalism helped some successful firms of the developmental state to become more globally competitive, the same ideology further undermined the already loose regulations of the developmental state<sup>40</sup>. Although their economies are mature, Japan and other developmental states have not followed the same path of legalization as the liberal West. Japan has discouraged the expansion of legally binding rules<sup>41</sup>. The state elites wanted to keep the rules and authority in their hands; as a result the deregulation in the transition to neoliberalism phase resulted in a loosely legalized environment. The adverse results of neoliberal reforms in Japan reflects its immaturity of the rule of law the country had a weak regulatory framework, the absence of a checks and balances system towards the market, and a lack of legal protections against market failures.

Turkey has been one of the countries which become a testing ground for neo-liberal principles in the early 1980s. Key international institutions like the IMF, the World Bank, and the OECD have been collectively involved in Turkey's neo-liberal restructuring process. The major component of the neoliberal policies in Turkey was the export oriented growth carried out by able major business groups. Some big businesses unable to adjust to this transition were the losers of the time as well as the etatist minded organizations such as the State Planning Organization. The first part of the transition was better than the second phase. The 1980s represented a recovery process of the crises of 1970s, whereas the 1990s represented a series of another phase of crises. Following neoliberal recipes, Turkey had opened up its capital account in 1989 without a proper regulatory framework and macroeconomic stability. However, similar to Japan, state

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<sup>40</sup> Shibata, Kuniko. 2008. Neoliberalism, risk, and spatial governance in the developmental state: Japanese planning in the global economy. *Critical Planning*. Vol:15 .

<sup>41</sup> Hirowatari, Scigo. 2000. Post-war Japan and the law: mapping discourses of legalization and modernization. *Social Science Japan Journal*. Vol:3 Issue:2.155-169

interventions and heavy government involvement on policy making continued despite efforts of transition to neoliberalism.

Turkey can be seen as a hybrid user of both neoliberal and developmental state models. In trying to understand the FTC model as it was transferred to and implemented in Turkey, we will use Japan as an example to developmental states and Italy as an example to neoliberal states and Turkey as a hybrid country of the two. The table below summarizes the general characteristics of three models.

**Table 3: A Comparison of Developmental States Model, Neo-Liberalism towards a Hybrid Model**

<b>Developmental Model</b>		<b>Neoliberal Model</b>	<b>Hybrid Model</b>
Expansion of the market through state intervention		Expansion of the market through free markets	Expansion of market through selective/occasional state intervention and free markets
Fostering competition through eliminating unruly players by administrative guidance		Fostering competition through eliminating unruly players through imposing indirect measures	Using selective measures to foster competition through direct and indirect measures
State planning and selection of national and international competitive industries		State guidance instead of intervention and regulatory state	State intervention and regulatory state working together
State ownership of industries		Private ownership	State ownership and efforts of privatization
State regulation of wages and economic activity		Free market determination of wages and economic activity	State determination of wages in the state enterprises and selective state involvement in economic activity

In the next Chapters, we will investigate the possibility of the replicability of the developmental state model as implemented in East Asia by looking at why and how the transfer of the East Asian model to Turkey played out, by placing emphasis on the tension between the developmental state model within neoliberal era. In particular, we will look at the example of Turkey and try to discuss Turkey's place between developmentalism and neoliberalism and how policy transfer worked under such conditions.

### **2.3. Conclusion**

This Chapter has served as an introductory Chapter to the concept of developmental states as observed in East Asia. Developmental state can be seen as the response of East Asia to the world dominated by the West. Despite the attempts of retracting the boundaries of the state in the West, East Asia continued to implement what it sees to be the guiding interventionism in business matters. From a historical point of view, the developmental state relies on strong commitment to growth, productivity and international competitiveness. The other state responsibilities such as distribution of wealth in an egalitarian way has been an issue of secondary nature as the distribution of income was more or less resolved after the Second World War. The state in the developmental states act in unison with the private business. This is the most peculiar characteristic of the developmental states. The strategic guidelines of the state are prepared by the state in a business like mind, finding acceptance from all lines of the business. The state is interventionist, diligent and guiding yet ruthless in supporting the businesses. International competition and growth are the main goals and only the ones eligible for this goal are supported. In order to do this bureaucratic autonomy is retained by rendering bureaucracy competent and powerful in decision making. Such a strong

minded adherence to developmental goals and dissemination of these commitments all throughout bring accomplishment.

On the other hand studying neoliberal views and their impacts on the East Asian developmental states will be useful in studying the case of Turkey. Turkey remains as a hybrid country between the East and the West in the sense that it envied and tried to imitate the policies on the Eastern style developmentalism on one side and on the other side it had turned its face to the West by becoming a candidate the European Union, establishing close trade and political relations with the European Union and especially the United States. Although intrinsically interventionist, Turkey carries out neoliberal policies by having turned its face to the West and by implementing policies prescribed by Western dominated international organizations. As a result, the transfer of developmental state policies in such a hybrid natured country will prove to be interesting which will be studied in the next sections.

## **CHAPTER 3**

### **3. THE ANALYTICAL FRAMEWORK**

In this Chapter, we will discuss main concepts such as the policy transfer, bureaucratic autonomy, selectivity, market imperfection, government failure and rent seeking to indicate how these factors play a key role in shaping the policy transfer in a different setting. These concepts will prove to be useful in understanding the developmental states in comparison to Turkey.

#### **3.1. An Introduction to the Key Concepts and the Reasons for Selecting them for Analysis of the Case Study**

##### **3.1.1. Statement of the Research Focus**

This thesis studies the policy transfer model from an environment which bears differences to the recipient environment. The study is woven around the developmental states model: a model which intervenes in the markets and has a strong state tradition. However, besides these, there are other factors rendering the developmental states unique and also rendering their policies quite unique. The selected key concepts to comprehend this complex structure have been bureaucratic autonomy, selectivity, market imperfection, government failure and rent seeking. These concepts have been

instrumental in tackling the policy transfer challenge and understanding the routes for successful adaptation.

Before introducing the key concepts in detail, I would like to mention why I selected each of them for study and analysis. In doing this, we will first briefly look at what these concepts aim to explain, as well as at their strengths or weaknesses and what aspects of these concepts can be useful for our study. The key emphasis will be placed on policy transfer and bureaucratic autonomy.

**Policy transfer** can be considered as “a form of adaptive policy making by which policies, programmes and ideas emanating from other political environments and/or systems are transferred into a new setting”.<sup>42</sup> There has been a proliferation in the studies on policy transfer and similar other terms came to forefront in this area such as policy convergence, lesson drawing and policy diffusion. Several reasons can be cited for the increase in policy transfer cases. For instance with the advent of globalization no country can any longer insulate itself from global economic developments. Additionally, increase in communication facilitated by new and faster means, presence of international organizations also made the use and transfer of policies initiated at different environments easier. More and more, policy makers have started looking into other

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<sup>42</sup> Dolowitz David P and David Marsh. 2000. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy Making. *Governance: An International Journal of Policy and Administration*. Vol: 13, No:1. 5-23



political systems for knowledge and ideas about institutions, programs and policies to understand how they would work in other jurisdictions.<sup>43</sup>

Pioneers in this field such as, Dolowitz and Marsh<sup>44</sup>, Dolowitz<sup>45</sup>, Bennett<sup>46,47</sup> and Rose<sup>48,49</sup> focus around the “questions” (such as who does the transfer, what are the stages of policy transfer, what is being transferred, is the transfer a voluntary or a coerced one...etc) to analyse the process of policy transfer. In the literature of policy transfer, the clashing views on the explanatory power of the policy transfer process as a whole are voiced by several academics. The methods suggested by Dolowitz and Marsh are found to be overly simplistic saying that they try to summate various concepts under the name of “explanatory power”. However, despite the fact that policy transfer can be viewed as another form of a policy making process, the way it is carried out is important in distinguishing itself from the traditional means of policy making processes. The theoretical arguments evolving around policy transfer have been applied to empirical

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<sup>43</sup> Dolowitz David P. and David Marsh. 2000. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy Making. *Governance: An International Journal of Policy and Administration*. Vol: 13, No:1. 5-23

<sup>44</sup> Dolowitz, David P. and David Marsh. 1996. Who Learns What from Whom? A Review of the Policy Transfer Literature.” *Political Studies*. Vol. 44. Issue: 2. 343-357

<sup>45</sup> Dolowitz, David P. 1998. Learning from America: Policy Transfer and the Development of the British Welfare State. Sussex: Sussex Academic Press.

<sup>46</sup> Bennett, Colin J. 1991. How States Utilize Foreign Evidence. *Journal of Public Policy*. Vol: 33 Issue 4. 31-54

<sup>47</sup> Bennett, Colin J. 1991. What Is Policy Convergence and What Causes It? *British Journal of Political Science* Vol: 21. 215-233

<sup>48</sup> Rose, Richard. 1991. What Is Lesson-Drawing? *Journal of Public Policy* Vol:11 Issue: 1. 1-22

<sup>49</sup> Rose, Richard. 1993. *Lesson-Drawing in Public Policy*. Chatham, NJ: Chatham House.

venues (such as utilities, education, crime, environment, urban planning etc.<sup>50</sup>) with the outcome of “expansive diffusion” of policy transfer separating it from its original state-centric view. Rose<sup>51</sup> for instance, takes a more normative approach and sees policy transfer as a means of stimulating policy innovation.

In the policy transfer, the concept of “bureaucratic autonomy” has a descriptive role especially on the process of the transfer. **Bureaucratic autonomy** is the extent that officials, in their actual behaviour, are constrained by the interests and actions of other actors, such as the political leadership, interest groups, news media, and international organizations as well as the factors that expand their room to manoeuvre.

In the next sections, we will first look at the concept of “bureaucracy” from a perspective of group theories studied by Olson and Mancur<sup>52</sup>, Bentley<sup>53</sup>, Lindblom<sup>54</sup>, Smith<sup>55</sup> and Almond<sup>56</sup>. The evolution of the “bureaucracy” as a group will enable us to understand why the bureaucracy may act in self-interest maximization and involve in rent seeking arrangements. Then, we will proceed to explain the concept of autonomy

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<sup>50</sup> James, Oliver and Martin Lodge. 2003. The Limitations of “Policy Transfer” and “Lesson Drawing” for Public Policy Research. *Political Studies Review*. Vol:1

<sup>51</sup> Rose, Richard 2005. *Learning from Comparative Public Policy: A Practical Guide*. London: Routledge

<sup>52</sup> Olson, Mancur. 1993. The Logic of Collective Action. in *Pressure Groups*. (ed) Jeremy J. Richardson. New York: Oxford University Press

<sup>53</sup> Bentley, Arthur Fisher. 1908. *The Process of Government*. Massachusetts: Cambridge Press.

<sup>54</sup> Lindblom, Charles E. 1965. *The Intelligence of Democracy*. Free Press: New York

<sup>55</sup> Smith, Brian C. 1988. *Bureaucracy and Political Power*. Sussex: Wheatsheaf Books Ltd.

<sup>56</sup> Almond, Gabriel A. and Coleman James S. 1960. *The Politics of Developing Areas*. Princeton: Princeton University Press.

from the legal, organizational, managerial and economic perspectives. This will enable us to observe the limits of the concepts and how we can use the concept to explain a certain case at hand. Finally we will combine the two and explain the “bureaucratic autonomy” and show that the bureaucratic autonomy does not lead to an unresponsive bureaucracy. Here we will introduce the debate of “hollowing out of state” and see that in fact the bureaucratic autonomy is not a tool for running away from all regulations and controls.

In the case study, we will discuss the bureaucratic autonomy observed in East Asia (especially in Japan), which has enabled the bureaucracy implement a successful exports incentive program and show that this particular exports incentive program is not similar to the one transferred to and implemented in Turkey. We will show that the bureaucratic autonomy has been crucial in shaping selectivity in choosing companies for granting subsidies. The concept of bureaucratic autonomy is emphasized in this thesis especially because of comparative purposes. We will look at the bureaucratic autonomy through the lens of (strong) developmental states, of which Japan is an example, in comparison to Turkey as much as it plays a role in the policy transfer discussed in this thesis.

The main supposition of the strong developmental state is that the bureaucratic elites are relatively autonomous in the sense that they may choose or have the capacity for imposing measures that may not correspond to immediate interests of a particular segment of a society<sup>57</sup>. In the idealized notion of the developmental states, “there is a high degree of centralization of the state and a significant degree of unity in the

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<sup>57</sup> Öniş, Ziya. Redemocratization and Economic Liberalization of Turkey: Limits of the State Autonomy. *Studies in Comparative International Development*. Summer 1992. Vol:27 Issue 2. 3-23

background, outlook and ideology of the state elites”<sup>58</sup>. This enables a productive dialogue with the interest groups. The highly centralized developmental states with despotic powers do not have the infrastructural and constructive powers that enable them gather approval for their policies and mobilize sources for long term investment. Therefore the autonomy of the developmental state is derived from being able to work in cooperation with autonomous centres of power<sup>59</sup>. Its autonomy is “embedded in the concrete set of social ties that bind state and society and provide institutional channels for the continuous negotiation and renegotiation of goals and policies.”<sup>60</sup> In comparison of the bureaucratic autonomy in Japan and Turkey, particular emphasis will be given to these social ties. In Turkey, we observe discrepancies in engaging in democratic corporatism. Therefore our hypothesis is that the state autonomy as defined in the case of a developmentalist state (Japan) is necessary for successful economic transformation and advancement.

After studying these key concepts, we will study complementary concepts that will supplement the key concepts. A related complementary concept that needs to be studied under bureaucratic autonomy is **state intervention** which may end up in **government failure and rent seeking** due to **market imperfections**. Since in this thesis, we will study a particular form of export incentive (FTC model and the SFTC model), state intervention also becomes a related area of concern and further analysis. Also related to this is the complementary concept of **government failure** which occurs when a government intervention causes a more inefficient allocation of goods and resources

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<sup>58</sup> Öniş, Ziya. Redemocratization and Economic Liberalization of Turkey: Limits of the State Autonomy. *Studies in Comparative International Development*. Summer 1992. Vol:27. Issue:2

<sup>59</sup> Hall, John A. and G. John Ikenberry. 1989. *The State*. Minneapolis: The University of Minnesota Press.

<sup>60</sup> Evans, Peter. 1989. Predatory, developmental and other apparatuses: A comparative analysis of the third world state. *Sociological Forum* 4,4

than would occur without that intervention, which may lead to rent seeking arrangements. Another complementary concept, **rent seeking**, is an attempt to obtain economic rent by manipulating the social or political environment under state intervention in which economic activities occur.

Other important complementary concepts such as **selectivity and performance requirements** in extending subsidies define the success of an incentive program and for this reason are important benchmarks for comparison between Turkey's and Japan's export incentive programs. Selectivity and performance requirements are defined by being selective in granting subsidies and following the performance requirements after the subsidies are utilized, especially given that subsidies are given under market imperfection. We will compare and contrast Turkey and Japan on the selectivity criteria and performance requirements requested from the export companies for getting export incentives extended by the state. When doing this we will assume **market imperfection**, which is a market where information is not quickly disclosed to all participants in it and where the matching of buyers and sellers isn't immediate, thus rendering the results of state intervention suboptimal.

In the following sections, we will analyse the above key concepts in more detail and lay out the foundations for their applicability and instrumentality in analysing the case study.

The case study is selected as the FTC model transferred to Turkey from Japan. Therefore main benchmarks for the comparative study will be selected from Turkey and Japan. A spin off of the FTC model was developed later on and was initiated in Italy and was also adopted in Turkey under the name of SFTC model. However this second model

bears many similarities with the first model, therefore will be analysed under the main concepts of the first model. Still, a brief comparison between Turkey and Italy will also be given for the analytical purposes in understanding the second model.

### **3.1.2. Main Arguments**

In order to draw a better comprehensive framework we will operationalize the following arguments. These arguments will provide a framework to investigate a policy transfer case in Turkey, and its subcomponents en route for a (potentially) successful policy transfer.

**Argument 1:** Taking into consideration the policy making environment of the 1980s, the policy transfer has been seen in Turkey as a fast way of policy making. However, in fact as much as it is a diverse way of policy making, it has its own peculiarities which need to be well understood and may not lead to immediate success.

**Argument 2:** The question of “who transfers” and the role of played by these agents (institutions) in the policy transfer process has important implications on the outcomes of the process. Transfer must be a conscious process to reach the desired outcomes. In the case study the involvement of various actors in the policy transfer process will be studied.

**Argument 3:** The outcomes of the policy transfer may change with respect to the transferability of the underlying conditions. The policy may be *copied* from one

environment to another or may be *adapted* to one environment from another environment. The first case is particularly difficult to sustain, whereas the adaptation of the underlying conditions to the recipient environment may increase the success potential of the transfer in the second case, although does not guarantee immediate success. In the case study, a particular case of an **adaptation** has been studied where success still did not permeate.

### 3.1.3. Key Questions

In studying the research problem and the main arguments stated above, the answers to several questions will be implicitly and explicitly sought throughout the thesis especially in the case study. These questions will form the empirical focus of the case study:

1. Why has this particular policy been selected for transfer? Has the policy been studied before the transfer or was it a random selection? Has there been any coercion from any actors/parties on the selection of the process?
2. Who were the main actors in this policy transfer? How has their impact played into the transfer process? What was the role of the end recipient in the selection of the transferred policy? Have they been informed about the transfer and have their views been asked?
3. How did the legislative interventions and the general macro-economic environment (initial conditions) affect the transfer process? Can the state intervention be less detrimental to the other industries than expected? What role did bureaucratic autonomy (from the politicians, other interest groups etc.) have in the transfer and the outcome of the policy? Has the relationship between any

of these have an impact on the formation of rent seeking arrangements and selection criteria sought by the policy makers?

The main arguments and the research questions developed around them have a particular importance in determining the research methodology and selecting and analysing the case study. These questions will find their answers in the case study.

#### **3.1.4. The Selection of the Case Study**

The case study has been selected from a period where policy transfer arguments in literature had been intensified. In the 1980s, Turkey was going through an era of opening up to the world and wanted to remove all barriers in front of the exports hindering its development. In doing so, various bold yet uncalculated moves have been taken causing the policies become unsustainable in the long term. The FTC model has been transferred from Japan, where it originated and was redesigned in the 1990s to suit to the needs of the small and medium sized enterprises (SMEs) emulating the model which was being implemented in Italy. The discussions in the literature as to whether the policy transfer can be a self-standing theory or in fact a mere tool or an analogical model having explanatory power in policy making process, finds its reflections clearly in the case study studied in this thesis.



### 3.1.5. Methodological Framework

The investigation of the policy transfer is a multi-dimensional and a comprehensive research topic. It includes (1) literature review on the policy transfer in relation to multivariate concepts such as bureaucratic autonomy, rent-seeking, state intervention, selectivity, government failure and market imperfection, (2) analysis of legal and macro-economic background and (3) the analysis of a case study through a combination of these factors and interview methods.

- **Literature Survey:** The method of analysis in this thesis is a literature survey on the policy transfer process and other key concepts related to it such as the bureaucratic autonomy, state intervention, government failure, market imperfection, rent seeking and selectivity. The literature on the policy transfer process will be analysed in an effort to understand how powerful a tool can policy transfer be as a standalone model or if not an explanatory model or a tool. In order to do these, the literature on the policy transfer process as well as the views of the critiques will be studied. The complementary concepts on the policy transfer have been selected in particular relation to the selected empirical case. In other words, there could have been other complementary concepts to study the “policy transfer”, but only above particular ones have been selected, as I see them as material concepts to analyse the case study at hand. In turn, the literature on these complementary concepts will also be analysed.

The theory will be utilized to explicate the particular phenomena observed in the Turkish and Japanese cases and later on in the Italian case. As stated earlier, the Italian case is seen as a spin-off of the FTC model. Therefore the main analytical study will be

on the FTC model whereas Italian model will be analysed in its diversions from the main model.

- **Analysis of the Legal Framework:** Since the transferred policy is a foreign trade incentive policy, we will look at the legal developments in the foreign trade era starting the 1980s to present time, and study the evolution in their content as Turkey moves on in the implementation of free trade policies. As Turkey opens up to abroad, its foreign trade policies adopt the language and the methods of the foreign trade policies of other countries, which is also an implicit but an important means of policy transfer. The foreign trade incentives related legislation has been analysed starting 1980s to date which comprised of analysing circa 3000 legislations to find out the incentive related ones.

- **Data Collection Methods**

- The data used in the case study Chapter is collected from the resources of the state institutions mainly the Ministry of Economy (formerly Undersecretariat for Foreign Trade).
- Interviews have been carried out with 11 bureaucrats at the Ministry of Science, Technology and Industry, Ministry of Development, Ministry of Economy and KOSGEB, both working and retired. The bureaucrats have been selected with respect to their exposure throughout their career to incentives provided by the state and especially to the export incentives. The interviews with the bureaucrats evolved around pre-structured questions

although were not limited to those questions. The interviews with the bureaucrats have been instrumental in understanding the policy transfer case of this thesis but also especially in understanding the bureaucratic autonomy and their relations with the politicians and other interest groups.

- The interviews were held with 10 managerial staff of the SFTCs, who were the recipients of the policy in question. The interviews with the managers of the SFTCs have evolved around their comments and complaints about the model. This style enabled them to speak freely and mention the problems they saw with the system more open heartedly. They also revealed avenues of rent seeking which is one of the key concepts of this thesis.

Both the bureaucrats and the managers of the SFTCs preferred to remain anonymous citing their civil servant status or their relations with the state. I have contacted various think tanks however due to the period of this analysis they have chosen not to participate. The interview details and interview questions and answers can be found in the Appendix A.

## **3.2. Analysis of the Key Concepts**

### **3.2.1. Policy Transfer**

Policy making indeed has a lot to do with lesson learning. Two of the main lessons that can be learned in policy making are that foreign political systems are laboratories for

other countries and that work observed in such laboratories can be used in the policy maker's own country. This process is known as the policy transfer: "the knowledge about policies, administrative arrangements, institutions etc. in one time and/or place is used in the development of policies, administrative arrangements, and institutions in another time and/or place"<sup>61</sup>. (Later on Dolowitz and Marsh replace "in one time" with "in one political system to another" which broadens the definition even further). It is also the process by which the policies and/or practices of one political system are fed into and utilized in the policy making arena of another political system."<sup>62</sup> This definition looks all encompassing. In fact there is literature, for instance by Oliver, Lodge and Bennett, criticizing this definition by "subsuming concepts about the alteration of domestic policy by external influences and convergence of policy on different environments"<sup>63,64</sup>. The criticisms collected under the work of Berry, DiMaggio and Walter and Hall, mostly refer to past work carried out on cases where lesson drawing has been studied under different titles such as the diffusion literature<sup>65</sup>, sociological organization literature<sup>66</sup> and the social learning literature<sup>67</sup>. Therefore the

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<sup>61</sup> Dolowitz, David P. and David Marsh. 1996. Who Learns What from Whom? A Review of the Policy Transfer Literature." *Political Studies*. Vol. 44. Issue: 2. 343-357

<sup>62</sup> Dolowitz, David P. 2003. *A Policy Maker's Guide to Policy Transfer*. Oxford and NY : Blackwell

<sup>63</sup> James, Oliver and Martin Lodge. 2003. The Limitations of "Policy Transfer" and "Lesson Drawing" for Public Policy Research. *Political Studies Review*. Vol:1

<sup>64</sup> Bennett, Colin J. 1997. Understanding Ripple Effects: the Cross-National Adoption of Policy Instruments for Bureaucratic Accountability, *Governance*. Vol: 10 Issue: 3.213-233

<sup>65</sup> Berry, Frances S. and William D. Berry, 1999. Innovation and Diffusion Models in Policy Research. In *Theories of the Policy Process*. Ed. Paul A. Sabatier. Boulder CO: Westview.

<sup>66</sup> DiMaggio, Paul J. and Walter W. Powell. 1991 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organisational Fields', In *The New Institutionalism in Organisational Analysis*. Eds. Walter W. Powell and Paul J. DiMaggio. Chicago IL: University of Chicago Press.

<sup>67</sup> Hall, Peter A. 1993. Policy Paradigms, Social Learning and the State – the Case of Economic Policymaking. *Comparative Politics*. Vol: 25 Issue: 3. 275-296

need to study policy transfer under a different and separate heading seems to be a futile and redundant effort. For instance of these, entire Martin and Lodge state that social learning literature resembles the learning aspects of the policy transfer, which is also acknowledged by Dolowitz and Marsh. There are numerous variants of social learning which focus on different levels of learning. However, when we frame the components and the study material of the policy transfer we see that there is sufficient scope for separate classification, even if it is not enough for a study of a separate and individual theory, as will be discussed below.

In the past two decades there has been a growing body of literature and analyses by Adler and Haas, Rose, Coleman, Giandomenico on what can be termed as lesson learning<sup>68</sup> which closely relates to lesson drawing<sup>69</sup>, policy convergence<sup>70</sup>, policy diffusion<sup>71</sup>. These initial studies were not so much concerned about the content of the policies being transferred, but were mostly on the timing, geographic propinquity and resource similarities of the policy transfer.<sup>72</sup> Moreover, they were mostly state centric analyses, which did not take into account the role of the other possible actors to be involved in the transfer (See the Table below for a brief comparison). Towards the 1990s, the weaknesses of this approach was observed both in the account of including

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<sup>68</sup> Adler, Emanuel, and Peter Haas. 1992. Knowledge, Power, and International Policy Coordination. *International Organization*. Vol:46. Issue: 1

<sup>69</sup> Rose, Richard. 1991. What is Lesson Drawing? *Journal of Public Policy*. Vol:11. Issue: 1. 1-22

<sup>70</sup> Coleman, William D. 1994 Policy Convergence in Banking: A Comparative Study. *Political Studies*. Vol:42, Issue: 2. 274-292

<sup>71</sup> Majone, Giandomenico. 1991. Cross-national Sources of Regulatory Policy Making in Europe and the United States. *Journal of Public Policy*. Vol:11. Issue:1. 79-106

<sup>72</sup> Dolowitz, David P. and David Marsh. 1996. Who Learns What from Whom? A Review of the Policy Transfer Literature." *Political Studies*. Vol. 44. Issue:2. 343-357

policy content not just the process itself into the problem, and also the presence of other actors in the process. These led to the emergence of the policy transfer analyses.

**Table 4: Differences between Policy Convergence, Lesson Drawing and Policy Diffusion**

<b>Policy Convergence</b>	<b>Lesson Drawing</b>	<b>Policy Diffusion</b>
<b>Definition:</b> Refers to policy change occurring independently of other countries. Countries with similar policy problems could address them in similar ways. <sup>73</sup>	<b>Definition:</b> Political actors or decision makers in one country draw lessons from one or more other countries which they then apply to their own political system <sup>74</sup> .	<b>Definition:</b> The process by which an innovation is communicated through certain channels over time among members of a social system <sup>75</sup> .
<b>Means of convergence:</b> Emulation, policy networks with international connections, harmonisation and penetration.	<b>Means of lesson drawing:</b> Voluntary transfer; free choices of political and other actors.	<b>Means of diffusion:</b> Contagion or spread rather than through selection
<b>What is the subject of policy convergence:</b> Policy goals, content, instruments, outcome and style.	<b>What is the subject of lesson drawing:</b> Lessons from the policies of other environments which may or may not lead to policy change (negative lesson drawing)	<b>What is the subject of policy diffusion:</b> Policy process and conditions. Lack of interest in policy content.
<b>Who benefits from convergence:</b> National states although agencies are not dismissed.	<b>Who benefits from lesson drawing:</b> Agencies within the states	<b>Who benefits from policy diffusion:</b> States and sometimes agencies.

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<sup>73</sup> Bennett, Colin. 1991. How States Utilize Foreign Evidence? *Journal of Public Policy*. Vol: 11.Issue:4. 31-54

<sup>74</sup> Dolowitz, David P. and David Marsh. 1996. Who Learns What from Whom? A Review of the Policy Transfer Literature." *Political Studies*. Vol. 44. Issue:2. 343-357

<sup>75</sup> Berry, Frances S. and William D. Berry, 1999. Innovation and Diffusion Models in Policy Research. In *Theories of the Policy Process*. Ed. Paul A. Sabatier. Boulder CO: Westview.

In literature, James and Lodge debated whether policy transfer can be a theory or be separated from conventional methods of policy making<sup>76</sup>. If we define theory as a systematically related set of statements including law-like generalizations, that are empirically testable<sup>77</sup>, then policy transfer does not necessarily constitute a theory. It is more of a model that has explanatory power and constitutes an important tool in policy making. However to be able to better comprehend the boundaries and limits of the policy transfer, we attempt to scope its explanatory power. Then the question becomes, what policy transfer can explain and what remains out of its scope. Some scholars agree with this approach and in my opinion, it is useful in understanding what to and what not to expect from the policy transfer. Here, we will draw the model regarding the boundaries of the policy transfer.

#### **3.2.1.1.        Spatiality/Context of Transfer:**

For the policy transfer to survive as a model it needs to sustain its presence in multi-level and multi-disciplinary perspectives. Therefore, it is necessary to see the sustainability of the policy transfer model, as long as it recognizes the importance of global, international, transnational and domestic structures and it facilitates policy development<sup>78</sup>. Evans and Davies further suggest that, the great majority of remarkable policy transfers will occur between distinct organizations at the international and

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<sup>76</sup> James, Oliver and Martin Lodge. 2003. The Limitations of “Policy Transfer” and “Lesson Drawing” for Public Policy Research. *Political Studies Review*. Vol:1

<sup>77</sup> Rudner, Richard S. 1966. *Philosophy of social science*. Englewood Cliffs, NJ: Prentice-Hall.

<sup>78</sup> Evans, Mark and Jonathan Davies. 1999. Understanding Policy Transfer: A Multi-Level, Multi Disciplinary Perspective. *Public Administration*. Vol. 77, No:2. 361-385



transnational level. As suggested by other scholars, the globalization leads to changes not only in the economic area but also in the fields of culture<sup>79</sup>, political integration<sup>80</sup>, geopolitics<sup>81</sup>, technology<sup>82</sup>, knowledge<sup>83</sup>, governance<sup>84</sup> and public management<sup>85</sup>. This makes policy transfer a more comprehensive model when we take the changes at these levels into account as well.

We can define the levels for policy transfer as transnational, international, national, regional and local. The international level of transfer may happen between any of these levels. We should also note that inter-organizational and intra-organizational levels of transfer are excluded from this model based on the assumption that a policy maker or an individual moving within the same agency or from one agency to another applies his past knowledge to his new work area. This person should not be said to have transferred policy. Therefore intra-organizational and inter-organizational levels can be excluded of the policy transfer model to have a meaningful boundary for the policy transfer process. In my opinion, such a micro level of analysis would also be quite difficult to study in the analysis of policy transfer as well. Inter-organizational and intra-organizational levels of

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<sup>79</sup> Smith, Anthony D. 1990. Towards a Global Culture? *Theory, Culture and Society*. Volume 7.Issue: 2-3. 171-191

<sup>80</sup> Camilleri, Joseph A. and Jim Falk. 1992. *The End of Sovereignty*. Aldershot: Edwards Elgar

<sup>81</sup> Rosenau James N. and Ernst Otto Czempiel.1992. *Governance without Government: Order and Change in the World Politics*. Cambridge: Cambridge University Press

<sup>82</sup> Dosi, Giovanni, Keith Pavitt and Luc Soete. 1990. *The Economics of Technical Change and International Trade*. New York: New York University Press.

<sup>83</sup> Strange, Susan 1988.*States and Markets*. London: Francis Pinter Press

<sup>84</sup> Rhodes, Rod A.W. 1997. *Understanding Governance: Policy Networks, Reflexivity and Accountability*. Milton Keynes: Open University Press

<sup>85</sup> Dunleavy, Patrick. 1994. The Globalization of Public Services Production: Can Government be Best in the World? *Public Policy and Administration*. Vol:9, Issue: 2. 36-64

policy transfer can be explained through organizational analysis and management studies, whereas the international level of policy transfer can make use of a tool like the policy transfer model.<sup>86</sup> Therefore in our analysis we of the case study will leave the inter-organizational and intra-organizational levels of transfer out of the scope.

### **3.2.1.2. Agents of the Transfer: Who Transfers?**

The main actors in the policy transfer are elected officials, political parties, bureaucrats/civil servants, interest/pressure groups, policy entrepreneurs and experts, transnational corporations, think tanks, supra national governmental and nongovernmental institutions and consultants<sup>87</sup>. To be able to draw a boundary around policy transfer, the intentionality of the agents in the policy transfer should be limited. There is a need to have awareness that the policy transfer is taking place and it should have a policy outcome. Thus, this highlights the causality character of the policy transfer model. As Mossberger and Wolman suggest, which I also agree with, the policy ideas may diffuse through professional organizations, broader networks of specialists, the efforts of policy entrepreneurs, the media as well as an active search on the part of the policy makers<sup>88</sup>. For the policy transfer to take place there should be an active and conscious effort to analyse the concept matter for transfer. This also leads us to understand the role of the agents taking part in the transfer. Consequently their role in

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<sup>86</sup> Evans, Mark and Jonathan Davies. 1999. Understanding Policy Transfer: A Multi-Level, Multi Disciplinary Perspective. *Public Administration*. Vol. 77, No:2. 361-385

<sup>87</sup> Dolowitz David P and David Marsh. 2000. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy Making. *Governance: An International Journal of Policy and Administration*. Vol: 13, No:1:5-24. 5-23

<sup>88</sup> Mossberger, Karen and Harold Wolman. 2003. Policy Transfer as aForm of Prospective Policy Evaluation: Challenges and Recommendations. *Public Administration Review*. Vol.63.Issue: 4. 428-440

the policy transfer becomes an important input in the nature and the outcome of the specific policy transfer and enables us to identify the policy transfer process. To delineate the boundaries of policy transfer, it is important to highlight here that in policy learning or lesson drawing, we do not observe such intentionality.

As intentionality is a necessary element of policy transfer, we still cannot assume full rationality in policy transfer all the time in terms of a complete evaluation of all possible policy options. I think that, in policy transfer the agents are faced with limited searches for templates that may seem to be more successful, more appropriate, more attractive or more reasonable within the institutional environment they are bound with. Therefore, there is a big importance of political structures and the linkages between the administration and the industry for explaining the use of certain policy options rather than the others<sup>89</sup>. Any policy domain is surrounded with various policy environments, offering them numerous policy options to adopt. This allows for selective processes of “isomorphism” suggesting that regulatory regimes are becoming similar to the regimes they are surrounded with<sup>90</sup>.

Which policy options are regarded as more appropriate and hence are more suitable for transfer than others depend on the linkage of the policy environment (policy networks) to another policy domain through institutions<sup>91</sup>. The factor on which such relations

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<sup>89</sup> Peter A. 1986. *Governing the Economy*. Cambridge, UK: Polity Press.

<sup>90</sup> DiMaggio, Paul J., and Walter W. Powell. 1991. Introduction. In Walter W. Powell and Paul J. DiMaggio (eds.), *The New Institutionalism in Organizational Analysis*. Chicago: Chicago University Press.

<sup>91</sup> Lodge, Martin. 2003. Institutional Choice and Policy Transfer: Reforming British and German Railway Regulation. *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 16, No. 2. 159-178

depend on may generally be labelled as *coercive pressures*, the organization and the relations of the politics and the administration, and the impact of societal actors and interest groups. The term ‘institution’ is used in this study as the most significant domestic structure that comprises those components of a polity or society, consisting of regularized and comparatively stable interactions<sup>92</sup>, including systems of rules, both formal and informal<sup>93</sup>. The facilitating formal institutions provide the policy makers with resources and will power to bring institutional change. Green, Caporaso and Risse refer to lack of such institutions or the existence of “multiple veto points” among the institutions to be identified as major factors impeding structural adaptation<sup>94</sup>. In Turkey, the existence of multiple institutions responsible from the same or similar policy areas impeded adaptation as well. The implementation of the transferred policy was managed by several institutions with clashing views. Therefore the transferred policy could not be understood by the policy recipient since the policy network was not integrated. These factors will be detailed in the study of the policy transfer between Turkey-Japan and Italy in the case study Chapter.

### **3.2.1.3. Subject of Transfer: What is transferred?**

In principle, almost anything can be transferred; from institutions themselves to even ideas or phrases. To be able to draw a methodical boundary around the policy transfer

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<sup>92</sup> Risse, Thomas. Maria Green Cowles and James Caporaso .2001. Europeanization and Domestic Structural Change in Transforming Europe. In *Transforming Europe*. Cornell University Press: New York

<sup>93</sup> March, James and Johan Olsen. 1989. *Rediscovering institutions: The organisational basis of politics*, New York: Free Press.

<sup>94</sup> Risse, Thomas. Maria Green Cowles and James Caporaso .2001. Europeanization and Domestic Structural Change. In *Transforming Europe*. Cornell University Press: New York

model in line with Dolowitz and Marsh, we propose the categories of transfer such as: policy goals, policy content, policy instruments, policy programs, institutions, ideologies and ideas and negative lessons<sup>95</sup>. As much as the policy and program are related but separate concepts and hence may be transferred severally, the sub components of the policy i.e., policy goals, content, instruments can also be transferred severally. Therefore for analytical clarity it is necessary to draw the boundary around the subcomponents rather than the aggregated concept. As we will show in the Turkish case, a specific program for boosting exports was transferred from Japan and Italy.

#### **3.2.1.4. Types of Transfer: How to Transfer?**

The policy transfer process should be a conscious process for the purposes of an analytical study. The agent can choose which component of the policy to transfer as well as how to transfer the selected component. This may be a full copy of the policy with all its subcomponents and programs, emulation of the policy which refers to following the ideas lying behind a certain policy, combination of several policies and inspiration where policy in a jurisdiction may inspire another policy change<sup>96,97</sup>. It is very important to stress here that the agents involved in the policy transfer case have a bearing in which one of these methods to adopt. The politicians usually prefer to demonstrate impacts to their constituency or fix a problem within their term and therefore prefer faster

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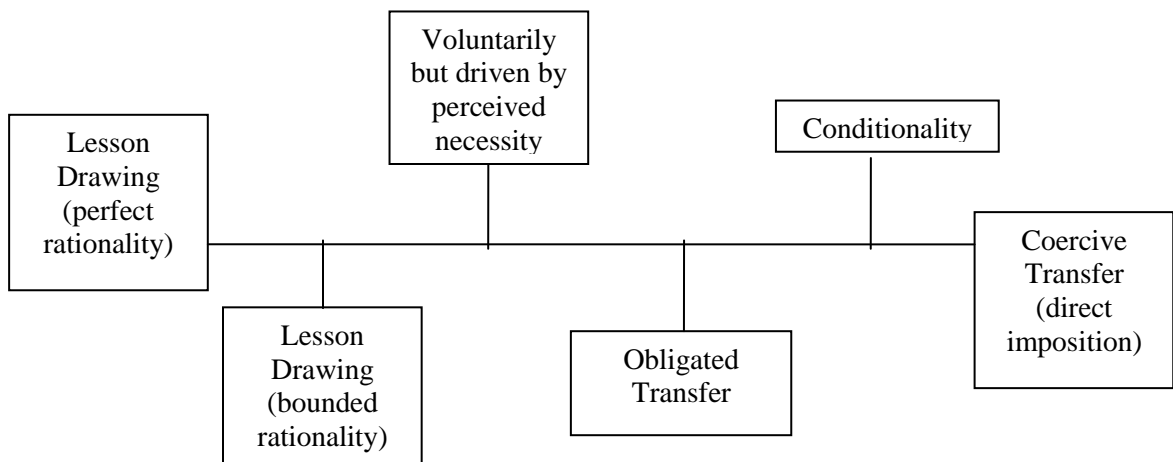
<sup>95</sup> Dolowitz David P and David Marsh. 2000. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy Making. *Governance: An International Journal of Policy and Administration*. Vol: 13, No:1 5-23

<sup>96</sup> Dolowitz David P and David Marsh. 2000. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy Making. *Governance: An International Journal of Policy and Administration*. Vol: 13, No:1. 5-23

<sup>97</sup> Rose, Richard. 1993. *Lesson Drawing in Public Policy*. Chatham, NJ: Chatham House

solutions. In contrast, the bureaucrats prefer slow and methodical study and use of various policy options. This issue will be particularly important in understanding the Turkish case in the case study Chapter as the transfer of the FTC model was initiated by the politicians and the SFTC model was initiated by the bureaucrats.

In trying to understand the nature of the transfer, we will briefly look at the difference between the **voluntary** and the **coercive** transfer, helping us to understand the reason behind the transfer: **Why** a policy is transferred? Here I would like to refer to the schematic continuum referred to as a “heuristic device” of Dolowitz and Marsh<sup>98</sup>.



**Figure 1: Policy Continuum**

Source: Dolowitz and Marsh (2000).

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<sup>98</sup> Dolowitz David P and David Marsh. 2000. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy Making. *Governance: An International Journal of Policy and Administration*. Vol: 13, No:1. 5-23

This figure is a good source in conceptualizing policy transfer as lying on a continuum where on the one end there is a lesson drawing which happens voluntarily and coercive transfer on the other end which is an imposition of programs, policies, agreements etc. James and Lodge<sup>99</sup> assert that this continuum is overly simplistic and collapsing different subjects or components of policy making. They argue that we have rationality on one side of the continuum which is a concept discussed in the administrative theory and voluntary action vs. coercion on the other which are concepts discussed under the heading of political power. Therefore merging them in one continuum causes a collapsing of the dimensions of difference and instead researchers should make use of the institutional theory or the network theory, both of which offer a more complete analysis and explanation of lesson learning or lesson drawing. However, policy transfer is a more proactive approach than lesson learning. Therefore the literature to be used for lesson learning and lesson drawing differ from the literature of policy transfer. In my view, Dolowitz and Marsh's model is still a useful tool in explaining degrees in policy transfer and James and Lodge are referring to this tool a role beyond its intention. Indeed, this is merely a heuristic model which can be used for cognitive purposes to map relations in a policy transfer. We suggest that the policy transfer is a model not a theory therefore this explanatory continuum can be used as a map to improve the understanding on policy transfer.

If a country does a policy transfer under coercion the transfer process and its results will be less thought through and its impacts for the wider community will be neglected. Although there may be international pressures for the adaptation of particular policies in

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<sup>99</sup> James, Oliver and Martin Lodge. 2003. The Limitations of "Policy Transfer" and "Lesson Drawing" for Public Policy Research. *Political Studies Review*. Vol:1

the coerced or obligation based transfers, rationality is not necessarily missing in it. Domestic actors may have autonomy in reconciling the nature of the obligation and the policies to be transferred and their subjective judgements affect the outputs of policy transfer.<sup>100</sup>

If the policy is transferred by “coincidence” the system will not hold it to a thorough examination leading to a political and operational failure. As nations join larger international institutions, coerced policy transfer becomes inevitable. In the voluntary policy transfer the country selects the policies suitable to domestic interests. Although such policies may also fail they are better studied through and adopted to domestic conditions.

Some international organizations, for instance the EU, has become increasingly aware of difficulties faced in coerced policy transfer and adopted the voluntary approach by allowing the transferring actors to learn the EU based policies over time. During the transition to neoliberalism Turkey has experimented with various neoliberal policies, and the country had not matured enough to adopt some of such policies. For instance, Turkey opened up its capital account too prematurely without implementing a tight regulation of the financial system. In contrast to Turkey, India and China, this transition was much more gradual and selective.<sup>101</sup> Transfer of export oriented models represents the same level of immaturity. In Turkey, the transfer of the FTC model has been carried

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<sup>100</sup> Unalan Dilek. An Analytical Framework for Policy Transfer in the EU Context. *Policy and Politics*.Vol.37.Issue:3. 439-452

<sup>101</sup> Öniş, Ziya and Fikret Senses. 2007. Global Dynamics, Domestic Coalitions and a Reactive State: Major Policy Shifts in Post-War Turkish Economic Development. In *Global Dynamics, Domestic Coalitions and a Reactive State: Major Policy Shifts in Post-War Turkish Economic Development*



out without proper level of prior study and analysis. As a result the FTC model in Turkey has not been successful.

Policy transfer is influenced by the advent of globalization. Rosenau and Michael refer to globalisation as “establishing new economic, political and social circumstances that change state powers and the context in which the state operates”<sup>102,103</sup>. As a result of increased international competition, countries can learn from their competitor states. Some countries, emulating successful countries in international competitiveness, use the policies of those countries to boost their competitiveness. Cerny sees them as a way to lead to the cases of policy transfer if the successful policies of those countries are transferred to another country<sup>104</sup>.

These said, going back to the continuum and referring to the analytical thinking suggested by Dolowitz and Marsh, when we assume that perfect rationality and coercion cases are rather unique policy transfer cases occur somewhere in the middle of the continuum. What effects the type of transfer will also include motivations behind the transfer. The type of transfer will depend on shifting motivations resulting in the policy transfer being voluntary, rational or coercive. The continuum very broadly displays that fact. Moreover, the continuum also gives clues on the importance of the agents of the transfer.

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<sup>102</sup> Rosenau, James N. 1990. *Turbulence in World Politics: A Theory of Change and Continuity*. Princeton, NJ: Princeton University Press.

<sup>103</sup> Mann, Michael. 1997 *Has Globalization Ended the Rise and Rise of the Nation-State*, Review of International Political Economy, Vol: 4 Issue: 3

<sup>104</sup> Cerny, Philip G. 1997. Paradoxes of the Competition State: the Dynamics of Political Globalization. *Government and Opposition*, Volume: 32. Issue: 2. 251-274

**Table 5: Policy Transfer Framework**

<i>The Continuum: Why is the Policy Transferred?</i>		<i>Agents of the Transfer: Who Transfers?</i>	<i>Subject of Transfer: What is Transferred?</i>	<i>Types of Transfer: How to Transfer?</i>	<i>Possible Reasons for Policy Failure</i>
<i>Voluntary:</i>	Perfect Rationality	Elected Officials	Policy Goals	Copying	Uniqueness of policies
		Political Parties	Policy Content	Emulation	Ideological and cultural incompatibilities
<i>Mixture:</i>	Bounded Rationality	Bureaucrats/ civil servants	Policy Instruments	Inspiration	Implementation problems
		Interest / Pressure groups	Policy Programs		Institutional adjustment issues
<i>Coercive:</i>	Direct Imposition	Policy Entrepreneurs / Experts	Institutions		Adaptation problems
		Transnational Corporations	Ideologies/Ideas		Uninformed transfer
		Think tanks	Negative lessons		Incomplete Transfer
		Supra National Governmental and Nongovernmental Institutions			Inappropriate Transfer
		Consultants			

The table takes and reshuffles variables selectively from the work of Dolowitz and Marsh (2000).

### 3.2.1.5. Understanding Policy Transfer Failure and Success

Policy transfers do not always result in the expected success despite having been carefully studied or analysed before the transfer. I think it is wise to define policy transfer success as the transferred policy achieving the aim it was intended for. In the Turkish case, the aim set by the government when transferring the FTC model was increasing exports. The underlying assumption was that a policy and its subcomponent program were successful in another country so it would also be successful in Turkey. However, it is more complicated than this assumption suggests.

In this thesis we will analyse the reasons for failure of the transfer process. Referring to Dolowitz and Marsh's model<sup>105</sup>, Turkey may not have fully analysed the policy in the country in which that policy had originated (uninformed transfer). Much related to the first one, the necessary components of the policy, making it successful in the originating country (Japan or Italy) may not have been transferred (uninformed transfer). Additionally, the general macro-economic environment between the host countries (Japan and Italy) and Turkey may have been different (inappropriate transfer). Moreover, if Turkish policy makers were somehow forced or asked to transfer a specific policy by political will or other forces, they would be unwilling to implement it. Page labels this last issue as the "exporter jurisdiction"<sup>106</sup>. Similarly Rose suggests that, the

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<sup>105</sup> Dolowitz David P and David Marsh. 2000. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy Making. *Governance: An International Journal of Policy and Administration*. Vol: 13, No:1. 5-23

<sup>106</sup> Page, Ed. 2000 Future Governance and the Literature on Policy Transfer and Lesson Drawing. ESRC Future Governance Programme, Britannia House, London.

policies may be inherently unique<sup>107</sup> and their wider social and policy context<sup>108</sup> can make it more difficult to transfer such policies. Similarly, Page also refers to importer jurisdiction where historical background as well as ideological and cultural incompatibilities<sup>109</sup>, institutional structures, political context<sup>110</sup> constraining policy transfer success. These factors coupled with implementation problems in Turkey arising from institutional adjustment issues and adapting the transferred policy to the recipient environment exacerbated the possibility for failure<sup>111</sup>.

As we laid out above, policy transfer is a useful model in policy making in a time of globalisation and increased learning from others. When policy makers want to expand on other ways of making policies and try to offer solutions to their policy problems which they have not explored before they resort to the experiences used in other environments.

We finally would like to dwell on what decision points in general the policy makers go through when voluntarily transferring policies from other environments as also

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<sup>107</sup> Rose, Richard. 1993. *Lesson-Drawing in Public Policy*. Chatham, NJ: Chatham House.

<sup>108</sup> Dolowitz, David P. 2003. *A Policy Maker's Guide to Policy Transfer*. Oxford and NY : Blackwell

<sup>109</sup> De Jong, Martin. 2009 'Rose's "10 Steps":Why Process, Messiness, History and Culture are not Vague and Banal', *Policy & Politics*, Vol: 37 Issue:1. 145-150

<sup>110</sup> Bache, Ian and Andrew Taylor. 2003. 'The Politics of Policy Resistance: Reconstructing Higher Education in Kosovo', *Journal of Public Policy*, Vol: 25 Issue: 3.

<sup>111</sup> Benson, David and Andrew Jordan. 2011. What Have We Learned from Policy Transfer Research? Dolowitz and Marsh Revisited. *Political Studies Review*. Vol: 9. Issue:3. 366-378

discussed by Bennett<sup>112</sup>, Bennett and Howlett<sup>113</sup>, Dolowitz and Marsh<sup>114</sup>, Dolowitz<sup>115</sup> and Rose<sup>116</sup>. We will look at the same stages when analysing the case study for Turkey.

### 3.2.1.6. Policy Transfer Stages

Where there is dissatisfaction with the current policies and policy makers or entrepreneurs decide to act upon a solution. This is also the initiation point of any policy making stage. In particular if we look at the politics and bureaucracy, political events such as elections, changes in the government or the recognition that a country is falling behind its competitors may initiate a need for a change and a policy transfer. Dolowitz and Marsh state that, under these circumstances actors are encouraged to engage in policy transfer to distinguish themselves from their predecessors<sup>117</sup>, as will be demonstrated in the case study in the 1980s in the policy transfer case of Turkey. On the other hand Evans and Davies state that, the emergence of policy transfer network begins

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<sup>112</sup> Bennett, Colin. 1991. How States Utilize Foreign Evidence? *Journal of Public Policy*. Vol: 11.Issue:4. 31-54

<sup>113</sup> Bennett, Colin and M. Howlett. 1992. The Lessons of Learning: Reconciling Theoris of Policy Learning and Policy Change. *Policy Sciences*. Vol: 25.Issue: 3. 375-294

<sup>114</sup> Dolowitz David P and David Marsh. 2000. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy Making. *Governance: An International Journal of Policy and Administration*. Volume: 13. Issue: 1. 5-23

<sup>115</sup> Dolowitz, P. 1998. *Learning from America: Policy Transfer and the Development of British Workforce State*. Sussex: Sussex Academic Press

<sup>116</sup> Rose. Richard. 1993. *Lesson-Drawing in Public Policy*. Chatham, NJ: Chatham House.

<sup>117</sup> Dolowitz David P and David Marsh. 2000. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy Making. *Governance: An International Journal of Policy and Administration*. Volume: 13. Issue: 1. 5-23

by the **recognition** by politicians or bureaucrats of the existence of a decision problem demanding attention<sup>118</sup>.

When a need is recognized a **search** starts. The absence of responses or the acknowledgement that the alternative responses do not provide an enough of a solution for the question, may initiate a search for policy options elsewhere. On the other hand proponents of change actively seek for different, avant-garde and unused approaches to the problems. Voluntary policy change also occur when agents of change need to legitimate and justify decisions that they have already reached and use the evidence in a selective way to justify their positions<sup>119</sup>. As a result a search process starts and the actors according to their motivation search inside or outside their domain and may decide to engage in a policy transfer.

When a decision is made that the policy transfer decision is made, a **contact** needs to be established to transfer the policy. The agents of transfer as mentioned before, make contact with the policy domain if the policy that will be transferred. At this junction Evans and Davies<sup>120</sup> make a distinction between cognitive and elite mobilization skills. “**Cognitive mobilization** refers to ability of the agent to develop the necessary political and knowledge resources to justify successful policy development whereas **elite mobilization** refers to the ability of the agent to gain access to knowledge elites and

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<sup>118</sup> Evans, Mark and Jonathan Davies. 1999. Understanding Policy Transfer: A Multi-Level, Multi Disciplinary Perspective. *Public Administration*. Vol. 77, No:2

<sup>119</sup> Bennett, Colin. 1991. How States Utilize Foreign Evidence? *Journal of Public Policy*. Vol: 11.Issue:4. 31-54

<sup>120</sup> Evans, Mark and Jonathan Davies. 1999. Understanding Policy Transfer: A Multi-Level, Multi Disciplinary Perspective. *Public Administration*. Vol. 77, No:2

bring their expertise into the transfer network”. In this regard, the political elite will be more interested in the disclosing of basic information to the client towards attracting them to the benefit of the policy transfer process. The nature of the contacts depends on the agent; if the agent is able to decide independently an analysis and searching for alternatives may exist, otherwise the contact and the nature of transfer after the contact may be mandated to the agent. If there is an interest in the policy transfer after the contact and an intention to transfer, a *network of knowledge transfer* will be established between the domain and the recipient.

Here, it should be noted that there may be a resistance to these networks coming from the proponents of status quo in the system. Easton<sup>121</sup> refers to them as “gatekeepers” in the systems theory, which can have a valid place in the policy transfer model as well. These gatekeepers may be referred to as not only the regulators who are deterring or affecting a certain policy transfer, but may present themselves in the form of norms and conditions as well. For instance, as will be discussed in the next section, forms of bureaucratic autonomy, rent seeking arrangements and the government’s selectivity on certain policies may be important factors shaping the type of contact as well as the elements to be transferred during this contact. After the initial contacts, if a will occurs to go forward, there will be different forms of *interaction*. Such interaction can be in the form of seminars, missions, conferences, mutual visits and exchanges.

When the agent decides that sufficient information is gathered to act upon, the interaction process ends and the *evaluation* stage starts. At this stage the agent of transfer, with the knowledge obtained prepares a package detailing objects of transfer,

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<sup>121</sup> Easton, David.1965. *A Framework for Political Analysis*. New Jersey: Prentice Hall.

degree of transfer, and the feasibility of transfer for decision makers' review and decision. In this stage, the main decision maker may decide to open it up for discussion among the other venues such as different departments of bureaucracy, NGOs and the business. In such a case, their views may or may not play into the final policy package. If their views are considered to be placed in the package, several mechanisms such as rent seeking and selectivity may play into the final formation of the policy.

In trying to decide which alternative to choose from, a rational as well as an arbitrary selection mechanism can play a role. We can refer to *garbage can theory* to explain this type of selection mechanism. The garbage-can theory first modelled by Cohen, March and Olsen<sup>122</sup> adds that an organization "is a collection of choices looking for problems, issues and feelings looking for decision situations in which they might be aired, solutions looking for issues to which they might be the answer, and decision makers looking for work". Problems, solutions, participants, and choice opportunities flow in and out of a garbage can, and which problems get attached to solutions is largely due to chance.

The garbage can model was developed in reference to ambiguous behaviours that are difficult to explain in the existing theories. The model recognized that in the cases of uncertainty in decision making environment irrational responses may be implemented. The garbage can model also tries to expand on organizational decision theory particularly the organizational anarchy which is defined as "problematic preferences", "unclear technology" and "fluid participation". The model disconnects the problems,

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<sup>122</sup> Cohen, Michael D., James G. March and Johan P. Olsen. 1972. A Garbage Can Model of Organizational Choice. *Administrative Science Quarterly*. Vol. 17, No. 1. 1-25



solutions and decision makers as stated in the decision theory. In this model, decisions do not follow a clear line of problem to solution but are a result of arbitrary processes<sup>123</sup>.

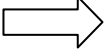
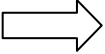
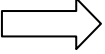
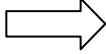
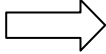
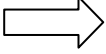
Cohen, March and Olsen define four of such processes/streams: problems, solutions, choice opportunities and participants. These may not be completely independent of each other but the garbage can theory draws its attention on the possibility of independence among these. The garbage can process is one in which problems, solutions and participants move from one choice opportunity to another in such a way that the final choice becomes completely arbitrary. Therefore what the rational decision making sees as pathologic, garbage can model sees as normal and quite common among the institutions. As a result, when transferring policy, ambiguity in one or all of the above factors can result in the selection of the policy which is less than suitable to the observed problem. There was a desire to boost the exports in Turkey in the 1980s. The FTC policy is transferred to Turkey in a haste without due analysis before the initiation of the transfer.

The policy transfer will be complete with the **implementation** of the finalized policy. Of course, the implementation may differ from the designed or the intended form due to the implementing agents. After the implementation one needs to see and evaluate the **outcome**. This would assist in understanding whether the transferred policy has served the observed need and may facilitate further evaluation of the transferred policy or its abandoning.

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<sup>123</sup> Cohen, Michael D., James G. March and Johan P. Olsen. 1972. A Garbage Can Model of Organizational Choice. *Administrative Science Quarterly*. Vol. 17, No. 1. 1-25

**Table 6: Policy Transfer Stages**

<i><b>Recognition</b></i>	<i><b>Search</b></i>	<i><b>Contact</b></i>	<i><b>Interaction</b></i>	<i><b>Evaluation</b></i>	<i><b>Implementation</b></i>	<i><b>Outcome</b></i>
						
(of a need for a policy transfer)	(for policy options)	Cognitive mobilization	(with the policy domain through seminars, missions, conferences, mutual visits)	(of alternative options according to the need and selecting one of them)	(of the selected alternative policy)	(as to whether the transfer policy served the need)
		Elite mobilization				
		Network of knowledge transfer				

The table takes and reshuffles variables selectively from the work of Evans and Davies (1999).

In the policy transfer process it is always advisable to look into more than one system or talk to as many people as possible. Similarly, one has to be certain of what the transferred policy is going to achieve. If the transferred policy is solving a political problem, the transferred policy may not offer a solution to the operational problems of the existing policies. Additionally, while a policy may work for one problem, it may not work if used to solve other problems as well. Similarly, a policy which is found to have not worked well after it has been transferred and implemented should not be written off immediately. It should be analyzed in detail as to where the mistakes have been made and whether they can be remedied. As a result of such investigation, it may turn out that the transferred system was perfectly adequate but the system it was imported in was not ready to receive it. Therefore when transferring a policy it is important to understand how the source country operates as well as how the recipient country operates.

### **3.2.2. Bureaucratic Autonomy**

Bureaucratic autonomy refers to “room for bureaucrats to manoeuvre”. What is meant by “bureaucratic autonomy” is the extent that officials, in their actual behaviour, are constrained by the interests and actions of other actors, such as the political leadership, interest groups, news media, and international organizations; the degree that the recruitment and careers of officials are encapsulated from political interventions; the extent that bureaucrats, when developing policy proposals and implementing public policies, are dependent on signals and demands from their political superiors, organized interests, and international organizations.<sup>124</sup> There are different ways of defining bureaucratic autonomy in the literature. A comparison of these definitions in the following sections will assist us to understand the boundaries of the concept of the “bureaucratic autonomy”. In the next section, we will first define the bureaucracy’s and bureaucrats’ place as actors in policy making. Then, we will define the bureaucratic autonomy from different perspectives.

#### **3.2.2.1. Bureaucracy as an Actor in Policy Making**

Weber is one of the first to theoretically conceptualize the organization of the bureaucratic institutions as those which work under pre-defined, material rules and procedures. He deals mostly with the workings and the procedures in the bureaucracy that is internal to it. This approach neglects the bureaucracy’s relations with the outside

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<sup>124</sup> Egeberg, Morten. *Causes of Bureaucratic Autonomy: The Impact of Organizational and Cultural Factors*. Arena Working Papers, 1998/5

world and also neglects their' individual characteristics and their social environment, as well as the impacts of such environment on the institution's internal and external interactions<sup>125</sup>.

In order to understand the bureaucracy's characteristics as a group and an actor as well as its relationships with the political authorities, we need to look at the dimensions which have not been set out by the legal and corporate structures of these institutions. Therefore, we need to look at the group theories and the place of the bureaucracy in such theories<sup>126</sup>. Britan suggests that group theories assert that there is a common interest in all the groups and the members of the group strive to act in line with that interest<sup>127</sup>. One of the first prominent academic working on group theories, Bentley, emphasizes the role of the interest groups on decision making and says that a group without an interest cannot exist.<sup>128</sup> These groups exist in a social environment where they continuously interact with each other and compete with other groups by participating in the political processes through pursuing their interests. Bentley adheres a central role to these groups vis a vis the political processes and says that the decisions of the political system is a reflection of the workings and demands of such groups. In this early line of work, the bureaucracy is seen as a rather submissive element to the demands coming from these groups and the politics and is not studied separately as a group.

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<sup>125</sup> Britan, Gerald M. 1981. *Bureaucracy and Innovation*. Sage Publications: London

<sup>126</sup> Alkan, Haluk and Nuh Ates. 2005. Grup Bilinci ve Kurumsal Baski Grubu Egilimi: ISKI Ornegi. *Cagdas Yerel Yonetimler*. Vol: 14, Issue:1

<sup>127</sup> Olson, Mancur. 1993. The Logic of Collective Action. in *Pressure Groups*. (ed) Jeremy J. Richardson. New York: Oxford University Press

<sup>128</sup> Bentley, Arthur Fisher. 1908. *The Process of Government*. Massachusetts: Cambridge Press.

Separate from this line of thinking, Lindblom criticizes Bentley for not considering bureaucracy as a group with its own interests<sup>129</sup>. According to Lindblom bureaucracy should be thought of a group with its own interests. In this regard, bureaucracy as the main participant to decision making takes place in the government and has the capacity to direct the government to certain directions. Similarly according to Smith, bureaucratic institutions as a group are social factors competing in the policy making process with their interest perspectives<sup>130</sup>. As a matter of fact they are well endowed groups, with their legal rights, expertise and technical infrastructure. Almond adds that, bureaucracy may be a very strong group especially in those countries where other organized interest groups are not well developed<sup>131</sup> and mentions that although the bureaucracy is not organized deliberately to function as an interest group, they may be so with respect to their corporate structure and may end up imposing their policies and programs on the governments. As a result seeing the bureaucracy as a group relieves it from being a submissive actor and renders it a rather an active one in the decision making processes. In my opinion, bureaucratic institutions are dynamic factors taking part in the decision making and interact with the political authorities in line with their interests as much as the other groups.

As we will explain in the sections on the historical background of Turkish politics, in the single party era the bureaucrats were quite close in their relations to the party in power (Republican People's Party-RPP) and were associated closely with their views. As a

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<sup>129</sup> Lindblom, Charles E. 1965. *The Intelligence of Democracy*. Free Press: New York

<sup>130</sup> Smith, Brian C. 1988. *Bureaucracy and Political Power*. Sussex: Wheatsheaf Books Ltd.

<sup>131</sup> Almond, Gabriel A. and Coleman James S. 1960. *The Politics of Developing Areas*. Princeton: Princeton University Press.

result with the transition to the multi-party era and other parties starting with the Democrat Party (DP) taking the lead, we observe a serious clash with the bureaucrats and the government. We also observe certain mechanisms put into action by the bureaucrats to resist the demands of the government. In these periods, the bureaucrats tried to maintain an autonomous structure under the label of “requirements of the service” and tried to continue their relationship with the previous government of the single party era (RPP) which they thought to be more secular and in line with Ataturk ideals<sup>132</sup>. This strenuous relationship between the bureaucrats and the party in power characterized the multi-party era until starting mid-1940s. There have been quite a few publicly visible clashes between the bureaucrats in different ministries and the governments in the 1960s and the 1970s. In summary, we can say that, until the 1960s the bureaucracy managed to remain more or less as a homogenous group supporting modernism ideals, whereas in the 1960s and the 1970s it became more heterogeneous due to its role in the import substitution process and increased political polarization affecting the bureaucracy.<sup>133</sup>

### **3.2.2.2. The Concept of Autonomy and Its Boundaries**

The concept of “autonomy” is used frequently in studies of public organisations. However, when using the concept of the bureaucratic autonomy different academics use it under different meanings. Some refer to the word to mean “discretion” or “independence” whereas some refer to the “agentification” or “creation of quasi autonomous public bodies”. The concepts and measures of autonomy vary in the studies

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<sup>132</sup> Heper, Metin. 1973. *Modernleşme ve Bürokrasi*. Ankara: Sosyal Bilimler Derneği

<sup>133</sup> Alkan, Haluk and Nuh Ates. 2005. Grup Bilinci ve Kurumsal Baskı Grubu Eğilimi: İSKİ Örneği. *Çağdaş Yerel Yönetimler*. Vol: 14, Issue:1

done on this subject. Some studies use formal–legal organisational forms as the measures of managerial autonomy whereas some studies focus on managerial aspects, or on financial aspects<sup>134</sup>.

When we look at the broad conceptualizations of the concept of “autonomy” Kunneke differentiates three main lines<sup>135</sup>. The first one refers to the legal aspects of autonomisation and refers to the creation of separate legal personality or the restriction of ministerial responsibility. The second one refers to the organizational dimension of autonomisation. In order to distinguish between internal and external autonomisation, some scholars refer to “the withdrawal of activities from a governmental organisation or the shift of activities inside that organisation”<sup>136,137,138</sup>. Still a third one emphasizes the managerial and economic aspects of autonomy especially for public agencies. In this group, two main arguments are highlighted: one is the devolution of decision making competencies of the agency concerning management of inputs and processes<sup>139,140,141</sup>

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<sup>134</sup> Verhoest, Koen, B. Guy Peters, Geert Bouckaert, Brem Verschuere. 2004. The Study of Organizational Autonomy: A Conceptual Review. *Public Administration Development*. Vol:24 . Issue: 2. 101-108

<sup>135</sup> Künneke, Rolf W. 1991. *At Arm length from the Government: A Theoretical and Empirical Research on the Effects of Privatization on Efficiency of Public Utilities*. University of Twente, Enschede: Department of Public Administration

<sup>136</sup> Mol Nico P. 1988. *The Allocation Function of Government Budget*. Enschede : University of Twente

<sup>137</sup> de Vries J, Korsten AFA. 1992. Privatization: Panacea or Placebo? An introduction. *Bestuurskunde* Vol: 92 Issue: 1

<sup>138</sup> Bouckaert Geert and Koen Verhoest. 1999. A comparative perspective on decentralisation as a context for contracting in the public sector: practice and theory. In *La Contractualisation dans le Secteur Public des Pays Industrialise's depuis 1980*, Ed. Fortin Y. Paris : L'Harmattan

<sup>139</sup> Künneke, Rolf W. 1991. *At Arm length from the Government: A Theoretical and Empirical Research on the Effects of Privatization on Efficiency of Public Utilities*. University of Twente, Enschede: Department of Public Administration.

and the other one is transfer of the risks to the agency for its economic continuity<sup>142</sup>. Referring to our former definition of bureaucratic autonomy we can observe bureaucratic autonomy in the bureaucracy or in a particular state agency by “the insertion of either an alternative or a competing level of political supervision like a governing board, by giving a certain degree of financial autonomy or by giving legal autonomy, ‘the authorisation by law for the agency head to make decisions in his own capacity, thus forbidding ministerial interventions in his decisions as well as his consultation with the minister or the minister’s advisers on decisions that, according to the law are delegated to him’”<sup>143</sup>.

From the above summary of definitions we see certain overlaps. However, above definitions are useful in distinguishing two main streams of autonomy: (i) autonomy as defined in the level of decision making competencies of the agency (both management and policy related) and (ii) autonomy as exemption of certain constraints on the actual use of decision making competencies of the agency (structural, financial, legal, interventional...etc.) on the agency<sup>144</sup>. Below we will look at in more detail into both of

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<sup>140</sup> Ter Bogt Henk J. 1998. *Neo-Institutional Economics, Management Control and Privatization of Government Organisations: Considerations for spin-offs and Efficiency Effects on Financial and Economic Control*. Groningen : University of Groningen.

<sup>141</sup> Bouckaert Geert and Koen Verhoest. 1999. *A comparative perspective on decentralisation as a context for contracting in the public sector: practice and theory*. In *La Contractualisation dans le Secteur Public des Pays Industrialisés depuis 1980*, Ed. Fortin Y. Paris : L’Harmattan

<sup>142</sup> Künneke, Rolf W. 1991. *At Arm length from the Government: A Theoretical and Empirical Research on the Effects of Privatization on Efficiency of Public Utilities*. University of Twente, Enschede: Department of Public Administration.

<sup>143</sup> Christensen Jorgen G. 1999. Bureaucratic Autonomy as a Political Asset Paper Presented at *ECPR Joint Workshops*, 26–31 March.

<sup>144</sup> Verhoest, Koen, B. Guy Peters, Geert Bouckaert, Brem Verschuere. 2004. The Study of Organizational Autonomy: A Conceptual Review. *Public Administration Development*. Vol:24. Issue:2. 101-108



these types of autonomy in an effort to understand how it affects a certain agency's autonomy mainly drawing from the work of Verhoest et.al.

#### **3.2.2.2.1.        Autonomy as the Level of Decision Making Competencies**

Autonomy is about discretion and which is the measure of how much the agency can decide on the issues it considers as important. This can be referred to as the decision making competencies of the agency. For instance, in some bureaucracies there are line bureaus or related agencies. Their actions and decisions are subject to control and approval of the institution they are attached to or some other forms of controlling agency such as the ministry of finance, treasury or interior. The related agency is subject to regulations or instructions that it has to obey, before carrying out its certain tasks. This leaves the agency with very limited discretion for organizing its secondary processes<sup>145</sup>. The reason of such controls before any action or decision is taken by the agency is to control to prevent undesirable outcomes or to force them to fulfil certain strategies taken by higher levels in the government. Therefore their actions are closely controlled and monitored. As a result, making the agency more autonomous involves shifting the decision making mechanism from external actors to the related agency itself by reducing the regulations mandated to it, approval requirements and other controls. Autonomy as a decision making power can be “managerial autonomy” and “policy making related autonomy”.

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<sup>145</sup> Heyman, David B. 1988. Input controls in the public sector: what does economic theory offer? *IMF Working Article WP/88/59*.

*Managerial autonomy* relates to the decision making competency delegated from the centre concerning the choice and use of inputs in the agency's processes. In this case the agency is given autonomy vis a vis its input management through becoming exempt from certain rules and regulations. Such managerial autonomy can be related to financial management, human resources management or management of production factors<sup>146</sup>.

On the other hand, *policy autonomy* relates to the extent of how much the agency can make the policies related to its functions. The policy making discretion can have various breakdowns: decision on the procedures or processes vis a vis the policies asked from the agency to fulfil (in other words its main function and reason of existence), the policy instruments to fulfil such policies, the quality and the quantity of the goods and the services to be produced, and the outcomes or the groups to be reached. For instance a related agency may use its discretion under the strictly set rules by the main agency and in this case an agency is said to have limited policy autonomy. In a contrasting case, an agency may have large policy autonomy if it can issue regulations. Here we can see that policy autonomy may have close links to policy discretion as defined in the policy discretion literature by Lipsky as *street level bureaucrats* which refer to the subset of a public agency with the bureaucrats who carry out and enforce the laws required by broader public policies<sup>147</sup>. Depending on the details of implementation the implementing agency can have a certain level of discretion on the policy it is tasked to implement.

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<sup>146</sup> Verhoest, Koen, B. Guy Peters, Geert Bouckaert, Brem Verschuere. 2004. The Study of Organizational Autonomy: A Conceptual Review. *Public Administration Development*. Vol:24. Issue:2. 101-108

<sup>147</sup> Lipsky, Michael. 1980 (reprint 2010). *Street Level Bureaucracy: Dilemmas of the Individual in Public Services*. Russell: Sage Foundation Publications.

As a result, on the basis of decision making competencies we can define a continuum where the related agency has little or no involvement and discretion over the policies it implements to high degree of autonomy where it has full control over them.

#### **3.2.2.2.2.      Autonomy as the exemption of constraints on the actual use of decision-making competencies**

Even when the agency has high autonomy vis a vis decision making competencies (of management and policy) as explained above, it can still be subject to some restrictions by the government limiting its full autonomy. For instance, if the agency depends on the government for its funding its decision making power will be limited. Or else, if the agency head is being appointed, evaluated and paid by the government its autonomy will again be limited. Therefore in order to understand the autonomy level of the agency, we still need to look at its relationship with the government and see how independent the agency is<sup>148</sup>.

First, we can look at the *structural autonomy* of the agency<sup>149</sup>. Here, we look how much the agency is protected from the influence of the government through lines of hierarchy and accountability. For instance, “the extent to which the agency head is appointed and accountable to government or to a supervisory board, the extent to which members of

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<sup>148</sup> Verhoest, Koen, B. Guy Peters, Geert Bouckaert, Brem Verschuere. 2004. The Study of Organizational Autonomy: A Conceptual Review. *Public Administration Development*. Vol:24. Issue:2. 101-108

<sup>149</sup> Christensen Jorgen G. 1999. Bureaucratic Autonomy as a Political Asset Paper Presented at *ECPR Joint Workshops*, 26–31 March.

the supervisory board represent government or other parties and the extent to which these members are appointed by government or by these other parties”.

Second, the *financial autonomy* of the agency defines how much the agency depends on the government for its financial resources, whether it collects or earns revenues and has the discretion over the use of its own revenues and whether it is responsible of its own losses.

Third, when the agency has *legal autonomy* it is difficult for the government to make changes on the decision making competencies of the agency since the agency is protected by certain regulations. Especially if the agency, to which certain autonomies and discretion are given, is not protected by the parliamentary law or constitution, such autonomies and discretion can be taken back by the government rather easily. On the contrary, when the agency has a legal status established by the parliament it is more difficult to take back its autonomy in certain areas. Moreover, if the agency has a board whose members are represented by various stakeholders, it gets even more difficult to take back such autonomies even if the agency is protected by the private law (not the parliamentary law).

Finally, in the case of *interventional autonomy* the agency's actions or decisions are subject to be posted to the government. Here, the actions or decisions of the agency are reported to the government ex-post, after they are implemented, and they will be evaluated by the government on the basis of some pre-set rules and regulations. If such evaluations may result in certain sanctions or restrictions for the agency, we cannot say the agency is fully autonomous. When the agency knows that its decisions or actions will be subject to ex-post evaluation and even sanctions, it will limit its actions to a

narrower playing field (especially if such sanctions come in the form of reduced financial resources.)

In Turkey, the bureaucratic institutions have traditionally worked under close political directive. As we will show in the historical background Chapter of Turkey, the state institutions have been given freedom to undertake bold steps towards liberalization but such freedom has also been restricted by frequently changing governments. Therefore, the bureaucratic institutions insulated themselves by not engaging in radical policy initiatives when they thought they might be penalized as a result of such changes.

**Table 7: Degrees of Autonomy**

<b>Autonomy as decision making competencies</b>			<b>Autonomy as the exemption of constraints on decision-making competencies</b>			
	<i>Managerial Autonomy</i>	<i>Policy Autonomy</i>	<i>Structural Autonomy</i>	<i>Financial autonomy</i>	<i>Legal autonomy</i>	<i>Interventional autonomy</i>
<i>Minimum level of autonomy</i>	Government makes decisions on managerial actions	Government makes decisions on agency related policies	Agency head is appointed and evaluated by central government. There is no supervisory board.	Agency is funded by government	Agency is a part of government, does not have a separate legal status	Agency is directly supervised by government
<i>Low level of autonomy</i>	Agency can take managerial decisions under strict government procedures	Agency can take agency related policy decisions under strict government procedures	Agency head is appointed and evaluated by central government. There is a supervisory board.	Agency is mostly funded by government	Agency has a separate status from the government but is under the government rule	Reports extensively to the government

Table 7 (cont'd)						
<i>High level of autonomy</i>	Agency sets rules within general principles	Agency decides which policies to use within general principles	Agency head is appointed by supervisory board where the government has the majority vote.	Agency is mostly funded through resources other than the government resources	Agency has a legal personality under law and is created by the parliament.	Agency has limited reporting requirements but may occasionally be subject to government audit.
<i>Maximum level of autonomy</i>	Agency makes all managerial decisions	Agency decides on all aspects of policy	Agency head is appointed by supervisory board which have third party majority votes.	Agency is totally financed through resources other than government resources	Agency has legal personality under private law	Agency has no reporting requirements to the government

Adapted from Verhoest, Peters, Boucckaert and Verschuere (2004)

This analysis represents the multi-dimensional nature of the autonomy. When studying the autonomy of an agency, if we limit our research to one or few of the above concepts, we cannot fully understand the autonomy of the agency. For instance, an agency with decision making competency may have a restrictive structural or legal relationship with the government making it less than autonomous. On the other hand, tensions may occur between certain types of autonomy. A high level of policy autonomy will have an impact on the performance of the agency only if it also has managerial autonomy. In order to execute own policy- decisions, one has to control the resources such as human and financial resources, necessary for making the organisation work. Similarly, if an agency has vast decision making competencies and little autonomy vis a vis use of its resources, another tension will occur.

### **3.2.2.3. Bureaucratic Autonomy: From Politics and Other Interest Groups**

Institutionalist approach asserts that actors' strategies are affected by their organizational or institutional context. However, opinions differ according to what extent actors' preferences and interests play in to their strategies.<sup>150</sup> Sociological institutionalism has most consistently argued that preferences and interests can be shaped by the organizational or institutional structures in which actors are working in.<sup>151</sup> Since individuals are believed to have bounded rationality, institutions are referred to as

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<sup>150</sup> Rothstein, Bo. 1996. Political Institutions: An Overview. In *A New Handbook of Political Science*. Eds. R.E. Goodin and H-D. Klingemann. Oxford: Oxford University Press.

<sup>151</sup> March, James and Johan Olsen. 1989. *Rediscovering institutions: The organisational basis of politics*, New York: Free Press.



structures that simplify decisions that might otherwise have been too complex.<sup>152</sup> This may be done by providing an administrative setting that focuses a decision-maker's attention on certain problems and solutions, while others are excluded from consideration. Laegreid and Olsen, Scharpf, March and Olsen and Egeberg argue in their respective work that the private interests of bureaucrats are supposed to be "neutralized" by organizational rewards like pay and career prospects, and as a result are effectively separated from decision situations in which they act in their capacity as officials.<sup>153,154,155,156</sup>

Bureaucratic autonomy is mainly related to what officials would find to their advantage. In systems which have seen frequent alternation of parties in and out of power (such as Turkey), officials would find it to their advantage to adapt "a studied neutrality about policies and parties, and make much of their willingness to work with whatever party is currently in power".<sup>157</sup> Under these circumstances, to retain any influence with future governments, officials have to keep governments at a certain distance. For systems with one party in power for a long period of time, on the other hand, the assumption is that

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<sup>152</sup> Simon, Herbert Alexander. 1965. *Administrative Behavior*. New York: The Free Press.

<sup>153</sup> Lægreid, Per and Johan P. Olsen. 1984. Top Civil Servants in Norway: Key Players on Different Teams? In *Bureaucrats and Policy-Making*. Ed. E.N. Suleiman. New York: Holmes & Meier.

<sup>154</sup> Scharpf, Fritz W. 1986. Policy Failure and Institutional Reform: Why Should Form Follow Function? *International Social Science Journal* Vol:38. Issue: 2. 179-189

<sup>155</sup> March, James and Johan Olsen. 1989. *Rediscovering Institutions: The organisational basis of politics*, New York: Free Press.

<sup>156</sup> Egeberg Morten. 1995. Bureaucrats as Public Policy-Makers and Their Self-Interests. *Journal of Theoretical Politics* Vol:7 . Issue: 2. 157-167

<sup>157</sup> Hammond, Thomas H. 1996. Formal Theory and the Institutions of Governance. *Governance* Volume: 9. Issue: 2. 107-185.

officials will tend to adopt the policy views of this party.<sup>158</sup> Yet, this is not enough again to gain room for manoeuvre.

The control of bureaucracy by politics and other interest groups has been a long debate among academics. Fear of a “runaway and unresponsive bureaucracy” has been studied in various researches, such as the work of Niskanen, leading to “bureaucrat bashing”<sup>159</sup>. Ironically, the implementation of neo-liberal agendas such as privatization deepened scepticism about responsive bureaucracy instead of bringing bureaucracy under control. Political reformers (such as Özal, as we will see in the Turkish case) splitting off departmental units or certain functions from ministries and created specialized organizations (such as the Undersecretariat of the Treasury and the Undersecretariat of the Foreign Trade in Turkey), and delegated substantial level of autonomy to these bodies<sup>160</sup>. More than diminishing political control, such specialized bodies created coordination issues. I believe that the hollowing out of the state (which means that central state has become one of the many public and private actors and that the centre can no longer govern by command but must rely on its negotiation skills in policy making<sup>161</sup>) needs to be redefined, where state has in fact has not been hollowed out but

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<sup>158</sup> Hammond, Thomas H. 1996. Formal Theory and the Institutions of Governance. *Governance* Volume: 9. Issue:2. 107-185

<sup>159</sup> Niskanen, William A. 1971. *Bureaucracy and Representative Government*. Chicago: Aldine, Atherton

<sup>160</sup> Yesilkagit, Kutsal and Sandra van Thiel. 2008. Political Influence and Bureaucratic Autonomy. *Public Organization Review*. Vol: 8. Issue:2.137-153

<sup>161</sup> Weller, Patrick, Herman Bakvis, and Roderick Arthur William Rhodes. 1997. *The hollow crown: countervailing trends in core executives*. Basingstoke: Palgrave MacMillan.

reasserted by regulations inside the government<sup>162</sup>. Therefore the state has sought for new methods to control the autonomous agencies.

In Turkey, the observed degree of autonomy varies between the agencies. Until the 1980s, there was a stronger dominance on the state agencies, although the agencies such as the SPO, Ministry of Finance and the Central Bank retained some level of autonomy from the politicians. The main enabler of this was their status in the eye of the government. Therefore when the governments changed, their status also changed. When a government who tried to control the SPO, for instance, came to power, they cut the autonomy of the SPO through leaving it out of the decision and policy making mechanisms. Such autonomy can be identified as the minimum level of autonomy. As a result, we can infer that the autonomies of the state agencies in Turkey were “granted” by the government and taken back by them. However, this situation changed in the 1990s with the establishment of autonomous institutions whose autonomy came from law and their autonomous budget.

Hammond and Knott<sup>163</sup> argue that bureaucratic autonomy is a contingent matter and should be modelled by venues of influence because bureaucratic agencies report to be influenced by different sets of principals such as interest groups, clients, citizens and the

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<sup>162</sup> Hood, Christopher, Colin Scott, Oliver James, George W. Jones and Tony Travers, T. 1999. *Regulation inside government: Wastewatchers, quality police, and sleaze-busters*. Oxford: Oxford University Press.

<sup>163</sup> Hammond, Thomas H., & Knott, J. H. 1996. Who controls the bureaucracy? Presidential power, congressional dominance, legal constraints, and bureaucratic autonomy in a model of multi-institutional policymaking. *Journal of Law, Economics, and Organization*, Vol: 12, Issue: 1. 119-166

media besides the politicians and the government<sup>164</sup>. For instance in the US, interest groups compete for access to governmental decision making centres. In Europe, politicians delegate formal authority to representatives of interest organizations<sup>165</sup>. In East Asia, the government selects certain interest groups to deal with. All in all, all bureaucratic agencies are influenced by certain groups to a given extent.

Egeberg argues that, the amount of autonomy of the bureaucracy from the interest groups depends on the degree to which interest groups are accepted as legitimate participants in the policy process and to what extent this is formalized by corporative arrangements linked to the administrative apparatus<sup>166</sup>. In many countries societal groups are asked to present their views on public policies relevant to their area of interest. One interpretation of this interest group participation is to circumscribe the large amount of discretion of the bureaucracy as regards to drafting of supplementary regulation<sup>167</sup>. However such participation is questioned by governments who started to follow neoliberalism in the 1980s. To this end, Olsen<sup>168</sup> and Laegreid and Roness<sup>169</sup>

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<sup>164</sup> Waterman, Richard W., Amelia Rouse, and Robert Wright. 1998. The venues of influence: A new theory of political control of the bureaucracy. *Journal of Public Administration Research and Theory*. Vol: 8, Issue: 1. 13-38

<sup>165</sup> Yesilkagit, Kutsal and Sandra van Thiel. 2008. Political Influence and Bureaucratic Autonomy. *Public Organization Review*. Vol: 8. Issue: 2. 137-153

<sup>166</sup> Egeberg, Morten. 1998. Causes of Bureaucratic Autonomy: The Impact of Organizational and Cultural Factors. *Arena Working Paper Series. Presented at the Annual Meeting of the American Political Science Association*.

<sup>167</sup> Christensen, Tom and Morten Egeberg. 1979. Organized Group-Government Relations in Norway: On the Structured Selection of Participants, Problems, Solutions, and Choice Opportunities. *Scandinavian Political Studies*. Volume:2. Issue:3. 239-260

<sup>168</sup> Olsen, Johan P. 1991. Modernization Programs in Perspective: Institutional Analysis of Organizational Change. *Governance*. Vol: 4. Issue:2. 125-148

state that such governments launched reform programs that were highly critical about the role of interest organizations in public policy making. They argued that such participation by the interest groups increased public expenditures and the individuals and the firms should be re-empowered at the expense of interest organizations representing them. However, interest groups participation in public policy making and rent seeking from government resources continues at more than previous rates<sup>170</sup>. In this regard, Egeberg further argues that interest group involvement may also serve to the benefit of the bureaucracy by providing the bureaucracy with information and political support. This in turn would reduce the government failure arising from market imperfections.

What is important here is to determine, whether the agencies with more autonomy are influenced less by these venues of influence and the actors around themselves. Drawing from the works<sup>171</sup> which compare the European case with those of the studies carried out in the US<sup>172,173,174,175,176</sup>, it can be referred that the relationships between the concepts of

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<sup>169</sup> Laegreid, Per and Paul G. Roness. 1997. Political Parties, Bureaucracies and Corporatism. In *Challenges to Political Parties. : The Case of Norway*. Eds Kaare Strom and Lars Svasand. University of Michigan Press.

<sup>170</sup> Egeberg, Morten. 1998. Causes of Bureaucratic Autonomy: The Impact of Organizational and Cultural Factors. *Arena Working Paper Series. Presented at the Annual Meeting of the American Political Science Association*.

<sup>171</sup> Yesilkagit, Kutsal and Sandra van Thiel. 2008. Political Influence and Bureaucratic Autonomy. *Public Organization Review*. Vol: 8. Issue:2. 137-153

<sup>172</sup> Miller, Gary J. 2005. The political evolution of principal-agent models. *Annual Review of Political Science*, Vol: 8. 203-205

<sup>173</sup> Weingast, Barry and Mark Moran. 1983. Bureaucratic discretion or congressional control? Regulatory policymaking in the federal trade commission. *Journal of Political Economy*, Vol: 91. 765-800

<sup>174</sup> Kiewiet, D. Roderick, and Matthew D. McCubbins. 1991. *The logic of delegation. Congressional parties and the appropriations process*. Chicago: University of Chicago.

autonomy and governmental control is not a straightforward one. Where intuition referred to a likelihood of autonomy, the study found out limited or inexistent autonomy. Related to this finding, agencies located further away from political principals are not found to be more autonomous than the ones located in their vicinity. A certain level of control by the central state or other interest groups exists in most of the cases studied. A difference between the European and the US cases which is important to mention here is that, in the US the political institutions are rated as the most influential actors over the levels of bureaucratic autonomy whereas in Europe other interest groups also have a big influence.

Therefore a main finding of these studies and taking into account the degree of influence that the agencies studied in these particular studies ascribe to central government actors in comparison to other interest groups, it can be said that the central government is still in control of the bureaucratic agencies including the autonomous agencies.

Bureaucratic autonomy in itself and when studying policy transfer becomes more important if the country in question is a one intervening in the markets. Since in this case we will study countries such as Japan and Turkey, which regularly intervene in the markets, we will study the concept of state intervention in the next section.

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<sup>175</sup> McCubbins, Matthew D., Roger G. Noll, and Barry Weingast. 1987. Administrative procedures as instruments of political control. *Journal of Law, Economics and Organization*, Vol: 3. Issue: 2. 243-277

<sup>176</sup> Lewis, David E. 2003. *Presidents and the politics of agency design. Political institutions in the United States government bureaucracy, 1946–1997*. Stanford: Stanford University Press.

### 3.2.3. Developing Countries and State Intervention: Government Failure and Rent Seeking

Early development economists recognized the role of government in providing “social overhead capital”, or “infrastructure” to facilitate economic development. However, most economists believed that government should undertake activities that compensate for “market failures”. These were regarded as being as extreme in developing countries as to make their economies different not only in degree but in kind from industrial countries. Streeten suggests that market failures result from “structural rigidities”, which were defined as lack of responsiveness to price signals.<sup>177</sup> It was concluded that governments should intervene to compensate market failures. Economists associated “development economics” and “state-economy relations” with structuralist views and believed that development economics was different because markets did not function.<sup>178</sup> In fact, by the late 1970s and the early 1980s, governments in most developing countries were mired in economic policies that were manifestly unworkable, indicating colossal government failures more than market failures<sup>179</sup>. Government failure occurs when a government intervention causes a more inefficient allocation of goods and resources than would occur without such intervention.

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<sup>177</sup> Streeten, Paul. 1984. Development Dichotomies. In *Pioneers in Development*. Eds. Gerald M. Meier and Dudley Seers. Washington D.C.: Oxford University Press, World Bank

<sup>178</sup> Hirschman, Albert O. 1981. The Rise and Decline of Development Economics. In *Essays in Trespassing: Economics to Politics and Beyond*. Ed. Hirschman Albert O. , p.1-24. Cambridge, New York and Sydney: Cambridge University Press.

Krueger, Anne O. 1990. The Political Economy of Controls: American Sugar. In *Public Policy and Economic Development* . Ed. D. Lal and M.R.G Scott. Oxford: Clarendon Press

<sup>179</sup> Krueger, Anne O. 1990. The Political Economy of Controls: American Sugar. In *Public Policy and Economic Development* . Ed. D. Lal and M.R.G Scott. Oxford: Clarendon Press  
Srinivasan, Thirukodikaval N. 1985. Neoclassical Political Economy, the State and Economic Development. *Asian Development Review*. Vol.3, No:2.

### **3.2.3.1. Reasons for Scepticism towards State Intervention**

At a theoretical level, inefficiencies resulting from government intervention in developing and advanced countries have been discussed in various works<sup>180</sup>. Some economists, for instance Mills, disapprove government failure so much that they prefer to live with market failures rather than with government failures<sup>181</sup> while others state that the politicians are intervening in markets to advance their career<sup>182</sup>. Still other economists state that, there is limited research as to why government intervention to correct market failures leads to corruption<sup>183</sup>. The limited research places the emphasis on the bureaucrats saying that they do not always intervene at the right places (either they have a benefit to do so or they have limited market information). As a result, government intervention may provide opportunities for corruption or rent seeking by public employees and misallocation of resources.

Rent-seeking implies the expenditure of resources in order to bring about an uncompensated transfer of goods or services from another person or persons to one's self

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<sup>180</sup> Krueger, Anne. 1990. *Government Failures in Development*. National Bureau of Economic Research. WP: 3340. Cambridge Press

Winston, Clifford. 2006. *Government Failure vs Market Failure*. Brookings Institutions: Washington DC

<sup>181</sup> Mills, Edward S. 1986. *The Burden of Government*. Stanford, CA: Hoover Institution Press.

<sup>182</sup> Niskanen, William A. 1971. *Bureaucracy and Representative Government*. Chicago: Aldine/ Atherton.

<sup>183</sup> Acemoglu, Daron and Thierry Verdier. 2000. The Choice between Market Failures and Corruption. *The American Economic Review*, Vol. 90, No. 1



as the result of a “favorable” decision on some public policy<sup>184</sup>. Rent-seeking is a term applied when a pre-existing public right is curtailed by legislative change that is seen occur with a requisite financial transfer to both the lobby seeking the change and the political entity making the change. This also applies when a similar change is induced by a governmental administrative decision. Rent-seeking agents will spend money in socially unproductive ways, such as political lobbying (e.g., for economic regulations such as tariffs or subsidies), in order to attain, maintain or increase monopoly power. Some economists argue that a better term could be privilege seeking<sup>185</sup>. Yet another term, regulatory capture, is a related concept and refers to the process by which regulatory agencies eventually come to be dominated by the very industries they were charged with regulating<sup>186</sup>. The term ‘rent-seeking’ has been applied to corruption by bureaucrats who solicit and extract rent for applying their legal but discretionary authority for awarding legitimate or illegitimate benefits to clients<sup>187</sup>.

In my opinion, political pressures often shape economic programs in ways that are inconsistent with the ideal resource allocation goals envisaged initially. Pressure groups exert strong influence over policy formulation, and policy execution ends up being far from what had been intended. Corruption and favoritism surround bureaucratic allocations of investment licenses, import licenses and the awarding of government contracts<sup>188</sup>. Although the infant industry argument was invoked as a basis for protecting

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<sup>184</sup> Johnson, Paul M. 2005. *A Glossary of Political Economy Terms*. Auburn: Auburn University

<sup>185</sup> Johnson, Paul M. 2005. *A Glossary of Political Economy Terms*. Auburn: Auburn University

<sup>186</sup> Stigler, G.J. 1971. The Theory of Economic Regulation. *Bell Journal of Economics and Management Science*. Vol. 2. 3-21

<sup>187</sup> Chowdhury, Faizul Latif. 2006. *Corrupt Bureaucracy and Privatization of Tax Enforcement*. Pathak Shamabesh: Dhaka

<sup>188</sup> Öniş, Ziya. 1991. The Logic of Developmental State. *Comparative Politics*. Vol.24.Issue:1. 109-126

domestic industry from foreign competition, the scope and height of protection was usually far greater than could be defended on infant industry grounds.

In Turkey, effective protection rates were well over 200% twenty years after the start of infant industries<sup>189</sup>. Efforts to remove this “temporary” protection were infrequent and when they did occur met with great resistance<sup>190</sup>. The decision to grant some infant industry protection resulted in pressure groups lobbying for continuation of the protection<sup>191</sup>. As Krueger argues<sup>192</sup>, “when governments impose restrictions they are caught on the horns of the dilemma: if they do restrict entry they are clearly “showing favouritism” to one group in society and are choosing an unequal distribution of income. If, instead, competition is allowed, income distribution may be less unequal and certainly there will be less appearance of favouring special groups, although the economic costs associated with quantitative restrictions will be higher.” As we will show in the Chapters related to Turkey, the governments did not refrain from expanding incentives in order not to be seen as favouring certain groups. During various governments, the groups which have been favoured have also varied. However, this has

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<sup>189</sup> Krueger Anne O. and Baran Tuncer. 1982. An Empirical Test of the Infant Industry Argument. *American Economic Review*. December. Vol:72. Issue:5. 1142-1152

<sup>190</sup> Haggard, Stephan. 1990. *The Political Economy of Philippine Debt Crisis*. New Jersey: Princeton University Press

Kaufman, Robert R. 1990. *Stabilization and Adjustment in Argentina, Brazil and Mexico*. New Jersey: Princeton University Press.

Nelson, Joan M. 1990. *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World*. New Jersey: Princeton University Press

<sup>191</sup> Krueger, Anne O. 1990. The Political Economy of Controls: American Sugar. In *Public Policy and Economic Development*. Ed. D. Lal and M.R.G Scott. Oxford: Clarendon Press

<sup>192</sup> Krueger, Anne O. 1974. The Political Economy of the Rent-Seeking Society. *The American Economic Review*. Vol.64. Issue:3. 291-303

not stopped the government in distributing incentives. What we have observed as a variation are the changes in the priorities where the incentives have been distributed.

In my view, analysis of state incentives generally, and export incentives specifically produces mixed results. Although the general view is that incentives do more harm than good and that the overall result after incentivizing a certain industry is worse than if it had been competing under *laissez faire*, there continues to be proponents of incentives owing to other, mostly political, reasons. In doing this selectivity in choosing which area to support and following it through the performance criteria turn out to be important. In the next section, we will explore these complementary concepts.

#### **3.2.4. Selectivity and Performance Requirements**

The selectivity approach in public policy making mainly stems from the principle of comparative advantage theory. Accordingly, it can be shown that every country or region may benefit from trade if they specialize in producing the goods where they have a comparative cost advantage. However, market failures and policy distortions may restrain exploiting cost advantages. Under such circumstances selectivity approach may be applied so that the resources are allocated in accordance with spatial differences in comparative advantage.

In the spatial selectivity, governments tried developing and subsidizing centers or regions around their country in an effort to promote their development and growth targets. For instance a growth-center strategy is meant to encourage industrial development in a small number of locations chosen on the basis of their ability to

generate internal and external economies of scale<sup>193</sup>. Similarly, around those determined growth centers selected industries are supported in line with the overarching goals determined by the governments. The success of a selective policy will depend on the extent to which it is differentiated with respect to various types of industry and location. In fact, a selective approach is based on the acknowledgment that the impediments to an efficient allocation of resources, such as market failure and policy distortions, do not affect all industries and locations equally. What is more, it is also impossible to allocate subsidies perfectly. Nevertheless, by supporting certain firms and locations and sectors, the selective approach tries to reverse this.

The same logic applies to sectoral selectivity which we see more often in the East Asian case. The East Asian countries in the 1980s, imposed tariffs on imported commodities which had high domestic demand and they applied import exemptions for those commodities which were used to produce export goods. Export producers were also supported by being granted easy access to capital markets, preferential rates of interest and tax concessions. A similar selective approach was followed in the promotion of infant industries which the governments selected for support thinking that they would be able to compete in international markets if properly supported. In Turkey, the government especially supported the big companies to enable them export more through certain mechanisms starting mid-1980s. One of these mechanisms was the FTCs. Certain incentives would be offered to them if their exports reached certain levels. In this period, SMEs (Small and Medium Sized Enterprises) were not considered as capable of engaging in exports and hence no clear support mechanism was established for them. However, as the SMEs gained more importance starting 1990s; the FTC mechanism was re-designed for the SMEs and was labelled as SFTCs.

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<sup>193</sup> P Black and A. Roux. 1991. The Spatial Dimension of Regional Policy Selectivity versus Uniformity. *Development Southern Africa*. Vol 8. No:4. 445-458

#### **3.2.4.1. Benefits and Limitations of the Selectivity Approach**

In my opinion, there are several expected benefits from the selectivity approach. The expansion of a key industry may strengthen its existing forward and backward linkages by encouraging a greater demand for suppliers and increasing the supply to purchasers and by creating new and additional supplying and purchasing industries. It is believed that an important advantage of the selectivity approach concerns the direct costs of the policy such that a given amount of assistance, whether provided by means of a subsidy or tax concession, should generate larger profits or a more rapid increase in output and employment if it is applied selectively on the basis of regional or sectoral differences. Such a policy is expected to be less costly than a uniform policy.

There are also limitations to the selectivity approach. First, geographically speaking, the areas that are selected for subsidization purposes tend to attract local resources in other close by areas to that selected location tending to deplete resources in other areas. Additionally, policy makers hardly have the enough information to identify subsidy areas in terms of their comparative cost advantages as such information is rarely available. Second and more importantly, choosing the wrong sectors to subsidize is a waste of public resources. Finally, an industry-specific growth-centre strategy would be difficult to implement in practice because of the high costs of administering and policing such a system. Successful industrial targeting would require careful monitoring of performance as well as an ability to discipline errant firms. It is not clear whether the

administrative capacity necessary to achieve this goal exists at either the national or the regional level.<sup>194</sup>

As we have indicated in Chapter 2 and will again exemplify in the following Chapters, countries in the East Asia have carried out detailed studies in identifying sectors and regions to subsidize in line with their national goals. After having subsidized these areas they have tracked their performance and have withdrawn the subsidies where their performance was lower than expected. They also took corrective measures to remedy problem areas before fully withdrawing subsidies.

#### **3.2.4.2. Performance Criteria in Selectivity**

In Turkey, subsidization areas have been selected in line with political interests and relations of certain business/interest groups to the government. After 1960 (with the establishment of State Planning Organization) although export goals have been determined in line with strategies in Turkey's periodic development plans overall political and economic developments in Turkey and abroad such as the oil crisis of the 1970s, rendered it very difficult to follow these goals. On the other hand, especially in the 1980s, state business relations became so intertwined that led to allegations of crony capitalism. Similarly, given the key role of the government in the economy having good connections in the government contributed to the success of businesses. It was not uncommon to see businesses set up solely depending on state subsidies. In such cases,

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<sup>194</sup> P Black and A. Roux. 1991. The Spatial Dimension of Regional Policy Selectivity versus Uniformity. *Development Southern Africa*. Vol 8. No:4.

having good relations in the government as well as having a good intelligence as to the direction of the subsidies was vital on the survival of the company. These created distortion on information received by the government and companies. The economic and international trade environment had to act on information asymmetries and market imperfections. In the next section, we will analyse the complementary concept of market imperfections and the operations of governments under market imperfection.

### **3.2.5. Foreign Trade and Export Incentives under Market Imperfection**

Countries often perceive themselves as being in competition with each other for profitable international markets. Brander and Spencer state that from a national point of view, export subsidies appear as attractive policy tools, because they improve the relative position of domestic firms in non-cooperative rivalries with foreign firms, enabling expansion of its market share and greater profits. In effect, subsidies change the initial conditions of the game that firms play.<sup>195</sup>

Subsidization of firms engaged in international rivalry was a common practice in western economies for some time. The traditional comparative advantage models which theorize that free trade is the best of all possible policies relying on efficient markets have later been called into question since, in reality, increasing returns and imperfect competition are prevalent in international markets. Instruments to correct such failures may create bigger problems. For instance, export subsidization leads to crowding-in, if the decision to enter depends on total profits because export subsidies lead to large

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<sup>195</sup> Brander, James A. and Barbara J. Spencer. 1984. Export Subsidies and International Market Share Rivalry. *NBER Working Paper Series*. 1464

profits on export sales. If on the other hand, export subsidies do not give rise to abnormal profits but rather contribute to defraying the costs of selling in new markets, there is a small welfare gain<sup>196</sup>.

### **3.2.5.1. Benefits and Limits of Subsidization under Restrictions**

There are several arguments made to justify export subsidies from the viewpoint of welfare maximization. For instance the use of export subsidies by one's competitors or the infant-industry argument based on capital market imperfections and externalities<sup>197</sup>. Additionally, when there are large numbers of unemployed workers in the economy due to wage rigidity or some other type of distortion, production expansion induced by export subsidies may increase employment and thereby improve the country's economic welfare. However, these arguments in favor of export subsidies are justified under very specific conditions, which are not always available in reality mainly due to imperfect information about the markets<sup>198</sup>.

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<sup>196</sup> De Melo, Jaime and David Roland-Host. 1990. An Evaluation of Neutral Trade Policy Incentives. *World Bank Working Paper* .480

<sup>197</sup> Panagariya, Arvind. 2000. Evaluating the Case for Export Subsidies. *World Bank Policy Research Working Paper No. 2276*

<sup>198</sup> Explicit export subsidies are also categorically illegal under WTO rules and can lead to legitimate retaliation under WTO rules, which retaliation can be more economically damaging than the market for the subsidised product was worth. However subsidies with a collateral aim, eg. education, health, infrastructure improvement are still allowed. Governments continue to use these subsidies, not only for the collateral benefits, but because international markets lead to trade imbalances. These imbalances are usually related to population and resource pressures, but can also be cultural.



In practice we identify that, transactions often involve incorrect or incomplete information. This missing or incorrect information may lead to market failure because the party with better information has a competitive advantage. In such a setting, government intervention can be in principle justified to improve market outcomes. Brander and Spencer suggest that, as soon as government intervention becomes a part of the picture, the next obvious question becomes what type of government policy can be designed and whether the results of such intervention is better than no-intervention.<sup>199</sup> For instance as we will analyse in the Turkish case, in the 1980s some of the export subsidy programs in Turkey were implemented to enable Turkish exporters to export more by providing them with exemptions in the tax payments of various raw material costs if the final product was produced for exporting purposes. Thereby, the exporters would have more financial resources to spend for competing in the world markets. Despite the fact that there is a mixed result as to whether such incentives aided Turkey in its dubious “export miracle” in the 1980s, the prevailing view is that Turkey has not succeeded in penetrating into world markets<sup>200</sup>.

The design of the government policy under uncertainty and market imperfection is a complex one. Government needs flawless information on firm level behaviour to design exact policy for a beneficial outcome. In other words, the state would like to try to make sure that its policies do not cause detriment to one or more parties/sectors/firms while trying to benefit certain others. Although the state has information on firm behaviour in its country, that information has limits. In a world of imperfect information and imperfect governments, national subsidies have a possibility of opening the door for

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<sup>199</sup> Brander, James A. and Barbara J. Spencer. 1984. *Export Subsidies and International Market Rivalry*. NBER Working Paper Series. 1464

<sup>200</sup> Cecen, Aydin.A., Suut Dogruel and Fatma Dogruel. 1994. Economic Growth and Structural Change in Turkey:1960-88. *International Journal of Middle East Studies*. Volume: 26. Issue:1. 37-56

various kinds of wasteful rent-seeking. Consequently, gains from government intervention may be limited due to uncertainty and suboptimal outcomes. Nevertheless, the role of subsidies in export industries has attracted considerable interest among economists. Itoh and Kazahuru state that this might be due partly to the acknowledged success of Japan, where an export promotion policy has played such an important role<sup>201, 202</sup>.

However, when we take a closer look at the success of the Japanese and other East Asian Countries' experiences, factors besides export subsidies (such as commitment to growth, dedication to education, retaining bureaucratic autonomy...etc) have been instrumental in securing success. Furthermore, even if we accept the view that export subsidies had a positive effect on East Asia's performance, it does not follow that they will deliver similar results in other countries, as discussed in the policy transfer section.<sup>203</sup>

The Japanese foreign trade companies (sogo shosha) have set the examples for FTCs for large companies as a means of export subsidy in Turkey. In the case of Turkey, the

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<sup>201</sup> Itoh, Motoshige and Kazahuru Kiyono. Welfare-enhancing Export Subsidies. *The Journal of Political Economy*. Vol. 95, No. 1. 115-137

<sup>202</sup> The experience of successful East Asian exporters suggests that it was the provision of export incentives that put domestic producers on an equal footing with their foreign competitors. Exporters need support to commit to riskier activities that have long lead time and sunk costs for identifying suitable markets and setting up distribution channels (Frishtak Cladio R., Besta Hadjimichael and Ulrich Zachau. 1989. Competition Policies for Industrializing Countries. Policy and Research Series. No:7. Washington DC: Worldbank). In providing for the costs of establishing successful export activities, subsidies, or incentives that increase the relative profitability of exports, are not likely to give rise to abnormally high profits and they would be balanced against entry costs.

<sup>203</sup> Panagariya, Arvind. 2000. Evaluating the Case for Export Subsidies. *World Bank Policy Research Working Paper* 2276

SMEs have also been important especially starting the 1990s, therefore ways have been sought to break the SMEs into international exports through export consortia. The Turkish FTC subsidy program (for the large companies) is labelled as SFTCs for the SMEs (small and medium sized companies). Turkey has studied the export consortia example of Italy, aka Federexport when transferring this policy from Italy.

The key support institution in Italy is the Italian Federation of Export Consortia (Federexport). Founded in 1974, it currently represents 110 consortia with a total of about 4,000 firms operating in all business sectors. Federexport is the consortia's representative in contacts with the institutions promoting Italian firms: the Italian National Institute for Foreign Trade (ICE), the Ministry of International Trade, the Ministry of Foreign Affairs, regional governments and the Chambers of Commerce. In addition to coordinating its members' activities, Federexport promotes the consortium model in other countries, provides tax and legal advice to consortia and directly promotes the exports of its member SMEs through trade delegations, market surveys and conferences. Federexport also provides technical support to other entities supporting consortia.

In Italy the model has worked well and continues to do so, as its main strength has been sharing of international marketing abilities as well as know-how. In Turkey FTCs and SFTCs have not been able to create the success stories observed in East Asia and Italy. State-business relations in all three countries have much to do in explaining this phenomenon.

### **3.2.6. Conclusion**

The third Chapter introduced the main concepts which we will refer to in analysing the issue of policy transfer from a certain context with its historical, traditional, economic and social endowments into another one in a different environment. We will see that these concepts will prove themselves to be useful in analysing the policy transfer process and the backgrounds for the host and recipient environment leading to policy transfer success or failure.

The preceding sections exposed the theoretical foundations of the policy transfer concept as well as the learning from the empirical findings under which policy transfers have been seen to be successful. We have explored the boundaries of the concept of the policy transfer as well as its stages and requirements for success or failure. My focus in this thesis in the context of the policy transfer is the policies for the foreign trade and exports transferred from Japan and Italy. In addition to this, we have also explored different levels of bureaucratic autonomy and its boundaries.

Especially in the policy transfer case to Turkey, we will see that when there is a voluntary policy transfer under perceived necessity or policy transfer as lesson learning with bounded rationality, under the case of minimum or low level of autonomy, there will be a resulting rent seeking where the influence mechanism try to reach the ranks of the politics and the bureaucracy through individual means.

Selectivity and performance requirements are other key concepts in analysing the state subsidies. When extending subsidies and other types of benefits to companies with export orientation, certain criteria should be sought. In introducing the concepts of selectivity and performance requirements, we aimed at understanding how the export

subsidies should be distributed for the greatest effect, how it is distributed in East Asia and what are differences from the Turkish case. The section has explained that there has been a rigorous analysis of performance criteria in East Asia and in Italy in distribution of the export subsidies. In contrast, no such diligence was observed in Turkey, where rent seeking arrangements were constantly sought for by the companies.

When extending subsidies, the governments perform it with certain criteria in mind and aim to render their industries more competitive. However, their effort is expended under an imperfect market and information flow from the market. Therefore the efforts of the government are pursued on a best effort basis and we can reasonably expect them to result mostly in suboptimal outcomes. Therefore, the consequences of the market imperfection and the methods for overcoming it are studied in a comparative basis. Once again, we find that the flow of information to the state is less problematic in developmental states due to the close affinity of the state to the markets, whereas such flow of information was imperfect in Turkey due to the incessant conflicts between the state and the business groups and an unstable political and economic environment.

In the East Asian and Italian cases, we also witness that governments occasionally intervene but their intervention had a more guiding function than a purely directive one. The failure of government actions and policies occurs when government intervention in the markets result in a more inefficient allocation of goods and resources than without one. This results in rent seeking behaviour by the affected parties as the deficiencies in resource allocation are spotted by companies.

This section analyses these concepts and puts them in context in relation to the state intervention in developing countries. This analysis will later enable us to make a more lucid comparison of the environment for the policy domain and the policy recipient, in the next Chapters.

## **CHAPTER 4**

### **4. UNDERSTANDING THE POLICY TRANSFER ENVIRONMENT: HISTORICAL BACKGROUND OF TURKEY**

As I argued earlier, we now look at the political and economic history of Turkey mainly from a foreign trade angle, vis a vis bureaucratic autonomy, selectivity and rent seeking, market and government failure perspectives which will assist us later on to understand why a policy transfer attempt has been unsuccessful.

The first three Chapters laid out the theoretical background through discussing important key concepts which would pave the grounds for evaluating Turkey's experiment with bureaucratic autonomy, policy transfers, subsidies, rent seeking and export orientation. In this Chapter and the next, I would like to analyze the political and economic environment both prior to the 1980s and after the 1980s in which the bureaucracy, politics, business world operated and how this environment has been instrumental in shaping their mutual relations. Here, in particular, we will look at Turkey as a hybrid example between Western liberalism and Eastern developmentalism.

#### **4.1. Political and Economic Environment in Turkey**

The main era I would like to look at in this thesis is 1980s, when the FTCs were established as an instrument in the changing economic orientation in Turkey, i.e. economic liberalization. However in order to do this we need to look at the background which set the basis for the 1980s. In addition, we will also look at 1990s towards analyzing the repercussions of economic policy as well as policy transfer which found its reflections in the FTCs and SFTCs. We will not look into 2000s, as there is no major development for the FTCs and SFTCs in 2000s. In 2000s especially SFTC policy has seriously weakened as the state shifted its subsidization policies towards different instruments.

But before starting a brief periodical analysis of the economic and political conditions, I would like to take one step back and do a brief analysis of the developmental vs. patrimonial states. As it will be briefly discussed in the next sections, the quest of economic adjustment and democratization calls for a strong state apparatus. In the lack of the either of these, there will be a less than optimal outcome if at all successful. The notion of the strong state refers to, states actors, comprising of bureaucrats and politicians, may choose and have the capacity of imposing measures that do not necessarily correspond to the immediate interest or preferences of any particular segment of society<sup>204</sup>. However, the ideal notion of the developmental state, assumes a high degree of centralization of the state among the state elites and in the strong developmental state there should be political elite willing to engage dialogue with autonomous and organized interest groups and consult them in policy making.

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<sup>204</sup> Öniş, Ziya. Redemocratization and Economic Liberalization of Turkey: Limits of the State Autonomy. *Studies in Comparative International Development*. Summer 1992. Vol:27. Issue: 2. 3-23

Therefore, a high degree of centralization is not a sufficient condition for autonomous and effective state action.

On the other hand, central to the patrimonial state tradition is the idea of the "father state";<sup>205</sup>. A father state is an institution that guarantees the means of support for the public. For lower-income groups, this means employment opportunities within the large public sector. For business groups, entrepreneurs, or producers, it means a wide variety of subsidies. Credit from public banks, access to lucrative public sector contracts, preferential access to low price public sector goods and frequent rescue operations for troubled private firms also distribute patronage. Highly centralized "patrimonial states" such as Turkey, where there are strong coercive powers plus high degree of concentration in policy making can in fact be extremely weak in its exposure to clientelistic requests coming from interest groups which will be clearly visible in the Turkish case.

As Öniş and Webb state,<sup>206</sup>

A counterpart to the patrimonial state tradition in Turkey is the weakness of autonomous interest associations and of their links to the state. Politicians and bureaucrats will not enter into institutionalized contact with interest organizations concerning the formation and implementation of policy. The

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<sup>205</sup> Öniş, Ziya and Steven Webb. 1994. *Turkey: Democratization and Adjustment from Above*. In *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment*. eds. Stephen Haggard and Steven Webb. Word Bank: Oxford University Press.

<sup>206</sup> Öniş, Ziya and Steven Webb. 1994. *Turkey: Democratization and Adjustment from Above*. In *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment*. eds. Stephen Haggard and Steven Webb. Word Bank: Oxford University Press



weakness of links with formal interest associations encourages the development of extensive patron-client networks and, under the constraints of parliamentary democracy, leads to attempts to build up popular support through the dispersion of patronage on a large scale.

Some degree of autonomy from societal pressures is a precondition for effective state intervention. The distinction between despotic and infrastructural power implies that there exists no direct, linear correspondence between "state autonomy" and "state capacity."<sup>207</sup> Therefore, the autonomy of a developmental state is of a different character from the absolutist domination of the predatory state. "It is an autonomy that can be observed in the set of social ties that bind state and society and provide institutional channels for the continuous negotiation and renegotiation of goals and policies. The specific nature of this "embedded autonomy" must be seen as the product of an historical conjunction of domestic international factors"<sup>208</sup>

The "embedded autonomy described by Evans, finds its counterpart directly in the "corporatist" arrangements in the west. Corporatist arrangements involving tripartite relationship between the state-labor and business have enabled the state contain social conflict, economic problems and achieve competitiveness in many cases, whereas in Turkey all these three issues hindered Turkey from achieving a peaceful transition to democratization as well as gaining international competitiveness. In addition to having a state which is willing to work in cooperation with these interest groups, there should be strong interest groups who are well organized, aware of their true interests and willing to

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<sup>207</sup> Öniş, Ziya. Redemocratization and Economic Liberalization of Turkey: Limits of the State Autonomy. *Studies in Comparative International Development*. Summer 1992. Vol:27. Issue : 2. 3-23

<sup>208</sup> Evans, Peter. 1989. Predatory, developmental and other apparatuses: A comparative analysis of the third world state. *Sociological Forum* 4,4

undergo certain sacrifices for long-term benefits. These issues, or lack thereof, are clearly identifiable in the Turkish case outlined below, which in the end led to painful and awry transition to democratization, increased and irreversible rent seeking mechanisms, following the world conjuncture and policies with a long time lag.

#### **4.1.1. 1950s: The Birth of Organized Business**

This era laid the basis for increased state-business relations. In the Republican period, the bureaucratic elites were determined to protect the national interests, during a time where the entrepreneurs were inexistent<sup>209</sup>. The state economic enterprises (SEEs), founded during the 1930s, were the first engines of economic growth of the initial phase of import-substitution. Private entrepreneurs have become more important during the post-1950 period. The private sector however was being heavily protected and guided by the state. In other words, there was a large public sector along with the private sector and the state had regularly intervened in the market. The state sector became an instrument of economic policy-making in the sense that the SEEs were used for party politics and electoral campaigns<sup>210</sup>.

The main indicators of the decade until early 1950s was high growth rates, development of the agricultural sector (the preference given to the landed sector was in line with the Marshall Plan consultations, according to which the Turkish economy was to expand food production helping to remove the shortages in post-war Europe), foreign trade

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<sup>209</sup> Trimberger, Ellen Kay. 1978. *Revolution from Above: Military Bureaucrats and Development in Japan, Turkey, Egypt and Peru*. New Brunswick, NJ: Transaction Book

<sup>210</sup> Amelung, Torsten (1988) : *The political economy of import substitution and subsequent trade liberalization: The case of Turkey*, Kiel Working Papers, No. 330.

surplus, (which continued until 1946, mainly owing to the foreign exchange reserves accumulated during the preceding war years) and relaxation of the protectionist measures in the foreign trade. Additionally, again until early 1950s, welfare of the public improved relative to war years where real income increased, although relative welfare status of the wage earners depreciated; agricultural production and trade flourished and their share in national income increased as well.

However, starting 1954 to the end of the decade, this radiant outlook worsened. The upsurge in the export economy came to a sudden end in 1954, when agricultural exports declined due to a crop failure and decreasing demand. The expansionary policies and liberal foreign trade policies of the post war years ended, economy stagnated, demand for export products declined hence leading to a decrease in external resources as well as restraints placed on imports as a result of these. The government engaged in an import substituting industrialization (ISI) as a means of remedying the decline in consumer goods imports, which was mainly facilitated by public investments. This led to a black market on one hand and also to industrialization to substitute imports on the consumer goods on the other hand<sup>211</sup>. This unplanned return to protectionism had two effects. Firstly, as mentioned above, the trade barriers provided incentives for imported substitution in the private sector, so the private capital started increasingly producing consumer goods. Secondly, protection was provided through a quota system and it limited the foreign exchange available for the importing of certain products. Only a small group of urban-based traders were in a position to take advantage of this policy. It was primarily this group that managed to obtain the cheap foreign exchange and the

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<sup>211</sup> Boratav, Korkut. 1988. *Türkiye İktisat Tarihi*. Gerçek yayınevi

import licenses<sup>212</sup>. This caused a discontent among the industrialists and exporters who lacked political influence to attain such benefits. This served as the first impediment to future selective intervention policy.

Towards the end of the decade the economy underwent balance of payments pressure combined with stagnation, inflation and an overvalued exchange rate. Coupled with political and social turbulences, the military took over the government in 1960.

The distinctive characteristic of this period was the state being the impulsive force of industrialization and a more or less a mixed economy prevailing with extensive public support coming to the private sector. The difference of public support and protection of this period from the ensuing period of 1960s, is the fact that there was no planning in this period and the support was extended haphazardly at a relatively stagnant economic environment, thus leading to allegations on political patronage. Thus the political interventionism and lack of bureaucratic autonomy finds its roots in this era.

#### **4.1.2. 1960s: Implications of Planned Period**

This era laid the basis for more controlled state planning and state guidance. Turkey started 1960s with a military takeover. Still, political instability has been the defining characteristic of the following two decades despite the improvement in the economy. As

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<sup>212</sup> Amelung, Torsten (1988) : *The political economy of import substitution and subsequent trade liberalization: The case of Turkey*, Kiel Working Papers, No. 330.

Ahmad puts it, “The leaders of the 1960 coup had little agreement over what to do with the government they had taken over. In the power struggle that ensued, the senior military officers managed to gain an upper hand to prevent a radicalization of the government”<sup>213</sup>. Military leaders ran the country with the help of the civilians and carried out fundamental institutional reforms.

The impacts of these reforms were certainly observed in the economy. After a period of postwar expansion, the Turkish economy had shown slow growth and trade imbalances during the years between the mid-1950s and the beginning of the 1960s <sup>214</sup>. Exports and imports had fallen below their 1953 levels and had not recovered until 1960. In this period comprehensive protectionist measures were introduced to remedy deficits in the balance of payments as well as price control programs to decrease inflation. There has also been a shift towards import substitution policies. However, in contrast to the immediate pre-1960 years, the 1960s enjoyed relative economic recovery together with growth rates in GNP mainly owing to the expansion in the manufacturing and service sectors as well as the workers’ remittances coming from Germany starting early 1970s<sup>215</sup>.

One distinctive point about this period was the decrease in the agricultural sector production compared to 1950s as well as an increase in the industrial sector production. However, it should be noted that domestic industrial production was dominated by the

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<sup>213</sup> Ahmad, Feroz. 1977. *The Turkish Experiment in Democracy*. Westview Press: Boulder, CO, USA

<sup>214</sup> [www.tuik.gov.tr](http://www.tuik.gov.tr)

<sup>215</sup> Cecen, Aydin.A., Suut Dogruel and Fatma Dogruel. 1994. Economic Growth and Structural Change in Turkey:1960-88. *International Journal of Middle East Studies*. Volume: 26. Issue: 1. 37-56

public sector although the private sector was also incentivized<sup>216</sup>. Despite these developments, exports remained low compared to other developing countries belonging to the same group. Another distinctive point about this period was the changing nature of the accumulation strategy. This re-determined the interest definition for different elements of the Turkish bourgeoisie. The post-1960s was dominated by ISI strategy and planning has also become a part of this strategy as a form of state intervention. The uncertainty in the investment decisions of the private sector have decreased as a result of declared plans, relative to pre 1960 period. Shift to state-led planning has also been instrumental in placing bureaucracy in the centre of decision-making process (however, its autonomy had limits which was restricted later on).

When we look at the key institutions as well as the key interest groups, we observe certain trends shaping under the umbrella of planning. In the immediate pre-math and aftermath of the 1960s, there has been a demand for transition to “regulated and rational” planning both from internal and external circles. According to the analysis of Keyder<sup>217</sup>, since 1954, there was a complicated system of quotas and tariffs. As a result the political authority was to control all imports, and was in a position to choose who to extend market privileges through such quotas. This led to increased discontent among the business world both in Istanbul and in the rest of Turkey, criticising haphazard rent distribution in the late 1950s. The 1960 coup promised a rational and planned allocation of scarce resources and the establishment of a central planning agency. Keyder defines this transition “as the success of the industrial bourgeoisie” where bureaucratic class and the intelligentsia became partisans of the developmentalist ideology. This ideology

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<sup>216</sup> Cecen, Aydin.A., Suut Dogruel and Fatma Dogruel. 1994. Economic Growth and Structural Change in Turkey:1960-88. *International Journal of Middle East Studies*. Issue: 26. Volume :1. 37-56

<sup>217</sup> Keyder, Çağlar. 1987. *State and Class in Turkey: A Study in Capitalist Development*. Verso: London, New York

praises the role to be played by technocratic elite in the industrialization of the country. With the switch to the planned period, it was expected that there would be a transfer of state power from “self-serving and corrupt politicians to nationalist planners”.

As Keyder analyzes, there has been a discontent from the policies of pre 1960s where incentives and other privileges such as import quotas were distributed according to political interests and arbitrarily. As a result a demand had developed to move towards a planning led by the bureaucracy, which was believed to be more organized and more transparent.

The government in 1960 has taken several measures to deal with policy uncertainties that were in place before the coup. One of such measures was the efforts made towards introduction of planning. **State Planning Organization (SPO)** was established on September 30, 1960 to undertake planning initiatives. As noted in Article 129 of the 1961 Constitution: “Economic, social and cultural development is based on a plan. Development is carried out according to this plan. The organization and functions of the State Planning Organization, the principles to be observed in the preparation and execution, and application and revision of the plan, and the measures designed to prevent changes tending to impair the unity of the plan, shall be regulated by special legislation.”<sup>218</sup>

SPO was given the right and responsibility to monitor allocation of credit, foreign exchange, public investment and expenditure. SPO could even use its supervisory role to allocate foreign exchange and credit. SPO could also withhold foreign exchange or

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<sup>218</sup> <http://www.tbmm.gov.tr/anayasa/anayasa61.htm>

credit from the enterprises which did not follow the plan. As a result, this gave the SPO an strong upper hand in economic and social policy making. We should also note that the planning understanding of 1960s was different than that of previous decades. In 1960s an integrative planning approach was foreseen which was descriptive for the private sector and mandatory for the public sector<sup>219</sup>. The state-owned enterprises had to meet the plan's targets, and numerous incentives existed to put pressure on private firms to meet them, especially through the SPO's control of import and investment licenses.

I also would like to take a look at the key actors that had shaped the era. The two key actors I would like to analyse in this period and all throughout to 1990s are the bureaucracy and the private sector. As a result we will be able to determine the bureaucracy's autonomy under political pressure and towards resisting or fulfilling private sector's demands.

The bureaucracy in Turkey can broadly be divided into central bureaucracy, the local administration and the managers of the State Economic Enterprises (SEEs). However, due to mobility between these agencies and administrative links, bureaucracy can be seen as a unity despite the inherent rivalries between agencies, competence, differences in education and wages. From the establishment of the Turkish Republic, the civil service was given a mere instrumental role as they were more or less seen as the perpetrators of the previous administration. The civil bureaucracy was to be a lesser part of the government.<sup>220</sup> However, especially after the transition to the multiparty parliamentary democracy, the bureaucracy wanted to assume a more substantive role in

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<sup>219</sup> Interviewee 7

<sup>220</sup> Heper, Metin. 1984. *Ataturk and the Civil Bureaucracy*. In *Ataturk and the Modernization of Turkey*. Ed. Jacob Landau. Boulder, Colorado: Westview Press



preserving Atatürk's ideologies, which were sometimes in conflict with the conservative and religious views of the governments formed between 1950 and 1980<sup>221</sup>. The bureaucracy's reaction to the efforts of the politicians' to ideologize it was two folds: it either resorted to negative politics by alienating political involvement or it refrained from implementing the policies of in whose formulation the bureaucracy had little say<sup>222</sup>. In return, the politicians followed opposing tactics; they either reduced the financial purchasing power of the civil servants, or ignored their demands or created economic enterprises to bypass the bureaucracy such as the SEEs.<sup>223</sup>

During the late 1960s the role of the administration was altered mainly because of two factors: Firstly, as a result of the Justice Party's preference for the private sector, the bureaucrats suffered a loss in social terms. As a result of rapid industrialization made possible by excessive import substitution presented alternative career possibilities for the bureaucrats in the private sector, which were better paid. Secondly, the transition to planned import substitution was accompanied by a growth in the number of bureaucratic institutions. In the absence of careful specification of what was to be regulated, the space was opened for an environment of favouritism especially in the lower rank administration. As a result, the central administration was being waved aside from the rest of the bureaucracy. The central bureaucracy, especially the SPO, temporarily

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<sup>221</sup> Interviewee 1

<sup>222</sup> Heper, Metin. 1977. Negative Bureaucratic Politics in a Modernizing Context: The Turkish Case. *Journal of South Asian and Middle Eastern Studies*. Issue:1. 65-84

<sup>223</sup> Heper, Metin. 1990. The State and the Debureaucratization. *International Social Science Journal*. Vol: 126. 611-615

regained substantial political responsibilities after the military intervention of 1970, since the armed forces made use of the bureaucracy to depoliticize the country<sup>224</sup>.

On the other hand, in this period we observe a tendency in the business world towards acting together with interest groups. When we briefly look at pre 1960s and by way of looking at the development strategy of Turkey, while an open economic model was adapted as a response to the pressures from the West, we also observe an interventionist as well as a protectionist state (unlike the USA and the countries in Europe). Here, the role of the state and its relations with the business are also crucial to understand the nature of this interventionism. Turkey's experience could be considered as similar experience of the countries in East Asia, such as Japan and S. Korea. In those countries, the partnership between the political authority and the state created bourgeoisie appears as a crucial aspect of the economic development<sup>225</sup>. What was different regarding the experience in Turkey was lack of a coherent long term strategy that would render the investment environment for the businesses to work comfortably in, the scale of the business world and the way in which this relationship was institutionalized. On the contrary, the state created opportunities for some and exclusion for others created a hegemonic status for some favoured businesses. In addition to all these, in Turkey the enterprises which were able to take advantage of the unstable environment owing to their personal relationships with the bureaucracy or politicians have been the big ones<sup>226</sup>. There has been a distinct distaste for the small and medium sized enterprises,

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<sup>224</sup> Amelung, Torsten (1988) : *The political economy of import substitution and subsequent trade liberalization: The case of Turkey*, Kiel Working Papers, No. 330.

<sup>225</sup> Jones, Leroy P. and Il Sakong. 1980. *Government, Business, and Entrepreneurship in Development: The Korean Case*. Cambridge, Massachusetts: Harvard University

<sup>226</sup> Interviewee 10

stating that they were too small to give the country a leap in the way to modernization and industrialization<sup>227</sup>.

Making profits during the Second World War years allowed the emerging business community to strengthen its financial position and to expand its size. By the end of the Korean War, the business class in Turkey felt strong enough to make demands on the state, and wanted in particular to roll back the statist experiment and establish a free market economy<sup>228</sup>. The private sector was then divided into three groups, and they were represented by an organization in the top: the Union of Agricultural Chambers, the Confederation of Tradesmen and Artisans, and the Union of Chambers of Commerce, Industry, and Commodity Exchanges, (aka TOB in Turkish, later became TOBB). The most influential of these was the TOB(B). TOB(B) was established in 1952, and represented commercial groups and the manufacturing sector. Between 1950 and 1970, the main spokesman of private business in Turkey was the TOB(B). As Henri Barkey emphasizes, "the TOB(B), which quickly became the most important private sector organization, was primarily designed for the government to exercise control over the private sector and respond to its demands."<sup>229</sup>

Membership in the chambers and hence the TOB(B) was compulsory. As a result the TOB(B) became a very powerful organization with vast funds and extensive network. By the 1970s TOB(B) had an annual budget of 10 million TL, half of which was contributed by local chambers, depending on the size of their membership. The other

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<sup>227</sup> Interviewee 5.

<sup>228</sup> Shambayati, Hootan. The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran. *Comparative Politics*. Vol:26, No:3

<sup>229</sup> Henri J. Barkey, *The State and Industrialization: Crisis in Turkey* Boulder: Westview, 1990

half was generated through the fees that the union charged for various administrative functions delegated to it by the state, the most important of which was import allocation, a function that it performed until 1971. In contrast in Japan, MITI played a guiding role to the private sector searching for overseas markets and giving assistance to them in finding business partners. This was a role that could be expected to be played by an organization such as the TOB(B), but it was too carried away with in political considerations.

TOB(B)'s membership included three sets of organizations: chambers of industry, chambers of commerce, and chambers of industry and commerce. The chambers were organized according to administrative districts. Since the number of commercial chambers were much bigger than the number of industrial chambers, TOB(B)'s assembly was dominated by commercial interests at the expense of industrialists.

In the late 1950s, the profits in importing encouraged a competition in the distribution of quotas. While the members of the Istanbul Chamber of Commerce took advantage of the favouritism which was encouraged on the part of strategically placed officials and ministers as a consequence of the competition for quotas, lobbying activities of the Chambers of Industry encompassed attempts to get higher quotas for industrialists in order to import raw materials instead of buying them from local suppliers. As a result, despite competition in quota distribution, there was a convergence of interests between importers and industrialists. The former wanted to have quotas imposed to collect rents and the manufacturers wanted quotas to benefit from the protective element of the quota.

Rent-seeking in activity in Turkey in this period was indeed not completely competitive. The structure of the market for quota allocation was protected because of barriers-to-

entry erected by small and exclusive groups within the TOB(B) such as the chambers of the larger cities. Additionally, there were also the chambers which invested considerable financial resources in lobbying activities. Given the barriers-to-entry, rent-seeking has a built-in-tendency to grow stronger as long as additional rents are larger than the costs of rent-seeking. Thus, small and exclusive groups, which can quickly exchange information and organize, are likely to benefit from such a system.<sup>230</sup>

In summary during this period, the SPO emerged as the key institution of the era although institutions such as Ministry of Finance and Ministry of Commerce also retained their importance. In 1950s the public sector salaries underwent a serious decline owing to rapid inflation and the neglect of the Justice Party government of the civil service. However in the ensuing period, after the military takeover, bureaucracy was reinstated its more powerful position. The establishment of the SPO rendered the central bureaucracy more powerful and competent, although disputes between the key institutions also increased. In this period, the TOB(B) became the main spokesman of the business groups. However, more than anything else, this highlighted the clash between tradesmen and industrialists mainly due to implementation of planned import substitution which will be explained in the next section.

#### **4.1.2.1. Implementation of the ISI Policy in Turkey**

After this brief account of 1950s and 1960s, I would like to briefly describe the ISI policy in the way it was implemented in Turkey in these two decades and later on in in

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<sup>230</sup>Shambayati, Hootan. The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran. *Comparative Politics*. Vol:26, No:3

the 1970s, for the purposes of laying out why it did not serve the desired outcome and how it continued to go wrong in the 1970s and how it was finally abandoned in early 1980s. I believe that looking at the ISI strategy will be instrumental in explaining how it evolved into a rent distribution mechanism through the hands of the bureaucracy and through the pressures from the politicians. The issue of bureaucratic autonomy and the bureaucrats' ability to turndown politicians' requests towards rent distribution also needs to be analysed. As the ISI was abandoned in 1980s the rent seeking channels still hanged under the export oriented development mechanism.

The import substitution policy finds its basis in the premise that “in an environment characterized by unequal terms of international trade, poor countries could develop by developing their own industries. An export strategy relying on natural resources and agricultural products tends to put these countries in a vicious circle as industrialized countries implement protectionist measures against these products, while their own industrial products can easily find their way to the unprotected markets of these underdeveloped countries<sup>231</sup>.

ISI is a development strategy designed to stimulate domestic production of labour-intensive manufactures formerly imported, mostly consumer goods. Government planning and controls are designed to allocate scarce resources only to those industries targeted for development. For ISI to provide the desired outcomes protection should not be universally implemented; there should be carefully selected sectors to place the import restrictions on. The final aim is to help industries that could contribute to the spread of industrialization in other sectors flourish. In the Turkish case however, a

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<sup>231</sup> Bayirbag, Mustafa Kemal. 2007. Local Entrepreneurialism, State Re-Scaling and Scalar Strategies of Representation: The Case of the City of Gaziantep, Turkey. PhD Thesis.

rather universal scheme was implemented. This rendered the protection turn into a source of rent seeking mechanism.

The investment boom of the 1960s started in the SEEs which enlarged their capacity in the fields of investment and intermediate goods. The private sector also benefitted from the ISI strategy. Investments were used to produce durable consumer goods purchased by high-income market. The industries were mostly of “assembly” nature and relied on foreign exchange as most of the intermediate goods had to be imported inducing a high demand for foreign exchange. Since the foreign exchange earnings of the economy were still based on the stagnant traditional export structure, ISI led to a foreign exchange gap that had to be compensated by increasing foreign debt<sup>232</sup>. As a result, instead of reducing economy’s dependence to abroad, ISI policy resulted in even further strengthening it due to extensive subsidization and favoritism. The main reason as to why exports remained weak was that the exports mainly constituted of agricultural products. If the exports consisted industrial products produced by modern technology, with added value and less state subsidy (or reduced state subsidy after having reached a certain level of maturity), it would have been more sustainable and would lead to economic development. On the other hand, TOB(B) was responsible from the distribution of import quotas among its members. This led to increased import restrictions which worked to the benefit of tradesmen as they became the sole producers but to the detriment of industrialists who worked with imported raw material. This situation accentuated the clash between the tradesmen (Chambers of Commerce) and industrialists (Chambers of Industry).

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<sup>232</sup> Amelung, Torsten (1988) : *The political economy of import substitution and subsequent trade liberalization: The case of Turkey*, Kiel Working Papers, No. 330.

As a result, ISI did not decrease Turkey's overall dependence to abroad. ISI contributed to a trade balance deficits and foreign exchange crisis by increasing imports of capital and intermediate goods. In addition, Turkish governments refused to finance ISI by squeezing agriculture as governments could not afford to shy away the agricultural sector. Furthermore, it was hoped that increased incomes in the agricultural sector would expand the market for manufactured goods. Instead of increasing exports, the Turkish government chose to finance ISI by attracting external capital. Two sources of capital were available to Turkey: loans and labor remittances. The high growth rates observed between 1962-1976 can be attributed mainly to availability of external resources. The workers' remittances have increased to almost 1 billion dollars in 1970s from 100 million in 1965-1969 period<sup>233</sup>. Additionally, it was relatively easy to access external resources in these years owing to abundance of financial resources in the world. This led to a neglect of the quality of exports and led the economy become chronically dependent on imports and hamper efforts towards foreign exchange savings.

The import-substitution regime resulted in a creation of "narrow distributional coalitions," with the incentives for free riding in the form of rent-seeking behaviour<sup>234,235</sup>. The growing strength of distributional coalitions, in turn, progressively undermined state autonomy by exerting influence on the state to perpetuate the existing system of distribution. The strong vested interests under the import-substitution regime

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<sup>233</sup> [www.tuik.gov.tr](http://www.tuik.gov.tr)

<sup>234</sup> Olson, Mancur. 1965. *The logic of collective action: Public goods and the theory of groups*. Cambridge MA:Harvard University Press.

<sup>235</sup> Olson, Mancur. 1982. *The rise and decline of nations: Economic growth, stagflation and social rigidities*. New Haven: Yale University Press.



caused a deficiency in the autonomy of the state elites and in their capacity to adopt a long-term perspective to implement changes in economic policies.

In summary, in terms of foreign trade policies 1960s were characterized by fixed foreign exchange rates, foreign exchange controls and import quotas. Where there are such restrictions, administrative controls become inevitable. Such administrative controls consist of prioritization and selectivity in line with the economic plans, which in the end lead to subjective controls and rent seeking mechanisms in the state. In other words, price advantages arising from ISI policies (and hence foreign trade controls), additional “rents” provided by the state as a result of the SEEs’ low price policies and extended to the companies which used such SEEs’ products, profits of the private sector which had access to cheap credits defined the means of sharing the surplus among different groups in the public.

#### **4.1.3. 1970s: The Decade of Political and Economic Turmoil**

This era set the background for transition to free market economy in the 1980s in a decade full of political and economic crises. Under Demirel's leadership of the Justice Party the economy grew at an average annual rate of 12% from 1965 to 1969. However, this had been achieved at the cost of constantly rising prices. Although Justice Party led by Demirel won the majority in 1969 elections, his position was very weak. Growth rates in the manufacturing industry were decreasing causing a discontent among the business class which started to withdraw its support from the Justice Party. Demirel attempted a cautious step towards trade liberalization that became known as the 1970 reform package. In negotiations with the IMF and foreign creditors, it was agreed upon devaluation and structural measures to encourage exports. Additionally, in the

association agreement signed with the European Economic Community (EEC) the tariffs were to be gradually decreased and the quota system was to be removed. However, other than the devaluation, the other measures were not implemented. As a result, amidst economic and social difficulties, there has been another military intervention in 1971. This time the global economic outlook was also not very favorable, with the increasing oil prices in 1973 causing troubles all over the world. The situation became especially acute in the mid-1970s. Faced with rising import bills because of the increasing cost of energy and other imported materials, the government took a number of short-term loans. Turkish external debt rose from 1.854 million dollars in 1970 to 4.323 million dollars in 1977<sup>236</sup>. By the late 1970s Turkey faced a full-scale crisis and was no longer capable of servicing its huge debt, which eroded confidence in the government.

The primary phase of import substitution ended with a retardation of growth in the manufacturing sector, clashes of interests between regional business groups, increased radical trade unionism and a stabilization program, which did not involve trade liberalization but rather an extension of ISI<sup>237</sup>. The Third Plan for 1973-1978 emphasized infant industry protection as a policy to foster outward oriented industrialization leading to a diversified export structure. In the numerous coalition governments period of 1970s, no economic policy declared by the governments had much chance of trial. As a result, economic policy making was reduced to restricting imports and receiving foreign loans to cover foreign exchange gaps in addition to increased budget deficits due to the subsidization of landed groups and industrialists and the rise of social benefits, while the tax base was eroded. Another small and forced step was taken towards foreign trade liberalization with the January 24, 1980 stabilization

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<sup>236</sup> World Bank. World Development Report. 1979.

<sup>237</sup> Amelung, Torsten (1988): *The political economy of import substitution and subsequent trade liberalization: The case of Turkey*, Kiel Working Papers, No. 330.

measures, which included lifting of bureaucratic impediments to exports as well as subsidization of export industries, among other measures. These measures were never fully implemented in this period due to the lack of credibility of the government, which eventually led to another military takeover in September 12, 1980 and ending an era in Turkish politics and economy. The implementation of these measures was undertaken in the new government.

When we look at the key institutions of 1970s, we see a period of stagnation in terms of changes in the structure of state institutions yet a mass of coordination problems and interest clashes. Prior to 1980, the principal agencies for economic policy were the Ministry of Finance and Customs, the Ministry of Commerce, and the SPO. All three were involved with trade policy and the allocation of foreign exchange, which was causing coordination problems. However, the SPO was the chief economic agency in the 1960s and 1970s. The technocrats working in the organization were believers in state led development. The SPO and the Ministry of Finance handled fiscal policy and since the Central Bank was in their subordination, they had a say in the monetary policy as well.

Coordination problems became more apparent during the coalition governments. Different ministries which were expected to act in harmony were falling under different party representatives with different political views. Therefore we can trace coordination problems among economic agencies in Turkey at least as back as the 1970s when Turkey had a series of coalition governments. At that time, each party in the coalition got certain ministries, in which it built patronage empires and carried out portions of its

electoral program<sup>238</sup>. In order to provide for coordination and coherence in the government, coordination committees were set up in between relevant ministries. The SPO continued to produce its 5 year plans but due to lack of clarity in the domestic and global political and economic environment, such plans remained less effective compared to the previous decade. One important change vis a vis foreign trade was the establishment of the Ministry of Foreign Economic Relations for a brief period of March-December 1971. Thereafter and until 1983, foreign trade remained under the Ministries of Industry and Commerce.

When we look at the bureaucracy, during the 1970s, party politics became very dominant in bureaucratic institutions. Coalition governments rearranged all ranks, including the senior and the junior, when the governments changed (and it happened frequently). The number of civil servants increased rapidly during these years due to electoral promises<sup>239</sup>. There was an increase in partisanship. Furthermore, the SEEs also got more and more under government control and were being used as workplaces to place party supporters. In short lived coalition governments the coalition parties also tried to overtake the control of the policies of the ministries they were given the responsibility of. Even the SPO, was becoming politically involved since mid-1960s, as the political parties realized the opportunities resulting from the SPO's broad mandate and competence. The SPO clashed with political circles even from the beginning of the drafting of the first development plan<sup>240</sup>. What is more interesting is the subsidy implementation department has been brought to the SPO in order to overcome such

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<sup>238</sup> Öniş, Ziya and Steven Webb. 1994. *Turkey: Democratization and Adjustment from Above*. In *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment*. eds. Stephen Haggard and Steven Webb. Word Bank: Oxford University Press.

<sup>239</sup> Saylan, Gencay ., *Planlama ve Bürokrasi. METU Studies in Development, 1981 Special Issue*.

<sup>240</sup> Interviewee 3

disagreements by the Prime Minister Demirel in 1965<sup>241</sup>. This placed the SPO in the middle of rent seeking arrangements between the business circles and the government and politicized the SPO. Although the government that came to power in 1971 had reversed this implementation, after 1981 subsidy implementation department has again been placed under the SPO<sup>242</sup>.

When we look at the private sector and the interest groups in the 1970s period, we see new elements added to the existing cleavages. Towards the end of 1960s another cleavage presented itself among the business groups: the conflict between the Anatolian Chambers representing numerous small scale enterprises and the Izmir-Istanbul chambers representing large industrial and commercial holding companies.

Despite the fact that industrialists were underrepresented in the TOB(B) General Assembly the industrialists managed to increase their share of user-specific quota allocations considerably throughout the 1960s. As a result of import substitution industrialists became stronger politically and economically. They also seized new opportunities by making use of the ISI strategy such as importation of complementary or intermediate products, which lead to an expansion of import trade.

The regional representation issue was further accentuated when the Islamic fundamentalist Erbakan was elected Secretary-General of the TOB(B) with the votes of majority of Anatolian chambers in the General Assembly. Large chambers of commerce

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<sup>241</sup> Interviewee 7

<sup>242</sup> Sezen, Seriy . 1999. Devlet ilikten  zelle tirmeye T rkiye’de Planlama. *TODAEI Publications*. No: 293

and chambers of industry, felt threatened by Erbakan's anti-Western bias. Prime Minister Demirel who was concerned about the TOB(B)'s getting out of the Justice Party's control exerted pressure on Erbakan by refusing to release some of the quota allocations. The Justice Party eventually drove Erbakan out of the TOB(B) and the TOB(B) lost one third of its annual budget and most full time staff. Demirel in this period proved to be a close ally of the Istanbul Chamber of Commerce<sup>243</sup>. As a result, some smaller parties, whose members had partly defected from the JP, emerged as representatives of the Anatolian Chambers exploiting existing disputes.

It is important to mention Erbakan and him representing those of the small bourgeoisie in Anatolia in its repercussions for the future of Turkey's economics and politics. Erbakan's tenure as the president of the TOB(B) accelerated the process whereby big industrialists mainly located in Western Turkey who were threatened by Erbakan as the president of TOB(B) established the Turkish Industry and Business Association (TÜSİAD). Erbakan's election was also a confrontation to Prime Minister Demirel and the Justice Party's control over TOB(B), which eventually was punished by Demirel. Erbakan and his supporters reacted by forming the National Order Party in January 1970. When National Order Party was outlawed in May 1972, Erbakan and his followers formed the National Salvation Party. The National Salvation Party became the third partner of the coalition government in 1974. Especially artisans, traders, shopkeepers, and small merchants who felt that they were shied away by the Republican People's Party and the Justice Party supported the National Salvation Party. Erbakan argued for economic policies along with the Islamic ones. He argued that Turkish industrialization had only benefited the "comprador bourgeoisie" in the big cities. He promised for "a factory for each city", to benefit a much larger segment of the

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<sup>243</sup> Bianchi, Robert .198 4. *Interest Groups and Political Development in Turkey*. Princeton, New Jersey: Princeton University Press.

population. In this respect, it is worth noting that the Ministry of Industry and Technology was held by National Salvation Party members in all three coalition governments that the party entered between 1973 and 1978.<sup>244</sup>

After the 66% devaluation that came with the 1970 stabilization program, the relationship between the large chambers and the Justice Party deteriorated. Competition among these groups led to the erosion of the state's autonomy and contributed to the economic and political crisis of the 1970s. The 1970 stabilization measures, which were eventually implemented by the military, was the first step of abandoning the ISI.

The inability of the TOB(B) to come to a consensus on the private sector's interests had several immediate results. The technocrats after the 1971 coup, removed the TOB(B)'s authority to distribute quota allocations and gave them to the Ministry of Trade. At about the same time it resulted in the emergence of new organizations. Cleavages within the private sector contributed to the creation of the TÜSİAD encompassing 12 largest industrialists of the country<sup>245</sup>. They had access to the government and media through unofficial channels.

In the late 1970s, Turkey's economic crisis deepened. TÜSİAD was the main private sector organization to criticize the government and launched an intense public campaign against the government. In May 1979, in an unprecedented move, TÜSİAD sponsored four full-page advertisement in seven major newspapers criticizing the government's

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<sup>244</sup> Mehmet Yassar Geyikdagi. 1984. *Political Parties in Turkey: The Role of Islam*. New York: Praeger

<sup>245</sup> The holdings encompassing the TÜSİAD were quite diverse horizontally and vertically. Some of their subsidiaries were engaged in import substitution while others were in exports.

stand on such issues as foreign exchange rates, import and export policies, energy, population growth, inflation, and unemployment.”<sup>246</sup>

The above discussion presents that, in the 1960s and 1970s the Turkish private sector was dominated by the rent-seeking bourgeoisie and the bureaucracy and state institutions were too divided to retain their autonomy. Turkish businessmen and industrialists, benefitted from rents generated by government policies such as overvalued exchange rates, protectionist measures, and subsidized credits. Lobbying by the private sector for the maintenance of these economic rents undermined the autonomy of the state and prevented it from implementing structural changes.

In summary, ISI era before 1980s is characterized by incentives for investments on manufacturing by allowing imports of capital goods and restricting the imports of consumer goods. Heavy industry investments increased backed with government subsidies. Looking at post 1980s, these sectors have become the sectors preparing products for the exports of 1980s, mainly textile and ready wear. The incentives on investment have not been provided to the marketing of produced goods. Exports and exporters were neglected.

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<sup>246</sup> Shambayati, Hootan. The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran. *Comparative Politics*. Vol:26, No:3. 307-331



#### **4.1.4. 1980s: Transition to Export Orientation and Free Market Economy in Turkey**

This era laid the basis for experimenting with the export orientation and relaxation of rules and regulations especially on the bureaucracy. With the abandonment of fixed exchange rate policies in the 1970s, the world witnessed a rise in the oil prices and waves of inflation. As a result the governments mainly in the USA and the UK adopted neoliberal policies abandoning Keynesian welfare policies. With the directing of mainly the USA, international organizations have started advising developing countries to abolish protections in front of international movement of capital trade as well as advising them to move towards market led processes domestically as well. Starting the 1970s, Turkey failed to take necessary measures towards stable growth and to adjust with the globalization mainly because of its weak political structures and instability.

By the end of 1979, there was a need for a radical change to restructure the Turkish economy. This radical restructuring presented itself in the January 24, 1980 package however its critical parts were vetoed in the parliament mainly because of strong counter arguments by the business community. Thus, the implementation of the reform package was delayed until the military intervention on September 12, 1980. In the military government the activities of the trade unions, parties and other mass organizations were banned. TOB(B) was banned. TÜSİAD immediately reacted by backing the new government. Özal and his family were members of TÜSİAD which gave TÜSİAD an upper hand in the relations with the new government.

The aforementioned standard stabilization program of January 24, 1980 was transformed into a complete structural adjustment program with wide-ranging institutional changes to turn the economy into an export-led growth path under the

auspices of the IMF and the World Bank after the military takeover. The program was called stabilization and structural adjustment program. The program aimed at reducing price distortions in foreign trade, product and factor markets, liberalizing trade and capital accounts, and minimizing the role of the SEEs especially in the manufacturing industry<sup>247</sup>. Three periods can be identified on the basis of changes in economic policies and political climate.

The first period, 1980-83, starts with the announcement of the stabilization program in January 1980. Initially a major devaluation was made and there has been a subsequent easing of the price controls for SEEs. The program is implemented by the military government until November 1983. Turkish Lira was allowed to depreciate and exports were subsidized. Imports on the other hand were initially still kept under control by the existing quantitative restrictions. The main aim of this period was to stabilize the economy in transition to export orientation. To this end, tax reform was implemented, import regime was gradually liberalized, the quota system was abolished. After the banking crisis of 1982, Özal resigned from the government and started establishing his own party, to be named as the Motherland Party (MP). In the 1983 elections MP won a comfortable majority, marking the beginning of the second phase, and stayed in power without much opposition until 1987.

Owing to Özal's background in the World Bank and a more comfortable adaptation suggested by the international agencies, access to external funds became easier in this period. Strong international financial support helped encourage confidence that the

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<sup>247</sup> Taymaz, Erol. 1999. Trade Liberalization and Employment Generation: The Experience of Turkey in the 1980s. *Turkey: Economic Reforms, Living Standards, and Social Welfare Study 2*

program would be effective. Hence, the scale of resources channelled to Turkey as a part of Structural Adjustment Loan programs offered by the World Bank, provided space for action to the policymakers and, improved government's "relative autonomy" from societal pressures, in terms of its ability to implement to programs in a consistent fashion<sup>248</sup>. The Turkish economy registered a remarkable recovery in the early 1980s. The current account deficit as a proportion of GNP declined from 6.3 percent in 1980 to 1.9 percent in 1985. Moderately high growth rates of 4.6 percent per annum were established during the 1981-1985 period as compared with an average of 2.1 percent during 1977-1979 and -1.1 percent during 1980. The increase in exports constituted the most striking feature of Turkey's economic performance during the period<sup>249</sup>. In a sense, the state autonomy was regained in terms of the degree of consistency that the policymakers achieved in the implementation of the structural adjustment program. However, the extraordinary autonomy and legitimacy enjoyed by the technocratic elites can be attributed to temporary character of the regime, i.e., the commitment of the military to reinstitute parliamentary democracy.

There were demands to return to parliamentary democracy in 1983 and as a result general elections were held in late 1983, which brought Özal's Motherland Party to power with majority. This indicated a continuity in the political and economic decision making as Özal was going to be in power again. Indeed, the real shift to liberalization occurred in December 1983 and January 1984, representing the very first measures of the newly elected administration.

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<sup>248</sup> Stallings, Barbara. 1985. International lending and the relative autonomy of the state: A case study of the twentieth century Peru. *Politics and Society*. 14.3. 257-288

<sup>249</sup> Öniş, Ziya. Redemocratization and Economic Liberalization of Turkey: Limits of the State Autonomy. *Studies in Comparative International Development*. Summer 1992. Vol:27. Issue:2. 3-23

The second period from 1983 to 1988 observes a major liberalization reform in the import regime. Imports were classified into three lists: the Prohibited List (commodities in the list could not be imported), the Approval List (also referred to the License List, contained commodities that require prior official permission), and the Fund List (covered mainly luxury goods which could be freely imported after the payment of a special levy). In contrast to the previous system, the new system, based on “negative lists”, allowed all other goods not included in these lists to be freely imported. Most tariffs and all quotas were replaced by so-called funds, which had to be paid to the housing fund or other foundations, so that they did not appear in the budget, aka extra-budgetary funds. In fact, these funds are tariffs, even though they have to be paid in foreign currency. In addition, new measures to encourage direct foreign investment were introduced in 1986. While expansionary fiscal and monetary policies were followed, stability measures were neglected.

Özal had devised and carried out a successful adjustment program and brought the country out of a severe phase of political and economic crisis. Although this gave the Motherland Party a certain level of legitimacy, the party itself was divided into two groups within itself. On the one hand there was the liberal wing and on the other hand there was the Islamic oriented conservative wing. The diversion in between these two segments became more obvious in the second half of the 1980s. While the liberal wing and the new bureaucratic elites wanted to proceed with the liberalization and monetary and fiscal discipline, the conservative wing wanted to use the state apparatus to expand the electoral base. As a result, fiscal discipline was relaxed and an expansionary strategy was followed in post 1983. Throughout the 1980s, the public sector continued to account for more than 50 per cent of total fixed capital formation and also dominated the financial system. The share of public banks in total bank deposits expanded during the decade. Istanbul Stock Exchange Market was founded in 1986 and 90 per cent of the

shares issued were public sector shares, which indicate the dominance of the public sector in capital markets as well<sup>250</sup>.

In this relatively stable environment, the government especially supported the big companies and tried to enable them export more through certain mechanisms starting mid-1980s. One of these mechanisms was the FTCs. Özal and his protégé, impressed with the export success of the East Asian countries, tried to re- create that environment in Turkey. Certain incentives were to be offered to the FTCs if their exports reached certain pre-set levels. In this period, SMEs (Small and Medium Sized Enterprises) were not considered as capable of engaging in exports and hence no clear support mechanism was established for them. However, as the SMEs gained more importance starting 1990s; the FTC mechanism was re-designed for the SMEs and was labelled as SFTCs.

Expansionary policies, mainly owing to easy access to international loans resulted in an environment characterized by fiscal deficits, high interest rates for the loans, and increasing and unstable rates of inflation which conflicted with the earlier goals of liberalization and market oriented economy. In the presence of high and unstable inflation, causing real devaluations, and maintaining real interest rates at positive levels required frequent changes in the nominal exchange and interest rates. This resulted in uncertainty for the investment environment. Although the Motherland Party won the majority in 1987 general elections leaving an expanded election budget, it was only able to become the third party in the 1989 local elections.

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<sup>250</sup> Öniş, Ziya. Redemocratization and Economic Liberalization of Turkey: Limits of the State Autonomy. *Studies in Comparative International Development*. Summer 1992. Vol:27. Issue: 2. 3-23

In the third period from 1988 to 1993, trade policies exhibited an uncertain pattern. In 1986-88, along with the trade liberalization moves, there were also barriers in the form of surcharges and taxes. After the liberalization of capital account in 1989, the movement toward freer trade continued. However, there were fragments in that move as well owing to the responsibility for trade policy being in the hands of several institutions and being less centralized as it was in early 1980s. Additionally, a wider range of firms found an avenue to submit their views to the bureaucracy through increased number of interest groups.<sup>251</sup> Moreover, the abundance of multiplicity of tariffs, levies, quantitative restrictions, and incentives rendered it difficult to know the relative competitiveness of Turkey in world markets. However, in an environment of reduced tariffs and import taxes, the government had to find financing from other resources. This translates into the fact that, despite the commitment to trade liberalization the government was having hard time in financing its trade deficits and compromising the liberalization policy to reward politically favoured groups, which in turn translated into increased levels of patronage under different forms.

As a result of interest rates and capital accounts being liberalized, there has been a subsequent wage increase and an increase in agricultural prices which caused deterioration in public sector accounts. Additionally, the relaxation of legal constraints on the labour movement led to increasing strike activity and more generous wage settlements.

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<sup>251</sup> Öniş, Ziya and Steven Webb. 1994. *Turkey: Democratization and Adjustment from Above*. In *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment*. eds. Stephen Haggard and Steven Webb. Word Bank: Oxford University Press

Short term capital movements due to seizing advantage between interest and exchange rates, caused balance of payments problems. Continuous high inflation due to lack of fiscal austerity hastened a downward spiral. As a result Turkey entered the year 1994 with a financial crisis. In addition to these, leading politicians of the pre-1980 period-namely, Demirel and Ecevit-were permitted to return to politics in the general elections of November 1987 after a ten-year ban on their participation in politics. After that point, Özal diverted his attention from economic policy toward political issues and was elected as the President in 1989. He tried to control the Party through his new office but this move did not work very well. In a setting, where policy making was tied to this “single man” his passage to President’s office introduced an immediate lack of leadership and abandonment of his ideals.

Fiscal instability and chronically high inflation contributed to the loss of popularity of Motherland Party in the late 1980s. Despite some improvement in its electoral performance compared with 1989, it lost the general election of October 1991. With this election, coalition period started again in Turkey. This election returned coalition era to Turkey, following eight years of uninterrupted Motherland Party rule and eleven years during which Özal dominated economic policy.

#### **4.1.5. 1990s: The Boom-Bust Cycle: Return of the Crises**

This era laid the basis of economic and political crises again as seen in the 1970s. This time such crises would lead to a complete change in the political and economic views and would open the doors of a single party government in 2000s. By the end of the 1980s, Turkey was an economy that was cited by other countries and international development organizations as an economy which had tangible achievements. Its progress in normalizing the drastic debt situation of the late 1970s and transition to the

export oriented economy was remarkable. The restructuring efforts were being followed closely by the international circles and were supported as well. The main concern however, was the country's ability to increase human and physical capital, which would render the developments achieved in 1980s sustainable. There was a growing budget and trade deficit as well as unemployment and high inflation which could cause instability if remained so.<sup>252</sup>

In contrast to national and international anticipations, the reforms were not accompanied by any change in the financial behaviour of the government. The real rate of interest jumped up to three-digit levels in the course of the 1990s, rendering investment quite costly. Domestic asset markets became unstable as a result of sudden changes in speculative capital flows. As a result of this volatility in financial situation, Turkey witnessed three sets of crises in the 1990s: in 1994, 1998–99, and 2000–01. IMF intervened with a rescue package after each crisis.<sup>253</sup>

In terms of the social setting, the disparity between the poor and the rich was widening as the rising inflation literally nullified real wages. The society was fragmented setting a basis for social violence, creation of two distinct societies, public corruption and reliance of conservative policies to unite the torn social fabric of the country. The

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<sup>252</sup> Nas, Tefvik. 2008. *Tracing the Economic Transformation of Turkey from the 1920s to EU Accession*. Netherlands: Koninklijke Brill NV

<sup>253</sup> Demir, Firat. 2004. Liberalization in Turkey: Revisiting the Revolving Door Hypothesis. *World Development* Vol. 32, No. 5, pp. 851–869



consistent feature of Turkish neoliberalism was the persistent inability of its economic system to improve the lot of the great majority.<sup>254</sup>

The 1990s continuously witnessed political and economic crises. The governments had been formed between the right and the left wing parties as coalition.

Parties unable to remain in power due to economic instability tried the patronage politics. Patronage politics further increased in the post-1991 period. The rise in political patronage in the 1991-95 period was due to the return of Demirel and his entourage to government and to the fact that Demirel's new party True Path Party, represented the 'losers' in the 1983-87 structural adjustment programme of the Motherland Party<sup>255</sup>. Reportedly Demirel spent the first three months of his stay in power by 'receiving delegates from his party's local branches, listening to their demands, and making promises. Tansu Çiller, became the minister responsible for economic affairs in the True Path Party-Social Democratic People's Party coalition government led by Demirel. Çiller presented herself as a promoter of discipline in the economy. Although the government promised that it would lower inflation, achieve a better distribution of income, healthy functioning of the markets, and raise welfare, these seem to be less than achieved in retrospect. On the contrary fiscal balances further deteriorated by means of low taxation for the industry, high wage increases for the labour, price subsidies for the farmers. Demirel tried not to repeat the mistakes he did in his previous terms. However, his biggest mistake was to “sit on the fence” and try to perpetuate the status quo. The

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<sup>254</sup> Cizre-Sakallıoglu, Umit and Erinc Yeldan. 2000. Politics, Society and Financial Liberalization: Turkey in the 1990s. *Development and Change*. Vol. 31. Issue: 2. 481-508

<sup>255</sup> Heper, Metin and Fuat Keyman. Double Faced State: Political Patronage and the Consolidation of Democracy in Turkey. *Middle Eastern Studies*. 1998. Vol.34. Issue.4. 259-277

biggest policy implication of this was the continuous political turmoil led to deteriorating economics and welfare of the public.

In 1993, Demirel became the President. In the ensuing terms Motherland Party, True Path Party and Welfare Party have engaged in various coalitions none of them leading to a decisive economic and social program but promoting the interests of their leaders or the parties themselves. Later on, in the Erbakan-Çiller coalition Erbakan made exaggerated promises to different social groups which were not taken seriously even by his own constituency. Faced with the prospect of not delivering on the economic front Erbakan tolerated the militant Islam openly causing a friction between the government and military. As a result, Erbakan resigned and Mesut Yılmaz was appointed by Demirel fearing from the rise of Islamic tendencies in the government and the demise of secularism. This approach added to the even further radicalization of the conservative public and politicians.

It is also worth briefly looking into the developments around key institutions and interest groups. In addition to the economic and political developments outlined above, some institutional reforms have also been undertaken. The number of ministries was reduced, while at the same time the performance of all bureaucratic institutions was rationalized. The SEEs had to introduce profit-maximizing principles, even though the price increases have been regarded as one of the main sources of inflation. Some public municipalities were privatized by distributing participation shares to the public. The institution carrying out the design of the foreign trade policies has become the Undersecretariat for Foreign Trade splitting off from the Undersecretariat for Treasury and Foreign Trade in 1994. Due to the continuous political and economic crises in the 1990s and continuously changing coalition governments, there has been no coherent policy implementation in this period. One important development on the private sector

has been the increased importance being placed on Small and Medium Sized Enterprises and starting to produce policies specifically geared for them.

It is worth mentioning here another business group called *Mustakil Sanayici ve Isadamlari Dernegi* (MÜSİAD). MÜSİAD was founded in 1990, and it brought together a large group of more diverse enterprises in terms of size and location than those represented by TÜSİAD. The enterprises under MÜSİAD were relatively new ones, and the formation of MÜSİAD coincides with certain changes in Turkey's economic history when the state's authority was being questioned and when protectionist trade regime was being questioned<sup>256</sup>. These enterprises were also rather new ones, and had gathered under MÜSİAD to compete with the older big companies in Turkey (represented by TÜSİAD) as well as to compete in the international markets.

At the international level, we observe a shortening of production life cycle, and increasing of efficiencies in the work place which ended up downsizing of the companies around the world. "Given this new logic of "flexible production," small enterprises in relationships of cooperation as well as competition have become important in an environment characterized by diverse inter-firm linkages of suppliers, subcontractors, and end users."<sup>257</sup> As a result there was an increasing interest towards regional economics, network and spatial relations between the SMEs which also found its reflections in Turkey. The SMEs located in the small towns all around Turkey wanted to have a say in the export orientation in Turkey and many merged under

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<sup>256</sup> Bugra, Ayse. *Class, Culture and State: An Analysis of Interest Representation by Two Turkish Business Associations*. *International Journal of Middle East Studies*. Vol.30, No:4.521-539

<sup>257</sup> Piore, Michael J., and Charles F. Sable. 1984. *The Second Industrial Divide: Possibilities for Prosperity*. New York: Basic Books.

MÜSİAD to do so. Calling themselves Anatolian Tigers impressed by the export performance of the Asian Tigers in East Asia, tried to seek more attention from the state towards their export endeavour. There have been several studies on the analogy of the East Asian development style with the one represented by the conservative wing in Turkey, where adherence by the East Asian nations to their cultural identity as well as their resistance to the civilization of the West is something that we should look upon. In the analysis of Yazar, he further states that “overturning of religious values and their replacement with by a secular morality transformed homo sapiens into homo brutalis”.

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Support for the SMEs was something promoted by Erbakan who later became the President of TOBB. Erbakan being a representative and an influential leader of Islamic politics in Turkey successfully mobilized the SMEs who felt left out by the state and the chambers in favour of the big enterprises. As a result, the support for the SMEs and their representation under the MÜSİAD became a strategy for the Islamic politics in Turkey. “MÜSİAD emphasized the Islamic character of Turkish society in an attempt to show the compatibility of Islam with capitalism and as well as to use religion as a resource to foster a sense of solidarity among those segments of national and international business communities that stand to gain from enhanced cooperation”<sup>259</sup>. The members of MÜSİAD as a result stand to gain through patronage politics better with a conservative party in power.

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<sup>258</sup> Erol Yazar.1997. *A New Perspective of the World at the Threshold of the 21st Century*. Istanbul: MÜSİAD

<sup>259</sup> Bugra, Ayse. Class, Culture and State: An Analysis of Interest Representation by Two Turkish Business Associations. *International Journal of Middle East Studies*. Vol.30, No:4. 521-539

So far, our discussion has shown that rent-seeking, bureaucratic autonomy, pressures from within and outside the country have played a key role in developing Turkey's orientation vis a vis developmentalism vs neoliberalism. In the next Chapter, we will analyse the specific form of an export promotion the "FTCs". As mentioned earlier, this policy was brought in from Japan and South Korea after observing their export promotion success. However its implementation was different from that of those countries and this instrument later on turned into a pure rent seeking mechanism instead of being used as a mechanism for boosting exports.

## **4.2. Conclusion**

Employing the analytical framework developed in the previous Chapters, this Chapter looked into the case of Turkey. The export oriented economy was introduced in Turkey mainly starting 1980s and took off afterwards. As explained in the previous Chapter in the policy transfer section and in the other sections, the success of policy transfer can be best achieved and understood when the environment into which the policy is transferred is ready and receptive. Therefore I examined what type of an environment is required to transfer policies so that same successful outcome can be achieved. As a result I looked at the Turkish case in its main periods with the main focus remaining on 1980s but also by looking into previous periods to understand the background as well as by looking into the 1990s to understand the repercussions of the policy transfer.

The periods from 1950s to end 1990s are analysed with the focus on foreign trade. The sections looked into the main economic and political developments of each decade to find the traces of each of the key concept set out in the previous Chapter in the Turkish case. The analysis of the periods reveals that Turkey has been unable to implement

domestic coherence in politics and economics because it has been under the influence of both Western and Eastern models. Turkey also failed to be a completely developmental or a neoliberal model, a finding which shed light in our analysis why policies transferred from developmental and neoliberal models failed. The overview of the periods indicates a “boom bust” cycle where a rather stabilizing decade follows an unstable one on all accounts. This has been seen to have repercussions in the transferred models which have not been implemented wholeheartedly.

Analysing each period, I also looked into what happens to the key state institutions of the country and the key interest groups when the political and economic environment changed. The reason for selecting the key state institutions and key interest groups as the bureaucracy and the business world is that they are the main groups that are influenced and that influence the policy transfer in our case. I retained the focus on the “export policies”. The analysis suggested that in Turkey although there have been major shifts in the policy making practices between periods, one invariable element in the policy making process has been seen to be the influence of politics in the policies. On the other hand state business relations varied from period to period and the influence of organized interest groups on policy making remained limited whereas individual access by the businesses to the state and the politicians prevailed as the common practice.

By laying out the background of the environment that Turkey has been in, the next Chapters will analyse how FTC model has been transferred to Turkey and how it has been adapted to the Turkish circumstances.

## **CHAPTER 5**

### **5. FOREIGN TRADE COMPANY MODELS FROM THE STATE- BUSINESS RELATIONS, RENT SEEKING ARRANGEMENTS AND BUREAUCRATIC AUTONOMY PERSPECTIVES**

In the previous Chapters I have introduced developmental state model vs neoliberalism and the key concepts that will assist me to analyse the case study I have picked for the thesis. As mentioned earlier, the case study is the FTC model transferred to Turkey from Japan and the SFTC model transferred to Turkey from Italy and the reconciliation of these models in the recipient environment from the perspective of the key concepts. Since the FTC model is an incentive scheme provided by the state to the businesses that engage in exports, in this Chapter, we will look at the state business relations in East Asia (mainly Japan) and Italy in comparison to Turkey, before starting to analyse the case study in the next Chapter. In this Chapter, we will particularly emphasize the key concepts of bureaucratic autonomy, state intervention and rent seeking in all these countries.

Additionally in this Chapter, we will introduce the FTC model as implemented in Japan and Italy and draw a background framework of Turkey's export environment in the 1980s. Briefly, we will look into the scale of companies targeted in the East Asian and Italian cases, the overall government approach to the FTC based models and how these affected state business relations and rent seeking mechanism.

By doing these, we will have laid out the borders of the research environment with all components. My contention here is that Turkey represents similarities with Japan in that they both use state intervention in its policies and the FTC model is one of them, however Japan's typical strict bureaucratic autonomy, competent bureaucracy and little or inexistent rent seeking arrangements distinguishes it from Turkey. Italy is an example of neoliberal countries. However, it also uses state intervention in its policies and SFTC model is one of them (although it is a bottom up approach), lacks bureaucratic autonomy and was quite often associated with rent seeking arrangements in its bureaucracy. As a result, Turkey represents a hybrid model in between the two countries, closer to the Italian model. This Chapter will discuss these aspects in more detail.

### **5.1. Sogo Shosha in Japan**

As explained earlier, the Japanese experience is an example of the presence of a favourable political environment encouraging long-term industrial growth. Japan may be described as an example of a state led market economy, in which the state has performed a central role in the process of economic transformation. The national desire to develop foreign trade independent of foreign control, has led the state guide and extensively support businesses. This led to the emergence of a number of firms specializing in foreign trade.

One of the other striking features of the Japanese economy is the tight relation between large industrial companies (keiretsu), FTCs (sogo shosha), and the commercial banks. In spite of the autonomous status of these three groups of entities, a close collaboration and



division of labour has been established between them. In addition the sogo shosha also assist small scale companies in making their exports.

A sogo shosha is a type of industrial organization and a vertically integrated trading company that originated in Japan. At the center of these organizations is a trading company that arranges financing, coordinates activities, and handles marketing functions for the companies in its group of companies. The term sogo shosha is the Japanese term for "general trading company", however the term generally refers to the entire group of operating companies that constitute the sogo shosha.

The trading company is the primary shareholder of operating companies in its group. The trading company places several of its own officials on the boards of these companies, while senior officials of the largest companies in the group maintain seats on the trading company's board of directors. This arrangement includes a loose system of interlocking directorships. The sogo shosha differs from classical conglomerates, such as those in the United States and Europe, in that no single entity in the group owns more than a small percentage of any other company in the group.

All the companies in a sogo shosha own aggregate majority shares in each other, forming a complex system of cross-ownership. As a result, companies in a sogo shosha cannot technically be considered subsidiaries in the classic sense. Subordinate companies are merely "associated" with the sogo shosha because they are independently listed and substantial minority interests are held by investors outside the sogo shosha. If for any reason, a sogo shosha builds a large market share in a certain industry, government regulators would require the company to reduce its presence in that market,

specifically to preserve competition and protect the investments of other companies in that industry.

The government, through MITI, regulates and coordinates the actions of the conglomerates. In addition, the conglomerates have established an executive council specifically to prevent market dominating and monopoly actions and maintain industrial harmony. As a result the sogo shosha and their complex structure is allowed for as they have been seen to constitute a synergetic, true international market access mechanism which has been in place for more than a hundred years.

There is also a strong emphasis on the human skills of sogo shosha (which is also a fact missing in the Turkish FTCs, especially the SFTCs as we will see later on). Cengage<sup>260</sup> gives a very striking example of the professional team in the sogo shosha:

The sogo shosha are populated with largely homogeneous personalities. They are male-dominated organizations whose staff are culled from the finest universities and placed on extensive socialization programs that include years of cultural preparation. By this process, a profound team mentality is established among the workforce. Employees of one company may deal with counterparts elsewhere in the organization free from cultural barriers and acclimated to a common code of conduct.

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<sup>260</sup> "Sogo Shosha." Encyclopedia of Business. Ed. Jane A. Malonis. Vol. 2. Gale Cengage, 2000. eNotes.com. 29 Aug, 2012

The sogo shosha generally have international networks, trade numerous commodities, and have large market shares. This is an important distinction that separates it from many other examples of FTCs around the world. For example, a sogo shosha may control about 10 percent of Japan's trade, handle a range of 10,000 to 20,000 products including food, clothing, automobiles, and appliances, and have a network of over 200 offices throughout the world.<sup>261</sup> Despite the fact that sogo shosha are autonomous institutions, they have, established close, links with both manufacturing corporations and commercial banks. Through their associations with industrial banking groups, the sogo shosha are able to facilitate trade credit, initiate equity investments, and provide direct loans to their suppliers and customers. Financial opportunities worldwide are also monitored through extensive networks of offices.<sup>262</sup> Sogo Shosha have extended credit to both companies whose products they wished to handle, as well as providing working capital to small-scale manufacturers. This reveals that their finance side is almost as strong as their foreign trade expertise.<sup>263,264</sup>

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<sup>261</sup> "Sogo Shosha." *Encyclopedia of Business*. Ed. Jane A. Malonis. Vol. 2. Gale Cengage, 2000. [eNotes.com](http://eNotes.com). 29 Aug, 2012

<sup>262</sup> Amine, Lyn S., Tamer Cavusgil and Robert Weinstein. 1986. Japanese Sogo Shosha and the US Export Trading Companies. *Journal of the Academy of Marketing Science*. Fall, 1986, Vol. 14, No. 3,

<sup>263</sup> Öniş, Ziya. 1992. *Organization of Export Oriented Industrialization: The Turkish Foreign Trade Companies in a Comparative Perspective*. In *Economics and Politics of Turkish Liberalization*. Eds. Nas, Tevfik and Mehmet Odekon. Cranbury, NJ, USA; London, UK; Ontario, Canada: Associated University Presses.

<sup>264</sup> The major sogo shosha include Mitsubishi, Mitsui, C. Itoh, Sumitomo, Marubeni, Nichimen, Kanematsu-Gosho, and Nissho Iwai Corp. In addition to dealing with foreign trade activities sogo shosha undertake various activities including warehousing, transportation, resource development, and manufacturing. The sogo shosha also offer various other services. For instance they offer specialized intermediary services. The sogo shosha provide trade law expertise, cultural and linguistic advice, distribution and sales networks. In return for providing these services, the trading companies earn a margin on the goods they buy and sell, or they charge a commission when they act as an agent. (Amine, Lyn S., Tamer Cavusgil and Robert Weinstein. 1986. Japanese Sogo Shosha and the US Export Trading Companies. *Journal of the Academy of Marketing Science*. Fall, 1986, Vol. 14, No. 3)

Japan assisted the domestic firms including the trade companies through (1) direct subsidies; (2) tax policy and off-budget finance; (3) subsidized credit, including the channelling of capital to specified sectors, supplemented by research and development incentives; (4) controls on international trade, investment, technology imports, and the direct allocation of foreign exchange; and (5) tolerance (and often encouragement) of cartels and other kinds of anticompetitive behaviour on the part of domestic firms (mainly for the ones such as *sogo shosha*). In addition to these formal policy tools, government officials also sought to exercise influence through informal administrative guidance coercing recalcitrant firms if necessary.<sup>265</sup>

There are similarities between the Japanese way of incentivizing trade companies and the Turkish, in the way of providing them with direct subsidies, tax policy and extra-budgetary finance, subsidized credit, and allocation of exchange rate. Anticompetitive behaviour was not encouraged in Turkey formally. However their overall impacts in boosting exports have been less favourable in Turkey, as we will see in the next Chapter.

In the Japanese case, there is a strong link between a bank, a trading company and an industrial corporation. In cases where there have been a close cooperation between a bank, trading company and an industrial corporation in Turkey, there have been financial abuses due to lack of strict regulations. However, such a network has been strictly regulated and monitored by MITI in Japan and as a result *sogo shosha* have been able to base their foundations on a very strong scale.

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<sup>265</sup> Noland, Marcus and Howard Pack. 2003. *Industrial Policy in an Area of Industrialization, Lessons from Asia*. Washington DC, USA: Institute for International Economics

A similar pattern of relationships also exist in other East Asian countries such as South Korea and Taiwan. Such as Japan, South Korea has a strong and economically active state tradition; has a strong social and political hierarchy and has strong nationalist sentiments. Ministry of Economic Planning (MITI equivalent), with a strong and monolithic bureaucracy, designs an explicit industrial policy which has been the foundation of South Korean economic development. In South Korea, industrialization, development has been the main goal. The governments have never limited themselves only with macroeconomic policies and infrastructure investments. In addition, they intervened in the industry, on a highly selective basis. Some industries have been highly subsidized and directed by the government, while others have experienced policy intervention only intermittently. Others that have not been regarded as priority sectors have been left to take care of themselves within an explicit framework of regulation. South Korean governments have been more interventionist. For example, the South Korean government has imposed strict discipline on the private sector. South Korean companies have been heavily dependent on loans and bank finance on their long-term expansion plans. As a result, the government has established strict control over the banking sector and other financial institutions.

An inevitable consequence of selective intervention is its distributional impact: as mentioned earlier in Chapter 3, it supports some sectors to the detriment of others. As a result the policy makers may tend to favour some firms or industries over the others with respect to certain calculations. We have demonstrated that Japan was among those who were able to strictly and carefully implement selective intervention policies. Therefore the side effects of selective intervention would be expected to be lower in Japan. However, such policies can still be counterproductive because of the difficulty of

reversing them with changing circumstances<sup>266</sup>. In such a situation financial sector is the one that gets most repressed, and the consequences of such repression and overturning the financial decisions made under market rationality may be devastating. The Asian crisis outbreak in 1990s may be attributed to this factor. Still, Japan ranks quite low in the perceived corruption indices (World Bank index for example) in the 1990s. Noland and Pack attribute this fact to two possible reasons. One is that “the implementation of selective intervention policies at the highest levels was politicized and prone to corruption, once decisions were made at the top, they were implemented in a relatively efficient manner.” Referring to Schleifer and Vishny<sup>267</sup>, they also state that such systems impose less of a deadweight burden on the economy unlike the systems where corruption is spread all throughout the economy. They attribute the second factor to the fact that corruption seemed to have concentrated in the construction and finance sector rather than the industrial sector. As a result, we see that the counter effects of selective intervention were managed by Japan, which we will see was not the case in Italy and Turkey, although the side effects were not eliminated altogether.

## 5.2. Federexport in Italy

A constituency for bureaucratic autonomy did not emerge in Italy, although there have been various attempts of democratization starting 1950s<sup>268</sup>. After the democratization of

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<sup>266</sup> Noland, Marcus and Howard Pack. 2003. *Industrial Policy in an Era of Globalization: Lessons from East Asia*. Washington, DC: Institute for International Economics.

<sup>267</sup> Schleifer, Andrei, and Robert W. Vishny. 1993. Corruption. *Quarterly Journal of Economics*. 108, Issue: 3. 599-617

<sup>268</sup> Shefter, Martin. 1977. Party and Patronage: Germany, England and Italy. *Politics and Society*. Vol:7. Issue:4. 403-452

the political system the government grew in a haphazard fashion<sup>269</sup>. Such unclear nature of bureaucracy led the political parties an opportunity to develop clientelistic relationships. Until recently Italian industry faced a highly politicized decision making environment. There was a large government involvement in commercial affairs<sup>270</sup>. Coen claims that, with the advent of mergers and international alliances the political involvement of national government was reduced. The 1990s also witnessed the decline of clientelistic system in Italy which is attributable to the more frequent use of European political channels in international trade. Coen suggests that the more frequent use of the EU institutions in matters of international trade was the political instability prevalent in Italy. As a result large businesses in Italy sought EU assistance to foster a stable economic environment which in turn would benefit their operations. Large Italian businesses such as Fiat and Olivetti became influential in European Round Table. In other words, Italian firms wanted to establish political autonomy from the national Italian government, Coen argues. However, in Italy there is also a large SME sector which finds it harder to reach EU funds and are still dependent on national subsidies. The SMEs have remained reliant on national, regional and local level subsidies for a long time. The domestic assistance to the firms continued in Italy mainly also due to the fact that within the EU unable to raise tariffs or impose quotas against the member countries of the European Union, Italy (as well as other countries) has resorted to subsidies to support industries. Therefore subsidies continued to be an important item of business support especially in international trade.

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<sup>269</sup> Piattoni, Simona. 2001. *Clientelism, Interests and Democratic Representation: The European Experience in Historical and Comparative Perspective*. Cambridge: Cambridge University Press.

<sup>270</sup> Coen, David. 1998. The European Business Interest and the Nation State: Large Firm Lobbying in the European Union and Member States. *Journal of Public Policy*. Vol.18. Issue:1. 75-100

This above representation of Italian business environment, presents similarities vis a vis the operations of large Turkish businesses. Despite the fact that large Turkish businesses could access government funding through lobbying and rent seeking engagements, they still preferred a stable political environment to sustain their operations in the mid to long term, as discussed in the previous Chapters.

In Italy, the main institution responsible for the export substitution at the state level is the Italian Institute for Foreign Trade (ICE). Italy chose to bring export subsidy schemes closer to the users and opened offices all throughout Italy starting the 1920s and the 1930s<sup>271</sup>. ICE's key instruments were promotional activities, information provision and matchmaking activities. In Italy the government played an active role in export subsidization before the 1990s. Such role was altered with the entrance of the EU into the picture, however state intervention continued for many firms. Molnar argues that, the government created and managed its own institutions related to the exports and also interfered in the in the operations of other nongovernmental export organizations<sup>272</sup>. ICE was under the Ministry of Foreign Trade and two other Ministries; Ministry of Industry Trade and Crafts and the Ministry of Foreign Affairs which were also extending or implementing exports related subsidy schemes. Similar to Turkey, this caused a dis-harmonization among state institutions. The government actively and directly intervened in the activities of the export support agencies including the ICE at the national level, Chambers at the local level and foreign missions at the international level. Despite this intervention the export support was being carried out in a disconnected fashion, as Bonvicini, Falautano and Farella suggest. Government's direct

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<sup>271</sup> Bonvicini, Gianni, Isabella Falautano, and Raffaele Farella. 1998. Italian Foreign Economic Policy: Challenges Ahead. *The International Spectator*. Issue: 33 Vol:1.121-138

<sup>272</sup> Molnar, Krisztina. 2008. Government Export Support in a Global Era. Global Pressures as Catalysing Impacts on Governments' Export Support in Industrial Countries. PhD Thesis, University of Sydney.



intervention in the export support schemes were in terms of design of internationalisation policies and funding and indirect intervention was through funding the business operations, regulating and approving the operations of Chambers and other internationalization related institutions. In turn, these institutions supported exports through information provision on exports, issuing export certificates, market analyses, partner search and other promotional activities.<sup>273</sup>

The state business relations in Italy are governed by the same rules for EU member states. The convergence requirements of the member states have reduced the member state's ability to use redistributive policy towards political gains. In such an environment businesses noticed that they were no longer dealing with their national government but with a broader supra national body and have also noticed the importance of alliance building with other groups to access such supra national bodies. As Coen mentions "the result of this increased political specialisation was that each firm had a different preference bundle for each policy issue, and accordingly had to cultivate political alliances outside traditional European trade federations."<sup>274</sup> As much as the big businesses formed supra national alliances and interest groups, "gradually firms began to establish vertical lobbying hierarchies through the representation of small and medium sized enterprises and consumer interests, and the potential establishment of horizontal arrangements with countervailing interests and rivals" Coen also suggests. Coen labels them as "European Keiretsu" which was mostly prevalent in Italy where there is a large number of SMEs, previously operating in an environment plagued by

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<sup>273</sup> Unioncamere, and Italian MICA. 2000. Support Services to SMEs in Italy (Available at [http://europa.eu.int/comm/enterprise/entrepreneurship/support\\_measures/visibility/country\\_studies/italy\\_2000.pdf](http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/visibility/country_studies/italy_2000.pdf)). Rome

<sup>274</sup> Coen, David. 1998. The European Business Interest and the Nation State: Large Firm Lobbying in the European Union and Member States. *Journal of Public Policy*. Vol.18. Issue:1. 75-100

patronage and a weak political system. These alliances (in other words forming groups to have their voices heard at the European level) became a successful way of survival and representation at the European level for the SMEs which remain mostly reliant on state aid. Export consortia are such representations of interest by the Small and Medium Sized Enterprises wanting to engage in exports.

The successful export consortia in Italy share similar attributes. There needs to be cohesion among firms in the consortia towards a common goal. For instance when the textile firms under the consortia in Italy wanted to replicate the success they achieved in domestic markets in overseas, they utilized the services of the consortia to bring to the world a company and a product/service image which they could not have done if they acted individually. The consortia led the firms under its leadership, its innovative capacity and its dedication to research. The enterprises under the consortia have been members of a value chain. Therefore their services and products have been complementary. Even when the firms in the consortia were competitors they realised the importance of setting cooperation ahead of rivalry in order to offer a collective image of high standards which gives access to the key markets.<sup>275</sup>

The Italian Federexport is the Federation of export consortia in Italy. Currently, it represents circa 110 consortia with a total of 4,000 firms. In general, an export consortium is comprised of a group of firms and an export consortium's task is to promote the member firms' goods and services abroad and to facilitate the export of these goods and services. Export consortia may offer various services ranging from providing basic secretarial services, market information collection and translation to

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<sup>275</sup> Baldoni, Gianluca, Carlo Belliti, Lee M. Miller, Paola Papini and Silvano Bertini. Small Firm Consortia in Italy: An Instrument for Economic Development. *UNIDO Working Papers*. March 1998.

offering a wide range of services including credit guarantees, merchandising, franchising, acquisition of raw materials, sales using the consortium's brand name, legal assistance, organization of common initiatives, etc.<sup>276</sup>

The most important law governing the establishment, operation and funding of export consortia is Law 83, passed in 1989. This law establishes conditions of government funding for export consortia of eight or more small and medium enterprises, with membership fees at or above the amount established by the law. The law provides annual contributions up to 40% of operating costs, up to 60% for SME export consortia in Southern Italy and up to 70% for consortia in the first five years of activity. There is a limit for total annual contributions. Consortia may also benefit from several tax reductions. In addition, services rendered by the consortia are tax exempt, as are those acquired by the consortia in the course of its activities. According to the Law, a consortium must have at least five member firms. These eligibility requirements state that a consortium's member firms must have no more than 250 employees. No member firm may possess a share equal to or more than 20% of the consortium's capital or profits.<sup>277</sup>

The incentives offered to the export consortia in Italy are similar to those offered in Turkey. In Turkey, more incentives were provided to the SFTCs to push them carry out market access and research activities, open branches abroad, take part in training activities etc. which were hardly utilized. The main problem in Turkey, as we will demonstrate in the next Chapter, was the lack of SME owning of the model and

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<sup>276</sup> Baldoni, Gianluca, Carlo Belliti, Lee M. Miller, Paola Papini and Silvano Bertini. Small Firm Consortia in Italy: An Instrument for Economic Development. *UNIDO Working Papers*. March 1998.

<sup>277</sup> Federexport. 1995. *Export Consortia in Italy, Analysis of the Situation and the Course of Evolution*. Roma: SIPI Publications.

resorting to rent seeking venues rather than benefiting from what the system offered. There was a SME owning of the model in Italy and a bottom up approach, which was one of the main reasons as to why the export consortia model became successful.

Another key aspect of the success of the export consortia in Italy was their ability to manage international marketing. They did the marketing for the consortia not for a single firm, which avoided bitter competition among firms. To this end, there was a professional management and marketing firm to focus on cooperation and direct participation in the management of market contacts and consortia's image. They have successfully utilized international trade shows and fairs. The firms in the consortia realized the importance of technology and constantly utilized new technology to remain competitive. The role of the export consortia has been to create a positive dialogue between firms and other institutions.

In terms of relations of the export consortia with the government and other local authorities, the export consortia are products of private initiative. They made use of government export policies and subsidies, mostly through local governments. The intervention at the central government level played a role in consortia creation and support. In Italy, the presence of collaboration and willingness of firms to act in unison to open up to international markets had an important role in export consortia success. This bottom up approach would also be an expected reason for export consortia model to be less influenced by rent seeking arrangements. However, because of the large number of export consortia, a stricter selection of projects could be necessary to reduce the volume of funding applications and to control rent seeking venues.

While the FTCs in Turkey are more similar to the sogo shosha model, the SFTC model shares similarities both with the sogo shosha and the "Federexport model" of Italy. The sogo shosha model is the main idea behind the FTC models, the varieties coming

afterwards carry similarities and certain variations from the sogo shosha model. Since Turkey has been a hybrid model between the East and the West, the models adopted from the West also implemented in Turkey in combination of some policies adopted from the East.

In summary, we can see that in Japan as a developmental state model and in Italy as a neoliberal model, government support and state intervention plays a good deal of role in export support and export development. However, the business environment “plagued by patronage and weak political system” came under more control with the European Union.

### **5.3. FTC and SFTC in Turkey**

The Turkish FTC model is a model designed originally in Japan to subsidize the exports of large business companies. Its basic principle was to set up companies called FTC to support the foreign trade related business of the exporting companies. This model was transferred to Turkey from Japan. The SFTC Model was a spin off model from the FTC model (and its basic tenets were transferred from Italy), redesigned to suit the needs of SMEs, but the main logic behind the SFTC model was the East Asian model, as one interviewee mentioned<sup>278</sup>.

As mentioned earlier in the policy transfer section, the institutional and political setting into which a policy is transferred can be a main determinant in the success or failure of

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<sup>278</sup> Interviewee 5

such a model. The FTC model in East Asia worked well. In the East Asian case, there was a strong motivation by the government to stimulate exports and conquer international markets as a development policy. Similar determination was observed in Turkey starting 1980s. Moreover, although the FTCs in East Asia were parts of the big conglomerates, they still helped the SMEs to access international markets at increasing rates. The governments were also big proponents of this approach, therefore backed the FTCs up at unprecedented rates so much so that they at times came close to becoming cartels in the market. The FTCs in Turkey also assisted SMEs, not so much though as the East Asian example.

Turkey's political system is in some ways is similar to East Asia in that the state is also a strong influence in the markets. However, in East Asia the state has intervened in the markets as a strong guide and in close consultation with the big conglomerates some of which have been almost treated as state companies. The state chose to direct the markets with their operations.

We need to first look at the business environment in Turkey in an effort to understand the setting in which export oriented models were initiated in. In Turkey, the bureaucratic elite undertook the duty of creating and directing the market in the early Republic mainly through State Economic Enterprises (SEEs) at times where a private entrepreneurship seriously lacked (which was not the case in East Asia). The SEEs in Turkey have been a major participant in industrial production. The state in Turkey also indirectly intervened in the operation of the market development through heavy tariff protection, quantitative controls on trade, price ceilings on the products of SEEs and agricultural support prices. This phenomenon is observed in East Asia as well, but such mechanisms are drawn back at times of economic prosperity.

The private business in Turkey developed cautiously due to vague political and economic environment and relied heavily in state subsidies in their business operations. Nevertheless, they become quite influential in Turkey's economy in the import substitution era of 1960s and 1970s. The establishment of the SPO in 1960 provided some level of clarity in the markets as to the priority areas for development which was useful for the private business in making their investment decisions. Similar market studies and plans were also prepared by the East Asian governments mainly through MITI and EPB, but they were market reports that guided private business and included extensive international market information for export purposes. While the presence of SPO provided some market clarity for Turkish businesses it also created a mechanism through its far-reaching power to control markets by influencing, tariffs, quotas and subsidies.

State's intervention in the markets has created a symbiotic relationship between the state and the businesses in Turkey. The private sector remained highly reliant on state's subsidies for its operations. There was a macroeconomic environment characterized by an extensive set of regulations which rendered it difficult to follow both on the bureaucratic and private sector side, a large public sector and limited fiscal discipline. This fuelled rent seeking and private sector's focus on the short term interests rather than long term plans. The state has been quite disinterested in devising long term plans let alone investing in a favourable investment environment.

The "January 24 1980 Resolutions" introduced a comprehensive stabilization program under the patronage of the IMF and the World Bank. The structural adjustment policies adopted were intended to shift the economy from an inward to an outward orientation, with an emphasis on export-led growth. Policy transfers have been made from abroad especially from East Asia following their success in boosting their export

performance. Reforms were introduced in areas such as trade policy, with the introduction of extensive export promotion measures and the gradual liberalization of imports. The results were impressive in terms of exports in general and manufactured exports in particular, although the increase in exports was matched by a boom in imports<sup>279</sup> (For a detailed discussion on export related regulation and export subsidies in the 1980s and the 1990s, see Appendix B).

In Turkey, bureaucracy lost its strength that it maintained by the start of the 1980s. Bureaucracy was already losing its power after 1960s, but the momentum gained pace starting the 1980s. Obedience to the laws and regulations and traditional bureaucratic approach left its place in the 1980s to flexible attitude towards the laws under the name of “making things work” and “making them work faster”. The respect to bureaucracy as a working environment has lost its importance as well. Bureaucratic environment lost its attraction in the eyes of the bright graduates of the universities. This represents a stark contrast to East Asia, where the brightest was attracted into the state institutions.

Similarly, there has been a fragmentation of bureaucratic structure especially after the 1980s. As discussed briefly in the earlier section, economic discretion changed hands as well as implementation of export incentives. In Japan we see a strong MITI formulating trade policy in close consultation with the state sector. In Turkey there is a fragmentation among state agencies manifesting itself in the making of economic policies drifting from the Ministry of Finance to Ministry of Industry and Trade to the SPO, to the Undersecretariat of Treasury and Foreign Trade. On the other hand, in this period, the foreign trade related policy became a part of various institutions as well, but

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<sup>279</sup> Oz,Ozlem. 1999. *The Competitive Advantage of Nations: The Case of Turkey, Assessing Porter's Framework for National Advantage*. Aldershot: Ashgate Publications



mainly under the Ministry of Commerce and Ministry of Industry. This represents a fragmentation in policy and decision making as well as an existence of multitude of agencies from the firms' perspective to deal with limiting the speed transactions.

On the other hand, from an export perspective, export strategy has not been drafted until the second half of the 2000s, which was until after the EU mandating the design of strategic papers for state agencies. Export plans were placed in the development plans which was a repetition of broad and generic plans of a few pages every year. Under such an economic climate the FTCs and SFTCs did have little vision to make longer term plans and export strategies for their companies. Similarly, the macroeconomic environment was not conducive to long term investment making for the businesses. The expansionary macroeconomic policies of the 1980s led to major economic crises in 1990s, which caused those years to be labelled as lost years. When we look at the private business side, we see another set of fragmentation. Interests of big capital of Western Turkey and Anatolia were represented by different organizations. TOB(B) on the other hand was mostly busy with power wars rather than interest representation. The zaibatsu example of the Japan, where zaibatsu had close links with the banks, industrial corporations and trading companies, was missing in Turkey.

If we look at the structure of the business groups in the 1980s era from an exports point of view, three sections presented themselves. One was the groups that tried to engage in exports but could not manage to do so in the ISI era. They were happy with the switch to the export oriented economy. The second group was the big industrialists mainly represented by TÜSİAD. Many of them were the assembly industrialists mentioned before. They started exports, and owing to their vast financial resources gained momentum after suffering initial losses. The third group was the small and medium sized industries which relied on the inputs produced by the domestic market and which

did not have financial backing. They were hit by the import liberalization of intermediate and consumer goods. Many of them went bankrupt and some of them were bought by big holding companies. "Most of the big holding companies actually faced the limitations of the domestic market. Thus, once they were no longer able to expand their domestic sales volume, they found the higher stages of import substitution occupied by SEEs and Anatolian companies and were therefore impelled to look elsewhere including exports for further expansion."<sup>280</sup>

Under these circumstances, the government decided to subsidize exports through various means in the 1980s. A new model of the 1980s was the formation of FTCs. The legislation concerning the formation of these companies was directly influenced by the experiences of South Korea and Japan as mentioned in the previous Chapters. Companies that managed to exceed a pre-specified export target were becoming eligible for tax rebates. (See Table below on export tax rebates)

Export tax rebates were used as a promotion for exports until they were eventually eliminated by the beginning of 1989. Owing to some special incentives provided, several companies, mostly the ones with links to large holding companies, managed to export above the pre-specified level and accounted for 50 % of total exports by the second half of the decade. The tax rebate system, which was abolished at the end of the decade became a serious source of "overinvoicing" also became known as "fictitious exports." (See Table below on Overinvoicing) The problem was especially acute in 1983 and 1984. It became a government led source of rent-seeking. So the rent seeking behaviour of ISI era took a new form under the export oriented era. "In retrospect, the

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<sup>280</sup> Amelung, Torsten (1988) : *The political economy of import substitution and subsequent trade liberalization: The case of Turkey*, Kiel Working Papers, No. 330.

failure to regulate export-oriented rent-seeking was one of the key factors that helped to undermine the legitimacy of the government's economic program.”<sup>281</sup>

**Table 8: Export Tax Rebates in 1980s**

<b>1980-1988 (TL-Billion,%)</b>			
<b>Years</b>	<b>Total Tax Rebates</b>	<b>Tax Rebate Ratio*</b>	<b>Tax Rebates/Total Exports</b>
1980	4.9	8.9	2.2
1981	24.7	14.2	4.7
1982	86.7	21	9.3
1983	149	22.3	14.2
1984	329.1	20.8	13.2
1985	287.4	12.7	6.9
1986	258.4	10.3	3.5
1987	605.5	NA	6.8
1988	603.9	NA	3.6

*Source: Öniş (1992) and SPO*

*\*(Tax rebate ratio is Total Tax Rebates divided by Eligible Exports.)*

**Table 9: Turkish Exports to OECD Countries and Dimensions of Overinvoicing**

<b>1980-1988 (US \$ Million , %)</b>			
<b>Years</b>	<b>Turkish Data</b>	<b>OECD Data</b>	<b>Degree of Overinvoicing</b>
1980	1634	1789	-8
1981	2282	2239	1.9
1982	2576	2328	10.7
1983	2771	2461	12.6
1984	3172	2903	27.9
1985	4087	3773	8.3
1986	4311	4578	-5.8
1987	4698	3070	53

*Source: Rodrik (1988) and Öniş (1992), based on the OECD Monthly Bulletin of Foreign Trade Statistics and SPO Monthly Foreign Trade Bulletins*

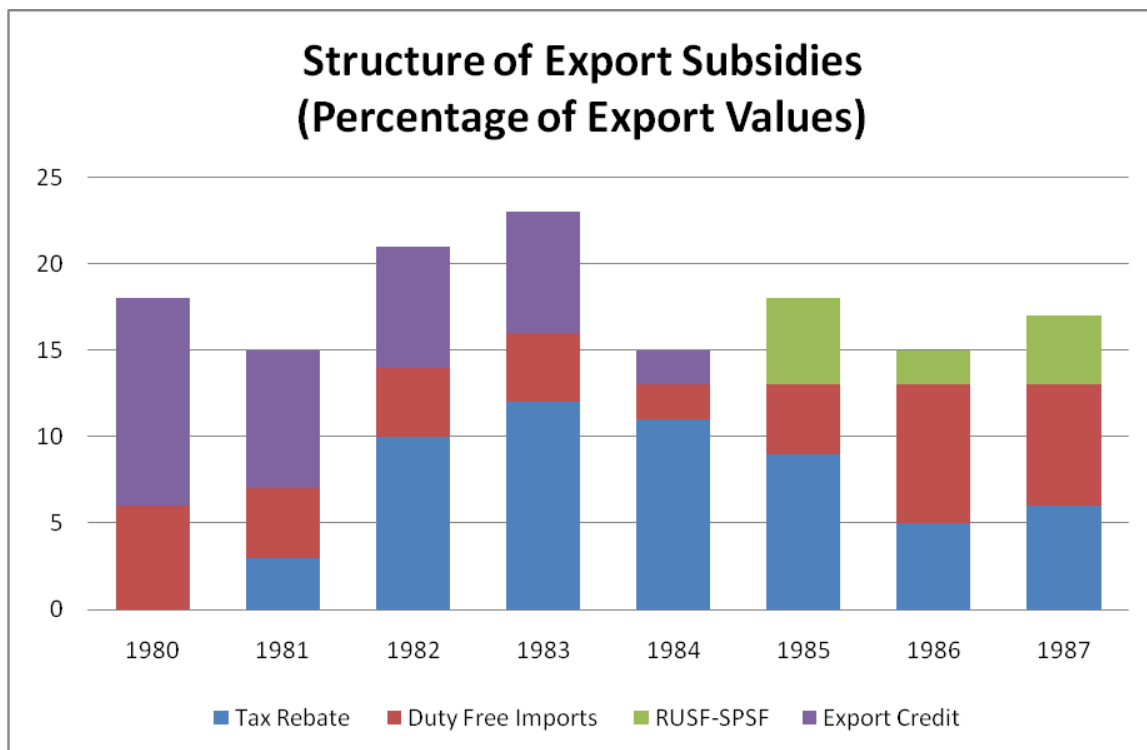
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<sup>281</sup> Öniş, Ziya. Redemocratization and Economic Liberalization of Turkey: Limits of the State Autonomy. *Studies in Comparative International Development*. Summer 1992. Vol:27. Issue:2. 3-23

In 1980s many Turkish exports qualified for five main types of export subsidies. (See Figure below for a list of Export Subsidies in Turkey from 1980 to 1987). The first type of subsidy was that 20% of export earnings could be deducted in calculating taxable income for manufactured goods, provided that total annual exports exceeded 250,000 US Dollars. The second subsidy was repayment of the indirect taxes levied during the production of goods intended for exports. However, this subsidy was totally abolished in 1989 due to allegations of fictitious exports. The third subsidy allowed duty free import of raw materials used in the production of goods intended for exports. The fourth subsidy was the Resource Utilization Support Fund (RUSF), which provided export subsidies based on export value. The RUSF was superseded in 1987 by the Support and Price Stabilization Fund (SPSF) which provided export subsidies on the basis of export volume. The fifth and final incentive category was subsidized export credits. Under the export-credit-rediscout scheme, exporters holding certificates and reaching minimum levels of exports could obtain preferential credit for up to 25% of their export commitment at an interest rate of 38%, far below market lending rates over the entire period.<sup>282</sup>

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<sup>282</sup> Arslan, Ismail and Sweder van Winjbergen. Export Incentives, Exchange Rate Policy and Export Growth in Turkey. *The Review of Economics and Statistics*. Vol.75.No:1. February 1993.



**Figure 2: Structure of Export Subsidies**

Source: UFT statistics

The 1980s witnessed an export boom in Turkey. Scholars offer two alternative explanations. Of these two, export incentives and the set of policies allowing real depreciation of the exchange rate, the latter contributed by far the most. The analyses suggest that export subsidies turned into higher producer profits rather than lowering foreign consumer prices, thus explaining the moderate contributions of the export subsidies to the export boom<sup>283</sup>.

Towards the end of the 1980s there was a considerable decrease in export subsidies. The level of import protection was also reduced. With the financial liberalization achieved

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<sup>283</sup> Arslan, Ismail and Sweder van Winjbergen. Export Incentives, Exchange Rate Policy and Export Growth in Turkey. *The Review of Economics and Statistics*. Vol.75.No:1. February 1993.

by making the Turkish Lira convertible in 1989, the main policies of the liberalization program were completed. The immediate result was a worsening of the trade deficit, mainly stemming from the increase in imports rather than a decrease in exports, which actually continued to increase gradually. It is argued that the frequent and unexpected changes to key policies created a chaotic business environment in Turkey in the 1980s and 1990s<sup>284</sup>. Such an environment offered considerable opportunities for abuse. Allegations about abuse of tax rebates for exports, for instance, caused some scholars to question the export success achieved by Turkey in the post-1980 period, and to ask whether the export figures were fictitious<sup>285</sup>

While the 1980s are associated with major reforms, the 1990s are often considered 'lost years' in Turkish economic history<sup>286</sup>. Turkey and the world witnessed a series of economic and political crises such as the outbreak of the Gulf War in 1991 and the Asian and Russian Crises towards the end of the decade. The Customs Union between Turkey and the EU, which had been in effect since January 1996, brought challenges as well as opportunities for Turkish industry.

Throughout the 1980s and the 1990s, investment and production in real terms have lost its meaning in Turkey. As briefly described above, the 1980s were the years where the main policy was expansion in exports with the support of cheap labour force and overvalued exchange rates. However, overvalued exchange rates fuelled inflation and exports that relied on cheap labour distorted income equality in favour of upper income

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<sup>284</sup> Bugra, Ayse. 1994. *State and Business in Modern Turkey: A Comparative Study*. New York: SUNY Press

<sup>285</sup> Arslan, Ismail and Sweder van Wijnbergen, 1990. Turkey: Export Miracle or Accounting Trick. *World Bank Working Paper*. Washington DC: World Bank

<sup>286</sup> Kumcu, Ercan and Sevkett Pamuk. 2001. *Artık Herkes Milyoner*. Istanbul: Dogan Kitap

level groups. As a result, the governments decided to increase the wage rate towards the end of 1980s as well as liberalising the overvalued exchange rate policy, in an effort to eradicate said distortions. As a result Turkish industry lost two main supports for its exports. In order to provide further backing for exporters, the governments decided to implement more generous export subsidies such as tax exemptions (which also implied giving up taxes from the exporters that would finance governments' debts). In summary, while the governments were losing a big portion of their revenue coming from taxes paid by the exporting companies, it was providing numerous export incentive schemes. Such schemes created organic ties not only between the politicians and exporters but also between the bureaucrats and exporters.

During these two decades in particular, business world became increasingly dependent on the state and bureaucracy and on the subsidies provided by the latter rather than exploiting the opportunities created by the market itself. This political and economic environment created vast opportunities for rent-seeking behavior among the business community as business people competed fiercely for the special set of incentives provided by the state<sup>287</sup>. The system, as a result, encouraged and generated serious moral hazard problems and rent-seeking behaviour on a systematic basis in both public and private spheres<sup>288</sup>. SFTCs, which were designed as a tool of export subsidization, also suffered the same fate. They were used as a means of rent-seeking behavior by the

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<sup>287</sup> Balkan, Erol and Erinc Yeldan. 1998. Financial liberalization in developing countries: The Turkish experience. In *Financial liberalization in developing countries*. In R. Medhara & J. Fanelli (Eds.). P. 129–155. London: Macmillan.

Boratav, Korkut. 1993. State and class in Turkey: A study in capitalist development. *Review of Radical Political Economics*, Volume: 25. Issue: 1, 129–147

Öniş Ziya and James Riedel. 1993. *Economic crisis and long term growth in Turkey*. Washington, DC: The World Bank

<sup>288</sup> Demir, Firat. 2004. Liberalization in Turkey: Revisiting the Revolving Door Hypothesis. *World Development* Vol. 32, No. 5, pp. 851–869

exporters. As a result, they have become mere tools for tax and other exemptions than becoming a tool for boosting exports. This thesis will look into details of how the FTCs and SFTCs have been inadequately managed both on the government and business side.

#### **5.4. Conclusion**

In this Chapter, I have introduced the FTC model (sogo shosha) in Japan and the SFTC model (export consortia under Federexport) in Italy. These models are two similar export subsidy schemes offered by the respective governments. In doing this, I have laid out the background environment in which these subsidies are extended to be able to gauge the likely impacts in Turkey if these models are transferred to Turkey.

In Japan, there is a high bureaucratic autonomy compared to both Italy and Turkey. In Japan, state intervention is also more direct; whereas the state intervention in Italy has been made indirect owing to membership requirements of the EU. In Turkey, we see a hybrid model of the two where both direct state intervention and indirect state guidance exist at the same time. On the other hand, Japan characteristically is a representative of the developmental states which encompass the above qualifications (state intervention, bureaucratic autonomy and close relations with the business world) while Italy is an example of neoliberal model where state intervention is expected to be kept to a minimum, bureaucratic autonomy to be maintained and state business relations are regulated through regulatory mechanisms. However, in this regard Italy represents an atypical neoliberal model, where we historically observe a high degree of state intervention, loose bureaucratic autonomy and intimate and dubious state business relations. In this respect, Turkey represents similarities more with Italy than with Japan



and in state business relations and resulting rent seeking arrangements would be expected to be similar as well.

It is quite important to stress that Japan had a highly competent government and it was very vital in implementing a complex set of policy interventions. Such complex systems require quite a number of qualified bureaucrats to administer such a system without involving in corruption. The bureaucracies of Turkey and Italy were plagued by rent seeking arrangements. Any country willing to replicate the Japanese state intervention model should take into account the aspect of corruption and rent seeking at the bureaucracy level.

In the next Chapter we will take a closer look at the replicability of the FTC and the SFTC model in Turkey. In studying this, the arguments on bureaucratic autonomy, state intervention and rent seeking mechanisms studies for the three countries in this Chapter will especially be helpful. In the next Chapter, we will also try and analyse the conditions for successful policy transfer. The answer to the question of whether initial conditions affect policy transfer is obvious. In the next Chapter, we will also analyse whether state intervention can be less incapacitating than expected as it was in the case of Japan.

## **CHAPTER 6**

### **6. CASE STUDY: TRANSFER OF FOREIGN TRADE COMPANY MODEL INTO TURKEY**

In the previous Chapters, I have examined concepts such as bureaucratic autonomy, centralization of authority, political instability and rent seeking behaviour. In Chapter 5, I have put these concepts into operation in the case of Turkey, Japan and Italy. In a comparison of state-led development in developmentalist states and Turkey, it became evident that state led development in developmentalist states has assumed a guiding yet a reinforced role whereas in Turkey, guidance was merely missing and reinforcement was arbitrary. In the developmentalist states strong importance was attached to the quality and the autonomy of the bureaucracy, whereas in Turkey bureaucratic actions and decisions were tempered with frequently through various mechanisms. It became obvious that in the East Asian countries political stability added to the unity around common set values, whereas both political stability and common set values was missing in Turkey. As a result, inconsistency in deciding on and implementing policies frequently led to the creation of rent seeking mechanisms in Turkey.

In the 1980s, the main target of the foreign trade policies followed in Turkey was to restructure Turkey in line with the changing world conditions, open it up to international trade and integrate it with the world economies in an effort to keep Turkey within the

global trends. As a result of the aforementioned developments, the share of foreign trade in the gross national product has increased.

In this Chapter, I will examine the environment of Turkey into which the FTC model from Japan and the SFTC model from Italy has been transferred. I will do this from the state intervention, bureaucratic autonomy and rent seeking point of views. However, different to the previous Chapter, the focus in doing this in this Chapter will be foreign trade related economic and political background of Turkey.

As we have stated in Chapter 3, the main pillars for the success of a policy transfer is highly dependent on uniqueness of the policy transferred and whether it would survive in the recipient environment, ideological and cultural incompatibilities between the host and recipient environments, institutional adjustment issues and adaptation problems to the recipient environment. Therefore these issues in Turkey deserve a careful analysis when trying to explore the chance of survival of the FTC model transferred into Turkey. Therefore, in this Chapter I will place due emphasis on these issues. In addition to these, the subject of transfer, the agents of transfer, the reasons of transfer and the stages of the transfer will be discussed in the next sections.

In the ensuing sections, I will analyse the policy transfer case of the FTC and SFTC models into Turkey. I will evaluate the policy transfer concepts with respect to main boundaries as mentioned in Chapter 3: agents, subject, types and the stages of the policy transfer leading up to policy transfer or failure.

First, I will start by introducing the methodology used in analysing the case study.

## **6.1. The Design of the Case Study Research**

The design of the case study research is outlined with reference to initial arguments, research questions and empirical research method that are reproduced in the Table below. Thesis intends to find out the answers to these research questions (which were also outlined in Chapter 3) through different research methods within the comparative study of Japanese and Italian FTCs to the Turkish ones. Empirical research methods such as interviews, qualitative and quantitative data analysis and legislation analysis are employed to support the arguments. In the theoretical analysis section of Chapter 3, key concepts to support the policy transfer model had been analysed. In the case study section, these concepts will be operationalized in order to support the arguments below.

**Table 10: Arguments, Key Research Questions and Empirical Research Methods in the Design of the Case Study Research**

Arguments	Key Research Questions	Empirical Research Methods
<p><b>Argument 1:</b> Taking into consideration the policy making environment of the 1980s, the policy transfer has been seen in Turkey as a fast way of policy making. However, in fact as much as it is a diverse way of policy making, it has its own peculiarities which need to be well understood and may not lead to immediate success.</p> <p><b>Argument 2:</b> The involvement of certain “agents” (institutions) in the policy transfer process has important implications on the outcomes of the process. Transfer must be a conscious process to reach the desired outcomes. In the case study the involvement of various actors in the policy transfer process will be studied.</p>	<ol style="list-style-type: none"> <li>1. Why has this particular policy been selected for transfer? Has the policy been studied before the transfer or was it a random selection? Has there been any coercion from any actors/parties on the selection of the process?</li> <li>2. Who were the main actors in this policy transfer? How has their impact played into the transfer process? What was the role of the end recipient in the selection of the transferred policy? Have they been informed about the transfer and have their views been asked?</li> </ol>	<ul style="list-style-type: none"> <li>• Putting key concepts analysed in the theoretical section into operation.</li> <li>• Analysis of the legal framework related to foreign trade in general and exports in particular.</li> <li>• <b>Data Collection:</b> <ul style="list-style-type: none"> <li>○ Quantitative data collected from state agencies (such as the SPO, Undersecretariat of Treasury and Foreign Trade) as well as from the literature in the field. On foreign trade and developmental policy making quantitative data on (i) exports and (ii) performance and subsidy usage of foreign trade companies have been analysed.</li> </ul> </li> </ul>

<b>Table 10 (cont'd)</b>		
<p><b>Argument 3:</b> The outcomes of the policy transfer may change with respect to the transferability of the underlying conditions. The policy may be <i>copied</i> from one environment to another or may be <i>adapted</i> to one environment from another environment. The first case is particularly difficult to sustain, whereas the adaptation of the underlying conditions to the recipient environment may increase the success potential of the transfer in the second case, although does not guarantee immediate success. In the case study, a particular case of an <b>adaptation</b> has been studied where success still did not permeate.</p>	<p>3. How did the legislative interventions and the general macro-economic environment (initial conditions) affect the transfer process? Can the state intervention be less detrimental to the other industries than expected? What role did bureaucratic autonomy (from the politicians, other interest groups etc.) have in the transfer and the outcome of the policy? Has the relationship between any of these have an impact on the formation of rent seeking arrangements and selection criteria sought by the policy makers?</p>	<ul style="list-style-type: none"> <li>○ Quantitative data is mainly collected from the previous research done on the field and through interviews and historical data on the formation of state agencies</li> <li>○ Interviews carried out with 11 working and retired bureaucrats with the SPO, KOSGEB, Ministry of Science, Technology and Industry, Undersecretariat of Treasury and Foreign Trade.</li> <li>○ Interviews were held with 10 managerial staff of the SFTCs, who were the recipients of the transferred policy.</li> </ul>

### 6.1.1. Data Collection -Analysis Methods and the Purpose

#### 6.1.1.1. Use of the Qualitative and the Quantitative Data

The data collected serves several purposes. The concepts studied in the theoretical section in Chapter 3, were used to explicate the boundaries of the policy transfer

concept. They have enabled us to see how far the policy transfer concept can go in explaining the implementation of policy used in a particular domain with the restrictions such as the differences of the host and the recipient environment vis a vis bureaucratic autonomy, rent seeking, state intervention, selectivity, government failure and market imperfection.

The qualitative and quantitative data collected served mainly to demonstrate the state's intervention in the markets where market imperfection prevailed through various mechanisms. These mechanisms presented themselves subsidy schemes designed to stimulate exports. The period analysed for the purposes of studying the foreign trade companies has been the 1980s and the 1990s. During these two decades the foreign trade company model has been transferred into Turkey, flourished and regressed. In order to analyse these two periods, a background macroeconomic analysis has been carried out with an emphasis on foreign trade in Turkey, the prevalent subsidy schemes have been studied with the qualitative and quantitative data in an effort to find out how relevant the "foreign trade company" model transferred from abroad would be useful in Turkey. In doing these, the hurdles encountered were, the data either not maintained or mis-maintained by the state agencies and the reluctance of the interviewees to comment on some of the interview questions.

#### **6.1.1.2. Interviews**

11 open ended semi structured interviews have been carried out with the bureaucrats working or retired and who are working/have worked in the state agencies such as the SPO, KOSGEB, Ministry of Science, Technology and Industry, Undersecretariat of Treasury and Foreign Trade. The interview questions and their responses can be found

in the Appendix A. These interviewees were selected because of their exposure to various government initiated subsidy schemes mainly towards exports and have been asked to dwell on their experiences on “politician-bureaucrat” relations. The interview questions were sent in advance, however the interviews evolved around those questions. The interviewees have deliberately asked their names not to be mentioned in the thesis owing to their civil servant status.

Interviews have also been carried out with 10 SFTCs. The participants to the interviews have been their managerial staff. Some of these SFTCs have been closed some years ago. The reasons of their closure have been cited in the thesis. The questions asked to these interviewees were open ended mainly asking the reason for their views on the problems they see in the implementation of the SFTC model. The reason why we deliberately chose to make the interviews with the SFTCs (and not the FTCs) has been the fact that the performance of the FTCs has reached a peak and then a moved down to an average point and has been going on at that range since. On the contrary, the performance of the SFTCs presents a more dramatic case where their performance made a peak but then a sharp fall and the state has made various attempts to remedy their demise. Therefore, the SFTCs serve a more interesting study subject from the theoretic and empirical points of view.

These two sets of interviews help to analyse the policy formulation and the gaps in the formulation from the bureaucrats’ and the recipients’ views. The interviews help us analyse the consideration that when formulating or transferring a policy it may seem to be distant from what the recipient needs although may serve an overarching and strategic purpose from the view point of the policy maker. As explained in Chapter 3, discussing the key concepts, such gaps are closed through consultative processes and close guidance in other countries.



### **6.1.1.3. Analysis of Legal Background and Legislations**

In order to lay out the legal background into which the foreign trade company model has been transferred a legal background analysis has been made. Additionally, an analysis of the legislations have been carried out to exemplify how often the policy makers resorted to policy making and amendments to either correct the failures of the prevailing legislations or to protect themselves from the criticisms of a declining export performance. The analyses held are:

- Dispersion of export related regulations in the 1980s, which served to exemplify how many export related regulations have been made in the 1980s, the character of these regulations, types of subsidies extended to the exporters as well as the type of the regulations made. The emphasis on the type of regulations serve to highlight the transition from a previous structure (pre 1980s) where “laws” requiring the approval of Turkish National Assembly prevailed, to a structure dominated by “decrees” only requiring the review of related Ministries but the approval of only the Minister of the Ministry drafting the decree. This point also serves to highlight the fact that, in the 1980s it has been easier to make regulations and amendments which indicate a higher level of politician intervention in the regulations made.
- The analyses on the differences between SFTC related regulations and the analysis on the rationales of the recent amendments in the SFTC regulations serve to highlight the degree of adaptability of the state to changing conditions in extending subsidies as well as the implementation of a consultation mechanism

between the policy makers and the end recipients. The policy makers have taken the views of the end recipient into consideration at times, but chose not to do so at certain instances. The reasons of this type of behaviour have been analysed in the case study. This analysis also indicates a lack of coordination between the state agencies which usually demonstrated itself after the regulations have been put into use.

In the quantitative, qualitative data and legislation analysis the documents analysed constitute previous research done on the field, the legal documents such as the constitution, laws, decree laws, public acts, board of ministers' decisions, regulations and main communiques. The main source for these documents has been the official gazette and the publications of the related state agencies.

## **6.2. Policy Transfer and Foreign Trade Environment in Turkey**

### **6.2.1. State Business Relations and Rent Seeking Arrangements**

In Turkey, state-business relations had changed facets after 1980. Prior to 1980 a state led, centrally controlled and a less sophisticated private sector had existed. Their interests were represented by The Union of Chambers and Commodity Exchanges of Turkey (TOBB). By late 1970s however, a diversified and experienced private sector had emerged in the country that could manage the tasks of investment and production. This time such large scale businesses' interests were represented by Turkish Industrialists and Businessmen Association (TÜSİAD). TÜSİAD The private sector had also established several associations independent of the government control that offered

venues for effective communication of business problems and informed debates over policy alternatives.

Business and government had more contact with one another in the late 1980s. Senior officials and politicians sometimes went together on missions abroad to promote Turkish exports<sup>289</sup>. Also, by the late 1980s, the young business leaders of TÜSİAD were meeting regularly with senior bureaucrats at the treasury and the central bank to discuss a variety of broad policy issues. Their contacts were not translated into official policy however. Neither TOB(B) nor TÜSİAD was adequately able to represent the interests of the business groups they represented. TOB(B) was too big to have a defined interest and the government had a say in its leadership. TÜSİAD on the other hand was a voluntary organization, required to act in the public interest and failed to act in the interest of its members. The members of TOB(B) monitor its relations with TÜSİAD which rendered it difficult for TOB(B) to have a closer relationship with TÜSİAD.<sup>290,291</sup>

In the 1980s in Turkey, Özal's government had much clearer credentials of private-sector orientation than the previous governments and dealt with a far more experienced and better-endowed private sector<sup>292</sup>. Özal had supported a liberalization program. His

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<sup>289</sup> Interviewee 7

<sup>290</sup> Arat, Yeşim. 1991. *Politics and Big Business: Janus-Faced Link to the State*. In Strong State and Economic Interest Groups: The Post-1980 Turkish Experience. Ed. Metin Heper, pp. 135-48.

<sup>291</sup> Özbudun, Ergun. 1991. The Post-1980 Legal Framework for Interest Group Associations. In *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*. Ed. Metin Heper. Berlin: Walter de Gruyter.

<sup>292</sup> Esfahani, Hadi Salahi. 1995. Institutional Structure, Government Policy and Economic Performance in Turkey. *Policy Research Department, World Bank*

supporters as well as the members of his cabinet had links and past experiences in the private sector. Özal himself had been a member of TÜSİAD, had served as an executive officer at a private conglomerate, and had ties to the private sector<sup>293</sup>. Thus, his economic policies were expected to be supportive of the private sector and to boost growth through private investment. Indeed, business leaders welcomed Özal's coming to power and as expected the government granted subsidies for the private sector<sup>294</sup>. Nevertheless, private investors did not have sufficient confidence to commit their assets at a larger scale to the development of the Turkish economy, as later on Özal's government was seen to be too close to several business circles and the government was seen to be unable to resist private patronage to secure their support.

Especially towards the end of the decade, the representatives of the private sector as a whole saw serious flaws in the policies of this period and questioned their rationale and sustainability.<sup>295</sup> "Even though individual entrepreneurs benefited from the system through personal ties, conditions favourable to private entrepreneurs could not be created"<sup>296</sup>. Many business groups that had supported the 1980 coup and the Motherland Party were alienated by the late 1980s as a result of "arbitrary" policies and the government's unresponsiveness to their demands<sup>297,298</sup>. Even the beneficiaries could not

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<sup>293</sup> Arat, Yeşim. 1991. *Politics and Big Business: Janus-Faced Link to the State*. In *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*. Ed. Metin Heper, pp. 135-48.

<sup>294</sup> Arat, Yeşim. 1991. *Politics and Big Business: Janus-Faced Link to the State*. In *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*. Ed. Metin Heper, pp. 135-48.

<sup>295</sup> Esfahani, Hadi Salahi. 1995. Institutional Structure, Government Policy and Economic Performance in Turkey. *Policy Research Department, World Bank*

<sup>296</sup> Arat, Yeşim. 1991. *Politics and Big Business: Janus-Faced Link to the State*. In *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*. Ed. Metin Heper, pp. 135-48.

<sup>297</sup> Buğra, Ayşe, 1991. *Political Sources of Uncertainty in Business Life*. 1991. In *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*. Ed. Heper, Metin. de Gruyter: Berlin.

be sure that the policies would continue and avoided committing their assets to the lines of production being promoted. Özal was not oblivious to the policy problems, but could not commit the government to a more long-term approach. As Kjellstrom suggests, the Motherland Party was interested in privatization not so much as a necessary step to improve productivity, but mainly as a means of generating current revenues for the government<sup>299</sup>.

As a result, unlike East Asia, Turkey was unable to put clear long term growth and export led international competitiveness targets. In relation to this, subsidies were geared towards short term interests and maintaining favourable state business relations<sup>300</sup>. Bureaucratic autonomy suffered as a result of being unable to resist the temptation of such patronage. This practice obviously reduced bureaucratic accountability as well. Similarly, export growth policies as exhibited in establishing FTCs, was for short term interests and was not looked after in the long term. There was an arbitrary selection of firms and their performance was not tracked after they used the subsidies. Selectivity and performance requirements have been some of the key requirements of successful export subsidy policies in East Asia. (For a detailed analysis of Foreign Trade Environment in Turkey in the 1980s and the 1990s, see Appendix C)

In summary, in the 1980s and the preceding years, the rent seeking activities defined the state business relations. In 1970s, the business was dependent on imports of intermediate

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<sup>298</sup> Kalaycioglu, Ersin. 1991. *Commercial Groups: Love-Hate Relationship with the State*. in Heper, Metin (ed.) 1991. *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*, de Gruyter, Berlin.

<sup>299</sup> Kjellstrom, Sven B. 1990. Privatization in Turkey. *World Bank Working Paper Series, No. 532*.

<sup>300</sup> Interviewee 7

and final goods. The current account balance continuously deteriorated and political stability eroded. During the ISI years, the accumulation process was highly dependent on policy and politics rather than markets<sup>301</sup>. Businesses became dependent on the subsidies provided by the state and bureaucracy rather than seizing the market opportunities and trying to compete in international markets. The same behavioural pattern continued in the 1980s where Turkey went through liberalization in its economy. Liberalization of the foreign trade regime, removal of exchange rate controls, adoption of special policies with generous incentives to attract foreign direct investment, liberalization of market interest rates to encourage private savings, privatization of SEEs, and shifting to income transfers through public spending instead of price mechanisms were some of the components of the new economic program.<sup>302</sup>

In the August of 1989 Turkey transited to liberal capital account regime. Since then Turkey was exposed to major economic instabilities rendering unison in business community even more difficult. Owing to the divided nature of the business groups businessmen did not enter into institutionalized dialogue with the bureaucrats but preferred to maintain individual contacts with bureaucrats and politicians. This resulted in an unsystematic and unpredictable policy and encouraged rent seeking where the business community competed fiercely for the special set of incentives provided by the state. “At any point in time, however, key members of each group gained from the system of individual contacts: businessmen got favours, bureaucrats got options for

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<sup>301</sup> Demir, Firat. A Failure Story: Politics and Financial Liberalization in Turkey, Revisiting the Revolving Door Hypothesis. *World Development*. 2004.Vol:32, No:5

<sup>302</sup> Demir, Firat. A Failure Story: Politics and Financial Liberalization in Turkey, Revisiting the Revolving Door Hypothesis. *World Development*. 2004.Vol:32, No:5

moving into top private sector jobs, and politicians got political support and also freedom from having to deal with a unified and powerful business lobby.”<sup>303</sup>

In relation to exports, export subsidies were enhanced in this period. Exports, which is in fact the marketing of produced goods, was encouraged. Initially, some export incentives were even given according to the quantity of the exported goods, but later on the export incentives became more sophisticated<sup>304</sup>. FTC model has been transferred from East Asia. However, the initial wave faded in the second half of the decade, mainly owing to structural difficulties.

In the comparative environments, namely in Japan and Italy, the respective states carried out a clear economic program with a selective industrial policy and pursued this strategy openly and without major interruptions as also explained in the previous Chapter. This resulted in a reliable investment climate for private sector. Moreover for instance in Japan the state did not get involved in production activities which made it easier for the government to intervene in the market distortions more effectively. However in Turkey, we observe an intervention mechanism by the bureaucracy in the market activities through regulations not through a consultative process. It can be argued that the regulations and amendments to those regulations were a result of observed failures in the system and were made to make the system more efficient taking into account the complaints of the practitioners as well. But, in retrospect we see a proliferation in the

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<sup>303</sup> Öniş, Ziya. Redemocratization and Economic Liberalization of Turkey: Limits of the State Autonomy. *Studies in Comparative International Development*. Summer 1992. Vol:27. Issue:2. 3-23

<sup>304</sup> Interviewee 3

amount of regulations sometimes trying to create a more conducive but sometimes creating a more restrictive environment for the businesses and exporters.

Interviewee<sup>305</sup> at the UFT mentions that there was a “bureaucrat based” approach to regulation making. The regulations were made with a view that if they were risk averse the regulations were becoming restrictive and if they were open to trying new policies and more open minded the regulations were becoming more enabling. In an environment where there were constant changes in regulations and where the state provided little guidance to the businesses, there is no long-term visibility which undermines the export success and opens it up to rent seeking arrangements. In addition, such vagueness in investment climate and crisis prone Turkish economy, limited Turkey’s capacity to adopt and implement the state of the technology production methods and products confirming my findings in Chapter 4. As a result, Turkey’s exports remained items of limited value added. Since, textiles and ready wear was subsidized in the import substitution era FTCs and later SFTCs were mostly companies of this nature. This determined to an extent the place of Turkey in global markets.<sup>306</sup>

### **6.2.2. Bureaucratic Autonomy**

State bureaucracies, not only as the executive branch of the government but also as the drafter of the legislations, may tend to follow an agenda to their logic or interests. In such cases, their autonomy is often questioned or looked upon with scepticism.

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<sup>305</sup> Interviewee 4

<sup>306</sup> Interviewee 5.



In analysing the background of foreign trade and export related policies starting with the Motherland Party era in the 1980s, we see that in all state policies the impacts of free trade and accentuation of exports can be observed. This new approach was a substitute of imports substitution policy and etatism in general. Therefore, “for the Motherland Party government the goal of reducing the scope of civil bureaucracy in Turkish politics and coincidentally rendering the bureaucracy efficient and effective gained utmost significance.”<sup>307</sup>

As mentioned earlier in Chapter 4, when the government wanted to carry out services more rationally, it created new institutions, but the older ones still remained intact. This created a proliferation of a number of agencies with overlapping responsibilities. This also affected the foreign trade and exports. Although this approach was still maintained in the 1980s, a slight twist was added to it. A small task group was formed under the Prime Ministry and this group worked in close cooperation with the other critical state agencies. The task force found out that the state agencies and the officials in it should be empowered to carry out the goals of the free market economy. The way to do it was to give initiative to the state officials and to reduce bureaucratic, cumbersome and vague procedures. Hence, an operation to carry out these goals was undertaken. In order to encourage civil servants about the work they do, a merit principle was brought about. Bonus system and rewarding by moving faster through ranks for better performance and more frequent pay increases were envisaged. It was also envisaged to facilitate the move between different agencies in the civil service. In line with these, the bureaucratic procedures were streamlined. As mentioned in the previous section, the provisions

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<sup>307</sup> Heper, Metin. 1989. Motherland Party Governments and Bureaucracy in Turkey, 1983-1988. *Governance: An International Journal of Policy and Administration*. Vol:2, Issue:4. 460-471

regarding transactions in foreign trade were liberalized and travel abroad was made easier. Importing and exporting of most commodities was freed from the necessity of obtaining a licence beforehand.<sup>308</sup> Although the bureaucracy and the civil service were given more power in their dealings and operations, this also meant less decision making and policy making autonomy. The Prime Ministry was directly getting involved in the policies of the key state institutions and their staffing.

#### **6.2.2.1. Key State Institutions from a Bureaucratic Autonomy Perspective**

When we look at the status of the key state institutions, we see that military and Özal governments continued the tradition of establishing coordination committees remaining from earlier periods. In order to provide for coordination and coherence in the government, coordination committees were set up in between relevant ministries. The Özal governments undertook two major reorganizations of the economic bureaucracy, in 1983 and 1991, and several minor ones. The reorganizations had three apparent, and disguised objectives<sup>309</sup>:

- To deal with the problem of coordination,
- To reward political friends and punish enemies,
- To take power away from the parts of the bureaucracy which opposed to Özal's economic program.

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<sup>308</sup> Heper, Metin. 1989. Motherland Party Governments and Bureaucracy in Turkey, 1983-1988. *Governance: An International Journal of Policy and Administration*. Vol:2, Issue:4. 460-471

<sup>309</sup> Öniş, Ziya and Steven Webb. 1994. *Turkey: Democratization and Adjustment from Above*. In *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment*. eds. Stephen Haggard and Steven Webb. Word Bank: Oxford University Press.

Although these efforts look like reform and revision efforts in the economic circles, they were in conflict with the explicit objective they were meant for. For instance Özal tried to reform the old bureaucracy and bureaucrats who opposed his new economic program and who were etatist. However, as soon as Özal came to power in 1983 he established **Undersecretariat of Treasury and Foreign Trade** under a State Minister responsible from Economy who was at times the deputy prime minister as well. The Undersecretariat of Treasury and Foreign Trade was also given key powers in the economic decisions. So, instead of reforming bureaucracy he created new institutions and appointed a new minister who would follow his economic agenda. (In terms of foreign trade, the department of foreign trade changed hands with the change in the emphasis given to foreign trade, which was not only peculiar to Özal era. (See Table below). This can be seen as a different means of controlling bureaucracy in the economic field. Another example to Özal's reducing of the power of the "old" key agencies was giving them rather less crucial functions to work on. For instance, the role of revenue collection was given to Ministry of Finance and forecasting was given to SPO. (See Appendix B on Dispersion of Export Related Regulations in the 1980s.) Another measure toward the same purpose was to appoint people who were close to Özal's views as the head of the agencies who would "run" the agency in line with Özal's views rather than in line with the views of the bureaucrats working in them. Özal also led the economic team which consisted of 4-5 politicians and 3 technocrats. These were all signs of dominating by the politicians of the economic decisions and rendering bureaucrats as mere practitioners of policies decided by the politicians in an area of single party government, hence reducing bureaucratic autonomy.

**Table 11: Evolution of the Ministry Responsible For Foreign Trade**

<b>EVOLUTION OF THE MINISTRY RESPONSIBLE FOR FOREIGN TRADE</b>	
	<b>Year</b>
<b>Ministry of Industry (Ministry of Economy)</b>	<b>1920</b>
Ministry of Commerce	1924
Ministry of Agriculture	1924
Ministry of Commerce and Agriculture (Ministry of Economy)	1928
Ministry of Agriculture	1931
Ministry of Economy (Head of Foreign Trade)	1934
Ministry of Commerce (Head of Foreign Trade)	1939
Ministry of Transportation	1939
Ministry of Economy and Commerce	1949
Ministry of Economy	1957
Ministry of Commerce	1957
Ministry of Foreign Economic Relations	March-Dec 1971
Ministry of Industry and Commerce (General Secretariat for Foreign Trade)	1971
Ministry of Industry and Technology	1972
Ministry of Industry and Commerce	1983
Ministry of Science, Industry and Technology	2011
<b>Undersecretariat for Foreign Trade</b>	<b>1983</b>
Undersecretariat of Treasury	1994
Undersecretariat for Foreign Trade	1994
<b>Ministry of Economy</b>	<b>2011</b>

Source: Ministry of Economy (UFT), Ministry of Science, Industry and Technology and various linked resources

As export orientation became the core development dictum, agencies leading export decisions and policies became the core institutions as well. Not surprisingly, such agency would be the Undersecretariat of Treasury and Foreign Trade with vested powers in directing both the major economic and foreign trade related decisions. However, as stated above the Undersecretariat of Treasury and Foreign Trade was too close to Özal and his lead, as the bureaucrats in the said Agency would be expected to follow his orders in distributing export incentives rather than exhibiting bureaucratic autonomy<sup>310</sup>.

#### **6.2.2.2. Legislative Arrangements and Impacts on Bureaucratic Autonomy**

Towards the late 1980s, as democracy was reinstituted and the political arena was opened to other political parties, Motherland Party saw a need to expand the facilities to distribute favours to the electorate as it saw its position weakened after 1989 elections. However, by this time the biggest constituency for the Motherland Party- the big business conglomerates- were more interested in a stable investment environment than patronage. They did not want their profits to depend on arbitrary decrees, which was a product created by Özal and his Party in the 1980s to bypass traditional bureaucracy in the 1980s<sup>311</sup>. His preference was for ruling by decrees, hence bypassing normal parliamentary procedures and constraints. Law making mechanism, from a foreign trade regulations point of view, shifted to decrees away from the laws in the 1980s (See Appendix B on Dispersion of Export Related Regulations in 1980s.) However, such

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<sup>310</sup> Interviewee 4.

<sup>311</sup> Interviewee 5.

decrees and arbitrary decisions turned out to be more detrimental than beneficial for Özal later on. As Öniş states:

Indeed, the origins of the significant increase in corruption in the Turkish economy during the course of the 1990s might be considered a direct legacy of the Özal era of the 1980s, notably the failure to penalize the misuse of export subsidies during the mid-1980s. The principle involving ‘economic punishments for economic crimes’ nicely illustrates the rather relaxed attitude that Özal entertained with respect to the proper implementation of the rule of law in the economic sphere with rather devastating consequences.<sup>312</sup>

For instance, it is important to mention the extra budgetary funds which offered flexibility to the government to make fast spending decisions. Where the “budget law” represents apportioning of the public funds accumulated in a pool to public services, Extra Budgetary Funds (EBFs) refer to general government transactions, often with separate banking and institutional arrangements that are not included in the annual state budget law and the budgets of subnational levels of government<sup>313, 314</sup>. Initially these funds were created to fund priority economic activities instead of creating a burden on the main budget. The funding mechanism was mainly through taxing and attracted

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<sup>312</sup> Öniş, Ziya. 2004. Turgut Özal and his Economic Legacy: Turkish Neo-Liberalism in Critical Perspective. *Middle Eastern Studies*. Volume: 40. Issue: 4. 113-134

<sup>313</sup> Allen, Richard and Dimitar Radev. Extrabudgetary Funds. *IMF Fiscal Affairs Department*, June 2010

<sup>314</sup> The largest funds as of 1991 were the Public Participation Fund, the Mass Housing Fund, the Support Price Stabilization Fund, and the Defence Industries Support Fund. Smaller funds included the Justice Administration Improvement Fund, Mosque Construction Assistance Fund, Cement Fund, Fund for Measurement and Tuning Services, Universities Research Development Fund, and Tobacco Fund (Undersecretariat for Treasury and Foreign Trade. 1992. *Treasury Monthly Indicators*. Ankara: UFT, January).

public support when it was labelled to be channelled to areas such as Mass Housing for the low income groups.

These funds were also used to finance export incentives. The main funds to finance the export incentives were the Resource Utilization Support Fund and the Support and Price Stability Fund. The vast discretion in the use of these funds has also spread its misuse in the export incentives. They were assigned to different ministries, and mainly to the Prime Ministry. A parliamentary law was necessary to set up a fund and to define the goods on which it could set levies, but after that, the amount of the levy and the expenditure of the fund could be set by decree. The variable levies were set by the appropriate deputy undersecretary for treasury and foreign trade, in consultation with the relevant fund<sup>315</sup>.

With the benefit of the hindsight many see the proliferation of EBFs as the biggest mistake of the 1980s, whose impacts cascaded to later years.<sup>316</sup> Prior to 1980 there were 33 funds, this number increased to 104 by the end of 1990. 17 of these funds were being administered by legal entities other than the state or such EBFs themselves constituted legal entities. 14 of these funds were administered by the Prime Ministry or organizations under the Prime Ministry which can be seen as a sign of centralization of the decision making vis a vis spending through these funds under the Prime Ministry. What is more striking is the fact that the funds under the domain of these EBFs constituted two thirds of the total funds in the financial system. This data indicates that

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<sup>315</sup> Öniş, Ziya and Steven Webb. 1994. *Turkey: Democratization and Adjustment from Above*. In *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment*. eds. Stephen Haggard and Steven Webb. Word Bank: Oxford University Press

<sup>316</sup> For a more detailed review of EBFs see Oyan, Oguz and Ali Rıza Aydın. 1987. *Istikrar Programından Fon Ekonomisine*. Ankara

the EBFs constituted a sub financial-legal system within the public finance system of Turkey.<sup>317</sup>

One reason as to why the budget moved further away from being the main source of resource allocation mechanism was the legal structuring towards creating a strong line of execution. If we briefly look at the changes in the financial legislation of 1980s we can see a clear change. There has been a quantitative proliferation in financial legislation in this decade. Besides the new legislation, there were also continuous amendments to the legislation which rendered it difficult to maintain the integrity of the financial legislative system. For instance if we look at the tax laws for the period from 1980 to 1983, we see that 38 amendments have been made to 12 tax laws. From 1984 to 1989 (Motherland Party era) 69 amendments have been done to 16 tax laws. When it comes to the legislation about the EBFs the situation gets even more complicated. In 1990, only 3 new EBFs had been established. However, 7 laws, 21 decree laws (KHK), 1 public act (tüzük), 56 board of ministers decisions, 24 regulations (yönetmelik) and 65 main communiques (ana tebliğ) have been issued in the Official Gazette regarding the EBFs in that year. This is a total of 174 amendments which translates into one amendment in every two days. As a result, these all indicate shifting of the powers to the executive line as well as shifting to of arbitrary decision making without having to refer to the main laws<sup>318</sup>.

There have been other detriments incurred from the creation of the EBFs. The EBFs distorted the fiscal policy making decisions as it was difficult to follow their overall

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<sup>317</sup> Oyan, Oguz. 1998. *Türkiye Ekonomisi: Nereden Nereye?* Ankara: Turk-Is Publications

<sup>318</sup> Oyan, Oguz. 1998. *Türkiye Ekonomisi: Nereden Nereye?* Ankara: Turk-Is Publications



impact on the production and consumption decision of the public and the government. In addition to this, the funds could make transfer to the budget but they also borrowed from the budget. However, they were not coordinated in the government's debt management strategy. Therefore they distorted the debt strategy as well. As mentioned above, the EBFs have in general distorted the policy making mechanism. The EBFs were away from bureaucratic controls and regular line of decision making mechanisms.

The levy system introduced by the EBFs reduced the transparency of the import protection regime, as it became difficult to estimate the level of tariff imposed by the EBFs. The import levies were used as a selection mechanism for those industries that the government wanted to reward or protect. The last but not the least, the supportive municipalities were rewarded by the expenditures of the EBFs. As a result, through the EBFs a rent seeking and patronage mechanism was created. Other than its direct impact on the budget, its other main detriment has been to severely damage the bureaucratic autonomy.

#### **6.2.2.3. Organization in the Bureaucratic Ranks**

When we look at the ranks of the bureaucracy, we also see a direct influence of Özal style management. After an increase of its staff in the beginning of 1980, the SPO became completely controlled by the government. After the military takeover of 1980, the existing bureaucracy was not strengthened and in fact the bureaucracy ceased to be a factor in politics, since the military removed a large number of bureaucrats from their

positions.<sup>319</sup> Since some civil servants had been closely associated with the political parties, they lost their power base, when all political parties were banned. The bureaucracy would be expected to raise its autonomy under such a structure, however in the presence of a strong and central military government an increase in the bureaucracy's autonomy was nullified.

The military coup and the ensuing 1982 Constitution drew a clear line between the role of the state and the political elites. The President and the National Security Council became more powerful, as the decisions made by the President alone could not be appealed to in any legal court or authority. The President and the military members of the National Security Council were now seen as the protectors of the internal and external interests of Turkey. The state elites, especially the bureaucracy, were now regarded as no longer responsible for the political and economic affairs. This gave the following Motherland Party government a relative ease in transition to export oriented policies after 1983.

In the 1980-1983 period, the government of the military era had to rely on a few technocrats to keep the state affairs working. To perpetuate the assistance of the international organizations, such technocrats would have to have close relations with the IMF and the World Bank. This group of technocrats, which was organized around Özal, the head of the SPO, helped to settle the relationship with the international creditors, which was in the interest of the military. Very small number of technocrats favoured an export-oriented strategy; most bureaucrats were still etatist minded. Not more than 10 high-ranking bureaucrats succeeded in implementing the 1980 stabilization program

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<sup>319</sup> Amelung, Torsten (1988) : *The political economy of import substitution and subsequent trade liberalization: The case of Turkey*, Kiel Working Papers, No. 330.

despite the opposition coming from the rest of the bureaucracy<sup>320</sup>. This is an indication of how decision making was un-institutionalized and arbitrary. Decisions and policies were not a result of rules and procedures but an outcome of the thinking of few people, may they be bureaucrats or politicians<sup>321</sup>.

Although some attempts were made to restructure the government in the military administration of 1980 to 1983, real efforts were carried out after 1983 during the Motherland Party era. The switch to export oriented economy was a big one, therefore the Motherland Party decided to reduce the role of the civil service in politics and render it more efficient and obliging. In time Özal literally became the person who said the “last word”. More often than not, he and his close entourage did not consult interest groups or bureaucracy in their decisions<sup>322</sup>.

Özal also noticed that, to carry forward export oriented development economic strategy, the politicians and the bureaucrats would have to work in harmony. During the initial phase of 1980s many bureaucrats losing their seats after the military takeover and banning of political parties, stepped into politics. Although they were etatist minded before, they knew that they would have to follow export oriented discourse to maintain their seats in politics. In addition to this, after the 1983 election Özal, became the Prime Minister and reformed the entire government and administration. He gave the senior positions to the US-trained economists. These people replaced many etatist minded

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<sup>320</sup> Heper, Metin .1984. Bureaucrats, Politicians and Officers in Turkey: Dilemmas of a New Political Paradigm. In: Evin, Ahmet (Ed.), Modern Turkey: Continuity and Change. Hamburg: Deutsche Orient Institut.

<sup>321</sup> Interviewee 11

<sup>322</sup> Interviewee 1

bureaucrats in the state. These new appointees were hand-picked by Özal and were in line with the strategy of export orientation. As a result, the high-ranking bureaucracy came under the control of the government; or more accurately Özal and the influence of the traditional bureaucrats in the ministries were diminished<sup>323</sup>.

Özal and his entourage also tried to reduce the influence of the bureaucracy thinking that they could not summon the dynamism that the government should have to design and implement new policies. As a result, the bureaucracy was tried to be made less influential by turning some functionaries into contractual positions. Also certain higher civil servants were purged. Excess committees, boards, commissions...etc. were eliminated to aggregate decision making in the centre, which could be more easily managed. Some critical agencies were directly tied to the Prime Minister's office and the autonomy of some critical agencies such as the Central Bank was reduced<sup>324</sup>. As the influence of the traditional bureaucracy was diminished, its role had to be fulfilled by the new people. Such people who became influential in bureaucracy were either brought in from the private sector or from the US and were called Özal's "Princes". They were more of the role of personal advisor to the Prime Minister and even were able to take high level bureaucratic decisions.

In spite of the steps taken in the direction of a market economy and the restoration of democracy in the post-1983 era, the Turkish experience failed to conform to the "liberal

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<sup>323</sup> Interviewee 7

<sup>324</sup> Heper, Metin. The State and the Debureaucratization. *International Social Science Journal*.1990

vision" of "retreating states and expanding societies"<sup>325</sup>. The above developments point out to the fact that the bureaucracy was utterly politicized especially after 1982. The demotion of the bureaucrats to mere insignificance rendered the respect to bureaucracy decrease as well<sup>326</sup>. Under the disguise of taking quick and efficient results, the rules and procedures, even some court orders were ignored. There have been constant amendments to the laws and other legislation which rendered it difficult to follow the applicable law. Public expenditures were made without regard to the laws. Özal himself once said, "It is all right to breach the Constitution once" which became an exemplary quote for the structure of lawless decision making at the time. In terms of, distributing subsidies and the creation of a rent economy, bureaucratic channels were created to facilitate such distributions.

Such channels were serving directly under the domain of Özal without following rational decision making mechanisms. Public sector borrowing was a tool that the government resorted quite often to fund the expenditures in the areas which were seen as the priority areas. This resulted in the rolling over of the debt with more debt and hindering investments in the areas such as education, health and energy. Public tenders, SEEs and use of the state banks to distribute favours un-transparently have been other sources of rent distribution mechanism. The bureaucrats were added to the lines of rent seeking arrangements and some have become closely associated with politicians<sup>327</sup>. Neither in the sectoral and regional distribution of the investment subsidies nor in export subsidies were rational methods used. An audit mechanism as to the effectiveness of the

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<sup>325</sup> Öniş, Ziya. Redemocratization and Economic Liberalization of Turkey: Limits of the State Autonomy. *Studies in Comparative International Development*. Summer 1992. Vol:27. Issue: 2. 3-23

<sup>326</sup> Interviewee 1

<sup>327</sup> Interviewee 9

distributed subsidies has not been established which resulted in the misuse of incentives and creation of overcapacity in some sectors.

In summary, during 1980s mostly due to Özal's distinctive management style and adherence to opening up Turkish economy to international markets, we see a more centralized decision and policy making while it created a more cloudy policy making environment. Although Özal's aim was to advance free market economy, the markets were opened up in the direction that he and his high wing officers provided which cannot be deemed as totally "free" in the international sense.

Post 1983 was characterized by the dominance of the political rationality instead of the market rationality on the one hand, and diminished state autonomy and capacity to implement a long term program on the other hand. Overall, in this period we are unable to observe a retreat of the state opening up space for the private sector, unlike the rest of the world trends (whereas in East Asia, there has been a voluntary or forced deregulation attempt as discussed in Chapter 2). On the contrary, there has been a reorganization of the state apparatus. This reflected itself in the hands of giving more powers to the prime minister (hence execution) also as an outcome of 1982 constitution. This led to the formation of a strong power in the centre as well as diminishing of the powers of the bureaucrats. Additional layers were also created in the bureaucracy to overcome the "hurdles" created by the bureaucracy. The most important ones of these were the extra budgetary funds, creation of a new government agency called the Undersecretariat of Treasury and Foreign Trade directly controlled by Özal and overtaking some of the powers of Ministry of Finance, creation of new state ministries directly reporting to the Prime Minister. This expanded the power of the Prime Minister but reduced the powers of the legislature. The goal was to create a new "managerial

bureaucracy” consisting of the graduates of US universities, recruited from outside the bureaucracy and independent from bureaucratic pressures.

This change in the structure of bureaucracy was not accompanied by the changes and reorganization of the organized groups. Hence a more or less similar policy making structure prevailed in 1980s, a changed bureaucratic mechanism making policies without consulting organized groups. The constitution of 1982 restricted activities of organized groups and did not allow them to participate in the policy making<sup>328</sup>. In this period, a clientelistic style of decision-making continued to be dominant. Members of the private sector often competed among themselves for selective measures that benefited individual firms. As mentioned earlier, this type of structure encourages free riding on the part of the individual business groups and provides incentives for rent-seeking. The implication of this type of state-business interaction is that major business groups in Turkey were less interested in involving in organized business groups and more interested in influencing the policy through individual means in line with their particular needs. Groups that do not benefit from selective treatment are estranged from the government's economic program. As a result, the patrimonial state has survived in the 1980s, although in a modified form. Still, there has been a proliferation in the activities of the organized interest groups of the private sector.

In summary, the above discussion highlights the macroeconomic and foreign trade environment in Turkey, from the state business relations and rent seeking as well as bureaucratic autonomy perspectives. This was the general description of the environment into which the FTC and SFTC models were transferred.

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<sup>328</sup> Interviewee 2

As we have stated in the theoretical discussion of the key concepts in Chapter 3, the policy transfer is immensely affected by the policy environment of the recipient. It is one of the main determinants that can lead to the success or the failure of the policy transfer. Additionally, in the above sections we have made an entry into the key state institutions, ranks of the bureaucracy, elements of the export policies and the rent seeking arrangements evolving around them. In the next sections, we will analyse in detail how this particular policy transfer was carried out in line with the theoretical foundations laid out in Chapter 3 and in the macroeconomic and foreign trade environment analysed above.

### **6.3. Transferring the FTC and SFTC Models into Turkey**

#### **6.3.1. Comparative Logic of the Policy Transfer and the Issue of Spatiality/Context**

As mentioned earlier in Chapter 3, for the policy transfer to survive as a model it needs to sustain its presence in multi-level and multi-disciplinary perspectives. Therefore, it is necessary to see the sustainability of the policy transfer model in alternative environments, as long as it recognizes the importance of global, international, transnational and domestic structures and it facilitates policy development. We have also mentioned that within time, different external influences can shape the policy transfer decisions. For instance, as the export success of the East Asian Developmental States (and mainly Japan) was the main model for Turkey in the decision to transfer the foreign trade company model in the 1980s, with the advent of the EU accession negotiations the policies of the EU became more influential in Turkey in the 1990s.



Looking at the successes of East Asian Developmental States, one can consider the idea of drawing lessons from them, generalizing such lessons and applying them in other developing countries.<sup>329</sup> Experiences of countries are shaped by factors such as state traditions, historical events, geographical conditions, their political systems, policy traditions and their place in global political economy. The experience of East Asian countries regarding developmental policy is an example to this. As a result, it may prove to be quite difficult to transfer or repeat this policy in alternative contexts.

To repeat Öniş,<sup>330</sup> “three key elements of the developmental states are extremely difficult to emulate: the single-minded adherence to growth and competitiveness at the expense of other objectives, the unusual degree of bureaucratic autonomy and capacity, and the equally unique and unusual degree of public-private cooperation.”

East Asian countries had a single minded adherence to growth. Consequently, the East Asian states have been able to withdraw from the distributional realm and concentrate exclusively on providing strategic guidance for production and capital accumulation. The unstable political and economic environment in Turkey made it difficult to neglect distributional demands and concentrate on production, capital accumulation and long term goals.

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<sup>329</sup> Öniş, Ziya. 1991.The Logic of Developmental State. *Comparative Politics*. Vol.24.No:1

<sup>328</sup> Öniş, Ziya. 1991.The Logic of Developmental State. *Comparative Politics*. Vol.24.No:1

Another question centring around the transferring of “developmental state” policies, is whether transfer of such policies is desirable or whether such policies are compatible in Western traditions and with democratic forms of governance and political liberalization. For the states which have a long tradition of democratic values, widespread political participation and democratic development, it would prove to be difficult for the states to withdraw totally from distribution and focus on productivity and growth. In East Asia, there was also a high level of concentration in terms of public and private power, whereas in countries with widespread political participation the transfer of “developmental state policies” would be difficult. In this respect, Turkey resembles East Asian states where widespread political participation is missing, yet public private partnership conditions were also missing.

It is also questioned by some scholars<sup>331</sup> as to how stable developmental states are. As Amsden states, “There exists an inherent tension within the developmental state between the "bureaucratic autonomy" and the "public-private cooperation" conditions.” As the public private cooperation progresses, bureaucratic autonomy suffers. For instance, S. Korea which promoted private business groups called Chaebols by state hand in order to secure cooperation for the state’s industrial policy and increase the state’s autonomy in executing its strategic goals, has been unable to control or monitor activities of Chaebols afterwards. In the path to democratization and liberalization in the 1980s, the private power of the Chaebols has grown more than the power of the state. When there is a misbalance between the state autonomy and cooperation between public-and-private sectors, which was the case in Turkey as explained in the above sections, the state cannot determine strategic areas for the private sector to focus on and as a result it

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<sup>331</sup> Alice Amsden, 1985. *The State and Taiwan’s Economic Development*. in *Bringing the State Back In*. Eds. Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol. New York: Cambridge University Press

would be in a weak position to regulate the private sector's activities. Moreover, in such a situation if the state tries to use the tool of disciplining private sector in return of subsidies, such an action would result in the degeneration of subsidies into rent seeking activities by the private business groups.

A lesson that emerges from East Asian development is that the transfer of specific strategies or policies to new environments will be self-defeating in the absence of the political and institutional conditions required for their effective implementation. In Turkey, the bureaucratic autonomy diminished severely especially after 1980s. But still, the rent seeking was at the heart of the state-business relations since the 1970s.

We also need to take into account the fact that the East Asian style developmental state and associated industrial policies have proved to be successful in an environment characterized by rapid growth of production and world trade and also by the absence of similar institutions and strategies in the rest of the international system. Here the question we should ask is whether such institutions and strategies are likely to be effective in a less favourable environment typified by growing protectionism and declining growth in world trade. To reiterate, an influential pilot agency such as MITI or EPB can provide important strategic guidance in the selection of key industries to be encouraged and also in the provision of a stable and predictable environment for private investors to undertake risky, long-term investment projects. Additionally, sector specific planning can be a good instrument to lead firms in the desired direction of growth. As a result, bureaucratic autonomy and public-private cooperation come forward as desirable elements in implementing developmental state policies. These are transferable instruments/policies and are not unique to a certain cultural environment, although can be developed with institutional reforms over time.

In Turkey, certain aspects of developmental and neo-liberal state policies have been adopted in various forms starting 1980s. Turkey has made a decisive push towards trade liberalization. The import substitution has left its place to trade liberalization with simplification of import procedures, reduction and elimination of quotas and the rationalization of the tariff structure. Along with these, the state continued to follow interventionist policies. In search for a successful instrument to adopt, the export policy in general and FTCs in particular have been adopted from East Asian developmental countries following their success in increasing exports.

FTCs varied in form after they were first utilized in Japan. In the East Asian (especially Japanese) model group companies establish a foreign trade arm that facilitates the international trade necessities of the rest of the company. They also make investments or other types of agreements abroad for the benefit of the mother company. Japanese FTCs are subsidized by the government. The model has been transferred to Turkey under the FTC name.

Japanese FTCs have very successfully created marketing and distribution lines abroad, and maintained a high level of training and market research activities. In Japan, there has also been a strong adherence to the multi-year development program. This program was controlled by the Ministry of Finance in the macro economy related articles and by the Japanese Central Bank on the monetary and exchange rate issues. The peculiarity of the FTC model in East Asia comes from the fact that implementation of the model was strongly guided by the state as well as with incentives under a certain level of bureaucratic autonomy.

In Turkey, there was no strong adherence to development programs or a strong coordination between the different institutions of the country. The development plans made before 1960s was rather arbitrary and were not operationalized. The plans made after 1960s had a strategic guidance but examining subsequent plans reveal that they became repetitive in time. Governments played with the responsibility domains of the institutions every so often under political concerns. In addition to these, Turkey could not establish international linkages and the international experience of the FTCs were directed by their export and sales personnel's advices as well as the directives of the Undersecretariat for Foreign Trade (UFT, became the Ministry of Economy in 2010) as to which country to export to. Advertisement and promotion activities have been rarely used. The competitive advantage has been the price reductions made by the Turkish companies to increase their export figures.

As observed in the Japanese model, a stable government is also an important ingredient in the export performance, a phenomenon which was missing in Turkey. Another important feature of the Japanese model is the investment in the human resources. They recruit qualified people and train them in the country and abroad so that they can get international experience and language skills. This was not the case in Turkey; FTCs hardly invested in human resources. The overall human capital investment in both countries exhibit a striking gap. The political and bureaucratic environment had adverse repercussions in Turkey which ultimately affected policy transfers.

When we look at the experience of both Japan and South Korea we also see that the government has played an important role in supporting businesses. The type of support provided by the governments was more towards correcting anomalies and problems in the system rather than for distorting the market information. They have geared their subsidies towards increasing exports and international competitiveness (quality of

exports was more important than quantity). They thought that economic development relied on private sector which is subsidized and controlled by the government. However, unlike Turkey they followed up their subsidies and the related export performance. If the related export performance is unsatisfactory the subsidy is pulled back immediately.

When transferring the developmental state policy and hence FTC policy to Turkey, several features have been changed. Experimenting with the FTC model revealed that subsidizing only the big firms ended up in the SMEs being neglected. As a result FTC model has been revised slightly to cover the SMEs and SMEs' acting together to enter into the international markets. Such "groups of SMEs" were supported in their market researches, promotional expenses and in their participation in the international trades and fairs. Nevertheless, the overarching pillars of FTCs as exhibited in the East have been neglected as explained above. As a result, (S)FTC policy tool has been used only for tax and other exceptions and hardly ever increased exports in Turkey. In addition to these, the bureaucratic autonomy existing in East Asia lacked to an extent in Turkey which intertwined relations between bureaucracy and private sector in the granting of subsidies.

The SFTC model represents similarities to the Federexport model used in Italy. It is also true that Italian the model has been analysed by the Turkish bureaucrats before being transferred. In addition to this, the success of the SME cooperation schemes in Third Italy and rest of Europe exemplified the power of collective efficiency. With the growing distaste of the direct aid programs in the EU there has been a switch to more indirect programs aiming cooperation and versatile measures. Turkey following the EU path in the 1990s, also tried to align itself with the EU measures and adopted EU aid policies. The SFTC model was transferred at a time when the SMEs in the EU were gaining importance and when Turkey was enhancing its relations with the EU. The

interest in the SME cooperation models comes from here, and from the fact that Turkey was a hybrid model turning its face to the West. However, the main background to the SFTC model is the FTC model other than the fact that it is geared more towards the SMEs and their collaboration.

### **6.3.2. The Policy Transfer Framework of the FTC Model: Why, Who and What?**

As we have mentioned in Chapter 3, the policy transfer has several acknowledged stages. It starts by *recognizing* the need for a transfer and initiating the *search* for a particular policy. Turkey has started experimenting with the export-oriented economic policy since the 1980s and in accordance with this objective, has started seeking methods of encouraging the companies to open up to international markets. Mainly with the mandate of the political elite, the bureaucrats have searched the models implemented abroad and decided to experiment with the models successfully used in Japan and South Korea namely the FTC policies, which looked quite suitable under the already developing practice in Turkey<sup>332</sup>. Here, we observe a mixture of a *cognitive and elite mobilization*. Through continuous trade missions to East Asia, the politicians developed an interest in the foreign trade company model and then referred it back to the bureaucratic elites to study the model and transfer its relevant parts into Turkey. After these stages, the bureaucrats in Turkey especially at the SPO and the Undersecretariat of Treasury and the Foreign Trade analysed the FTC model. This started the *evaluation and trial* phases of the policy transfer (See the Table below for a summary of the FTC policy transfer stages). In this particular policy transfer case, the *agents of the transfer*

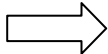
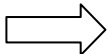
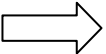
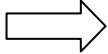
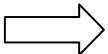
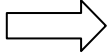
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<sup>332</sup> Govdere, Bekir. Sektörel Dış Ticaret Şirketlerinin Yapısı Üzerine Bir Araştırma. *Dış Ticaret Dergisi*. UFT Publications.12/4.January 1999

turn out to be the politicians and business groups under the strong leadership Özal, and the bureaucrats of the SPO and the Undersecretariat of Treasury and Foreign Trade.



**Table 12: Policy Transfer Stages of the FTC and SFTC Models in Turkey**

<i>Recognition</i>	<i>Search</i>	<i>Contact</i>	<i>Interaction</i>	<i>Evaluation</i>	<i>Implementation</i>	<i>Outcome</i>
						
Transition to export led development model in the 1980s and the recognized need for a model to boost exports.	The export boom in East Asia in the 1980s led Turkey to search for a model used there.	<p><b>Elite mobilization:</b> Through mutual trade missions and consultations of the policy makers in the host and the recipient environment model was studied and transferred.</p> <p><b>Cognitive mobilization:</b> Model was studied and developed in Turkey and was customized into recipient environment by the politicians and bureaucrats.</p>	Interaction was established through a Network of knowledge transfer: Network of knowledge transfer was established through inter-country working groups, seminars and meetings between Japan and Turkey.	ETC (later called the FTC) model was selected as a suitable option to be established and subsidized as foreign trade arm of the big export conglomerates of Turkey.	The FTC model has been customized to Turkey and has been implemented with various amendments throughout.	The FTC model worked well as a foreign trade arm of the big conglomerates but failed to boost the exports of Turkey, which was the major aim.

First model adopted in Turkey was the Export Trading Company (ETC) model officially adopted with the Decree in the Official gazette No: 17051, dated 18.07.1980. In the Decree the ETCs are defined as “non-producer, exporter companies specialized in international marketing”.<sup>333</sup> The policy that has been transferred into Turkey was not the whole model as it was implemented in Japan. The *subject of the transfer* was the *policy goals* which was the boosting of exports as well as the particular *instruments of the policy*, the details of which will be given below.

In the said Decree the conditions for qualifying as an ETC were outlined as follows:<sup>334</sup>

- Minimum export earnings of 15 million dollars during the year preceding the application, with the additional condition that at least 50 percent of all exports would consist of mineral and manufactured products.
- An initial paid-in capital of at least TL 50 million paid up over a twelve-month period.
- Export growth at a rate of 10 per cent per annum.

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<http://www.resmigazete.gov.tr/main.aspx?home=http://www.resmigazete.gov.tr/arsiv/17051.pdf&main=http://www.resmigazete.gov.tr/arsiv/17051.pdf>

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<http://www.resmigazete.gov.tr/main.aspx?home=http://www.resmigazete.gov.tr/arsiv/17051.pdf&main=http://www.resmigazete.gov.tr/arsiv/17051.pdf>

These companies were subsidized through low interest rate loans from the Exports Support Fund, by giving priorities in foreign exchange allocation and export quotas, and through exemptions for their imported inputs (for packaging, filling, stacking, warehousing, transportation not for production).

The ETCs (later became FTCs) had a varied nature at those times. Most were intermediaries only marketing the goods produced by other companies. These have been the ones which disappeared first at crisis times<sup>335</sup>. Exemptions for ETCs on tax have become so appealing to some exporters that a fierce competition started among them resulting in a price (reduction) based competition in international markets<sup>336</sup>. This led to deterioration in Turkish foreign terms of trade. Since these companies were subsidized heavily by the state there has been an upsurge in the interest to become an ETC. However, when the subsidies were pulled back most of them easily lost their ETC status<sup>337</sup>. This became a more or less expected practice with every amendment. As discussed in the previous Chapters, such practices induced rent seeking behaviour and caused it to become permanent in business decisions.

In 1984 an amendment was made in the law redefining ETCs (Decree No: 84/7557 published on Official Gazette Dated 12/01/1984 No:18279)<sup>338</sup>. The decree revised the conditions required for qualifying as an ETC. The minimum export requirement has

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<sup>335</sup> Interviewee 6

<sup>336</sup> Interviewee 5

<sup>337</sup> Çelik, Adnan and Tahir Akgemci. 1998. *Girişimcilik Kültürü ve KOBİ'ler: Yeni Stratejiler*. Ankara: Nobel Publications.

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<http://www.resmigazete.gov.tr/main.aspx?home=http://www.resmigazete.gov.tr/arsiv/18279.pdf&main=http://www.resmigazete.gov.tr/arsiv/18279.pdf>

been raised to 30 million dollars and the requirement for paid-in capital was extended to 500 million TL. The share of the mineral and manufactured exports was raised from 50 to 75 per cent. Companies that managed to comply with these requirements and gained the status of an ETC became eligible for extensive privileges. These privileges can be considered to be quite generous in access to resources. However, it was mostly the large holding companies which benefited from these resources but this comes as no surprise given the fact that the small companies were out of the government policies of those times<sup>339</sup>:

- The ability to use credits from the Central Bank rediscount facilities.
- Allocation of foreign exchange from the "Export Promotion Fund" for importing raw materials required in the manufacture of products to be subsequently exported (the inputs would be used by the manufacturer)
- The right to maintain foreign currency holdings on a global basis, to be used importing raw materials for the manufacture of exportable commodities embodied in the ETC's program.
- Incentive certificates to be utilized in importing raw materials and packaging materials. ETCs were allowed to import these commodities without seeking prior government approval.

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<sup>339</sup> Öniş, Ziya. 1992. *Organization of Export Oriented Industrialization: The Turkish Foreign Trade Companies in a Comparative Perspective*. in Nas, Tevfik and Mehmet Odekon (Ed.) *Economics and Politics of Turkish Liberalization*. Cranbury, NJ, USA; London, UK; Ontario, Canada: Associated University Presses.

The ETC regulation was further amended at the end of 1984, in the Official Gazette dated 31/12/1984 No: 18622 Decree no: 85/2. With this decree the scope of the ETCs was broadened and they became FTCs to include import activities as well. They were also given monopoly rights (jointly with the SEEs) for importing commodities from countries associated with COMECON (Council for Mutual Economic Assistance) through earning export rebates. This is giving them a privileged status vis a vis smaller companies and indicating favourable treatment for the FTCs. Despite the fact that the ETCs have been turned in to FTCs in an effort to include import trade under their mandate, the imports done by the FTCs did not develop much which is a factor different than the Japanese and South Korean FTCs.<sup>340</sup>

The latest regulation for the FTCs is issued in the Official Gazette dated 8 December 2004, dated 25664 with decree no: 2004/12. It states that companies having at least 2 million dollars paid in capital and exports of 100 million dollars or more in the preceding year can apply to become an FTC. This also indicates that the policy remained geared towards big holding companies and another set of separate policies were developed for small businesses.

The Turkish FTCs have been mostly the exporting branches of the large Turkish industrial or business groups/conglomerates. This reflects the understanding that the main conglomerates of Turkey were geared towards exports in 1980s. This was also in line with the dominant government policy of directing Turkish manufactures to exports. The FTC regulation targets the big companies as indicated from the required export figures. For instance two of the FTCs, RAM and EXSA, were directly linked to two

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<sup>340</sup> Öniş, Ziya. 1992. *Organization of Export Oriented Industrialization: The Turkish Foreign Trade Companies in a Comparative Perspective*. in Nas, Tefvik and Mehmet Odekun (Ed.) *Economics and Politics of Turkish Liberalization*. Cranbury, NJ, USA; London, UK; Ontario, Canada: Associated University Presses.

leading industrial conglomerates, Koc and Sabanci, respectively. Only one company, PENTA, does not have any links to any major industrial conglomerates.

In time the FTCs became also concerned only in making use of subsidies to subsidize the parent company's finances but not increasing Turkish exports, which was the initial intended plan for subsidizing the FTCs. As explained in Chapter 4, where the initial goal of the regulations are not followed through the businesses (in this case the big businesses) can devise a structural way of rent seeking and neither the bureaucracy nor the politicians do anything to change this. Most probably both groups have already forgotten the intended aim for establishing FTCs but are only implementing the regulations stated in the law to keep the FTCs alive. As a result, in a hazy political environment the powerful wins and the governments resort to more extensive regulations to support detected abuses. Additionally, they also became commission brokers by facilitating exports of smaller companies which is called bypass exports (passive export trade). This further postponed the independent development of the exports of the SMEs. In other words, some SMEs remained dependent of big companies for facilitating their exports.

In the FTC terminology active export trade is the export trade where the final buyer is found by the FTC. On the other hand, passive export trade is the export trade where the final buyer is found by the manufacturer-exporter or by some other exporter. Because of the higher rates of tax returns granted to FTCs many SMEs and exporters preferred to export through FTCs using their names in return for sharing tax rebates with them. The FTCs made easy profits out of this and expanded their export volumes on the paper in order to qualify for FTC status and maintained the right to import from the COMECON

countries<sup>341</sup>. In passive export trade finding the export market, meeting with the importer, agreeing on the sales contract is not carried out by the FTC. Still the risk on this export is borne by the FTC, but no know-how on foreign markets or foreign trade procedures is gained by the FTC<sup>342</sup>.

### 6.3.3. Type of Transfer: How is the FTC Model Customized?

The FTC model has not been transferred exactly as it was observed in Japan. Certain components of it as explained above have been transferred and the model has been supported by certain subsidy schemes as will be explained below. Therefore the type of transfer can be stated as the “*emulation*” of the model and customizing it to the domestic needs. The model was not exactly copied but the success of the model led the Turkish bureaucrats and politicians emulate it.

Looking at the subsidies geared towards FTC in Turkey, we see a great deal of variation throughout the years. Import and Export Regime Decrees, Export Subsidization related

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<sup>341</sup> Dicle, Atilla and Ulku Dicle. Effects of Government Export Policies on Turkish Export Trade Companies. *International Marketing Review*. 1992. Vol:9, No:3. 62-76

<sup>342</sup> Active export trade is carried out various ways In the ***commission based active export trade***, the FTC - does the marketing or sales of a domestic manufacturer who applies to them. In this case, the FTC follows the international markets for sales or tender opportunities, matches goods with buyers, gives sales price advice to the manufacturer and may finalize the sales. This is the real and desired FTC company profile as seen in the East Asian examples. In active export trade the FTC gets in touch with the banks to find financing for these exports. In the ***finance based passive exports***, the FTC may have 2 kinds of contribution. In the first case, the FTC may first find the seller in the domestic market and prepares the goods for sales and then finds the foreign market to sell the products in. In this case, the FTC may also find the buyer first and then searches for the product in the domestic market. In the second case, the FTC may procure the raw materials towards the production of final good and then sell them in foreign markets after the final product is produces.

decrees, annex decrees to these reveal that there have been ups and downs in the subsidies provided to the FTCs. The elements of the adopted program displayed variations relating to the wider economic and political issues such as membership to the regional and international organizations such as the General Agreement on Tariffs and Trade (GATT) and the EU Customs Union and the suggestions coming from them, implementation difficulties arising from domestic resource availabilities and sometimes, hesitancy about the benefits of subsidies. Subsidies have sometimes been decreased or abandoned, sometimes amended and sometimes changed altogether observing the difficulties in implementation.<sup>343</sup> As explained in Chapter 4, these are the likely indicators of instabilities in policy making.

The activities of FTCs were mostly exports. In the first decade after establishment, the FTCs had achieved sharp increases in their exports. Their combined exports increased from 427 million dollars in 1981, to 4,335 million dollars in 1987. Their share in Turkey's total exports went up from 9% in 1981 to 46% in 1986. FTCs accounted for 46.3% of all total Turkish exports in 1988<sup>344</sup>. However, how much of these exports are the real increases caused by the presence of FTCs is a question mark. From 1988 onwards the FTC share in total exports has exhibited a steady share around 20%.

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<sup>343</sup> Turan, Gul Gunver. 1989. Türkiye İhracatında Dış Ticaret Sermaye Şirketleri: İlk Deneyimler. [www.iudergi.com](http://www.iudergi.com) . Accessed on 03/09/2012

<sup>344</sup> Turkish Foreign Trade Association



**Table 13: Share of FTCs in Total Turkish Exports**

Share of FTCs in Total Turkish Exports 1980-1988 (U.S.\$ Million, %)			
Years	FTC Exports	Total Exports	FTC Share
1980	171	2910.1	5.8
1981	642.1	4702.9	13.6
1982	970.4	5746	18.4
1983	1643.4	5727.8	28.6
1984	3261.8	7133	45.7
1985	3376.2	7958.1	42.4
1986	3689.1	7456.7	49.4
1987	4496.9	10190	44.1
1988	5403.2	11662.1	46.3

Source: Öniş (1992), Based on Turkish Foreign Trade Association Data

Yet, we should not presume that FTCs are engaged exclusively in marketing the products of their parent companies or only the large conglomerates. As I mentioned above, the FTCs are also engaged in passive / bypass export trade, acting as intermediaries for small-scale exporters and manufacturers. A study commissioned by the UFT reveals that up to 50 % of all export earnings of FTCs are coming through passive / bypass export trade<sup>345</sup>. This can be considered as an indication to the fact that there was a need to devise a mechanism geared to the needs and the export facilitation to the SMEs which presented itself in the manifestation of the SFTCs. The SMEs were also having difficulty in opening up to foreign trade due to their lack of competitiveness owing to their size, inability to find financing, marketing expertise, inexperience in foreign market search and entry techniques and qualified and well trained personnel. This generated the need to enter into foreign markets through more coordinated and

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<sup>345</sup> Hofheinz Roy and Kent Calder. 1982. *The East Asia Edge*. New York: Basic Books. *Dunya*, March 3, 1989.

cooperative means facilitated by the governments by means of subsidies. The SFTCs were among those measures to remedy this need. Moreover, if we think about the fact that the majority of the companies in Turkey are SMEs, it becomes evident as to why there was a need to develop a more specific instrument for the internationalization of the SMEs.

In the East Asian model, the export performances of the FTCs were closely monitored. The FTCs mainly functioned as the facilitator of the exports of their group company where the FTCs in East Asia were focused solely on increasing exports and preparing other small sized companies towards exports. In a few years, the FTCs in Turkey has foregone the aim of bringing together other companies towards creating a critical mass for exports, but carried out the export processes of the subsidiaries of the group holding companies.

#### **6.3.4. A Spin-Off Model from the Foreign Trade Companies: Sectoral Foreign Trade Companies**

With a fatigue of the non-commencing success of the implementation of the East Asian model in Turkey, a different model was studied for the small sized companies. With the transition to export oriented development strategy, domestic companies were encouraged to make more exports through various incentive mechanisms and as well as through encouraging the establishment of FTCs to facilitate this transition. On the other hand, being a member of the World Trade Organization (WTO) and the accession to a customs Union with the EU hastened international competition while rendering such competition more difficult for SMEs which already have a low share in international trade, in addition to finance, production, marketing, infrastructure, technology,

personnel problems as a result of changing global conditions. The SMEs comprise 99% of the Turkish companies. In addition to this, the state has made an extensive effort to facilitate the exports of SMEs under the SFTC model. The SFTC model can be treated as both a policy learning model as its main pillars resemble those of the FTCs and a policy transfer as its policy content was transferred from Italy. A certain degree of these efforts came through interest groups such as MÜSİAD. Therefore I would like to look into the SFTC model more closely.

As a way of resolving the problems mentioned above, SMEs operating in the same production chain were encouraged to get organized as “multi-partner companies” to open up to international trade. SFTC regulation was first put into force in its simplest form in the Official Gazette dated 3 October, 1994, No: 22070 with the decree no: 94/10.

According to this regulation, SFTCs were defined as companies encompassing at least 20 companies, each with 5-200 employees, which are operating in the same production line, and which are established with a total minimum of 20 billion TL paid in capital. In this decree, companies in the SFTCs were not allowed to belong to the same parent company or person, engage directly with production or participate in the manufacturing companies, export goods other than their line of business and have partners with a more than 10% share. SFTCs were required to achieve or exceed 10 million dollars’ worth of exports every year. The SFTC status was given or taken back by the UFT. The definition, obligations and conditions for abolishing the status of SFTCs have changed over the years as per the requirements of the working environment or the requests coming from the SFTCs themselves. An account of such changes is provided in the Appendix D where justifications of changes in the last two amendments are listed.

Major changes were made in the decree 96/32 published in the Official Gazette dated 27 September 1996 and No: 22770. In this amendment, the SFTCs were separated according to where they were established: in the regions which had “priority in development” in Turkey (Kalkınmada Öncelikli Yöreler) or in the normal (remaining) regions of Turkey. The concept of priority areas for development was introduced to the Turkish development literature in 1968 by the SPO to identify inter-regional development disparities and to create subsidy mechanisms to remedy them<sup>346</sup>. In comparison to the Japanese case where they picked sectors to be subsidized on the basis of productivity and competitiveness, the Turkish case presents a contrast. Requirement for becoming an SFTC and maintaining the SFTC status was made easier for the SFTCs to be established in these priority regions. In addition to this, the SFTC mechanism and the checks made to perpetuate the SFTC mechanism by the state were made stricter as a result of determined abuses of the system, which indicates a lesson learned from the previous experiences and the FTCs. These will be discussed in more detailed in the Section dealing with the problems of the SFTCs<sup>347</sup>.

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<sup>346</sup> <http://www.ba.metu.edu.tr/user/rsari/pubs/25805185.pdf>

<sup>347</sup> Currently, SFTCs are companies operating in the same production line, established with a minimum of 10 SMEs and 500 thousand TL capital. In the regions which are considered to have priority in development, 5 SMEs and 250 thousand TL capital are the minimum requirement. In addition, Producer Associations and Producer Unions in the same production line can also establish an SFTC as a corporation, with minimum 500 million TL capital. Any SME under the SFTC cannot have a share more than 10% (20% in the developing regions). Large companies can also become a partner only for assisting the establishment of the SFTCs and towards improvement of the SFTC's activities. The limits on the shares apply to the large companies as well. In the prevailing regulation, the SFTCs should have a minimum of 1 million US Dollars exports in the previous year and in the subsequent years (0,4 million in the first year and 0,75 million US Dollars in the subsequent years for the SFTCs in the developing regions) other than the year they are established. The SFTCs are also required to accomplish at least two of the following in a calendar year (other than the year they are established): (i) Attend an international fair in the name of their partner SMEs, (ii) Carry out an international market research activity in the particular production line, (iii) Attend in the name or with the partner SMEs to the trade missions organized by the UFT, (iv) Organize trainings for the partners and have the partners participate in these trainings.

### **6.3.5. How the Bureaucracy Led Model Failed: Questions of Coordination and Lack of Clarity of the Rules**

In the interview held with the Interviewee 5<sup>348</sup>, he mentioned that in 1990s they were getting extensive requests from the SMEs to have more diversified incentive schemes for the SMEs. He also mentioned that, he believed that the politicians also received similar requests from the SMEs, as each of the changing ministers in 1990s came with requests to the bureaucrats to revise incentive schemes to make them more suitable for the SMEs. Until so far most company scheme benefits were geared towards big companies, which had created its own rent seeking mechanisms. Now, the SMEs also came to fore front with their increasing demands. This shows parallel with the rest of the world with a certain time lag. By the end of 1980s and early 1990s bureaucrats from the SPO and Undersecretariat of Treasury and Foreign Trade had visited Italy to study the model and Italian practitioners and local government authorities were consulted. It was envisaged that the SFTC model could be designed as a continuation of the FTC model and the lessons learned in the FTC model would be a guiding light in order not to repeat the same mistakes made with the FTC model. So he bureaucrats played a more critical and central role here.

The interviewee listed the main expected benefits for the SMEs when the SFTC company model was devised:

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<sup>348</sup> Interviewee 5

- To reduce financing costs through sharing the costs of exports,
- To have better ability to provide for bulk purchase orders by cooperating with SFTC partner companies,
- To have continuity in existing markets,
- To have active marketing activities abroad through their international branches and find new customers and markets and follow international trends,
- To operate faster and more efficiently in transportation, customs and delivery,
- To produce high standard goods which are of good quality and environmentally friendly,
- To work towards creating a common brand,
- To prevent price based competition among exporters,
- To provide for capital accumulation and use of accumulated capital.

It was assumed that this mechanism would be in line with the EU and WTO regulated subsidy schemes which tried to prohibit direct cash payment type of subsidy schemes. On the other hand, the EU had selected the SMEs as a direct target for state initiated support mechanisms starting 1990s. In Turkey, too (following the EU agenda) there has been a similar set of mechanisms designed for the use of SFTCs composed of SMEs. The detailed list with the explanation of these schemes is given in Appendix E.

Therefore we see some degree of customization of the transferred model. However, there are still some mistakes made and the gravest one was not knowing the material the bureaucrats were working with. It was neglected that the Turkish SMEs were (and still are) not ready for joint action, whereas in Italy joint action on the side of the SMEs towards internationalization was the main propellant. There are some measures that could be introduced to guide SMEs towards joint action, but they were not known and understood by the policy making bureaucrats of the time and there was no solid political support.

Moreover, in an effort to remedy the problems learnt in the past from the FTCs, the SFTC model was initially regulated very tightly. There were tight limits on their partner shares, capital structure, partner numbers and type (only SMEs and working in the same line of business could come together under an SFTC, not complementary SMEs as in the value chain approach and as in the Federexport approach). The initial model was very simple and did not provide many incentives. The subsidies provided to them came one by one through different agencies. However, in time the articles of value added tax (VAT) and customs regulations related to the SFTCs were changed to make it stricter for the SFTCs to obtain VAT returns due to some SFTCs identified to have been abusing the system through fictitious documentation. The support rates which have remained the same for the FTCs have been lowered for SFTC, almost came to the same level with the regular companies.

When the customs regulation on Approved Person Status was issued, the UFT wanted to give SFTCs A level (highest) status however this proposal was not approved by the Ministry of Customs and Trade. They were found suitable for the B or C level only, whereas the FTCs were able to obtain A levels. The SMEs were finding it too long to wait to obtain their VAT rebates, so they saw SFTC model as a way of getting their rebates easily. The SFTCs especially the ones in textiles and ready wear were not interested in marketing as their products had access to international markets already. They also had a sound financial structure and were able to pay off tax rebates to SMEs out of their own budgets and collect it later from the state. The SFTCs in other sectors, such as marbles in Elazığ, foreign trade in Diyarbakır, carpets in Gaziantep, aqua products and flowers in Antalya did not last that long as they could not do VAT rebates out of their own financial resources and could not succeed in international marketing due to weak financial structure and differences of mind-sets among the partners.

The partnership structure was set such that each SME in an SFTC was limited by 10 % equal share and did not impose a majority view on the others. There was no leader firm or a professional management in the initial years, service firms were not allowed for under the SFTC model), as the ideas clashed they could not get to a consensus. In time, since all SMEs under an SFTC were in the same production line, there have also been incidents of “stealing” each other’s customers. As the supports under the SFTC models expanded, means of keeping the SMEs together under the SFTCs were sought. They were mandated to deal with collaborative and educational activities such as training, participation in fairs and exhibitions abroad or opening stores abroad to enhance their marketing capabilities. If they did not do this they would be losing their SFTC status and would be losing the privileged VAT and inward processing regime rates. This would be a heavy blow on their operations. For any type of company that operates under the trade logic would be unresponsive to mandated activities.

On the other hand SFTCs had become solely VAT and customs brokerage companies, which was an unintended consequence of the model. This highlights the fact that the lesson learning from the FTC model failed. In other words, the underlying mechanisms that would to rent seeking were not remedied therefore, the model created its own rent seeking mechanisms. The UFT changed the regulation in 2006 to give additional support rates for SFTCs who undertook collaborative and educational activities rather than abolishing their SFTC status if they did not undertake such activities. This gave them some breathing space, but the SFTCs almost never utilized these as they were based on brokerage mentality not on marketing. The biggest problem of VAT and customs brokerage model was that as soon as the SFTC had finance difficulties the SMEs using them for their financing needs would abandon them which would hasten their collapse. For instance in the case of GISAD SFTC, when the VAT rates were lowered to 8% in textiles the SMEs thought that they could afford to wait to get their 8%



rebates, as the VAT rebate amount to wait for had decreased. They have decided not to use SFTCs to get their rebates and save on the brokerage fees.

After 2000s, the main determinant to differentiate types of companies has become marketing versus manufacturing in the support mechanisms offered by the UFT on the basis that 99% of companies in Turkey were SMEs. To differentiate companies on the basis of whether they were an FTC / SFTC versus other companies was not working. When the SME definition was placed in the export support regulations the companies which wanted to benefit from the export supports were required to prove that they were an SME which was an administrative burden. Therefore SME definition has been removed from the export support regulations issued after 2010. The additional benefits to FTC/SFTCs were removed, every company eligible for the requested criteria can benefit from export support schemes today. The above account of SFTC problems is taken from bureaucrats' angles who have worked in the UFT especially on export support scheme departments. I have also interviewed selected current and past SFTC managers who offer a different picture on the model than the bureaucrats as the recipients of the policy.

Most of the SFTC managers cited the disconnect between the policy makers and the policy recipients. At one point, the main hindrance of the system became constantly changing regulations which the SFTCs could not keep up with. They also complained about the strictness of the regulations which was defended by the policy makers on the grounds of abuses of the system. A balance between the abuses of the system and the supporting the SME exporters towards making more exports was not established. Moreover, another shared complaint among the SFTCs was that they thought the government gave a more favourable status the FTCs which represented the big

companies and the big interest groups. The SFTCs saw themselves in a more inferior position to the FTCs.

Sectors of the SFTCs interviewed are as follows:

Company A: textile

Company B: textile

Company C: textile

Companies D and E: textile and ready wear

Company F: textile

Company G: textile

Company H: shoe making

Company: I. textile and ready wear

Company J: textile and ready wear

Company K: leather

One of the SFTC managers<sup>349</sup> operating in the textile sector mentioned that the UFT should ask the SFTCs to prepare a competitiveness project. The UFT should also follow

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<sup>349</sup> Interview with Company A

the implementation of such projects and should abolish the statuses of those SFTCs engaged only in VAT brokerage. The UFT should also use a phased approach to its incentive mechanism for the SFTCs according to their exports and the level of increase in their exports every year. The SFTCs then, should have capital levels in line with their exports and project targets. The SFTC is also complaining about the strict eligibility criteria of UFT incentives and partnership criteria. Bringing together 10 partners is already quite difficult in Turkey, so they are setting the threshold at 6 partners and asking for flexibility in the type of partners for the remaining 40%. They are indicating the fact that the rules and regulations designed by the policy makers were not very rational, not well planned and hence not implementable.

On the other hand, another textile company<sup>350</sup> complained about the fact that although their exports had exceeded 5 million dollars in mid 2000s and had more than 50 partners, they had difficulty in tracing the financial credibility and security background of their partners and told me that it was unfair for the UFT to cancel their SFTC status owing to the background of some of the partners. This was a requirement mainly requested by the Ministry of Finance as they had determined that the subsidy system was being abused by non-credible companies. As a result, a question had arisen on the policy level as to whether the amount of exports or financial background check was more important for the state. The consequence of this presented itself in constant amendments of the SFTC regulation relaxing and tightening the regulation. This interview also revealed the extent of the rent seeking mechanisms and how the system was abused. It also reveals that the bureaucracy unable to retain its autonomy to the requests coming from outside revert to extensively regulating the business world which beats the whole purpose of incentivizing the businesses.

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<sup>350</sup> Interview with Company B

Another SFTC<sup>351</sup> with operations in the textile sector in the East has mentioned that SFTC board members have directed international supply orders to their own companies and as a result they have changed the company structure to include companies manufacturing goods in the same value chain. (I have observed a similar phenomenon of disagreements among the partners in another example: I have interviewed an SFTC operating in cut flowers business. The SFTC was hardly able to fulfil the required amount of exports and when interviewed they mentioned that there is no cooperation or agreement between the owners of the SMEs under the SFTC. They never meet and when they met in the beginning they could never agree on major issues. Therefore, they saw themselves at the brink of losing their status.) It is reported that this has helped them a lot to improve their export structure. They have also stated that although their main financial backing was VAT rebates, with the change in company structure they had more willingness to access other foreign markets. Their main hindrance was the continuously changing export support regulations and although they asked the UFT to be made aware of changes in regulations, they could not follow up with the latest updates and changes. This indicates a failure in the interest organizations supporting the SFTCs. As stated earlier in Chapter 4, we observe a fragmented structure in the interest group organizations and also observe a political orientation in the interest groups rather than supporting the interests of their members. The above interview also refers to the deficiency of the state, which was mentioned in Chapter 4: reverting to extensive regulations when being unable to control the system.

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<sup>351</sup> Interview with Company C

Other companies interviewed in the textile and ready wear sectors in the west<sup>352</sup>, have deliberately mentioned that they have requested an SFTC status for becoming a VAT broker. (This fact was cited yet by another SFTC<sup>353</sup> in the textile sector in Istanbul which mentioned that their main target is quick return for the VAT rebates. This was the main concern for an SME in deciding to become a partner for a SFTC or not. They mentioned that their commission for VAT rebates was 3% or 4% and that this was the going rate for the SFTCs.) During the interview I also observed that their managers' profiles and company financial structure was geared towards VAT brokerage. The company managers emphasized the VAT issue in our interview so much so that they even said that they were working in other SFTCs and FTCs before, and due to the attractiveness of VAT brokerage, they have decided to establish their own SFTC. Another problem they have mentioned is that the 10% SME share in the SFTC partnership structure was rendering a decision making very difficult. Every SME under an SFTC having a capital share of 10% was pushing the SMEs to a deadlock. They have also mentioned that the Eximbank was asking for letter of credit for the loans extended to SFTCs in addition to a security bond signed jointly by 2 SFTC board members. They thought that these conditions were too harsh for the SFTCs. However, one of these SFTCs<sup>354</sup> mentioned that the SFTCs should be very reliable and therefore they have established an internal audit mechanism to ensure that all of their transactions are in line with the law. They also mentioned that all their partners are capable of foreign trade, so the SFTC's main function was to collect VAT rebates and help the partners to procure raw material. This interview also reveals an acute case of rent seeking mechanism however together with the precaution that the state took towards remedying those

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<sup>352</sup> Interview with Companies D and E

<sup>353</sup> Interview with Company F

<sup>354</sup> Interview with Company G

abuses. Although the SFTC may be right about complaining about tight regulations, such tight regulations are a result of observed abuses in the system.

Another shoe making company<sup>355</sup> was seen to be operating within the principal guidelines of the SFTC structure. They were using the SFTC system for international marketing rather than VAT rebate brokerage. They were participating in international fairs, and providing their partners participation in training opportunities. They mentioned that the management of most of their partners were done by professionals and this approach was also reflected to the SFTC management. Although their partners were family firms and have been in operation for many years, they still did not have much international and exports exposure. As a result, the main goal of the SFTC was to open these SMEs up to foreign markets. Their basic tool to do this was to open international stores and utilized UFT subsidies to this end. However, they reported that they observed clashes between government departments such as the UFT, Customs and the Ministry of Finance and suggested that they should be solved immediately and should not have a bearing on their operations. They also mentioned that their basic income was VAT rebates therefore in the future the SFTCs should be established with a stronger capital base to sustain their existence. This interview points out to the inconsistency in decision making in the government circles where decision making was fractured between different agencies and became even more so during the periods of political instability.

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<sup>355</sup> Interview with Company G

Another interesting phenomenon noticed in the interviews with an ex-SFTC<sup>356</sup> and then an FTC was that, it was established as an SFTC and then grew so big that it became an FTC. Under this FTC they have established other SFTCs working in the textile and ready wear sector and solely relying on VAT brokerage to maintain its financial status. There is also an intertwined partnership structure here that the partners of the SFTC are also the partners of the FTC which caused conflict of interests. The FTC managed the SFTCs in practice. The FTC in effect was determined to establish a cartel with the VAT brokerage firms in the Istanbul area. When the VAT rates in the textile sector were reduced to 8%, their system heavily relying on VAT commissions collapsed.

One other SFTC I have interviewed<sup>357</sup> is a trade representative of an international company. This SFTC has formed business relations with many years throughout the years and in the end decided to apply for SFTC status both to engage in international marketing for the partner SMEs and gain from VAT rebates. However, in this structure the decision making mechanism relied mostly on the trade representative and the other SMEs under it complained that they had no say in SFTC decisions.

An SFTC in leather sector<sup>358</sup> has mentioned that the UFT has a partial treatment for the FTCs and SFTCs and the UFT needs to clarify its status about what it wants to achieve by the FTC model. They mentioned that the FTCs were seen to be superior to the SFTCs and this was this the SFTCs become an FTC in the future although they knew that they

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<sup>356</sup> Interview with Company I

<sup>357</sup> Interview with Company J

<sup>358</sup> Interview with Company K

would lose some of the more preferential treatments for the SFTCs. They mentioned that the most used export subsidy was the subsidies for opening a store abroad.



#### **6.4. Adaptability Problems into the Recipient Environment: Policy Transfer Failure?**

The FTC and SFTC models have not been very successful in Turkey. As much as the FTCs may have contributed and facilitated export expansion especially in the initial years of their establishment, the most FTCs were outlets of domestic conglomerates; therefore those conglomerates' exports might have showed up under the FTC label in the foreign trade accounts. In other words, those conglomerates contributed a great deal to the rise of the in the Turkish exports whether under the FTC label or not. On the other hand, a study commissioned by the UFT reveals that in 1980 most of FTCs' earnings were coming from the passive export trade indicating to the fact that SMEs' contribution to total Turkish exports had also increased whereas another interview held with the FTCs reveal that most of their exports were active exports. Moreover, clear figures as to how much of exports belong to big conglomerates or SMEs is not clear through available data.<sup>359</sup>.

The establishment of FTCs was encouraged envisaging that they would become a "Mitsubishi" one day with a worldwide network, vast know how especially in international marketing leading to flourishing of exports in Turkey. However, after an initial boost of exports in 1980s, FTCs preferred to deal more with their parent

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<sup>359</sup> Additionally, my observation reveals a serious deficiency in data keeping. When we try to find about past export performance of current SFTCs, the data system produces this data looking at the current partnership structure of the SFTC in question. In other words the data maintained has not kept past partnership structures of the SFTCs in export data system. This results in the compulsion to look at other sources to verify historical export data of the SFTCs such as articles or books, which again cannot be totally trustable.

company's exports and have searched for export opportunities for them around the world. This created a less than optimal expected result from the FTC company model in Turkey as it did not lead to diffusion of international marketing expertise to other companies in Turkey. As a result, policy transfer did not result in the most optimal outcome. The host environment was both not ready and not also not receptive to the transferred policy. In literature as discussed in Chapter 3, this refers to the *“uniqueness of policies”* coming from the host environment and *“ideological and cultural incompatibilities”* between the host and the recipient environment leading to *“inappropriate transfer”*.

In the beginning, in order to enable such a diffusion of knowhow, various company types were designed to spread the FTC model throughout Turkey. The ones who would do 50 million dollars' worth of exports could only be manufacturers, the ones who would do more than 75 million dollars' worth of exports could be manufacturer and exporters, those who managed to make 100 million dollars or more exports could be exporters and apply for FTC status. The idea was to attract businesses from various parts of Turkey. However, this model turned out to be very complicated and was abandoned in favour of single staged company model where the companies who would make more than 200 million dollars' worth of exports could apply for FTC status without the limitation of being involved only in marketing. Therefore focus on international marketing was abandoned and the way was opened for the FTCs to become mechanisms that only use subsidies without a focus on export enhancement.

In time, some of the incentives provided to the FTCs were opened up to other big companies whose exports exceeded a certain amount. This rendered becoming an FTC less attractive. Moreover, one of the main attractions of the FTC support scheme was export tax rebates. Reimbursement of indirect taxes for exporters was originally

introduced in 1963. In April 1981, ten different lists of commodities were made eligible for rebates with the maximum rebate set at 20%.<sup>360</sup> In 1988 the maximum rebate set was reduced to 8%. The system was criticized for becoming a source of fictitious exports. As a result the export tax rebates was eliminated at the end of 1988.

This was also a letdown for the FTCs, who extensively utilized the export tax rebate system. In later years, the advantage of providing reduced level of collaterals under the Inward Processing Regime initially aimed for FTCs, was also opened up to other companies. The same change was made in the Eximbank loans. The Undersecretariat of Customs and Trade made a regulation called “Approved Person Status”. The companies which met the required criteria and obtained this status under the A,B or C classifications were given various exemptions under the customs regulations.

Currently, most export supports are provided to “companies” meeting the stated requirements in the regulations. However, the more important conclusion of fictitious exports issue was the indication that the government was unable to effectively deal with this “export oriented rent seeking mechanism”. This caused a concern among business world as to the exports and more broadly economic program of the government and caused hesitancy on the side of the FTCs as well to expand their networks or export markets as the economic environment in Turkey was not trustworthy. In literature as discussed in Chapter 3, this refers to the *“implementation and adaptation problems”*. In addition to these, as discussed there have also been problems in the *“implementation”* and in *“institutional adjustment”*. Finally, it can also be argued that the transferred policy may not have been fully studied. Although there is limited

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<sup>360</sup> Togan, Sübidey. 1995. *Trade Policy Review of the Republic of Turkey*. Oxford, Cambridge: Blackwell Publishers.

evidence on this “uninformed policy transfer” issue, there are traces leading us to infer that the policy was not fully studied and more important than that it was not properly handled after the transfer. A summary table below shows the policy transfer framework.

**Table 14: Policy Transfer Framework of the FTC and the SFTC Models to Turkey**

	<i><b>The Continuum: Why is the Policy Transferred?</b></i>	<i><b>Agents of the Transfer: Who Transfers?</b></i>	<i><b>Subject of Transfer: What is Transferred?</b></i>	<i><b>Types of Transfer: How to Transfer?</b></i>	<i><b>Possible Reasons for Policy Failure</b></i>
<i><b>FTCs</b></i>	<i><b>Mixture: Bounded Rationality</b></i> , as the FTC model was selected by the politicians and the business groups in the trade missions first and was asked to be studied by the bureaucrats. There is a bounded rationality as the bureaucrats studied the model upon suggestion	<ul style="list-style-type: none"> <li>• Politicians</li> <li>• Bureaucrats/ civil servants</li> <li>• Private Businesses</li> <li>• Interest groups (mainly TÜSIAD representing the interests of big business groups)</li> </ul>	<ul style="list-style-type: none"> <li>• Policy Goals</li> <li>• Policy Instruments</li> </ul>	Emulation	<ul style="list-style-type: none"> <li>• Uniqueness of policies</li> <li>• Ideological and cultural incompatibilities</li> <li>• Implementation problems</li> <li>• Institutional adjustment issues</li> <li>• Adaptation problems</li> <li>• Uninformed transfer</li> <li>• Inappropriate Transfer</li> </ul>
<i><b>SFTCs</b></i>	<i><b>Lesson Learning: Bounded rationality</b></i> , the SFTC policy was designed mainly by the bureaucrats by looking at the lessons learned from the FTCs. A similar model had existed in Italy and its main policy content and instruments were taken from there.	<ul style="list-style-type: none"> <li>• Bureaucrats/ civil servants</li> <li>• Private businesses</li> <li>• Interest groups (mainly MÜSIAD representing the interests of small business groups)</li> </ul>	<ul style="list-style-type: none"> <li>• Policy Content</li> <li>• Policy Instruments</li> <li>• Negative Lessons</li> </ul>	<ul style="list-style-type: none"> <li>• Emulation</li> <li>• Synthesis</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation problems</li> <li>• Institutional coordination issues</li> <li>• Poor lesson learning</li> </ul>

#### **6.4.1. Can the Policy Transfer Problems be Remedied?**

The interviews with the UFT officials<sup>361</sup> reveal that they have taken these complaints seriously and by mid 2000s, they got together with the SFTCs for a consultation process to redraft the SFTC law. Additionally, a consulting company was hired to do a case analysis to get an objective view of the matter and offer solutions to the UFT on the SFTC issue. In the case study selected SFTCs were analysed. The case study report proposed that the UFT and the consulting company engage in a co-consulting for the SFTCs through a detailed work and marketing plan for each SFTC. This proposed plan would consist of an action plan and trainings for the SFTCs on how to produce high quality, value added products and the how to strengthen their managerial base. The proposed plan was implemented for few SFTCs and was then abandoned.<sup>362</sup>

The consultation process with the UFT and the SFTCs (where the representatives from the UFT and several SFTCs attended) was relatively more fruitful. The process was initiated by the UFT and can be seen as an indication of a more inclusive decision making by the government of the time. At least the requests of the SFTCs and the views of the UFT were shared in a common gathering and the outcome of this consultation process was reflected into the amendments in the SFTC law in 2004. The Interviewee 5 mentioned some of the findings of this consultative process:

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<sup>361</sup> Interviewees 4,5,6.

<sup>362</sup> Interviewee 6

- The SFTCs should find new international markets for their partners.
- The SFTCs should prepare a work plan in every 3 years and submit it to the UFT.
- The success in the implementation of such a work plan should be rewarded by gradual rate reductions in subsidies.
- The SFTCs operating only as VAT rebate brokerages should be abolished.
- The structuring of the SFTCs should be made more flexible. A big partner company should be allowed for more leadership in decision making. Additionally services companies or institutions should be allowed to become a partner enabling SFTCs to open up for more internationalisation.
- One of the biggest problems that the SFTCs face (maybe also explaining the main reason for the interest in the VAT rebates) is the structure and the slowness of the subsidy payments. The SFTCs complained about getting their payment after the payments (especially for the fixtures) have been made. In addition, the payments were made at the exchange rate of the purchase date not the payment date which renders the payments useless at an inflationary setting like Turkey.
- Another big complaint was the rigidity of the system against abuses. Requests were made from the SFTCs to ease the application processes and the material to be submitted to the UFT to obtain the SFTC status as well as to obtain the subsidies. The Ministry of Finance carried out investigations rigidly to prevent abuses of the system.
- The UFT suggested that the capital base of the SFTCs should be strengthened. The SFTCs mentioned that the required paid in capital was too high.

A study of the changes in the SFTC regulations reveals the differences of treatments between various versions of the regulations.<sup>363</sup>

The FTC and SFTC models have been adapted to Turkish trade and economic environment after they have been transferred. Where in countries the FTC and SFTC models have been implemented under close consultation with the government and other local authorities, in Turkey such consultation has been several and on a company by

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<sup>363</sup> For comparative purposes the changes between the decrees no:96/39 and 2004/4: (i) Minimum capital requirement has been increased to 500 billion TL from 10 billion TL in the normal regions; it has been increased to 250 billion TL from 5 billion TL in the regions with developmental priority. The drastic increase is due to the fact that the regulation had not been amended for 9 years and the inflation has taken its toll in those years. The requirement for the capital to be “paid-in” has been removed, as the law required paying a quarter of the capital in the same year. This was a big burden for the SFTCs. On the other hand, the Ministry of Finance was investigating each SME when they applied for the SFTC status as to whether they had been involved with forgery of official documentation. With the new regulation the SMEs when applying for the SFTC status were requested to provide a clearance letter from the tax office, which was a shorter process than the investigation carried out by the Ministry of Finance. (ii) SMEs engaged in different sectors were allowed to take part in the SFTCs. The SMEs in manufacturing and services sectors were allowed to become a partner in the SFTCs. (iii) In order to facilitate the establishment of the SFTCs and to improve their operations, non SMEs (big companies employing more than 250 employees) were also allowed to take part in an SFTC up to 40%. This was expected to provide leadership in the SFTC decision making mechanism. The SFTCs were also allowed to intermediate the exports of non-partner firms. (iv) Towards achieving the main function of the SFTCs which in international marketing and training for partners, it was made mandatory for the SFTCs to do at least two of the activities such as: participation in international fairs, exhibitions, cooperation programs, trainings in every calendar year and open a branch or store or representative office abroad in five year time. (v) SFTCs were required to submit a progress report to the UFT in every 6 months. (vi) In the previous regulation SFTCs were required to make 5 million dollars’ worth of exports in normal regions and 2,5 million dollars’ worth of exports in regions which have developmental priority. In the new regulation, for the normal regions no export requirement was set for the year they were established. In the consequent year, 1 million dollars’ worth of exports and in the subsequent year at least 1 million dollars’ worth of exports was set with no less than the related sector’s 0.1% of total exports. In the regions which have developmental priority, no minimum export requirement was set for the year they were established. In the consequent year, 250 thousand dollars’ worth of exports and in the subsequent year at least 500 thousand dollars’ worth of exports was set. With this change in the regulation the aim was to enforce the SFTCs increase their exports in the same trend with the sector they were in.



company basis. It was rather late when there has been a consultation with the SFTC managers and governments, as the structure of the system had more or less settled. The characteristic of the FTC and SFTC models as they are implemented in Turkey has evolved into an opportunistic model, where the main aim has been to take advantage of collecting VAT rebates in a faster way. This also reveals the impact of slow bureaucracy on SMEs.

In a macroeconomic environment identified with inflation, lack of cooperation among companies through business or interest groups, uncertainties and lack of long term planning mainly owing to political instability, such an evolution should be seen as natural. The success of the model relied on such monetary opportunities and as those opportunities changed or were replaced by other concerns, the companies lost interest in the model. The FTC model evolved into a foreign trade arm of the big conglomerates and benefited from the financial and staffing backing of the conglomerates. As a result, although they did not replicate the model of East Asia, they continued to date in Turkey. However, the SFTC model has witnessed a rather particular and dramatic way. Today, there are less than 10 SFTCs and the UFT does not see them as a priority for further support.

## **6.5. Conclusion**

This Chapter first looked at the FTC model as transferred to and implemented in Turkey. This model has initially been developed in East Asia and has been seen to be successful there. Not only Turkey, many other countries tried to transfer this model but the transfer has not resulted in success in many of them. Here the aim has been to study in more detail the legal and economic export environment in Turkey, lay out the legal

environment for FTCs in Turkey and then study the FTCs and SFTCs policy transfer in an effort to understand why the model failed in Turkey and what was done to remediate the problems.

In doing this, I first analysed the export environment in Turkey in the 1980s and the 1990s mainly through looking at the environment through bureaucratic autonomy, rent seeking, and state-business relations perspectives. A detailed analysis of the environment was quite important to be able to operationalize the key concepts studied under the policy transfer section of Chapter 3. As we had stated there, a mismatch of an environment may easily lead to policy transfer failure especially if the other components (such as the subject, agent, reason and methods of transfer) are also staggering.

This Chapter also analysed the specific case of “SFTCs”. The reason for this is that the SFTCs proved to be a more interesting case for analysis than the FTCs with the ups and downs observed in them. The SFTC model is a spin off model from the FTC model and is found upon the same arguments. However, it is more geared towards the small and medium scale companies. As the state diverted its attention from the big to the small companies in early 1990s, initiation of export incentive models solely dedicated to the small and medium scale companies have also been necessary.

To compare the FTC and SFTC models, we can briefly state that the FTC model was geared towards the few big business groups and in the end gained a shape as their export operations arms. Since their numbers are fewer and their links with the government officials and bureaucrats are better represented, the FTC model in the end found its own path and continued to operate on that way till today. On the other hand, the SFTC model transferred from Italy and customized with the lessons learned from the FTC model, could not find itself a lasting place in Turkish export subsidies. Its trajectory demonstrated an up and down route with it going down most of the time especially in

the last decade. The FTC model transferred from Japan did not follow the exact road that was observed in Japan, however managed to articulate it to the Turkish system. The SFTC model, experienced difficulties in articulating itself to the Turkish export subsidy scheme mainly due to the differences in understanding between the SMEs and the policy makers.

Additionally, lacking bureaucratic autonomy and closer cooperation between the state and the business world also fractured the system. The Chapter concludes by showing that the solutions offered to solve the problems of the FTCs have remained futile in many accounts.

## **CHAPTER 7**

### **7. CONCLUSION**

#### **7.1. Revisiting the Initial Arguments and the Research Questions**

The study was set out to explore policy transfer concept and the benefits and limitations of the concept leading to policy transfer success or failure. In doing this, we have identified several key concepts to further investigate which could have a potential impact on the policy transfer cases. These key concepts were bureaucratic autonomy, state intervention, government failure and rent seeking, selectivity and performance requirements and finally market imperfection. The policy transfer concept has a comparative nature. The policy is transferred from a host environment where the policy is born to a recipient environment where it is believed under certain evaluation that it will be beneficial for the solution of an identified problem. Since the policy transfer we have chosen to study is of foreign trade incentive nature, the key concepts selected have also been selected to reflect state's intervention in the business. Therefore in comparing two environments the understanding of the above key concepts and their impacts on policy transfer have been seen to be extremely useful. The study has identified the case of Foreign Trade Company model which has been transferred to Turkey from Japan and its offshoot the Sectoral Foreign Trade Company Model which has been transferred to Turkey from Italy. We have sought to see whether this transfer has been successful or not taking into account the impact of the above key concepts. In doing this we have

compared the environments of the three countries from the perspective of the three concepts to see why Turkey has thought that this policy transfer would be useful in its domestic environment and how it has not suited its needs in the end. The study sought to tackle the following arguments:

1. **The policy transfer is not a fast way of policy making.** Taking into consideration the policy making environment of the 1980s, the policy transfer has been seen in Turkey as a fast way of policy making. However, in fact as much as it is a diverse way of policy making, it has its own peculiarities which need to be well understood and may not lead to immediate success.
2. **The question of “who transfers”, the role played by these agents in the policy transfer and the need for a “conscious policy transfer” is important for the transfer to be successful.** The type and the nature of the “agents” (institutions) who initiate and facilitate the policy transfer process have important implications on the outcomes of the process. Transfer must be a conscious process to reach the desired outcomes.
3. **The underlying conditions for the policy transfer to be successful are very important.** The outcomes of the policy transfer may change with respect to the transferability of the underlying conditions. The policy may be *copied* from one environment to another or may be *adapted* to one environment from another environment. The first case is particularly difficult to sustain, whereas the adaptation of the underlying conditions to the recipient environment may increase the success potential of the transfer in the second case, although does

not guarantee immediate success. In the case study, a particular case of an **adaptation** has been studied where success still did not permeate.

In analysing these questions we have made use of the case study where we have studied the macroeconomic background of Turkey in general and the foreign trade environment in particular in the 1980s and the 1990s when the FTC and the SFTC models were transferred. We have tried to see:

1. Why has this particular policy been selected for transfer? Has the policy been studied before the transfer or was it a random selection? Has there been any coercion from any actors/parties on the selection of the process?
2. Who were the main actors in this policy transfer? How has their impact played into the transfer process? What was the role of the end recipient in the selection of the transferred policy? Have they been informed about the transfer and have their views been asked?
3. How did the legislative interventions and the general macro-economic environment (initial conditions) affect the transfer process? Can the state intervention be less detrimental to the other industries than expected? What role did bureaucratic autonomy (from the politicians, other interest groups etc.) have in the transfer and the outcome of the policy? Has the relationship between any of these have an impact on the formation of rent seeking arrangements and selection criteria sought by the policy makers?

## **7.2. Summary and the Findings of the Research in Relation to the Case Study**

### **7.2.1. Main Findings**

In this part of the Conclusion Chapter the main findings of the Chapters are reviewed in relation to the research arguments and questions. The policy transfer case under the FTCs and the SFTCs in Turkey have been analysed to see the requirements for a successful policy transfer case.

In this thesis, I studied the possibility of a policy transfer from a country where a particular policy has been successful to another country where the underlying environment and conditions were different. While doing this, I studied the setting in the countries where the policy in question was initiated and the country where the policy was transferred to with regards to bureaucratic autonomy, foreign trade policies and incentives under market imperfection and government failure and rent seeking. I did the analysis over the FTC model which was transferred and adapted to Turkey in a different version. In the final section, I would like to do summary by revisiting the theory in the light of empirical findings for Turkey.

Initially, we have analysed the main aspects of the developmental states since the FTC model is transferred from a developmental country which is Japan. Throughout Turkey's economic development history, policy prescriptions proposed by international organizations have been implemented during various periods. In other times when such policies, mostly Western oriented, were questioned other regions in the world such as East Asia was examined for successful policy implementation practices. The model for development in East Asia included heavy government involvement to make the

domestic industries internationally competitive. All methods that were seen to be relevant were implemented towards becoming internationally competitive although they seemed to be in conflict with the pro-free market orientation in becoming competitive. Such policies included, export subsidies, domestic content requirements, import-export linkages, patent and copyright infringements, restrictions on capital flow, directed credit and the like. Here the question is whether such a selective policy can be a source of economic growth and if yes whether it can be replicated in other settings.

Turkey experienced spurts of periodic growths until mid-1970s. However, there was no single coherent policy to achieve consistent growth. The situation was similar in other developing countries. The World Bank and the IMF policies were also no solution. The focus on East Asia as a growth model was a result of a search for a different method for growth.

Although the literature that studied the East Asian model does not give much emphasis to the state intervention to the product and factor markets and the political stability in the East Asian countries, state intervention requires particular attention. In the East Asian model, state intervention was not carried out in a continuous fashion, but was abandoned after it achieved the targeted purpose. Moreover, many countries replicating East Asian development model have intervened in the markets through various means, but only some of them managed to replicate the East Asian success.

Another view on the East Asian example is that they are largely the result of getting macroeconomic policies right: strict government monetary and fiscal policy, low inflation, maintaining the correct real exchange rate, dedication to exports which was a push on the export firms to improve their productivity and high rates of investment in



the education system. Physical and human capital was also the factors which catalysed growth in exports. Growth in exports was mainly due to high quality and price competitiveness, although supported by extensive subsidies. However, the fact that the subsidies were not growing over time shows that the subsidies could not solely account for the growth of exports. Efforts to improve the competitiveness of exported products also affected protected domestic market—firms did not establish separate production facilities for exports and domestic production. Moreover, many of the numerous interventions to encourage exports were designed to offset some of the protection, including rebates for the higher price of protected intermediate inputs employed in the production of exports. Such an intervention was done in Turkey after 1980s, when the ISI was gradually abandoned.

As outlined in the earlier Chapters, the theory suggested that for selective government intervention or industrial policy to be welfare improving, policymakers must identify market failures that would provide the scope for welfare-enhancing interventions, design and implement the appropriate interventions, and correct the failure and abandon the intervention (which may be difficult without political upheaval). For instance, in the government intervention to increase the level of exports in a country where the industry was lagging behind the international competition, the intervention could be justifiable to reduce the overall cost of producing the goods so that more can be made and sold in the international markets at a cheaper price. Such intervention would be done through subsidies to be given to the production of the goods with positive externalities so that the market failure can be fixed by increasing the production. Such interventions may be made either through subsidizing inputs, or remedying the problems faced by the exporters in accessing the international markets. This was the case implemented in Turkey in the FTC and SFTC policies. However, they were not abandoned or amended correctly after the desired target of increasing the exports was achieved. The subsidies for FTCs have been continuing since 1980s and for SFTCs since mid-1990s.

Additionally, the interventions are most justified when they are very case specific. In other words, there should be a sound justification that a particular intervention instrument to be used to achieve the targeted result. This is also true because scarce resources may be directed at other aims if not used for that particular case. It is not good enough to say a certain subsidy is likely to enhance export growth and take away that resource from another needy area where it could in fact be more beneficial. A detailed study to weigh benefits of an intervention needs to be done. This of course is not always possible due to imperfect information and certainly has not been done in the FTC model. In fact, the additional exports created by the adoption of FTC model has been transitory and increased the level of exports only in the beginning not afterwards.

Finally, intervention may be effective if the government itself does not suffer from deficiencies leading to government failure. One of the notable discussion items in the industrial policy literature is the general absence of discussion of political economy factors, in particular the possibility of rent-seeking behaviour by self-interested firms and policymakers and the associated erosion in the policy. The VAT brokerage that resulted after the implementation of the FTC and SFTC can be a good example. A policy intervention aimed at removing the VAT burden off the exporters' shoulders resulted in a rent seeking behaviour mainly due to slowness of bureaucracy in paying back the VAT and difficulty in getting the VAT rebates (mostly due to different interpretation of the regulation among different circles) if the firms applied for it individually.

On the other hand, the theoretical discussion on the key concepts in Chapter 3 also highlighted the boundaries of the policy transfer model. In discussing policy transfer, we should be paying due attention to the spatiality of the transfer, the agents, subject and types of the transfer. Similarities and the differences in the backgrounds of the two environments where the policy is transferred from play a crucial role towards the success or the failure of the transfer. We have taken these points into consideration

when comparing the backgrounds of Turkey with Japan and Italy. We have paid a special attention to particularities such as state intervention types and mechanisms, government failure, market imperfection and bureaucratic autonomy instances in all three countries to understand the policy transfer implications.

As the theory on policy transfer correctly identifies, if a country were to implement selective industrial policy, it would have to identify those unique aspects of it in originating (i.e., East Asian) countries that brought along the success. It would be necessary to identify the combination of policies that led to success. The empirical evidence from Turkey supports the theory in policy transfer that a country attempting to deduce lessons from a successful country in one area should carefully study the plausibility of the replicability of their experience. A large number of conditions should be present such as government competence and dedication to economic success presenting itself in growth in income per capita altogether, rather than serving to certain groups in the society. FTC model worked to the interests of big business groups in Turkey where the SFTC model geared towards SMEs failed in Turkey. This is an indication of the governments' tendency towards a more favourable treatment of certain favoured groups.

Providing incentives to the private sector through incentives also create rent seeking opportunities and erosion of the bureaucratic autonomy. East Asian countries are examples of developmental states where bureaucratic autonomy and a healthy public private cooperation are some of its main pillars to stand on.

Although plagued by the rent seeking practices from time to time, East Asian developmental states present a case for strong bureaucratic autonomy. The recruitment process into the ranks of the bureaucracy was extremely meritocratic and exam based.

Rigorous entry standard also ensure a sense of unity and common identity. In addition to these there were several mechanisms to prevent bureaucratic powers to be misused. As explained in earlier Chapters, bureaucracy was kept small in East Asia and public-private consultation was favoured to supplement the size of the bureaucracy. This has never been the case in Turkey and rendered various circles of it to be open to pressures coming from outside. Another mechanism was the giving power to key agencies such as MITI in Japan and EPB in S. Korea and SPO in Turkey. They were made responsible from the implementation of the industrial policy. However, SPO's power was waved aside from time to time either by appointing politically connected officials to its presidency or by giving some of its duties to other organizations. Another control mechanism would be the evolution of the civil society although slowly in East Asia helped maintain accountability. In Turkey both interest groups and civil society were not a factor in checking government abuses.

Despite the fact that East Asian countries exhibited strong developmental state characteristics and bureaucratic autonomy there have been times where the autonomy and powers vested to bureaucracy were abused through several rent seeking mechanisms. These actually peak during the times where state gets involved in interventionism and subsidies. Rents can be created in a number of ways. The state uses its power to manipulate prices and markets to generate rents. For example, import licenses create rents by restricting the amount of goods that come into a country; the ones who can import such goods are able to sell those goods at a higher than market price, and this constitutes a form of rent. Too much power in the hands of either politicians or bureaucrats may result in abuses. A balance between these two groups allows less discretion and less abuse.

Interventionism, market and government failure, bureaucratic autonomy exhibits a very tricky interplay in Turkey. The policies transferred from abroad could not be successful in Turkey as the mechanisms of interventionism, the modes of market and government failure, bureaucratic autonomy and state business relations, government's strategy in the use of state subsidies were all very different in Turkey. Transferring a policy into a totally unnatural environment and deprived of its accompanying accessories rendered the policy not implementable and unsuccessful in Turkey. Added to these, the developmental state as observed in East Asia was also unstable. As explained above there was a tension between bureaucratic autonomy and public-private cooperation. However a takeaway lesson from East Asian example in terms of policy transfer was that state intervention requires both bureaucratic autonomy and public-private cooperation which are two conditions that are not easily transferable. Therefore bureaucratic reform as well and organized forms of cooperation between the public and private spheres has critical importance to improve the effectiveness of state intervention in a market-oriented setting.

The FTC and SFTC models have been both transferred to Turkey from other countries. The interview with the bureaucrats reveal that there is a division between two groups of bureaucrats; some do not accept that these are transferred policies but the Turkish bureaucracy may have been inspired from the successes of other countries whereas the actual designers of the implemented policy say that they have studied the theory and practice in other countries and even have made mutual visits to each other before transferring these policies. The bureaucrats who say that the bureaucracy may have been inspired from other countries also mentioned that, they have studied the Turkish material they have at hand, to come up with policy solutions. As a result they say that the policies implemented are their design. However, the same bureaucrats have also confessed that international circles such as the EU or the World Bank have influenced Turkish macroeconomic policies which had an impact in their policy decisions.

Therefore, implicitly, they also admit that many policies implemented in Turkey in their field have in one way or another been transferred from abroad.

In Turkey the policy transfer has been influenced by bureaucratic autonomy, structural policy constraints and incentives under market imperfection and government failure and rent seeking. The Turkish bureaucracy especially after 1980s has been waved aside quite often under the excuse of faster decision making and efficiency. As a result the bureaucracy responded by shielding itself by extensive regulation making. Such extensive regulations were in fact a response to problems faced in practice; however problem solving could have been more smoothly handled by extensive public-private consultation. However, the state-business relations were almost never conducive to such a consultative process. The regulations have a legal nature. Their enactment and amendment require a political and bureaucratic will. Moreover, regulations rendering cooperation among the SMEs or rendering their participation in various events which would result in cooperation mandatory have not been successful. There should be a shared understanding among the SMEs on the benefits of cooperation. Existence of such an understanding was the main pillar of the SFTC model. The SFTCs have also not been very effective in market research, promotion, product design and development which are the main requirement to become competitive in international markets. Therefore, when the model relied on material benefits rather than a shared understanding of striving together to get a bigger share in foreign trade, the system turned into a rent seeking mechanism. The bureaucracy trying to remedy the system in fact added insult to injury by squeezing and relaxing the system through regulations every so often. As a matter of fact, the quite so often changing the system turned the system into a one which focused on the use or abuse of the monetary related articles. Over the years and amendments to the regulations, there have been no sound structural changes. The main aim of the SFTC model was to open SMEs up to foreign markets through cooperation as it happened in

other countries which managed to do it successfully; however this final aim has been neglected.

The above summary on the importance of the similarities and differences in the environments of the host and recipient environment clearly indicate unless the underlying conditions are similar or replicated in the recipient environment, it is very difficult to ascertain success of a transferred policy as mentioned in the Initial Argument 3. As we have mentioned in the said Argument, it is much more difficult to achieve and sustain success if the policy transferred is directly copied into the recipient environment. However, it is equally if not more difficult, to achieve and sustain success even if the policy transfer is carried out in an adaptation method.

On the other hand, as mentioned in the Initial Argument 1, it has been obvious that Turkey has seen the policy transfer method as a fast way of policy making and a panacea for its low exports problem. However, as the thesis highlighted various times, the real problem with the export structure of Turkey has been the low added value in the final goods to differentiate it in the world markets. Therefore what Turkey should have taken out of this policy transfer would be the policy instruments that have rendered Japan more competitive in the world markets. However, Turkey has transferred the policy instruments regarding the structure of the FTCs. This mistake has been exacerbated by the fact that the institutions to transfer and implement the policy were uncoordinated and were not following a development method similar to the one in Japan. A group of bureaucrats under direct influence of the government and the politicians of the government of the time initiated the policy transfer however the policy was not owned by neither the transferring institutions nor the implementing ones. This fact directly relates to Initial Argument 2 and the theory, where we have mentioned that a “conscious” policy transfer is important in the success of a policy transfer.

### **7.2.2. Empirical Findings**

When we revisit the research questions in relation to the empirical findings, we can synthesize the empirical findings to answer the study's three research questions:

1. Why has this particular policy been selected for transfer? Has the policy been studied before the transfer or was it a random selection? Has there been any coercion from any actors/parties on the selection of the process?

The case study indicated that the selection of this particular policy has been made during the trade visits to Japan and the highlighted success of Japanese exports in the world markets in the 1980s. Emulating their success and to give a boost to Turkish exports the politicians and a select group of bureaucrats decided to use the FTC model they have seen in Japan in Turkey. After several trade missions, mutual visits and evaluations the model was transferred and used in Turkey. Certain policy instruments in the FTC model have been transferred rather than the whole model. The model was customized quite frequently to the needs of Turkish exporters which were the big group holding companies of the time. In the 1990s the model had a spin off labelled as the SFTCs, mainly working towards the needs of the SMEs and their export. The SFTC model was also transferred in a similar fashion from Italy. This model has gone through more dramatic twists and amendments than the FTC model. As a result, the selection was not a random one. The models were studied before the transfer. However, the study was not adequate rendering the transfer an uninformed and an inappropriate one. On the other hand, when we looked at deeper into the export related incentives in the early 1980s, we see a proliferation of export incentives and a fascination with the models tried in other



countries. This results in the suspicion that, Turkey selected export related policies in line with the implications of the “garbage can model” with no much analysis before implementation. The politicians played a leading role in the transfer however; the case study does not reveal direct forcing coming from the politicians to the bureaucrats to transfer the FTC policy. Only indirect force may have been to expedite the transfer and implementation process for a quick result, as also mentioned in the theoretical discussion section as a characteristic of politicians just opposite of the bureaucrats. However during the implementation, politicians and big business groups tempered frequently with the model to make it suit to the needs of the users.

If the objectives of the policy had been more sharply articulated, alternative methods of export boosting could be considered. The increasing of exports was seen as the main problem, but rendering the productivity and competitiveness higher should have been the main goal.

2. Who were the main actors in this policy transfer? How has their impact played into the transfer process? What was the role of the end recipient in the selection of the transferred policy? Have they been informed about the transfer and have their views been asked?

The policy network or in other words the main actors of the transfer have been the politicians led by Özal who subscribed to a free market and exports oriented thinking. They wanted to show quick results to their constituency by making a quick fix in the exports and showing inflated export figures to their constituency to prove Turkey’s “real” export potential. Some likeminded bureaucrats in the higher ranks of the SPO and the Undersecretariat of the Treasury and the Foreign Trade followed suit and

supported this policy transfer. However, the full transfer and the implementation were not backed by the technocrats devising the policy implementation details although it was also not countered. The end recipient was the big holding companies who were the only exporters of the time. They were known to be joining the trade missions with Özal, his entourage and the bureaucrats. Therefore they have been influential both in the transfer and the implementation of the model to their liking. In the SFTC model transfer the role of the SMEs in the devise of the model was similar. The interest groups such as TÜSİAD and MÜSİAD in both instances have played an instrumental role as well. In the SFTC case the model was transferred also due to an emphasis in the SME supported backed by the European Union. At the other end of the policy transfer network were the Japanese politicians and bureaucrats from whom the policy was learned.

3. How did the legislative interventions and the general macro-economic environment (initial conditions) affect the transfer process? Can the state intervention be less detrimental to the other industries than expected? What role did bureaucratic autonomy (from the politicians, other interest groups etc.) have in the transfer and the outcome of the policy? Has the relationship between any of these have an impact on the formation of rent seeking arrangements and selection criteria sought by the policy makers?

As mentioned various times in the thesis, the initial conditions were quite dissimilar to the ones on Japan and in Italy. This placed the transferred policy in a different climate than the one in which it had originally been successful. The FTC model has been amended only several times and was suited to the needs of the big companies. Here the amendments made to the SFTC regulations are more important. The amendments have been made in line with the changes in the political ranks or the bureaucracy. The end users have been consulted but their views have hardly been instrumental in the

amendments. Moreover, the legal environment was not ready to accommodate the FTC and the SFTC models. The implementing institution (the Undersecretariat of the Treasury and Foreign Trade) had designed the legislations, but especially the SFTC legislation was in a constant conflict with other legislations throughout its life. This caused an abuse in the system and made the bureaucrats resort into more extensive and strict amendment making in the regulations to take the abuses of the system under control. However, this resulted in a lesser use of the mechanism and dying away of the initial intent of boosting the exports of the companies. The way to render state intervention to be less detrimental for the industries is to remove incentives after they serve the intended purpose. When the incentive mechanism becomes a way of making constant earning for the users, it beats the initially targeted aim. On the other hand, the policy makers, interest groups and policy recipients should work together towards the drafting a regulation. Although this has been intended in the FTC and SFTC regulation, more powerful groups became more influential in the final design and resulted in rent seeking and vague selection criteria.

In summary, looking at the East Asian intervention examples and comparing them with Turkey reveals a great deal. In Turkey, export targeting did not end up in the intended result. However, it is hard to say that it has been totally unuseful. It helped many domestic companies to open up to abroad and expand their knowledge and productivity base. However, the most important benefit would be to be able to spread the benefits to other sectors and the rest of the economy. It could be done either through the targeted sectors or companies having strong inter-industry linkages to the rest of the economy, or growth stimulus being transmitted forward to the rest of the economy through input-output linkages. One of the biggest reasons of the failures of this transferred policy was that it was not followed through and was forgotten for extended periods after put into implementation. This can be due to frequent government changes and more pressing macroeconomic issues and crises observed in Turkey.

### **7.3. Policy Implications**

The main theoretical understanding on which this study is based is that the policy transfer has been influential in the world due to the advent of globalism. At the same time, policies are marketed through policy networks, international communities, in bilateral and multilateral meetings. Politicians and civil servants of different countries get together to discuss or listen to policies developed around them. In this study the policy transfer concept has been observed at various levels, such as transnational, international, national, regional and local aka the multi-level model of policy transfer. For the purposes of this study we have neglected the intra and inter-company transfer levels. We have made use of a series of questions to guide the study and to posit the boundaries of the policy transfer concept. We have stated the boundaries of the policy transfer model and also stated that it should be seen as a model, not as a theory. We have also claimed that the policy transfer should be seen as a useful explanatory variable the single explanation of policy design. Since we would be studying a foreign trade incentive policy transfer from another country into Turkey, we have determined main key concepts such as bureaucratic autonomy, state intervention, rent seeking, government failure and market imperfections with potential impact on the policy transfer success or failure. We have also scanned the literature on the likely reasons for policy transfer success or failure and tried to incorporate them with the empirical findings. While the policy transfer may initiate policy change, it may also end up in implementation failure. It is therefore important to follow closely each policy to understand whether the policy transfer was an uninformed, incomplete or inappropriate one leading to policy failure.

The case study for Turkey explores a form of policy transfer which is voluntary but happening as a result of perceived necessity in relation to the Policy Continuum mentioned in Chapter 3. Therefore there is dissatisfaction with the existing policies and an indirect coercion to adopt new policies. Such “voluntary but necessary” transfers are seen mostly in policies transferred to developing countries where there is lack of private sector, interest groups, business and association involvement which could be found in the voluntary transfer cases.

First policy implication coming out of thesis presents itself by looking at the *degree of policy transfer*. In doing this, we see a need to avoid the total transfer of a policy without regard to indigenous policies and practises. The crucial components of domestic policies should be worked into the transferred policy and the components that would not fit into the recipient environment should be left out. In order to ensure that developing countries are protected from inappropriate policy transfer, the driving force of the policy transfer should come from domestic sources. In addition to this, domestic opinion during the process of the policy transfer can enhance or constrain policy development. Public organizations may refuse to engage in the process of policy transfer if it is too complex to implement.

Second policy implication relates to the *elite and cognitive mobilization*. The commitment of the elites as well as the bureaucrats and the technocrats all throughout the policy transfer and implementation is critical to the policy transfer success. Without the full commitment of all parties involved, the policy transfer is unlikely to achieve the set target. In addition to this, the same mistakes observed in the FTC model transferred from Japan have been carried into the SFTC model transferred from Italy. What can be labelled as the *density of the policy transfer network* meaning the close-knit structure of the policy transfer agents proves to be very important on the outcome of the process of

the policy transfer. If there were a close-knit structure in the case of Turkey, it would lead to autonomy in making decisions and carrying them out decisively to enable policy transfer success. This indicates a lack of ownership in both models. On the other hand, in the 1980s owing to scarce domestic resources and reliance to international donors, put Turkey under pressure to develop an export oriented development plan that would also be acceptable by the donor organizations. Similar situation was also valid for the 1990s, when Turkey was under the pressure of EU accession negotiations. Lack of an epistemic community in Turkey resulted in difficulties to forcefully negotiate and reject donor views. When we look at the non-state actors, the ability of such actors to penetrate policy transfer networks depends on their relations with the policy transfer agents. In the case of Turkey, the big business groups were able to influence both the bureaucrats and the politicians in the process of policy transfer and implementation.

The third policy implication highlights the importance of *the scope of the search* carried out to find the appropriate export incentive mechanism for Turkey. It would benefit Turkey to a great deal if it searched for alternative export incentive mechanisms in other countries or environments rather than being carried away by the export success of one country. Turkey inherently was not an environment similar neither to Japan or Italy. Therefore policies transferred from these countries were open to potential failure. In addition to this, the ideational sphere is important in the policy transfer but the material sphere should not be neglected. The long term sustainability of policy transfer networks rest on the formation of an agreement between policy actors and agents of transfer on the problem area identified and how to solve it. The policy actors need to be convinced of the proposed solutions.

Fourth policy implication is the importance of actors' (transferring agents in the recipient environment) *interpretation of the transferred policy*. In the Turkish case it

became obvious that rational model would end up in the rejection of the policy transfer. However, in most policy transfer cases bounded rationality and ideology rather than perfect rationality prevails. This may also be referred as the “analytical bias” of the agent where the agent defines the policy transfer from a point close to the views he is supporting. As a result, logic of choice gained dominance over logic of appropriateness. Although the literature suggests cases for complementarity between logic of appropriateness and logic of choice, the case study at hand provides evidence for the supremacy of the logic of choice. The agents may also act as “gatekeepers” to the policy transfer and may choose to prevent the policy from being fully implemented.

The final policy implication would be the importance of *multi-level models of policy transfer analysis* that we have studied in this thesis. We have looked into the global and international level of the policy transfer explanation from a comparative perspective. The multi-level model of policy analysis is useful in understanding and managing the political and economic globalization. The discourse in the interaction of Turkey with Japan to transfer a model was to “boost exports” and it could be identified as an impact of economic globalization, whereas the discourse in the interaction of Turkey with Italy to transfer the SFTC model was “Europeanization” and can more closely be associated with the EU accession. We have then looked into the macro level explanations of the policy change mainly taking into consideration the policy environment in Turkey. Then we have taken into consideration the meso and the micro levels of analysis which are the relations of the actors in the policy transfer network playing a crucial role in the policy transfer and the institutions implementing the transferred policy and the end recipients. Such an analysis provides a comprehensive explanation of policy transfer and clarifies the routes for policy transfer success or failure especially in developing countries such as Turkey which are prone to crises and unsettled policy environments. This makes the policy transfer model a powerful tool to understand developing countries, especially

when we incorporate the multi –level model of policy analysis into the policy transfer model.

#### **7.4. Areas for Further Research**

In this study we have explored the potential for a policy transfer from an advanced to a developing country. We have tackled the policy transfer concepts with the support of key concepts and a case study which enlightened us on the requirements of a successful policy transfer. However, there remains to be further scope for analysis.

First of all, the literature suggests that in the developing countries it is harder to understand why policy transfer takes place. In this study, we have made a contribution to clarify this lack of understanding. The developing countries have their own unique methods of policy making. Therefore when they transfer a policy from another environment it is not a straightforward match. As long as we know this fact, the next thing to do is to strive and understand the policy making traditions of the developing countries first before engaging in the policy transfer process analysis. This provides the researchers with guidance as to how to carry out policy transfer from advanced to developing countries in their studies. As a result, the other instances of the policy transfer continuum can be examined.

Secondly, in studying the case study we have interviewed the key agents of the policy transfer. However, it was difficult to ascertain what other formal and informal decision making processes played into the process. The main difficulty was lack of documentation establishing the decision making pathways, especially in the case of a



developing country. Moreover, the maintenance of the data related to the SFTC performance was not proper. A suggestion can be made here for better documentation or modelling when entering into policy transfer attempts. Yet, especially it might also be useful to further engage with the decision making models.

Thirdly, there is need for more research for identifying the causes of policy transfer failure especially in the case of developing countries. The constraints preventing the success of policy transfer should be better understood. When looking at the case studies done by other scholars, successful or partially successful case studies have dominance. However, the reasons for an acute policy transfer failure can be more enlightening. For instance, the formation of the network of the policy transfer is not clear especially in the developing countries. The role and the evolution of the network actors in the policy transfer decision making process were vague. Therefore together with the network related studies, the policy transfer analyses can take a deeper look into this shortcoming.

In conclusion, in spite of the criticisms directed at policy transfer concept and models, it continues to serve an invaluable analytical tool especially in an era where globalization rendered the policies of countries be transferred easily from one environment to another. There is increasing volume of research and the researchers are more often citing the importance of policy transfer into developing countries. The reason for doing this is that the developing countries transfer policies of the advanced countries more often and need to be supported theoretically and in practice to be able to achieve more successful results. The scope of this study has been instrumental shedding light on the policy transfer cases of developing countries.

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## **APPENDICES**

### **APPENDIX A: INTERVIEW QUESTIONS AND THE RESPONSES TO INTERVIEW QUESTIONS**

#### **Interviews with the Bureaucrats**

In this section I will first state the interviews questions asked to the bureaucrats and other policy makers and will summarize their answers. The interview questions were sent to the interviewees beforehand. Therefore during the interview, we have followed the general framework drawn by the questions but did not go over the questions one by one. Some interviewees responded to every question in general, some interviewees chose to comment only on those questions they were experienced in. I did not interfere with this approach, as it enabled them to speak more freely. In addition, citing their civil servant status they wanted to remain anonymous.

#### **Interview Questions**

##### **General Trends:**

1. How was state's intervention to the economy during 1970-1980 through incentives? Was there a declared program? Was there an adherence to that program? Please answer this question for later years as well.
2. Who developed that program? Bureaucrats? Or was it prepared according to the desires of the politicians?



3. Were the politicians intervening in the bureaucracy in this period? To what direction?
4. Did the state prioritize certain areas in line with economic development goals? Was there a sector strategy? Was there selectivity? If there was selectivity were the businessmen happy with it? Anatolian capital? Bureaucracy? If they were not happy what kind of change was made in the policy?
5. Has the establishment of the State Planning Organization remedy the problem of vagueness in distributing incentives or distributing the incentives in line with certain interests or political goals?
6. How selective was the state in protecting different sectors? Was there a Keynesian type of protection or was there a selective protection?

### **Legal Changes:**

7. Taking into account the fact that regulative power changed hands in certain periods, what was the trend in this process? Which institutions came to forefront and which ones lost importance?
8. What was the bureaucracy's autonomy in pre-1980s and post 1980s?
9. Taking into account the fact that there was an export oriented development program in the post 1980s; can we say that some foreign trade related policies were transferred from abroad? Was there a similar situation in the other policy areas?
10. Were the transferred policies adopted into the Turkish environment or were they implemented without much analysis?
11. What is the difference between single party and coalition governments in terms of incentive programs?

### **Inter-Institutional Relations:**

12. How were the inter-institutional relations between state agencies? Were there any agencies whose role was accentuated or diminished after the changes in their authorities or mandates? Ministry of Industry and Trade? Undersecretariat of Treasury and Foreign Trade? State Planning Organization?
13. Taking into account the political situation in 1970-1980s (coalition governments and political instability) what is the autonomy of bureaucracy in distributing incentives?
14. Which institutions gained more importance or lost their importance over the years?
15. What was the difference from the bureaucrats' perspective in terms of working with coalition government or single party governments? Was there an easier working environment in the single party governments? Were there coordination difficulties during coalition governments?

### **Responses to the Questions**

#### **Interviewee 1 (Profile: Retired bureaucrat, Ministry of Industry and Trade)**

After the transition to the multiparty parliamentary democracy, the bureaucracy wanted to assume a more substantive role in preserving Ataturk's ideologies, which were sometimes in conflict with the conservative and religious views of the governments formed during 1950 to 1980. The bureaucratic autonomy hardly prevailed to date. There have always been ones who gave in due to different reasons. It is easier, more comfortable and more rentable to work with one part government rather than the

coalition governments. Coalitions are always difficult. There are coordination issues. The current incentive mechanisms designed for investments take regional differences into consideration than anything else. It is important to see what type of incentive can be given to which region. Exports should not be expected of every region.

In the 1980s, the bureaucratic autonomy really decreased. Özal literally became the person who said the “last word”. He and his close entourage did not consult interest groups or bureaucracy in their decisions. The demotion of the bureaucrats to mere insignificance rendered the respect to bureaucracy decrease as well.

**Interviewee 2 (Profile: Bureaucrat, working at the Ministry of Science, Industry and Technology)**

This interviewee has worked with the state incentives since 1983. He mentions that they have learned many lessons on the incentive design field. He believes that if a bureaucrat resists a policy, it cannot be enacted even if the politicians push hard for them. It ends up being null and void. In the relationship between the politicians and the bureaucrat, the politicians do not know how the system works. They just make many demands, but not all of them can be implemented. Therefore the bureaucrat should guide them as long as they are competent.

Sometimes we transfer policies from abroad in order to get rid of the unending demands coming from the politicians and interest groups. However such policies, which are transferred without a strong will from the bureaucrats’ side, will not be implemented. We cannot implement the same policy in Diyarbakır and Urfa, they should be

customized. We should watch for the balance. In our field, we know what the SMEs want. Therefore we resisted the demands coming from the politicians which did not make sense. For instance, in recent incentive mechanisms we have consulted circa 600 chambers, commodity exchanges, universities and wise men. We held workshops for 2 years and set up commissions. Now the SMEs are happy with the outcome. The other state institutions design hasty regulations. Therefore they are poorly drafted and do not become successful.

In the 1970s the politicians were more populist. They chose to work with the bureaucrats who supported them. The constitution of 1982 restricted activities of organized groups and did not allow them to participate in the policy making. However later in the 1980s we have created a conscience vis a vis the incentives. We also see that there has been a selective approach to the sectors that would be promoted and protected, and they were labelled as the sectors which have potential for exports (although this approach never worked as intended). Özal introduced the terminology middle class (ortadirek) with the public which led to the recognition of the SMEs more widely in the 1990s. The Istanbul industrialists (big business groups) did not want competition from Anatolia (SMEs.) Therefore they did not support them. They prevented the emerging of the SMEs. Istanbul remained stagnant whereas Anatolia leaped forward. Anatolia became professional and produced its own generation.

He disagrees with the supposition that the politicians were more influential during the coalition years. The bureaucrats were more influential at these times and directly influenced the views of the politicians. The politicians are more prone to regional differentiation (they support their election regions). It is always important to control the abuses especially in the incentive systems. Of course the politicians do not want to be intervened, however there should be a checks and balances system to their requests. As a

result, he does not see much difference between one party and coalition times. There can be instabilities in both periods. What is more important is the inter-institutional coordination. It is easier in one party government and more difficult in coalition governments (and depends on the goodwill of the ministers). Other than that there is not much difference.

### **Interviewee 3 (Profile: Retired Bureaucrat, Ministry of Industry and Trade)**

This interviewee cited the importance of a “needs analysis” before designing an incentive mechanism. This is something lacking in Turkey. We are not very conscious about the policies transferred from abroad to Turkey. The politicians do not interfere too much, but the bureaucrats and other policy makers should be very competent. Our main failure is not to think on how much and what we can achieve with the limited resources we have at hand, which areas we should prioritize, how we can position ourselves in the world markets. We are collecting taxes from 3 million companies and distributing them among 300 thousand companies. Therefore we should question and control the return very carefully. This is not done in Turkey. There should be an authority following the distribution and impacts of the incentives. In Turkey there are various agencies extending same sort of incentives, these are not aligned to each other. Even the SPO clashed with political circles other state agencies even from the beginning of the drafting of the first development plan. This problem continues to date.

Initially, some export incentives were even given according to the quantity of the exported goods, but later on the export incentives became more sophisticated

It is wrong for the incentives to be designed by the orders of the politicians. There should be a consultation mechanism between the interested groups. The risks are higher during the coalition times. They are not turning down the requests coming from other coalition partners thinking that they may also need to ask for favours to them in the future. The incentives are distributed most fairly by the Ministry of Finance. Initially, some export incentives were even given according to the quantity of the exported goods, but later on the export incentives became more sophisticated

**Interviewee 4 (Profile: Retired, Undersecretariat for Foreign Trade aka Ministry of Economy since 2010)**

This interviewee started by comparing the incentive mechanisms pre 1980s and post 1980s. In the pre-1980s, where there was an ISI mechanism, only a few export items were incentivized. They were supported by Support and Price Stabilization Fund (SPSF) and Fak Fuk Fon. Pre 1980s emphasized agriculture and post 1980s emphasized industrialization.

The plans drafted by the SPO had different targets every term and related to the exports. For instance the 1979-83 plan removed the requirement for the exporters to become a member of the exporters union. It undermined the development of an organized interest group and tried to collect everybody under the label of businessmen according to their sectors and aggregate under the TOB(B). In the post 1980s export related incentives were given an emphasis and the establishment of the FTCs and SFTCs were encouraged.

In the pre 1980s there was an imports orientation unlike the post 1980s. The plans of the SPO were effective. However, the deficiency of the plans was that they were being drafted by non-implementing agencies. This continued in the 1980s and onwards. Therefore they did not know the real needs of the policy recipients. The incentives were not tracked; their value added was never questioned. However, post 1980s have been important years in experimenting and learning from the incentive schemes. In terms of exports, in the 1990s other actors appeared in the scene, such as the Eximbank and Halkbank. The FTCs were also grouped according to their sectors in these years. Their main deficiency was international marketing.

The main aim of the incentives was to give the domestic companies competitive edge in the foreign markets. However, the incentives, especially the direct payment schemes, were abused by the users and did not serve the purpose of boosting exports. The policy designers made the regulations stricter in order to take such abuses under control. He is adding that there was a bureaucrat based approach to the incentive making especially in the 1990s. The regulations were made with a view that if the bureaucrats were risk averse the regulations were becoming restrictive and if they were open to trying new policies. The bureaucrats would be reluctant to remove the incentives they are competent in delivering. Therefore some out-dated and unnecessary incentive mechanisms dragged on for years. However, the bureaucrats can give in when they get some pressures from the politicians and boards. For instance, the Undersecretariat of the Treasury and Foreign Trade was too close to Özal and his lead, as the bureaucrats in the said Agency would be expected to follow his orders in distributing export incentives rather than exhibiting bureaucratic autonomy.

In the 1980s, some of the policies were determined by looking at the policies observed abroad. This happened mainly in the trade missions of Özal, his entourage and businessmen.

In the 1990s, SMEs complained that they were unable to receive the same backing as the big companies and the FTCs were received from the government. Therefore the SFTC mechanism was designed. On the other hand, we should also keep in mind that the politicians are also business owners. They pushed the bureaucrats for their own interests as well.

**Interviewee 5 (Profile: Retired, Undersecretariat for Foreign Trade aka Ministry of Economy since 2010)**

This bureaucrat is quite experienced in the foreign trade incentives. He mentioned that between the 1970s and the 1980s, ISI mechanism was quite important. There is also an incentive mechanism geared towards investments. There is a serious level of investment in the heavy industry. Textiles and ready wear was heavily subsidized. They produced for exports. The main problem of this era was lack of marketing skills. After 1983, we see an incentive mechanism towards improving marketing skills.

In the 1980s the businessmen had initially favoured the foreseeable economic environment. However Özal's management style was also of concern. Businessmen did not want their profits to depend on arbitrary decrees, which was a product created by Özal and his Party in the 1980s to bypass traditional bureaucracy in the 1980s. Therefore they trust in the economic environment was shaky. Instead of making big



investments they preferred to rely on state incentives. For instance it was always claimed that some of the big business groups in Turkey were “half private-half state” owned.

The FTC model in fact was supposed to improve marketing skills of the users as well. It is questionable however, how much it served this purpose. The predecessor of the FTC model was the ETC model. However, system was being severely abused. Exemptions for ETCs on tax have become so appealing to some exporters that a fierce competition started among them resulting in a price (reduction) based competition in international markets.

He also mentioned that in the 1990s they were getting extensive requests from the SMEs to have more diversified incentive schemes for the SMEs. He also mentioned that, he believed that the politicians also received similar requests from the SMEs, as each of the changing ministers in 1990s came with requests to the bureaucrats to revise incentive schemes to make them more suitable for the SMEs.

1996 was declared as the SME year in Turkey. The motto was “Exports is our mission, SMEs are our vision”. Therefore they have also designed a system similar to the FTC system for the SMEs. The SFTC Model was a spin off model from the FTC model (and its basic tenets were transferred from Italy), it was redesigned to suit the needs of SMEs, but the main logic behind the SFTC model was the East Asian model. Since, textiles and ready wear was subsidized in the import substitution era FTCs and later SFTCs were mostly companies of this nature. This determined to an extent the place of Turkey in global markets.

The SFTCs were a policy transfer from Italy. The policy in Italy was known as the Federexport model. In the initial years of the SFTCs in Turkey, there was a strict regulation. As the deficiencies of such a strict stance were observed the regulation was relaxed. However, the abuses followed. The SFTCs became VAT brokers immediately. They became deficient in financing their operations. With the change of the SME definition in 2000, the incentives to the FTCs and SFTCs were differentiated. The major change in the regulation came in 2006. The documents required from the SMEs to apply for SFTC status were decreased on the basis that 99% of Turkey is already SMEs, and that it should not be so difficult to prove it. In 2004, a consultation process was carried out with the SFTCs and policy makers; as a result the amendments in the regulation of 2006 were brought. The main findings of that consultation process can be listed as follows:

- The SFTCs should find new international markets for their partners.
- The SFTCs should prepare a work plan in every 3 years and submit it to the UFT.
- The success in the implementation of such a work plan should be rewarded by gradual rate reductions in subsidies.
- The SFTCs operating only as VAT rebate brokerages should be abolished.
- The structuring of the SFTCs should be made more flexible. A big partner company should be allowed for more leadership in decision making. Additionally services companies or institutions should be allowed to become a partner enabling SFTCs to open up for more internationalisation.
- One of the biggest problems that the SFTCs face (maybe also explaining the main reason for the interest in the VAT rebates) is the structure and the slowness of the subsidy payments. The SFTCs complained about getting their payment after the payments (especially for the fixtures) have been made. In addition, the

payments were made at the exchange rate of the purchase date not the payment date which renders the payments useless at an inflationary setting like Turkey.

- Another big complaint was the rigidity of the system against abuses. Requests were made from the SFTCs to ease the application processes and the material to be submitted to the UFT to obtain the SFTC status as well as to obtain the subsidies. The Ministry of Finance carried out investigations rigidly to prevent abuses of the system.
- The UFT suggested that the capital base of the SFTCs should be strengthened. The SFTCs mentioned that the required paid in capital was too high.

The findings of this consultation process were implemented to a degree. But did not change the system altogether.

In the FTCs the politicians played an important role in the 1980s but bureaucrats took over in the 1990s. In the SFTCs the bureaucrats have always played a more important role. He also mentioned that the above schemes provided by the UFT were doomed to fail, because they make the payment after the activity is undertaken and in some cases did not make the payments due to arbitrary concerns.

**Interviewee 6 (Profile: Working, Undersecretariat for Foreign Trade aka Ministry of Economy since 2010)**

Interviewee mentions that there were various incentive designed for the SFTCs and some of them were cash related where some of them were related to capacity increases

in the SFTCs. SFTCs hardly benefitted from the capacity related schemes designed for them in the 2000s (he worked there during 2000-2005), but they preferred to use other more direct schemes provided by other ministries or agencies.

Due to the structure of the regulation and the rent seeking views of the ETCs which later became FTCs, they operated like the intermediaries only marketing the goods produced by other companies. These have been the ones which disappeared first at crisis times. This fact transcended to the SFTCs as well. In order to render the system more useful for especially the SFTCs the policy makers got together with the SFTC managers and decided to engage in a co-consulting for the SFTCs through a detailed work and marketing plan for each SFTC. This proposed plan would consist of an action plan and trainings for the SFTCs on how to produce high quality, value added products and the how to strengthen their managerial base. The proposed plan was implemented for few SFTCs and was then abandoned as it did not work very well.

Bureaucracy is always open to influences from the politicians and business groups. The business groups do not approach the bureaucrats directly in most cases. They prefer to work their demands through the politicians. The bureaucrat should have strong stance and competency in order to resist the irrational demands coming from them.

#### **Interviewee 7 (Profile: Working, Undersecretariat of Treasury)**

The planning understanding of 1960s was different than that of previous decades. In the 1960s an integrative planning approach was used which was descriptive for the private sector and mandatory for the public sector. SPO was established as an autonomous

institution. In order to prevent the influence of politicians in the SPO subsidy implementation department has been brought to the SPO in 1965.

Business and government had more contact with one another in the late 1980s. Senior officials and politicians sometimes went together on missions abroad to promote Turkish exports.

There are similarities between 1980s and 2000s. It is mostly due to political stability of single party government preparing the infrastructure for legal environment and bureaucratic policy making process making it easier for decision makers to act on issues under such an environment. In other words we observe a smoother legislation and policy making environment in 1980s and 2000s. 1980s and 2000s are like twins. What is different in 2000s is this: financial instability decreased after 2000s with the establishment of Banking Regulation and Supervision Agency and Savings Deposits and Insurance Fund and tightening financial regulations. This also had a role in discarding the instability during 2000-2004 and prepared a very stable infrastructure for future years to operate on. The precautions taken in the financial area are even above the world levels.

24 January 1980 decisions are very important. An exchange rate has been determined and with a devaluation exports became more attractive. There was a strict adherence to the program during 1980-1990. There was a loss of discipline during 1990-2000. Turkey almost became a multi vocal chorus. There have been ad hoc interventions in the economy. There were no structural precautions. After 2000, there were structural precautions. In 1990s the administration was split up between several parties. As a result administration of the economy, industry, treasury and planning were under different

parties and people with different world views. There was no coalition infrastructure team to support the integrity of the economic decisions. Some of these people were statist while some of them were supportive of free markets or some of them were in between and these views constantly clashed. So it is fair to call 1990s as “lost years”. In that period, the incentive policies were in line with Turkish realities (despite instabilities). These incentives were not been able to be implemented due to political instability. With the legal infrastructure, knowledge base there was a right setting for implementation but the instable political environment and bureaucratic autonomy sabotaged the setting.

In this period the incentive mechanisms were mostly determined by the politicians. When bureaucrats prepare them, they are called technocrats. Bureaucrats were not that effective in this period. When technocrats prepare the programs they are more effective and help all countries make long leaps forward.

1980s to 1990s was the period where the policies were determined mostly by technocrats. In 1990s there was an immense political influence on policy making. Turkey’s scarce economic resources were being distributed by without taking into account prioritization concerns. For instance loans (public banks) were being extended to untrustworthy borrowers with a telephone call from a politician. In this period the state banks declared big losses. Loans given by these banks, (the Development Bank, Ziraat Bank and Halk Bank) caused big losses.

In 1980s and 1990s some sectors were prioritized. In the sector strategy there was selectivity which made the industrialists very happy. As Turkey’s exports boomed in this

period as a result of these policies. Marmara and Aegean regions made a big leap forward. This indicates that the policies implemented in this period were mainly geared towards big capital. In Anatolia the Organized Industrial Zones and main cities such as Kayseri, Konya, Nigde, Erzurum, Afyonkarahisar and their main industrialists benefitted from this strategy. Their investments were closely tied to the incentives.

In the beginning Incentives Department was initially partially under the Ministry of Industry and Technology and partially under the Ministry of Trade in pre-1980s. Incentives administration was moved to the SPO by taking into account the importance of keeping investments and exports together. This solved partially interest problems and coordination problems. In the 1980s, the high-ranking bureaucracy came under the control of the government; or more accurately Özal and the influence of the traditional bureaucrats in the ministries were diminished. The “interest relations” continued even when the incentive department was moved to the SPO, which was usually considered free of the pressures of the interest groups. Subsidies were geared towards short term interests and maintaining favourable state business relations. For instance we have witnessed “plastic sandals decree”. The potential beneficiaries of an incentive were being clearly defined in the incentive decrees and when the decrees were issued only those defined beneficiaries were being able to benefit from such incentives. And shortly after those beneficiaries used those incentives the decreed had been abolished. Another example, for 1980s to mid-1990s, the incentives were being mainly determined and implemented by SPO, however the financial responsibility of those incentives were being given to Development Bank. They did not work in coordination. For instance an investor was making an investment and applying for an incentive which was being approved by the SPO. Then the investor was going to the Development Bank to get the approved incentive, however the Development Bank was paying the incentive without auditing the investment made. As a result some investors were claiming several

incentives from different resources for the same investment. There was no coordination between DPT-Development Bank and the Ministry of Finance.

There was no guidance given by the state especially to the FTCs and SFTCs. They developed mainly owing to the quality of their management or collapsed. The state had no real and strategically given guidance to these companies.

The incentives on exports and investments were best designed and implemented in 1980s. The hero of this process was the SPO. The implementing and macro-level policy designing units were both under the SPO. This rendered implementation very useful. Their policies were mandatory for public sector and guiding for private sector. Later on, there was erosion which started in 1990s. These years were lost years. Still incentives are shared by different institutions. This makes the incentives have a patchy look. For instance currently the Ministry of Economy has made it mandatory for the investors to sign a document to be able to get investment incentives. By signing this document, the investors are pledging that they will not apply to the other government agencies for getting incentives under same investments. The state should be able to monitor what type of investment mechanisms it has and should prevent duplication. It should not put the proof burden in the investors.

Bureaucracy was never autonomous. Bureaucrats may favour some companies and process their application faster or slower. But the bureaucrats cannot think of not awarding an incentive to a company which deserves it. Therefore bureaucracy cannot delay a process out of its own will. If it has to do something it eventually does it.



The policies (FTC) policies were a result of the knowledge, experiences of politicians of those times and it is not a transferred policy. They have seen it abroad and decided to implement them in Turkey as well. We cannot really call it policy transfer. Same politicians have also encouraged crooked behaviour by discourses such as “my civil servants know what to do” or “it is acceptable to break the constitution once”. However, Özal also led the private sector by taking them to foreign missions, the private sector representatives were being informed about the state policies and had a chance to meet with the senior bureaucrats face to face. These were an indication of transparency. The FTCs benefitted from this approach.

**Interviewee 8 (Profile: Working, Undersecretariat of Treasury)**

When designing incentives the draft regulations are discussed at the economy coordination board. All ministries are giving their opinions. Therefore we cannot say that there is no coordination or consultative process when designing the incentive mechanisms. Most have one major aim: financing the current account deficit. The disguise of removing regional disparities was also an often cited resort. In the 1980s the incentives were in the form of cash and grants. Currently they are more in the form of exemptions. Especially in the last few incentives that they have designed there is a serious regional disparity analysis. Different rates are given to different regions. The areas which have no competitive power are not being supported. At any given time, they are getting demands from the politicians. But in those cases, the stance of the bureaucrats is important. They should not give in.

In the policy transfers, the policies transferred from abroad are being adopted to Turkey. The interviewee's view is that even if those policies were not transferred they would sooner or later emerge in Turkey.

**Interviewee 9 (Profile: Working, Undersecretariat of Treasury)**

The incentives in Turkey are currently given in line with the EU regulations. This means that they should not distort investment environment and competitiveness. The cash incentives given out in the 1980s have now been removed. The real aim now is towards removing interregional disparities. The incentives of the 1980s did not have a real return. Therefore the government are now choosing to invest their cash elsewhere. Currently tax related exemptions are being used. In the past data maintenance was haphazard. We do not have much knowledge about the outcomes of the incentives distributed at those times. Public tenders, SEEs and use of the state banks to distribute favours un-transparently have been other sources of rent distribution mechanism. The bureaucrats were added to the lines of rent seeking arrangements and some have become closely associated with politicians.

**Interviewee 10 (Profile: Working, Undersecretariat of Treasury)**

Post 1980s, we observe an export oriented incentive mechanism. The cash incentives of the 1980s have been removed now. They became tax exemptions and interest rate subsidies. There are also targets right now such as incentivizing the areas where turkey is behind in the world markets. The main deficiency in the incentive system is that they

are not geared for long term. The politicians change every few years and the new politicians (despite the fact that there is the same government) commit to new targets. In addition to all these, in Turkey the enterprises which were able to take advantage of the unstable environment owing to their personal relationships with the bureaucracy or politicians have usually been the big ones. SMEs struggle to get decent benefits.

**Interviewee 11 (Profile: Working, Undersecretariat of Treasury)**

The incentive regulations are designed taking into account the view of all related ministries. They have usually been the Ministry of Industry and Trade, Ministry of Trade, Ministry of Finance, Undersecretariats of Foreign Trade, Treasury and the SPO. However, if the prime minister does not want the said regulation it will not be enacted. Therefore we cannot talk about a real bureaucratic autonomy. The real negotiations are held between the Prime Minister, Minister of Economy, and big interest groups such as the TÜSİAD or MÜSİAD. This is an indication of how decision making was un-institutionalized and arbitrary. Decisions and policies were not a result of rules and procedures but an outcome of the thinking of few people, may they be bureaucrats or politicians. There is a recently established state agency following up the usage of the incentives extended.

## **APPENDIX B: DISPERSION OF EXPORT RELATED REGULATIONS**

This Table 15 lays out the export related regulations made in 1980-2010. The import related regulations have been omitted. The table shows, the changing of hands of export related regulation making between different institutions throughout the years. The table also shows how many of these regulations are made as laws, how many are decrees and how many are amendments to the previously enacted regulations. Some of the regulations stretch the pre-1980s whose amendments took place post-1980s.

APPENDIX B – TABLE 15: DISPERSION OF EXPORT RELATED REGULATIONS

Tarih	Konu	Sayı	Kanun	Karar	Yönetmelik	Tebliğ	Değişiklik	Ek	Kurum
25/01/1980	<b>Ihracat Tesvik Kararının Yururluge Konması</b>	<b>8-182</b>		<b>X</b>					<b>DPT Başbakanlık Teşvik Uygulama Dairesi</b>
30/05/1980	<i>8-182 sayili İhracatı Teşvik Kararina Ek Kararın Yürürlüğe Konulması Kararı</i>	<i>8-887</i>						<i>X</i>	<i>DPT Başbakanlık Teşvik Uygulama Dairesi</i>
2/07/1980	<i>8-182 Sayılı İhracatı Teşvik Kararının Bazı Maddelerinin Değiştirilmesine Dair Ek Kararın Yürürlüğe Konulmasına Dair Karar</i>	<i>8-1172</i>						<i>X</i>	<i>DPT Başbakanlık Teşvik Uygulama Dairesi</i>
24/04/1981	<i>8-1172 sayili İhracatı Teşvik Kararina Ek Karar</i>	<i>8--2660</i>						<i>X</i>	<i>Başbakanlık</i>
17/07/1980	<i>8-1172 sayili ihracatı Teşvik kararına dair UUE Tebliği Tebliğ</i>	<i>80-6</i>				<i>X</i>			<i>DPT Başbakanlık Teşvik Uygulama Dairesi</i>

TABLE 15 (Cont'd)

19/01/1982	8-1172 sayili Ihracati Tesvik Kararina Ek Karar	8--4057						X	DPT Başbakanlık Teşvik Uyg. Dai.
18/07/1980	İhracat Şirketlerini Teşvik Kararı	8-1173		X					DPT Başbakanlık Teşvik Uygulama Dairesi
25/10/1980	İhracat Rejimi Kararının Yürürlüğe Konulması Hakkında Karar	8-1788		X					Ticaret Bakanlığı
23/01/1980	1979 yili yönetmeligine degisiklik yapan Ihracat Sirkuleri Ek Teblig	1980-1						X	Ticaret Bakanlığı
23/04/1981	İhracatta Vergi ladesi Karari	8--2625		X					Başbakanlık
9/06/1983	8-2625 sayili karara ek olarak İhracatta vergi ladesine Dair Karar	13						X	Başbakanlık
9/02/1982	İhracati Tesvik Tebligi (onceki kararlara kolaylik kazandirmak icin hazirlanmistir )	82--1				X			DPT Başbakanlık Teşvik Uyg.

TABLE 15 (Cont'd)

18/04/1982	82-1 sayili tebligi degistiren Yatirimlari ve Ihracati Tesvik Tebligi	82--4					X	DPT Başbakanlık Teşvik Uygulama Dairesi
22/04/1982	Ihracatta Vergi ladesi Karari	8--4397		X				Başbakanlık
22/09/1971	Tarımsal Ürünler İhracatının Geliştirilmesi ve Tarımsal Yapının Bu Amaçta Düzenlenmesi Fonu Kurulmasına Dair Karar	7--3114		X				Dış Ekonomik İlişkiler Bakanlığı
28/07/1982	Tarımsal Ürünlerin İhracatının Geliştirilmesi ve Tarımsal Yapının Bu Amaçla Düzenlenmesi Fonu Kurulmasına Dair 7-3114 Sayılı Karara İlişkin Yönetmelik (ana yönetmeliği bul)					X		Başbakanlık
28/07/1982	Tarımsal Ürünler İhracatının Geliştirilmesi ve Tarımsal Yapının Bu Amaçta Düzenlenmesi Fonundan Yararlanmasına Dair Yönetmelik					X		Başbakanlık
29/12/1983	Ihracat Rejimi Karari	83--7540		X				HDTM
16/09/1975	Ihracatta Vergi ladesi Karari	7--10624		X				Ticaret Bakanlığı

TABLE 15 (Cont'd)

29/12/1983	7-10624 sayili Vergi ladesi Ek Karar	83--7542						X	HDTM ve Başbakanlık
12/01/1984	Ihracat Tesvik Karari	84--7557		X					DPT Teşvik Uygulama Dairesi
2/02/1984	Ihracat Kredi bankasinin Kurulmasi Karari	84--7659		X					Başbakanlık Yrd.lığı
13/12/1984	Ihracati Tesvik Tebligi	85--2				X			DPT Teşvik Uygulama Dairesi
9/07/1981	Orman Sanayi Urunlerine Ihrac Gucu Kazandırılmasına Dair Karar	8--3321		X					DPT ve Tarım Orman Bakanligi
29/03/1985	8-3321 sayili orman urunlerinin Ihracatini Tesvik kararinin UUE Tb	85--4				X			DPT Teşvik Uygulama Dairesi
13/04/1985	Ihracati Tesvik Kararina Ek Karar	85--9353						X	Başbakanlık
4/05/1985	85-9353 sayili Ihracat Tesvik Ek Kararina UUE no 85-6 Tebligi	85--6				x			DPT Teşvik Uygulama Dairesi
15/06/1985	Serbest Bolgeler Kanunu	3218	X						Bakanlar Krl
30/06/1985	Gecici Ihracat Teblig	85--9				X			HDTM



TABLE 15 (Cont'd)

26/10/1985	Yatirim Mallari Imalati Tesvik karari	85-9967		X					Başbakanlık
11/01/1986	Muteaahitlik Tesvik Karari	86-10233		x					Bakanlar Kurulu
12/03/1986	KDV tebliği maddesi Seri No 19	Seri 19				x			Maliye ve Gumruk Bakanligi
26/12/1985	Ihracati Tesvik Karari	85--10183		x					DPT Teşvik Uygulama Dairesi
7/04/1986	85-10183 sayili karara ek Ihracati Tesvik Tebliği TUB	86-2						x	DPT Teşvik Uyg Dai.
26/01/1970	1211 sayili kanun	1211	x						TCMB
20/11/1986	1211 sayili kanunun UUEni duzenleyen Ihracat Kredisi 1 Nolu Teblig	1				x			TCMB
5/04/1988	Ihracat Reeskont Kredileri Hakkında 1 No.lu Tebliğe Ek Tbl	4						x	TCMB
28/10/1989	4 Nolu tebliği kaldiran ve 1 nolu tebliği degistiren TCMB Ihracat Reeskont Kredileri 6 nolu Ek Tbl							x	TCMB
2/02/1987	Ihracat Kredileri 1 nolu Tebliginde Degisiklik Tebliği 2 nolu teblig	2					x		TCMB

TABLE 15 (Cont'd)

3/03/1990	1 ve 6 seri nolu tebligleri degistiren Ihracat Reeskont Degisiklik Tebligi	7							TCMB
1/12/1986	Ihracatta Vergi ladesi Karari	86-11237		x					Başbakanlık
5/04/1988	Ihracatta Vergi ladesi Ode. dair Karara Ek Karar	88--12813						x	DPT
1/12/1986	Ihracati Tesvik Karari	86-11238		x					Başbakanlık
24/03/1987	VUK Genel Tebligi	Sira no 176				x			Maliye ve Gumruk Bak
14/05/1987	Ihracat Tesvik Tebligi TUB	87--7				x			DPT Teşvik Uyg. Dai.
19/03/1988	Ihracat Kredileri Tebligi	88-7				x			TCMB
5/04/1988	Ihracati ve Doviz Kazandırıcı Faaliyetleri Tesvik Karari	88--12812	x						DPT
27/04/1988	88-12812 sayili kararnameye degisiklik yapan Ihracat Tebligi	88-12894					x		DPT
5/04/1988	Ihracati ve Doviz Kazandırıcı Faaliyetleri Tesvik Tebligi	88-2				x			DPT
18/02/1988	Besinci Bes yıllık kalkınma planı uygulama karari	88/12616		x					DPT
5/04/1988	Yatırımların ve Döviz Kazandırıcı Hizm. Teş. Yön. Esas. Yururluge Konması Ek Karari (12616 ya ek)	88--12811						x	DPT

TABLE 15 (Cont'd)

5/04/1988	<i>Yatırımların ve Döviz Kazandırıcı Hizmetlerin Teşviki ve Yönlendirilmesine Ait Esas. Yurur. Konması Ek Kar. UUE Tbl</i>	<b>88-3</b>					x		DPT
13/05/1988	<b>Kurumlar Vergisi Tbl Seri No 35</b>	<b>Seri No 35</b>					x		<b>Maliye ve Gumruk Bak.</b>
12/08/1988	<b>KDV Tebliği Seri No 29</b>	<b>Seri No 29</b>							<b>Maliye ve Gumruk Bak</b>
11/11/1988	<b>Doviz Kazandırıcı Faaliyetleri Destekleme Kararı</b>	<b>88-13457</b>		x					<b>DPT</b>
29/11/1988	<i>88-13457 sayılı İhracat Reeskont Kredileri Tebliği Değişikliği</i>	5					x		TCMB
30/12/1988	<b>İhracatta Vergi İstisnası Kararı</b>	<b>88-13602</b>		x					<b>TCMB</b>
	<b>Destekleme ve Fiyat İstikrar Fonu Hakkındaki Karar</b>	<b>88-1334</b>		x					<b>Maliye ve Gumruk Bakanlığı</b>
11/11/1989	<i>88-13384 sayılı tebliği açıklayan İhracat Tebliği</i>	89-34					x		HDTM
30/01/1989	<b>İhracat Tebliği</b>	<b>89-7</b>					x		<b>HDTM</b>
9/02/1989	<i>89-2 sayılı İhracatı ve döviz kazandırıcı faaliyetleri Teş.teb. ek</i>	<b>89-5</b>						x	DPT

TABLE 15 (Cont'd)

<b>4/03/1989</b>	<b>İhracat ve yatırımlarda DV ve Harc istisnası Uygulaması Tebliği</b>	<b>Seri No 1</b>				<b>x</b>			<b>Maliye ve Gumruk Bak</b>
<b>19/07/1989</b>	<b>İhracatı ve döviz kazandırıcı faaliyetleri destek Tebliği</b>	<b>89--12</b>				<b>x</b>			<b>DPT</b>
<b>9/06/1989</b>	<b>İhracat Rejimi Kararı</b>	<b>89-14232</b>		<b>x</b>					<b>HDTM</b>
<i>27/07/1989</i>	<i>89-14232 sayılı karara istinaden yayınlanan ihracat Yönetmeliği</i>				<i>x</i>				<i>HDTM</i>
<i>10/02/1990</i>	<i>89-14232 sayılı tebliğe istinaden Bedelsiz İhracat Tebliği</i>	<i>90-2</i>				<i>x</i>			<i>HDTM</i>
<b>3/11/1989</b>	<b>İhracatı ve Döviz Kazandırıcı Faaliyetleri Destek Kararı</b>	<b>89-14674</b>		<b>x</b>					<b>DPT</b>
<i>4/11/1989</i>	<i>89-14674 e istinaden İhracatı ve Döviz Kazandırıcı Faaliyetleri Tevsik Tebliği</i>	<i>90-1</i>				<i>x</i>			<i>DPT</i>
<i>13/11/1990</i>	<i>90-1 sayılı Döviz Kazandırıcı Faaliyetleri Destekleme Tebligine ek tebliği</i>	<i>90-3</i>						<i>x</i>	<i>DPT</i>
<i>14/02/1990</i>	<i>89-14674 sayılı kararnameye ek İhracatı Tesvik Kararına Ek Karar</i>	<i>90-76</i>		<i>x</i>					<i>DPT</i>
<b>14/11/1990</b>	<b>İhracat Rejimi Kararı</b>	<b>90-1023</b>		<b>x</b>					<b>DPT</b>

TABLE 15 (Cont'd)

21/06/1991	90-1023 sayili ihracat kararına degisiklik yapan DTSS Teblig	91-4					x		HDTM
14/11/1990	90-1023 sayılı İhracat rejimi kararına istinaden haz. ihr. yön.				x				HDTM
18/01/1992	90-1023 sayili ihracat kararına degisiklik yapan DTSS Tebligi	92/1				x			HDTM
14/11/1990	İhracat Belgesine İlişkin Tebliğ	90/10				x			HDTM
14/11/1990	Bedelsiz İhracata İlişkin Tebliğ	90/11				x			HDTM
14/01/1990	DTSS'ye ilişkin Tebliğ	90/12				x			HDTM
29/12/1990	90-12 sayili tebligi degistiren DTSS ile ilgili degisiklik tebligi	90-16				x			HDTM
14/01/1990	Uluslararası Gözetme Şrk.İls.Tbl.	90/13				x			HDTM
13/11/1990	İhracati ve Doviz Kazandırıcı Faaliyetleri Tesvik Tebligi	91-1				x			DPT
14/06/1991	91-1 sayili Doviz Kazandırıcı Faaliyetler Degisiklik Tebligi	91-4					x		DPT
16/08/1991	İhracatın Geliştirilmesi ve Desteklenmesine İlişkin İhracat Finansman Kararı	91/2071		x					HDTM
14/02/1992	İhracatın Geliştirilmesi ve Desteklenmesine İlişkin İhracat Finansman Kararında Değişiklik Yap. Dair Kar.	92/2642					x		HDTM

TABLE 15 (Cont'd)

14/02/1992	İhracata Yönelik İç Satış ve Teslimleri Destekleme Kararı	92/2640		x					HDTM
14/02/1992	İhracatın Düzenlenmesi ve Desteklenmesine İlişkin Karar	92/2644		x					HDTM
14/02/1992	<i>İhracatın Düzenlenmesi ve Desteklenmesine İlişkin Karara istinaden hazırlanan İhracat Yönetmeliği</i>				x				HDTM
14/02/1992	İhracat Belgesine İlişkin Tebliğ	92/2				x			HDTM
14/02/1992	Bedelsiz İhracata İlişkin Tebliğ	92/3				x			HDTM
14/02/1992	Geçici İhracata İlişkin Tebliğ	92/4				x			HDTM
14/02/1992	Kiralama Yoluyla Yapılacak İhracata İlişkin Tebliğ	92/5				x			HDTM
14/02/1992	Müteahhitlik Hizmetlerine İlişkin Tebliğ	92/6				x			HDTM
14/02/1992	Bağlı Muamele Yoluyla Yapılacak İhracata İlişkin Tebliğ	92/7				x			HDTM
14/02/1992	Yurtdışı Tanıtım ve Pazarlama Faaliyetlerine İlişkin Tebliğ	92/8				x			HDTM
10/04/1992	<i>92-2644 sayılı ihracatın düzenlenmesi ve desteklenmesi kararına istinaden yayınlanan Yurtdışı Tanıtım ve Pazarlama ek teblig</i>	92-12						x	HDTM

TABLE 15 (Cont'd)

5/01/1993	92-2644 sayili ihracatin desteklenmesi hakkindaki karara istinaden fuar ve serg.kat.tbl.	93-1				x			HDTM
14/02/1992	Çok Ortaklı Dışticaret Şrkt İliş tbl	92/9				x			HDTM
29/04/1994	92-2644 sayili karara istinaden DTSS ve SDS Tebligi	94/4 ve 94/5				x			HDTM
3/10/1994	92-2644 sayili teblig e istinaden SDS Tebligi	94/10				x			HDTM
10/03/1994	92-2644 sayili teblig e istinaden SDS Tebligi	94/10				x			HDTM
18/05/1995	92-2644 sayili karara istinaden SDS Statusu Tebligi	95/4				x			HDTM
14/02/1992	Uluslararası Göz.Şkt.İliş.Tebliğ	92/10				x			HDTM
20/03/1992	Ihracat ve Doviz Kazandirici Faaliyetleri Tesvik Karari	92/2764		x					HDTM
8/04/1992	92-2764 sayili kararnamenin UUE'ne dair Ihracat ve Doviz Kazandirici Faaliyetleri Destekleme tebligi	92-1				x			HDTM
7/10/1992	92-1 sayili Ihracati ve Doviz Kazandirici Faaliyetleri destekleme degisiklik tebligi	92/6					x		HDTM
20/02/1993	Doviz Kazandirici Faal. Tes.Tbg	93/1				x			HDTM

TABLE 15 (Cont'd)

3/07/1993	<b>Ihracat ve Yatırımlarda DV ve Harc İstisnası Uygulaması UUE Tebliği</b>	<b>Seri No 29</b>				x			<b>Maliye ve Gumruk Bakanlığı</b>
2/03/1994	<b>Ihracat ve Yatırımlarda DV ve Harc İstisnası Uyg UUE Tbl</b>	<b>Seri no 3</b>				x			<b>Maliye ve Gumruk Bak</b>
16/08/1994	<b>Ihracatı Tesvik Kararı</b>	<b>94-5782</b>		x					<b>HDTM</b>
17/07/1995	<i>94-5782 ve 95-6997 sayılı karara istinaden İhracat Tesvik Tebliği</i>					x			<i>DTM</i>
27/12/1994	<b>SPK İhracatçıların Muafiyeti Tbl</b>	<b>Seri No 4/9</b>				x			<b>SPK</b>
11/01/1995	<b>İhracatta Devlet Yardımları</b>	<b>94/6401</b>		x					<b>DTM</b>
1/06/1995	<i>Araştırma-Geliştirme (AR-GE) Yardımlarına İlişkin Karar</i>	<i>95/2</i>		x					<i>DTM</i>
1/06/1995	<i>Çevre Maliyetlerinin Desteklenmesine İlişkin Karar</i>	<i>95/3</i>		x					<i>DTM</i>
31/07/1997	<i>Çevre Maliyetlerinin Desteklenmesine İlişkin Tebliğ</i>	<i>97/5</i>				x			<i>DTM</i>
28/07/2007	<i>97-5 sayılı tebliğde değişiklik yapan Çevre Değişiklik Tebliği</i>	<i>2007/4</i>					x		<i>DTM</i>
24/05/2006	<i>97-5 sayılı tebliğde değişiklik yapan Çevre Tebliği Değişiklik</i>	<i>2006/3</i>				x			<i>DTM</i>
14/11/1998	<i>97/5 Çevre Maliyetlerinin Desteklenmesine değişiklik tebliği</i>	<i>98/13</i>					x		<i>DTM</i>



**TABLE 15 (Cont'd)**

1/06/1995	Pazar Araştırması Des.Ils.Karar	95/4		x					DTM
31/07/1997	95-6401 sayili karara istinaden Pazar Araştırması Des. Hak.Tebliğ	97/6				x			DTM
14/11/1998	97-6 sayili Pazar arastirmasi destegi tebligine degisiklik yapan 98-2 sayili teblig	98/2					x		DTM
1/06/1995	Yurt Dışı Ofis Mağaza İşletme ve Tanıtım Faaliyetlerinin Desteklenmesine İlişkin Karar	95/5		x					DTM
15/11/1998	Yurtdışında Ofis-Mağaza Açma, İşletme ve Marka Tanıtım Faaliyetlerinin Desteklenmesi tebligine degisiklik yapan Tebliğ	98/14					x		DTM
31/07/1997	Yurtdışında Ofis - Mağaza Açma, İşletme veMarka Tanıtım Faaliyetlerinin Desteklenmesi hakkında Tebliğ	97/9				x			DTM
15/11/1998	97-9 sayılı Yurtdışında Ofis- Mağaza Açma, İşletme ve Marka Tanıtım Faaliyetlerinin Desteklenmesi tebligine degisiklik yapan 98-14 sayili teblig	98/14				x			DTM
1/06/1995	Yurtdışında Düzenlenen Fuar ve Sergilere Milli Düzeyde Veya Bireysel Katılımın Desteklenmesine İlişkin Karar	95/6		x					DTM

TABLE 15 (Cont'd)

31/07/1997	95-6 sayili karara istinaden Fuar Degisiklik Tebliği	97/3				x			DTM
1/06/1995	Uluslararası Nitelikteki Yurt İçi İhtisas Fuarlarının Desteklenmesine İlişkin Karar	95/7		x					DTM
20/04/1999	95-7 sayili ihracat tesvik tebligine degisiklik yapan Ihracati Tesvik Tebliginde Degisiklik Yapilmasi Tebliği	99/1					x		DTM
31/07/1997	Eğitim Yardımı Hakkında Tebliğ	97/7				x			DTM
31/07/1997	İstihdam Yol Açma Yardımı Hakkında Tebliğ	97/8				x			DTM
29/01/2000	94-6401 sayılı İhracata Yönelik Devlet Yardımları Kararına istinaden İstihdam ve Eğitim Tebliği	2000/1				x			DTM
31/12/1995	<b>Dahilde İşleme</b>	<b>95/7615</b>							<b>DTM</b>
5/01/1996	95-7615 sayili karara istinaden Dahilde İşleme Rejimi UUE	96/1				x			DTM
12/04/1997	96-1 sayili DIR tebligine Deg.Teb.	97/10				x			DTM
25/09/1996	95-7615 sayili karara istinaden Ihracat sayılan Satis ve Teslimler Tebliği	96/30				x			DTM
6/01/1996	<b>95-7623 sayili Ihracat Rejimi Karari Yonetmeligi</b>	<b>95/7623</b>			x				<b>DTM</b>

TABLE 15 (Cont'd)

6/01/1996	95-7623'e istinaden yayınlanan İhracat Yönetmeliği				x				DTM
6/01/1996	İhracatçı Belgesine İlişkin Tebliğ	96/1				x			DTM
17/02/1996	96-1 sayılı teblige degisiklik yapan DIR 96-15 Degisiklik Tebligi	96/15					x		DTM
5/09/1996	96-15 sayılı teblige degisiklik yapan DIR Degisiklik Tebligi 96-24	96/24				x			DTM
6/01/1996	İhracı Yasak ve Ön İzne Bağlı Mallara İlişkin Tebliğ	96/2				x			DTM
19/09/1996	95-7623 sayılı karara istinaden Dir Degisiklik Tebligi İhracati Yasak Olan Mallar 96-31	96/31				x			DTM
6/01/1996	Bağlı Muamele Veya Takas Yoluyla Yapılacak İhr.İls.Tbl.	96/3				x			DTM
6/01/1996	Dış Ticaret Sermaye Şirketleri Statüsüne İlişkin Tebliğ	96/4				x			DTM
6/01/1996	Sektörel Dış Ticaret Stat.İls.Tbl.	96/5				x			DTM
13/03/1996	96-5 sayılı teblige degisiklik yapan SDS KOY Sınıflandırması 96-20 Degisiklik Tebligi	96/20					x		DTM
27/09/1996	95-7623 sayılı kar. Ist. SDS Tebligi	96/32				x			DTM
26/12/1996	95-7623 sayılı karara ist.SDS Tbl	96/39				x			DTM
2/07/2004	95-7623 sayılı kar. ist.SDS Tebligi	2004/4				x			DTM

TABLE 15 (Cont'd)

30/12/2006	2004-4 sayili tebligde degiklik yapan SDS Degisiklik Tebliği	2006/13					x		DTM
27/11/2004	2004/4 sayılı SDS Tebliginde degşiklik	2004/10					x		DTM
16/04/2005	2004-4 sayili tebligde degisiklik yapan SDS Tebliği Degisiklik	2005/7					x		DTM
6/01/1996	Uluslararası Gözetim Şirketleri Statüsüne İlişkin Tebliğ	96/6					x		DTM
6/01/1996	Ticari Kiralama Yoluyla Yapılacak İhracata İlişkin Tebliğ	96/7					x		DTM
6/01/1996	Transit Ticarete İlişkin Tebliğ	96/8					x		DTM
6/01/1996	Yurt Dışı Fuar ve Sergilere İlişkin Tebliğ	96/9					x		DTM
22/02/2005	95-7623 sayili karara istinaden Yurtdisi Fuar	2005/5					x		DTM
6/01/1996	Bedelsiz İhracata İlişkin Tebliğ	96/10					x		DTM
6/01/1996	Yurt Dışı Müteahhitlik Hizmetleri Kapsamında Yapılacak İhracata İlişkin tebliğ	96/11					x		DTM
23/01/1996	95-7623 sayili karara istinaden Resmi Destekli Ihr Kred.Tbl	96/12					x		DTM
31/12/1995	HİR	95/7617		x					DTM
24/01/1996	95-7617 sayili kararanameye istinaden Haricte Isleme Rej. Tbl.	96-13 ve 96-14					x		DTM

TABLE 15 (Cont'd)

<b>02/14/1997</b>	<b>KDV İadesi Tebliği Seri No 62</b>	<b>Seri No 62</b>				<b>x</b>			<b>Maliye Bakanlığı</b>
26/03/1997	Tarımsal Ürünlerde İhracat İadesi Yardımlarına İlişkin 97/1 ve 97/2 Sayılı Tebliğlerde Değişiklik Yapılması Hakkında Tebliğ	97/4				x			DTM
<b>16/12/1998</b>	<b>Ofset uygulaması UUE Tebliği</b>	<b>98/27</b>				<b>x</b>			<b>DTM</b>
<b>27/12/1998</b>	<b>İhracatta VRH ve DV İstisnası UUE tebliği</b>	<b>Seri No 4</b>				<b>x</b>			<b>DTM</b>
<b>15/01/1997</b>	<b>Türk Ürünlerinin İhracatının Arttırılmasına Yönelik Teknik Mevzuatı Hazırlayacak Kurumların Belirlenmesine İlişkin Karar</b>	<b>9196</b>		<b>x</b>					<b>DTM</b>
19/02/1999	9196 sayılı karara değişiklik yapan İhracatı Arttırmaya Yönelik Mevzuatı Hazırlayacak Kurumların Tespiti Değişiklik Tbl.	99/7					x		DTM
<b>31/12/1999</b>	<b>İhracat, İhracat Sayılan Satış ve Teslimler ile Döviz Kazandırıcı Hizmet ve Faaliyetlerde Vergi, Resim ve Harç İst.Hak.Kar.</b>	<b>99/13812</b>		<b>x</b>					<b>DTM</b>
14/01/2000	99-13812 sayılı Karar.eki Karara ist. İhr. Sayılan Satış ve Teslimler ile İhr.VRH İstisnası Tebliği	2000/1				x			DTM

TABLE 15 (Cont'd)

22/09/2000	200/1 sayılı İhracat Sayılan Satış ve Teslimler ile İhracatta VRH İstisnası tebliğine değişiklik	2000/14					x		DTM
16/03/2004	200/1 sayılı İhracat Sayılan Satış ve Teslimler ile İhracatta VRH İstisnası tebliğine değişiklik	2004/1					x		DTM
23/12/1999	<b>DIR Rejiminin Yururluge Konulmasına Dair Karar</b>	<b>99/13819</b>		x					<b>DTM</b>
8/03/2000	99-13819 sayılı Kararname ekine istinaden İhracat Sayılan Satis ve Teslimler teblig	2000/5					x		DTM
11/03/2000	99-13819 sayili kararnameye istinaden DIR Teblig	2000/6					x		DTM
11/03/2000	99-13819 sayili karara istinaden Turquality ve Tarim Teblig	2000-7					x		DTM
2/01/2002	İhracat Sayılan Satis ve Teslimler UUE Teblig	2001/8					x		DTM
5/08/2000	<b>Yurt Dışında Fuar Düzenlenmesine İlişkin Tebliğ RG No 24131</b>						x		<b>DTM</b>
24/05/2002	Yurt Dışında Fuar Düz İls. Tbl. Değ.	2002/4					x		DTM
5/05/2000	<b>HIR</b>	<b>2000/674</b>		x					<b>DTM</b>
12/07/2000	2000-674 sayili karara istinaden Haricte Isleme Rejimi UUE Teblig	2000/8					x		DTM

TABLE 15 (Cont'd)

1/12/2000	KDV Tebliği Tecil Terkin Tebliği	Seri No 77				x			Maliye Bakanlığı
11/05/2006	İhracata Yönelik Devlet Yardımları Kararı"	2006/7		x					DTM
24/05/2006	2006-7 sayılı karara istinaden hazırlanan Turquality Tebliği	2006/4				x			DTM
19/02/2007	Yurtdışı Fuar Tebliği	2007/1				x			DTM
7/05/2010	Yurtdışı Fuar Tebliği	2010/5				x			DTM
11/06/2010	Sektörel Tanıtım Grubu Tebliği	2010/6				x			DTM
23/09/2010	Rekabetçilik Tebliği	2010/8				x			DTM
	Sinir Ticareti Tebliği	2009/7							DTM
30/12/2010	2009-7 sayılı Sinir Ticareti Tebliğine Değişiklik Tebliği 2010- 14	2010/14					x		DTM

Source: Official Gazette

## **APPENDIX C: THE FOREIGN TRADE ENVIRONMENT IN TURKEY IN THE 1980S AND THE 1990S**

As explained in the previous Chapter, January 24, 1980 economic stabilization measures are different from other and previous programs in the dis that they also include structural changes. In terms of foreign trade, the short run repercussions of these decisions have been, establishing an economy open to international competition, by reviewing comparative advantages, increasing exports, increasing the share of industrial products in exports, foreign capital, workers' remittances and tourism incomes. We also see that there has been a selective approach to the sectors that would be promoted and protected, and they were labelled as the sectors which have potential for exports, although this approach never worked as intended<sup>364</sup>.

With the measures taken for transition to export oriented development, exports, which was 2.9 billion dollars in 1980, has reached 4.7 billion dollars in 1981 and imports have reached 8.9 billion dollars in 1981 from 7.9 billion dollars in 1980. Import coverage of exports has increased to 52.6% in 1981 from 36.8% in 1980<sup>365</sup>. Foreign trade volume expanded also causing an increase in foreign trade deficit.

With the January 24 measures, internationally competitive economic model was (to be established), comparative advantages were revised and the share of industrial goods in

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<sup>364</sup> Interviewee 2

<sup>365</sup> [www.tuik.gov.tr](http://www.tuik.gov.tr)



exports was increased. In terms of short term results of these measures, foreign investment and exports increased, workers' remittances and tourism revenues increased, the trade deficit has grown mainly due to increasing import demand, capacity utilization rates shown remarkable increases, deposits increased within the framework of the real interest rate policy and textile, construction and light industry exports have become the leading sectors. New terms and conditions of export for the materials have been identified for those who are engaged in construction, installation and assembly works and technical services overseas and need to export certain materials in connection with these works. For these lines of work it was permitted to export goods paid for in Turkey which will be processed abroad before sales (abroad). Re-export and border trade implementation procedures have been identified as well as the list of goods subject to export restrictions which were listed in the export regime decree in 1984.

The plans for transition to the export oriented development have also been placed in the 5 year development plans prepared by the SPO. Here it is interesting to note that 4<sup>th</sup> Development Plan (1979-1984) states that, it should not be mandatory to become a member to the Exporters' Unions to do exports. With this, it undermines the development of an organized interest group and which can also be seen as an extension of the idea that exporters should be organized under the TOB(B)<sup>366</sup>. The same plan sets out a different type of approach from the strategy prior to 1980s and places the importance on exports by enhancing international marketing efforts, relaxation of complex bureaucratic procedures and following a more aggressive method in developing export channels. Some important elements in the plan to this end are:

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<sup>366</sup> Interviewee 4

- In exports there will be no inspections other than the control of quantity, price and quality. In the inspections importers' declarations will be sought as the minimum criteria. In validating the price; there will be a cross check of import prices between foreign countries' prices and domestic prices.
- New legal requirements will be put in place to implement the new export system, staff specializing in the supervision of the customs positions will be employed to control the quality export products.
- In exports, in order to reduce bureaucratic procedures, customs control other than the ones done by Central Bank and customs, will be abolished. An effective coordination will be established between ports, warehouses and transport authorities.
- Existing and potential export goods, (especially the industrial goods) will be promoted abroad by using any available means such as fairs and exhibitions. The warehouses located abroad will be used to facilitate the promotion of some export products.
- Related administrative processes will be simplified and collated in a single centre.
- Marketing and export planning will also be encouraged in goods with high export potential. It will be ensured that Turkey enters into new markets, diversifies its export products and establishes long term links with export markets to achieve this.
- Prices for the export products will be competitive in the world markets. If not subsidies (such as export tax refund, cheap inputs, long-term and low-interest loans, temporary import facilities) will be given to support exporters.

The above precautions intended for the 4<sup>th</sup> plan period may be seen as indicating a relaxation of export related controls and opening up the way for abuse of certain mechanisms. In fact if legal background also explained in the program, ensuring proper checks and balances were to be implemented before relaxing the bureaucratic burdens, we would probably witness a less abuse of the system. As we will see in more detail under the FTC and SFTC discussion, legal environment for the functioning of these companies has been subject to continuous amendments, leading to creating a vague implementation environment for the practitioners as discussed in Chapter 4. However, making the regulations stricter was not a way of defying abuses. Nevertheless, measures such as promoting marketing, participation in the international fairs and exhibitions, planned and coordinated export efforts, establishing national and international agencies to promote and facilitate exports, facilitating market entry mechanisms indicate a transition to a more sophisticated approach to export orientation and set the background for FTCs.

The transition from more traditional measures of export subsidies to more sophisticated ones and placement of measures related to marketing, export markets diversification and more aggressive export promotion methods in the development plan indicate having analysed successful samples abroad. One of the interviewees commented that the FTC model is not a transferred policy, but came as a result of actual and determined need in the Turkish markets, although Özal put the East Asian model as an example<sup>367</sup>. However, same interviewee also mentioned that there was a keen interest in the export performance of the East Asian countries and how they managed it. As mentioned in Chapter 4, Özal and his government admired the export success in East Asian and wanted to repeat a similar story in Turkey.

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<sup>367</sup> Interviewee 7

The 4<sup>th</sup> Plan also mentions the “multi-partner company initiative” and indicates that there are almost 300 of them in Turkey at the micro level. The Plan mentions that most of these companies have failed because of the misdirected subsidies to them and lack of guidance by the government. It also states that they have been looked at through the “political spectacles” and are seen as ways of collecting workers’ remittances from abroad. This is another example signifying that there have been attempts in Turkey towards entrepreneurial activities if the necessary environment was created and it could also take the form of collective efforts, which could lead to exports from “Anatolia” in the future. Although they have failed, the Plan is suggesting promoting such initiatives further by looking into them closely. On the other hand, from the above mentioned precautions and proposals for promoting exports we understand that the SPO has studied the examples of other countries. Most of the export promotion plans in the 4<sup>th</sup> 5 Year Development Plan were quite novel ideas that were put into action mostly in the advanced countries. The 5<sup>th</sup> Plan covering years 1984-1989 only reiterated the above measures. The 4<sup>th</sup> Plan was much more comprehensive compared to the 5<sup>th</sup> one.

I also would like to touch base on the other main export related developments of 1980s and 1990s, noting that the pace set out in 1980s was lost in 1990s.

In transition to a new administrative structure in the field of foreign economic relations, Undersecretariat of Treasury and Foreign Trade was established under the Prime Ministry in line with Decree Law No. 188 dated 13.12.1983. The said Undersecretariat was established through merging the General Directorate of Treasury and the General Secretariat of the Organization for International Economic Cooperation at the Ministry of Finance on one hand, and the General Secretariat of Foreign Trade under the Ministry of Commerce on the other hand. It was re-organized by Law No. 3274 dated 16.04.1986. 11 years after its establishment, it was split into two as the Undersecretariat

of Treasury and Foreign Trade, with the Law No 4059 dated 09.12.1994. Established under the Prime Ministry, Undersecretariat of Foreign Trade (UFT), became responsible for determining foreign trade policy within the framework of policies such as export, export promotion, import, international bilateral and multilateral trade and international contracting services.<sup>368</sup> As mentioned in Chapter 4, late 1970s and 1980s had witnessed a continuous temperance with the structures of the key state institutions in line with political objectives. As a result foreign trade policies had changed hand frequently as well but were mainly decided upon by Özal himself.

Looking at 1990s, the main development was the Export Regime Decree of 1995 bringing in a full-fledged program on the subsidies for exports. According to the Decree, some export regulations issued under the provisions of the Export Regime in 1936 were abolished. The main one was the one that requested exporters obtain export certificates to be able to do exports (abolished in 15.01.1996). Exports were opened up to those who were members of the related Exporters' Union, natural and legal persons and traders, artisans and craftsmen who were members of the related chambers, ventures and consortiums. On 31/12/1995 Inward Processing Regime No: 95/7615 has been put into effect which regulated the exports of products which use imported inputs, as well as the sales and deliveries that are considered as exports and foreign currency earning activities and services. Imported inputs for the production of goods to be exported were given tax exemptions or tax rebates. On the other hand, Outward Processing Regime (Temporary Exports) defines the goods exiting Turkey for being processed and entering into Turkey again to be exported. There are tax exemptions and rebates for such products as well.

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<sup>368</sup> State Planning Organization, Annual Publications, 1990: 40-42

Despite the economic stabilization measures announced in 1994, Turkish economy suffered infrastructural imbalances and risks arising from political instabilities. As a result during 1995-1999, Turkey's economy had intense struggles to maintain macro-economic balances. At the end of 1999, a “Monetary Program” was announced by the Central Bank and the Undersecretariat of Treasury in an effort to solve economic problems such as foreign investment problems dragging on since 1980s. However, as a result of the financial problems Turkey underwent another crisis in 1999 causing imports to decrease by 11.4% to 40.67 billion dollars and exports to decrease by 1.12% 26.8 billion dollars. One of the interviewees has mentioned that the solutions implemented in the economy in the 1990s were one of “wound dressing” remedies unlike structural remedies taken in the 1980s and 2000s. As a result, he established resemblances between 1980s and 2000s owing to single party determinedness and willing to implement structural reforms. He referred to 1990s as lost years, where Turkey was not able to take decisive stabilization measures<sup>369</sup>. As mentioned in Chapter 4 key structural decisions were unable to be taken and implemented in politically instable periods, such as the 1970s and 1990s. The bureaucracy was also quite reserved in making decisions as they were unsure whether the consequences of their determined actions would be favoured or disapproved by the next government where the governments were quite short-lived.

The 6<sup>th</sup> Development Plan covering 1990-1994 was put into effect in these years. The main policy change regarding the exports in this plan was the intended switch from direct and monetary subsidies to more technical and indirect subsidies such as export loans, and export loan insurances. In the 7<sup>th</sup> Plan covering (1996-2000), the main emphasis in terms of foreign trade and exports was given to increase the competitiveness of Turkish exports in line with the requirements set forward by the

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<sup>369</sup> Interviewee 7.

Customs Union with the EU including exchange rate adjustments to support exports. All other previous measures to support exports such as usage of free trade zones, export credits and guarantees and creating a favourable environment for foreign investments and exports of value added products remained. Due to the instabilities of the time, exports remained weak and the businessmen hesitated to engage in furthering their investments. As established in Chapter 4, business world also acted in more determination and envision during the politically stable periods whereas in instable periods the business world continued with the same old way of doing work. The rest of the incentives had one major aim: financing the current account deficit. The disguise of removing regional disparities was also an often cited resort<sup>370</sup>.

Comparing 1980s and 1990s in terms of measures taken towards stimulating exports, we see a more positive and sophisticated working environment in 1980s. Under the political stability of 1980s, bureaucrats and especially the technocrats with a longer term vision were able to devise more technically untraditional solutions. Coming to 1990s, with the deterioration of the economic and political outlook, the focus was switched to short term, quick remedy actions which were basically towards improving the economic conditions rather than trying to design avant-garde policies with longer term repercussions.

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<sup>370</sup> Interviewee 8.

## **APPENDIX D: RATIONALE FOR AMENDMENT IN THE SFTC DECREES OF 96/39 AND 2004/4**

This Table 16 lays out the rationale for the amendments made in the decree of 2004/2 in comparison to the decree of 96/39. The reason for selecting these two decrees is that there is a wide gap in terms of number of years in between which is a good example in explaining the change of practices and demands between the 1990s and 2000s



**APPENDIX E –TABLE 16: RATIONALE FOR AMENDMENT IN THE SFTC DECREES OF 96/39 AND 2004/4**

<b>96/39 SAYILI TEBLİĞ</b>	<b>2004/4 SAYILI TEBLİĞ</b>	<b>GEREKÇE</b>
<p>Madde 1-22.12.1995 tarih ve 95/7623 sayılı İhracat Rejimi Kararı'nın 3 üncü maddesinin (k) bendine istinaden, küçük ve orta büyüklükteki işletmelerin (KOBİ) ihracat sektörü içinde bir organizasyon altında toplanarak dünya pazarlarına yönlendirilmesi amacıyla; ihracat ve ilgili konularda (finansman, tedarik, nakliye, sigorta, gümrükleme v.b.) hizmet sağlayarak, dış ticarete uzmanlaşmalarını ve bu suretle daha etkin faaliyet göstermelerini teminen kurulan şirketlere, Dış Ticaret Müsteşarlığı'nca "Sektörel Dış Ticaret Şirketi (SDŞ) Statüsü" verilmesi, geri alınması ve sorumlulukları aşağıdaki şekilde belirlenmiştir.</p>	<p>Madde 1- Bu Tebliğ ile 22/12/1995 tarih ve 95/7623 sayılı İhracat Rejimi Kararı'nın 3'üncü maddesinin (k) bendine istinaden, Küçük ve Orta Büyüklükteki İşletmelerin (KOBİ) ihracat sektörü içinde bir organizasyon altında toplanarak dünya pazarlarına yönlendirilmesi amacıyla; ihracat ve ilgili konularda (finansman, tedarik, nakliye, sigorta, gümrükleme v.b.) hizmet sağlayarak, dış ticarete uzmanlaşmalarını ve bu suretle daha etkin faaliyet göstermelerini teminen kurulan şirketlere, Dış Ticaret Müsteşarlığı'nca "Sektörel Dış Ticaret Şirketi (SDŞ) Statüsü" verilmesi, geri alınması ve sorumlulukları düzenlenmektedir.</p>	<p>Sektörel Dış Ticaret Şirketi Statüsüne İlişkin Tebliğin hukuksal dayanağı, amacı ve kapsamı belirtilmektedir.</p>

**TABLE 16 (Cont'd)**

	<p>Madde 2- Bu Tebliğde geçen:</p> <p>Müsteşarlık : Dış Ticaret Müsteşarlığını (DTM),</p> <p>Küçük ve Orta Büyüklükteki İşletme (KOBİ): 1 (bir) ila 250 (ikiyüzelli) arasında çalışan istihdam ettiği bağlı olduğu meslek kuruluşunca tevsik edilen işletmeleri,</p> <p>Borsa: İstanbul Menkul Kıymetler Borsasını,</p> <p>Kalkınmada Öncelikli Yöre: Kalkınmada Öncelikli Yöre kapsamındaki illeri,</p> <p>Normal Yöre: Kalkınmada Öncelikli Yöre kapsamı dışında kalan illeri,</p> <p>Üretici Derneği: Aynı üretim dalında faaliyette bulunan üretici şirketlerin kurduğu dernekleri,</p> <p>Üretici Birliği: Aynı üretim dalında faaliyet gösteren kooperatif ve birlikleri,</p> <p>Fuar: Yurt dışında düzenlenen; ticari nitelikteki uluslararası fuar ve sergiler ile münhasıran Türk ihraç ürünlerinin sergilendiği tanıtım faaliyetlerini,</p> <p>ifade eder.</p>	<p>Tebliğde geçen terimler tanımlanarak, Tebliğin daha anlaşılır olması amaçlanmıştır. 96/39 sayılı Tebliğde 1-200 arasındaki işçi çalıştıran işletmeler olarak tanımlanan KOBİ'ler, bu Tebliğde Avrupa Birliği'nin KOBİ tanımına uyum sağlanması amacıyla, 1-250 arasında çalışan istihdam eden işletmeler olarak tanımlanmıştır.</p>
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**TABLE 16 (Cont'd)**

<p>Madde 2 :a)Normal yörelerde, yalnız aynı sektörden oluşan Sektörel Dış Ticaret Şirketlerinin;</p> <p>i- 1-200 arasında işçi istihdam eden,</p> <p>ii- aynı üretim dalında (Ek:1) faaliyette bulunan,</p> <p>iii-asgari 10 küçük ve orta büyüklükteki şirketin bir araya gelmesiyle,</p> <p>iv- en az 10 (on) milyar TL. ödenmiş sermayeli anonim şirket olarak,</p> <p>kurulması gerekmektedir.</p> <p>b) Kalkınmada Öncelikli Yörelerde, aynı veya farklı sektörlerden oluşan Sektörel Dış Ticaret Şirketlerinin;</p> <p>i- 1-200 arasında işçi istihdam eden,</p> <p>ii-asgari 5 küçük ve orta büyüklükteki şirketin bir araya gelmesiyle,</p> <p>iii-en az 5 (beş) milyar TL. ödenmiş</p>	<p>Madde 3- a) Normal yörelerde, Sektörel Dış Ticaret Şirketlerinin; aynı üretim dalında (Ek-1) faaliyette bulunan, asgari 10 (on) KOBİ'nin bir araya gelmesiyle en az 500 (beşyüz) milyar TL sermayeli anonim şirket olarak kurulması gerekmektedir.</p> <p>b) Kalkınmada Öncelikli Yörelerde, Sektörel Dış Ticaret Şirketlerinin; aynı veya ayrı üretim dalında faaliyette bulunan, asgari 5 (beş) KOBİ' nin en az 250 (ikiyüzelli) milyar TL sermayeli anonim şirket olarak kurulması gerekmektedir.</p> <p>c) Aynı üretim dalında faaliyette bulunan Üretici Dernekleri ve Üretici Birlikleri tarafından anonim şirket şeklinde ve en az 500 (beşyüz) milyar TL sermaye ile kurulan şirketlere Sektörel Dış Ticaret Şirketi Statüsü verilebilir.</p> <p>d) Sektörel Dış Ticaret Şirketlerinin KOBİ niteliğindeki her bir ortağının sermaye payı, toplam şirket sermayesinin, Normal Yörelerde % 10 ve Kalkınmada Öncelikli Yörelerde % 20'sinden fazla olamaz. (c) bendi için bu oranlar aranmaz.</p> <p>e) Sektörel Dış Ticaret Şirketlerinin Sermaye Piyasası Kanunu ve ilgili mevzuat çerçevesinde hisse senetlerinin Borsa'da işlem görmesi durumunda, Müsteşarlığın önceden izni ve görüşü alınması şartıyla (d) bendinde belirtilen ortaklık payına ilişkin sınırlamalar uygulanmaz.</p> <p>f) Hisse senetlerinin tamamının nama yazılı olması gerekmektedir.</p> <p>g) Sektörel Dış Ticaret Şirketi Statüsü için Müsteşarlığa başvuruda bulunan şirket ve ortaklarıyla ilgili olarak Vergi Usul Kanununun</p>	<p>SDŞ statüsü verilecek şirketlerde aranan şartlar belirtilmiştir. Asgari sermaye tutarları yükseltilerek, kurulacak şirketlerin sermaye yetersizliği sorunuyla karşılaşmamaları amaçlanmıştır. Sermayenin ödenmiş olması şartı kaldırılmıştır. Bunun nedeni, şirketlerin Ticaret hukuku gereği, taahhüt edilen sermayelerinin 3 ay içinde ¼'ünü, 3 yıl içinde de kalanını ödemek zorunluluğunda bulunmalarıdır. Sermaye, Kalkınmada Öncelikli Yörelerde kurulacak SDŞ'ler için daha düşük öngörülmüş, KOBİ'lerin aynı veya farklı sektörlerden oluşması kolaylığı getirilmiştir.</p>
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**TABLE 16 (Cont'd)**

<p>sermayeli anonim şirket olarak,kurulması gerekmektedir.</p> <p>c) Sektörel Dış Ticaret Şirketlerinin hiçbir ortağının sermaye payı, toplam şirket sermayesinin, Normal Yörelerde % 10 ve Kalkınmada Öncelikli Yörelerde % 20'sinden fazla olamaz.</p> <p>d) Hisse senetlerinin tamamının nama yazılı olması ve nakit karşılığı (3/d. maddede belirtilen kuruluşlar hariç) çıkartılması gerekmektedir.</p> <p>e) 30/4/1985 tarihli ve 3186 sayılı Tarım Satış Kooperatifleri ve Birliklerinin Kuruluşu Hakkında Kanun Hükmünde Kararnamenin Değiştirilerek Kabulüne Dair Kanun ve 29/4/1985 tarihli ve 18739 sayılı Resmi Gazete'de yayımlanan 85/9282 sayılı Tarım Satış Kooperatifleri ve Birliklerinin Ana Sözleşmelerinin Kabulüne Dair Bakanlar Kurulu Kararı hükümleri çerçevesinde faaliyet gösteren tarım satış kooperatifleri ve birliklerinin;</p> <ul style="list-style-type: none"><li>- Anonim Şirket şeklinde ve</li><li>- En az 10 (on) milyar TL. ödenmiş sermaye ile,</li></ul> <p>kuracakları şirketlere Sektörel Dış Ticaret Şirketi Statüsü verilebilir.</p>	<p>359'uncu maddesinde belirtilen muhteviyatı itibariyle yanıltıcı belge düzenlenmediğinin veya kullanılmadığının, başvuru sahibi şirket ve ortakların bağlı bulundukları vergi dairesinden alınacak bir yazı ile belgelendirilmesi gerekmektedir.</p>	<p>Mevcut uygulamada, SDŞ başvurusunda bulunan şirket ve ortaklarıyla ilgili olarak muhteviyatı itibariyle yanıltıcı belge düzenlenmediğinin veya kullanılmadığının Maliye Bakanlığı tarafından araştırılması yöntemi izlenmekte ve bu durum başvuru sürecinin uzamasına neden olmaktadır. Bu nedenle, yeni Tebliğ ile SDŞ başvurusunda bulunan şirket ve ortaklarından, muhteviyatı itibariyle yanıltıcı belge düzenlenmediğinin veya kullanılmadığını bağlı oldukları vergi dairelerinden alacakları yazılar ile belgelemeleri şartı getirilerek başvuru süreci kısaltılmıştır.</p>
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**TABLE 16 (Cont'd)**

<p>Madde 3: Sektörel Dış Ticaret Şirketleri, şirketin kurulması ve gelişmesinde yardımcı olmak amacıyla, aşağıda belirtilen unsurlardan en fazla ikisini bünyelerinde bulundurabilirler.</p> <p>a) Ortaklık payları toplamı, SDŞ sermayesinin %10' unu aşmamak kaydıyla, kurucu ortak olarak, 200'den fazla işçi istihdam eden şirketler.</p> <p>b) Ortaklık payları toplamı, SDŞ sermayesinin %10' unu aşmamak ve şirkette profesyonel yönetici olarak çalışmak kaydıyla gerçek kişiler.</p> <p>c) Ortaklık payları toplamı, SDŞ sermayesinin %10'unu aşmamak kaydıyla, SDŞ'nin faaliyette bulunduğu üretim dalına mal, ekipman ve hizmet sağlayan şirketler.</p> <p>d) Ortaklık payları toplamı, SDŞ sermayesinin %10'unu aşmamak kaydıyla, kooperatif, birlik, vakıf ve mesleki federasyon v.b. kuruluşlar.</p>	<p>Madde 4- Sektörel Dış Ticaret Şirketleri'ne, şirketin kurulması ve gelişmesinde yardımcı olmak amacıyla, ortaklık payları münferiden veya toplu olarak % 40'ı aşmamak üzere,</p> <p>a) Normal Yörelerde aynı üretim dalında, Kalkınmada Öncelikli Yörelerde aynı veya farklı üretim dalında faaliyette bulunan, 250'den fazla çalışan istihdam eden şirketler,</p> <p>b) Profesyonel yönetici olarak çalışmaları kaydıyla gerçek kişiler,</p> <p>c) Sektörel Dış Ticaret Şirketlerine ve ortaklarına mal, ekipman ve hizmet sağlayan şirketler,</p> <p>d) Üretici Derneği, Üretici Birliği, vakıf, mesleki federasyon v.b. kuruluşlar,</p> <p>ortak olabilirler. Ancak, gerçek kişilerin ortaklık payı her halükarda % 10'u aşamaz.</p>	<p>SDŞ'lerin kurulması ve gelişmesine yardımcı olmak üzere KOBİ'ler dışındaki büyük şirket, kuruluşlar ile gerçek kişilerin ortak olabilme imkanları korunmuştur. Ancak ortaklık payları toplamı % 10'dan %40'a çıkarılmıştır.</p>
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**TABLE 16 (Cont'd)**

Madde 4: Bu şartları haiz bulunan şirketlerin Sektörel Dış Ticaret Şirketi olabilmeleri için, örneği ekli (Ek:2) müracaat formunu doldurarak, istenilen belgeler ile birlikte Dış Ticaret Müsteşarlığı'na (İhracat Genel Müdürlüğü) müracaat etmeleri gerekmektedir.	Madde 5- Bu şartları haiz bulunan şirketlerin Sektörel Dış Ticaret Şirketi olabilmeleri için örneği ekli (Ek-2) müracaat formunu doldurarak, istenilen belgeler ile birlikte Müsteşarlığa (İhracat Genel Müdürlüğü) müracaat etmeleri gerekmektedir.	Bu maddede, SDŞ başvuru süreci açıklanmaktadır, bir değişiklik yoktur.
Madde 5: Yapılan inceleme sonunda, gerekli şartları haiz olduğu anlaşılan şirketlere Sektörel Dış Ticaret Şirketi Statüsü verilir ve Resmi Gazete'de yayımlanır.	Madde 6- Yapılan inceleme sonucunda, gerekli şartları haiz olduğu anlaşılan şirketlere Sektörel Dış Ticaret Şirketi Statüsü verilir ve konuya ilişkin Karar Resmi Gazete'de yayımlanır.	Bu maddede, SDŞ başvuru süreci açıklanmaktadır, bir değişiklik yoktur.

**TABLE 16 (Cont'd)**

<p>Madde 6: a) Sektörel Dış Ticaret Şirketleri;</p> <p>i- Normal Yörelerde ve yurtdışında, sadece hizmet sektöründe faaliyette bulunmak üzere kurulan şirketlere,</p> <p>ii- Kalkınmada Öncelikli Yörelerde ise, üretim ve hizmet sektöründe faaliyette bulunmak üzere kurulan şirketlere,</p> <p>iştirak edebilirler.</p>	<p>Madde 7- a) Sektörel Dış Ticaret Şirketleri, ortaklarının üretimine katkıda bulunmak veya faaliyette bulundukları sektörle ilgili işlemlerinde kolaylık sağlamak amacıyla, Sektörel Dış Ticaret Şirketi yönetim kurulunca oybirliğiyle karar verilmesi ve Müsteşarlıktan önceden izin alınması kaydıyla, hizmet ve imalat sanayi sektöründe faaliyette bulunan şirketlere ortak olabilirler veya şirket kurabilirler.</p>	<p>Bu maddede, SDS'lerin kendi sektörleriyle ilgili işlemlerinde kolaylık sağlamak üzere, hizmet ve imalat sanayi sektöründe faaliyette bulunan şirketlere ortak olabilmeleri veya şirket kurabilmeleri, ortağı olmayan KOBİ'lerin ihracatına aracılık etmeleri imkanı getirilirken, bunlara ilişkin esaslar belirlenmiştir.</p>
<p>b)Sektörel Dış Ticaret Şirketleri, ortaklarının faaliyet gösterdiği üretim dalına ait hammadde tedarikinde imalatçı olarak değerlendirilirler.</p> <p>c) Sektörel Dış Ticaret Şirketleri; aynı sektörde faaliyette bulunmak kaydıyla, SDS ortağının ait olduğu grubun diğer şirketleri ile bunların kurduğu ortaklıkların ihracatına aracılık edebilirler. Ayrıca, bu şirketler gerek</p>	<p>b) Sektörel Dış Ticaret Şirketleri, ortaklarının faaliyet gösterdiği üretim dalına ait hammadde tedarikinde imalatçı olarak değerlendirilirler.</p> <p>c) Normal Yörelerde yerleşik Sektörel Dış Ticaret Şirketleri, aynı sektörde faaliyette bulunmak kaydıyla ortağı olmayan KOBİ'lerin, Kalkınmada Öncelikli Yörelerde yerleşik SDS'ler ise sektör ayrımı olmaksızın tüm KOBİ'lerin ihracatına aracılık edebilirler. Ancak, ihracata aracılık etmeden önce, söz konusu KOBİ'den Vergi Usul Kanununun 359'uncu maddesinde belirtilen muhteviyatı itibariyle yanıltıcı belge düzenlenmediğinin veya kullanılmadığının bağlı bulunduğu vergi dairesinden alınacak bir yazı ile belgelendirmesini talep eder. Sektörel Dış Ticaret Şirketi söz konusu KOBİ'lerin ihracatına aracılık ettiği süre içinde, gerekli denetimleri gerçekleştirir.</p>	

**TABLE 16 (Cont'd)**

SDŞ statüsünü aldıkları yılda ve gerekse takip eden yıl içinde, aynı sektörde faaliyette bulunan ve KOBİ niteliğini taşıyan ve fakat ortak olmayan firmaların ihracatına da aracılık edebilirler.		
Madde 7: Sektörel Dış Ticaret Şirketlerinde; ortaklıktan ayrılmak isteyen ortakların payları, Dış Ticaret Müsteşarlığı'nın onayı alınmak ve %10'luk (Kalkınmada Öncelikli Yörelerde %20'lik) azami oran aşılmamak kaydıyla, bu Tebliğ'de belirtilen tanıma uyan yeni veya mevcut ortaklara devredilebilir.	Madde 8- Sektörel Dış Ticaret Şirketlerinde; ortaklıktan ayrılmak isteyen ortakların payları, şirket yönetim kurulunun izniyle ve bu Tebliğ'de belirtilen koşullara uymak kaydıyla, yeni veya mevcut ortaklara devredilebilir. Bu konuda Müsteşarlığa bilgi verilir.	SDŞ ortaklarının paylarındaki değişikliklere ilişkin Müsteşarlığa bilgi verilmesi hususu düzenlenmekte olup, ortaklık paylarının Tebliğ hükümleri dışına çıkıp çıkmadığının izlenmesi amaçlanmaktadır.
	Madde 9- Sektörel Dış Ticaret Şirketleri, şirket kuruluşundan itibaren; a) Ortakları adına bir fuara katılım gerçekleştirmek, b) Ortakları adına yurt dışında düzenlenen KOBİ'ler arası işbirliği organizasyonlarına iştirak etmek veya ortaklarının katılımıyla yurt dışında KOBİ'ler arası işbirliği organizasyonu gerçekleştirmek , c) Faaliyette bulunduğu sektörle ilgili yurt dışı pazar araştırması projesi yürütmek, d) Ortakları adına ve/veya ortaklarıyla Müsteşarlığın koordinasyonunda organize edilen ticaret heyeti programlarına katılım	Bu madde ile, SDŞ'lerin ortaklarına eğitim ve yurt dışı aktif pazarlama hizmeti verebilmesi amacıyla, her takvim yılında fuara katılım sağlamak, pazar araştırması yapmak, uluslararası işbirliği programlarına, Ticaret



**TABLE 16 (Cont'd)**

	<p>e) sağlamak,</p> <p>f) Sektörel Dış Ticaret Şirketi ve/veya ortağı KOBİ yöneticilerini ve/veya personelinin dış ticaret, kambiyo, gümrük, teşvik mevzuatı vb. konularda bilgilendirmek üzere seminer/egitim programı düzenlemek veya düzenlenen seminer/egitim programlarına iştirakini sağlamak,</p> <p>faaliyetlerinden en az ikisini her takvim yılı içinde gerçekleştirmekle,</p> <p>f) Beş takvim yılı içinde ortakları adına pazarlama faaliyeti yürütmek üzere yurt dışında ofis/mağaza/şube/temsilcilik v.b. açmakla, yükümlüdür.</p>	<p>Heyetlerine veya eğitim faaliyetine katılmak faaliyetlerinden en az ikisini, beş takvim yılı içinde de yurt dışında ofis/mağaza/şube/temsilcili k açılması faaliyetini gerçekleştirmesi şartlarına ilişkin esaslar düzenlenmiştir.</p>
<p>Madde 10: Sektörel Dış Ticaret Şirketleri, ihracatta devlet yardımlarının hedef grubunu oluşturmakta olup, bu yardımlardan öncelikle yararlanırlar.</p>	<p>Madde 11- Sektörel Dış Ticaret Şirketleri ve ortağı KOBİ'ler, ihracata yönelik devlet yardımlarının hedef grubunu oluştururlar ve bu yardımlardan öncelikle yararlandırılırlar.</p>	<p>SDŞ'lerin ihracata yönelik devlet yardımlarının hedef grubunu oluşturdukları belirtilmektedir.</p>
<p>Madde 11: a) Madde 2/a'da tanımlanan Sektörel Dış Ticaret Şirketlerinin; kuruldukları yıl hariç, müteakip her yıl içinde, ait oldukları üretim dalında en az 5 (beş) milyon ABD Doları ihracat gerçekleştirememeleri,</p> <p>b) Madde 2/b'de tanımlanan Sektörel Dış Ticaret Şirketlerinin, kuruldukları yıl hariç, müteakip her yıl içinde, en az</p>	<p>Madde 13- Müsteşarlıkça, aşağıda belirtilen hallerde Sektörel Dış Ticaret Şirketi Statüsü geri alınır.</p> <p>a) Madde 3/a'da tanımlanan Sektörel Dış Ticaret Şirketlerinin; kuruldukları yıl hariç, müteakip takvim yılı içinde en az 1 (bir) milyon ABD Doları, takip eden her takvim yılı içinde de 1 (bir) milyon ABD Dolarından az olmamak üzere faaliyette bulundukları sektörün toplam ihracat miktarının ABD Doları cinsinden en az %0,1'ini gerçekleştirememeleri,</p>	<p>SDŞ statüsünün Müsteşarlığımızca geri alınmasına ilişkin esaslar belirtilmektedir. İhracat tutarını, pazarlama ve eğitim faaliyetlerini gerçekleştirmeyen, muhteviyatı itibariyle yanıltıcı belge düzenleyen veya kullanan, ortaklarının hak ve menfaatlerine aykırı işlem yapan ve Müsteşarlığa iki dönem üst</p>

**TABLE 16 (Cont'd)**

<p>2.5 (ikibuçuk) milyon ABD Doları ihracat gerçekleştirememeleri,</p> <p>c) Yapılacak inceleme ve denetlemeler neticesinde, bu Tebliğ hükümleri ile ortakların hak ve menfaatlerine aykırı durumların tespit edilmesi,</p> <p>hallerinde Sektörel Dış Ticaret Şirketi Statüsü, Dış Ticaret Müsteşarlığı'nca geri alınabilir.</p>	<p>b) Madde 3/b'de tanımlanan Sektörel Dış Ticaret Şirketlerinin kuruldukları yıl hariç, müteakip takvim yılı içinde en az 250.000 (ikiyüzellibin) ABD Doları, takip eden her takvim yılı içinde de en az</p> <p>c) Madde 3/c'de tanımlanan Sektörel Dış Ticaret Şirketlerinin kuruldukları yıl hariç, müteakip takvim yılı içinde en az 250.000 (ikiyüzellibin) ABD Doları, takip eden her takvim yılı içinde de en az 500.000 (beşyüzbin) ABD Doları ihracat gerçekleştirememeleri,</p> <p>d) Bu Tebliğin 9'uncu maddesinin (a), (b), (c), (d), (e) bentlerinde belirtilen faaliyetlerden en az ikisini gerçekleştirmemeleri,</p> <p>e) Bu Tebliğin 9'uncu maddesinin (f) bendi uyarınca, şirket kuruluşundan itibaren beş takvim yılı içinde ortakları adına pazarlama faaliyeti yürütmek üzere yurt dışında ofis/mağaza/şube/temsilcilik v.b. açmaması,</p> <p>f) Yapılacak inceleme ve denetlemeler neticesinde, bu Tebliğ hükümleri ile ortakların hak ve menfaatlerine aykırı durumların tespit</p>	<p>üste faaliyet raporu göndermeyen SDS'lerin statüsünün geri alınması öngörülmüştür.</p> <p>96/39 sayılı Tebliğde, SDS'lerin kuruldukları yıl hariç müteakip her yıl, Normal Yörelere için 5 milyon ABD Doları, Kalkınmada Öncelikli Yörelere için 2,5 milyon ABD Doları ihracat yapma koşulu aranmaktaydı. Bu</p>
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**TABLE 16 (Cont'd)**

	<p>edilmesi,</p> <p>g) Sektörel Dış Ticaret Şirketi Statüsü alındığı tarihten sonra, bizzat SDS tarafından Vergi Usul Kanununun 359'uncu maddesinde belirtilen muhteviyatı itibariyle yanıltıcı belge düzenlendiğinin ve/veya kullanıldığının tespiti,</p> <p>h) İki dönem üstüste Müsteşarlığa (İhracat Genel Müdürlüğü) faaliyet raporu sunulmaması.</p>	<p>Tebliğ ile, SDS'lerin, normal yörelerde kuruldukları yıl için ihracat tutarı aranmamakta, müteakip yıl için an az 1 milyon ABD Doları, takip eden yıllar içinse 1 milyon ABD Dolarından az olmamak üzere, faaliyette bulunduğu sektörün ihracatının % 0,1'ini gerçekleştirmesi gerekmektedir. Bu sistem ile, SDS'lerin kuruldukları yıldan itibaren kademeli bir şekilde ve her sektörün ihracat rakamı ile orantılı olarak ihracatında artış gerçekleştirmesi sağlanmaktadır. kalkınmada Öncelikli Yörelerde yerleşik SDS'ler için, kuruldukları yılda ihracattutarı aranmamakta, müteakip yılda an az 250 bin ABD Doları, takip eden yıllarda ise,</p>
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**TABLE 16 (Cont'd)**

Madde 12: İşbu Tebliğ'de belirlenen konular dışında kalan hususlar, Dış Ticaret Müsteşarlığı'nca İhracat Rejimi çerçevesinde sonuçlandırılır.	Madde 15- İşbu Tebliğde belirlenen konular dışında kalan hususlar, Müsteşarlıkça İhracat Rejimi çerçevesinde sonuçlandırılır.	en az 500 bin ABD Doları ihracat yapmaları şartı aranır. Bu madde ile, Tebliğde öngörülme-yen hususların İhracat Rejimi kapsamında sonuçlandırılması öngörülmektedir.
	Madde 14 - Sektörel Dış Ticaret Şirketleri ortakları tarafından, Vergi Usul Kanununun 359'uncu maddesinde belirtilen muhteviyatı itibariyle yanıltıcı belge düzenlendiğinin veya kullanıldığının tespiti halinde, Sektörel Dış Ticaret Şirketi ile bahse konu ortağı arasındaki aracı ihracatçı sözleşmesi derhal feshedilir. Fesh edilmemesi halinde Sektörel Dış Ticaret Şirketi Statüsü geri alınabilir.	SDŞ ortaklarının muhteviyatı itibariyle yanıltıcı belge düzenlediğinin veya kullandığının tespiti halinde, SDŞ ile aracı ihracatçı sözleşmesinin feshedilmesi, fesh edilmemesi durumunda SDŞ statüsünün geri alınması hükmüne bağlanarak, geçmişte yaşanan birtakım sorunların yeni SDŞ'lerde yaşanmasının engellenmesi amaçlanır.

**TABLE 16 (Cont'd)**

Madde 13: 27 Eylül 1996 tarihli ve 22770 sayılı Resmi Gazete'de yayımlanan Sektörel Dış Ticaret Şirketleri Statüsüne İlişkin "İhracat 96/32" sayılı Tebliğ, bu Tebliğ'in yürürlüğe girdiği tarihten itibaren yürürlükten kaldırılmıştır.	Madde 16- 26/12/1996 tarihli ve 22859 sayılı Resmi Gazete'de yayımlanan "Sektörel Dış Ticaret Şirketleri Statüsüne İlişkin İhracat 96/39 sayılı Tebliğ", 08/07/1998 tarihli ve 23396 sayılı Resmi Gazete'de yayımlanan "İhracat 96/39 Sayılı Sektörel Dış Ticaret Şirketleri Statüsüne İlişkin Tebliğ'de Değişiklik Yapılmasına Dair İhracat 98/13 sayılı Tebliğ" ve 26/10/2000 tarihli ve 24212 sayılı Resmi Gazete'de yayımlanan "İhracat 96/39 Sayılı SDŞ Statüsüne İlişkin Tebliğ'de Değişiklik Yapılmasına Dair 2000/17 sayılı Tebliğ" yürürlükten kalkar.	Bu Tebliğin yürürlüğe girmesi ile yürürlükten kaldırılacak olan mevzuat belirtilmiştir.
Madde 14: İşbu Tebliğ'in yürürlüğe girdiği tarihten önce, Dış Ticaret Müsteşarlığı'nca SDŞ statüsü verilen şirketlerin kazanılmış hakları saklıdır.		
Madde 15: Bu Tebliğ, yayımı tarihinde yürürlüğe girer.	Madde 17- Bu Tebliğ, yayımı tarihinde yürürlüğe girer.	Yürürlük maddesidir.
	Madde 18 - Bu Tebliği Müsteşarlığın bağlı olduğu Bakan yürütür	Yürütme maddesidir.
Geçici Madde: Bu Tebliğin Resmi Gazete'de yayımı tarihinden önce Ticaret Siciline tescil edilen şirketlerin SDŞ Statüsüne ilişkin taleplerinde, 96/5 ve 96/32 sayılı Tebliğlerin lehe olan hükümleri uygulanabilir.	Geçici Madde 1- 96/39 Sayılı Tebliğ kapsamında Sektörel Dış Ticaret Şirketi Statüsü devam eden şirketlerin, Tebliğin yürürlüğe girdiği tarihten itibaren, 6 ay içinde sermayeye ilişkin hükmü, beş takvim yılı içinde 9'uncu maddenin (f) bendindeki hükmü, müteakip takvim yılı içinde diğer hükümleri gerçekleştirmeleri gerekmektedir. Bu koşulları yerine getirmeyen şirketlerin Sektörel Dış Ticaret Şirketi statüsü geri alınır. Geçici Madde 2- Bu Tebliğin yürürlüğe girdiği tarihten önce Müsteşarlığa intikal eden başvuru talepleri, 96/39 sayılı Tebliğ hükümleri uyarınca incelenip sonuçlandırılır. Bu kapsamdaki şirketlere Geçici Madde 1 hükümleri uygulanır.	Geçici Madde-1: Mevcut SDŞ'lerin yeni Tebliğe uyum sağlamalarına ilişkin süreler belirtilmektedir. Geçici Madde-2: Bu Tebliğin yürürlüğe girdiği tarih itibarıyla Müsteşarlığa intikal etmiş başvurulara ilişkin uygulama düzenlenmektedir.

## **APPENDIX E: TYPES OF BENEFITS GIVEN TO THE SFTCS**

### *Export Related Subsidies*

The SFTCs were made eligible to benefit from export related state subsidies such as:

- Support Scheme for International Competitiveness
- Market Research Support Scheme
- Training Support Scheme
- Employment Support Scheme
- Research and Development (R&D) Support Scheme
- Support Scheme for Participation in International Fairs and Exhibitions
- Support Scheme for Foreign Branches, Brands and Promotional Activities
- Environmental Support Scheme

As per these schemes some striking subsidy rates for SFTCs are as follows<sup>371</sup>:

- In the event of participating in international activities or SME cooperation events approved by the UFT, 70% of the travel fares of only one person not exceeding 500 dollars and accommodation fees of one person not exceeding 100 dollars a night will be paid by the UFT,

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<sup>371</sup> These figures were obtained as of 2009. Following the amendments made in the support schemes after 2010, SFTCs in some support schemes are merely classified as “industrial or commercial company” complicating how much subsidy will be provided to the SFTC or whether any subsidy will be provided or not. Nevertheless, the subsidy rates have been redesigned along the above rates although more project activity areas have been defined in the most recent subsidy schemes.

- In Market Research Support Scheme, a standalone SME is supported for 7.000 dollars at most for one market research activity and for 15.000 dollars in total in a given calendar year whereas such figures were 10.000 dollars per market research activity and 50.000 dollars in total in a given calendar year for the SFTCs. The standalone SMEs can benefit at most 5 times from this scheme whereas there is no such limit for the SFTCs,
- In the case of opening a company/store/warehouse/branch rents, promotional and fixed costs will be paid for up to 1.000.000 dollars, being limited to number of shareholders,
- Participation expenses in the participation to the international fairs and exhibitions are subsidized by 75%,
- Expenses for trainings related to foreign trade are subsidized by 75%,
- Annual salary of one professional manager and two administrative officers hired exclusively for undertaking foreign trade activities in the SFTCs will be subsidized by 75%.

The above schemes are mostly activity based subsidy schemes. In other words, the SFTC must undertake an activity, for instance open up a branch abroad, participate in training, market research activity or a fair etc. to benefit from this support. However, the Interviewee 6<sup>372</sup> mentions that the SFTCs hardly benefitted from the above schemes during the whole period he has served (2000-2005), but preferred to use other more

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<sup>372</sup> Interviewee 6

direct schemes provided by other ministries or agencies. Employment support scheme which pays for the salary of a professional manager employed in an SFTC was probably the most utilized scheme among the above support schemes (Appendix F on employment data). Another Interviewee<sup>373</sup> also mentioned that the above schemes provided by the UFT are doomed to fail, because they make the payment after the activity is undertaken and in some cases did not make the payments due to arbitrary concerns. In such cases, the SFTCs tried to obtain subsidies whose payment was more certain. The other Interviewee<sup>374</sup> claims that exactly because of this point some of the direct payment schemes were abused and payment conditions as well as conditions for becoming an SFTC were made stricter.

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<sup>373</sup> Interviewee 5

<sup>374</sup> Interviewee 4.



### *Tax Related Subsidies*

- Stamp duty and fee exemption is given to SFTCs on the procedures and documents relating to the export of goods, exports of which are handled by the SFTCs,
- According to Value Added Tax Law Series 27 and 62, the deliveries of export goods delivered to the SFTCs are included under deferment-cancellation clause (when the goods are delivered their taxes are recorded in books, but they are cancelled when the exports are materialized),
- According to Value Added Tax Law Series 84, SFTCs wishing to receive their tax rebates are requested to provide 4% collateral. The SFTCs wishing to receive their tax rebates in cash and immediately are requested to provide 100% collateral (for all other companies this rate is 200%).

### *Eximbank Loans*

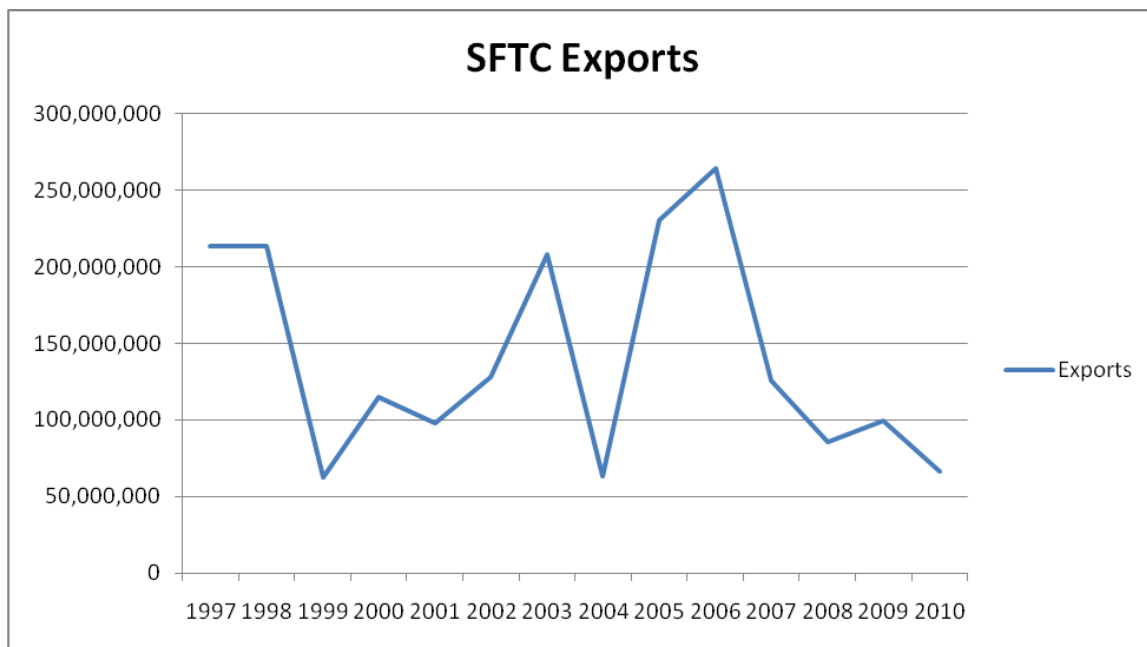
**FTC and SFTC Short Term Export Loans:** It is provided to finance the export related requirements of the FTCs and SFTCs. Company level limits are determined with respect to the company's previous year export performance, financial credibility of the company, limit usage ratio and other necessary criteria. Preferential rates are set for the SFTCs.

**Pre-Shipment Export Loans:** SFTCs are deemed as SMEs in Eximbank operations. The Pre-Shipment Export loans are short-term export loan facilities covering all sectors

and providing financial support to exporters starting from the early stages of production. Loans are extended either in Turkish Lira or in foreign currency via intermediary Turkish commercial banks, which are allocated credit lines following an evaluation process.

Quite generous subsidies are permitted to the SFTCs' use. However, as mentioned before direct cash subsidies have usually been the more preferred option for the SFTCs. The FTC models are quite well known in many countries. In Turkey, after an initial boost in exports they have failed to fulfil a collective effort in exports. Especially the SFTCs have mainly served as export commissioners and failed to take any action towards bringing their partner companies together for any type of joint action. As a result the partner companies have walked away from the SFTC agreement as they saw no interest for themselves. This is evidenced in the decrease of their export levels in recent years and closure of many SFTCs especially in mid to late 2000s. (See Figure 3 below for SFTC exports and Annex G for a list of SFTCs.)

There are also successful examples. The successful examples are the ones which have not dissolved so far and managed to maintain a good volume of exports. However, in terms of joint action and establishment of networking among firms, there are no solid examples so far.



**Figure 3: SFTC Exports 1997-2010**

Source: UFT

## APPENDIX F: TABLE 17- EMPLOYMENT SUPPORT

NO	SECTOR	START DATE	DURATION OF SUPPORT	LIMIT OF THE SUPPORT		DURATION OF USAGE MONTH AND DAY	AMOUNT \$
				RATE	MAX AMOUNT(\$)		
1	Textiles	2/05/2001	1 year	75%	9,000	5	3,750
2	Textiles	29/07/2001	1 year	75%	9,000	2	1,500
3	Textiles	1/07/2000	1 year	75%	13,174	2	2,194
4	Construction	28/08/2000	1 year	75%	18,000	12	18,000
5	Construction	21/06/2001	1 year	75%	6,750	10	5,625
6	Construction	3/11/2000	1 year	75%	9,000	6 months 15 days	4,500
7	Leather	28/11/2000	1 year	75%	18,000	12	18,000
8	Textiles	1/11/2000	1 year	75%	17,926	11	16,998
9	Textiles	3/10/2001	1 year	75%	9,000	11	5,250
10	Textiles	1/09/2001	1 year	75%	13,159	12	13,152
11	Textiles	6/05/2002	1 year	75%	7,242	3 months 13 days	6,572
12	Textiles	1/10/2003	1 year	75%	7,241	6 months 20 days	4,022
13	Textiles	01.01.2003	1 year	75%	18,000	3	6,000
14	Textiles	25/04/2002	1 year	75%	9,000	11 months 8 days	8,250
15	General	17/10/2001	6 month	75%	18,000	6	9,000
16	General	10/06/2002	5 month	75%	18,000	3	7,000
17	General	7/06/2002	1 year	75%	9,000	3	3,525
18	General	3/09/2002	1 year	75%	9,000	14 days	350
19	Machinery	25/03/2002	1 year	75%	18,000	2 months 5 days	3,000
20	Machinery	25/03/2002	1 year	75%	9,000	2 months 5 days	1,500
21	Textiles	1/07/2003	1 Year	75%	18,000	5 Months	7,499
22	Textiles	1/07/2003	1 Year	75%	9,000	10 Months	7,500
23	Textiles	1/07/2003	1 Year	75%	9,000	10 Months	7,500
24		1/05/2003	1 year	75%	18,000	12 Months	18,000
25	Textiles	1/09/2003	1 year	75%	18000	10 Months	13,446
26	Textiles	1/10/2003	1 year	75%	9,000	8 Months	5,919
27	Textiles	13/01/2004	1 year	75%	9,000	4 Months	4,824
28	Regions With Development Priority	18/03/2004	1 Year	75%	9,000	1.5 Months	2,027
29	Food	18/04/2004	1 Year	75%	9,000	2 Months 10 days	1,750
30	Textiles	22/11/2004-24/12/2004	1 Year	75%	18.000-9.000	7 Months-6 Months 8 days	5.489-2.327
31	Textiles	7/03/2005	1 Year	75%	9,000	4 Months	2,949

Source: UFT

# APPENDIX G: TABLE 18-LIST OF SFTCS 1997-2010

1997	1998	1999
GBS	GBS Gaziantep Birleşik Sanayiciler Dış Tic. A.Ş.	GBS Gaziantep Birleşik Sanayiciler Dış Tic. A.Ş.
MTGS Marmara Tekstil	AGS Ankara Giyim San. Dış Tic. A.Ş.	AGS Ankara Giyim San. Dış Tic. A.Ş.
AGS Ankara Giyim Sanayi	UFE Birleşik Çiçek İhr. San. ve Dış Tic. A.Ş.	UFE Birleşik Çiçek İhr. San. ve Dış Tic. A.Ş.
AVRASYA Bir Plastik	Çiçekçiler Birliği Dış Tic. A.Ş.	Çiçekçiler Birliği Dış Tic. A.Ş.
GTS Gaziantep Tekstil	OSP Ostim İş Mak. ve Yed. Parça Dış Tic. A.Ş.	OSP Ostim İş Mak. ve Yed. Parça Dış Tic. A.Ş.
KDT Kahramanmaraş	GTS Güneydoğu Tekstil ve Giy. San.DışTic.A.Ş.	GTS Güneydoğu Tekstil ve Giy. San.DışTic.A.Ş.
MODAŞ Marmara Otom.		DSD Deri San. Dış Ticaret A.Ş.
MOSAŞ Mobilya San.		KSP İpek Yolu Otomotiv Yan. San. Dış Tic.A.Ş.
UFE Birleşik Çiçek İhr.		LGS Laleli Giyim San. Dış Ticaret A.Ş.
Çiçekçiler Birliği Dış Tic.		Çorum Yumurta Üretim Pazarlama A.Ş. (RDP)
OSP Ostim İş Mak. ve		ASD Ayakkabı San. Dış Tic. A.Ş.
		Trakya Tekstil ve Giyim San. Dış Tic. A.Ş.

2000	2001	2002
GBS Gaziantep Birleşik Sanayiciler DışTic.	GBS Gaziantep Birleşik Sanayiciler Dış Tic. A.Ş.	GBS Gaziantep Birleşik Sanayiciler Dış Tic. A.Ş.
AGS Ankara Giyim San. Dış Tic. A.Ş.	AGS Ankara Giyim San. Dış Tic. A.Ş.	AGS Ankara Giyim San. Dış Tic. A.Ş.
UFE Birleşik Çiçek İhr. San. ve Dış Tic. A.Ş.	UFE Birleşik Çiçek İhr. San. ve Dış Tic. A.Ş.	UFE Birleşik Çiçek İhr. San. ve Dış Tic. A.Ş.
Çiçekçiler Birliği Dış Tic. A.Ş.	Çiçekçiler Birliği Dış Tic. A.Ş.	Çiçekçiler Birliği Dış Tic. A.Ş.
OSP Ostim İş Mak. ve Yed. Parça Dış Tic. A.Ş.	OSP Ostim İş Mak. ve Yed. Parça Dış Tic. A.Ş.	OSP Ostim İş Mak. ve Yed. Parça Dış Tic. A.Ş.
GTS Güneydoğu eks.Giy.San.DışTic.A.Ş.	GTS Güneydoğu Tekstil ve Giy. San.DışTic.A.Ş.	GTS Güneydoğu Tekstil ve Giy. San.DışTic.A.Ş.
DSD Deri San. Dış Ticaret A.Ş.	DSD Deri San. Dış Ticaret A.Ş.	DSD Deri San. Dış Ticaret A.Ş.
KSP İpek Yolu Otomotiv Yan. San. D T AŞ	KSP İpek Yolu Otomotiv Yan. San. Dış Tic.A.Ş.	KSP İpek Yolu Otomotiv Yan. San. Dış Tic.A.Ş.
LGS Laleli Giyim San. Dış Ticaret A.Ş.	LGS Laleli Giyim San. Dış Ticaret A.Ş.	LGS Laleli Giyim San. Dış Ticaret A.Ş.
Çorum Yumurta Üretim Pazarlama A.Ş. (KOY)	Çorum Yumurta Üretim Pazarlama A.Ş. (RDP)	Çorum Yumurta Üretim Pazarlama A.Ş. (RDP)
ASD Ayakkabı San. Dış Tic. A.Ş.	ASD Ayakkabı San. Dış Tic. A.Ş.	ASD Ayakkabı San. Dış Tic. A.Ş.
Trakya Tekstil ve Giyim San. Dış Tic. A.Ş.	Trakya Tekstil ve Giyim San. Dış Tic. A.Ş.	Trakya Tekstil ve Giyim San. Dış Tic. A.Ş.
GURUP Tekstil Konf. Ve Deri San. Dış Tic. A.Ş.	GURUP Tekstil Konf. Ve Deri San. Dış Tic. A.Ş.	GURUP Tekstil Konf. Ve Deri San. Dış Tic. A.Ş.
Genesis Dış Tic. A.Ş. (RDP)	Genesis Dış Tic. A.Ş. (RDP)	Genesis Dış Tic. A.Ş. (RDP)
TGS Tekstil ve Giyim San.Dış Tic. A.Ş.	TGS Tekstil ve Giyim San.Dış Tic. A.Ş.	TGS Tekstil ve Giyim San.Dış Tic. A.Ş.
İZDER Dış Tic. A.Ş.	İZDER Dış Tic. A.Ş.	İZDER Dış Tic. A.Ş.
ANAGOLD Dış Ticaret A.Ş.	ANAGOLD Dış Ticaret A.Ş.	ANAGOLD Dış Ticaret A.Ş.
	ELİT Tar. Ür. Teks. Ağaç Ür. Taşımacılık DT A.Ş.(RDP)	ELİT Tar. Ür. Teks. Ağaç Ür. Taşımacılık Dış Tic. A.Ş.
	F.A. Dış Tic. A.Ş.	F.A. Dış Tic. A.Ş.
	BİG Birleşik Gıda San. İç ve Dış Tic. A.Ş.	BİG Birleşik Gıda San. İç ve Dış Tic. A.Ş.
	Malatya Dış Ticaret A.Ş.(RDP)	Malatya Dış Ticaret A.Ş. (RDP)
	DFT Diyarbakır Dış Tic. A.Ş. (RDP)	DFT Diyarbakır Dış Tic. A.Ş. (RDP)
		KONSAD Dış Ticaret ve Pazarlama A.Ş.

**TABLE 18 (Cont'd)**

<b>2003</b>	<b>2004</b>	<b>2005</b>
Gbs Gaziantep Birleşik Sanayiciler Dış Tic. A.Ş.	Gbs Gaziantep Birleşik Sanayiciler Dış Tic. A.Ş.	Gbs Gaziantep Birleşik Sanayiciler Dış Tic. A.Ş.
UFE Birleşik Çiçek İhr. San. Ve Dış Tic. A.Ş.	UFE Birleşik Çiçek İhr. San. Ve Dış Tic. A.Ş.	UFE Birleşik Çiçek İhr. San. Ve Dış Tic. A.Ş.
Çiçekçiler Birliği Dış Ticaret A.Ş.	Çiçekçiler Birliği Dış Ticaret A.Ş.	Çiçekçiler Birliği Dış Ticaret A.Ş.
OSP Ostim İş Mak. Ve Yed. Parça Dış Tic. A.Ş.	OSP Ostim İş Mak. Ve Yed. Parça Dış Tic. A.Ş.	ÇORUM YUMURTA ÜRETİM PAZARLAMA A.Ş. (RDP)
Ksp İpek Yolu Otomotiv Yan. San. Dış Tic. A.Ş.	Ksp İpek Yolu Otomotiv Yan. San. Dış Tic. A.Ş.	Asd Ayakkabı San. Dış Tic. A.Ş.
Çorum Yumurta Üretim Pazarlama A.Ş. (RDP)	Çorum Yumurta Üretim Pazarlama A.Ş. (RDP)	Genesis Dış Tic. A.Ş. (RDP)
Asd Ayakkabı San. Dış Tic. A.Ş.	Asd Ayakkabı San. Dış Tic. A.Ş.	Elit Tar. Ür. Teks. Ağaç Ür. Taşımacılık Dış Tic. A.Ş. (RDP)
Genesis Dış Tic. A.Ş. (RDP)	Genesis Dış Tic. A.Ş. (RDP)	Big Birleşik Gıda San. İç Ve Dış Tic. A.Ş.
Elit Tar. Ür. Teks. Ağaç Ür. Taşımacılık Dış Tic. A.Ş. (RDP)	Elit Tar. Ür. Teks. Ağaç Ür. Taşımacılık Dış Tic. A.Ş. (RDP)	Dft Diyarbakır Dış Tic. A.Ş. (RDP)
Birgi Birleşik Giyim İhracatçıları	Big Birleşik Gıda San. İç Ve Dış Tic. A.Ş.	İstanbul Dış Ticaret A.Ş.
BIG Birleşik Gıda San. İç Ve Dış Tic. A.Ş.	MALATYA Dış Ticaret A.Ş. (RDP)	Cenk Tekstil Dış Ticaret A.Ş.
Malatya Dış Ticaret A.Ş. (RDP)	Dft Diyarbakır Dış Tic. A.Ş. (RDP)	Etik Dış Ticaret Ve Pazarlama A.Ş.
Dft Diyarbakır Dış Tic. A.Ş. (RDP)	İstanbul Dış Ticaret A.Ş.	Bisad-Sarko Birleşik Sanayiciler Tekstil Dış Ticaret A.Ş. (Yeni)
KONSAD Dış Ticaret Ve Pazarlama A.Ş.	Cenk Tekstil Dış Ticaret A.Ş.	Formark İleri Giyim Sanayi Ve Dış Ticaret A.Ş.
İstanbul Dış Ticaret A.Ş.	Etik Dış Ticaret Ve Pazarlama A.Ş.	Akvatürk Su Ürünleri İç Ve Dış Ticaret A.Ş. (Yeni)
Bgs Boğaziçi Giyim Sanayicileri	Kobisad Dış Ticaret Ve Pazarlama A.Ş.	Trimos Dis Ticaret A.S.
Cenk Tekstil Dış Ticaret A.Ş.	Bisad-Sarko Birleşik Sanayiciler Tekstil Dış Ticaret A.Ş. (Yeni)	
Etik Dış Ticaret Ve Pazarlama A.Ş.	Formark İleri Giyim Sanayi Ve Dış Ticaret A.Ş.	
KOBISAD Dış Ticaret Ve Pazarlama A.Ş.	BTD Bilim Teknoloji Eğitim Danışmanlık Mobilya Dış Ticaret A.Ş. (Yeni)	
Evtexsan Dış Ticaret A.Ş. (Yeni)	Akvatürk Su Ürünleri İç Ve Dış Ticaret A.Ş. (Yeni)	
Bisad-Sarko Birleşik Sanayiciler Tekstil Dış Ticaret A.Ş. (Yeni)		

**TABLE 18 (Cont'd)**

<b>2006</b>	<b>2007</b>	<b>2008</b>
G.B.S. Gaziantep Birleşik Sanayiciler Diş Tic.A.Ş.	G.B.S. Gaziantep Birleşik Sanayiciler Diş Tic.A.Ş.	G.B.S. Gaziantep Birleşik Sanayiciler Diş Tic.A.Ş.
Çorum Yumurta Pazarlama A.Ş.	Çorum Yumurta Pazarlama A.Ş.	Çorum Yumurta Pazarlama A.Ş.
Çiçekçiler Birliği Diş Tic. A.Ş.	Çiçekçiler Birliği Diş Tic. A.Ş.	Çiçekçiler Birliği Diş Tic. A.Ş.
Birleşik Çiçek İhracatçıları Diş Tic. A.Ş. (Ufe)	Birleşik Çiçek İhracatçıları Diş Tic. A.Ş. (Ufe)	Birleşik Çiçek İhracatçıları Diş Tic. A.Ş. (Ufe)
Asd Ayakkabi Sanayicileri Diş Tic.A.Ş.	Asd Ayakkabi Sanayicileri Diş Tic.A.Ş.	Dft Diyarbakir Diş. Tic. A.Ş.
Genesis Diş Tic. A.Ş.	Dft Diyarbakir Diş. Tic. A.Ş.	Etik Diş Tic. Ve Pazarlama A.Ş.
Dft Diyarbakir Diş. Tic. A.Ş.	İstanbul Diş Ticaret Hizmetleri A.Ş.	Formark İleri Giyim San. Ve Diş Tic. A.Ş.
İstanbul Diş Ticaret Hizmetleri A.Ş.	Etik Diş Tic. Ve Pazarlama A.Ş.	Elazığ Diş Tic. A.Ş.
Etik Diş Tic. Ve Pazarlama A.Ş.	Cenk Tekstil Diş Tic. A.Ş.	İktisad Diş Ticaret Ve Paz. A.S.
Cenk Tekstil Diş Tic. A.Ş.	Formark İleri Giyim San. Ve Diş Tic. A.Ş.	Marsad Diş Ticaret A.Ş.
Formark İleri Giyim San. Ve Diş Tic. A.Ş.	Akvatürk Su Ür. İç Ve Diş Tic. A.Ş.	
Akvatürk Su Ür. İç Ve Diş Tic. A.Ş.	Kiad Diş Tic. A.Ş.	
Kiad Diş Tic. A.Ş.	Ab Ayakkabi Diş Tic. A.Ş.	
Ab Ayakkabi Diş Tic. A.Ş.	Elazığ Diş Tic. A.Ş.	
Elazığ Diş Tic. A.Ş.	İktisad Diş Ticaret Ve Paz. A.S.	
Trimos Dis Ticaret A.S.		
<b>2009</b>	<b>2010</b>	
G.B.S. Gaziantep Birleşik Sanayiciler Diş Tic.A.Ş.	G.B.S. Gaziantep Birleşik Sanayiciler Diş Tic.A.Ş.	
Çorum Yumurta Pazarlama A.Ş.	Çorum Yumurta Pazarlama A.Ş.	
Çiçekçiler Birliği Diş Tic. A.Ş.	Çiçekçiler Birliği Diş Tic. A.Ş.	
Birleşik Çiçek İhracatçıları Diş Tic. A.Ş. (Ufe)	Dft Diyarbakir Diş. Tic. A.Ş.	
Dft Diyarbakir Diş. Tic. A.Ş.	Etik Diş Tic. Ve Pazarlama A.Ş.	
Etik Diş Tic. Ve Pazarlama A.Ş.	Formark İleri Giyim San. Ve Diş Tic. A.Ş.	
Formark İleri Giyim San. Ve Diş Tic. A.Ş.	İktisad Diş Ticaret Ve Paz. A.S.	
Elazığ Diş Tic. A.Ş.	Rehber Tekstil Dis Ticaret A.S.	
İktisad Diş Ticaret Ve Paz. A.S.	Bia Dis Ticaret A.S.	
Rehber Tekstil Dis Ticaret A.S.	Arkyapi Insaat Malzemeleri Ve Dis Ticaret A.S.	
Bia Dis Ticaret A.S.	Marsad Diş Ticaret A.Ş.	
Marsad Diş Ticaret A.Ş.		

Source: UFT

\*RDP: Regions with Developmental Priority

## **APPENDIX I CURRICULUM VITAE**

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### **WORK EXPERIENCE**

#### **Australian Embassy, Ankara 2011-Present**

Project Manager, Department of Veterans' Affairs

#### **Undersecretariat for Foreign Trade, 2007-2011**

Policy Expert –DG Exports/ SMEs and Clustering Supports Department

#### **The World Bank, 2004-2007, Ankara, Turkey**

#### **The World Bank, 2003-2004, Washington, DC, USA**

Project Coordinator - Private and Financial Sector Development Group

#### **The George Washington University, International Business Department and European Union Research Center, 2002-2003**

Research Assistant



**KCI Communications Inc., 2002-2003**

Research Associate

**Plexus Consulting Group L.L.C., 2002-2003**

Research Associate

**Interbank A.S., Main Branch, 1998-2001**

Manager, Corporate Banking / International Banking Operations

**EDUCATION**

**Middle East Technical University, 2006-2013**

PhD, Political Sciences and Public Administration

**The George Washington University, 2001- 2003**

MBA, International Business

**Hacettepe University, 1994- 1998**

B.Sc., Economics, Graduated With Honors

**SKILLS**

Languages: Turkish (Native), English (Fluent), German (Intermediate).

Computer: Word, Excel, PowerPoint, Access, Project, SPSS

## APPENDIX J TURKISH SUMMARY

Her ÷lkede kamu siyasası yapma işlemleri benzer bölge, gelir düzeyi, gelenekler ve çevre ÷lke gruplarına benzerlikler sergiler ama yine de dünyanın başka ÷lkelerinden bazı farklılıklar taşır. Temelinde nesnel ya da öznel olan birçok faktör, siyasa yapma sürecini etkiler. Bu durum bu tezde işlenecek "siyasa transferi" konusunu çalışmayı daha da ilginç ve zor bir konu haline getirir. Buna ek olarak, bir siyasa transferi içinde teşvik unsurları taşıyorsa, bu tür bir siyasanın analizinde daha özenli davranılmalıdır. Böyle bir durumda, bürokratik özerklik, seçicilik ve teşvik kriterleri, idari başarısızlıklar, pazar hataları ve rant arayışı gibi kaygılar bu siyasanın transferinin başarı veya başarısızlığında önemli bir rol oynayabilir.

Siyasa transferi kavramı literatürde geniş olarak çalışılmış ve sonuçta kavramın bir teori değil açıklama gücü yüksek bir model olabileceği kanısına varılmıştır. Ayrıca kimi akademisyenlerce bu modelin bir siyasa yapma aracı olarak kabul edilebileceği düşünülmüş ve siyasa yapma modelleri altında incelenmesi gerektiği öne sür÷lm÷ştür. Ancak, siyasa transferi süreci siyasa aktarım ağları ve siyasa transferi unsurları aracılığıyla çeşitli sistemler arasında fikir hareketine sebep olur. Bu da onu diğer siyasa yapma unsurlarından ayırıştıran bir özellik olarak ortaya çıkar. Siyasa transferi, küreselleşmenin gelişmesi ve uluslararası ve uluslar üstü kurumların yayılması ile ÷lkeler arasında artan karşılıklı bağımlılık ile daha da önemli hale gelmiştir. Siyasa transferi söz konusu uluslararası ve uluslar üstü kurumların baskıları ile özellikle gelişmekte olan ÷lkelerde, bilinen ve geleneksel siyasa oluşturma yöntemlerini geride bırakarak daha çok kullanılan bir siyasa yapma yöntemi olmaya başlayabilir. Bu nedenle siyasa transfer konusu hem gelişmiş ve hem de gelişmekte olan ÷lkeler için önemli bir çalışma alanı olarak ortaya çıkmaktadır. Bu tezde, Türkiye gibi gelişmekte olan bir ÷lke için bir ihracat teşvik siyasası olan dış ticaret sermaye şirketlerinin transferi konusu

iřlenecek ve geliřmekte olan lkeler aısından siyasa transferi alanına katkıda bulunulacaktır.

İhracat teřvikleri Trkiye'nin serbest ticarete getiđi 1980 yılları ile nem kazanmaya bařlar. Bu yıllar aynı zamanda bařta Japonya olmak zere kalkınmacı devletlerin ihracat siyasalarının bařarılarının zirveye ulařtıđı yıllardır. Trkiye onların ihracatı desteklemedeki bařarı yklerinden etkilenerek kimi ihracat siyasalarını transfer etmeye alıřtı. Bu siyasalardan biri de Dıř Ticaret Sermaye řirketi (DTSS) olarak adlandırılan model idi. Diđeri ise DTSS modelinden ortaya ıkan ve İtalya'dan transfer edilen Sektrel Dıř Ticaret řirketi (SDř) modeli idi. Bu tezin amacı siyasa yapma gelenekleri ve ieriđi ile makroekonomik durumu farklı olan ortamlardan siyasaların (zellikle geliřmiř devletlerin siyasalarının) geliřmekte olan lkelere transfer edilip edilemeyeceđini anlamaya alıřmaktır.

Trkiye'nin Dođu ile Batı arasına dřen bir lke olduđu geređi gz nne alındıđında, Trkiye'nin mdahaleci devlet siyasaları ile bilinen kalkınmacı Dođu lkelerinden mi yoksa neo-liberal Batı lkelerinden mi siyasa transferi yapması gerektiđi cevaplaması zor bir soru halini alır. İki tr siyasanın yapma řeklinin karıřımının zellikle yarı-řeffaf bir yapı sergileyen Trkiye'nin zararına olduđu ortaya ıkaracaktır. Bu durumda bu tezde byle si bir “melez” bir dođaya sahip olmanın geliřmekte olan bir lkenin siyasa transferi durumunda yararlı mı zararlı mı olacađı tartıřılacaktır. Bu nedenle siyasa transferi yapılan ana lkenin hangi motivasyonlarla seildiđi, transferin unsurları, transfer edilen siyasaı almak iin alıcının hazır olup olmadıđını arařtırmak nemli olacaktır.

Bu tezin temel araştırma odağı 1980'lerde Türkiye'ye Japonya'dan transfer edilen dış ticaret sermaye şirketi modeli olup transferin gerçekleştiği ortamı anlayabilmek için söz konusu yıllarda iki ülkenin makroekonomik ortamlarının karşılaştırılmasıdır. Daha sonra 1990'dış ticaret sermaye şirketinin bir varyasyonu olan ve temel özellikleri İtalya'dan transfer edilip Türkiye şartlarına uyumlandırılan sektörel dış ticaret şirketleri analiz edilecektir. Bunu yaparken, çok seviyeli bir analizle bu ülkelere uluslararası, yerel ve örgütsel bakış açılarından bakacağız.

Bu tez esas olarak iki ülkenin farklı geleneksel ve kültürel ortamı altında siyasa transferinin başarı olasılığı konusunu vurgulayarak literatüre katkıda bulunmayı amaçlamaktadır. Tez aynı zamanda transfer gerçekleşmeden önce hem siyasa yapıcı tarafında ve hem de siyasa kullanacaklar tarafında daha iyi bir uyum yaratmak için farkındalık ve bilinç artırıcı bir çalışma yapmanın öneminden bahsetmiştir. Vaka çalışmasının bir katkısı, çeşitli çıkar gruplarından gelen taleplere yanıt olarak bürokratik özerklikteki değişimleri vurgulamak olacaktır. Bu gibi durumlarda siyasa yapıcılarının "bürokratik özerkliği korumak için çok sıkı ve aşırı düzenleme/yasa yapma yoluna başvurması da" özellikle incelenecektir.

Bu açıdan bakıldığında, tezin ana araştırma soruları şunlardır: 1. Neden özellikle bahse konu ihracat teşvik siyasası seçilmiştir ve bu siyasanın seçilmesini kim istemiştir? 2. Siyasa transferi ağının ana aktörleri kimlerdir? 3. Türkiye'deki makroekonomik çerçeve, bürokratik özerklik, seçicilik ve teşvik kriteri, idari başarısızlıklar, pazar hataları ve rant arayışı gibi kavramlar göz önüne alındığında siyasa transferinde nasıl bir rol oynamıştır?

Bu çalışmanın üç savı vardır. Bunlar Türkiye gibi gelişmekte olan bir ülke bağlamında, 1. siyasa transferi hızlı bir siyasa yapma aracı olarak görülmüştür. Ancak siyasa

transferinin kendine has özellikleri olduğu, iki ayrı ortam arasındaki farkların göz ardı edilmemesi gerektiği, transferin aşamaları ve seviyeleri olduğu gerçeği unutulmamalıdır. 2. Aktörlerin siyasa transferi ağına katılımı ve rasyonel karar alma mekanizmaları siyasa transferi için önem taşımaktadır. 3. Siyasa transferinin başarısı altta yatan sebepleri iyi analiz etmeyle yakından ilgilidir. Tezin tamamlayıcı argümanları ise, 1. siyasa transferi, aktörlerin bilinçli bir çabasını gerektirir. Aktörlerden tam rasyonellik beklemek zor olsa da, sınırlı rasyonellik altında gösterilen bilinçli çaba hala geçerli olmalıdır. 2. Siyasa transferinde adaptasyona karşı kopyalama yöntemi siyasanın başka bir ortamda tekrarlanmasındaki potansiyel riskleri anlamada belirleyici faktör olacaktır.

İlk araştırma sorusuna bakacak olursak, bu çalışma Türkiye’ye 1980’ler ve 1990’larda transfer edilen "dış ticaret sermaye şirketleri" modeline dayanmaktadır. Bu süreçte bürokrasi, makroekonomik ortamlardaki farklar ve alıcı-kilit siyasa yapıcılar-siyasanın hedef kitlesi arasındaki ilişkilerin doğası transfer edilen siyasanın kaderini belirledi. İlk faktörü açıklamak için, bürokratik özerklik sorusu önem kazanmaktadır. Sonraki faktörleri açıklamak için teşvik mekanizmaları ve seçicilik, rant arayışı, devlet ve iş dünyası ilişkileri kavramları etrafında çalışma yapmak gerekmektedir. Çalışma, bu faktörlerin siyaset ve yönetim arasındaki tarih içinde değişen ilişkilerin bir ürünü olduğunu, devlet nezdinde iş dünyasının nasıl temsil edildiğini, ilgili devletin küresel politik-ekonomideki rolünü ve ülkedeki siyasal istikrar ya da istikrarsızlığının önemini ortaya koymaktadır. Türkiye zaman zaman ağırlıklı olarak kendini müdahaleci devlet modeli ve Doğu Asya ülkeleri ile ilişkilendirmiştir. Ancak, müdahaleci devlet uygulaması vaka çalışmasında da ele aldığımız şekilde her ülkede bazı ciddi farklılıklar içerebilir. Ayrıca teori, gelişmiş ülkelere gelişmekte olan ülkelere siyasa transferi unsuruna pek yer vermemektedir. Bu çalışma, söz konusu bu alanlardaki boşluklara katkı yapmayı amaçlamaktadır.

İkinci araştırma sorusu ile ilgili olarak, siyasa transferi ajanları ve uygulayıcı kurumların yanı sıra siyasanın nihai kullanıcıları siyasa transferinin kaderini belirlemeleri bakımından önemlidir. Bir siyasa transferini tanımlamak için gerekli kriter; ajanı, ajanın rolünü ve ajanın gerçekleştirmek için çalıştığı transferin doğasını belirlemekten geçer. Siyasa transferi literatüründe belirlenen bazı ajanlar siyasetçiler, bürokratlar, siyasa girişimcileri, baskı ve çıkar grupları, düşünce grupları, uluslararası ve uluslar üstü örgütlerdir. Ülke içinde çözüm üretilemeyen bir sorun için, alternatif siyasa oluşturma seçeneği olarak siyasa transferi düşünülebilir. Gelişmekte olan ülkelerde bu durum kendini deneme yanılma türü siyasa uygulama yöntemi ile belli eder. Soruna uygun bir siyasa çözümünü arama süreci, aramanın kapsamı ve derinliği ve siyasa transferi arama ortamının geniş tutulması, transfer edilecek uygun bir siyasanın bulunması için önemlidir. Ancak, rant arayışlarının varlığı ve bürokratik özerklik eksikliği ile tanımlanan bir ortamda, kendi görüşleri doğrultusunda siyasa transferi yapan aktörler analitik bir önyargı ve ikileme neden olur.

Üçüncü araştırma sorusu ile ilgili olarak, transfer edilecek siyasanın ana oluşum alanı ve alıcı ortamda farklılıklar ve ilgili siyasanın kendisine uygun olmayan ortamda yaşatılmasına yönelik devletin çabaları bu tezin literatüre diğer bir katkısını teşkil etmektedir. Küreselleşme ile ülkeler arası etkileşimlerin oldukça yaygınlaştığı bir dünyada aslında, diğer ülkelerin deneyimlerinin başka ülkelere daha sık bir şekilde kullanılması ya da transfer edilmesi beklenir. Ancak siyasa transferinin ülkenin yerli siyasa uygulamalarını ve sistemlerini göz ardı etmemesi de gerekmektedir. Türkiye'nin aslında kendisine has gelenekleri ve siyasa yapma yöntemleri olan “melez” bir ülke olarak kendine özgün ve benzersiz bir duruşu vardır. Diğer ortamlardan alınacak siyasaların işlevsel olması için adaptasyon mekanizmasının dikkatli ve özgünleştirme yapılarak çalıştırılması gerekir. Ancak tabii ki bu işlemin zorluğu ülkeyi siyasa transferi yapmaktan ve küresel trendleri takip etmekten de caydırmamalıdır.

Tezin önemli bir diğer katkısı da ileri ülkelerden gelişmekte olan ülkelere gönüllü veya zorla yapılan siyasa transferi mekanizmalarını incelemesidir. Literatür taraması, gelişmekte olan bir ülkeler hakkındaki siyasa transferi çalışmalarının eksikliğini ortaya koymaktadır. Bu tez bu anlamda da bir boşluğun kapanmasına katkı verecektir.

Vaka çalışması Japonya'da ve daha sonra diğer Doğu Asya ülkelerinde ihracatı artırmak için tasarlanan bir teşvik modeli olan dış ticaret sermaye şirketi modeli üzerinedir. Model ihracatın artırılmasında başarılı bir model olarak görüldüğü için, Türkiye'ye transferine karar verildi. Dış ticaret sermaye şirketi modeli özellikle büyük iş grupları için geçerliyken, daha sonra bu modelden doğan sektörel dış ticaret şirketi modeli küçük ve orta büyüklükteki firmalara yönelik olarak tasarlanmıştır. Dış ticaret sermaye şirketi modeli Japonya'dan Türkiye'ye transfer edilirken, sektörel dış ticaret şirketi modeli neo-liberal devletin bir örneği olan İtalya'dan transfer edildi. Türkiye'nin Doğu ve Batı arasında kalan bir ülke olması nedeniyle, transfer edilen modellerin de uygulamada doğu ve batının bazı unsurlarını alan karışık bir model olması beklenmektedir. Bu durum, Türkiye'de her iki modelin uygulanmasını açıklayan ilginç bir sonuç olarak ortaya çıkacaktır.

Türkiye'de temel koşulların siyasanın transfer edilen ülkeden farklı olması nedeniyle siyasa transferinin tam başarıya ulaşamadığı tartışılmıştır. Daha net olmak gerekirse, teşvikleri verirken gözetilen belirsiz seçim kriteri istikrarsız siyasi ve ekonomik ortamda siyasa tasarımı güçlü grupların lehine sonuçlandı. Devlet bürokratik özerklik, korporatist düzenlemeler, dolaylı kontrol ve dengeler, açık olarak belirlenen hedefler ve sağlıklı kamu-özel sektör işbirliğini sağlayamadıkça iş ortamını ve rant arayışlarını kontrol altına almak için kapsamlı ve kısıtlayıcı düzenlemeler yapma yoluna gitmiştir. Sonuç olarak tasarlanmış siyasalar bir deneme yanılma tipi karakteristik sergilemiş ve nş

nihayetinde ortaya belirli bir grup lehine işleyen ya da belli bir dönemin anlık sorunlarını çözen siyasalar ortaya çıkmıştır.

Geriye doğru bakıldığında, bu tez ile diğer ülkelere kıyasla Türkiye'de dış ticaret sermaye şirketi modelinin transfer edilmesinin sonuçlarına bakarak, siyasa transferinin sınırlarını anlamaya çalıştık. Bu siyasa aracını destekleyen temel koşullar ve çevre de analiz için önemli unsurlar olmuştur.

Giriş ve sonuç bölümü dâhil bu tez 7 bölümden oluşmaktadır. Tezin içeriği kısaca aşağıda verilmiştir.

İkinci bölümde kalkıncı devletlerin ve neoliberal devletlerin bir analizi ve karşılaştırması yapılmıştır. Bu bölüm özellikle Doğu Asya'da görülen kalkıncı devlet kavramına bir giriş bölümü olmuştur. Kalkıncı devlet Batının hâkim olduğu dünyaya Doğu Asya'nın tepkisi olarak görülebilir. Batıda devlet sınırlarının geri çekilmesi girişimlerine karşılık Doğu Asya iş dünyasına çeşitli konularda hem rehberlik hem müdahalecilik olarak gördüğü modeli uygulamaya devam etmiştir. Tarihsel açıdan, kalkıncı devlet büyüme, verimlilik ve uluslararası rekabete dayanır. Gelir dağılımı konusunun İkinci Dünya Savaşı'ndan sonra az ya da çok çözülmüş olmasından dolayı, eşitlikçi bir şekilde servet dağılımı gibi diğer devlet sorumlulukları kalkıncı devletler için ikincil nitelikte bir konu olmuştur. Özel iş dünyası ile devlet uyum içinde hareket ederler. Bu kalkıncı devletlerin en belirgin özelliğidir. Devletin stratejik kuralları devlet tarafından özel bir sektörmüş gibi hazırlanır ve tüm iş dünyası tarafından kabul görür. Devlet özel sektörü desteklerken müdahaleci, ayrıntıları düşünen ancak acımasız bir devlettir. Sadece uluslararası rekabet ve büyüme temel hedefleri ve bu amaç için



uygun olan diğerk hedefler desteklenir. Bunları gerçekleřtirmek için bürokratik özerklik korunmalı ve bunu yaparken bürokrasi yetkin ve güçlü hale getirilmelidir.

Diğerk yandan, Doğı Asya kalkınmacı devletlere ve Türkiye'ye etki eden neoliberal görüş de bu bölümde tartışılmıştır. Türkiye bir taraftan Doğı tarzı kalkınmacılık modelini uygulamaya çalıştı diğerk yanda özellikle Avrupa Birliğı ve ABD asıllı siyasaları uygulayarak kendini Doğı ve Batı arasında melez bir ülke olarak konumlandırdı. Özünde müdahaleci olmasına rağmen, Türkiye'nin Batı'ya yüzünü çevirmesi ve Batılı uluslararası kuruluşlar tarafından reçete edilen siyasaları uygulaması aslında ülkenin neoliberal yanını da ortaya koymaktadır.

Üçüncü Bölümde tarihi, geleneksel, ekonomik ve sosyal zenginlikleri ile farklı bir ortamdan başka bir ortama geçişte kullanılan ana kavramlar analiz edilmiştir. Bu kavramların siyasa transfer süreci ve siyasa transferi sonucunun başarı veya başarısızlığını anlamada önemli olduğunu göreceğiz.

İlk bölümlerde siyasa transferi hem kavram olarak incelenmiş, hem de başarılı ya da başarısız olduğu ampirik durumlardan bahsedilmiştir. Burada siyasa transferinin sınırlarının yanı sıra aşamaları ve başarı veya başarısızlık için var olan koşulları incelemiş bulunuyoruz. Siyasa transferi bağlamında bu tezde odak konumuz Japonya ve İtalya'dan transfer edilen dış ticaret sermaye şirketi ve ihracat siyasalarıdır. Buna ek olarak, aynı zamanda bürokratik özerklik ve sınırlarının farklı düzeyleri de bu bölümde araştırılmıştır.

Özellikle Türkiye'ye siyasa transferi durumunda da göreceğimiz gibi, algılanan bir ihtiyaç altında gönüllü siyasa transferi olduğunda ya da az veya düşük özerklik altında sınırlı rasyonellik olması durumunda rant arayışlarının arttığı ve bürokrasi ve siyasetçiler vasıtasıyla siyasaların etkilenmeye çalışıldığı görülecektir.

Seçicilik ve performans gereksinimleri devlet teşviklerini analiz ederken kullanacağımız diğer önemli kavramlardır. İhracat yönelimli şirketlere yarayacak teşvikler ve diğer ürünleri hazırlarken bazı şartlara dikkat etmek gerekir. Seçicilik ve performans gereksinimlerini kavramlarını tanıtırken, ihracat teşvikleri nasıl en etkili şekilde olacak şekilde dağıtılır, Doğu Asya'da neler yapılmıştır ve bu durumun Türkiye'den farkları nelerdir konuları üzerinde durulmuştur. Bu bölümde ihracat teşviklerinin dağıtımında Doğu Asya ve İtalya'da performans kriterlerinin titizlikle analiz edildiği görülmüştür. Buna karşılık Türkiye'de, böyle bir titizlik görülmemiş bu da rant arayışını artırmıştır.

Teşvikler dağıtılırken devletler bazı kriterlere uygun olarak bunu gerçekleştirmek ve sanayiye daha rekabetçi hale getirmeyi hedefler. Ancak, bu çabalar piyasa kusuru ve sınırlı bilgi akışı altında gerçekleşir. Bu nedenle hükümetin çabaları sınırlı bir çerçevede gerçekleşir ve sonuçta başarısı sınırlı sonuçlar ortaya çıkar. Bu nedenle, pazar kusurları ve üstesinden gelmek için kullanılan yöntemlerin sonuçları karşılaştırmalı olarak ele alınmaktadır. Bir kez daha ifade etmek gerekirse, bu bilgi akışı kalkınmacı devletlerde daha düzgün Türkiye'de ise devlet ve özel sektör arasındaki sürekli çatışmalar ve siyasi-ekonomik istikrarsızlık nedeniyle daha kusurludur.

Doğu Asya ve İtalyan örneklerinde, devletin zaman zaman müdahalesine tanık olunmakla birlikte bu müdahalenin bir direktif yerine bir daha yol gösterici işlevi olduğunu görüyoruz. Piyasalarda devlet müdahalesi, devlet müdahalesi olmadığı

duruma kıyasen ortamı daha kötü hale getiriyorsa bu duruma idari başarısızlık adı verilir. Bu durum özel sektör tarafından da fark edildikçe rant arama kaygıları ortaya çıkar.

Bu bölümde, anahtar kavramlar analiz edilip gelişmekte olan ülkelerde devlet müdahalesi ile ilişkili olarak anlaşılmaya çalışılmıştır. Bu analiz daha sonraki Bölümlerde, siyasanın oluştuğu ana alan ve transfer edildiği alanı daha net bir şekilde karşılaştırmaya yarayacaktır.

Dördüncü Bölümde önceki Bölümlerde geliştirilen analitik çerçeve dâhilinde Türkiye örneği incelenmiştir. Türkiye’de ihracat odaklı ekonomiye geçiş ağırlıklı olarak 1980’lerde başlamış ve sonrasında gelişmiştir. Daha önce de izah edildiği üzere, siyasa transferi transfer edilen çevrenin ilgili siyasayı almaya hazır ve açık olduğunda başarılı olur. Bu nedenle başarılı bir sonuç elde edebilmek için ne tür çevre koşulları altına siyasaların transfer edildiği bu bölümde analiz edilmiştir. Sonuç olarak Türkiye’de bir dönemsellik analizi yapılmış, odak noktası 1980’ler ve 1990’lar olarak alınmış, ancak öncesi ve sonrasına da 1980’li ve 1990’lı yılları etkilemesi açısından bakılmıştır.

1950’lerden 1990’ların sonuna kadar olan dönemler dış ticaret odaklı analiz edilmiştir. Her dönemde önceki Bölümlerde işlenen anahtar kavramlar Türkiye örneği dâhilindeki ekonomik ve siyasi gelişmeler altında aranmıştır. Dönem analizi, Türkiye’nin Batı ve Doğu modelleri arasında kalması sebebiyle de ilişkili olarak bir politik ve ekonomik istikrar sağlayamadığını ortaya koymuştur. Türkiye ayrıca, kalkınmacı veya neo-liberal modellerden herhangi birine tam olarak uyum sağlayamamıştır, bu da kalkınmacı ve neo liberal ülkelerden transfer edilen siyasaların neden başarısız olduğuna dair bir ipucu vermektedir. Dönem analizi ayrıca Türkiye için bir iniş-çıkış modeline işaret etmiş,

istikrarlı bir dönemin arkasından istikrarsız bir dönemin geldiğini göstermiştir. Bu da transfer edilen siyasaların başarısız olmasına sebep olmuştur.

Her dönem analiz edilirken ayrıca temel devlet kurumları ve çıkar grupları da incelenmiş, değişen ekonomik ve siyasi ortamla birlikte bu kurum ve grupların nasıl etkilendiğine bakılmıştır. Bu tür temel devlet kurumlarını ve çıkar gruplarını inceleme amacıyla seçmemizin sebebi bunların siyasa transferinden en çok etkilenen gruplar olmasıdır. Bu analiz yapılırken "ihracat politikaları" odaklı olarak yapılmıştır. Türkiye'de dönemleri incelerken varılan sonuç şu olmuştur: her dönemin siyasa yapma süreçleri farklılık arz etse de değişmeyen tek şey siyasetin siyasa yapma sürecinde sürekli etkili olduğu gerçeğidir. Diğer yandan devlet ile iş dünyası ilişkileri dönemler içinde değişmiş, organize çıkar gruplarının siyasa yapma üzerindeki etkisi hep sınırlı kalmış ve onun yerine şirketler bireysel olarak devleti ve siyasetçileri belli çıkarlar doğrultusunda etkilemeye çalışılmıştır.

Beşinci bölümde Japonya'da uygulanan dış ticaret şirketi modeli olan Sogo Shosha ve İtalya'da uygulanan dış ticaret şirketi modeli olan Federexport tanıtılmıştır. Bu iki model ilgili devletler tarafından ihracatı destekleyici birer teşvik modeli olarak ortaya çıkmıştır. Burada her iki modelin çıktığı ülkedeki ortam analiz edilmiş ve bu siyasaların Türkiye ortamına transferi halinde nasıl bir etki yaratacağı ve nasıl bir sonuçla karşılaşacağı anlaşılmaya çalışılmıştır.

İtalya ve Türkiye ile karşılaştırıldığında Japonya'da yüksek bir bürokratik özerklik vardır. Japonya'da ayrıca devlet müdahalesi daha doğrudan yapılmaktadır. İtalya'da devlet müdahalesi AB üyeliği sebebiyle dolaylı olarak yapılmaktadır. Türkiye'de ise ülkenin “melez” yapısı nedeniyle doğrudan devlet müdahalesi ve dolaylı devlet yol göstericiliği unsurlarının her ikisi de aynı anda yer almaktadır. Öte yandan, Japonya

karakteristik olarak kalkınmacı devlet modeline bir örnek olup, önceki bölümlerde de bahsedilen nitelikleri (devlet müdahalesi, bürokratik özerklik ve iş dünyası ile yakın ilişkiler) taşımakta, İtalya ise neo liberal devlet modeline bir örnek teşkil etmekte, devlet müdahalesinin kısıtlı olduğu, bürokratik özerkliğin var olmasının beklendiği ve devlet ile iş dünyası ilişkilerinin düzenleyici ve denetleyici kurumlar tarafından düzenlendiği bir ülke örneği oluşturmaktadır. Ancak, burada İtalya atipik bir neo liberal devlet modeli çizmekte ve tarihsel olarak devlet müdahalesinin var olduğu, gevşek bürokratik özerliğe sahip ve rant arayışının görüldüğü devlet iş ilişkilerine sahip bir devlet olarak karşımıza çıkmaktadır. Bu bağlamda, Türkiye Japonya'dan çok İtalya ile benzerlikler gösterir ve devlet iş dünyası ilişkileri ile rant arayışlarının da benzer özellikler göstermesi beklenir.

Burada şunu tekrar belirtmekte fayda bulunmaktadır: Japonya'da son derece yetkin bir bürokrasi vardır ve karmaşık siyasa müdahalelerinin gerçekleştirilmesi için bu tür bir yetkinlik oldukça önem arz etmektedir. Bu tür karmaşık sistemleri ve devlet müdahalelerini yolsuzluğa karışmadan yönetebilmek için oldukça önemli nitelikleri haiz bir bürokrasinin varlığı hayati önem taşır. Türk ve İtalyan bürokrasileri ise zaman zaman rant arayışı mekanizmaları içine girmişlerdir. Japon devlet müdahalesini uygulamak isteyen herhangi bir ülke bürokrasiyi etkileyen yolsuzluk ve rant arayışı mekanizmalarını dikkate almak zorundadır.

Altıncı bölümde öncelikle Japonya'dan transfer edilen dış ticaret sermaye şirketi modelinin Türkiye uygulamasına bakılmıştır. Model başlangıçta Doğu Asya'da geliştirilmiştir ve orada başarılı olduğu görülmüştür. Sadece Türkiye değil, birçok ülke bu modeli aktarmak için çalıştı ama söz konusu transferler çoğu kez başarılı olamadı. Burada amaç öncelikle Türkiye'deki hukuki ve ekonomik ortamı ihracat çerçevesinden analiz etmek, daha sonra dış ticaret şirketleri için hukuki ortamı ortaya koymak ve son olarak da dış ticaret sermaye ve sektörel dış ticaret sermaye şirketlerinin siyasa

transferinin başarı ve başarısızlık nedenlerini analiz etmek ve başarısızlıkların üstesinden gelmek için neler yapıldığını görmektir.

Bunu yaparken, 1980 ve 1990'larda Türkiye'de ihracat ortamı bürokratik özerklik, devlet-iş dünyası ilişkileri ve rant arayışı perspektiflerinden incelenmiştir. Çevrenin ayrıntılı bir analizi siyasa transferi bölümünde işlenen anahtar kavramları operasyonel hale getirebilmek için oldukça önem arz etmektedir. Orada da ifade ettiğimiz üzere, diğer bileşenlerin de (örneğin siyasa transferinin konusu, ajanları, sebebi ve transfer yöntemleri gibi) eksik olması siyasa transferinin başarısızlığını hızlandıracaktır.

Bu bölüm aynı zamanda özellikle sektörel dış ticaret şirketleri üzerinde durmuştur. Bunun nedeni sektörel dış ticaret şirketlerinin diğer dış ticaret sermaye şirketlerine göre daha inişli çıkışlı bir seyir izlemiş olması ve analiz için daha ilginç bir örnek teşkil etmesidir. Sektörel dış ticaret şirketleri diğer dış ticaret sermaye şirketlerinden yola çıkılarak oluşturulmuştur. Ancak sektörel dış ticaret şirketleri küçük ve orta ölçekli firmalar için hazırlanmıştır. Devletin 1990'ların başında ilgisini küçük ölçekli şirketlere kaydırmasıyla, sadece küçük ve orta ölçekli şirketler için özgünleştirilmiş ihracat teşvik modellerinin başlatılması gerekli olmuştur.

Dış ticaret sermaye ve sektörel dış ticaret şirketlerini kısaca karşılaştıracak olursak, öncelikle dış ticaret sermaye şirketlerinin büyük ölçekli şirketlere yönelik olarak başladığını ve daha sonra da büyük şirketlerin dış ticaret sermaye kolu haline geldiğini söyleyebiliriz. Dış ticaret sermaye şirketleri sayıca daha az olduklarından ve çıkarları devlet nezdinde daha iyi temsil edildiğinden, evrildikleri bu şekilde bugüne kadar gelmişlerdir. Öte yandan, İtalya'dan transfer edilen ve dış ticaret sermaye şirketlerinden edinilen dersler ile özelleştirilmiş sektörel dış ticaret şirketleri ihracat teşvik modeli

olarak kendine kalıcı bir yer bulamadı. Sektörel dış ticaret sermaye şirketleri inişli ve çıkışlı bir yön izlemiş, son yıllarda bu yön daha çok iniş olarak gerçekleşmiştir. Japonya'dan transfer edilen dış ticaret sermaye şirketi Japonya'daki modelin aynısını Türkiye'de uygulaması da kendisini Türk ihracat teşvikleri arasına eklemelendirebilmiştir. Sektörel dış ticaret şirketleri ise KOBİ'ler ve politika yapıcılar arasındaki anlayış farklılıkları nedeniyle, Türk teşvik sistemiyle kendilerini ilişkilendirememişlerdir.

Ayrıca, bürokratik özerklik ve devlet ve iş dünyası arasında daha yakın işbirliğinin eksikliği de sistemde çatlaklara yol açmıştır. Bu bölümün sonunda sistemi düzeltmek için ne gibi çabalar sarf edildiği de tartışılmıştır.

Sonuç olarak ampirik bulgulara bakarak araştırma sorularına tekrar göz atabiliriz:

1. Neden bu siyasa transfer için seçilmiştir? Siyasa transfer edilmeden önce iyice incelendi mi yoksa rastgele bir seçim mi oldu? Herhangi bir taraftan söz konusu siyasanın seçimi için bir baskı oldu mu?

Vaka çalışması bu özel siyasanın seçiminin Japonya'ya gerçekleştirilen ticaret ziyaretleri ve Japonya'nın 1980'lerde dünya pazarlarındaki ihracat başarısından etkilenilerek yapıldığını ortaya koydu. Başarılarına öykünerek ve Türk ihracatını artırması amacıyla Türk siyasetçileri ve bir grup bürokrat, Japonya'da gördükleri bu modeli Türkiye'ye getirmeye karar verdiler. Gerçekleştirilen ticaret heyetleri, karşılıklı ziyaretler ve değerlendirmeler sonucu model Türkiye'ye transfer edildi. Modelin tamamından çok modelin içindeki bazı politika araçları transfer edilmiştir. Model büyük Türk

şirketlerinin ihtiyaçlarına uyumlandırmak amacıyla birkaç kez değiştirilmiştir. 1990'larda modelin ağırlıklı olarak KOBİ'lere ve onların ihracat ihtiyaçlarına yönelik olarak geliştirilen bir varyasyonu olan sektörel dış ticaret şirketleri ortaya çıktı. Bu model aynı zamanda İtalya'da da benzer bir şekilde uygulanmaktaydı. Bu model dış ticaret sermaye şirketleri modeline nazaran daha dramatik ve sık değişiklikler geçirdi. Sonuç olarak, bu siyasa transferi seçimi rastgele bir seçim değildi. Modeller transferden önce incelenmiştir. Ancak, ön çalışma yeterli değildi ve transferin eksik bilgi ile yapılan ve uygun olmayan bir transfer olarak sonuçlanmasına sebep oldu. Öte yandan, 1980'lerin başında ihracat teşviklerine daha derinlemesine bakıldığında, ihracat teşviklerinde bir artış ve diğer ülkelerde uygulanan modelleri daha çok transfer etme isteği ortamını görüyoruz. Bunun sonucunda Türkiye'nin ihracat ile ilgili siyasalar seçiminde "çöp model/anlamsız veri" diye adlandırılan modelin uygulanmış olması ihtimali doğmaktadır. Politikacılar siyasa transferinde öncü bir rol oynadı; ancak vaka çalışmasına da bakıldığında dış ticaret sermaye şirketleri transferinde siyasetçilerin bürokratlar üzerinde doğrudan bir zorlaması görünmemektedir. Sadece süreci hızlandırmak yönünde politikacıların bir baskısı olmuş olabilir ki bu da teorik tartışmada da anlatıldığı üzere siyasetçilerin bürokratlara nazaran çabuk sonuç elde etme isteğini ortaya koymaktadır. Ancak uygulama sırasında, siyasetçiler ve büyük iş grupları transfer edilen siyasa kullanıcıların ihtiyaçlarına uygun hale getirmek için modele sık sık müdahale etti.

Siyasa hedefleri daha iyi bir şekilde analiz edilmiş olsaydı, ihracatı artırmak için ek yöntemler de düşünülebilirdi. İhracatı artırmak temel sorun olarak görüldü ancak temel sorun ihracatta katma değeri artırmak olarak görülmeliydi.



2. Bu siyasa transferinin ana aktörleri kimlerdi? Bu aktörler transfer sürecine nasıl etki etmiştir? Transfer siyasası seçiminde nihai kullanıcıların rolü neydi? Bu transfer hakkında nihai kullanıcılar bilgilendirildi mi ve görüşleri istendi mi?

Siyasa ağ yapılanması veya başka bir deyişle transferin ana aktörleri serbest piyasa ve ihracat odaklı düşünen ve Özal liderliğindeki siyasetçiler olmuştur. Siyasetçiler ihracatta hızlı bir çıkış etkisi yaratmak ve Türkiye'nin "gerçek" ihracat potansiyelini kanıtlamak için ihracat rakamlarına dayanarak kendi seçmenlerine hızlı sonuçlar göstermek istediler. Devlet Planlama Teşkilatı ve Hazine ve Dış Ticaret Müsteşarlığı'ndaki yüksek rütbeli bazı bürokratlar da bu yöntemi izledi ve bu siyasa transferini destekledi. Ancak, teknokratlar siyasanın tam transferi ve uygulanmasına tamamen karşı çıkmasalar da destek de vermediler. Nihai siyasa alıcıları zamanın tek ihracatçıları olan büyük holding şirketleri oldu. Bu şirketler Özal, politikacılar ve bürokratlar ile ticaret heyetlerine katılıyordu. Bu yüzden transfer edilen siyasayı kendi ihtiyaçlarına göre şekillendirme fırsatı bulmuşlardır. Sektörel dış ticaret şirketi modeli transferinde de KOBİ'lerin rolü benzerdi. Her iki durumda da TÜSİAD ve MÜSİAD gibi çıkar grupları benzer bir rol oynamıştır. Sektörel dış ticaret şirketi modeli transferinde Avrupa Birliği tarafından desteklenen KOBİ politikalarına vurgu etkili olmuştur. Siyasa transferi ağının diğer ucunda diğer ülkelerin siyasetçileri ve bürokratları yer almaktaydı.

3. Yasamaya yapılan müdahaleler ve genel makro-ekonomik ortam (başlangıç koşulları) transfer sürecini nasıl etkiledi? Devlet müdahalesinin diğer sanayi dallarına zarar vermeme ihtimali var mıdır? Bürokratik özerklik (siyasetçilerden, diğer çıkar gruplarından) ilgili siyasanın transferi ve siyasanın uygulama sonucuna nasıl etki etmiştir? Bunlardan herhangi biri arasındaki ilişkinin siyasa yapıcılar tarafından aranan seçim ve performans kriteri ve rant anlaşmaları üzerinde etkisi var mıdır?

Tez içinde çeşitli bölümlerde belirtildiği gibi, Türkiye'deki başlangıç koşulları Japonya ve İtalya'da olanlardan için oldukça farklı idi. Bu transfer edilen siyasaı esasen doğduđu ortamdan çok farklı bir ortama taşıyordu. Dış ticaret sermaye şirketi modeli sadece birkaç kez değıştirilmiş ve büyük şirketlerin ihtiyaçlarına uygun hale getirilmiştir. Burada sektörel dış ticaret şirketi modelinde yapılan yasal düzenlemeler daha önemlidir. Değişiklikler siyasi cephede veya bürokraside gerçekleşen değişiklikler doğrultusunda yapılmıştır. Nihai kullanıcıların görüşlerine başvurulmuştur ama görüşleri yasal düzenlemelerde pek kullanılmamıştır. Ayrıca, yasal ortam dış ticaret sermaye şirketleri ve sektörel dış ticaret şirketlerinin ihtiyaçlarını karşılamaya hazır değildi. Uygulayıcı kuruluş olan Hazine ve Dış Ticaret Müsteşarlığı mevzuatı tasarlamış, ama özellikle sektörel dış ticaret şirketi mevzuatı diğer mevzuatlarla sürekli çelişen maddeler içermiştir. Bu da ilgili düzenlemenin kullanıcılarca suiistimal edilmesine ve bürokratların da söz konusu suiistimali kontrol altına almak için sürekli daha kapsamlı ve daha sıkı düzenleme yapmalarına neden olmuştur. Ancak bu durum KOBİ'lerin sektörel dış ticaret modelini daha az kullanmalarına ve modelin esas amacı olan ihracatı artırma amacını gerçekleştirememesine neden olmuştur. Devlet teşviklerinin sanayi için ileride yarardan çok zarar getirmesini engellemek için teşvikler amacına hizmet ettikten sonra kaldırılmalı, sürekli bir kar kaynağı haline gelmemelidir. Teşvik mekanizması kullanıcılar için sürekli kazanç elde etmenin bir yolu olduğunda, başlangıçta hedeflenen amacın tersi bir durum ortaya çıkar. Öte yandan, siyasa yapıcılar, çıkar grupları ve siyasa alıcıları yapılan düzenlemeler için birlikte çalışmalıdır. Böylesi bir konsültasyon dış ticaret sermaye şirketleri ve sektörel dış ticaret şirketleri için düşünülmüş olsa da, daha güçlü gruplar nihai tasarımda daha etkili oldu ve sistem rant mekanizması ve belirsiz seçim kriterlerinin olduğu bir sistem halini aldı.

Özetle, Doğu Asya müdahale örneklerine bakmak ve bunları Türkiye ile karşılaştırmak büyük birçok sonucu ortaya çıkarmaktadır. Türkiye'de, ihracat hedefi amaçlanan sonucu doğurmadı. Ancak, tamamen faydasız olduğunu söylemek de zordur. Söz konusu

teşvikler, birçok yerli şirketin yurtdışına açılmasına ve bilgi ve verimlilik eksenlerini genişletmesine yardımcı oldu. Ancak, en önemli yararı diğer sektörlerin ve ekonominin geri kalanına yararları yaymakla mümkün olacaktır. Bu ekonominin geri kalanıyla güçlü bağlantıları olan hedef sektör veya şirketler yoluyla yapılabilir, ya da büyüme desteğinin girdi çıktı bağlantıları ile ekonominin geri kalanına iletilmesi ile sağlanabilir. Transfer edilen dış ticaret şirketleri siyasasının başarısızlığının en büyük nedenlerinden biri uygulamaya konulduktan sonra takip edilmemesi ve uzun süre unutulurken beklediği ilgiyi görmemesiydi. Bunda Türkiye'de gözlenen sık hükümet değişiklikleri, makroekonomik sorunlar ve diğer krizler etkili olmuştur.

### **Siyasa Sonuçları**

Bu çalışmanın dayandığı temel teorik anlayış siyasa transferinin küreselleşmenin artmasıyla dünyada etkili hale gelmesidir. Aynı zamanda, siyasalar ikili ve çok taraflı toplantılarda siyasa ağları ve uluslararası topluluklar aracılığıyla daha çok pazarlanır hale gelmiştir. Siyasetçiler ve farklı ülkelerin bürokratları tartışmak ya da çevrelerinde geliştirilen siyasaları dinleyip öğrenmek için bir araya gelmektedirler. Bu çalışmada siyasa transferi kavramı, uluslar üstü, uluslararası, ulusal, bölgesel ve yerel ya da diğer bir deyişle çok düzeyli model çerçevesinde gözlenmiştir. Bu çalışmanın amaçları itibarıyla şirket içi ve şirketler arası transfer düzeyi ihmal edilmiştir. Çalışmayı yönlendirmek ve siyasa transferi kavramlarının sınırlarını çizmek amacıyla bir dizi sorudan faydalandık. Siyasa transferinin bir teori değil bir model olarak görülmesi gerektiğini öne sürdük. Ayrıca siyasa transferinin siyasa yapma sürecinde yararlı bir açıklayıcı değişken olarak alınması gerektiğini belirttik. Bu çalışmada Türkiye'ye başka bir ülkeden gerçekleştirilen bir dış ticaret teşvik siyasasını islediğimiz için, açıklayıcı kavramlar olarak bürokratik özerklik, devlet müdahalesi, rant anlaşmaları, idari başarısızlık, seçicilik ve teşvik kriteri gibi anahtar kavramları kullandık ve bu

kavramların transfer edilen siyasanın başarılı ve başarısız olma durumunu anlamak için kullandık. Ayrıca siyasa transferi başarı veya başarısızlığı hakkında bir literatür taraması yaptık ve bu taramanın sonuçlarını ampirik bulgular ile birleştirdik. Siyasa transferi siyasa değişimini başlatsa da, uygulama başarısızlıkla sona erebilir. Bu nedenle siyasa transferini yakından inceleyerek bunun bir, eksik bilgili, eksik uyumlu, ya da uygun olmayan bir transfer olup olmadığını anlamaya çalıştık.

Türkiye için örnek çalışmada transfer edilen siyasanın gönüllü olarak ancak algılanan bir zorunluluk sonucunda gerçekleştiğini görüyoruz. Bu nedenle mevcut siyasalardan bir memnuniyetsizlik olduğu ve yeni siyasaları benimsemeye doğru bir isteklilik olduğunu düşünüyoruz. Bu tür "gönüllü ama gerekli" transferlerde özel sektör, çıkar grupları, iş ve dernek katılımının az olduğu daha çok görülür.

Tezden çıkan ilk siyasa sonucu, kendisini siyasa transferinin derecesi adı altında ortaya koymaktadır. Bunu yaparken, yerel siyasa ve uygulamaları dikkate almaksızın bir siyasanın toplam olarak transferine karşı çıkılmalıdır. İç ortam siyasalarının önemli bileşenleri, transfer edilen siyasa ile birleştirilmeli ve alıcı ortama uygun olmayan bileşenler dışarıda bırakılmalıdır. Gelişmekte olan ülkelerde uygun olmayan siyasa transferinden korunmak amacıyla, siyasa transferinin itici gücü yerel kaynaklardan gelmelidir. Buna ek olarak, siyasa transferi sürecinde yerel görüş siyasanın geliştirilmesine etkin ya da engel olabilir. Kamu kuruluşları transfer edilen siyasanın çok karmaşık ve uygulaması güç olduğunu düşünürse, siyasası transferini reddedebilir.

İkinci siyasa sonucu üst düzey ve bilişsel hareket ile ilgilidir. Tüm siyasa transferi ve uygulama boyunca hem üst düzey politikacılar hem de bürokratlar ve teknokratların taahhüdü siyasa transferi başarısı için çok önemlidir. İlgili tüm tarafların tam bağlılığı

olmadan, siyasa transferinin istenen hedefe ulaşması mümkün değildir. Buna ek olarak, Japonya'dan transfer edilen dış ticaret sermaye şirketi modelinin uygulanmasında gözlenen hatalar İtalya'dan transfer edilen sektörel dış ticaret şirketi modelinde de tekrarlanmıştır. Siyasa transferi ajanların sıkı sıkıya birbirine bağlı yapısı anlamına gelen ve siyasa transferi ağ yoğunluğu olarak ifade edilen yapının siyasa transferi sürecinin başarısında çok önemli olduğu görülmektedir. Eğer Türkiye'nin durumunda böylesi sıkı sıkıya bağlı bir yapı olsaydı, bu karar verme sürecinde bir özerkliği beraberinde getirir ve siyasa transferinin başarılı olması için kararlı bir yol izlenmesine yol açardı. Dolayısıyla Türkiye'de bu modellerin başarısız olması modellerin yeterince sahiplenilmediğini gösterir. Öte yandan, 1980'lerde Türkiye'de var olan kıt yerli kaynaklar ve uluslararası kaynaklara bağlı kalma durumu nedeniyle, donör kuruluşlar tarafından kabul edilebilir bir ihracat odaklı kalkınma planı geliştirmek için Türkiye az çok bir baskı altında aldı. Benzer bir durum 1990'lı yıllarda Türkiye, AB katılım müzakerelerinin baskısı altında iken de geçerli oldu. Türkiye'de bir birbirine bağlı ve eğitilmiş epistemik bir topluluk eksikliği donör kuruluş görüşlerine itiraz etme zorluğunu ortaya çıkardı. Devlet dışı aktörlere baktığımızda, bu aktörlerin siyasa transfer ağlarına nüfuz edebilme yetisi, onların siyasa transferi ajanları ile yakın ilişkilerine bağlıdır. Türkiye örneğinde, büyük iş grupları siyasası transfer ve uygulama sürecinde bürokratlar ve siyasetçiler üzerinde etkili olmuşlardır.

Üçüncü siyasa sonucu Türkiye için uygun olacak ihracat teşvik mekanizması bulmak için yürütülen aramanın kapsamının önemini vurgulamaktadır. Türkiye eğer sadece bir ülkenin ihracat başarısına kapılmayıp benzer siyasalar için başka ülkeler veya ortamlara da baksaydı, kendisine daha uygun bir siyasa bulabilirdi. Türkiye esasen ne Japonya ne de İtalya'ya benzer bir ülke idi. Bu nedenle bu ülkelerden transfer edilen siyasalar potansiyel bir başarısızlığa açık hale gelmişlerdir. Buna ek olarak, düşünsel ortam da siyasa aktarımında önemli rol oynamakla birlikte maddi alan da göz ardı edilmemelidir. Uzun vadede siyasanın başarılı olabilmesi için transfer siyasası aktörleri ve ajanları

arasında bir anlaşma oluşumu önem kazanmaktadır. Siyasa aktörlerinin tamamı önerilen çözümlere inanmalıdır.

Dördüncü siyasa sonucu transfer siyasasının aktörlerinin (alıcı ortamdaki ajanların) transfer edilen siyasayı yorumlama şeklidir. Türkiye durumunda rasyonel modelin, siyasa transferinin reddi ile sona ereceği belli olmuştur. Ancak, çoğu siyasa transferine tam rasyonalite yerine sınırlı rasyonalite ve ideoloji hâkim olmuştur. Bu aynı zamanda "analitik önyargı" olarak ifade edilen ve siyasanın transfer ajanınca desteklenen görüşlere yakın bir bakış açısıyla transfer edilmesini tanımlar. Sonuç olarak, "seçim mantığı", "uygunluk mantığının" önüne geçmiştir. Literatürde uygunluk mantığı ve seçim mantığı arasında tamamlayıcılık öngörülse de, eldeki vaka çalışması seçim mantığının üstünlüğünü göstermektedir. Transfer ajanları siyasa transferinde "engelleyici" olarak hareket edebilir ve transfer edilen siyasanın tam olarak uygulanmasını engelleyebilir.

Nihai siyasa sonucu, bu tezde de çalışılan çok düzeyli siyasa transferi modellerinin önemidir. Karşılaştırmalı bir bakış açısıyla küresel ve uluslararası düzeyden siyasa transferi analizi yapılmıştır. Çok düzeyli siyasa analizi modeli siyasi ve ekonomik küreselleşmeyi anlama ve yönetmede yararlıdır. Söz konusu siyasa transferinde Japonya ile Türkiye'nin içine girdiği etkileşim sürecinde etkin "ihracatı artırmak", İtalya ile Türkiye'nin etkileşim sürecindeki etkin söylem ise "Avrupalılaştırma" olmuştur. Daha sonra esas olarak Türkiye'deki siyasa ortamı dikkate alınarak siyasa değişikliğinin makro düzeyde açıklamasına bakıldı. Mezo ve mikro düzeyde ise siyasa nihai alıcılar ve uygulayıcı kurumlar düzeyinde analiz edilmiştir. Böyle bir analiz, siyasa transferinde kapsamlı bir açıklama sağlar ve özellikle krizlere ve istikrarsızlık ortamlarına eğilimli Türkiye gibi gelişmekte olan ülkelerde siyasa transferinin başarı veya başarısızlığının

sebeplerini açıklar. Bu, çok düzeyli analiz geliřmekte olan lkelere yapılan transferleri anlamak iin gl bir ara yapar.

## APPENDIX K: TEZ FOTOKOPİSİ İZİN FORMU

### **ENSTİTÜ**

Fen Bilimleri Enstitüsü ☐

Sosyal Bilimler Enstitüsü ☐

Uygulamalı Matematik Enstitüsü ☐

Enformatik Enstitüsü ☐

Deniz Bilimleri Enstitüsü ☐

### **YAZARIN**

Soyadı :  
Adı :  
Bölümü :

**TEZİN ADI** (İngilizce) :

**TEZİN TÜRÜ** : Yüksek Lisans ☐ Doktora ☐

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir. ☐
2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir. ☐
3. Tezimden bir bir (1) yıl süreyle fotokopi alınamaz. ☐

**TEZİN KÜTÜPHANEYE TESLİM TARİHİ:**