

On the Road to Moderation: The Role of Islamic Business in Transforming Political Islamists in Turkey*

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Economic liberalization policy in the 1980s engineered a shift from import substitution and a first generation of state-sponsored industrialists to export orientation and a new generation of entrepreneurs committed to Islamic values in the Middle East and North Africa. Outward-driven Turkish Islamic business in manufacturing and services became economically empowered in the globalization process and organized its own encompassing business representation. In doing so, the new riches have motivated their Islamist counterpart in politics to adopt more market-oriented programs in order to secure their business interests through the networks of Islamic community where the exclusion by the secularist state formed a sense of solidarity.

Keywords: *Political Moderation, Structural Power of Islamic Business, Islamic Business Association, Neo-liberal Reform Coalition, Turkey*

1. INTRODUCTION

Islamist movements seeking to promote the role of Islam in political and economic life have mostly viewed the globalization process as an imperialist plot to impose painful adjustment reforms arranged by international financial institutions. The movements often use populist rhetoric laced with anti-Western attitudes and rely on mobilized Islamic mission-oriented groups who have not benefited from the open-door policies. Many disenfranchised young people in the Middle East and North Africa have supported the Islamist movements as a mode of protest against their incapable pro-Western regimes.

In Turkey, however, Islamic capitalists have been ardent free marketers supporting globalization and the Washington Consensus, and opposing the arbitrary and powerful state. Moreover, Turkey's principal Islamist party, the Justice and Development Party (*Adalet ve Kalkınma Partisi*, AKP), began to emphasize privatization, marketization, and globalization showing a striking transition from the previous Islamic parties including the fundamentalist¹ Welfare Party (*Refah Partisi*, RP). The AKP, formed by a reformist wing in 2001, has claimed to succeed the Motherland Party (*Anavatan Partisi*, ANAP) under Turgut Özal in the 1980s, which advocated economic liberalism and cultural conservatism. The AKP has adopted top-down party structure, practiced professionalized leadership, and formulated

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¹ The term 'Islamic fundamentalists' commonly refers to the groups who contend that it is necessary to establish an Islamic state, based on Islamic *sharia* law. The term 'Islamic extremists,' in contrast, refers to fundamentalist groups who operate outside the law and espouse violence to attain political power.

centrist and pragmatic policies. This all-pervasive but vague Muslim catch-all party won a ruling majority of the parliament in the 2002 election and formed the country's first single-party government in 15 years. The AKP has seemed to accept liberal democracy as "the only game in town" and heightened prospects for political and economic stability since it took office.

The government of Özal launched economic liberalization policy in the early 1980s and gave rise to a new group as the primary base of a pro-reform coalition: small but outward-oriented Islamic business in the inner Anatolian towns and cities. The new policy brought about a significant transformation from import substitution and a small group of Westernized, secular, urban, and state-linked industrialists to export orientation and a large number of provincial merchants committed to Islamic values. The consciously delivered Islamic business in manufacturing and services has emerged as a vibrant part of the export sector and has been able to capture the benefits of globalization. The owners of Islamic firms organized their own business representation, the Association of Independent Industrialists and Businessmen (*Müstakil Sanayici ve İşadamları Derneği*, MÜSİAD), in 1990. MÜSİAD and its constituency of Islamic entrepreneurs became economically empowered and independent as the state lost control of local capital as the globalization process deepened.

Criticizing the austere regulation of resources and religion by the secularist state, the Islamic business group wanted the state to be downsized. Nonetheless, capital tends to avoid any direct confrontation with the state, which would endanger business interests. Since MÜSİAD and its members knew that they could not capture complete control over the state, they instead have supported a minimal but usable state, a rule of law, and pluralism. Turkish Islamic business, which has been less repressed by the state than its Islamist counterpart in politics, has tended to push the political Islamists to embrace more liberal platforms in order to secure its interests and wealth. Through the Islamic community where the exclusion by the secularist regimes built a sense of solidarity, MÜSİAD and its constituency facilitated the emergence of reformists within the political Islamists. This study argues that Islamic business association and its drive for markets transform political Islamists into a more moderate direction, and strengthen a young generation of reformists via communal networks.

This article begins by presenting theories regarding the politics of Islamic business mainly in manufacturing and service sectors. The second part offers a brief account of the evolution of Turkish Islamic business since Özal's reform. The third part investigates the growth of MÜSİAD in terms of its strategy, organizational capacity, market base, branch, and membership. This is followed by a comparison with TÜSİAD, a business association for powerful secular conglomerates. Finally, this study examines geographical and personal connections between MÜSİAD members and the moderate political Islamists.

2. THE STATE, CAPITAL, AND ISLAMIC BUSINESS

Colonial experience in the Middle East and North Africa contributed to the partial, abrupt, and unstable nature of state building, social formation, and capitalist development in the post-colonial countries. The most problematic legacy from the colonial era is overdeveloped states coupled with underdeveloped class structures in the newly capitalist countries (Anderson 1987; Ayubi 1995; Bellin 2002; Henry and Springborg 2001; Owen 2004). The rulers produced much the same type of European colonial rules via the creation of authoritarian regimes or, in the case of Turkey, by building the statist bureaucratic practices

of the late Ottoman period. Huge expansion in the states' power and size including a number of public enterprises was a common feature of the post-independent Middle East and North Africa. Also, there was no contesting bourgeoisie, but only a small group of state-created industrialists who had no desire to challenge the enduring authoritarian regimes and their direct intervention in capitalist development (Hirschman 1977; Moore 1966).

Exclusive control of resources by the states continued until the import substitution industrialization (ISI) era. Islamic capitalists, such as traditional merchants, small traders, artisans, and bankers committed to Islamic beliefs often felt threatened by the huge industrialization policy and heavy protectionism. They have been less favored by the states than their secular competitors, the big capitalist cronies of the military-political elite who received huge governmental privileges (Henry and Springborg 2001: 212). Furthermore, Islamic capitalists were subdued and overregulated by the states as its Islamist counterpart in politics challenged the incumbent regimes, accusing them of rampant corruption and asking for greater political participation.

To counter what they perceived as extensive discrimination at the hands of the states, Islamic capitalists strove for the development of autonomous private sector by reducing the overwhelming presence of the interventionist state. They have called for the replacement of secret concessions with a transparent process and decentralized governmental decision-making. Islamic capitalists have thus tended to buy into the Washington Consensus given their target, the all powerful state. In fact, ideologically, both liberalism and economic Islam were driven by their common opposition to socialism and a command economy. The globalization process often witnessed the alliance between Islamists and competitive liberals (Warde 2000: 45). In doing so, liberal Islamists developed a new idea of "Islamic Protestantism" suggesting that an entrepreneur who works hard for material gain and is spiritually pure, will be rewarded here on earth in the form of shared profits and social recognition. According to this Islamic version of Max Weber's "Protestant Ethic," commercial gains with an honorable ambition should be returned to the community via *zakat* or faithful charity. *Zakat* can be paid directly to the poor without the involvement of political institutions. This notion is quite compatible with the minimal role of the state. The concept also emphasizes the rules set by Prophet Muhammad to guide exchange activities in the Medina market, which is a clearly defined competitive system with minimal state intervention (Kuran 2004: 7-8; Ö zel 1994: 3-5).

Market-driven Islamic capitalists became increasingly successful as most import substitution industries in the region faced international pressure to implement structural adjustment reform, and to participate in the globalization process. The incumbent regimes became heavily indebted and dependent on rents largely from foreign aid and oil, which were getting scarcer, and thus could not keep up economic growth and political legitimacy. On the other hand, Islamic business, especially located in the outward-oriented sector due to the exclusion and neglect by the ISI strategy, has been benefiting from market reform and globalization. As local economic groups grow and gain economic stature, local entrepreneurs can attract transnational allies on their own without the help from the states (Evans 1997: 67). As a matter of fact, these Muslim businessmen in manufacturing and service sectors earned structural power thanks to their capacity to connect with global capital markets including the Islamic world, to establish transnational ties, and to accumulate their mobile capital.

Yet, Islamic business has more to lose if it confronts the state than Islamic parties which recruit their voters from the bottom layers of society, mainly the losers or discontents of globalization. Capital does not like to enter in adversarial relationships with governments in

order to preserve their wealth and interests. Islamic business in Turkey is like business in general in this regard. It usually chooses to succumb to the existing rule and cooperate with the state facing the alliance options.

3. ECONOMIC LIBERALIZATION, PRO-REFORM COALITION, AND THE DEVELOPMENT OF ISLAMIC BUSINESS IN TURKEY

Prime Minister Özal needed not only to vitalize the export sector which small to medium Islamic firms mostly occupied, but also to cement a pro-reform coalition as a counterbalance to the big industrialists of the ISI regime. Coming to power through the 1983 election, Özal accelerated market reform which had already started in agreement with the IMF during the military rule in 1980-3. Özal, who served as Minister of Finance in the military government, was not the military's favorite, but acceptable (Henry and Springborg 2001: 211; Keyder 1987: 202). Not surprisingly, the big business and industrial bourgeoisie, who openly contended the indispensability of statist economy, opposed Özal's new policy and backedpedaled on demands for the reform. With the exception of a few holding companies whose activities focused on the textile industry, the big firms with large fixed assets from the protected industries did not abandon their import substitution orientation and continued to seek the governmental rents via old patronage networks. The industrial conglomerates who possessed close personal and business links with the military elite lobbied the military against Özal.² They also gave their strong support to the True Path Party (*Doğru Yol Partisi*, DYP), another center-right party and the ANAP's main rival.

Faced with serious opposition, the Özal government developed two strategies. First, it was to structure a highly centralized top-down decision-making mechanism by enlarging the power of prime minister in particular. The top positions of economic administration were deliberately appointed from a selected group of young U.S.-educated technocrats, who were strongly committed to neo-liberal economic model and also tried to integrate Islamic values as well. These technocrats handpicked by Özal and popularly known as "the Princes," became key figures implementing harsh structural adjustment during the latter half of the 1980s. Accordingly, the locus of decision-making clearly shifted from the Kemalist bureaucratic elite to the political elite committed to conservative liberalism under the leadership of economic czar Özal (Haggard and Kaufman 1995: 252; Öniş 1998: 342).

Second, it was to solidify new support of the outward-oriented strategy which the large firms rooted in the domestic market opposed. The trick of the successful reformer was to cajole and threaten the big business to keep it in line behind the reforms even when they caused short-run pain (Henry 1996: 88). The base of the new coalition of interests was small to medium enterprise in manufacturing and services. This business was committed to religious conservatism, based on provinces, and thus was remarkably distinguished from the Westernized, secular, and urban big business. The Islamic-oriented business had been discriminated by the state since the Kemalist authoritarianism with the short exceptional period of the Democrat Party's (*Demokrat Parti*, DP) rule in the 1950s when the big

² In 1982, two big conglomerates Koç and Sabancı traveled to Ankara to pressure the military government to remove Minister of Finance Özal who was eagerly implementing the 1980 structural adjustment package and opposing to the governmental bailouts of bankrupted firms. Özal was subsequently fired by the generals in 1982 (Patton 1992: 118-9).

industrialists' hold over the economic middle class temporarily weakened (Keyder 1987: 202). During the ISI era, a cleavage between the big secular business and the rest of the business community- mainly the small and medium sized Islamic firms- became increasingly clear (Patton 1992: 112). Yet, Özal's policy encouraged the Islamic business to speed up its performance through several incentive programs. The conscious efforts of pro-Islamic ANAP deputies provided this business access to credits and subsidies from the official sources. In fact, Özal's market reform delivered enough small business to keep the ruling party's political machines rolling (Ayata 1993: 58; Henry 1996: 88).

Before the new policy, the Islamic business was represented by a semi-official organization, the Union of Chambers (*Türkiye Odalar ve Borsalar Birliği*). The organization was a union of local chambers in every city and many towns to which all commercial and industrial employers with 10 or more workers were required to become a member. This compulsory association was a mixture of a wide variety of heterogeneous interests, and thus there existed an obvious split between the larger industrialists in Istanbul and Izmir versus the smaller merchants in the inner Anatolia. The provincial Anatolian business was clustered in the labor intensive sector with low skill and low technical sophistication. It was frustrated by the state's exclusive investment in the bigger enterprises of larger cities. The large chambers of the big business were autonomous from the Union, and their demands were voiced by powerful conglomerates. Those big businessmen were closely connected to the government authorities and thus did not appreciate the intermediation of the Union of Chambers. Therefore, the small Anatolian businessmen who dominated the Union by numbers became marginalized by the conglomerates. The growing antagonism between the commercial and industrial interests was exacerbated, and this internal conflict within the Union was a major factor in the formation of the Turkish Industrialists and Businessmen Association (*Türk Sanayici ve İşadamları Derneği*, TÜSİAD), a business association for the big secular conglomerates in 1971 (Bianchi 1984: 256-9; Öniş 1998: 336).

Since Özal's reform, most of the Islamic and export-oriented business derived great benefits from the outward-oriented strategy and learned to adapt to markets. In doing so, some of them grew into big firms which founded joint ventures in Europe mainly due to funds and savings collected from the conservative Turkish guest workers. Many of the guest workers kept their money out of banks because of their religious opposition to interest.³ Thus, they were often attracted to the Islam-committed companies based in Turkey which offered investors shares in profits instead of interest. The rise of the Islamic firms at home and abroad is known as the emergence of "the Anatolian Tigers," the main supporters of Özal's reform forming a significant part of the export sector in terms of numbers and influence.⁴

Economic growth during the period of 1983-7 was followed by an economic crisis developed after the 1987 election, and a noticeable decline in the appetites of reformers for implementing a second package of February 1988. As the harsh structural adjustment could not sustain the initial popularity, Özal had little option but to increase expenditures before the election, and the result was a surge in inflation. In fact, the late 1980s witnessed "popular

³ The most fundamental characteristic in Islamic economics is the prohibition of interest, more accurately the avoidance of *riba*, which is defined as the unjustified increase in wealth.

⁴ Despite the terminology of Anatolian Tigers, the Islamic business extended the boundary beyond the provincial Anatolian towns to the outskirts of big cities, mainly Istanbul. The new urban petite bourgeoisies joined in the expanded commercial sector as peddlers, dealers, small firm owners, textile shop owners, and food producers, preserving their provincial identity and religious tradition.

capitalism” which was clearly based on electoral considerations and accordingly caused lingering fiscal problems. Moreover, as Özal’s direct involvement in decision-making diminished after he became President in 1989, inter-bureaucracy struggles became widespread increasing rent seeking and discretionary allocations (Haggard and Kaufman 1995: 253; Henry 1996: 98-9; Özbudun 2000: 136).

Although many reforms faltered, the export sector continued to accomplish structural changes successfully (Öniş 1998: 194). The Islamic business maintained its growth and formed its own voluntary business association. MÜSİAD was founded on May 5, 1990 in Istanbul by a number of young Muslim businessmen. Since its pro-Islamic attitude is quite obvious, the first letter of the acronym “M” is commonly perceived as standing for “Muslim” rather than for “müstakil” -“independent” in Turkish. MÜSİAD is a solid representative of the conservative businessmen in the long-neglected heartland of Anatolia, as a counterpart to the secular-oriented TÜSİAD.

Yet, as Özal died in 1993 and his followers lost their influence within the ANAP, the Islamic business again lost state’s favor. Rather, its increasing growth raised serious concerns among the military and the big business. In February 28, 1997, the military insisted that the Islamic firms had been channeling huge funds into Islamist movements, and decided to undertake investigations. The Islamist RP coalition government was shut down in June 1997, and the RP was subsequently banned. As the military’s fight against fundamentalism known as “the February 28 Process” accelerated, the NSC charged MÜSİAD with violating laws of association and issued a blacklist containing hundreds of the member companies. Although MÜSİAD and its members experienced substantial hardship, the association has deepened its market-oriented ideology and organizational capacity, and expanded the market and membership base afterwards.

4. THE GROWTH OF MÜSİAD AND ITS MEMBERS IN THE GLOBALIZATION ERA

First, as for its ideology and strategy, MÜSİAD has crafted its attitudes toward sociopolitical and economic agendas in a more business-driven and politically pluralist way. Concerning religion issues, MÜSİAD defined its goal as promoting commercial development without sacrificing moral values in the early years. The first president introduced the concept of “Homo Islamicus” in which the goal for a Muslim entrepreneur is to get the consent of Allah through hard work, honest trades, and fair transactions (MÜSİAD 1995: 2). This concept was believed to fill the missing ethics in the newly spread consumerism after Özal’s marketization. Yet, later the association tended to emphasize Islamic spirituality or ethics less, and symbolize itself more as a non-religious civil society organization. In March 2000, about 20 MÜSİAD member companies declared that they would not refer to Islamic symbols in promotional activities (*Milliyet* March 8, 2000).

Regarding economic policy, the association in the early 1990s seemed to be influenced by the economic success of East Asia and by the close affinities of Asian communitarian cultures. MÜSİAD did not support trades with European countries, but instead advocated closer economic links with the Islamic world through which MÜSİAD made donations to several religious charities (Özel 1994: 11-2). Since the late 1990s, MÜSİAD, however, increasingly adopted a pro-EU position and demanded an accelerated liberalization and globalization. Also, the association strongly insisted that the state should not be regarded as a father any more but rather as a servant refraining from intervention in the economy

(MÜSİAD 2001).

With regard to domestic politics, although MÜSİAD kept opposing state intervention in the economy, it did not develop specific agendas concerning political reform until 2000. In April 2000, MÜSİAD published a report entitled “Constitutional Reform and Democratization of Administration” with plans to downsize the state, to decrease the power of the NSC, and to reduce government consumption. The report also called for respecting the Copenhagen criteria in order to protect individual rights and civil liberty, and to solve the Kurdish problem (MÜSİAD 2000: 7-32). Likewise, MÜSİAD’s annual report “Turkish Economy” has steadily increased the sections of democracy and individual liberty since the mid-1990s.

Second, as for its organizational capacity, MÜSİAD as a collective self-governing body has run a strong and transparent association. Relative external threats and subsequent political vulnerability often provide the business elite with strong incentives to invest in maintaining favorable conditions for survival (Schneider and Maxfield 1997: 25). The Islamic business community developed a shared sense of independence from the hegemony of the ruling secularist elite and tried to collaborate and cooperate. Also, the Islamic bond among the members strengthened mutual trust, loyalty, and communal integration switching disadvantage into solidarity. Furthermore, since the Islamic community usually possesses dense and embedded information networks, MÜSİAD could develop multiple monitoring mechanisms by wielding costly sanctions. It was possible because ethnic kinship or religious identity transmitted cheap signals of reputation and trustworthiness. Exclusion would be socially and economically disastrous to any member in such associations (Schneider and Maxfield 1997: 28). In doing so, the tightly knitted Islamic business community increased transparency deterring more collusive behavior by network participants and mitigating the tendency to seek rents.

MÜSİAD also played a mediator role in arranging subcontracts between bigger firms and smaller ones, where the latter manufactured small parts of machinery for the former and its European markets. The association has provided training courses for management skills and foreign languages, and published several periodicals to update global and domestic market information. MÜSİAD has also organized its annual international trade fair where the members met foreign businessmen and made contracts with them since 1993 (MÜSİAD 2002b: 22-48).⁵

Third, regarding its market base, MÜSİAD member companies have expanded their markets into more diverse sectors at home and abroad. The Islamic firms widened the bases from the labor-intensive manufacturing sector to the service sector including franchising, retailing, entertainment, news media, and finance industries since the mid-1990s. For instance, Kombassan Holding started a grocery retail chain Afra hypermarket in 1993, and Yimpaş Group bought out a huge food retail company Aytaç in the same year. Yimpaş also became the largest shareholder of TV channel Kanal 7 in the mid-1990s while Albayrak Group started its daily Yeni Şafak in 1995. Similarly, İhlas Holding which owns daily Türkiye and TGRT TV channel established İhlas News Agency in 1993. İhlas also founded İhlas Finance House in 1995,⁶ whereas İstikbal Group started its own Islamic banking,

⁵ The number of visitors to the annual MUSIAD international trade fair increased from 20,000 in 1993 to 71,000 in 1998, 135,000 in 2002, 160,000 in 2005 (*Zaman* August 31, 2006).

⁶ The license of İhlas Finance House was revoked in 2001 because the banking illicitly transferred its funds to other companies of İhlas Holding which used the funds to their own advantage, but had

Anadolu Finance House in 1991. Ülker Group, too, bought out the Faisal Finance House and renamed it as the Family Finance House in 2001. Furthermore, most of these companies and other smaller ones⁷ started new business in leisure, transport, investment, and even high technology industries (Bulut 1997: 409-10, 413-7; *Turkish Probe* February 14, 1999).

MÜSİAD companies also established transnational partnerships, and became internationally competitive and domestically independent from the state. For example, Ülker Group whose main target was limited to the Middle Eastern markets in the 1970s, expanded its market base to Europe establishing the first joint venture in Netherlands in 1993 and then in Denmark in 1995. Kombassan Holding founded its joint venture in Germany in 1997 and Netherlands in 1998. In 1999, Kombassan attracted more than 80,000 investors including not only the inner Anatolians but also the Turkish workers in Europe, and it was the largest public investment of the year in Turkey. Yımpaş Group which also had many Turkish guest worker investors in Germany opened the branch of its supermarket chain in Offenbach in 1995 and Köln in 1998 (*Financial Times* June 15, 1999; MÜSİAD 2002b: 40-8).

Fourth and finally, as for its organization and membership, MÜSİAD has shown wide-ranging local branches, increasing overseas offices, and growing membership. MÜSİAD increased the number of local branches from 15 in the early 1990s to 28 since 2000 covering diverse regions. Also, its overseas focal offices increased from 10 in the early 1990s to more than 30 since 1997 located mainly in Europe, South Asia, and the Middle East. The membership started with 12 in 1990 and increased to over 200 in 1991, over 1,000 in 1993, over 2,000 in 1995, and around 3,000 in 1998. Yet, following the February 28 Process, the number of membership declined to around 2,000 by 2001, but it again increased to over 3,000 in 2005. In terms of location, MÜSİAD member companies have been dispersed all over the country. Although the largest number is located in Istanbul, the members are from 42 different cities throughout the country. The majority is small to medium sized firms employing fewer than 100 workers, but the leading members are large firms. Regardless of the size, more than 70 percent of MÜSİAD companies were formed after 1980 (MÜSİAD 2002a; *Turkish Daily News* September 16, 2005). Their assets accounted for about 10 percent of GDP while their investment added up about \$2.5 billion in the early 2000s (Nichols and Sugur 2004: 156-7).

Table 1. Comparison between MÜSİAD and TÜSİAD

	MÜSİAD	TÜSİAD
Ideology and Strategy	Conservative but economically liberal	Strongly secularist and elitist
Organizational Capacity	High collaboration and transparency	Low internal cohesion and governing ability
Market Base	Relatively multi-sectoral and highly outward-oriented	Highly multi-sectoral and relatively domestic-oriented
Branch and Membership	Encompassing and large	Selective and small

difficulties paying back to İhlas Finance House.

⁷ The smaller companies include Kar Group, İttifak Holding, Sayha Holding, and Adım Group.

Meanwhile, TÜSİAD, the oldest and most influential business association, has a very different profile as table 1 shows. TÜSİAD was founded by the big secular Istanbul-based industrialists in 1971 against the corporatist Union of Chambers. Eighty-two founding members were the most powerful businessmen. Those big conglomerates successfully pressured the military government in 1971 to take foreign exchange allocation out of the hands of the Union and place it under the authority of various ministries. Several grant programs were manipulated in their favor as opposed to small and medium sized firms, which could not afford to hire personnel to work in Ankara in the pre-1980s (Bianchi 1984: 268; TÜSİAD 1989).

First, TÜSİAD has been strongly secularist and elitist. In the early 1980s, TÜSİAD resisted Özal's structural adjustment reform and conservative liberalism. The association also heavily criticized incentive programs granted to the Islamic-oriented exporters for penalizing its inward-focused firms which had previously monopolized the rents. Although it currently supports globalization and democratization, TÜSİAD pays less attention to individual rights and civil liberty issues and is hesitant in criticizing the state compared to MÜSİAD (Öniş and Turem 2002: 450).

Second, TÜSİAD has demonstrated low internal cohesion and weak governing ability. Because the members can access decision-makers directly and personally, the conglomerates preferred to act individually and informally without channeling their interests via the representation. In fact, along with the military elite, the large industrialists were pivotal players in influencing economic policies through the tight connections with the top bureaucracy before the 1980s. The military has owned a huge financial group, Armed Forces Assistance Fund (*Ordu Yardımlaşma Kurumu*) established in 1961 in order to secure its stake from the crisis-prone Turkish economy and to increase its autonomy from civilian administration. The military developed close ties with key conglomerates by establishing joint ventures with their companies and by inter-marriage (Karabelias 1999: 141-3). Thus, the highly private pursuit of interests by TÜSİAD individual members has resulted in frequent frictions among the members.

Third, TÜSİAD member companies have been highly multi-sectoral in the domestic market but not successful in expanding overseas markets. TÜSİAD companies were inward-oriented and occupied all aspects of Turkish economy during the ISI era. In addition to their large fixed assets, the concerns over loss of family control and the lack of flexibility in recruitment have emerged as leading impediments to foreign direct investment and joint ventures (Buğra 1994: 185).

Fourth and finally, TÜSİAD's branches and membership have been selective and small in location and number. Along with the main office in Istanbul, TÜSİAD has only one branch in Ankara, opened in 2000, and one each in Brussels and Washington DC, opened respectively in 1995 and 1998. The original membership of 82 in 1971 increased to around 400 after 35 years locating exclusively in Istanbul area. Most members have been the top holding companies owning the biggest banks, insurance companies, construction firms, and other service enterprises. Unlike the MÜSİAD, around 80 percent of TÜSİAD member companies were established before 1980. TÜSİAD's overall impact on the economy has been much bigger than that of MÜSİAD, accounting for about 40 percent of total value added in manufacturing, construction, and banking services and nearly half of the production and employment of the manufacturing (Özbudun 2000: 133; *Türkiye* February 17, 2005).

5. GEOGRAPHICAL AND PERSONAL LINKS BETWEEN ISLAMIC BUSINESS ASSOCIATION AND MODERATE POLITICAL ISLAMISTS IN TURKEY

5.1. Geographical Links

This analysis starts with geographical relationship between the increasingly empowered MÜSİAD members and the votes of the Islamist Virtue Party (*Fazilet Partisi*, FP) in the 1999 general election. The FP was formed in 1998 with most of the RP deputies after the RP was shut down. It is hypothesized that the grown Islamic business has been associated with the political Islamists in general and has contributed to the recent emergence of a moderate faction within them in particular.

Table 2. A Correlation Analysis: Ties of Islamic Business with an Islamic Party in General

	Number of MÜSİAD Local Members in Constituency	FP's Votes in 1999
Number of MÜSİAD Local Members in Constituency		
<i>Pearson correlation</i>	1	
<i>Sig. (2-tailed)</i>		
<i>N</i>	81	
FP's Votes in 1999		
<i>Pearson correlation</i>	.967**	1
<i>Sig. (2-tailed)</i>	.000	
<i>N</i>	81	81

** denotes statistically significant at $p < .01$.

Source: Müstakil Sanayici ve İşadamları Derneği (2002a)⁸; Türkiye Cumhuriyet Başbakanlık Devlet İstatistik Enstitüsü (various issues)

In Table 2, a correlation analysis is based on the Pearson product-moment correlation resting on the assumption of a bivariate normal distribution with a linear inter-dependence for continuous variables (Chen and Popovich 2002). The analysis result presents that MÜSİAD members are located in regions where the support for the Islamic party is strong. The Pearson's r or the correlation coefficient value of 0.967 describes a positive and highly significant correlated association between the two variables. Also, the coefficient suggests that a one standard deviation increase in the number of MÜSİAD local members in constituency was associated with an increase in the FP's votes by 72.296 (obtained by multiplying 0.967, the coefficient and 79.764, the standard deviation). The value of Pearson's r^2 or the coefficient of determination can be interpreted as a proportion in

⁸ It is plausible enough to use the MÜSİAD data of 2002 for this association since the 2016 members in 42 different regions were considered as loyal members who have stayed in MÜSİAD at least since 1995 despite the hardship of the late 1990s.

explaining the correlation. The r^2 value of 0.935 is interpreted as about 93 percent of the variance in MÜSİAD members' regional bases accounted for by the FP votes in 1999. That is, regions with greater number of MÜSİAD members are related to regions with greater electoral support of the Islamic party in general.

The rift between the moderate wing and conservative faction among the political Islamists first appeared after the FP was banned in June 2001. Fifty of 111 FP deputies joined the AKP formed by the reformists under the leadership of former Istanbul mayor Recep Tayyip Erdoğan. On the other hand, 46 of 111 FP deputies participated in the Felicity Party (*Saadet Partisi*, SP) founded by the traditionalist faction which espoused the thirty-year-old indisputable leadership of Necmettin Erbakan. Thirteen of the FP deputies entered the other parties, whereas 2 of the FP deputies lost their seats by the constitutional court order when the FP was outlawed. Thus, the AKP from the FP and the SP from the FP only refer to the ex-FP deputies before the 2002 general election in which the AKP won a landslide victory. Due to the AKP's popularity prior to the election, 9 deputies from three other parties joined the AKP as the pre-election opinion polls had consistently shown the AKP to be a front runner.

Table 3. A Correlation Analysis: Location of Islamic Business in Reformist and Traditionalist Constituencies

	Number of MÜSİAD Local Members in Constituency	Representatives of AKP from FP	Representatives of SP from FP
<hr/>			
Number of MÜSİAD Local Members in Constituency			
<i>Pearson correlation</i>	1		
<i>Sig. (2-tailed)</i>			
<i>N</i>	81		
Representatives of AKP from FP			
<i>Pearson correlation</i>	.804**	1	
<i>Sig. (2-tailed)</i>	.000		
<i>N</i>	81	81	
Representatives of SP from FP			
<i>Pearson correlation</i>	.628**	.473**	1
<i>Sig. (2-tailed)</i>	.000	.000	
<i>N</i>	81	81	81

** denotes statistically significant at $p < .01$.

Source: Müstakil Sanayici ve İşadamları Derneği (2002a); Türkiye Büyük Millet Meclisi (2002); Türkiye Cumhuriyet Başbakanlık Devlet İstatistik Enstitüsü (various issues)

As for the association of the location and number of MÜSİAD members with the divided

political Islamists, table 3 shows that the Islamic business is differently correlated with the AKP from the FP and the SP from the FP. The correlation between MÜSİAD local members and the AKP representatives is positive and highly statistically significant given the Pearson correlation value of 0.804. This suggests that a one standard deviation increase in the number of MÜSİAD local members was associated with an increase in support for the AKP by 64.130 (obtained by multiplying 0.804, the coefficient and 79.764, the standard deviation). In short, regions with greater number of MÜSİAD members are related to regions with greater support of the moderate political Islamists in particular. Also, the Pearson's r^2 of 0.647 implies that about 65 percent of the variance in MÜSİAD members' regional bases is explained and shared by the AKP members. On the other hand, MÜSİAD local members and the SP representatives are also quite highly correlated at 0.01 level given the Pearson's r of 0.628. The coefficient indicates that a one standard deviation increase in MÜSİAD members was associated with an increase in support for the SP by 50.091 (79.764 as the standard deviation). The Pearson's r^2 value of 0.394 suggests that there is 60 percent of variance that the two variables do not have in common.

In sum, the size and effect of geographical correlation between MÜSİAD members and the AKP representatives is bigger (0.804) than the SP representatives (0.628). The conventional frame for the particularly significant level is over 0.8 value of the coefficient (Chen and Popovich 2002). Likewise, the amount of variance explained in the former correlation is bigger (65 percent) than that in the latter (39 percent). Therefore, the hypothesis proposing the stronger correlation between MÜSİAD local members in constituency and regional support of the moderate politicians is verified.

Nevertheless, a correlation does not necessarily stand for distinct causation and substantial causal conclusions. Besides, the significance of both coefficients in the analysis is high at 0.01 level, and the difference between 65 and 39 percent in terms of r^2 is not exceedingly critical. The geographical links examined through a correlation analysis here can provide a clue for further causal relationships. In order to attain the causal and dynamic nature of the transforming process, this study tracks newly configured personal channels based on a detailed case study and process tracing.

5.2. Personal Links

Although MÜSİAD executives emphasized an equal distance from all political parties, the close ties between MÜSİAD members and the reformist AKP have been quite observable. Nine of the AKP founding members were MÜSİAD members at the same time. Twenty of the AKP deputies elected in the 2002 election also were MÜSİAD members simultaneously (AKP 2002a; 2002b). Those seemingly close ties between the two were transferred from the former ANAP members of the Özal times, invigorated by the interlocking tarikats, and generated through the networks of Erdoğan's Istanbul municipality.

First, the personal links between the Islamic businessmen and the Islamic-oriented ANAP members were observed after Özal implemented comprehensive market reform. The ANAP deputies who promoted the Islamic firms through several incentive programs left the party when the ANAP under Mesut Yılmaz's new leadership changed its orientation away from Özal's conservative liberalism in the mid-1990s. Most of them joined the moderate faction of the Islamist FP and later the AKP. For instance, Ali Coşkun who served as the executives of several Chambers since the 1980s, led a main economic policy making body, "the Coşkun-Yalçıntaş group" with Nevzat Yalçıntaş within the moderate wing. Both Coşkun and

Yalçıntaş were close friends of the Özal family and became the AKP's founding members and Istanbul deputies. Coşkun was later appointed Industry and Trade Minister in the AKP government. Coşkun's son is the member of MÜSİAD while Yalçıntaş' son is also an executive committee member of MÜSİAD and a founding member of the AKP (AKP 2002b; Bulut 1997: 308).

Second, the links between MÜSİAD members and the moderate political Islamists were solidified by tarikats, silent but influential religious orders with comprehensively interwoven networks at local community level. It is widely believed that there is a tension between superstitious, informal practices led by old rural tarikat communities on the one hand, and orthodox, *sharia*-based fundamentalist activities led by urban radical Islamist movements on the other (Gellner 1994: 88-91). The tarikats tend to be flexible and relaxed, and thus do not support Erbakan and his scripturalist faction whose rigid and uncompromising attitudes usually bring more troubles to the Islamic society. These Islamic orders which remained as secret brotherhoods after the abolition of all Islamic organizations since the early Kemalist regime, finally received semi-legal status during the Özal government and were able to re-operate their networks. Many of the tarikats have founded their own investment companies, private TV channels, hospitals, and schools since the 1980s. The Anatolian Tigers were also known to have strong ties to the tarikats which could provide connections to the wider transnational markets of the Islamic world (Yeşilada 1999: 137-8).

The biggest and most influential tarikat is Nakşibendi. Nakşibendi itself owns a company named Server Holding which holds several firms in food, automobile manufacturing, telecommunications, and healthcare industries (Bulut 1997: 395-6). The key members of Nakşibendi were the Özal family and several former ANAP parliamentarians including Coşkun and Yalçıntaş. Nakşibendi's leader has stood in tension with Erbakan, accusing him of deserting Nakşibendi members and of discouraging the Islamic party supporters from making donations to the tarikat's charities (Shankland 1999: 83-4, 91). On the other hand, Nur is the second biggest tarikat rooted in Sufi Anatolian folk traditions. The Ülker Group family members are known as devoted Nur followers. During the reign of Özal, Nur was not different from Nakşibendi in terms of party preference by supporting the ANAP although the support diminished after Özal's death in 1993 (Ayata 1993: 55). The former ANAP deputies Abdulkadir Aksu and Cemil Çiçek are Nur tarikat members and joined the AKP as Nakşibendi members Coşkun and Yalçıntaş did.

In the meantime, a neo-Nurcu group emerged in the 1980s under the leadership of Fethullah Gülen. Fethullahcı tarikat possesses a comprehensive and complex network of business empires.⁹ The important difference between Fethullahcı and other tarikats is that Fethullahcı has eagerly emphasized Turkish nationalism fusing Turkish and Muslim identity, but criticized Islam in Iran and Saudi Arabia (Shankland 1999: 81-4). The leader Gülen is known for his pro-American inclinations and penchants for a free market economy. Expectedly, Gülen has stood in a serious conflict with Erbakan and his Islamic parties since the early 1970s. Gülen harshly accused Erbakan of using Islam for his own political purpose and further defended the official secularism when the military cracked down Erbakan's parties (Yavuz 1999: 121-2).

⁹ It owns a huge insurance company named Işık Sigorta, daily newspaper Zaman, TV channel Samanyolu, and several other companies. The tarikat members also operate their own business association, the Association for Solidarity in Business Life (*İş Hayatı Dayanışma Derneği*, İŞHAD) formed in 1996. İŞHAD is more local oriented with a smaller membership compared to MÜSİAD.

Finally, when Erdoğan was the Istanbul mayor during 1994-8, the municipality arranged several biddings and contracts with MÜSİAD member companies. Istanbul is the center of business with exceedingly concentrated banks and firms in the country. The municipal project team involved with the Islamic firms was exposed to market-driven liberalism and pragmatism. The top administrators often met with MÜSİAD executives and the firm managers, and worked closely with them. The municipality made remarkable improvements in its municipal services, and was quite professionalized and relatively free from clientelism and corruption.¹⁰ Many municipality staff members who worked with Erdoğan at that time later joined the AKP. Fifteen AKP deputies elected in the 2002 election and several ministers in Erdoğan's government were ex-administrators of the Istanbul municipality (AKP 2002a; 2002b). Meanwhile, the companies engaged in Erdoğan's municipality projects were Kombassan, Yımpaş, Albayrak, and Ülker.¹¹ TV channels and daily newspapers owned by these companies have sympathized more with the moderate Islamists under Erdoğan's leadership than Erbakan and his traditionalists. Yet some other Islamic businesses still support Erbakan accusing the reformist wing of the split in the Islamic community (*Turkish Daily News* August 14, 2003).

6. CONCLUSION: ECONOMIC INTERPRETATION OF POLITICAL MODERATION

Özal's market reform in the 1980s invigorated the outward-oriented Islamic business in manufacturing and service sectors through several incentives and subsidies in order to consolidate a new coalition as a counterbalance to the big powerful industrialists of the ISI regime. These newly encouraged Islamic exporters gained more economic stature as the globalization process deepened and widened. MÜSİAD has intensified its market-driven strategies and enhanced organizational collaboration and reciprocity increasing effectiveness and reducing free-riding. Also, the association has successfully managed encompassing local branches, overseas offices, and membership. Moreover, MÜSİAD companies including the leading members, such as Kombassan, Yımpaş, Albayrak, and Ülker have diversified and transnationalized their market bases.

The discrimination by the arbitrary and overdeveloped state in favor of secular competitors developed strong cohesion and led to cooperation within the Islamic society for survival. Yet Turkish Islamic business, just like business in general, preferred to succumb to the system and coexist with the state in order to preserve its interests and to search for profits. Thus, the Islamic business association and its constituency, in need of more business-oriented environments, have collaborated with more open and pragmatic Islamist political forces in favor of business interests, and stimulated a surge of them. In doing so, MÜSİAD members have been located in areas overlapping with the areas where the support of the moderate and liberal political Islamists was strong. MÜSİAD members have also established close personal relationships with the local politicians of the newly growing reformist wing. The personal ties between the two were strengthened by the transfer of the former ANAP members, tarikats' preference of the reformists over the traditionalists, and the connections

¹⁰ Even the opponents and critics admitted that Erdoğan's municipality made Istanbul "cleaner and greener" (*Turkish Daily News* August 28, 2001).

¹¹ Secularist newspapers actively accused the Islamic companies of being illicitly connected to Erdoğan's Istanbul municipality through illicit contracts and illegitimate winning biddings.

of Erdoğan's Istanbul municipality. Through these geographical and personal links, the business association and its pursuit for markets have played a prominent role in curbing and transforming the political Islamists.

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