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## **“Turkey’s Turn to the East” and the Intra-Class Contradictions in Turkey**

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### **Introduction and Problematique**

Turkey’s more assertive foreign policy in the Middle East and its neighbouring regions has attracted significant international attention. For example, The Washington Post (Zacharia, 2010) published an article, stating that “Turkey hopes to grow economic ties and influence within ME”. The Post also mentioned the rising concerns in the United States and Israel about “whether this key Muslim member of NATO is undergoing a fundamental realignment”. And Al Jazeera (2010) described Turkey’s reorientation as a plan to become a regional superpower and located it in the context of global economic crisis, in which Turkey can assert its own interests apart from those of its allies. Numerous references are made to an “axis shift”, arguing that Turkey is abandoning Western orientation and reverting to an “Eastern” and “Southern” orientation in foreign policy. Much ink has been split about the underlying dynamics of this shift. However, the economic relations in Turkey are seldom brought into the study of this foreign policy reorientation. This paper aims to contribute to this literature by analyzing the social class dynamics in Turkey.

“Security-based” and “identity-based explanations” are predominant in the academic literature on Turkey’s new foreign policy (See Kutlay, 2011). Security-based explanations approach to the issue as Turkey’s response to the dramatic changes in the global geopolitical system and the power shifts in Turkey’s neighbouring regions. Identity-based explanations see it as a shift towards a Muslim identity based foreign policy, that aims to strengthen ties with the other Muslim-majority countries (ibid., 68-9). A variant of identity-based explanations, focuses on how Turkey frames its new foreign policy in civilizational terms (Bilgin and Bilgic, 2011) and a model of a Muslim secular democracy (Secor, 2011). Although these accounts analyze various domestic and international determinants of the new Turkish foreign policy, their focus on the political economic dynamics is insufficient.

There is also an emerging literature, led by liberal international relations scholars in Turkey, that concentrates on the impact of Turkey’s growing regional economic ambitions on its re-positioning in international relations. Typical of these scholars is Kemal Kirisci (2009), who wrote on the influence of Turkey’s growing regional economic influence over its foreign policy choices, by aptly explaining the trend with the maxim of “the flag follows trade” (also see Kutlay, 2011, Babacan, 2011, Renda, 2011). As such works set the ground for academic and intellectual debate over the issue however, the prevailing conception of “the economy” that disregards the role of the social class relations in this regional orientation disseminate.

The new intertwinement of foreign policy and domestic politics has also been explained without enough attention to the class relations in Turkey. As a case in point, one can read Ziya Onis’ recent work where he argues that Turkey’s new foreign policy approach helps the ruling party of AKP to gain a competitive edge in domestic politics through utilizing popular religious sentiment and public opinion (Onis, 2011;

also see Atli, 2011). Although such accounts are successful in pointing to the fact that foreign policy shifts are not disconnected from domestic politics, they fail to explain which segments of Turkish society support the foreign policy shifts, and in turn, to which segments of the populace such shifts appeal to.

### **Need for Class Analysis**

The analysis of social class relations is much needed, to overcome the analytical limitations of the above-mentioned conceptions. And for class analysis to carry any weight at all, an examination of the intra-class relations must also be offered. A discussion over the intra-class relations is not altogether absent from the academic literature. However, as it will be seen below, prevailing analysis erroneously reduce the complexity of class relations to a single factor, and accordingly categorize the internal dynamics of the Turkish capital. Rather, as we argue in this paper, the class relations in Turkey can be best analyzed as the amalgamation of its three interrelated moments, i.e.: spatiality of class relations, class relations in the form of wage relations, and in the form of ideological formations.

To begin with, the approaches that only focus on the spatiality of the capital accumulation and production strategies of the capital groups, point to a demarcation between the Istanbul bourgeoisie and the Anatolian bourgeoisie (Onis, 2002; Ozcan and Cokgezen, 2003; Yavuz, 2009) (or more often as the “Anatolian Tigers” [Filiztekin and Tunalı, 1999; Pınarcıoğlu, 1998; Demir, Acar and Toprak, 2004; Turgut, 2006]) and point to the increasing power of the latter over the former. Although such spatial demarcation points to the relatively recent expansion of capital accumulation to the Anatolian cities, it draws a clear distinction between capital situated in Istanbul and in Anatolia, and throws a conceptual blanket on the diverse economic relations that integrate these two spatial units. Within this framework, the activities of the so-called Anatolian bourgeoisie in Istanbul, as well as the deep seated ties of the productive capital in Anatolian cities with the finance sector in Istanbul and the political decision making agents in Ankara become obscure.

Secondly, those who approach intra-capital cleavages from the perspective of their respective ideological leanings have drawn the demarcation between the Kemalist-secular wing and the Islamist wing. These accounts successfully describe the split of capital fractions along ideological lines. However, such accounts fail to provide a necessary explanation of why particular fractions have developed and utilized certain ideologies within specific conjunctures.

And finally, the accounts that focus solely on capital’s positioning within the wage relation derive an understanding of Turkish capital as a monolithic entity without internal contradictions from the common anti-labour stances of all capital fractions. Such accounts assume that the fundamental contradiction between capital and labour manifests itself concretely in its abstract (i.e. pure) form regardless of varying times and spaces. Their excessive focus on the wage-relation limits their ability to fully comprehend the different historical forms that this antagonism has taken and to completely capture the social, political, and ideological moments that reside in the capital-wage labour relationship.

In contrast to the previously mentioned scholarship, the works of Fuat Ercan (2002; Ercan and Oguz, 2006)) and Sebnem Oguz (2005, 2009) provide a useful framework to better grasp multifaceted social class relations in Turkey. Echoing the theoretical frameworks employed by Nicos Poulantzas (1975, 1976, 1978) and Christian Palloix (1975, 1977), these scholars approach the contradictory

developments within the intra-capital and inter-class relations from a historical vantage point, by locating them in the phases of internationalization of Turkish capital. We adopt their perspective to understand the political economic dynamics behind Turkey's international relations. We further their argument and argue that there are various strategies and the modes of internationalization of Turkish capital. For the issue in hand, the study of the divergences and contradictions among these strategies and modes proves to be fruitful.

The inconsistencies of and the tensions among the strategies and modes of internationalisation further intensify in the context of the crises of the neoliberal world order (cf. McNally, 2001, Alnasseri, 2011) and in “a dramatically changing geopolitical world system” (Cohen, 2011). In this dynamic context, Turkish capital's traditional pattern of internationalization, which we describe as the Westernist capital accumulation, loses its dominance. Instead, certain segments of Turkish capital try to obtain new spaces of accumulation in the Middle East and the neighbouring regions. These segments exert pressure on the Turkish state to utilize the opportunities that the unstable world context provides and to forge an active foreign policy in these regions. We believe the term of neo-national bourgeoisie (NNB) is useful to grasp the character of these segments and their impact on Turkey's new foreign policy orientation (See Alnasseri, 2011; Nakhaei and Deryani, 2011 in this volume).

The NNB refers to a class fraction, which is becoming hegemonic within the Turkish ruling bloc. As Alnasseri (2011) explains, it is a political category not merely an economic one. And it signifies a formation in progress rather than an established group with already formed interests. By using this concept, we avoid to repeat the commonly made mistake of analysing class fractions merely as interest groups that act according to their predefined economic interests (e.g. Atli, 2011). Correspondingly, new Turkish foreign policy reorientation is not a *direct* expression of the rise of a certain class fraction. Although foreign policy developments are supported more by certain fractions than the others, they are not direct effects of a master-plan of a single group. Rather, the policies are results of various contestations and compromises among the class agents that reciprocally create the conditions of possibilities for new alignments among class fractions and for the emergence of new fractions.

In Turkey, segments of the first as well as the second-generation Turkish bourgeoisie compose the NNB fraction, and their interests are shaped as the NNB is formed as a distinct fraction. Since the NNB is yet under development, it does not have an uncontested and stable character that can be determined a priori. Its character can only be understood by studying the processes that constitutes it. Therefore, we give a brief history of these constitutive processes, on the basis of three above-mentioned criteria (spatial relations, wage relations, ideological formations). This historical section, in turn, is utilized to understand the emerging characteristics of the NNB, which is becoming hegemonic within the ruling bloc in Turkey, and is the driving force behind Turkey's new regional foreign policy orientation.

## **A Brief History of Internationalization of Turkish Capital and Its Contradictions**

### *Internationalization within Import-substitution Industrialization Capital: The 1960s and 1970s*

Prior to the 1960s, Turkey's capitalists had been integrated into the international circuits of capital via commerce (Ercan, 2002: 23). With the import-substitution model of industrialization in the 1960s, the commercial capital fraction found

favourable space to flourish and transform itself into productive capital, reproducing itself through partaking in the internationalized labour processes of American and European multinational firms. As the productive capital fraction was financed by domestic savings via state channels and reproduced itself thanks to the state’s protective market policy (providing opportunities for high returns from durable good production), it became the hegemonic fraction, forging strong ties with the Turkish state. As the Westernist spatial accumulation strategy of productive capital utilized and reinforced the Western-secularist state ideology, the authoritarian state ideology provided political means to repress wages and ensure high rates of exploitation.

In this context, productive capital expanded to continental Turkey in the 1970s, utilizing labour surpluses from small and medium scale enterprises. This spatial expansion gave way to the emergence of the second-generation capital groups (ibid., Oguz, 2008: 8-9). In the lack of access to the state credit (and due to their smaller economies of scale, hence the inadequacy of their capital stock reproduction), these late-comer capital groups had to look elsewhere for exchange currency to finance their investments. The rising oil prices in the late 1970s and the increase of the stocks of dollars in the oil exporting economies (especially in Saudi Arabia) had been the source of such financial needs (Oguz, 2008: 10). These surpluses were transferred to these capital formations with the remittances of the Turkish workers working in these economies. Along with this, the remittances of the workers in Europe (especially in Germany) had become another source. In both cases Islam had been the predominant ideological means of appeal, and the interest-free banks as well as the religious social networks had been the institutional mechanisms for these transfers (ibid.). This capital fraction, in contrast to the former one, hold an anti-statist (due to the state’s biased attitude towards the first comer capital groups), Islamist (to form and appeal to the religious social networks within and outside of Turkey) and Easternist (due to the spatial links between their accumulation strategy with the Middle East) stance. Nevertheless, their interest for repressed wages was common with the other due to their dependence on lower labour costs for export competitiveness.

### ***Internationalization within Export-Led Growth: The 1980s and 1990s***

By the end of the 1970s, the dominant accumulation model reached its limits (Ercan, 2002: 25). As the domestic market saturated, simply increasing already high rates of exploitation could not raise the rates of profits of the hegemonic capital fraction. The increasing working class militancy deprived the capitalist class from using this as a practical option. And the rigidity of the exchange structures and the limited levels of exports in the context of import oriented production, posed a great difficulty for the Turkish capital to finance the raising costs of imports of machinery and natural resources. Faced by such challenges, the demands of the hegemonic fraction intersected with the geopolitical and economic interests of the imperialism, leading to a military coup in 1980 and an anti-democratic constitution in 1982. The constitution laid the ground for anti-labour laws and policies, and enabled the concentration of the state power in the executive, which set the ground for authoritarian restructuring of the Turkish economy towards neo-liberalism. The neo-liberal transformation entailed integration into the world market via liberalization of foreign trade, monetary flexibility via floating exchange rate, and higher exploitation rates via anti-labour laws.

Towards the end of the 1980s, this accumulation strategy encountered working class militancy, giving way to significant wage increases, which was followed by

unmanageable fiscal deficits. The political-economic response of the state had been taking short-term credit with high interest rates to finance the public debt. And the first-generation bourgeoisie lent the Turkish state the funds that they obtained in the international money markets (Gurgen, 2010). The opportunity to lend with high interest rates offered the first-generation bourgeoisie greater profits via financial lending than the returns from their productive activities (Ercan, 1998, 2002). As a response to these lending opportunities, the Turkish capitalists organized their firms into conglomerates.

As Turkey welcomed its new role in the international division of labour as an exporter of labour-intensive manufactures, the second-generation capital groups found fertile ground for rapid growth. Linking with the Western multinationals through sub-contracting relations, a significant segment of small and medium scale capital grew and increased its influence in the power bloc. The concentration of the first-generation bourgeoisie in financial activities and the second-generation in labour-intensive manufacture differentiated the demands of each fraction from the state, giving a political character to the differentiation and conflict among the capital fractions. This differentiation and conflict manifested itself in the form of a rivalry between Westernist-Kemalism and Islamism. The contradictions within the power bloc stayed unresolved until the economy collapsed in November 2000 and again in February 2001. The political and economic contradictions could only be managed by the anti-inflationist/anti-labour programs that were engineered by the IMF (Yeldan, 2008) and enacted by the transformed Turkish state. And the Justice and Development Party, backed by various class fractions, came to power in 2002 to form a single-party government, by promising to resolve the intra-capital contradictions and amalgamating Islamist-populism with foreign capital-friendly neo-liberalism. However, the intra-class contradictions have held amid the optimism of the 21<sup>st</sup> century, and are now beginning to surface, yet in a different form, with the ongoing economic crisis.

### **The Spatiality of the Internationalization of the Turkish Capital since 2002**

How did the spatiality of the accumulation strategy of each fraction change in the last decade? Is there a tendency for the emergence of a new accumulation strategy? If yes, which factors condition this new strategy and in turn how will it affect the relations among the capitalist class in Turkey? The study of the trends in the cross-national movement of trade, investment, and finance provide answers to these questions.

Turkey's export oriented growth strategy gained momentum in the 2000s. From the levels of 23.2 billion dollars worth of exports in 1996 and 27.8 billion dollars in 2000, total exports in value terms increased up to 132 billion dollars in 2008, before a decline to 102.1 billion dollars in 2010 due to the global economic crisis.

What is more striking, however, is the direction of Turkey's exports. The EU countries in particular and Europe in general, has traditionally been the major destination for Turkish exports. Prior to the crisis, the share of European buyers of Turkish exports reached its climax with a rate of 66.4 %. Due to the sharp declines in aggregate demand with the economic crisis in Europe, this rate decreased to 56.3 % in 2010. The North American countries, which provided crucial export markets for most of the developing countries, were also important for Turkish exports, accounting for a 11.9 % share in 2000. However, their share declined to 3.72 % in 2010, which is almost as low as the share of the Turkic Republics.

Who got Europe and North America’s share then? Simply put, the Near and Middle Eastern countries. And particularly, the share of member countries of Organization of Islamic Conference (OIC) increased astonishingly. The turning point for both is the year 2002, when AKP won enough seats to form single-party government. The share of Near and Middle Eastern countries climbed up to 20.3 % in 2010 from 9.5 % in 2002. And the 13.1 % share of the countries of OIC increased to 28.46 % in the same period. And despite the decline of Turkish exports to the “East” with the crisis, the crisis provided the context for the exports shares of the eastern countries to increase. Turkish exports’ emerging “Eastern and Southern” orientation with the crisis is even more apparent in the case of African countries. Only between 2007 and 2009, the export share of Africa doubled.

These figures suggest an increasing spatial orientation of manufacture exports towards the countries in the East, and in particular towards the countries with Muslim majorities. Given that the export manufactures are mostly produced by the second-generation of Turkish capital, this indicates a new spatial orientation for the second-generation accumulators.

Nevertheless, Turkey’s close economic ties with the European countries are still intact, and even more visible in terms of investments it receives from Europe. Turkey received 17,639 million dollars worth of foreign direct investment (FDI) inflows in 2006 and 14,489 million dollars of it came from the European Union (82.1 % of total FDI inflows).<sup>1</sup> However, these figures declined down to 6,285 and 4,945 million dollars consecutively, decreasing the share of the EU sourced FDI inflows down to 78.6 %. Whereas the FDI received from the Asian, Near and Middle Eastern, and Gulf Arabian countries still lag much behind the above-mentioned levels. And from the levels of 2361, 2199 and 1978 million dollars of FDI inflow received from these countries consecutively in 2008, the FDI inflows collapsed down to 670, 358, and 206 million dollars in 2009 with the crisis.

However, the spatiality of the investment flows is becoming more diversified in terms of FDI outflows from Turkey. The FDI outflows are also directed mostly to Europe. But what is more striking is the increase in FDI outflows originating from Turkey to the Near and Middle East. Increasing 6.2 times, this figure is now more than one third of the FDI Europe receives from Turkey. And although still limited in absolute terms, the relative increase of FDI flows from Turkey to Africa also illustrate the growing interest of Turkish-based capital in the Eastern and southern economies.

It is worth noting that the financial intermediation sector has attracted the most FDI inflows in the last five years, receiving twice the amount of FDI flows as the manufacturing sector (respectively 5,874 and 2471 million dollars as yearly average). Dominance of the financial sector in foreign investments is even more visible in portfolio investments as well as short and long-term credit. The aggregate total of these investments have been approximately 100, 133, 210, and 314 billion dollars in 1998, 2000, 2005, and 2009 respectively. The aforementioned economic ties between Western foreign financial capital and Turkish holdings hold a particular significance. The continued dominance of financial relations with European countries suggests that first-generation capital groups are still economically dominant. However, the sustainability of this model is now more questionable than before the global crisis.

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<sup>1</sup>These country based figures related to FDI inflows are gathered from Central Bank of the Republic of Turkey and limited to reflect the equity investment inflows (excluding intra-company loans and real estate figures).

Although the first-generation of Turkish capital prefer preserving the status quo (i.e. the internalization of the imbalances in the international money markets), the second-generation of capital is pushing the state to invest in manufacturing. The diverse economic policy preferences reflect the disputes that radiate around interest rates (the first-generation ask for high interest rates whereas the second-generation prefer lower rates.) In short, the struggle for hegemony in the ruling bloc find its manifestation increasingly in economic terms as conflicting interests of finance and manufacture, as well as European oriented capital imports and Eastern oriented exports.

We can make at least three inferences from the current trends. First, the decreasing aggregate demand in the EU leads Turkish exporters to look for alternative markets. And the export drives of advanced countries such as Germany make it even harder for the Turkish capital to compete in the European market. In this context, the Eastern and Southern markets promise to provide such alternatives for manufacturing capital. It is likely that the productive segments of Turkish capital, whose export shares in the EU have declined, would push harder also for Turkey's new foreign policy orientation with the expectation of having access to the export markets there. Not only the second-generation bourgeoisie but also certain segments of the first-generation bourgeoisie looking for higher profit returns in alternative markets may also join the bloc that pushes for a more proactive foreign policy in the Eastern and Southern countries to open up new spaces of capital accumulation.

Second, the capitalists that integrated to the international productive linkage hierarchies from the lower levels now want to climb up in the value chains to increase their returns. The segments of Turkish capital with such ambitions seek state support to finance their investments. However, international financial institutions (IFIs) such as the IMF push the Turkish state to avoid accruing debts, so as to avert a potential balance of payments crisis. It is likely that ambitious segments of Turkish capital will push the Turkish state to have more autonomy from the IFIs.

Third, the principal motivations for FDI from EU and OECD countries in the Turkish manufacturing sector has been to gain access to Turkey's domestic market and to exploit inexpensive labour and raw materials. The increasing political role of Turkey in the energy supply regions of the Middle East and Central Asia is likely to be fostered by the FDI outflows from rapidly growing countries with increasing energy requirements for which these markets are crucial. Particularly, the patterns of Chinese FDI in Turkey need to be closely watched. Although the Chinese FDI in Turkey is currently not significant, there are enough signs that allow us to predict the increasing number of partnerships between Turkish and Chinese companies especially in the wholesale, mining and transportation sectors.

In short, the Turkish capital has become ambitious for new spaces of accumulation in the 2000s. As it has sought new economic regions to accumulate in, the Western oriented capital internationalization has begun to give way to alternative patterns of internationalization. Within this process, the NNB is formed as a distinct capital fraction, which arises out of certain segments of the first and the second-generation bourgeoisie. It goes without saying that, when the Turkish capital expands to the new spaces, it encounters with new agents and relations. This encounter necessarily results in geopolitical conflicts and realignments over these spaces. As this fraction flourishes, it pushes the Turkish state to open up new accumulation spaces and mitigate these contradictions. Hence, the geographical processes that constitute the NNB, at the same time, condition the new Turkish foreign policy.

## **Wage Relations**

As previously mentioned, the post-1980 Turkish accumulation model was based on exports of labour-intensive goods. For this purpose, Turkish capital, empowered with the anti-labour laws, aimed to reduce the labour costs. The suppression of wages was the principal method used to accomplish this goal in the 1980s. Real wages declined about 25 % between 1980 and 1988 (Cizre and Yeldan, 2001). The militant response of labour to accumulation based on wage suppression surfaced by the end of 1988. A series of strikes forced the government and capital to agree on wage concessions, which was followed by 140 % and 60 % increases in 1989 and 1990 consecutively (Onder, 1999 cited in Oguz, 2009).

These wage increases have led to a fiscal deficit, which prompted financial liberalization. The institutional arrangements of liberalization formed the context in which international liquidity inflows were channelled to Turkey via domestic monopoly capital. The state, in need of cash in order to manage its deficit, turned to different capital fractions for short-term loans with high interest rates. This practice led to the financial crisis of 2000-2001, demonstrating the unsustainability of dependence on short-term credit to finance the fiscal deficit.

This was the context in which IMF and the World Bank increased their influence on the Turkish state, which together with the Turkish capital developed a series of structural “reform” packages for budget discipline. Budget discipline meant repressive employment and wage policies, reduction of state subsidies, and privatization, and deregulation. The Labour Law adopted in 2003 has been the key mechanism for exacting repressive “reforms” upon the Turkish working class. This law “aimed to legitimize contingent and flexible work through legal recognition of part-time, temporary and contract labour, as well as increased working time and the right of employers to discharge workers collectively ‘in times of crisis’” (Oguz, 2009:12).

The new labour law formed the institutional framework for the reduction of labour costs. Along with anti-labour practices aiming to increase the share of profits and to reduce that of wages in value produced, in this period the large capital groups and the state also sought to increase productivity. In order to achieve these goals, various institutional measures are taken to increase the productivity of labour and investment in technology. This dual orientation, which Karakas and Ercan (2006 cited in Oguz, 2009) describe as the intensification of both absolute and relative surplus extraction, has been a conscious state strategy.

The offensive wage policy has recently gained a spatial dimension. The capitalist class in general has pushed for taking political steps to utilize the asymmetries of development levels across the regions in Turkey. As Oguz (2009: 14) notes, the Decree on Government Subsidies for Investments, adopted on 14 July 2009 has been the most important step towards this orientation towards production. The Decree defined four regions and regional plans for development, according to which the characters of the state incentives to promote investment were defined. Investments for high technology sectors would be oriented towards the first degree developed regions, relatively lower technology sectors to the second, and labour intensive sectors to the third and fourth. In another words, the Decree aims to give a spatial character to the dual accumulation strategy of absolute and relative surplus extraction.

Along with this, the amendment on the Labour Law, which passed on 11 August 2009, places further pressures on the labour and its organizations. In particular, the amendment institutionalized “private employment agencies”, through which

companies can lease workers for maximum 18 months without having to cover their social security and severance payments (Oguz, 2009: 16) And there is now news that the government wants to pass a law that would establish regional minimum wages, to even further reduce wages, especially in the less developed regions where labour intensive companies operate for export markets. As the production spaces shift to the Anatolian cities, this trend is likely to increase with the establishment of regionally specific minimum wages.

The increasing labour reserves, manifested as skyrocketing unemployment rates especially among the younger generations, suggest that export oriented economies still possess room to increase the exploitation rate. However, due to the bits and pieces of the protective social mechanisms remaining, the labour market preserves its semi-rigidity. Hence, in order to sustain export performance, particularly in labour intensive manufactures to the Eastern countries, the class struggle revolves around legal mechanisms. The controversies around the anti-labour “bag of laws” (*torba yasa*) which was passed into law by the Turkish Assembly in February despite labour unions’ protests are illustrative of such struggles.

Two things derive from the relations around the wages. First, neo-liberalism is still the ruling strategy of capital in the labour market. In the context of the export oriented growth strategy, Keynesian methods to revitalize domestic demand by increasing the wage share are absent. Yet, now chronic unemployment and further decline in real wages continue to create discontent among the popular classes. On the one hand, this creates security concerns for the ruling classes and explains the increasing role of the oppressive apparatus of the state to discipline and control the popular classes. On the other hand, extra-labour market institutions such as communitarian networks now substitute the formal social security mechanisms to maintain the necessary reproduction of labour power. The initial steps of the new foreign policy orientation proved to be successful amongst the popular classes by appealing to their religious sentiments. However, it is unlikely for such neo-populism to be sustainable in the long term. If the discontent of the labouring classes takes an organized and militant form, the wages may increase as in the late 1980s and early 1990s, which would risk an eastern oriented accumulation strategy that depends on lower labour costs.

Second, attempts to fragment the labour market merge with the Kurdish question. The state officially considers the regions that are mostly populated by the Kurds as “less developed”, and intends to subject the Kurds to lower wages with the expectations of increasing employment. Such regions are crucial for expanding the production of labour-intensive goods with lower production costs in order to be competitive in the Eastern and Southern markets. The capital segments, which do and will pursue such internationalization and push for such a foreign policy orientation, must appeal to the Kurdish national movement. Hence, these capital segments have to develop consent seeking strategies directed towards the Kurds.

In short, the wage relations distinctively possess a spatial dimension in the 2000s. As the NNB fraction pursues alternative spaces for capital expansion abroad, it searches for alternative spatial strategies of exploitation at home. In particular, it tries to fragment the institutional framework of the wage relation and to form multiple wage structures. For this purpose, it endeavors to utilize the unevenness within the national space, and pushes the state to take measures such as the Decree on Government Subsidies for Investments. These attempts create their own counter-tendencies. On the one hand, capital’s offensive on the working class as whole

produce potentials for the working class counter-offensives. On the other hand, spatial diversification of exploitation strategies strongly incorporates identity-related issues into class issues. The sustainability of these exploitation strategies therefore depends on managing not only class conflict but also the identity-based struggles. In such circumstances, the NNB, the driving force of Turkey’s new foreign policy, assumes historically specific ideological-discursive form to take the consent of exploited and oppressed masses. This is the subject of the next section.

### **Ideological-Discursive Formations**

Nationalism and Islamism have been two ideologies that the ruling classes have employed to appeal to the popular classes throughout the history of the Turkish Republic. These two ideologies or the variances of each have conflicted, balanced or interfaced to serve as functional relations for the ruling classes’ search for the consent of the popular classes. In the first three decades of the republic (following 1923) a secular variant of nationalism established itself as the official ideology. Only in the 1950s and 1960s did the Islamic organizations begin to build their grassroots political organizations, which led to the foundation of an Islamic party in the late 1960s. In the 1960s and 1970s, official nationalism appropriated some leftist vocabulary to co-opt the demands of the Turkish working class. In the same period, Islamism arose as an anti-secularist and anti-statist/Kemalist ideology, which reflected the struggle for hegemony between the rising second-generation bourgeoisie and the army-first-generation bourgeoisie alliance. Yet, the same decade also witnessed alliances between the state-supported fascist groups and religious groups in clashes against the socialist movement.

The coup in 1980 set the ground for a synthesis between the Turkish national identity and the Muslim religious identity. As the authoritarian official ideology incorporated Islam, it has become a systemic force supporting the hegemony of the ruling classes. However, groups identified as Islamist also popularized a variant of Islamism that underscored the importance of social justice and, in some cases, supported labour organizations. In other words, the thirty years of neo-liberal transformation in Turkey did not take place in the context of a conflict between secularist nationalism and Islamism, but rather Islamist discourse has been utilized by various groups struggling for hegemony. Needless to say that, throughout this struggle for hegemony, the definitions of nationalism and Islamism have been the subjects of struggle themselves.

Tanil Bora’s (2003) classification of the variance of nationalist discourses is helpful for understanding the rich universe of nationalist discourses. Bora has demonstrated the increasing influence of liberal nationalism throughout the struggle of hegemony over official nationalism. For Bora, this variant of nationalism was characterized by a sense of national pride conditioned by factors such as the increasing competitiveness of Turkish products in the European market. And this discourse is well suited to the internationalization of the Turkish productive capital via its integration into Europe. Now, the question is how the Eastern and Southern shift in Turkish capital’s accumulation strategy will shape this liberal variant of nationalism.

Cihan Tugal, in one of his early works, made a similar classification of Islamist discourses. By focusing on the intra-hegemonic struggle within Islamist camp, Tugal (2001: 98) classified the Islamist discourses with respect to the stances of each toward capitalism pointed to the increasing power of the pro-capitalist Islamist

discourse over the anti-systemic variants of Islamism. And in his recent book (2009), he pointed that the radical variant of Islam has been absorbed if not marginalised by the AKP's moderate Islam. This view is similar to Yildiz Atasoy's (2009) claims that marriage between Islamism and capitalism occurred during the 2000s.

These accounts, taken together, would suggest that an ideological-discursive synthesis among nationalism, Islam, and (pro-capitalist) liberalism has been finally established. Given that the ideological-discursive formations developed in parallel to the capitalist transformation in Turkey (as we have shown throughout this paper) two sets of questions remain unanswered: On the one hand, if ideological-discursive formations are functional for the capitalist classes in order to appeal to and take the consent of the labouring classes, then what specific function does the pro-capitalist and nationalist Islam has in this regard? On the other hand, there cannot be a single form of nationalism-Islam-capitalism synthesis simply because since there is not a single strategy for capitalist transformation. The question now becomes which form of pro-capitalist Islam will be dominant as Turkish capital now develops an alternative strategy of capitalist development.

Although this paper cannot provide a comprehensive answer to these questions due to its limited scope, several inferences can be drawn from the class analysis provided in this paper. First, while Turkey pursues an export oriented growth strategy, the capital requires ever high exploitation rates in order to compete in the export markets. This increases the visibility of social injustice more than ever. In this context, justice rhetoric, that is associated with Islam, provides a contradictory function. On the one hand, the policies of poor relief channelled through communitarian networks and privately funded state projects help building a discursive bridge between Islam and justice. On the other hand, as Islam is promoted, the discourse of justice, which is associated with Islam also gains strength. This increases the possibilities of the exploited masses to politically address the incompatibility between the growing inequalities that they experience and the dominant justice discourse. If this potential tends to actualize, there is enough historical evidence to predict that the nationalist elements in the nationalism-Islam synthesis can become predominant. In short, there is a tendency for Islam to become dominant surpassing the nationalist elements in the dominant ideological synthesis. We identify this tendency with the rise of the NNB. However, this tendency brings its own counter-tendencies and the specific form that currently dominant eclectic ideology takes is not constant rather is over-determined by the form of the capital-labour relations. Hence, ideological character of the NNB is contested.

Second, as often argued, Muslim identity is increasingly used in the Turkish foreign policy both to strengthen ties with the other Muslim countries and to present Turkey as a model Muslim democracy. However, these accounts seldom pay enough attention to the effects of Turkey's potential conflicts in the region. As Turkey opens new areas in the Middle East for capital accumulation, it engages in economic and geopolitical competition with the other countries. If such competition takes the form of conflict, it is not hard to imagine that nationalist discourse will prevail both at home and in Turkey's international relations. For instance, while previously firm ties between Turkey and Syria are unravelling now, Turkey's moves closer to Israel and the US and away from Iran (Cagatay, 2011). In this context, a militarized version of the nationalist discourse and the pragmatic definition of national interest outweigh over the discourse of Muslim solidarity. These developments taken together imply that although there is a tendency for Muslim identity to have an active role in

Turkey’s foreign relations, a trend that corresponds to the interests and ambitions of the NNB fraction, the stability of this tendency is more than questionable.

And third, as the Turkish capital searches for new places of production in the Kurdish populated areas, it needs to appeal to the Kurdish struggle in order to take their consent. For this purpose, the NNB fraction tends to build on a discourse of democracy and being respectful of cultural rights. This discourse of democracy, which is compatible with the identity Turkey assumes in its new regional orientation in its foreign policy, indicates a shift of political strategy away from that of the military dominated Kemalist establishment. However, as the currently increasing military conflicts between the Turkish army and the Kurdish guerilla forces indicate, this discourse becomes even more fragile. What is interesting to note is that, the fabricated public anger against the Kurds is tried to be directed towards Syria through spreading the unproved news of an alignment between Syria and the Kurdish guerilla forces (eg: Milliyet, 2011) In other words, as Turkey’s domestic politics *vis-a-vis* the Kurdish issue and its foreign policy in the Middle East become even more intertwined, the failure of an ideological-discourse to appeal the Kurds tends to change the corresponding discourse that appeal to the countries in the Middle East.

### Conclusion

We have argued that Turkey’s new foreign policy in the Middle East and its neighbouring relations should be understood in the framework of political economic relations. A growing body of literature emphasizes how political economic factor effect Turkey’s foreign policy. We have attempted to contribute to this literature by analyzing class dynamics behind Turkey’s international relations.

Although the literature on class dynamics in Turkey has much to offer in understanding capital and labour relationship, the literature on the intra capitalist class relations is very limited. Moreover, the existing literature often treats the intra capitalist class relations as unidimensional construct and categorize the class fractions according to the chosen dimension. Moreover, the intra-class relations are often analyzed in isolation from the capital-labour relations. We argued that the intra-class relations are complex and must be treated as amalgamation of at least three moments. The moments that we focused are the spatial dimensions of capital accumulation, wage relations, and ideological formations.

We have developed our methodological framework on the basis of two premises: First, above-mentioned three moments are inherently connected to each other. The nodes of these connections should be established. Second, these are constitutive moments of dynamic relations and can only be understood in their historical context. On the basis of these premises, we presented a brief historical account of how Turkish capital integrated to the international circuits of capital. We reflected on this historical background in order to determine the current tendency for a new capital fraction to form. We identified this developing fraction with the term Neo-National Bourgeoisie (NNB) and argued that the NNB is the driving capital fraction behind Turkey’s new foreign policy orientation

Contrary to the prevailing analyses of Turkish capital, we have argued that class fractions are not merely interest groups that act to according to their predefined economic interests. Therefore, we approached to NNB as dynamic phenomenon and analyzed its developing characters through studying the processes that constitute it. We have developed three sets of conclusions.

First, there is a developing tendency among the productive segments of Turkish capital to expand to new export markets. Segments of first as well as second generation bourgeoisie are ambitious for such expansion. Such ambitions condition capital's demand from the Turkish state for diplomatic and institutional ties with the countries it wants to expand into. We identified this tendency as the spatial moment of the NNB fraction.

Second, in order to increase its competitive edge in the new export markets, Turkish capital is looking for ways to reduce its labour costs. Without any doubt, there are countless strategies on the part of the capital to reduce the production costs. That said, certain segments of Turkish capital are prone to adopt a new strategy of wage squeeze. While those segments gradually shift their productive activities to continental Turkey, they ask the Turkish state to develop the institutional mechanisms for such expansion. Region-specific development plans and regional minimum wage mechanisms are examples to the Turkish state's such attempts. We identify this wage strategy with the NNB, success of which is crucial for its expansion to new export markets.

And third, a new ideological-discourse synthesis of Islam, Turkish nationalism, and pro-capitalism has been finally achieved. This ideological formation is functional not only to take the consent of exploited masses, and to co-opt the demands of Kurdish national struggle, but also to appeal to the people in the Muslim-majority countries. Although this specific ideology is useful for the capital class as a whole, increasing weight of Islam in this synthesis appear in accordance with NNB's spatial accumulation strategy and its wage strategy.

Three interrelated sets of developments taken together imply that while the NNB develops as a specific capital fraction, it develops the pillars for an assertive regional foreign policy. The contradictory nature of the processes which constitute the NNB, however, means NNB's claim for hegemony in the ruling bloc and the success of Turkey's new foreign policy are still contested.

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