

TURKISH EXPERIENCE IN PRIVATIZATION: THE PRIVATIZATIONS OF
LARGE-SCALE STATE-ECONOMIC ENTERPRISES IN THE 2000s

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ABSTRACT

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Privatization, which is the most important component of neo-liberal policies since the 1980s, has been legitimized by the neo-liberal doctrine through a purely economic and technical terminology. Contrary to this, this thesis maintains that privatization is a highly political process, shaped by intertwined class- and identity-based interests in different countries.

To support this argument, the thesis makes a comparative analysis of the privatizations of large-scale state economic enterprises in Turkey in the 2000s, namely Petrol Ofisi, TÜPRAŞ, ERDEMİR, Türk Telekom and PETKİM, as part of the neo-liberal transformation of the Turkish state. It concludes that the privatizations of large-scale SEEs in Turkey represent typical examples to what David Harvey terms as “accumulation by dispossession” throughout which wealth has been transferred from the laboring classes to capital by the active involvement of the state though the Turkish experience has its own historical specificities. Political preferences made by governments in charge since the late 1990s in general and by the Islamist AKP government after 2002 in particular have to be understood to make sense of these specificities.

Keywords: Neo-liberalism, Turkey, Large-Scale Privatizations, AKP Government, “Accumulation by Dispossession”

ÖZ

TÜRKİYE’NİN ÖZELLEŞTİRME DENEYİMİ: 2000’LERDE BÜYÜK ÖLÇEKLİ KAMU İKTİSADİ TEŞEBBÜSLERİNİN ÖZELLEŞTİRİLMESİ

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1980’lerden beri neoliberal politikaların en önemli ayağı haline gelen özelleştirme, neoliberal öğreti tarafından iktisadi ve teknik terimlerle meşrulaştırıldı. Bunun aksine, bu tez özelleştirmenin farklı ülkelerdeki iç içe geçmiş sınıf ve kimlik temelli çıkarlarla şekillenen, oldukça siyasi bir süreç olduğunu ileri sürmektedir.

Bu argümanı savunmak için bu tez Türkiye’nin neoliberal dönüşümü kapsamında 2000’lerde büyük ölçekli kamu iktisadi teşebbüslerinin- Petrol Ofisi, Tüpraş, Erdemir, Türk Telekom ve Petkim’in- özelleştirmelerinin karşılaştırmalı analizlerini yapmaktadır. Türkiye’deki büyük ölçekli kamu iktisadi teşebbüslerinin, Türkiye deneyiminin kendi tarihsel özellikleri olsa da, devletin aktif müdahalesiyle varlığın emekçi sınıflardan sermayeye aktarıldığı, David Harvey’nin “mülksüzleştirme yoluyla birikim” olarak durumun tipik örnekleri oldukları sonucuna varmaktadır. Bu özellikleri yorumlamak için 1990’ların sonundan beri işbaşında olan hükümetlerin ve özellikle de 2002 sonrası İslamcı AKP hükümetinin siyasi tercihlerinin anlaşılması gerekmektedir.

Anahtar Kelimeler: Neo-liberalizm, Türkiye, Büyük Çaplı Özelleştirmeler, AKP Hükümeti, “Mülksüzleştirme Yoluyla Birikim”

To My Dear Grandmother

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TABLE OF CONTENTS

PLAGIARISM.....	iii
ABSTRACT.....	iv
ÖZ.....	v
DEDICATION.....	vi
ACKNOWLEDGMENTS.....	vii
TABLE OF CONTENTS.....	viii
ABBREVIATIONS.....	xi
CHAPTER	
1. INTRODUCTION.....	1
1.1) Contending Approaches on Privatization.....	4
1.2) The Main Focus and Aims of the Thesis.....	14
2. TURKISH PRIVATIZATION EXPERIENCE IN HISTORICAL PERSPECTIVE.....	20
2.1) The Post-1980 Period.....	20
2.2) Privatizations during Özal’s Motherland Party Government.....	23

2.3) Privatizations in the 1990s.....	28
3. THE LARGE-SCALE PRIVATIZATIONS IN TURKEY.....	32
3.1) The Disintegration of TPAO.....	37
3.2) The Privatization of Petrol Ofisi.....	38
3.3) The Privatization of Türk Telekom.....	49
3.4) The Privatization of TÜPRAŞ.....	60
3.5) The Privatization of ERDEMİR.....	75
3.6) The Privatization of PETKİM.....	92
4. CONCLUSION.....	108
4.1) The Effective Use of Neo-liberal Arguments and the Discourse of External Commitments.....	110
4.2) The Reproduction of Neo-liberal Discourse through the Articulation of Nationalistic Concerns.....	116
4.3) The Functioning of Domestic Capital Groups as Subcontractors to Large Multinationals.....	118
4.4) The Transformation of State Monopolies into Private Monopolies.....	119
4.5) Learning through Trial and Error.....	121
APPENDIX.....	128

BIBLIOGRAPHY.....129

ABBREVIATIONS*

ANAP – Motherland Party

AKP – Justice and Development Party

BOTAŞ – Petroleum Pipeline Corporation

CA – Competition Authority

CEO – Chief Executive Officer

CHP – Republican People's Party

CSFB – Credit Suisse First Boston

ÇEAŞ – Çukurova Elektrik (Çukurova Electricity)

ÇİTOSAN – Turkish Cement Industry

DİTAŞ – Marine Operations and Tanker Management Company

DP – Democratic Party

DSP – Democratic Left Party

DYP – True Path Party

* For the company and institution names that do not have an English version indicated in their websites, a Turkish translation is provided.

EBSO – Aegean Region Chamber of Industry

EOI – Export-Oriented Industrialization

ERDEMİR – Ereğli Demir ve Çelik Fabrikaları T.A.Ş (Ereğli Iron and Steel
Factories Turkish Corporation)

EU – European Union

GDF – Gaz de France

GPR – Getting Prices Right

IFI – International Financial Institution

IMF – International Monetary Fund

ISE – İstanbul Stock Exchange

ISI – Import Substitution Industrialization

İPRAŞ – İstanbul Petroleum Refinery Corporation

İSDEMİR – İskenderun Iron and Steel Works Corporation

İSO – Istanbul Chamber of Industry

KİGEM – Kamu İşletmeciliğini Geliştirme Merkezi (Public Enterprises
Development Centre)

MESS – Turkish Employer’s Association of Metal Industries

MHP – Nationalist Movement Party

NATO – North Atlantic Treaty Organization

NLMK – Novolipetsk Iron and Steel Corporation

OYAK – Armed Forces Pension Fund

ÖDP – Freedom and Solidarity Party

PA – Privatization Administration

PAGEV – Turkish Plastics Industry Association

PE – Public Enterprise

PETKİM – Petrochemical Holding A.Ş.

PETLAS – Lastik San. Tic. A.Ş. (Tyre Industry and Trade Corporation)

Petrol-İş – Petroleum workers’ union

PHC – Privatization High Council

POAŞ – Petrol Ofisi A.Ş. (Petroleum Office Corporation)

PPF – Public Participation Fund

PTT – Turkish Post, Telegraph and Telephone

PWC – Post-Washington Consensus

RSC – Revenue Sharing Certificate

SAL – Structural Adjustment Loan

SAP – Structural Adjustment Program

SEE – State Economic Enterprise

SEK – Milk Industry Corporation

SEKA – Türkiye Selüloz ve Kağıt Fabrikaları A.Ş. (Turkey Cellulose and Paper Factories Corporation)

SHP – Social Democratic Populist Party

SOE – State Owned Enterprise

SPK – Capital Markets Board of Turkey

TA – Telecommunications Authority

TBMM – The Turkish Grand National Assembly

TEAŞ – Turkish Electricity Generation-Transmission Corporation

TEDAŞ – Turkish Electricity Distribution Co. Inc.

TEK – Turkish Electricity Authority

THY – Turkish Airlines

TKSD – Turkish Chemical Manufacturers Association

TOBB – The Union of Chambers and Commodity Exchanges of Turkey

TÖYÖK – Institution of Turkish Autonomy Restructuring and Privatization

TPAO – Turkish Petroleum Corporation

TRY – Turkish Lira

TSK – Turkish Armed Forces

TTAŞ – Türk Telekomünikasyon A.Ş. (Turkish Telecommunications Corporation)

TÜPRAŞ – Turkish Petroleum Refineries Corporation

TÜSİAD – Turkish Industrialists' and Businessmen's Association

UCEA – Union of Chambers of Engineers and Architects

US – United States

USAŞ – Turkish Airplane Industry Company

USD – United States Dollar

WB – World Bank

WTO – World Trade Organization

YDK – Prime Ministry Supreme Audit Board

YEMSAN – Yem Sanayi (Animal Feed Industry)

CHAPTER 1

INTRODUCTION

Privatization of state economic enterprises (SEEs), which has been one of the key tenets of the neo-liberal agenda since the 1980s, has been portrayed as a purely economic and technical issue by neo-liberalism. Neo-liberal ideologues have attempted to create a common sense that privatization is solely about profit and loss calculation, based on market principles that the aim to sell a commodity is to make profit. *Per contra*, this thesis will manifest that privatization is an issue beyond a simple profit and loss calculation, which is not possible to be proved anyway; privatization is more a political process which has been shaped by various social struggles given at global, national as well as local levels.

What is meant by “neo-liberalism” in this thesis is the resurrection of the liberal free market assumptions in the 1970s as a way to overcome the general capitalist crisis.¹ In this respect, David Harvey argues that neo-liberal transformation is a class project that aims to “re-establish the conditions for capital accumulation and the restoration of class power.”² The major success of this project lies behind the redistributive policies pursued by the states rather than new wealth and income generation.³

Following the end of the “Golden Age of Capitalism”, Margaret Thatcher and Ronald Reagan became ardent followers of the neo-liberal paradigm in the early 1980s. Besides the ideas of neoliberal thinkers such as Milton Friedman or Friedrich Hayek, they were relying on the lessons derived from Chilean experience. What made Chile significant for the neoliberals was not only the economic model implemented by

¹ David Harvey, *The New Imperialism* (New York: Oxford University Press, 2003), 157.

² David Harvey, “Neo-liberalism as Creative Destruction,” *Geografiska Annaler: Series B, Human Geography* 88, no. 2 (2006): 149.

³ David Harvey, *A Brief History of Neoliberalism* (New York: Oxford University Press, 2005), 159.

General Pinochet after the 1973 coup d'état, but the severe suppression of the Chilean left which had proved itself by Allende's parliamentary and legitimate rise to power. Thus, a dogmatic market obsession strengthened by a firm anti-leftist position has become the defining features of neoliberal politics since then.

The debt crisis of the 1980s is known as a significant turning point for the wholesale launch of neoliberal policies in the Southern countries. For the International Monetary Fund (IMF), which was given the mission to deal with the crisis, started imposing the abandonment of import substitution industrialization (ISI) policies in favor of export-oriented industrialization (EOI) strategies as one of the first conditions to indebted countries. With the other conditionalities to be added to the list later, the IMF formed its Structural Adjustment Programs (SAPs), and as Rodrik underscores, "[s]tabilize, privatize, and liberalize' became the mantra of a generation of technocrats who cut their teeth in the developing world and of the political leaders they counseled."⁴ In the 1990s, the list of the conditions set by the Bretton Woods sisters have been labeled as the "Washington Consensus," which is a term first coined by John Williamson. What Williamson termed as the "Ten Commandments" of economic policy reforms that were extensively held in Washington, D.C. based institutions, namely the IMF, World Bank (WB), and the United States (US) Treasury Department, were: small budget deficits, redirection of public expenditure from subsidies to "fields with economic returns and the potential to improve income distribution," tax reform to broaden the tax base and cut marginal tax rates, financial liberalization, a unified exchange rate, replacement of quantitative trade restriction by tariffs and ultimately the reduction of these tariffs, abolishment of trade barriers, privatization of state owned enterprises, deregulation, legal security for property rights.⁵ The Washington Consensus totally ignored the rising social inequality on the grounds of the belief that the benefits of the neo-liberal policies would "trickle down

⁴ Dani Rodrik, "Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's Economic Growth in the 1990s: Learning from a Decade of Reform," *Journal of Economic Literature* 44, no. 4 (2006): 973.

⁵ John Williamson, "The Washington Consensus as Policy Prescription for Development" (speech to the Practitioners of Development Seminar Series delivered at the World Bank, January 13, 2004).

to the poor.”⁶ The logic behind all these reforms was the neo-liberal orthodoxy advising “a new development model based on the primacy of individualism, market liberalism, outward-orientation, and state contraction.”⁷

Nevertheless, presenting the relation between the state and market as zero-sum, thereby denouncing any state intervention to the economy did not work out the way expected. The growth in Latin America has been far below the expected rates and the shock therapy implemented in the transition economies produced absolute failures.⁸ To make matters worse, the Asian countries, whose economies were called as “Asian Miracles”, faced a severe financial crisis in 1997. The IMF was harshly criticized for its insistence on the full adoption of capital account liberalization to become a member of the Fund, which was claimed to be one of the causes of the East Asian Financial Crisis. Accordingly, the Bretton Woods twins had to modify the “Ten Commandments” of the neo-liberal agenda. The new agenda, which is often called as the “Post-Washington Consensus” or the “Augmented Washington Consensus,” underscores the importance of reforming institutions based on the principles of transparency, accountability and credibility. The Augmented Washington Consensus consists of the previous “Ten Commandments,” plus: “corporate governance, anti-corruption, flexible labor markets, World Trade Organization (WTO) agreements, financial codes and standards, “prudent” capital-account opening, non-intermediate exchange rate regimes, independent central banks/inflation targeting, social safety nets, targeted poverty reduction.”⁹ The defining feature of the Post-Washington Consensus (PWC) is its market-friendly approach, which assumes the market as the primary organ of coordination while still acknowledging that market failures make careful state intervention necessary.¹⁰ Therefore, the emphasis is put on “good governance” performed by the “regulatory state.” Nevertheless, apart from some

⁶ Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: W.W. Norton & Company, 2003), 92.

⁷ Ziya Öniş and Fikret Şenses, “Rethinking the Emerging Post-Washington Consensus,” *Development and Change* 36, no. 2 (2003): 263.

⁸ Rodrik, “Goodbye Washington Consensus,” 974.

⁹ *Ibid.*, 978.

¹⁰ Öniş and Şenses, “Emerging Post-Washington Consensus,” 275.

cosmetic changes such as the emphasis put on transparency and accountability, it is evident that the PWC has not been a total rupture from the original Washington Consensus; it has been rather the adaptation of the original form to the post-crisis conditions.

Within this historical process, the privatization of the SEEs has been the *Zeitgeist* of the neo-liberal era. Approximately 70 percent of the structural adjustment loans (SALs) given during the 1980s were conditional on privatization.¹¹ In its narrow meaning, privatization means the transfer of public ownership to the private sector, while in its broader definition it refers to the reduced role of state vis-à-vis the market, which is viewed as a non-partisan and neutral field by the neo-liberal approaches at large. However, the arguments of this thesis are based on Harvey's definition that views privatization in the neo-liberal era as a significant component of the neo-liberal project that aims to redistribute the wealth from "the mass of the population" to the class-privileged domains or "from vulnerable to richer countries," which is termed as "accumulation by dispossession."¹²

1.1) Contending Approaches on Privatization

As the historical overview above implies, there are contending approaches to privatization which can be classified under three headings: neo-liberal approaches, critical liberal approaches, and critical Marxist approaches.

In its narrow meaning, privatization means the transfer of public ownership to the private sector. However, in its broader definition it refers to the reduced role of state vis-à-vis the market, which is assumed to be a non-partisan, neutral field by

¹¹ Paul Cook and Colin Kirkpatrick, "The Distributional Impact of Privatization in Developing Countries: Who Gets What and Why," in *Privatization and Equity*, ed. V. V. Ramanadham (New York: Routledge, 1995), quoted in Chris Cramer, "Privatisation and the Post-Washington Consensus: Between the Lab and the Real World?," discussion paper no. 0799 (Centre for Development Policy & Research, 1999), <http://eprints.soas.ac.uk/7376/1/DiscussionPaper0799.pdf>.

¹² Harvey, "Neo-liberalism as Creative Destruction," 153.

liberal approaches at large. E.S. Savas defines it as: “*the act of reducing the role of government or increasing the role of the private institutions of society in satisfying people’s needs; it means relying more on the private sector and less on government.*”¹³ As mentioned earlier, the crisis of Keynesianism in the 1970s led to the resurrection of the theories based on *laissez-faire* ideology with certain modifications. These approaches, which are commonly termed as neo-liberal, have zealously defended privatization on the basis of largely similar arguments. The neo-liberal approaches have a rather technocratic view on privatizations that tends to underestimate their immediate negative impact on the society as a whole. Instead, they either focus on the efficiency of the privatized enterprises or the increased competition in markets. These perspectives unexceptionally hinge on the state-market separation. The market is portrayed as a neutral field operating efficiently according to its own rules whereas the state is identified with rent-seeking, discretion, and manipulation for political purposes. On this basis, the neo-liberals urge that the role of the state should be limited by setting up the regulatory framework to develop the competitive market structure. Privatization of the SEEs becomes hence a vital element of neo-liberalism as it contributes to reducing the intervention capability of the state in the market beyond the regulative activity.

While neo-liberal approaches commonly base their arguments on these assumptions, different schools of neo-liberal thought such as Monetarism, Public Choice Theory and Agency Theory have had different emphases in their arguments favoring privatization. Chicago School of Economics, under the guidance of Milton Friedman, has been the fortress of neo-liberalism since the 1970s. Monetarism argues that the state intervention to the market should be minimized as excess intervention will lead to the malfunctioning of the market.¹⁴ Hence, the Monetarist justification for privatization emanates from the assumption that as free market operates more efficiently, public enterprises should be privatized and start operating under market principles.

¹³ E.S. Savas, “Privatization and Public-Private Partnerships,” Economic and Social Committee of the Regional Government of Madrid, http://www.cesmadrid.es/documentos/Sem200601_MD02_IN.pdf.

¹⁴ For detailed analysis see Coşkun Can Aktan, *Privatization & the Turkish Experience* (Ankara: Seçkin Yayıncılık, 2004), 52.

Against Keynesianism that supports state intervention to overcome market failures such as externalities, Public Choice version of neo-liberalism has suggested that indeed it is the “governmental-political failure” which distorts the working of the market.¹⁵ On account of this, privatization is regarded as the perfect solution to overcome the government failure and political decision-makers’ abuse of their power over the SEEs due to their self-interested nature.¹⁶

One of the most popular neo-liberal approaches to privatization has been the Agency Theory, which argues that incomplete and asymmetric information leads to principal-agent problem, which refers to the situation that the principal faces difficulties in deeming the agent responsible for seeking the interests of the principal.¹⁷ Different interpretations on the source of the agency conflict have led to a bifurcation within the Agency Theory. The Managerial View argues on the one hand that managers of the SEEs may not be correctly monitored, thus they have low-powered incentives for efficiency and high discretionary power.¹⁸ The Political View current of the Agency Theory asserts on the other hand that it is the political interference that misshapes managers’ incentives, causes over-employment and underinvestment.¹⁹ The common tendency of the neo-liberal perspectives has been to justify the privatization of the SEEs by claiming for the improved performances of the enterprises after their

¹⁵ James M. Buchanan, *Liberty, Market and State, Political Economy in the 1980s* (New York: New York University Press, 1985), 256.

¹⁶ Mary M. Shirley, “Bureaucrats in Business: The Roles of Privatization versus Corporatization in State-Owned Enterprise Reform,” *World Development* 27, no. 1 (1999): 129.

¹⁷ Shirley, “Bureaucrats in Business,” 116.

¹⁸ Narjess Boubakri, Jean-Claude Cosset and Omrane Guedhami, “Privatisation in Developing Countries: Performance and Ownership Effects,” *Development Policy Review* 26, no. 3 (2008): 278.

¹⁹ Rafael La Porta and Florencio Lopez-de-Silanes, “The Benefits of Privatization: The Evidence from Mexico,” working paper no. 6215 (National Bureau of Economic Research, 1997), <http://www.nber.org/papers/w6215>.

privatizations.²⁰ However, it is important to acknowledge the vagueness of the macroeconomic evidence regarding the consequences of privatization.²¹

During the implementation of the privatization agenda, the neo-liberal arguments mentioned above have sometimes been utilized side by side with such “popular” discourses as people has the right to own state enterprises. Özal in Turkey was a good example of such a synthesis. As will be discussed in the next chapter however, privatization of the SEEs in Turkey has essentially been justified instead on the necessity to raise revenue for public debt financing.²² This widely used discourse was largely left behind when the AKP came to power though for, contrary to its predecessors, the AKP has been the party that has most actively made use of the efficiency argument of the neo-liberal discourse. The question of whether this has been a pragmatic choice for the AKP or the Party has fully internalized neo-liberal perspective has to be answered through further research.

Not every liberal scholar perceives privatization as a must for the proper working of the market. Some liberals are critical and skeptical about the privatization claims of the neo-liberal approaches for the former does not necessarily view state-market relation as a zero-sum game. They recognize that there might be conditions within which the state should intervene in the market to deal with market failures. Such approaches, though acknowledging like the neo-liberals that state is not a non-partisan apparatus free of rent-seeking behavior, still underscore the importance of the state for the development of the economy. Hence, the privatization of the profitable SEEs simply for the sake of reducing the role of state has been harshly criticized as detrimental to economic development. What makes these critical approaches still liberal is their separated conception of the political and the economic spheres while making sense of socio-economic phenomena.

²⁰ Ibid., 429.

²¹ Ibid.

²² Erineç Yeldan, “Assessing the Privatization Experience in Turkey: Implementation, Politics and Performance Results,” (report submitted to the Economic Policy Institute, Washington, DC, 2005), http://www.bilkent.edu.tr/~yeldane/EPI_Report2005_Yeldan.pdf.

The liberal approach that regards the SEEs as important instruments to deal with market failures via the implementation of pricing policies that take into consideration “social marginal costs”²³ is called the “Social View”. This view suggests that when there is lack of competition in the market, a “natural monopoly sector” emerges, which is unacceptable on efficiency grounds. Therefore, public ownership becomes a must to prevent the abuse of the monopoly power by a private owner.²⁴ One of the most prominent scholars associated with this view, Joseph Stiglitz, who is now a well-known critic of the IMF policies in the Third World, underscores that privatizing the SEEs without building the essential institutional infrastructure in the former communist countries caused “asset stripping” instead of “wealth creation” and in the other countries, the privatized SEEs that become private monopolies have started to exploit the consumers.²⁵

The neo-liberal ideologues have termed the paradigmatic shift through the so-called the Washington Consensus as one of “Getting Prices Right” (GPR). The slogan implies that the state-led development prevents the improvement of the capacity to compete in international markets as ISI is an anti-export biased strategy that distorts the efficient operation of the market. This view associated the East Asian “miracles” with the government policies to ensure GPR and the states’ successful abandonment of ISI to adopt EOI fully. However, an alternative analysis emerged in the 1980s, which has been named as the “Revisionist Approach” that countered this argument on account of the fact that if there was a miracle in East Asia, it was not the product of GPR but of “Getting Prices Wrong” deliberately. In this respect, Amsden claims that instead of “market-conforming strategy” which is based on two pillars, namely “marginal productivity theory and the law of comparative advantage,”²⁶ the East Asian miracles were the results of the “market-augmenting strategy,” which views the state-market relation as positive-sum. Peter Evans’ “embedded autonomy” concept

²³ La Porta and Lopez-de-Silanes, “Benefits of Privatization.”

²⁴ Eytan Sheshinski and Luis F. López-Calva, “Privatization and Its Benefits: Theory and Evidence,” *CESifo Economic Studies* 49, no. 3 (2003): 433.

²⁵ Stiglitz, *Globalization and Its Discontents*, 220.

²⁶ Alice H. Amsden, *Asia’s Next Giant: South Korea and Late Industrialisation* (New York: Oxford University Press, 1989), 155.

constitutes a significant cornerstone in the evolution of this theory. He states that rather than an absolute autonomy from the market forces, the state should have an “embedded autonomy” –connoting the close interaction among state bureaucrats and business circles- for “the nascent industrial classes require more active state support and involvement.”²⁷ This implies that privatization of the SEEs that operate efficiently and contribute to the development of the economy is not a logical step to be taken for particularly the Southern countries.

Another critical liberal approach, Institutional Political Economy, which had emerged as a reaction to the neoclassical economics in the nineteenth century, primarily disclaims the neoclassical assumption of “market primacy.” Contrary to neoclassical economics, institutional political economy believes that “all markets have a fundamentally political origin.” As can easily be derived from its name, this theory pays great attention to institutional diversity.²⁸ This approach perceives state intervention to the economy as an important component for development. In this respect, Ha-Joon Chang is highly critical of the privatization of the SEEs in the sense that this envisages foregoing the profits of those enterprises in the long-run in return for raising revenue in the short-run.²⁹ Chang points out that “if the performances of the PEs [Public Enterprises] can be improved under public ownership, there is no efficiency reason to sell them.”³⁰ Moreover, he underscores that the costs of “flotation and underwriting for the shares of the PEs” and the costs involved in valuing the PEs make privatization a highly costly business.³¹ Therefore, if there is no persuasive reason, profitable SEEs should not be privatized on the pretext of increasing efficiency.

²⁷ Peter Evans, “The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change,” in *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State*, ed. Stephan Haggard and Robert R. Kaufman (Princeton: Princeton University Press, 1992), 180.

²⁸ Ha-Joon Chang, *Globalisation, Economic Development and the Role of the State* (London: Zed Books, 2003), 99.

²⁹ *Ibid.*, 230.

³⁰ *Ibid.*, 229.

³¹ *Ibid.*, 229-30.

The post-Keynesian theory stresses the importance of states' role in "improving economic outcomes for both the private sector owners and the broader society."³² The theory regards regulation as beneficial for both the enterprise and the society as a whole.³³ Therefore, post-Keynesianism suggests that the state has discretionary power to take action with the aim of guaranteeing the "viability of the enterprise" even after its privatization.³⁴ Concerning the price increases after the privatization of public enterprises, the post-Keynesian Economics underlines that following the divestiture of the SEEs, the acquirer would increase prices to compensate for the costs and to increase profitability. Especially when the privatized enterprise is a state monopoly, price increases will be substantial as the newly privatized enterprise will become a private monopoly, thus a price setter.³⁵

Critical liberal views underline the importance of institutions and make assessments of the development of the economy under state intervention and the performance of the SEEs. However, what is missing in these liberal studies is a political outlook. In other words, having accepted the liberal separation of state and market as given, what these approaches propose is another division of labor between the two. On the other hand, the political limits of such a criticism cannot be properly recognized and hence analyzed by these approaches due to their disregard for systemic dynamics.

The main difference between the liberal approaches and Marxist views on privatization is that the former analyze privatization on the basis of state-market/society separation. *Per contra*, Marxist approaches reject the separation of the political and the economic spheres, and argue that state and market are internally related spheres which have to be understood as historical forms of capitalist relations of production. Furthermore, Marxist approaches view neo-liberalism as a class project.

³² Wissam AlHussaini and Rick Molz, "A Post-Keynesian Regulatory Model of Privatization," *The Journal of Socio-Economics* 38 (2009): 392.

³³ *Ibid.*, 392.

³⁴ John Marangos, "A Post Keynesian Critique of Privatization Policies in Transition Economies," *Journal of International Development* 14 (2002): 582, quoted in AlHussaini and Molz, "Regulatory Model of Privatization," 392.

³⁵ AlHussaini and Molz, "Regulatory Model of Privatization," 394.

In this context, Stephen Gill for instance claims that “disciplinary neoliberalism is part of a *political project* on behalf of large-scale corporate capital.”³⁶

For Marxist scholars, privatization is a vital element in the neo-liberal “depoliticization” process. Burnham analyzes neo-liberal strategies pursued by governments as one of depoliticization where an apparent shift from discretionary economic policies to rule-based policies has been attempted.³⁷ He states that this shift enables state managers to “use the language of ‘external commitments’ (and ‘globalization’) to legitimate the recomposition of labour/capital relations in the guise of global competitiveness.”³⁸ Transferring the traditional tasks of the state to national bodies with independence from the government, such as central banks, has been a classical example of this process. The strategy is to portray an economic sphere, namely the market, as a depoliticized and neutral field that can be managed by the so-called non-partisan technocratic decision-making. The overriding goal is to increase the credibility of the state in the eyes of the public via putting a distance between the market and politics, thus reproducing the state-market separation. Due to this reason, “depoliticization is [indeed] highly political.”³⁹ Depoliticization has been integral to the privatization processes as well, since the underlying ideological claim of privatizations is that the efficiency of the privatized enterprise would increase due to the transfer of control from the state to the neutral, self-regulating market. Hence, the idea that market is based on its own natural principles, regulated by an “invisible hand” is aimed to be thus reproduced. However, Marxist approaches suggest that market is not a neutral field; more powerful states and private groups have more capabilities, thus the claim that everyone has equal chances in the market is a pure illusion. In addition, the other way to adopt rule-based economic policies is through

³⁶ Stephen Gill, “Constitutionalizing Inequality and the Clash of Globalizations,” *International Studies Review* 4, no. 2 (2002): 48.

³⁷ Peter Burnham, “Globalisation, Depoliticization and ‘Modern’ Economic Management,” in *The Politics of Change: Globalisation, Ideology and Critique*, ed. Werner Bonefeld and Kosmas Psychopedis (New York: Palgrave, 2000), 10.

³⁸ *Ibid.*, 19.

³⁹ *Ibid.*, 22.

the conditionalities required by international financial institutions.⁴⁰ In this respect, adhering to the IMF advices regarding privatization can be given as an instance for this strategy.

David Harvey, an inspirational Marxist scholar, perceives neo-liberal transformation as a class project throughout which the neo-liberal state acts as a “prime agent of redistributive policies.”⁴¹ The process within which wealth is redistributed from “the mass of the population” to the class-privileged domains or “from vulnerable to richer countries” is termed as “accumulation by dispossession” by Harvey⁴² under the inspiration of Marx’ concept of “primitive accumulation.”⁴³ He argues that accumulation by dispossession helps to manage the capitalist overaccumulation crisis that has been prevailing since 1973.⁴⁴ Harvey defines “accumulation by dispossession” by four main features; “privatization and commodification, financialization, the management and manipulation of crises, and state redistributions.”⁴⁵ In this context, Harvey describes privatization in the neo-liberal era as a way for the neo-liberal state to provide new fields for “overaccumulated capital to seize upon.”⁴⁶ Privatization under the neo-liberal project offered an elusive opportunity to solve the overaccumulation problem via making “a new round of ‘enclosure of the commons’ into an objective of state policies.”⁴⁷ Accordingly, assets held by the state were offered to capital so that capital “could invest in them, upgrade them and speculate in them.”⁴⁸ Harvey recalls that public services, public institutions including prisons, and even warfare have been privatized

⁴⁰ Burnham, “Modern Economic Management,” 25.

⁴¹ David Harvey, *Spaces of Global Capitalism: Towards a Theory of Uneven Geographical Development* (London: Verso, 2006), 48.

⁴² Harvey, “Neo-liberalism as Creative Destruction,” 153.

⁴³ Ibid.

⁴⁴ Harvey, *New Imperialism*, 149.

⁴⁵ Ibid., 160-3.

⁴⁶ Harvey, *New Imperialism*, 149.

⁴⁷ Ibid., 158.

⁴⁸ Ibid.

in consequence of the neo-liberal project.⁴⁹ After all, once it started, this policy pushed for finding more arenas at home or abroad, where privatization could be realized.⁵⁰ As a result, all of the privatization implementations aim to transfer the resources of public to the “private and class-privileged domains,”⁵¹ in a process where the neo-liberal state as well as international political processes fulfill crucial redistributive roles. Harvey warns that even if it looks like privatization will have positive effects on the lower classes, in the long-run it will be harmful for the poor.⁵² Harvey underlines the significant gap between the pledges of neo-liberalism and what has been done in practice. Although privatization seemed to be an instrument to enhance competition, in practice it has led to “extraordinary monopolization, centralization and internalization of corporate and financial power.”⁵³ In this context John Gray argues that

[T]he supreme irony of Thatcherism ... [was that as it aimed] to forge ... a limited government that stood at arms length from the economy and ended the collusive corporatist relationships of the 1970s, it instead built up a corporate state of its own, a network of new institutions in which market forces were harnessed to personal and private interests.⁵⁴

The reason of this contradiction lies behind the fact that the neo-liberal agenda is indeed a class project, thus if its objectives are in contradiction with the capitalist class, it will be immediately abandoned.⁵⁵ In line with this argument, Stephen Gill also underscores that contrary to the neoclassical theory’s emphasis on free competition, “the current phase of economic globalisation” is characterized by “*oligopolistic*

⁴⁹ Harvey, *Spaces of Global Capitalism*, 44.

⁵⁰ Ibid.

⁵¹ Harvey, *Brief History of Neoliberalism*, 161.

⁵² Harvey, *Spaces of Global Capitalism*, 164.

⁵³ Harvey, “Neo-liberalism as Creative Destruction,” 157.

⁵⁴ John Gray, *The Guardian*, November 7, 1994, quoted in Galip L. Yalman, *Transition to Neoliberalism: The Case of Turkey in the 1980s* (İstanbul: İstanbul Bilgi University Press, 2009), 331.

⁵⁵ Harvey, “Neo-liberalism as Creative Destruction,” 149.

neoliberalism,” meaning “oligopoly and protection for the strong and socialization of their risks, market discipline for the weak.”⁵⁶

Marxist arguments on privatization, particularly those of Harvey, will be vital for the examination of the privatizations of large-scale SEEs in Turkey. In the analyses of the five privatization cases in Chapter 3, Marxist criticisms on depoliticization and Harvey’s concept of “accumulation by dispossession” will be intensively utilized to make sense of the political struggles behind these privatizations.

1.2) The Main Focus and Aims of the Thesis

Privatization has been an indispensable, though not a persistent, component of the neo-liberal transformation of the Turkish state. Although the 24 January 1980 measures had been a significant threshold in the neo-liberal transformation, privatizing SEEs was not “among the priorities of the Turkish structural adjustment programme”⁵⁷ in the 1980s. As a matter of fact, the privatization of small and medium-scale SEEs could come to the agenda after the mid-1980s while even the economic crisis faced during the mid-1990s was not sufficiently severe to engender a push to privatize large-scale SEEs⁵⁸ despite Tansu Çiller’s dedicated stand favoring privatizations. Hence, privatization attempts between 1985 and 1998 were unsuccessful regarding the transfer of public ownership to the private sector⁵⁹, meaning that the pace of the privatization program had been rather gradual until the 2000s.

⁵⁶ Stephen Gill, “Globalisation, Market Civilisation, and Disciplinary Neoliberalism,” *Millenium* 24, no.3 (1995): 405.

⁵⁷ Yalman, *Transition to Neoliberalism*, 329.

⁵⁸ Ziya Öniş, “Beyond the 2001 Financial Crisis: The Political Economy of the New Phase of Neo-Liberal Restructuring in Turkey,” Social Science Research Network, 2006 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=924623.

⁵⁹ Oktar Türel, “Restructing the Public Sector in Post-1980 Turkey: An Assessment,” in *The State and Global Change: The Political Economy of Transition in the Middle East and North Africa*, ed. Hassan Hakimian and Ziba Moshaver (Richmond: Curzon Press, 2001), 190.

Nonetheless, right after the Justice and Development Party (AKP) came to power, privatization has gained a new momentum, and accordingly the large-scale SEEs, which had been on the privatization agenda since the 1980s, were privatized one by one in the 2000s. This thesis will argue that the privatization process, which is driven by capitalist class interests in general, has also been the product of specific political choices of the governments in charge, a statement which acquires a particular meaning during the privatization of profitable SEEs by the Islamist-oriented AKP government. Hence, what Harvey calls “class project” in the global context acquires particular political meaning in different countries. Attempting to demonstrate the historically specific dimensions of large-scale privatizations in the Turkish context, this thesis will argue that the AKP has made use of the privatizations of the large-scale SEEs to enhance its power and overcome its vulnerable position “within the internal power structure.”⁶⁰ It has attempted to impede the strengthening of the domestic capitalist groups such as Doğan Holding and Uzan Group, who own powerful media groups and have become serious opponents of the AKP government, by trying to prevent them acquiring the profitable SEEs though under the pressure of the “transparency” requirement of the PWC. Hence, while all the large-scale privatizations were concluded through formally transparent processes, the AKP attempted to determine their outcomes through a selective marketing strategy favoring oil-rich Middle Eastern capital. The privatization of Ereğli Demir ve Çelik Fabrikaları T.A.Ş (ERDEMİR), the details of which will be examined in the thesis, is a typical expression of this struggle. As seen, despite all the efforts of the AKP to prevent the acquisition of ERDEMİR by the Armed Forces Pension Fund (OYAK), the company identified with Turkish Armed Forces (TSK), this highly strategic enterprise was ultimately sold to OYAK for an amount that was 86 percent higher than the stock exchange value of ERDEMİR, which reveals that this acquisition was a political choice for OYAK as well. Such examples that will be systematically examined in the thesis reveal that the privatization of large-scale SEEs in Turkey has not been a purely

⁶⁰ Pınar Bedirhanoğlu and Galip L. Yalman, “State, Class and the Discourse: Reflections on the Neoliberal Transformation in Turkey,” in *Economic Transitions to Neoliberalism in Middle-income Countries*, ed. Alfredo Saad-Filho and Galip L. Yalman (New York: Routledge, 2010), 111.

economic and technical requirement as claimed by neo-liberals, but a political struggle in which class as well as identity interests have intertwined.

The arguments regarding the specific characteristics of privatization in Turkey will be derived from the analyses of the privatizations of the five large-scale SEEs in the 2000s, namely Petrol Ofisi A.Ş. (POAŞ), Türk Telekomünikasyon A.Ş. (TTAŞ), Turkish Petroleum Refineries Corporation (TÜPRAŞ), ERDEMİR and Petrochemical Holding A.Ş. (PETKİM). These privatizations are important to focus on for these five SEEs have the capacity to turn their owners into powerful players in Turkish politics due to their profitability levels as well as strategic importance. The difference of these five cases from other privatization experiences such as Türkiye Selüloz ve Kağıt Fabrikaları A.Ş. (SEKA; pulp, cellulose, paper and paper products enterprise), Etibank, or Sümerbank was that the latter were divided and sold to various private actors that they have lost their monopoly positions, while the former were sold via block sales that have led them to become private monopolies. The fact that there is interestingly little research made on this issue has made this thesis particularly worth working on. Hence, the thesis has aimed to produce a significant primary data on these privatization processes for further studies. Although secondary sources have also been used, the data used in this thesis have been collected from the research made in the archives of the daily newspapers Milliyet, Cumhuriyet, Hürriyet and Akşam while the archives of business magazines such as Fortune Türkiye and Forbes Türkiye have been overviewed as well.

Through the analyses of the collected data, this thesis will try to investigate how the AKP has used neo-liberal discourses to legitimize the sale of strategically significant large-scale SEEs while the opponent groups have attempted ineffectively to hinder this. The role of international financial institutions (IFIs) as well as the European Union (EU) integration process will also be focused on. It will be argued that contrary to the neo-liberal argumentation that rests on the assumption that private firms operate more efficiently under the natural rules of the free market, privatization process has to be understood as a struggle moving beyond efficiency concerns. It is however hard to say that opposition parties, such as the Republican People's Party (CHP) and the Nationalist Movement Party (MHP), or trade unions have managed to underline this. On the contrary, they have contributed to a large extent to the reproduction of the

hegemonic neo-liberal discourse via opposing the sales of the profitable SEEs to the foreign investors for amounts that were equal to couple of year profits of the enterprises. In other words, rather than criticizing their underlying logic, they target the form and conditions of privatizations. The voices of very few opposition groups that have been against privatization in principle could be hardly heard in the popular media. In this context, the opposition of Kamu İşletmeciliğini Geliştirme Merkezi (public enterprises development centre; KİGEM), which was established in 1994 with the aim of objectively examining the problems of the public enterprises in order to suggest solutions and provide cooperation among scientists, unions and chambers towards this aim,⁶¹ should be particularly recalled. Prioritization of the nationality of the acquirers by the opposition has led the potential bidders of the tenders abroad to form partnerships with the domestic business groups, which have been used as pawns. As will be shown, these domestic business groups that acquired these strategic SEEs have attempted to sell their shares to and form partnerships with powerful multinationals whenever possible. Hence, besides being unsuccessful, this nationalistic opposition strategy to favor domestic capital vis-à-vis the “foreign” ones has helped the reproduction of the neo-liberal hegemonic discourse with its state-market separation. In this respect, it will be argued that the neo-liberal project has been successful in terms of privatizations in Turkey, because despite various corruption claims, most of the large-scale SEEs that had been on the privatization agenda since the 1980s could ultimately be privatized on rather legitimate grounds. The outcome was the transfer of profitable public resources to capital.

The thesis will hence argue that the privatizations of large-scale profitable SEEs in Turkey has been supportive of what Harvey terms as “accumulation by dispossession,” meaning that the Turkish public has been dispossessed by these privatizations which transfer wealth from the public to the capitalist groups. The “success” of this process has to be explained with reference to: the effective usage of neo-liberal arguments and the discourse of external commitments by the government; the articulation of different nationalistic discourses into the neo-liberal argumentation; the functioning of domestic capital groups as a subcontractors to foreign capital; the

⁶¹ For detailed information see KİGEM, “Vakıf Senedi,” <http://www.kigem.org.tr/index.php?op=sayfayap&sid=59>.

transformation of state monopolies into private monopolies; and gaining experience to form new strategies during the political struggle through trial and error in order to realize specific political preferences.

The second chapter provides a brief historical overview of the privatization process in Turkey as part of her neo-liberal transformation. The privatization endeavor under the Özal government followed by privatizations in the 1990s will be discussed in this chapter. The attempts to change the legal infrastructure to enable the privatizations of SEEs will be critically overviewed as well. It will be indicated that until the 2000s, only small and medium-scale SEEs were privatized. Explaining the possible reasons behind this will also be one of the aims of this chapter.

The third chapter is the main body of the thesis where the privatizations of POAŞ, TÜPRAŞ, ERDEMİR, Türk Telekom and PETKİM will be analyzed in details. The chapter begins with an analysis of the privatization history of Turkey in the 2000s in which the AKP government has had a significant influence. The reasons behind the failure to privatize large-scale SEEs until the 2000s, which were arguably the weak coalition governments of 1990s that did not have the power to implement structural reforms in a way that was recommended by the Bretton Woods twins and the lack of a severe economic crisis that could grant a great leverage to the IFIs,⁶² will be discussed. It will be revealed that the AKP has used the IMF and the EU as significant anchors.⁶³ In this chapter, the technical details of the selected privatizations such as the previous privatization attempts, the investments before the block sales, the tender processes, the pressures of the international actors such as the IMF, the reactions against the privatizations, the clashes inside the state, the instances around the world, the articles of agreements signed after the block sales, the changing discipline on the workers, the corruption debates regarding the tender processes and the aftermath, and the financial situations of the enterprises after the privatizations will be discussed in detail.

The last chapter of the thesis will make a comparative analysis of the five privatization cases to manifest specific characteristics of the Turkish case. Obviously,

⁶² Öniş, "Beyond the 2001 Financial Crisis."

⁶³ Pınar Bedirhanoğlu, "Türkiye'de Neoliberal Otoriter Devletin AKP'li Yüzü," in *AKP Kitabı: Bir Dönüşümün Bilançosu*, ed. İlhan Uzgel and Bülent Duru (Ankara: Phoenix Yayınevi, 2009), 51.

identifying which of the characteristics of the large-scale privatizations has been specific to Turkey requires a comparative research to be made among different country examples. As this is beyond the scope of this thesis, fundamental neo-liberal arguments on privatization will be taken as a reference point, according to which the divergences and convergences from the test case will be investigated. This will also enable us to judge the validity of neo-liberal arguments on privatization on the basis of the Turkish experience.

CHAPTER 2

TURKISH PRIVATIZATION EXPERIENCE IN HISTORICAL PERSPECTIVE

2.1) The Post-1980 Period

January 24, 1980 measures have been a turning point for Turkey. The deep economic crisis, which was caused by the severe foreign exchange bottleneck, high inflation rate, rising unemployment and the sharp devaluation of the TRY⁶⁴ had made Turkey, who was not able to pay her debts, a “basket case.” The ISI strategies that had been implemented for decades with five-year development plans were proposed to be the main reason behind these failures by the zealots of neo-liberalism, hence neo-liberal policies were promoted as *deus ex machina*. This led the government to sign a three-year stand-by agreement with the IMF and the WB, which re-scheduled the country’s debts and provided fresh credits. Hence, the creditors set the pace and foundations for dealing with the debt problem. In a sense, they forced the government to implement policies that had been advised to the Ecevit government subsequent to the signing of two stand-by agreements, which had not been followed in the way the Bretton Woods twins had desired. Apparently, the support of the domestic capitalist groups such as TÜSİAD (Turkish Industrialists’ and Businessmen’s Association) and the demand of the industrial bourgeoisie also affected the government.⁶⁵ Consequently, Turgut Özal, who was then the Undersecretary for Economic Planning while Süleyman Demirel was the Prime Minister, declared an economic stabilization program, namely the January 24 Measures, under the guidance of the IMF and the WB.

⁶⁴ Aktan, *Privatization & the Turkish Experience*, 108.

⁶⁵ Selime Güzelsarı, *Küresel Kapitalizm ve Devletin Dönüşümü: Türkiye’de Mali İdarede Yeniden Yapılanma* (İstanbul: Sosyal Araştırmalar Vakfı, 2008), 97.

The January 24, 1980 measures included standard neo-liberal prescriptions, which are later named as the “Washington Consensus”: trade liberalization, financial deregulation, and monetary and fiscal restraint, except though privatization. The devaluation of TRY, the abolishment of the Price Control Committee, thus the end of control of the government over the private sector, the abolishment of the restrictive import regime, increasing priority given to export-oriented activities, and the simplification of the bureaucratic formalities in the process of investment approvals that were said to be impeding foreign investments were the main stabilization measures taken on January 24th, 1980.⁶⁶ As a result, the program was portrayed as a transition from the inward looking ISI strategy towards the outward looking EOI.

Turkey, who was heavily indebted in 1979, became the leading recipient of WB B-loans by the mid-1980s.⁶⁷ Between 1980 and 1984, she received five SALs from the WB, mainly because she was viewed as an experimental subject in testing the SAP of the Bretton Woods twins. As the Turkish case entailed long-term adjustment, the WB became the primary actor in this process. Consequently, the Bank had a significant control over the pattern of public-sector reform in the aforesaid period.⁶⁸ In the 1980-1990 period, neo-liberal stabilization and structural adjustment policies have intervened in social relations in a way to reorganize them according to the market principles, and the obstacles to integrate Turkish economy to global capitalism via neo-liberalism were removed by deregulation.⁶⁹

Boratav underscores that Özal, who had won both the domestic capital’s and the global capital’s confidence as a manager of the Sabancı Holding and via his linkages with the WB, played the primary role in determining the economic policies

⁶⁶ Aktan, *Privatization & the Turkish Experience*, 109-10.

⁶⁷ Marcie J. Patton, “Constraints to Privatization in Turkey,” in *Privatization and Liberalization in the Middle East*, ed. Iliya Harik and Denis J. Sullivan (Indianapolis: Indiana University Press, 1992), 117.

⁶⁸ Ziya Öniş, “The Evolution of Privatization in Turkey: The Institutional Context of Public-Enterprise Reform,” *International Journal of Middle East Studies* 23, no. 2 (1991): 165.

⁶⁹ Güzelsarı, *Küresel Kapitalizm*, 95.

launched in Turkey after 1980.⁷⁰ As one of the most ardent supporters of neo-liberalism, Turgut Özal was heavily inspired by the neo-liberal policies and the “There is no alternative” slogan of Margaret Thatcher. Reducing the state’s role in the economy via the implementation of neo-liberal policies became the motto of Özal throughout the 1980s.

The origins of the SEEs in Turkey can be traced all the way back to the étatist period of the 1930s. They were the enterprises that succeeded industrialization via ISI strategies. Although private business became more and more significant in the post-1950 period after Adnan Menderes became the Prime Minister, the SEEs kept on carrying out a primary role in industrialization.⁷¹ Contrary to the justification claims for the introduction of privatizations of the SEEs in Turkey such as “increasing their efficiency”, Türel points out Ercan Uygur’s findings, which suggest that “manufacturing SOEs [state owned enterprises] as a whole were not inferior to private manufacturing establishments in the period 1965-88 in terms of labour, capital and total factor productivity growth.”⁷² As a matter of fact, privatization was not the primary issue of the neo-liberal agenda in the 1980s because of the absence of any persuasive reason for the sale of the SEEs based on efficiency arguments. The issue was only put forward by international financial institutions and zealous supporters of those policies that aimed to reduce the role of the state in the economy.⁷³ Türel states that the reasons behind the weakening financial position of the SEEs in the late 1980s and early 1990s were mainly the high short-term interest rates, the real wage hike between 1989 and 1992, the increasing international competition as a result of trade liberalization, and the appreciation of TRY. He underscores that the response of the SEEs to these challenges included reducing employment and averting real wage increases.⁷⁴ Another departure from the pre-1980 era was price flexibility for the

⁷⁰ Korkut Boratav, *Türkiye İktisadi Tarihi 1908-2005*, 10th ed. (İstanbul: İmge Kitabevi Yayıncılık, 2006), 147.

⁷¹ Öniş, “Evolution of Privatization in Turkey,” 163.

⁷² Ercan Uygur, “Liberalization and Economic Performance in Turkey,” discussion paper no. 65 (UNCTAD, Geneva, 1993), quoted in Türel, “Restructuring the Public Sector,” 188.

⁷³ Türel, “Restructuring the Public Sector,” 189.

⁷⁴ *Ibid.*, 188-9.

SEEs, which had been under strict price controls up to then. This change led to the increase in the prices of the goods produced by the SEEs.⁷⁵

2.2) Privatizations during Özal's Motherland Party Government

Özal government, which came to power in November 1983 with the restoration of multi-party democracy, pushed for reforms to pick up the pace in transition to a free-market economy.⁷⁶ Boratav underlines that it was the military coup of September 12 that provided the necessary tools for neo-liberal reforms to be implemented in a way that was against labor.⁷⁷ While the political stability was provided by the military coup of September 12, the institutional infrastructure and the legal framework were drawn by the 1982 Constitution.⁷⁸

The first reform of the ANAP (Motherland Party) government was trade liberalization, which was announced in December 1983,⁷⁹ followed by capital account liberalization that was completed in 1989. The legal institutional framework on privatization was set in 1983. The first regulation, Law no. 2983 ("Law on the encouragement of savings and acceleration of public investments") and Decree with the Force of Law no. 233 (decree-law on state economic enterprises), were enacted in 1984. The Law no. 2983 authorized the administration to issue revenue sharing certificates (RSCs), equity shares, and operating rights on public facilities while it also

⁷⁵ Merih Celasun and Ismail Arslan, "State-Owned Enterprises and Privatization in Turkey: Policy, Performance and Reform Experience, 1985-95," in *State-Owned Enterprises in the Middle East and North Africa: Privatization, Performance and Reform*, ed. Merih Celasun (London: Routledge, 2001), 227.

⁷⁶ Öniş, "Evolution of Privatization in Turkey," 165.

⁷⁷ Boratav, *Türkiye İktisadi Tarihi*, 148.

⁷⁸ Güzelsarı, *Küresel Kapitalizm*, 97.

⁷⁹ Öniş, "Evolution of Privatization in Turkey," 165.

formed the Board of the Mass Housing and Public Participation Fund (PPF).⁸⁰ The aim was to create an institution that would fund mass housing and implement privatization.⁸¹ Nevertheless, Ercan and Öniş assert that the concealed purpose was to create “a new managerial bureaucracy” in order to “bypass” the potential restraints on the realization of the reforms by the “classical bureaucracy.”⁸² This “new managerial bureaucracy” was led by technocrats who had been educated in the US.⁸³ Moreover, the PPF, which was a “newly created institution governing the largest extra-budgetary fund”,⁸⁴ was autonomous from the classical bureaucratic institutions such as the Treasury and the Central Bank. As a matter of fact, Özal’s method was using Cabinet Decrees rather than Acts of Parliament, which gave him an enormous discretionary power. Accordingly, starting from 1986, the major decisions on privatization of the SEEs were taken by government decrees. Nonetheless, the lack of an explicit privatization law offered the opponents of privatization the opportunity to hinder significant privatization agreements through appeals to the Constitutional Court.⁸⁵ Law no. 3291, which was an amendment law enacted in 1986 due to the inadequacy of the previous legislations,⁸⁶ authorized the Council of Ministers to make decisions on the transfer of the SEEs to the PPF and High Planning Council to finalize the transfer of partially state owned companies to the PPF for privatization.⁸⁷ However, in the year 1990, the Mass Housing and Public Participation Fund was divided into two “extra-budgetary funds”, namely the Mass Housing, and the Public Participation

⁸⁰ İzak Atiyas, “Recent Privatization Experience of Turkey: A Reappraisal,” in *Turkey and the Global Economy: Neo-Liberal Restructuring and Integration in the Post-Crisis Era*, ed. Ziya Öniş and Fikret Şenses (London: Routledge, 2009), 106.

⁸¹ Metin R. Ercan and Ziya Öniş, “Turkish Privatization: Institutions and Dilemmas,” *Turkish Studies* 2, no. 1 (2001): 118.

⁸² Ibid.

⁸³ Öniş, “Evolution of Privatization in Turkey,” 167.

⁸⁴ Ercan and Öniş, “Turkish Privatization,” 118.

⁸⁵ Ibid., 120.

⁸⁶ Atiyas, “Recent Privatization Experience of Turkey,” 106.

⁸⁷ Aktan, *Privatization & the Turkish Experience*, 136.

Administration via the Decree Law no. 414.⁸⁸ The Law no. 3291 remained as the main privatization law until 1994.

The ANAP government did not adopt a shock-therapy approach on privatization that was implemented by transition economies; rather it pursued a gradual approach. In this context, instead of directly privatizing SEEs, Özal attempted to place privatization on the agenda through offering RSCs, which was totally different from the method of directly selling the assets of the SEEs. In the RSCs, there was indeed no transfer of public assets to the private sector that it worked more like a different sort of public borrowing.⁸⁹ The first RSCs were offered in December 1984, which comprised the revenues of the first Bosphorus Bridge. The high demand for the aforementioned RSCs was followed by the enactment of the Law no. 2983, which paved the way for realization of the transfer of management rights of the SEEs and their direct sale via public offering. Following this, in January 1985, the RSCs of the Keban dam and hydroelectric power station were offered.⁹⁰

While in the 1980-1985 period subjecting the SEEs to market discipline rather than their privatizations was on the agenda, after the issuing of RSCs, in 1985, the State Planning Organization commissioned the Morgan Guaranty Bank to prepare a “master plan” for privatization.⁹¹ Yeldan summarizes the objectives of the master plan as follows:

(1) to transfer the decision making process from the public to private sector to ensure a more effective play of market forces; (2) to promote competition, improve efficiency and increase the productivity of public enterprises; (3) to enable a wider distribution of share-ownership; (4) to reduce the financial burden of the state economic enterprises (SEEs) on the general budget; and (5) to raise revenue for the Treasury.⁹²

⁸⁸ Celasun and Arslan, “State-Owned Enterprises,” 241.

⁸⁹ I would like to thank Galip Yalman for drawing my attention to this point.

⁹⁰ Öniş, “Evolution of Privatization in Turkey,” 167.

⁹¹ *Ibid.*, 163.

⁹² Yeldan, “Assessing the Privatization Experience.”

Öniş finds two elements of the report prepared by Morgan Guaranty Bank in 1986 as significant in appraising the “evolution of privatization” in Turkey. The first one is the claim that the privatization of the SEEs that were holding monopoly power would be beneficial only when measures boosting competition were taken. However, Öniş underlines that there was no reference to monopoly regulation in the specific proposals made to privatize five significant SEEs, namely USAŞ (Turkish Airplane Industry Company), THY (Turkish Airlines), TURBAN (a tourism chain), ÇİTOSAN (Turkish Cement Industry) and YEMSAN (a manufacturer of animal feed). He alleges that the aforementioned report paid no heed to the issue of a regulatory framework intended to construct a competitive environment for the companies concerned once the transfer of ownership would be established. The second one is that foreign investors were regarded as the main candidates for acquiring the enterprises that were selected for divestiture.⁹³

Despite all the preparations, attempts to change the legal infrastructure, and most importantly the adherence to the neo-liberal discourse, the first major case of privatization could be realized in 1988, eight years after the introduction of the neo-liberal agenda to Turkey by the January 24 Measures. Privatization became a central issue only after Özal’s ANAP came to power for the second time. Accordingly, the first major case of divestiture took place in February 1988, which resulted in the transfer of public participation in Teletaş that was a telecommunications company.⁹⁴ The initial confidence regarding the success of the privatization of Teletaş declined by the steady fall of the value of Teletaş shares. The failure in the Teletaş case led to the conclusion that the capital market of Turkey was not advanced enough for such a big transfer operation.⁹⁵ Following that failure, the government started to look for alternative methods to implement privatization. The direct sale of state assets to private sector was found to be the second best policy. Consequently, the 90 percent of the shares of five cement plants owned by ÇİTOSAN was sold to French Société Ciment Français in 1988, followed by the sale of the 70 percent of the shares of

⁹³ Öniş, “Evolution of Privatization in Turkey,” 166.

⁹⁴ Ibid., 167-8.

⁹⁵ Ibid., 171.

USAŞ, which was affiliated with Turkish Airlines, to SAS Service Partner, an affiliate of Scandinavian Airlines, while Boğaziçi Airlines was acquired by a consortium led by Irish Airlines.⁹⁶

This new trend of block sales of the SEEs to foreign capital was not welcomed by the opponents including various business groups. Placing Sümerbank and particularly PETKİM (petrochemical producer), which was a strategically important company, under the privatization agenda led to harsh criticisms on the grounds that the decision was totally against “national sovereignty.”⁹⁷ As a matter of fact, the opposition of the business groups, such as TÜSİAD, was based on their concerns for increased competition due to the involvement of foreign investors to the process.⁹⁸

On the other hand, the ANAP government tried to justify the block sales to foreign investors on the grounds that they attracted foreign investment, which would bring in “technology and managerial expertise.”⁹⁹ However, both the sale of ÇİTOSAN factories and Boğaziçi Airlines were ultimately canceled.¹⁰⁰

The privatization program in the period of 1986-1991 included 3 SEEs, 28 joint-partnerships, 4 banks and 71 subsidiaries with a total of 106 establishments, while this number increased to 122 by 1992.¹⁰¹ In 1981-1988, aggressive measures used by the state against organized labor led to the sharp suppression of wages. However, this “classic mode of surplus creation” was no longer viable in 1988. The

⁹⁶ Cevat Karataş and Metin Ercan, “The Privatisation Experience in Turkey and Argentina: A Comparative Study, 1986-2007,” *METU Studies in Development* 35, no. 2 (2008): 350; Öniş, “Evolution of Privatization in Turkey,” 172.

⁹⁷ Öniş, “Evolution of Privatization in Turkey,” 172.

⁹⁸ *Ibid.*, 173.

⁹⁹ Patton, “Constraints to Privatization in Turkey,” 114.

¹⁰⁰ Öniş, “Evolution of Privatization in Turkey,” 172.

¹⁰¹ S. Rıdvan Karluk, *Türkiye’de Kamu İktisadi Teşebbüsleri ve Özelleştirme* (İstanbul: Esbank Yayınları, 1994), 204.

coming elections gave organized labor the chance to realize substantial increase in their wages.¹⁰²

2.3) Privatizations in the 1990s

It is a widely accepted interpretation that the political conditions of the 1980s and 1990s were dissimilar in the sense that 1990s can be distinguished by its “fragmented party system” with consecutive coalition governments, first of which was formed by the True Path Party (DYP) and Social Democratic Populist Party (SHP) in 1991 elections.¹⁰³ Although these two parties were on different sides of the political spectrum (DYP was a center-right party, whereas SHP was a centre-left party), both of them were strong opponents of the privatization process initiated by ANAP.¹⁰⁴ Ironically, right after their election, these two parties made a U-turn regarding their views on privatization. Ercan and Öniş claim that the overriding motive for this change was the perception of the coalition partners that privatization may be used for raising revenue that would help in dealing with the fiscal crisis.¹⁰⁵ At the beginning, the justification for privatization was based on the claim that private enterprises work more efficiently, while the public sector is always open to corruption leading to squander. Nevertheless, over time, the purpose of privatization became primarily raising revenue for public debt financing.¹⁰⁶ Accordingly, the state has been attempting to raise revenue from selling its most profitable and technologically advanced enterprises. It appears that the coalition government was reluctant to raise tax revenue to finance state deficits; therefore privatization emerged as the only tool to handle the fiscal crisis. It goes without saying that the capitalist class, who had to bear

¹⁰² Yeldan, “Assessing the Privatization Experience.”

¹⁰³ Ercan and Öniş, “Turkish Privatization,” 119.

¹⁰⁴ Ibid.

¹⁰⁵ Ibid., 121.

¹⁰⁶ Yeldan, “Assessing the Privatization Experience”

the cost of the increase in real wages during 1989-1992, supported privatization attempts, besides other incentives, to impede increased taxation.¹⁰⁷

Boratav underscores that the rising wage costs in 1989-1993 became one of the factors that caused the fiscal crisis of the SEEs, while the second factor was the withdrawal of the support of the Treasury from the SEEs by the Özal government.¹⁰⁸ He adds that the DYP-SHP coalition, which acted as if privatization was only a tool for the improvement of the SEEs, relinquished the improvement and reform objectives and started to focus solely on privatizing the SEEs.¹⁰⁹ The so-called SEE reform of the coalition government established TÖYÖK (Institution of Turkish Autonomy Restructuring and Privatization) with the declared aim of implementing “strategic privatization” and restructuring the SEEs physically and financially.¹¹⁰ The draft of the SEEs reform was prepared by Tansu Çiller, who was then the Minister of Economic Affairs, which envisaged immediate privatization of the SEEs. Accordingly, in May 1992, government announced the decision to privatize Et ve Balık Kurumu (Meat and Fish Corporation) and SEK (Milk Industry Corporation). However, the privatization attempts faced obstacles emanating from the ideological differences among the coalition partners. This contradiction continued during the 50th coalition government formed under the prime ministry of Tansu Çiller, who was an ardent follower of neo-liberalism. As a matter of fact, she was arguably the keenest supporter of privatization for she was the one who brought it to the agenda of Turkey in the 1990s. Çiller attempted to privatize many SEEs, some of which were strategically significant. Nevertheless, the sale of SEK was prevented by Murat Karayalçın, who was then the Deputy Prime Minister of Turkey, while the decree law enabling the sale of Türk Telekom (the incumbent operator in the Turkish fixed line telecommunications) was blocked by the Constitutional Court in 1994 as a result of the opposition from Mümtaz Soysal, a professor of constitutional law and a former Minister of Foreign Affairs,

¹⁰⁷ Türel, “Restructuring the Public Sector,” 190.

¹⁰⁸ Boratav, *Türkiye İktisadi Tarihi*, 177.

¹⁰⁹ *Ibid.*, 178.

¹¹⁰ Özer Ertuna, “Dünyada ve Türkiye’de Özelleştirme,” *İşveren Dergisi* 46, no. 2 (2007), http://www.tisk.org.tr/isveren_sayfa.asp?yazi_id=1907&id=93.

who was then a member of parliament. In the same year, Soysal, together with Korkut Boratav, took initiative to establish KİGEM. As mentioned earlier, the aim of this civil society institution was to examine the problems of the public enterprises to suggest solutions. However, the institution had to give priority to the enterprises that were going to be closed as a consequence of the April 5 measures. Accordingly, KİGEM presented reports about SEEs such as PETKİM, PETLAS (“the first and unique company that can produce military aircraft tyre in Turkey”¹¹¹) to the public.¹¹² The institution was directly opposing privatization *per se*.

The unsuccessful attempts to sell PETKİM, THY, Turkish Petroleum, and TEK (Turkish Electricity Authority) after separating it into two SEEs, namely TEDAŞ (Turkish Electricity Distribution Co. Inc.) and TEAŞ (Turkish Electricity Generation-Transmission Corporation) in 1993, were among the most significant privatization endeavors of the period.

The currency crisis of 1994 led the government to adopt a stabilization program on April 5th, 1994 as a result of the IMF stand-by agreement, which put a great emphasis on the privatization of the SEEs.¹¹³ Accordingly, Law no. 3987, which would enable the government to accelerate the privatization program via decree laws, was enacted. However, the Constitutional Court annulled the aforesaid law on the grounds that privatization cannot be regulated by decrees.¹¹⁴ Eventually, Privatization Law no. 4046 was enacted in November 1994, which created the Privatization High Council (PHC) that became the “ultimate decision-making body for privatization,” the Privatization Administration (PA) that is the “executive body for the privatization process, reporting directly to the Prime Minister,” and the Competition Authority (CA) that is responsible for regulation.¹¹⁵ Ercan and Öniş argue that the aforesaid law was enacted to serve the goal of meeting the requirements obliged by the EU to be

¹¹¹ Petlas, “Institutional,” http://www.petlas.com.tr/page_en.php?ID=3.

¹¹² KİGEM, “Vakıf Senedi.”

¹¹³ Celasun and Arslan, “State-Owned Enterprises,” 232.

¹¹⁴ *Ibid.*, 242.

¹¹⁵ Republic of Turkey Prime Ministry Privatization Administration, “Privatization Endeavor in Turkey,” <http://www.oib.gov.tr/yayinlar/publications.htm>.

eligible to enter the Customs Unions.¹¹⁶ Hence, the Customs Union Agreement with the EU in 1995 created further impetus towards regulatory reforms as well as trade liberalization providing the EU with an enormous leverage over Turkish economic and political decision-making.¹¹⁷ This trend was also a reflection of the emerging PWC at the global level in the mid-1990s.¹¹⁸ Nevertheless, the Constitutional Court crippled the privatization process by annulling the clauses of the Law no. 4046 that were contradictory with the rulings on valuation techniques. An amendment was made in 1997 to solve this problem. Ultimately, the privatization concept was included into the Constitution in 1999 when international arbitration was recognized, a development which elucidates increasing power of international actors vis-à-vis the Turkish state.¹¹⁹

It might be suggested that these political and legal ups and downs in the 1990s prevented the privatization process in Turkey to gain momentum up to the 2000s. The privatization history of Turkey remained limited to small and medium-scale privatizations with the only exception of the block sale of Petrol Ofisi (POAŞ, petroleum products and distribution agency) in 2000, which remained as the single large-scale SEE privatized until the election of the AKP. After AKP's coming to power however, the block sales of large-scale state enterprises, most of which were strategic companies, has become a central issue. The next chapter will focus on this question, and analyze the privatizations of POAŞ, Türk Telekom, TÜPRAŞ, ERDEMİR and PETKİM case-by-case in an attempt to identify their historical specificities within the Turkish context.

¹¹⁶ Ercan and Öniş, "Turkish Privatization," 116.

¹¹⁷ Öniş, "Beyond the 2001 Financial Crisis."

¹¹⁸ Ibid.

¹¹⁹ Ercan and Öniş, "Turkish Privatization," 122.

CHAPTER 3

THE LARGE-SCALE PRIVATIZATIONS IN TURKEY

As mentioned in the previous chapter, until the AKP came to power, only small and medium-scale SEEs had been privatized in Turkey. In this sense, the election of the AKP has been a turning point for the privatization history of Turkey. Öniş claims that the 1994 crisis was not sufficiently severe to engender an atmosphere where significant structural reforms were mandatory.¹²⁰ It has been widely argued that the weak coalition governments of the 1990s did not have the power to implement structural reforms¹²¹ in a way that was recommended by the Bretton Woods twins.

The “Staff Monitoring Programme” of the IMF, which was initiated in 1998, also placed a great emphasis on the privatization of large-scale enterprises like POAŞ, Türk Telekom and SEKA.¹²² Ironically, the attempt to privatize POAŞ via block sale of the 51 percent of its shares was blocked by the decision of the PHC to eliminate Akmaya-Orteks consortium from the bid due to its involvement in the Türkbank scandal. It was a scandal where Mesut Yılmaz was accused of “determining in advance who should win the tender for the privatization of Türkbank and resorting to the services of a mafia leader to scare off unwanted bidders,”¹²³ which ultimately caused the fall of the 55th government.¹²⁴ In conclusion, as also Türel states, the

¹²⁰ Öniş, “Beyond the 2001 Financial Crisis.”

¹²¹ Ibid.

¹²² Yeldan, “Assessing the Privatization Experience.”

¹²³ “Turkish House Again Votes for Yılmaz Trial,” *The Peninsula*, October 28, 2004, <http://archive.thepeninsulaqatar.com/component/content/article/342-gulfmiddle-eastaarchiveafrica/49772.html>.

¹²⁴ In 1998, Türkbank, which had gone bankrupt, was put out to tender under Mesut Yılmaz’s prime ministry. The tender was won by the businessmen Korkmaz Yiğit. However, the tender was canceled when it was revealed that the mafia boss Alaaddin Çakıcı involved in the tender process. This scandal caused the fall of the 55th government and the Prime Minister Mesut Yılmaz and the State Minister Güneş Taner to be up for trial.

privatization between 1985 and 1998 was unsuccessful regarding the transfer of public ownership to the private sector.¹²⁵

It had been predicted before the April 1999 general elections that all the involved parties, including three centre-right, two centre-left and one Islamist ones, were going to adopt a market-friendly approach¹²⁶ which would prioritize privatization. Türel states that this convergence was “the ultimate triumph of the gospel according to the Bretton Woods twins.”¹²⁷ The privatization of POAŞ under the prime ministry of Bülent Ecevit, who was the leader of the centre-left party DSP (Democratic Left Party), elucidates the issue. It is indeed a milestone in the privatization endeavor of Turkey as it marks the beginning of large-scale privatizations.¹²⁸

The instability and continuing high inflation rates during 1999 led the government to launch a disinflation program following the signing of a stand-by agreement with the IMF, starting from December 1999.¹²⁹ The program was novel in the sense that it was a reflection of the PWC that puts a great emphasis on institutional reforms.¹³⁰ Turkey’s loyalty to the IMF advice in the disinflation program however did not prevent the country to face her severest economic crises in November 2000 and in February 2001. Still the burden of the crisis was borne by the laboring classes with the decrease in employment and sharp fall in real wages.¹³¹ It was ironic that the IMF, despite its apparent fingerprints on the crises, further increased its power vis-à-vis Turkish decision-makers then after. Following the approval of Turkey’s candidacy at

¹²⁵ Türel, “Restructuring the Public Sector,” 190.

¹²⁶ Ibid., 203.

¹²⁷ Ibid., 204.

¹²⁸ Ercan and Öniş, “Turkish Privatization,” 110.

¹²⁹ Yeldan, “Assessing the Privatization Experience.”

¹³⁰ Öniş, “Beyond the 2001 Financial Crisis.”

¹³¹ Erinc Yeldan, “Patterns of Adjustment Under the Age of Finance: The Case of Turkey as a Peripheral Agent of Neoliberal Globalization,” working paper no. 126 (Political Economy Research Institute, 2007), http://scholarworks.umass.edu/cgi/viewcontent.cgi?article=1100&context=peri_workingpapers.

the Helsinki Summit of the European Council in December 1999, the conditionalities set by the IMF became more pressing for the Turkish state in the sense that those were actually analogous to the accession criteria of the EU.¹³² The neo-liberal reforms in the aftermath of the 2001 crisis put emphasis on strengthening the “regulatory capacities” of the state,¹³³ a process which practically meant the formation of various regulatory institutions with a claimed autonomy from politics.

While mentioning the influence of the external actors, it would be unfair to ignore the role of Kemal Derviş, who served as the Minister of Economic Affairs between 2001 and 2002. He was an illuminating instance of the state’s claimed depoliticization through the portrayal of technocratic decision-making as neutral and non-partisan. As a matter of fact, Kemal Derviş, who helped the state in “internalizing the reform package,”¹³⁴ was an apostle of the global capital with his close linkages to the “transnational financial community.”¹³⁵ Parallel to this increase of the power of intergovernmental organizations, the influence of private external actors boosted as well. The large Turkish conglomerates,¹³⁶ which had been already articulated to the global capital, were in favor of this process while the only group that was not content with the neo-liberal reforms was the laboring class, which was aware of the fact that the neo-liberal transformation was working against them.¹³⁷ The fact that the total number of employees working in the SEEs was 643 thousand in 1990 while it turned out to be only 385 thousand in 2002¹³⁸ elucidates the issue.

Within such a conjuncture, the pro-Islamic AKP, which came to power after the November 2002 general elections, has carefully abandoned the nationalist element

¹³² Öniş, “Beyond the 2001 Financial Crisis.”

¹³³ Ibid.

¹³⁴ Ibid.

¹³⁵ Ibid.

¹³⁶ Ibid.

¹³⁷ Ibid.

¹³⁸ Oktar Türel, “Özelleştirme Üzerine Notlar,” Bağımsız Sosyal Bilimciler, <http://www.bagimsizsosyalbilimciler.org/bsbtolum.html>.

of the Islamic movement, namely the National View, of which it used to be a part.¹³⁹ Adopting instead a market-friendly approach which embraces global capital irrespective of its nationality, the AKP, right after its election, became the most ardent follower of the neo-liberal policies.¹⁴⁰ According to Yeldan, in the name of liberalization, the AKP government has gained since then an unprecedented amount of power through suppressing the “democratic institutions” with the help of the conditionalities of the Bretton Woods twins, which become the actual patrons of the economy.¹⁴¹

Accordingly, the stand-by agreement signed with the IMF for the period May 2005-May 2008 period set strict targets for the privatization of the most profitable SEEs of Turkey. The Article 33 of the Letter of Intent submitted to the IMF envisaged the sale of the shares of PETKİM, TÜPRAŞ, ERDEMİR (the largest flat steel manufacturer of Turkey) and Türk Telekom, all of which were strategic SEEs, by the end of 2005.¹⁴² The AKP government has tried all the means to keep its promise of privatization by underlining the merits of market economy. As Karataş and Ercan calculate, the total revenue raised from the privatizations between 1986 and 2007 amounted to USD 30 billion, a great portion of which came from the block sales of Türk Telekom, TÜPRAŞ, ERDEMİR, and POAŞ.¹⁴³

This chapter will hence analyze the privatizations of large-scale SEEs in Turkey in the 2000s, all of which were ultimately completed by the AKP government via mainly block sales method. The privatizations of POAŞ, Türk Telekom, TÜPRAŞ, ERDEMİR and PETKİM will be overviewed case by case and in a chronological order made on the basis of dates of the conclusions of block sales. All of these highly profitable and strategically important enterprises, except Türk Telekom, are operating in the energy sector, which is a vital element of a country’s industrialization.

¹³⁹ Yeldan, “Patterns of Adjustment.”

¹⁴⁰ Ibid.

¹⁴¹ Ibid.

¹⁴² Yeldan, “Assessing the Privatization Experience.”

¹⁴³ Karataş and Ercan, “The Privatisation Experience in Turkey,” 352.

Therefore, selling such companies via block sales, especially if they are acquired by foreign capital would obviously lead to controversies. The AKP government has been exceptionally successful in suppressing the opposition against these block sales, all of which led to various accusations of corruption. As a result, the AKP sold nearly all of the targeted SEEs that had been on the privatization agenda since the 1980s in return for amounts that were equal to a couple of year of profits of these enterprises. Despite the neo-liberal claims of market efficiency on the basis of competition, the block sales of these SEEs, most of which used to be state monopolies, have transformed them into private monopolies. The overview of the privatizations of Türk Telekom, TÜPRAŞ, ERDEMİR and PETKİM will particularly reveal this.

As a matter of fact, this is the main distinction between other privatizations and the selected five cases. The privatizations of SEEs such as SEKA, Etibank and Sümerbank were implemented by a “divide and sell” method. Accordingly, the divided parts were sold to different private capitalist groups, which led these enterprises firstly to lose their monopoly positions, and then gradually vanish. *Per contra*, all of these five SEEs were sold via block sales, which have preserved their monopoly positions.

There also have been some SEEs that have been on the privatization agenda since the 1980s, which have not been privatized fully. In this context, the most illuminating instance can be THY, 49.12 percent of which still belongs to the public.¹⁴⁴ The reasons behind the reluctance to sell these shares by the AKP is an arguable issue, however, as it is beyond the scope of thesis, this case will not be analyzed. The focus of the thesis is on the privatizations of the five large-scale SEEs that had been on the privatization agenda since the 1980s that were eventually sold via block sales.

¹⁴⁴ Republic of Turkey Prime Ministry Privatization Administration, “Turkish Airlines,” http://www.oib.gov.tr/portfoy/thy/thy_eng.htm.

3.1) The Disintegration of TPAO

Before analyzing the privatizations of POAŞ, TÜPRAŞ and PETKİM, it is important to mention that these enterprises used to be the subsidiaries of TPAO (Turkish Petroleum Corporation), which was established in 1954 as a SEE with the aim of constructing a vertically integrated petroleum company to be active along the entire supply chain from hydrocarbon exploration, drilling, production, refinery to marketing and transportation in order to accelerate industrialization via developing the petroleum sector.¹⁴⁵ This model was inspired from the global petroleum giants, all of which were operating under vertically integrated structures.

In 1955, TPAO built the first modern refinery of Turkey in Batman. POAŞ, PETKİM, İPRAŞ (İstanbul Petroleum Refinery Co.), which was named as TÜPRAŞ in 1983, BOTAŞ (Petroleum Pipeline Corporation) and DİTAŞ (Marine Operations and Tanker Management Co.) were established under the leadership of TPAO and they operated as integrated enterprises until 1983. PETKİM, which was established in 1965 as a result of the First Five-Year Development Plan, was used to process the products of TÜPRAŞ's refineries. Refinery and petrochemical plants were also interdependent; that was the reason why they were all established simultaneously.¹⁴⁶

On October 22nd, 1983, following the enactment of the Law no. 2929 and issuing of the Decree Law no. 98, the operations of TPAO were made limited to solely exploration, drilling and production. With the enactment of the law dated 1984 and the decree-law that stipulated the separation of TÜPRAŞ, POAŞ, PETKİM, BOTAŞ and DİTAŞ from TPAO, the vertically integrated structure was broken.¹⁴⁷

¹⁴⁵ Turkish Petroleum Corporation, "History of TPAO," http://www.tpao.gov.tr/v1.4/index.php?option=com_section&task=view&id=13.

¹⁴⁶ Güngör Uras, "Tüpraş'ın 4 Rafinerisi Var," *Milliyet.com.tr*, June 9, 2005, <http://www.milliyet.com.tr/tupras-in---rafinerisi-var/gungor-uras/ekonomi/yazardetayarsiv/18.03.2010/119369/default.htm?ver=11>.

¹⁴⁷ Ali Külebi, "Petrol Sektörü Yabancılara Bırakılıyor," *Cumhuriyet Strateji*, July 3, 2006, 4.

The overriding motive was to be able to sell these enterprises more easily as it would be difficult to privatize them under the umbrella of TPAO. Following this separation, POAŞ, TÜPRAŞ and PETKİM were privatized via block sales, which led to the transformation of these state monopolies into private monopolies. The block sale of POAŞ, which was indeed the most riskless part of the integrated structure, was realized under the prime ministry of Bülent Ecevit in 2000, while the others were sold during the AKP period. Following these privatizations, the government attempted to make changes in law, which would enable the sale of TPAO as well, on the plea of adjusting to the EU criteria.¹⁴⁸

3.2) The Privatization of Petrol Ofisi

Petrol Ofisi A.Ş. was established in 1941 as a SEE with its mandate to make fuel and lubricants available for both public and private enterprises, and consumers. POAŞ opened more than 5,259 fuel stations in even the most solitary places of Turkey to meet the rural area demands and provided employment with low profit rates.¹⁴⁹ It later became a joint stock company in 1983, and was included in the State Privatization Program in 1991. The 4.02 percent of its shares were privatized via public offering in 1991. The revenue raised was only USD 14 million.¹⁵⁰ Then in 1998, the block sale method was implemented to sell 51 percent of its shares. However, the block sale could not be realized as the PHC eliminated Akmaya-Orteks consortium from the deal though it had submitted the highest bid for its involvement in the Türkbank scandal. The PA decided to sell the shares to the İş Bankası-Bayındır-Park-PÜAŞ consortium, which had submitted the third highest bid. During the tender process, Prof. Dr. Aydın Ayaydın, who was the president of the CA, warned the PA that the transfer of 51 percent of the shares needed permission. The PA resisted to this warning for a while, however, eventually it had to apply for the permission.

¹⁴⁸ Külebi, “Petrol Sektörü Yabancılara Bırakılıyor,” 5.

¹⁴⁹ Petrol Ofisi, “About PO,” http://www.poas.com.tr/Default_en.aspx?pg=-20.

¹⁵⁰ Atiyas, “Recent Privatization Experience of Turkey,” table 6.1.

Consequently, five conditions were designated for the transfer of the shares. One of the most significant conditions envisaged due to the strategic importance of POAŞ was that until the legal arrangement about the military pipelines was completed, the golden share that would give a veto right to the state should be retained. Furthermore, due to its dominant position in fuel market, POAŞ had to inform the CA about the changes in prices and the market share. In addition to this, it had to ask the permission of the CA to make changes in the main agreement and for the sale of shares. When the consortium led by İş Bankası gave up purchasing the shares however, the PHC decided to offer the shares to Doğu-Garanti consortium. When they also relinquished, the tender had to be cancelled. The second tender was held on March 3rd, 2000. İş Bankası-Doğan Holding consortium won the tender, and bought 51 percent of the shares of POAŞ.¹⁵¹ The revenue raised was USD 1.260 billion,¹⁵² which was paid in advance. To finance the purchase, İş-Doğan got loans amounting to USD 760 million from 11 Turkish banks, including the public bank Vakıfbank.¹⁵³ Paradoxically, this time the transfer of shares did not oblige the five conditions. As it will be revealed, this laxity enabled the transfer of a great percentage of POAŞ's shares to a foreign company.

It goes without saying that the block sale of POAŞ, an enterprise with monopoly power, led to many criticisms, one of which claimed that POAŞ had been sold at a low price. There were even claims that this had been planned before the privatization by presenting the value of its assets much lower than their real values. The report of the commission headed by the General Manager of Petrol Ofisi was pointed out to substantiate this claim. The report demonstrated that many real assets were presented with lower values than they were actually worth of. It was stated that before the privatization process of POAŞ started, Vakıf Gayrimenkul Ekspertiz Değerleme A.Ş., the company hired to determine the values of the estates and plants,

¹⁵¹ Harun Gürek, "POAŞ'ta Yeni Skandal," *Akşam*, October 18, 2002, <http://arsiv.aksam.com.tr/arsiv/aksam/2002/10/18/ekonomi/ekonomiprn1.html>.

¹⁵² Atiyas, "Recent Privatization Experience of Turkey," table 6.1.

¹⁵³ "Yolsuzluk Mücadeleme Medya Savaşı Diyorlar," *Milliyet.com.tr*, October 24, 2003, <http://www.milliyet.com.tr/-yolsuzluk-mucadeleme-medya-savasi-diyorlar-/ekonomi/haberdetayarsiv/19.03.2010/21923/default.htm?ver=39>.

presented the values as 64 percent lower than what they had to be. Furthermore, it was claimed that POAŞ's market value was decreased via the operation that aimed to make POAŞ an unprofitable company by restricting its sales on credit terms. Prior to its privatization, in 1999, the market value of POAŞ was USD 8 billion; however, as the date of the tender was approaching, the market value dropped to USD 2.2 billion. Another instance that was emphasized in the reports was that the three ships owned by POAŞ were sold for only TRY 3 whereas they had been insured for the sum of USD 8.5 million.¹⁵⁴ Such practices, which were in no way limited to the POAŞ privatization, represent good examples of, what Harvey calls "accumulation by dispossession" for much valuable public assets were transferred to private hands in return for almost nothing by the prime agency of the state.¹⁵⁵

The block sale of POAŞ caused worker protests. They blamed Bülent Ecevit, who was then the Prime Minister, and Devlet Bahçeli, who was then the Vice Prime Minister, for forgetting their promises to those who had elected them. They underscored that both Ecevit and Bahçeli had been the ones who were totally against privatization.¹⁵⁶ Indeed, it was really ironic that the biggest privatization of the time was realized under the coalition government of CHP and MHP, two étatist-minded parties since their establishments. This contradiction made their position fragile vis-à-vis the workers, who had voted for them. This however also reveals that neo-liberal prescriptions, due this or that reason, were acquiring wider acceptance in Turkish politics. Nonetheless, selling a strategic SEE to a "domestic" business group did not totally contradict with the political positions of CHP and MHP for what they were against were not privatizations *per se* but the possibility that they would lead to the foreigners' acquiring "national" wealth.

Right after its privatization, POAŞ's net profit rose to TRY 186.6 trillion in 2001, from TRY 72.6 trillion profit in 2000, meaning that it profited 2.6 times more in

¹⁵⁴ "Satılan Gemiye Kira," *Akşam*, November 8, 2002, <http://arsiv.aksam.com.tr/arsiv/aksam/2002/11/08/ekonomi/ekonomi2.html>.

¹⁵⁵ Harvey, *Spaces of Global Capitalism*, 48.

¹⁵⁶ "İhale Meral'e Kaldı," *Akşam*, March 4, 2000, <http://arsiv.aksam.com.tr/arsiv/aksam/2000/03/04/ekonomi/ekonomi4.html>.

2001.¹⁵⁷ In 2002, the profit rose to TRY 228.048 trillion.¹⁵⁸ However, the story behind this success was controversial. The reduction in employment and the number of fuel stations (from 3,885 to 3,500 in 2005) was protested especially by the workers because after all, the original mission of POAŞ had been making fuel and lubricants available in even the most solitary places of Turkey, meeting the rural area demands and providing employment with low profit rates.¹⁵⁹ POAŞ announced that they would further reduce the personnel number, which was 1,030 at that time, by the end of June 2002 in order to increase efficiency.¹⁶⁰ Nevertheless, the ardent supporters of neo-liberalism concurred with these measures on the grounds that POAŞ used to hire workers as 12 times more than its competitors. Therefore, dismissing workers was perceived as the best policy to increase efficiency.¹⁶¹

On the other hand, the privatization of POAŞ started to be contradictory with the logic of privatization. Instead of contributing to the formation of a competitive market, a state monopoly was transformed into a private monopolistic firm. In this respect Harvey's argument that although privatization seems to be an instrument to enhance competition, it has led to "extraordinary monopolization, centralization and internalization of corporate and financial power" in practice is validated.¹⁶² Similarly, critical liberal approaches warn that privatizing the SEEs without building necessary institutional infrastructures that would develop competition in the market would lead to the formation of private monopolies, operating against consumers.¹⁶³ This became the case in the privatization of POAŞ as the previously mentioned five conditions that

¹⁵⁷ Petrol Ofisi, "2001 Faaliyet Raporu," http://www.poaş.com.tr/PO_pdf/faaliyet_raporlari/2001FaaliyetRaporu.pdf.

¹⁵⁸ Petrol Ofisi, "2002 Faaliyet Raporu," http://www.poaş.com.tr/PO_pdf/faaliyet_raporlari/2002FaaliyetRaporu.pdf.

¹⁵⁹ Petrol Ofisi, "About PO."

¹⁶⁰ "POAŞ'tan 63 Trilyon Kâr," *Akşam*, September 12, 2002, <http://arsiv.aksam.com.tr/arsiv/aksam/2002/09/12/ekonomi/ekonomi3.html>.

¹⁶¹ Onurhan Homriş, "Daha Hızlı," *Akşam*, October 21, 2000, <http://arsiv.aksam.com.tr/arsiv/aksam/2000/10/21/yazarlar/yazarlar61.html>

¹⁶² Harvey, "Neo-liberalism as Creative Destruction," 157.

¹⁶³ Stiglitz, *Globalization and Its Discontents*, 220.

had been obliged for the transfer of state resources were abolished in the block sale of POAŞ to İŞ-Doğan. These conditions had intended to limit the monopoly power of POAŞ, therefore relinquishing these conditions contributed to the formation of a private monopoly, particularly in providing fuel for the military.

Before the privatization of POAŞ, one department of POAŞ (ANT) was serving to meet the demands of both the TSK and North Atlantic Treaty Organization (NATO). However, after the privatization, ANT became subordinated to the Ministry of National Defence under a new name. However, there were many depots and a 3 thousand kilometers long military vessel, which ANT used to own. Prior to the privatization, it was POAŞ who had been making the transportation of the military fuel via these vessels. Following the privatization, a protocol was signed with POAŞ that enabled it to preserve that right through paying rent. Nonetheless, as the transition to free market in fuel sector was realized after the privatization of POAŞ, to prevent unfair competition in the market, these plants had to be available for the usage of other companies as well. As a result of the abolishment of the five conditions that had been obliged by the CA, it became impossible for the other national fuel delivery companies to utilize these plants. By this way, POAŞ became the sole provider of fuel for the US military at places the shipping net of NATO POL was unable to reach.¹⁶⁴ It was claimed that POAŞ made an enormous amount of profit by supplying fuel to the US military after the invasion of Iraq. Actually, there were allegations that the Doğan Media Group, particularly Hürriyet newspaper, pursued a pro-war approach due to this.¹⁶⁵

The year 2002 was a turning point for POAŞ. As a result of the IMF pressures to accelerate privatization, the secondary public offering of POAŞ for the 16.5 percent of its shares, which were owned by PA were offered at ISE on March 15th, 2002 with TRY 30 billion per share.¹⁶⁶ Analogous to Burnham's argument that state managers "use the language of 'external commitments' to legitimate the recomposition of

¹⁶⁴ Harun Gürek, Mutlu Çölgeçen and Ercan Yavuz, "Savaşın Yakıtı Poaş'tan," *Akşam*, March 16, 2003, <http://arsiv.aksam.com.tr/arsiv/aksam/2003/03/16/ekonomi/ekonomi1.html>.

¹⁶⁵ Ibid.

¹⁶⁶ "Bir Özelleştirme Vurgunu," *Akşam*, October 16, 2003, <http://arsiv.aksam.com.tr/arsiv/aksam/2003/10/16/yazidizi/yazidizi2.html>.

labour/capital relations in the guise of global competitiveness,”¹⁶⁷ the neo-liberal state of Turkey has constantly used the conditionalities set by the IMF or its so-called “advices” as justifications to respond to the criticisms against the neo-liberal agenda; privatizations of strategic SEEs are the most illuminating instances in this context. The following privatization cases will reveal that particularly the AKP government has made use of external commitments to justify the sale of most profitable SEEs of Turkey.

Consequently, USD 168 million of revenue was raised from the said public offering.¹⁶⁸ Following the second public offering, the PHC made a surprising decision and abolished the golden share,¹⁶⁹ despite the fact that it did not have such an authorization. This decision later led to a parliamentary investigation about Bülent Ecevit, Devlet Bahçeli, Kemal Derviş, Yılmaz Karakoyunlu, Sümer Oral ve Ahmet Kenan Tanrıku on the grounds that abolishing the golden share was an illegal act and it risked the state’s receivables.¹⁷⁰ This controversial decision was followed another public offering. On the basis of the agreement signed on July 31st 2002, the remaining 25.8 percent of the shares held by the PA were sold to İş-Doğan on August 8th, 2002 at ISE Wholesale Market. The price of share offered was equal to the previous year’s public offering price, which led to harsh criticisms. One of the reasons of these criticisms was that the PA sold the shares to İş-Doğan without a call for tender; moreover, for the first time it did not oblige a letter of bank guarantee for that transaction.¹⁷¹ The PA tried to justify its action with the argument that they implemented block sale model via public offering.¹⁷² This is a typical instance of how

¹⁶⁷ Burnham, “Modern Economic Management,” 19.

¹⁶⁸ Atiyas, “*Recent Privatization Experience of Turkey*,” table 6.1.

¹⁶⁹ A golden share grants “a say in and authority to approve critical decisions, [such as changes] in the articles of association or mergers with other companies,” to the government. Atiyas, “*Recent Privatization Experience of Turkey*,” 107.

¹⁷⁰ Rezzak Oral, “POAŞ’taki Altın Hisse’ye Soruşturma,” *Akşam*, July 21, 2003, <http://arsiv.aksam.com.tr/arsiv/aksam/2003/07/21/ekonomi/ekonomiprn5.html>.

¹⁷¹ “Bu Kadarına Pes,” *Akşam*, October 12, 2002, <http://arsiv.aksam.com.tr/arsiv/aksam/2002/10/12/ekonomi/ekonomiprn1.html>.

¹⁷² “Bir Özelleştirme Vurgunu,” *Akşam*.

technocrats use the technical language to legitimate their actions. They even invent new terminologies like “implementing block sale model via public offering” when their actions cannot be justified by the available technical language. Consequently, İş-Doğan emerged as the owner of 76.8 percent of the shares of POAŞ. It purchased the shares for TRY 387 trillion, and paid TRY 115.8 trillion in advance. However, it postponed the payment of the remaining amount, TRY 271.2 trillion, to 2007, which was against competition rules, thus the postponement evoked further questions and opened up new debates.¹⁷³ Concealing the operation that envisaged the postponement of the debt from the Stock Exchange was seen as an obvious violation of law.¹⁷⁴ Some jurists identified this operation as “insider trading”.¹⁷⁵ For the same reasons, Petrol-İş made an official complaint against both the debt postponement and the transfer of 25.8 percent of POAŞ shares to İş-Doğan. The union underscored that although one of the reasons of the privatization was supposed to be increasing employment, the number of workers was, on the contrary, reduced to 480 while it had been 3,838 before the privatization.¹⁷⁶

What is more, on September 30th 2002, the announcement of the merger of POAŞ and İş-Doğan was made. The merger of a profiting enterprise with a company that had made a great amount of loss would lead POAŞ to make loss as well. The small investors would make a tremendous loss due to this merger. As a matter of fact, even the announcement of the decision regarding the merger resulted in a sharp decrease in the stock price of POAŞ in ISE, hence the investors holding POAŞ stocks made a 33 percent loss.¹⁷⁷ Specialist argued that foreign investors, who were informed about the merger before the announcement, made a remarkable profit via selling their

¹⁷³ “Aydın Doğan'ın Basın Toplantısının Tam Metni,” *Milliyet.com.tr*, October 24, 2003, <http://www.milliyet.com.tr/aydin-dogan-in-basin-toplantisinin-tam-metni/ekonomi/haberdetayarsiv/19.03.2010/21924/default.htm?ver=18>.

¹⁷⁴ “Bir Özelleştirme Vurgunu,” *Akşam*.

¹⁷⁵ *Ibid.*

¹⁷⁶ “Hala Cevap Yok,” *Akşam*, October 21, 2003, <http://arsiv.aksam.com.tr/arsiv/aksam/2003/10/21/ekonomi/ekonomiprn10.html>.

¹⁷⁷ “Vurgun SPK'ya Takıldı,” *Akşam*, October 9, 2002, <http://arsiv.aksam.com.tr/arsiv/aksam/2002/10/09/ekonomi/ekonomi1.html>.

shares. What is more, Capital Markets Board of Turkey (SPK) filed a lawsuit against six managers of POAŞ on the grounds that they made speculation by not informing SPK about the merger.¹⁷⁸

Via the merger, POAŞ was going to take over TRY 1.576 quadrillion short-term and TRY 753.710 billion long term debts of İş-Doğan. It also meant that part of that burden would be borne by the small investors owning 23 percent of the shares, whose portions of share dropped to 3.7 percent due to the merger. The merger was *ipso facto* a kind of transfer of resources. Due to the protests against the merger, the SPK had to take action and obliged that İş-Doğan initiated a call for the small investors, who were not willing to participate in this merger, for the merger to be realized. Consequently, Doğan Holding initiated a call to purchase the shares of the small investors and paid TRY 214 million to purchase 12 percent of the shares.¹⁷⁹

Another controversy occurred in giving collateral. The PA obliged İş-Doğan to give USD 190 million as collateral for the merger to be realized. İş-Doğan offered to pay half of this amount by Doğan Holding and İş Bankası bonds and the other half by a letter of bank guarantee. However, the PA did not lean towards this suggestion. İş-Doğan notified that at maximum, it could only find another letter of guarantee worth USD 30 million, but that would lead to a risk of USD 80 million for the state.¹⁸⁰ Eventually, POAŞ merged with İş-Doğan on December 27th, 2002 by taking over all of İş-Doğan's assets and liabilities.¹⁸¹

The merger process caused clashes inside the AKP as well. Emin Şirin, a former member of parliament who was then a member of the AKP, posed questions to Abdüllatif Şener regarding the merger process. For instance, he addressed the question whether İş-Doğan profited from paying only USD 240 million for the shares it

¹⁷⁸ Ali Oktay, "POAŞ'ta hapis istemi," *Akşam*, December 6, 2003, <http://arsiv.aksam.com.tr/arsiv/aksam/2003/12/06/ekonomi/ekonomi1.html>.

¹⁷⁹ "Gözler Şirket Birleşmelerine Çevrildi," *Milliyet.com.tr*, January 11, 2007, <http://www.milliyet.com.tr/gozler-sirket-birlesmelerine-cevrildi/ekonomi/haberdetayarsiv/19.03.2010/184822/default.htm?ver=20>.

¹⁸⁰ Harun Gürek, "POAŞ Çukurundan Pis Kokular Geliyor," *Akşam*, December 25, 2002, <http://arsiv.aksam.com.tr/arsiv/aksam/2002/12/25/ekonomi/ekonomi1.html>.

¹⁸¹ Petrol Ofisi, "2002 Faaliyet Raporu."

purchased via the call by the permission of SPK to set the price for the shares as TRY 6,850, whereas it would have cost USD 572 million.¹⁸²

Another issue that led to severe criticisms was the tax liability of POAŞ. When Petrol Ofisi and İş-Doğan was merged in 2002, Petrol Ofisi took over all of İş-Doğan's liabilities which led to a total liability of TRY 2.9 billion.¹⁸³ Thus, the merged enterprise was exempt from paying taxes. However, in 2006, as a result of a tax investigation, the Ministry of Finance detected that POAŞ had evaded tax via writing off the exchange rate differences of the loans taken to purchase the shares of POAŞ prior to the merger, as an expense. Consequently POAŞ was fined TRY 1.2 billion. Nevertheless, POAŞ accorded with the Ministry of Finance and paid TRY 275 million.¹⁸⁴

As a result of the merger, Doğan Holding became the owner of 44.3 percent of the shares of POAŞ, while İş Bankası owned 35.95 percent and each of the İş Bankası Group companies, Cam-İş Yatırım Holding (an investment holding) and Cam-İş Madencilik (a mining company), owned 4.05 percent. Nonetheless, in September 2005, Doğan Holding purchased the shares of İş Bankası for USD 616 million,¹⁸⁵ which made it the owner of 88.86 percent of the shares of POAŞ. After the call to purchase A Group shares of TRY 48,586,553 held by the other shareholders of the Company that was completed on October 31st 2005, Doğan Holding's share in POAŞ's capital increased to 92.98 percent.¹⁸⁶ Up to that time, İş Bankası was used by Doğan Holding as a 'shield' to defend itself against the criticisms because after all, İş

¹⁸² Gürek, "POAŞ Çukurundan Pis Kokular."

¹⁸³ "Ağır Ceza ile Sarsılan Petrol Ofisi'ne Katrilyonluk Vergi Şoku," *Haber Vitrini*, December 27, 2006, <http://www.habervitrini.com/haber.asp?id=254266>.

¹⁸⁴ "Petrol Ofisi'nin Borcuna Tırpan," *Sabah*, May 11, 2007, <http://arsiv.sabah.com.tr/2007/05/11/haber,65C073FB29CC41279F8846428F01F37F.html>.

¹⁸⁵ Serdar Akinaa, "Hortuma Gel Hortuma," *Akşam*, April 5, 2009, <http://www.aksam.com.tr/2009/04/05/yazar/8628/aksam/yazi.html>.

¹⁸⁶ "Petrol Ofisi'nin Yüzde 34'ü Avusturyalı Şirkete Satıldı," *Milliyet.com.tr*, March 14, 2006, <http://www.milliyet.com.tr/petrol-ofisi-nin-yuzde----u--avusturyali-sirkete-satildi/ekonomi/haberdetayarsiv/19.03.2010/149595/default.htm?ver=27>; Petrol Ofisi, "Petrol Ofisi Annual Report 2006," http://www.poaş.com.tr/PO_pdf/english/general_assembly/2006_ING_web.pdf.

Bankası is Turkey's first truly national bank whose inception following the promulgation of the Republic dates back to August 26th, 1924.

It did not take much time for Doğan Holding to sell part of its shares to foreigners. On January 24th 2006, it sold 6.25 of the shares to foreign institutional investors. Following that sale, in March 2006, it sold 34 percent of its shares to OMV, one of the leading oil-producing, refining and gas station operating companies of Central Europe that is at the same time the biggest industrial company of Austria, for USD 1.54 trillion. Nonetheless, SPK identified an insider trading crime.¹⁸⁷ This case, which is in no way unique, well elucidates that internal capital groups in Turkey tend to act as subcontractors of companies settled abroad in the privatization process. Their overriding aim behind purchasing the shares of a SEE seems to be to disable possible social opposition against the sale of state assets to “foreigners” and, once privatization is completed, to market shares to foreign capital in return for high profits. Hence, in this example, Doğan Holding made an enormous amount of profit as it had paid only USD 616 million for the shares of İş Bankası.

Selling the shares of a strategic enterprise evoked debates. Needless to say, the Chief Executive Officer (CEO) of Doğan Company Group Holding, Tufan Darbaz, through a very typical neo-liberal argumentation, justified the sale with the argument that they sold the shares just for the sake of becoming partners with a company that does not hesitate to make investments for growth.¹⁸⁸ Additionally, Aydın Doğan, the Chairman of the Board of Directors of Doğan Holding, underlined the significance of the partnership for the EU-Turkey relations.¹⁸⁹ On April 1st 2008, OMV Aktiengesellschaft purchased POAŞ shares in ISE, amounting to TRY 5.458 million and on June 18th, the shares of OMV Aktiengesellschaft in POAŞ rose to 40.75

¹⁸⁷ “Petrol Ofisi: Bir Vurgun Hikayesinin Özeti,” *Tüm gazeteler*, September 10, 2008, <http://www.tumgazeteler.com/www.gundem.info/?a=4095767>.

¹⁸⁸ “Petrol Ofisi'nin Yüzde 34'ü,” *Milliyet.com.tr*.

¹⁸⁹ “Türkiye'nin Politik Sınırları Genişledi,” *Milliyet.com.tr*, May 11, 2006, <http://www.milliyet.com.tr/turkiye-nin-politik-sinirlari-genisledi/ekonomi/haberdetayarsiv/19.03.2010/156954/default.htm?ver=62>.

percent.¹⁹⁰ Currently, Doğan Holding holds 54.17 percent and OMV holds 41.78 percent of the shares of POAŞ, while 4.25 percent of shares are traded in ISE. What is more, OMV had previously attempted to form a consortium with Koç Holding to participate in the tender of Tüpraş, thus via the partnership with Doğan Holding, OMV achieved its aim of entering the Turkish petroleum sector.¹⁹¹

Petrol Ofisi's made a net profit of USD 186 million in 2009, while the net sales reached to USD 9.119 billion.¹⁹² The company made an investment in the largest natural gas production project in Turkey's territorial waters, which concerns the natural gas production sites and exploration licenses in the offshore waters near Akçakoca, for which the Petrol Ofisi has acquired 26.75 percent of Toreador Türkiye Ltd. Şti. That share transfer has made Petrol Ofisi the second largest shareholder in the project after TPAO. Another foreign investment of Petrol Ofisi, namely the PO Georgia that was established in 2007 with a 100 percent Petrol Ofisi investment, aims to "procure and sell fuel products from domestic and foreign markets, to organize the distribution, storage and further sell refinery by-products within Georgia."¹⁹³ While it is questionable whether the state-owned POAŞ would not have engaged in those investments simply because it was a SEE, it is no doubt that Doğan Group has acquired a secure access to this highly profitable sector in a monopoly position through its problematic acquisition of POAŞ, firing the bulk of its labor force.

¹⁹⁰ "Ekonomide Yılın Olayları – II," *Milliyet.com.tr*, December 17, 2008, <http://www.milliyet.com.tr/ekonomide-yilin-olaylari---ii/ekonomi/sondakikaarsiv/17.03.2010/1029192/default.htm?ver=77>.

¹⁹¹ "Doğan Holding'in PO'da Stratejik Ortaklık Görüşmesi," *Milliyet.com.tr*, January 25, 2006, <http://www.milliyet.com.tr/dogan-holding-in-po-da-stratejik-ortaklik-gorusmesi/ekonomi/haberdetayarsiv/19.03.2010/143570/default.htm?ver=95>.

¹⁹² Petrol Ofisi, "About PO."

¹⁹³ *Ibid.*

3.3) The Privatization of Türk Telekom

The privatization of the incumbent operator, Türk Telekomünikasyon A.Ş., had been on the liberalization agenda of Turkey for a long time; however, the lack of a regulatory framework impeded it despite various attempts. During the 1990s, the opposition parties took the laws that would enable privatization to the Constitutional Court, which canceled these laws invariably. Especially Tansu Çiller, professor of economics who was then the Prime Minister of Turkey, was a keen supporter of the privatization of Türk Telekom. In 1993, she tried to sell the “T” of PTT (Turkish Post, Telegraph and Telephone) which, according to her, would end the domestic indebtedness that was by that time approximately USD 14-16 billion.¹⁹⁴ She faced a great opposition from Mümtaz Soysal, who was then a member of parliament as mentioned before. Soysal took the law to the Constitutional Court, and consequently the Court canceled the components enabling the privatization. The enactment of the Law no. 4000 established Türk Telekomünikasyon A.Ş. on April 24, 1995 with the separation of the telecommunications services from the parent company.¹⁹⁵ This was followed by the enactment of the Law No. 4107 in 1995 that would enable the privatization of up to 49 percent of the shares of TTAŞ. However, the Constitutional Court canceled “critical articles” of the said law on the grounds that their enactment would give “too much discretion to the administration in determining the valuation and sale conditions of TTAŞ.”¹⁹⁶

There were many apprehensions about the privatization of the incumbent operator due its strategic importance. Nevertheless, the cancelations could not

¹⁹⁴ Fikret Bila, “PTT'nin T'siyken Satsaydık Makus Talihimizi Yenerdik,” *Milliyet.com.tr*, July 4, 2005, <http://www.milliyet.com.tr/-ptt-nin-t-siyken-satsaydik-makus-talihimizi-yenerdik-/fikret-bila/siyaset/yazardetayarsiv/20.03.2010/122718/default.htm?ver=71>.

¹⁹⁵ Türk Telekom, “About Türk Telekom: History,” <http://www.turktelekom.com.tr/tt/portal/About-TT/Company-Profile/History/>; İzak Atiyas and Pınar Doğan, “Glass Half Empty? Politics and Institutions in the Liberalization of the Fixed Line Telecommunications Industry in Turkey,” in *Understanding the Process of Economic Change in Turkey: An Institutional Approach*, ed. Tamer Çetin and Feridun Yılmaz (New York: Nova Science Publishers, 2010), 263.

¹⁹⁶ Atiyas and Doğan, “Glass Half Empty,” 263.

intimidate the ardent followers of neo-liberalism. The disinflation program that was initiated in 1999 as a result of the stand-by agreement signed with the IMF put a great emphasis on the privatization of TTAŞ. The expected revenue that would be raised from the sale was seen as a crucial part of the structural adjustment program.¹⁹⁷ Accordingly, with the enactment of Law No. 4161, the government attempted to sell 20 percent of Türk Telekom's shares via block sale "to a strategic investor (or a partnership) that owns a telecommunications infrastructure." However, the tender was canceled as there was not any investor that participated in the tender.¹⁹⁸

The failure to privatize TTAŞ led to a great discontent for the IMF. The severe financial crisis that Turkey faced towards the end of 2000 rubbed salt in the wound. Atiyas and Doğan recall that some critics asserted that the failure to privatize TTAŞ was one of the causes of "the decline of investor confidence," that led to a "collapse in short term capital inflows."¹⁹⁹ On account of this, the following stand-by agreement signed with the IMF required critical steps to take in order to make the privatization process move smoothly. In this respect, July 2002 elections can be regarded as a turning point for the process as it ended up with a single party government, which soon became a 'zealot' of privatization. The AKP, which was a conservative party with an Islamist leaning, has become one of the most important actors of neo-liberalism in Turkey, and the privatization of TTAŞ quickly became the number one priority of the government. The role of the IMF was undeniable in this process as it put pressure on the government to privatize TTAŞ. The IMF made USD 1.1 billion credit conditional on the progress in the privatization of TTAŞ,²⁰⁰ which accelerated the privatization attempts of the government. Despite the opposition of the military based on argument that a large part of the military telecommunications systems was under the umbrella of Türk Telekom, therefore it would be highly prejudicial to

¹⁹⁷ Ibid., 264.

¹⁹⁸ Ibid., 263.

¹⁹⁹ Ibid., 264.

²⁰⁰ "Telekom Holding Oyununu Seçti," *Milliyet.com.tr*, June 8, 2002, <http://www.milliyet.com.tr/telekom-holding--oyununu-secti/ekonomi/haberdetayarsiv/20.03.2010/54339/default.htm?ver=01>.

privatize this enterprise,²⁰¹ the AKP made the privatization of TTAŞ a priority, due partly to the pressure of the EU as well. Dirk Verbeken, an economist at the EU Commission, stated that Turkey caused disappointment in privatization and pointed out the significance of the privatization of Türk Telekom.²⁰² Just a few months after this statement, TTAŞ was privatized. Apparently, the AKP government has started making use of “external commitments” argument with reference to the IMF and the EU to legitimate its attempts to privatize the incumbent operator. It is also argued that the AKP tried to get over its weaknesses within Turkish politics, particularly vis-à-vis the TSK, by getting the full external support of the US and the EU, and loyalty to the neo-liberal agenda was a must to ensure this.²⁰³

Indeed, Turkey had already accelerated her attempts to make the privatization of Türk Telekom compatible with the EU and WTO standards as part of her neo-liberal transformation before AKP came to power. In 2000, the parliament adopted Law No. 4502 with the aim of setting up a “regulatory framework for the telecommunications industry.” The effects of Turkey’s adherence to the WTO guidelines regarding the liberalization of basic telecommunications services, and her efforts to become an EU member were undeniable in the adoption of this law.²⁰⁴ Later, in the AKP period, the Electronic Communications Law was adopted in November 2008 which has eliminated many of these inconsistencies among the frameworks of the EU and Turkey.²⁰⁵ Reflecting the PWC agenda, the Electronic Communications Law has put a great emphasis on “authorizations and transparency of the regulatory authority.”²⁰⁶ Therefore, the government portrayed the aforesaid changes in law as ways to keep up with the constantly changing globalized world’s requirements.

²⁰¹ “Bilinmeyen Muhtıra!,” *Milliyet.com.tr*, February 19, 2003, <http://www.milliyet.com.tr/bilinmeyen-muhtira-/siyaset/haberdetayarsiv/20.03.2010/3165/default.htm?ver=26>.

²⁰² “ABden Cari Açık Uyarısı Geldi,” *Milliyet.com.tr*, February 2, 2005, <http://www.milliyet.com.tr/abden-cari-acik-uyarisi-geldi/ekonomi/haberdetayarsiv/20.03.2010/103566/default.htm?ver=91>.

²⁰³ Bedirhanoglu, “Otoriter Devletin AKP’li Yüzü,” 51.

²⁰⁴ Atiyas and Doğan, “Glass Half Empty,” 266.

²⁰⁵ *Ibid.*

²⁰⁶ *Ibid.*, 273.

The AKP government, which was determined to privatize Türk Telekom, strived to attract foreign investors by portraying the company as a highly profiting enterprise, while domestically it was trying to convince the public that TTAŞ was an extra burden on the state just like other SEEs. In this respect, before the block sale of Türk Telekom, preparations for privatization and investments in TTAŞ gained acceleration. For instance, Türk Telekom formed a consortium with Koç Holding to purchase 65 percent shares of the Bulgarian Telecom, which was eventually sold to US private equity fund Advent International. Making investment to a SEE, which will be privatized to improve its efficiency, is a highly ironic issue. As Chang underlines, “if the performances of PEs can be improved under public ownership, there is no efficiency reason to sell them.”²⁰⁷ As a matter of fact, the justification of the government that the reason to invest at the SEEs is to increase the revenue that will be raised from the block sales is totally specious; this is a case supportive of Harvey’s argument of “accumulation by dispossession.” The government redistributes the wealth of the public to the upper classes via making investments in the SEEs to be privatized, an operation which is again financed by the public resources. As a result, the public resources are transferred to the acquirer companies. The transfer of resources via the merger of Aria, the Italian mobile phone operator and Aycell, the mobile phone operator owned by TTAŞ, before the privatization of Türk Telekom was another point at issue. Prime Ministry Supreme Audit Board (YDK) proclaimed that Aycell, which was merged with Aria, was transferred with its assets and resources that worth TRY 2.7 quadrillion. It later came out that in the merger Aycell paid an additional TRY 218 trillion as license share. YDK added that whether Aria complied with the merger conditions was not investigated by Türk Telekom and the only person who was informed was the general director.²⁰⁸ Consequently, this transfer of resources was considered as a privilege for the Prime Minister of Italy, Silvio Berlusconi, who is a close friend of Tayyip Erdoğan.

A Cabinet Decision in November 2003 stipulated the privatization of at least 51 percent of TTAŞ through a block sale and the rest as public offerings. Law No. 5189, which was passed in June 2004, removed the upper limit on foreign ownership.

²⁰⁷ Ibid., 229.

²⁰⁸ Murat Kışlalı, “2.7 Katrilyonluk Jest,” *Cumhuriyet*, January 2, 2006.

The Council of Ministers Decision that was issued in October 2004 stipulated the block sale of 55 percent of the shares of Türk Telekom.²⁰⁹

The tender process, which led to many criticisms, was held in July 2005. Koç and Sabancı Holding, which are the biggest conglomerates in Turkey, were planning to attend the tender through a consortium. This was supported by the public as well because there were many apprehensions about selling a strategic enterprise to a foreign company. However, they relinquished and Koç Holding formed another consortium with Carlyle Group, which is a global private equity investment firm based in Washington, D.C., while Sabancı Holding totally withdrew from the tender. Other companies that attended the tender were: Turktell consortium led by Turkcell (the biggest mobile phone operator in Turkey), Etisalat (the leading operator in the Middle East and Africa, headquartered in the United Arab Emirates), and Oger Telecoms Joint Venture Group (a consortium led by Saudi Oger, which is a company owned by the Lebanese Hariri family and Telecom Italia, the largest Italian telecommunications company that was also the shareholder of Avea) which eventually won the tender. With the signing of the Share Sale Agreement, the Shareholders Agreement, the Share Pledge Agreement and the Concession Agreement on November 14, 2005, 55 percent of Türk Telekom shares was transferred to Oger Telecoms Joint Venture Group and eventually, Türk Telekom was no more a public company.²¹⁰ The privatization envisaged the transfer of 1117 workers to other public enterprises. According to the agreement, 20 percent of the contract price would be paid in advance and the rest would be paid in five installments in five years with LIBOR + 2,5% interest rate. Choosing an interest rate favorable to the IMF instead of a commercial interest rate that would be in line with public interest was later criticized by the MHP.²¹¹ The clauses of the agreement led to debates too. As the veto power of the single golden share granted to the state was limited to the shareholder structure, Saudi Oger was

²⁰⁹ Atiyas and Doğan, “Glass Half Empty,” 265.

²¹⁰ Republic of Turkey Prime Ministry Privatization Administration, “Privatization of Türk Telekom,” http://www.oib.gov.tr/telekom/turk_telekomunikasyon.htm.

²¹¹ “Oger Şartlara Uyarsa Türk Telekom'u Alır,” *Milliyet.com.tr*, July 7, 2005, <http://www.milliyet.com.tr/oger-sartlara-uyarsa-turk-telekom-u-alir/ekonomi/haberdetayarsiv/20.03.2010/122998/default.htm?ver=66>.

given the opportunity to transfer its control of administration to any corporation without notifying the Turkish competent authorities.²¹² What is more, by the time the block sale of Türk Telekom was realized, TTAŞ was the SEE that ranked the first in the corporation tax list with paying TRY 900 trillion 216 billion (old currency) in 2004.²¹³ The gross sales amounted to TRY 9.5 quadrillion with a net profit of TRY 1 quadrillion and 950 trillion.²¹⁴ It is apparent that the Turkish public was dispossessed by this block sale though the privatization of such a highly profitable enterprise was justified by the government through neo-liberal arguments. Abdüllatif Şener, who was then the Minister of State and Vice Prime Minister, asserted that the main aim of the privatization was to relieve the burden on the state, eliminate the barriers for the entry of the private sector and increase employment.²¹⁵

Actually, the whole privatization process was full of controversial decisions. The block sale seemed, at first glance, profitable because the revenue raised, USD 6 billion and 550 million, was higher than what had been anticipated by the international analysts. For instance, the *Wall Street Journal*'s expectation was approximately USD 5 billion.²¹⁶ Moreover, Andrew Vorkink, the Country Director for Turkey at the World Bank, stated that “the bid submitted by the Oger Telecoms Venture Group was very good and means a vote of confidence for the Turkish economy.”²¹⁷ Nonetheless, the grandiloquent picture of privatization that the AKP drew was specious because when

²¹² Miyase İlkur, “Telekom'da Türkiye By-pass Edildi,” *Cumhuriyet*, June 7, 2006.

²¹³ “Vergi Rekortmenleri Kamudan,” *Milliyet.com.tr*, May 21, 2004, <http://www.milliyet.com.tr/vergi-rekortmenleri-kamudan/ekonomi/haberdetayarsiv/20.03.2010/35737/default.htm?ver=47>.

²¹⁴ “Türk Telekom Operatörler Değil Yabancı Finansçılar İlgi Gösteriyor,” *Milliyet.com.tr*, March 13, 2004, <http://www.milliyet.com.tr/turk-telekoma-operatorler-degil-yabanci-finanscilar-ilgi-gosteriyor/ekonomi/haberdetayarsiv/20.03.2010/29154/default.htm?ver=55>.

²¹⁵ “Şener: Özelleştirme Devlet Politikasıdır,” *Milliyet.com.tr*, July 25, 2005, <http://www.milliyet.com.tr/sener--ozellestirme--devlet-politikasidir/ekonomi/haberdetayarsiv/20.03.2010/125227/default.htm?ver=65>.

²¹⁶ “Türk Telekom 9 Milyar Dolar Eder,” *Milliyet.com.tr*, January 16, 2005, <http://www.milliyet.com.tr/turk-telekom---milyar-dolar-eder/ekonomi/haberdetayarsiv/20.03.2010/102258/default.htm?ver=31>.

²¹⁷ “Türk Telekom, 6 Milyar 550 Milyon Dolara Oger'in,” *Milliyet.com.tr*, July 2, 2005, <http://www.milliyet.com.tr/turk-telekom----milyar----milyon-dolara-oger-in/ekonomi/haberdetayarsiv/20.03.2010/122381/default.htm?ver=82>.

the net profit that TTAŞ made in 2004 is calculated, it comes out that solely the annual profit of Türk Telekom was sufficient to cover the installments of the block sale. Besides, it was later revealed that the PA tried to mislead the Council of State (Danıştay, the high appeals court for administrative decisions) by presenting Türk Telekom as an enterprise that would become incapable of carrying out its activities unless it made investments,²¹⁸ to justify the privatization of Türk Telekom after Haber-İş (the union formed by the workers of post, telephone, radio, television and telegraph services) appealed at the Council of State. Nevertheless, in the presentation that had been given to the potential bidders on February 25th 2005, the former General Director of Türk Telekom, Mehmet Ekinalan and his assistant general managers portrayed TTAŞ as just the opposite; an enterprise promising high profit with a great market share despite the liberalization in the market. Contradictory statements regarding the profitability of TTAŞ such as portraying Türk Telekom as a highly profitable SEE to attract foreign investors on the one hand while presenting it domestically as an extra burden on the state just like the other SEEs on the other show that privatization is not simply a technical issue with clear economic incentives.

The privatization process engendered certain clashes inside the state as well despite the general ambition to privatize TTAŞ. Competition Authority (CA) and Telecommunications Authority (TA) were discordant about the issue of cable TV network. The CA insisted that the cable TV network and the fixed line network should be separately sold, which would pave the way for competition in infrastructure, while Binali Yıldırım, the Minister of Transport, agreed with the TA in selling them all together.²¹⁹ Certainly, the ambiguity in the division of responsibilities between TA and CA was part of the problem.

The block sale of Türk Telekom to a foreign venture group led to harsh criticisms due to various reasons. Firstly, selling a strategic enterprise to foreigners was seen as a grave mistake which would cause problems for the security. Many scholars underscored the instances of privatization in the West, reminding that both

²¹⁸ Murat Kışlalı, "Telekom'da Yargı Yanıltıldı," *Cumhuriyet*, February 20, 2006.

²¹⁹ "Türk Telekom Satışı Yargıya Gider...", *Milliyet.com.tr*, October 16, 2004, <http://www.milliyet.com.tr/turk-telekom-satisi-yargiya-gider---/ekonomi/haberdetayarsiv/20.03.2010/91430/default.htm?ver=72>.

Russia and Western European countries like Germany and France have a strict control over their strategically important enterprises.²²⁰ The public offering of 15 percent of the shares of Türk Telekom entailed further condemnations based on two arguments. Firstly, a great percent of the shares was again purchased by foreigners. Secondly, although when Oger Telecom sold the 35 percent of its shares to Saudi Telecom Company the value of Türk Telekom was calculated as USD 20 billion, the value of Türk Telekom was calculated as USD 15.5 billion for the public offering.²²¹ What is more, after Telecom Italia, the minority shareholder of Türk Telekom and the shareholder of Avea, holding 40 percent of the latter's shares, sold all of its shares to Saudi Oger for USD 500 million,²²² Saudi Oger became the majority shareholder of Avea as well, holding 81 percent of the shares. All in all, not only has the telecommunications industry of Turkey come under possession of foreigners but also a state monopoly was transferred into a private monopoly by these deals.

Another aspect of the privatization process that raised questions was its transparency. Kemal Kılıçdaroğlu, the current leader of the CHP who is famous for his fight against corruption, claimed that during the privatization process of the TTAŞ, the Vice Chairman of the Board of Directors of Kuveyt Türk Participation Bank, Abdullah Tivnikli, carried out lobbying activities at the government and the Privatization Administration for the sale of Türk Telekom to Saudi Oger.²²³ Kılıçdaroğlu further asserted that Tivnikli was a representative of an undeclared hidden partner of Türk Telekom. He alleged that via the reduction of corporation taxes right after the privatization of TTAŞ, Oger Telecom gained millions, which was an attempt to attract the capital of the third hidden partner who was claimed to be the real

²²⁰ Nejat Tarakçı, "Stratejik Kuruluşlar Özelleştirilmemeli," *Cumhuriyet Strateji*, August 8, 2007, 14; Güngör Uras, "Fransa'da Devlet Enerji Sektöründe Kontrolü Bırakmıyor," *Milliyet.com.tr*, September 7, 2007, <http://www.milliyet.com.tr/fransa-da-devlet-enerji-sektorunde-kontrolu-birakmiyor/gungor-uras/ekonomi/yazardetayarsiv/20.03.2010/212601/default.htm?ver=87>.

²²¹ Dilek Filizfidanoğlu, "Halka Arzda 'Halk' Yok," *Cumhuriyet Strateji*, June 2, 2008, 23.

²²² "Telecom Italia, Avea'yı Bıraktı Oger Telecom'da Payını Artırıyor," *Milliyet.com.tr*, July 18, 2006, <http://www.hurriyet.com.tr/ekonomi/4770084.asp?gid=52>.

²²³ "Erdoğan'a, 'Telekom'da Şerh Var mı' Sorusu," January 17, 2006, <http://www.milliyet.com.tr/erdogan-a---telekom-da-serh-var-mi--sorusu/ekonomi/haberdetayarsiv/20.03.2010/142542/default.htm?ver=52>.

member of the board of directors. Kılıçdaroğlu also contended that the President Abdullah Gül sent an invitation letter to the Saudi Oger Company for the sale of Türk Telekom and after the privatization, four luxury cars was assigned to Binali Yıldırım, the Minister of Transport, while a highly expensive car was assigned to his wife as well.²²⁴ Needless to say, all these claims were completely denied, but they still evoked great doubts about the transparency and legality of the tender. As a matter of fact, close relations among the AKP government and the Hariri family had already led to criticisms.

Following Oger Telecom's payment of the remaining installments in advance, amounting to USD 4.3 billion, the privatization of TTAŞ was reanalyzed because it was evident that Türk Telekom profited more than expected, which led to an early payment. After all, it should not be so arduous to raise profit with all those price increases. Since its privatization, with the use of various new tariffs, Türk Telekom gained an additional profit of approximately USD 700 million,²²⁵ what is more, the reduction in Special Communication Tax meant a further increase in its profit.²²⁶ Paradoxically, Türk Telekom had raised USD 2 billion profit and had paid USD 1.4 billion tax before the privatization, while after being privatized it paid only USD 600 million tax despite its profit of USD 2.7 billion.²²⁷ What is more, Türk Telekom administration declared its new tariffs before the TA approved the change. As a result, the new owners of Türk Telekom abused the monopoly power of the enterprise owing to the lack of competition in the fixed line services sector. The slow pace of the development of competition in this sector through granting licenses four months after the monopoly rights of Türk Telekom had been terminated²²⁸ reveals the reluctance of the government in developing competition. A critical liberal perspective would argue

²²⁴ Anka, "Kılıçdaroğlu'ndan Türk Telekom'a Üçüncü Ortak İddiası," *Milliyet.com.tr*, November 7, 2008, <http://www.milliyet.com.tr/-font-color-red-gizli-ortak---font--kim-/siyaset/sondakikaarsiv/20.03.2010/1013150/default.htm?ver=66>.

²²⁵ Metin Münir, "Lübnan'dan Türkiye'ye Türkiye'den Bulgaristan'a," *Milliyet.com.tr*, April 24, 2007, <http://www.milliyet.com.tr/lubnan-dan-turkiye-ye-turkiye-den-bulgaristan-a/metin-munir/ekonomi/yazardetayarsiv/20.03.2010/197235/default.htm?ver=75>.

²²⁶ Murat Kışlalı, "Telefonda 'Hariri' Jesti," *Cumhuriyet*, November 13, 2006.

²²⁷ "Kâri İkiye Katladı Vergiyi Yarıya İndirdi," *Cumhuriyet*, September 9, 2007.

²²⁸ Atiyas and Doğan, "Glass Half Empty," 269.

that this abuse of monopoly power is a consequence of the lack of institutional framework that could have impeded these detrimental effects on the public. However, the privatization of a SEE such as Turk Telekom can better be interpreted as a transfer of the public wealth to upper classes through state redistribution, as Harvey suggests. While the state monopoly is transformed into a private monopoly, the acquirer company would evidently get the opportunity to abuse its monopoly position through increasing prices. But beyond this, the long term revenues of the state, which would be used for social purposes, decreases with the number people employed in the privatized company leading to further social costs for the state, and the state would start financing these additional social costs by taxing the people in return. This would ultimately mean more profits for the company that now owns the former SEE, and more costs for the people, who are now indirectly dispossessed through the mediation of the state.

Besides, Oger Telecom placed 19.8 percent of the shares of Türk Telekom as collateral that it acquired via the payment of first installments to a foreign bank to receive loan. To make matters worse, it used the loan for the other activities of the company, not as an investment for Türk Telekom.²²⁹ Therefore, the new owners were utilizing the resources that had been transferred from the Turkish public by the government via privatization to make profit. As a matter of fact, Paul Doany, the General Director of Türk Telekom, had already clarified right after the block sale that they were not planning any extra investments thereby they would pay the installments solely by the revenues of Türk Telekom, which did not have any debt. All these figures gave rise to reexaminations of the consequences of the privatization. The common criticism is that TTAŞ was privatized before the necessary measures were taken in an attempt to impede monopolization.²³⁰ Ironically, even the WB, which is the fortress of privatization, stated that it was a mistake to sell 55 percent of Türk Telekom's shares to a foreign company without creating market conditions and before

²²⁹ Işık Kansu, "Komşuda Pişen," *Cumhuriyet*, January 20, 2007.

²³⁰ Metin Münir, "Oger Telecom Korunuyor Mu?," *Milliyet.com.tr*, April 28, 2007, <http://www.milliyet.com.tr/oger-telecom-korunuyor-mu-/metin-munir/ekonomi/yazardetayarsiv/20.03.2010/197665/default.htm?ver=51>.

the institution charged with the regulation of market competition, namely the Telecommunications Authority, attained power.²³¹

As a matter of fact, legislations to ensure market competition had already been made before Türk Telekom was privatized. The Law No. 4502, which was an amending law that it brought changes to Law No. 406 and the Wireless Law, envisaged termination of the monopoly rights of TTAŞ by December 31st, 2003. This law also established the Telecommunications Authority (TA) “as an independent administrative agency with power to design and implement secondary legislation.”²³² However, the TA has been criticized for becoming a department of the Ministry of Transport instead of being autonomous, which impedes the liberalization of the telecommunications industry.²³³ Such criticisms were proved to be true in the privatization process of Türk Telekom, and have damaged the neutral image of the technocratic decision-making that the government has been eager to construct in order to legitimate privatizations.

The privatization of the SEEs has always had grave consequences for the workers, and the privatization of TTAŞ is no exception. Right after the privatization of Türk Telekom, the new owners of the enterprise offered a 35 percent raise in salaries plus job security of six years to those who renounce their right of transmission to the public sector.²³⁴ It was not surprising that many employees still preferred the public sector as it means job security, thus the best guarantee for their survival. During the collective bargaining in 2007, Türk Telekom offered a 10 percent raise in salaries for the first year and for the second year of the collective labor agreement; for the first and second six months a 4 percent raise plus inflation difference was offered. However, Türk Telekom demanded decreasing the 120 days premium to 50 days, which practically meant that instead of a salary raise, they were planning a 16 percent salary

²³¹ Kansu, “Komşuda Pişen.”

²³² Atiyas and Doğan, “Glass Half Empty,” 266.

²³³ Münir, “Oger Telecom Korunuyor Mu.”

²³⁴ “Türk Telekom Çalışanına 6 Yıl İş Güvencesi,” *Milliyet.com.tr*, January 9, 2006, <http://www.milliyet.com.tr/turk-telekom-calisanina----yil-is-guvencesi/ekonomi/haberdetayarsiv/20.03.2010/141610/default.htm?ver=51>.

cut.²³⁵ The disagreement led to a strike of over 25 thousand Türk Telekom employees, who were union members. The disadvantage of the employees of Türk Telekom was that despite the so called liberalization efforts, Türk Telekom still had the monopoly power. Therefore, despite all the malfunctioning of the fixed line services due to the strike, as the customers had no alternative, they had to wait until the problem was solved. This gave Türk Telekom administration an extra time for renegotiation. As a result, the monopoly power acted as a disciplining power on the workers. Besides, the president of Haber-İş claimed that by paying higher salaries to the workers who were not members of the union, the Türk Telekom administration encouraged deunionization.²³⁶ Another claim was that TRY 122.5 million of Sağlık Yardım Sandığı (Provident Fund of Health), which was generated by the salary cuts of the Türk Telekom employees, was transferred to the new administration. The former chief inspector and the Head of the Marketing Department of Türk Telekom, Fazlı Köksal, underscored that the fund had to be transferred to the Treasury, thus these public resources were illegally transferred to Oger Telecom.²³⁷ What is observed in this case is a typical transfer of public wealth to capital by the mediation of the state.

3.4) The Privatization of TÜPRAŞ

TÜPRAŞ, the largest industrial enterprise of Turkey, was established as a SEE on November 16th, 1983. It is operating four oil refineries and has 28.1 million tons annual crude oil processing capacity. The roots of TÜPRAŞ dates back to İPRAŞ, which was founded by the U.S. Caltex Company and TPAO.²³⁸ In 1983, İPRAŞ's all

²³⁵ "Telekom'da Kriz Masası," *Milliyet.com.tr*, October 17, 2007, <http://www.milliyet.com.tr/telekom-da--kriz-masasi-/ekonomi/haberdetayarsiv/20.03.2010/218286/default.htm?ver=24>; "Akcan: İşçi Değil Yönetim Sabote Etmiş Olabilir," *Cumhuriyet*, October 18, 2007.

²³⁶ "Akcan: İşçi Değil Yönetim Sabote Etmiş Olabilir," *Cumhuriyet*, October 18, 2007.

²³⁷ Murat Kışlalı, "Çalışanın Parası Oger'e," *Cumhuriyet*, June 30, 2008.

²³⁸ Turkish Petroleum Refineries Corporation, "About Tüpraş," <http://www.tupras.com.tr/detailpage.en.php?IDirectoryID=103>.

assets, liabilities and rights were transferred to TÜPRAŞ, thereby its legal presence was ended though with the Statutory Decree no. 233, dated 08.06.1984, TÜPRAŞ was affiliated to TPAO again. By this way, it became a national refinery company incorporating four public refineries situated in Batman, İzmit, İzmir and Kırıkkale.²³⁹ Firstly in 1989, 49 percent of its capital, all of which used to belong to TPAO, was handed over to the Toplu Konut ve Kamu Ortaklığı İdaresi Başkanlığı (today's PA) and then on July 10th 1990, TÜPRAŞ was totally handed over to the PA.²⁴⁰ In 1991, 2.5 percent of TÜPRAŞ's equity was sold via public offering, where a revenue of USD 6 million was raised. This was followed by a second public offering in 2000 whereby the ratio of Class A shares traded on the ISE and London Stock Exchanges to total equity reached to 34.24 percent. The revenue raised in the second public offering was USD 1.105 billion.²⁴¹

Prior to the block sale of TÜPRAŞ, investments gained acceleration. On September 3rd 2001, TÜPRAŞ and PETKİM signed a protocol to transfer the assets, land, underground and overland contrivance, machinery, equipment, vehicle and fixed assets of PETKİM Yarımca facilities to TÜPRAŞ for USD 60 million and the transfer was realized on November 1st, 2001. Following this transfer, on October 22nd 2002, 50.98 percent of DİTAŞ's shares, which used to belong to the public, were sold to TÜPRAŞ for USD 16.5 million. Consequently, the percentage of the shares of DİTAŞ owned by TÜPRAŞ rose from 29 to 79.98 percent.²⁴²

The government's justification for privatizing the SEEs has always been the necessity of investment and TÜPRAŞ's privatization was no exception. Nevertheless, the irony of increasing investments prior to the privatization has also been a standard process as well. TÜPRAŞ had an ongoing investment program (Master Yatırım Planı) of USD 2.1 billion, covering 1999-2006 period, to modernize the existing plants and

²³⁹ Petrol-İş Araştırma Servisi, "Türkiye'de Rafinaj Sektörünün Tarihi ve Tüpraş: İlk Modern Tesis Batman'da Kuruldu," *Cumhuriyet Strateji*, May 16, 2005, 31.

²⁴⁰ Turkish Petroleum Refineries Corporation, "About Tüpraş."

²⁴¹ Atiyas, "Recent Privatization Experience of Turkey," table 6.1.

²⁴² Petrol-İş Araştırma Servisi, "Türkiye'de Rafinaj Sektörünün Tarihi," 31.

to increase its competitive capacity via meeting the EU Environmental Legislation.²⁴³ Yeldan states that USD 1.3 billion of this program was already completed in 2005 and “with the planned installation of a new refinery with 10 million tons/year, it is expected that the enterprise will create employment of 1,000 new workers.”²⁴⁴ What is observed in this case is an archetypal “accumulation by dispossession.” Furthermore, Yeldan indicates that employment at TÜPRAŞ was on a falling trend prior to its privatization. In his own words, “[s]ince 2001 total employment declined by 8.7%, despite the fact that the last two years were a period of boom for the Turkish economy”²⁴⁵ and “this scaling down goes hand in hand with under-payments of the wage-labor given the world standards.”²⁴⁶

Right after signing the eighteenth stand-by agreement of Turkey with the IMF, which put a great emphasis on the privatization of this profiting enterprise, the government had to accelerate the privatization process of TÜPRAŞ because after all it had to be cogent regarding its commitment to the IMF’s advice and to the strings attached to the stand-by agreement. This commitment provided the justification of the privatization of TÜPRAŞ that the AKP needed. *Ergo*, the PA issued the tender advertisement on June 7th, 2003. Needless to say, the privatization of the largest and strategically important industrial enterprise of Turkey through block sale method encountered many criticisms and reactions. Even before the tender of TÜPRAŞ was held, there were many apprehensions regarding the block sale on the grounds that the majority of the potential bidders were Russian petroleum companies. Selling a strategic enterprise to a foreign company was seen as undesirable for the public interest. It goes without saying that this argument was largely supported by the national companies planning to attend the tender.²⁴⁷ For instance, Fikret Öztürk, the

²⁴³ Petrol-İş Araştırma Servisi, “Tüpraş’ın Rafineri Faaliyetleri,” *Cumhuriyet Strateji*, May 16, 2005, 30.

²⁴⁴ Yeldan, “Assessing the Privatization Experience.”

²⁴⁵ *Ibid.*

²⁴⁶ *Ibid.*

²⁴⁷ “Tüpraş'a Rus Firmalar Girerse, Biz de Gireriz,” *Milliyet.com.tr*, May 1, 2003, <http://www.milliyet.com.tr/tupras-a-rus-firmalar-girerse--biz-de-gireriz/ekonomi/haberdetayarsiv/18.03.2010/9573/default.htm?ver=39>.

Chairman of the Board Directors of Opet Petrolcülük A.Ş., which is a domestic fuels supplier, 50 percent of whose shares is owned by Koç Holding, stated that they were planning to attend the tender with Koç Group for the sake of impeding the Russian petroleum companies. He explained his concerns regarding the Russian petroleum companies by stating that Lukoil (Russia's second, world's twelfth largest petroleum company) became a monopoly in Bulgaria.²⁴⁸ When the reactions of the domestic capital concerning the privatizations of the SEEs are examined, different nationalistic discourses developed to oppose the results of privatizations become apparent. None of the capitalist groups have been against privatization *per se*, however, they have made use of nationalist sentiments of the public when the sale of a SEE was against their interests. TÜPRAŞ's privatization is an illuminating instance in this context.

On the other hand, Kemal Unakıtan planned a road show starting from the UK that would continue in Germany, for the marketing of the SEEs that were on the privatization agenda. He initiated his first "active marketing" in Russia, where he met the petroleum giants of Russia, who were the potential buyers of the TÜPRAŞ shares.²⁴⁹ It is apparent that the AKP has favored foreign capital in selling the SEEs vis-a-vis such domestic capital groups such as Doğan Holding and Uzan Group which also own powerful media groups with an opposition potential to the AKP government. In this context, active marketing to foreign investors have become an important strategy to be followed by the AKP. However, it is important to keep in mind that the AKP did not come to power despite TÜSİAD,²⁵⁰ therefore portraying these two parties as adversaries is an exaggeration.

Despite the number of potential bidders, only the Anadolu Ortak Girişim Grubu, a consortium led by Çukurova Group, which is one of the largest conglomerates in Turkey, and Efremov-Kautschuk GmbH, a German-Russian polymer producer, attended the tender. The latter was established in 1992 in the Russian

²⁴⁸ Ibid.

²⁴⁹ "Aktif Pazarlama'ya Rusya'dan Başladı," *Milliyet.com.tr*, April 27, 2003, <http://www.milliyet.com.tr/-aktif-pazarlama-ya-rusya-dan-basladi/ekonomi/haberdetayarsiv/18.03.2010/9236/default.htm?ver=72>.

²⁵⁰ Mustafa Sönmez, "2000'ler Türkiye'sinde AKP, Hâkim Sınıflar ve İç Çelişkiler," in *AKP Kitabı: Bir Dönüşümün Bilançosu*, ed. İlhan Uzgel and Bülent Duru (Ankara: Phoenix Yayınevi, 2009), 181.

Federation as an affiliate of the Russian vertically-integrated oil and gas company Tatneft with headquarters in the city of Almeteyevsk in the Republic of Tatarstan. However, only one day before the tender, Efremov formed a consortium with Zorlu Holding, one of the biggest corporate groups in Turkey that is active principally in the textiles, consumer durables and electronics manufacturing, energy, and financial services. The formation of a consortium just a day before the tender was perplexing and it led to questions regarding the legality of the tender. To ‘disabuse’ the critics of this notion, after the tender was realized, a representative of the company stated that the government had told great things about Zorlu Holding, hence they did not see the lack of experience of Zorlu Holding in the petroleum industry as a problem.²⁵¹ Nonetheless, the reason why Tatneft pursued a partnership with Zorlu Holding was apparent: they needed a national company to use as a pawn. Consequently, Zorlu-Efremov consortium submitted the highest bid, amounting to USD 1.302 billion for 65.76 percent of TÜPRAŞ’s shares, and won the tender.²⁵² Nevertheless, there were so many controversies regarding the tender process and the Efremov group that ultimately the block sale had to be canceled. First of all, the formation of the Zorlu-Efremov consortium at the last minute evoked questions. In addition to this, it was claimed that Kemal Unakıtan together with the General Director and the Chairman of Board of Directors of TÜPRAŞ and Metin Kilci, who was then the President of the PA, made a private trip to Tatarstan to meet the administrators of Tatneft, while the tender process was ongoing.²⁵³ This trip contributed to the questions regarding the transparency of the tender. The CHP tabled a motion regarding the block sale, questioning the compulsory conditions that led to the privatization of TÜPRAŞ that had made a profit of TRY 660 trillion in 2003 and already made an investment amounting to USD 2 billion. The motion also asked whether USD 1.3 billion was

²⁵¹ “Zorlu İçin Hükümet İyi Şeyler Söyledi,” *Milliyet.com.tr*, January 31, 2004, <http://www.milliyet.com.tr/zorlu-icin-hukumet-iyi-seyler-soyledi/ekonomi/haberdetayarsiv/18.03.2010/25360/default.htm?ver=48>.

²⁵² “Tüpraşa 1.3 Milyar Dolar,” *Milliyet.com.tr*, January 14, 2004, <http://www.milliyet.com.tr/tuprasa-----milyar-dolar/ekonomi/haberdetayarsiv/18.03.2010/23705/default.htm?ver=31>.

²⁵³ “İhalede Soru İşaretleri,” *Milliyet.com.tr*, January 15, 2004, <http://www.milliyet.com.tr/ihalede-soru-isaretleri/ekonomi/haberdetayarsiv/18.03.2010/23804/default.htm?ver=05>.

sufficient to sell TÜPRAŞ, which had an insurance value of USD 4.4 billion.²⁵⁴ Despite State Minister Ali Babacan's purely neo-liberal argumentation that USD 1.3 billion was the price correctly formed in market conditions, the criticisms about selling TÜPRAŞ below its market value continued.²⁵⁵ What is more, according to the credit rating agency Fitch, the credit rating of Tatneft was below TÜPRAŞ's rating; Tatneft's rating was B while TÜPRAŞ's rating was BB+.²⁵⁶ Moreover, Fitch added that the credit rating of TÜPRAŞ could be negatively affected if the PHC approved the block sale to Tatneft. Additionally, there were doubts about the financial position of Tatneft as it was claimed that Tatneft had USD 1.3 billion debt.²⁵⁷ Besides, it was claimed that although 51 percent of the Efremov-Kautschuk's shares was purchased by Tatneft in 2000, the remaining shares of the company was owned by Renix Finance Corporation, which is a rather less known financial corporation operating with a P.O.B address in the Virgin Islands that is a place famous with its generous tax heavens.²⁵⁸ Moreover, the fact that the petroleum companies operating in Russia were involved in high amounts of illicit money flows caused great apprehensions.²⁵⁹ Apart from these concerns, the payment plan of the contract price evoked further questions. Tatneft's representative in Turkey, Ramil Mavlyutov, stated that they were planning to pay USD 750 million by their own resources and pay the remaining USD 550 million by the loans obtained from international banks. However, critics asserted that Tatneft was

²⁵⁴ "Unakıtana Tataristan Sorusu," *Milliyet.com.tr*, January 16, 2004, <http://www.milliyet.com.tr/unakitana-tataristan-sorusu/ekonomi/haberdetayarsiv/18.03.2010/23902/default.htm?ver=01>.

²⁵⁵ "Tüpraş İhalesinde Düzgün Fiyat Oluşturdu," *Milliyet.com.tr*, January 25, 2004, <http://www.milliyet.com.tr/tupras-ihalesinde-duzgun-fiyat-olustu/ekonomi/ haberdetayarsiv/18.03.2010/24805/default.htm?ver=11>.

²⁵⁶ "Rus Talibin Notu Tüpraşın Altında," *Milliyet.com.tr*, January 17, 2004, <http://www.milliyet.com.tr/rus-talibin-notu-tuprasin-altinda/ekonomi/haberdetayarsiv/18.03.2010/24021/default.htm?ver=45>.

²⁵⁷ "Notçular Tüpraşı da, Tatnefti de İzlemeye Aldı," *Milliyet.com.tr*, January 17, 2004, <http://www.milliyet.com.tr/notcular-tuprasi-da--tatnefti-de-izlemeye-aldi/ekonomi/ haberdetayarsiv/18.03.2010/24019/default.htm?ver=40>.

²⁵⁸ Yeldan, "Assessing the Privatization Experience."

²⁵⁹ Güngör Uras, "Damat Adaylarının Adını Bile Bilmiyoruz," *Milliyet.com.tr*, January 16, 2004, <http://www.milliyet.com.tr/damat-adaylarinin-adini-bile-bilmiyoruz/gungor-uras/ekonomi/yazardetayarsiv/18.03.2010/23981/default.htm?ver=15>.

trying to purchase the shares by TÜPRAŞ's own money via placing the shares of TÜPRAŞ, which were not owned by Tatneft yet, as collateral to get loan.²⁶⁰ That would be an accumulation by dispossession in the strict sense. All these statements affected the ISE negatively;²⁶¹ nevertheless, the Prime Minister Erdoğan was still sure that the block sale would be concluded.²⁶² Following this statement, the CA approved the transfer of 65.76 percent of TÜPRAŞ shares to Zorlu-Efremov partnership; however, it also decided to track the investments for capacity increase.²⁶³ Nevertheless, Petrol-İş (Petroleum Workers' Union) filed a motion for stay of execution of the tender process and consequently, Ankara 10th Administrative Court issued a stay of execution on the grounds that the implementations during the tender process did not pursue competition and the decision of the sale disregarded public good.²⁶⁴ This was followed by the objection of the PA; however, the Council of State rejected it, thus the sale of TÜPRAŞ was canceled on November 26th, 2004.²⁶⁵

It goes without saying that all these cancelations could not stop the AKP, which was intractable regarding the privatization of TÜPRAŞ. The pressure of the IMF had a significant role indeed. The statement of the IMF's Turkey Representative, Hugh Bredenkamp that privatizations were vital for the program's success, hence the privatizations of ERDEMİR, TÜPRAŞ and Türk Telekom had to be realized to be able to conclude that the program achieved success was a good manifestation of the IMF

²⁶⁰ Melih Aşık, "Gizli Sigorta!...", *Milliyet.com.tr*, February 11, 2004, <http://www.milliyet.com.tr/gizli-sigorta---/melih-asik/guncel/yazardetayarsiv/18.03.2010/26331/default.htm?ver=83>.

²⁶¹ "Borsada Tüpraş Korkusu," *Milliyet.com.tr*, January 17, 2004, <http://www.milliyet.com.tr/borsada-tupras-korkusu/ekonomi/haberdetayarsiv/18.03.2010/24023/default.htm?ver=57>.

²⁶² "Tüpraş İşi Bitti Gibi...", *Milliyet.com.tr*, January 19, 2004, <http://www.milliyet.com.tr/tupras-isi-bitti-gibi---/ekonomi/haberdetayarsiv/18.03.2010/24223/default.htm?ver=88>.

²⁶³ "Tüpraşa İzlemeli Onay," *Milliyet.com.tr*, January 30, 2004, <http://www.milliyet.com.tr/tupras-izlemeli-onay/ekonomi/haberdetayarsiv/18.03.2010/25231/default.htm?ver=11>.

²⁶⁴ "Tüpraşın İhalesinde Satış Aylarca Gecikebilir," *Milliyet.com.tr*, May 25, 2004, <http://www.milliyet.com.tr/tuprasin-ihalesinde-satis-aylarca-gecikebilir/ekonomi/haberdetayarsiv/18.03.2010/36130/default.htm?ver=02>.

²⁶⁵ "TÜPRAŞ'ın Satışı İptal," *Milliyet.com.tr*, November 27, 2004, <http://www.milliyet.com.tr/tuprasin-satisi-iptal/ekonomi/haberdetayarsiv/18.03.2010/96321/default.htm?ver=48>.

pressure.²⁶⁶ Accordingly, the PA decided to sell 14.76 percent of TÜPRAŞ shares that it possessed to foreign institutional investors for USD 444.7 million.²⁶⁷ It was announced that Global Securities (USA) purchased 4.8 percent of TÜPRAŞ shares for TRY 185.1 trillion, while Viclov Holdings was the second biggest buyer purchasing 4.75 percent of the shares.²⁶⁸ However, nearly after a year, the report of the Supreme Audit Board, which audits the public institutions on behalf of the Turkish Grand National Assembly (TBMM), revealed that based on a PHC decision that was not announced to the public, the PA sold 14.76 percent of TÜPRAŞ shares to Ofer Group, owned by the Israeli Ofer family, by the mediation of Global Securities, for an amount that was eight percent below the market value of TÜPRAŞ without calling for tender.²⁶⁹ It was claimed the reason behind selling 14.76 percent of TÜPRAŞ's shares despite the previous statements of both the PA and the Ministry of Finance that TÜPRAŞ would only be sold via block sale, was a private agreement with the Ofer Group.²⁷⁰ Nevertheless, Ahmet Necdet Sezer, who was then the President of Turkey, had warned the government by the mediation of Devlet Denetleme Kurulu about the privatizations realized without call for tender.²⁷¹ Consequently, Petrol-İş brought a suit for annulment against the sale of TÜPRAŞ shares to the Ofer Group that was realized on March 4th, 2005. In conclusion, Ankara 12th Administrative Court granted an

²⁶⁶ "Asgari Ücreti Tartışalım," *Milliyet.com.tr*, May 14, 2005, <http://www.milliyet.com.tr/-asgari-ucreti-tartisalim-ekonomi/haberdetayarsiv/18.03.2010/115774/default.htm?ver=52>.

²⁶⁷ "Tüpraşın Yüzde 14.76sı Yabancılara Satılıyor...", *Milliyet.com.tr*, March 2, 2005, <http://www.milliyet.com.tr/tuprasin-yuzde-----si-yabancilara-satiliyor---ekonomi/haberdetayarsiv/18.03.2010/106933/default.htm?ver=10>.

²⁶⁸ "Global, Tüpraşın Yüzde 5ini Aldı," *Milliyet.com.tr*, March 5, 2005, <http://www.milliyet.com.tr/global--tuprasin-yuzde--ini-aldi/ekonomi/haberdetayarsiv/18.03.2010/107356/default.htm?ver=39>.

²⁶⁹ "Yüksek Denetleme Kurulu: Özelleştirmeler Açık ve Şeffaf Değil," *Cumhuriyet*, January 2, 2006.

²⁷⁰ Metin Münir, "Tüpraş: Dağların Ardında Görünmeyen Dağlar," *Milliyet.com.tr*, June 5, 2006, <http://www.milliyet.com.tr/tupras--daglarin--ardinda--gorunmeyen-daglar/metin-munir/ekonomi/yazardetayarsiv/18.03.2010/159535/default.htm?ver=51>.

²⁷¹ "Sezer'den İhale Uyarısı," *Milliyet.com.tr*, October 27, 2005, <http://www.milliyet.com.tr/sezer-den-ihale-uyarisi/ekonomi/haberdetayarsiv/18.03.2010/132594/default.htm?ver=90>.

annulment of the sale.²⁷² The PA requested a stay of execution of the annulment; however, the Council of State declined this request. When the 13th Chamber of the Council of State ratified the verdict of Ankara 12th Administrative Court, the cancelation of the sale became final.²⁷³ In addition to this, Petrol-İş filed a lawsuit against Metin Kilci, the Deputy President of the PA, Osman Demirci and Mehmet Şükrü Doğan, who was then the Head of Department of Capital Markets, with a request for imprisonment on the grounds that they acted irresponsibly on their duty.²⁷⁴ Metin Kilci affirmed that he had a clean conscience about the sale of shares to Ofer and he added that in privatization, selling the public enterprises to foreigners is better because when they are sold to national capital, there will not be much value added effect as the privatization turns into a kind of substitute of the national investment.²⁷⁵ Certainly, these corruption claims damage the neutrality image of the technocratic decision-making that the state tries to construct to boost its credibility.

The PA announced a call for tender to realize the second block sale, which attracted the attention of many foreign companies²⁷⁶ and once again they preferred to attend the tender with a strong Turkish partner. The companies that attended the tender were: TÜPRAŞ Acquisition Cons. (a consortium formed by Ofer Group, Carlyle Group, Royal Caribbean Cruise Line and Zim Line, which is the monopoly of marine transportation in Israel)-Petrol Ofisi Consortium, PKN Orlen-Zorlu Holding Consortium (a consortium led by Zorlu Holding and Polski Koncern Naftowy Orlen,

²⁷² Yargı 'Dur' Dedi: TÜPRAŞ Hisselerinin Sami Ofer'e Satışına İptal," *Cumhuriyet*, May 24, 2006.

²⁷³ "Ofer'e Tüpraş Hissesi Satışında İptale Onay," *Milliyet.com.tr*, January 13, 2007, <http://www.milliyet.com.tr/ofere-tupras-hissesi-satisinda-iptale-onay/ekonomi/haberdetayarsiv/18.03.2010/185086/default.htm?ver=74>.

²⁷⁴ "Tüpraş'ın Ofer'e Satışında ÖİB Başkanı Kilci'nin Hapsi İstendi," *Milliyet.com.tr*, May 2, 2007, <http://www.milliyet.com.tr/tupras-in-ofere-e--satisinda-oib-baskani-kilci-nin-hapsi-istendi/ekonomi/haberdetayarsiv/18.03.2010/198082/default.htm?ver=21>.

²⁷⁵ "Ofer'e Satışta Vicdanım Rahat, Yerliye Satışın Katma Değeri Yok," *Milliyet.com.tr*, January 24, 2006, <http://www.milliyet.com.tr/-ofere-satista-vicdanim-rahat--yerliye-satisin-katma-degeri-yok-/ekonomi/haberdetayarsiv/18.03.2010/143432/default.htm?ver=95>.

²⁷⁶ "Devler Tüpraş'ın Peşinde," *Milliyet.com.tr*, June 8, 2005, <http://www.milliyet.com.tr/devler-tupras-in-pesinde/ekonomi/haberdetayarsiv/18.03.2010/119150/default.htm?ver=28>.

which is a major European oil refiner and petrol retailer that is Poland's and Central Europe's largest publicly traded company), Koç-Shell Joint Venture Group, (a consortium led by Koç Holding and the Shell Group, which is a multinational petroleum company of Dutch and British origins that was listed as the world's largest corporation for 2009 by Fortune magazine,²⁷⁷ Indian Oil Corp.-Çalık Enerji Consortium (a consortium formed by Indian Oil Corporation, which is an Indian public-sector petroleum company that is India's largest commercial enterprise, ranking 105th on the Fortune Global 500 list in 2009 and Çalık Enerji, which is a Turkish energy company owned by Çalık Holding that was established in 1998), Anadolu Uluslararası Taşıma-Çukurova Holding Consortium (a consortium led by Çukurova Holding, which is one of the biggest conglomerates in Turkey), MOL Group, which is an integrated oil and gas group in Hungary, OMV Aktiengesellschaft, OYAK, ENI Refining and Market Division, which is the first operator in the refining business in Italy.²⁷⁸ It is apparent that the foreign investors preferred to attend the tender with a strong domestic partner to repulse the claims that foreigners were trying to seize the largest industrial enterprise of Turkey, which has had a substantial strategic importance. This strategy was supported by the national capital too; the Chairman of the Board of Directors of EĞİAD (Aegean Young Businessmen Association) suggested that via such partnerships, both the national structure of the enterprise would be preserved and the technology transfer would be provided.²⁷⁹ Apparently, the aim of the domestic capital behind supporting such partnerships has been to make profit via becoming the subcontractor of the global capital. It was also ironic that Indian Oil Corp., MOL Group, ENI and PKN Orlen, which attended the tender of TÜPRAŞ are all SEEs themselves.

The tender was held on September 12th, 2005 and eventually, the Koç-Shell Joint Venture Group won the tender with their offer of USD 4.14 billion for 51 percent

²⁷⁷ Fortune, "'Global 500 (2009): #1 Royal Dutch Shell," CNNMoney.com, <http://money.cnn.com/magazines/fortune/global500/2009/snapshots/6388.html>.

²⁷⁸ "Tüpraş ihalesi için dokuz teklif geldi," *Radikal*, September 3, 2005, <http://www.radikal.com.tr/haber.php?haberno=163193>.

²⁷⁹ "Özelleştirmeye EĞİAD Formülü," *Milliyet.com.tr*, August 1, 2005, <http://www.milliyet.com.tr/ozellestirmeye-egiad-formulu/ege/haberdetayarsiv/18.03.2010/126091/default.htm?ver=95>.

of TÜPRAŞ shares. The amount of the offer substantiated that the deals finalized in the previous attempts (the canceled tender and the canceled sale to Ofer Group) were extremely low for the shares of TÜPRAŞ. In this sense, these cancelations were *ipso facto* justified.

Right after this, the General Manager of Shell Türkiye affirmed that instead of raising their shares in Enerji Yatırımları A.Ş., the joint stock company that was established to take delivery of the transferred TÜPRAŞ shares, they were indeed planning to decrease their shares to 2 percent.²⁸⁰ This statement alleviated part of the apprehensions regarding the sale of a strategic company to a consortium with a foreign partner. As a result, “the company’s shares were divided among the shareholders as follows: Koç Holding A.Ş.; 75 percent, Aygaz A.Ş.; 20 percent, Opet Petrolcülük A.Ş.; 3 percent, Shell Overseas Investment B.V.; 1.9 percent and the Shell Company of Turkey Ltd.; 0.1 percent.”²⁸¹ After winning the tender, Rahmi Koç, the Honorary Chairman of Koç Holding, emphasized however that he did not consider issues other than the state defense as strategic. This emphasis seemed ironic because prior to the first tender, the Chairman of the Board Directors of Opet had stated that they were planning to attend the tender with Koç Group for the sake of impeding the Russian petroleum companies to acquire public assets. Nonetheless, as stated previously, the domestic capital groups make use of nationalist discourses concerning the privatization of the SEEs only if the sale of the enterprise to foreign capital is against their own interests. It was later revealed that Koç Holding desperately needed foreign capital to finance the purchase of TÜPRAŞ’s shares. Therefore, this might be regarded as the reason behind giving foreign capital the green light.

As a result, Enerji Yatırımları A.Ş. received USD 4.3 billion loan from international and Turkish banks to finance the purchase of 51 percent of TÜPRAŞ’s shares and paid the whole contract price in advance.²⁸² Consequently, on January 26th

²⁸⁰ “Shell: Tüpraş'ta Payımız Artmayacak, Hatta Düşebilir,” *Milliyet.com.tr*, October 22, 2005, <http://www.milliyet.com.tr/shell--tupras-ta-payimiz-artmayacak--hatta-dusebilir/ekonomi/haberdetayarsiv/18.03.2010/131960/default.htm?ver=55>.

²⁸¹ Turkish Petroleum Refineries Corporation, “About Tüpraş.”

²⁸² “Koç Grubu, Tüpraş'ın Parasını Tamamladı,” *Milliyet.com.tr*, January 24, 2006, <http://www.milliyet.com.tr/koc-grubu--tupras-in-parasini-tamamladi/ekonomi/haberdetayarsiv/18.03.2010/143431/default.htm?ver=00>.

2006, the share Purchase Agreement was signed, which approved the actual transfer of the shares.²⁸³ However, the Council of State issued a stay of execution of the sale as a consequence of the three motions for stay of execution filed by Petrol-İş, which were based on the claim that although the privatization of TÜPRAŞ was based on the necessity of investment, this provision was not included in the agreement. Petrol-İş underscored the procedure that was implemented in ERDEMİR's privatization, where the PHC took measures such as guaranteeing 95 percent of the employment, the continuation of the existing investments, and the closure of the integrated facilities by overseeing the protection of minority rights. These measures were not taken in TÜPRAŞ's privatization. Petrol-İş added that the PA submitted two different defenses contradicting with each other in the same issue, just like it did in the Türk Telekom case. In one of them, the PA had stated that TÜPRAŞ required technology transfer and investment without utilizing the limited public resources. Therefore, the core investor, which was experienced and had a strong financial structure, had to provide these and help in developing competition. On the other hand, the second defense had stated that TÜPRAŞ did not require any investment; hence a special arrangement regarding investment issue in the tender agreement was not necessary. This inconsistency could cause TÜPRAŞ to take over the debts of the new company if a merger was realized, just like what had happened in Petrol Ofisi case.²⁸⁴ KİGEM also supported the appeal of Petrol-İş.²⁸⁵ Koç-Shell Joint Venture responded by announcing that they were planning to make an investment for a new refinery.²⁸⁶

As mentioned previously, Shell's decrease of its share in TÜPRAŞ soothed the concerns about selling a strategic enterprise to a foreign company. Nonetheless,

²⁸³ "Tüpraş'ta Devir Tamam, 4.1 Milyar Dolar Kasada," *Milliyet.com.tr*, January 27, 2006, <http://www.milliyet.com.tr/tupras-ta-devir-tamam-----milyar-dolar-kasada/ekonomi/haberdetayarsiv/18.03.2010/143830/default.htm?ver=53>.

²⁸⁴ "İşte Tüpraş'ta Satışı Durduran Dilekçe...", *Milliyet.com.tr*, February 4, 2006, <http://www.milliyet.com.tr/iste-tupras-ta-satisi-durduran-dilekce---/ekonomi/haberdetayarsiv/18.03.2010/144876/default.htm?ver=81>.

²⁸⁵ KİGEM, "Danıştay'ın Tüpraş Kararı Mutlaka Uygulanmalıdır," <http://www.kigem.org.tr/index.php?op=sayfayap&sid=67>.

²⁸⁶ "Tüpraş'ta yeni yönetim yatırıma devam kararı aldı," *Milliyet.com.tr*, February 7, 2006, <http://www.milliyet.com.tr/tupras-ta-yeni-yonetim--yatirim-devam-karari-aldi/ekonomi/haberdetayarsiv/18.03.2010/145214/default.htm?ver=78>.

Petrol-İş claimed that the portion of shares was specious; the greater share of the profit would belong to Shell. In other words, Shell used Koç Holding as a pawn to be able to convince the Turkish public. According to the claims, Koç could not change the dividend policy of TÜPRAŞ without the approval of Shell; at least 40 percent of TÜPRAŞ's crude oil import and 50 percent of the export of products would be carried on by Shell International Trading and Shipping Company Ltd.²⁸⁷ However, a couple of months later, in the same newspaper that published this claim, it was stated that the administration in TÜPRAŞ was completely owned by the national capital and Shell did not have any concessions.²⁸⁸

Ultimately, the Council of State declined Petrol-İş's requests of annulment, thus the block sale of TÜPRAŞ was finalized,²⁸⁹ but the process was only completed in November, 2008 because of Petrol-İş's requests of the revision of the decision.²⁹⁰ Yeldan argues that the "privatization of TÜPRAŞ currently has become a battle of law between the Privatization Administration Council and Petrol-İş, with the government yielding to all the demands of the IMF who is pressing for the sale of the enterprise immediately."²⁹¹ It was obvious that the international actors' role in this process was considerable. In the 2005 EU progress report on Turkey's EU membership, it was stated that the sale of TÜPRAŞ had to be completed forthwith. In the same report, the state aid to public enterprises was harshly criticized on account of the claim that it impairs the competition with foreign companies.²⁹² Therefore, the EU was used as an anchor to legitimate the privatization of TÜPRAŞ. On the other hand, the resistance of the workers against the privatization of TÜPRAŞ also played a key role in the

²⁸⁷ "Petrol-İş Pes Etmiyor," *Cumhuriyet*, January 28, 2006.

²⁸⁸ "TÜPRAŞ'ta Yönetim Ulusal Sermayenin Elinde," *Cumhuriyet*, April 6, 2006.

²⁸⁹ "Danıştay'dan Tüpraş'ın Özelleştirilmesine Vize," *Milliyet.com.tr*, May 9, 2006, <http://www.milliyet.com.tr/danistay-dan-tupras-in-ozellestirilmesine-vize/ekonomi/haberdetayarsiv/18.03.2010/156217/default.htm?ver=83>.

²⁹⁰ "Tüpraş'ın Özelleştirilmesinde Yargı Süreci Tamamlandı," *Milliyet.com.tr*, November 6, 2008, <http://www.milliyet.com.tr/tupras-in-ozellestirilmesinde-yargi-sureci-tamamlandi/ekonomi/sondakikaarsiv/18.03.2010/1012744/default.htm?ver=46>.

²⁹¹ Yeldan, "Assessing the Privatization Experience."

²⁹² Aybike Koca, "AB, ABD ve IMF'nin Bakış Açısı Aynı: Türk Ekonomisine Ortak Reçete," *Cumhuriyet Strateji*, November 28, 2005, 17.

privatization process. From the very beginning of the process, they protested the privatization of this strategic company via strikes,²⁹³ and their protests addressed particularly the PA and Kemal Unakıtan, who were the main actors in the process.²⁹⁴ Especially, the first tender was protested on the grounds that TÜPRAŞ was sold for an amount far below the market value of the enterprise.²⁹⁵ However, the protests were not the only ways that the workers resisted to the privatization. Petrol-İş also decided to send a letter to the European Parliament to complain about Koç Holding and TÜSİAD.²⁹⁶ As a matter of fact, it was the suits for annulment brought by Petrol-İş that was able to hinder the privatization of TÜPRAŞ. Güngör Uras underscores that the suits for annulment against privatizations used to be brought on the grounds that the “privatization is against the public good.” However, once it was later realized that nobody really cares about such political considerations, the opponents of privatization decided to open cancellation suits based on the actions against the law and tender specifications because it was much easier to use and prove such technical details.²⁹⁷ This was indeed the way the first tender was canceled. It is evident that privatization processes have engendered class struggles during which all the parties, including the labor groups, get experienced through various strategies of opposition in a trial and error fashion.

Although the workers were not gratified by the sale of TÜPRAŞ to Koç-Shell, the general public view was rather sympathetic as the previous block sale could have had worse consequences. Therefore, the sale of a strategic company to a consortium with only a minor share held by foreigners was celebrated. As a matter of fact, all of

²⁹³ “Teklifler Pazartesi Günü Açıklanacak,” *Milliyet.com.tr*, October 25, 2003
<http://www.milliyet.com.tr/teklifler-pazartesi-gunu-aciklanacak/ekonomi/haberdetayarsiv/18.03.2010/22004/default.htm?ver=74>.

²⁹⁴ “Özelleştirilip İşsiz Kalırsak Esnaf Oluruz,” *Milliyet.com.tr*, January 14, 2004,
<http://www.milliyet.com.tr/ozellestirilip-issiz-kalirsak-esnaf-oluruz/ekonomi/haberdetayarsiv/18.03.2010/23706/default.htm?ver=62>.

²⁹⁵ *Ibid.*

²⁹⁶ “Tüpraş, AB'ye Gidiyor ÖİB, Çıkış Yolu Arıyor,” *Milliyet.com.tr*, March 28, 2006,
<http://www.milliyet.com.tr/tupras--ab-ye-gidiyor-oib--cikis-yolu-ariyor/ekonomi/haberdetayarsiv/18.03.2010/151872/default.htm?ver=36>.

²⁹⁷ Güngör Uras, “Ayıklayın Pirincin Taşını,” *Milliyet.com.tr*, February 4, 2006,
<http://www.milliyet.com.tr/ayiklayin--pirincin-tasini/gungor-uras/ekonomi/yazardetayarsiv/18.03.2010/144937/default.htm?ver=80>.

the opponents of the privatizations of the SEEs in Turkey have problematized the nationalities of the potential owners of the strategic enterprises, not their privatizations *per se*.

Per contra, the foreign analysts did not cheer the purchase of TÜPRAŞ's shares by Koç Holding. For instance, an analyst of Merrill Lynch, Michael Harris, stated immediately after learning the sale of shares of TÜPRAŞ to Koç-Shell consortium for USD 4.14 billion that he suggested the investors to sell the shares.²⁹⁸ He argued that the purchase of TÜPRAŞ's shares was contradicting with Koç Holding's strategy of being close to the consumer, which was, according to Harris, a strategy that had been implemented successfully for the last three years. He asserted that a company cannot be close to consumer via buying a refinery and he added that the contract price was too high. His statements were published in Forbes Turkey Magazine, where it was concluded that it was highly probable that the purchase puzzled many investors. The reasons behind these criticisms can be the displeasure of foreign investors regarding the sale of the largest industrial enterprise of Turkey to a national company.

After its privatization, TÜPRAŞ continued to be the largest industrial enterprise, holding monopoly power in Turkey. Despite the liberalization of petroleum market with the Petroleum Market Law entering into force in 2005,²⁹⁹ the only non-TÜPRAŞ refinery is the Ataş plant in Mersin, owned by BP (68%), which is a British global energy company that is the third largest global energy company in the world, Shell (27%) and domestic fuels supplier Türk Petrol (5%), which is -despite its name- a domestic fuels supplier owned by British and German investors.³⁰⁰ Thus, one of the main aims of the privatization, which is claimed to be developing competition to increase efficiency, has not been achieved, and it seems that it will not be realized in the foreseeable future since the start-up cost of building such a large enterprise and gaining power to compete with it is extremely high. That is the reason why the "disciples" of privatization unceasingly underscore the investments made in TÜPRAŞ

²⁹⁸ Denet C. Tezel, "Tüpraş Sapağı," *Forbes Türkiye*, November 2005, 48.

²⁹⁹ Petrol-İş Araştırma Servisi, "Tüpraş'ın Rafineri Faaliyetleri," 30.

³⁰⁰ "Turkish Energy Industry Report," *EurasiaCritic*, April 2010, 35.

by Koç Holding to evince that the privatization led to increased efficiency with higher investments. In 2007 Mustafa Koç, the Chairman of the Board of Directors of Koç Holding, pointed out that as incorporating TÜPRAŞ in Koç Holding cost them a lot, Koç Holding had to sell Migros Türk Ticaret A.Ş., which is Turkey's largest supermarket chain, to London based fund company BC Partners in order to finance the debts arising from the purchase of TÜPRAŞ's shares and to make investments in TÜPRAŞ.³⁰¹ Koç Group announced that the investment spending of TÜPRAŞ reached to TRY 191 million in the first six-month period of 2007 with a 98 percent increase.³⁰² This reveals how much the Turkish public was dispossessed. It was not surprising that Koç Holding sacrificed Migros, whose majority of shares were held by the Koç Group since 1975, to finance the debts of TÜPRAŞ because after all, TÜPRAŞ is the largest industrial enterprise of Turkey making tremendous amounts of profit; it made a net profit of TRY 609 million in just six-months in 2007.³⁰³ Mustafa Koç responded to the criticisms, which opposed selling the "pioneer of the modern retail sector in Turkey"³⁰⁴ to foreigners, by arguing that nationalistic sentiments should not be exaggerated.³⁰⁵

3.5) The Privatization of ERDEMİR

Erdemir Group that was established in 1960, is the biggest industrial corporation of Turkey in terms of total assets, with its nine subsidiaries; namely İskenderun Iron and Steel Works Co. (İSDEMİR), the long steel manufacturer;

³⁰¹ Melis Şenerdem, "Koç TÜPRAŞ Borcunu Azaltıp Yeni Projeleri Kovalayacak," *Fortune Türkiye*, October 2007, 152.

³⁰² Nurhan Yönezer, "Sanayinin Yeni Patronu Çağlayan: Üretim Sörfü," *Fortune Türkiye*, October 2007, 81.

³⁰³ Zeynep Aktaş, "Kârlı Yarıyıl," *Fortune Türkiye*, October 2007, 262.

³⁰⁴ Migros, "About Us: Overview," <http://www.migroskurumsal.com/en/Icerik.aspx?IcerikID=227>.

³⁰⁵ Şenerdem, "Koç TÜPRAŞ Borcunu," 152.

Erdemir Maden, which has reserves in Sivas and Malatya-Hasançelebi; Turkey's only seamless steel pipe plant Çelbor in Kırıkkale; Erdemir Romanya, the siliceous steel plant in Romania, Erenco, which offers investment and engineering service for iron and steel investors; Erdemir Lojistik, which provides logistics services; Erdemir Çelik Servis Merkezi, the steel service center for cold product cutting and slitting in Gebze; and Erdemir Gaz that was established to meet the group's need of gas. Ereğli Demir ve Çelik Fabrikaları T.A.Ş., located in the Black Sea Ereğli, is the parent company of the group, which is the largest flat steel manufacturer of Turkey. Koppers Associates SA, İş Bankası A.Ş., Demir ve Çelik İşletmeleri Umum Müdürlüğü (General Directorate of Iron and Steel Enterprises) and Ankara Chamber of Commerce and Industry were among the founders of the enterprise. The group owns 80 percent of iron ore reserves in Turkey.³⁰⁶

ERDEMİR increased its investments prior to its block sale just like in the other privatization cases. It completed the Capacity Expansion and Modernization Investments (KAM I and KAM II) in 1996 amounting to USD 1.5 billion, which is one of the biggest industrial investments in Turkey. In 1998, the New Port Facilities that is one of the biggest ports of the Black Sea and Turkey were put into service. The enterprise has started up producing on its Tin/Chrome Plating Plant in 1999, the Galvanizing Line in 2001.³⁰⁷

In the same year, it acquired COST S.A., Romania's siliceous steel plant.³⁰⁸ Following this purchase, in 2002 ERDEMİR acquired İSDEMİR³⁰⁹ and in 2004, it

³⁰⁶ Erdemir, "About Us: Our Profile," http://en.erdemir.com.tr/About_Us/detail.aspx?SectionID=XF9nUtxNVc03GIwzNP6rRg%3d%3d&ContentId=1A4tdbY2zbL%2fnVHdaipHjg%3d%3d.

³⁰⁷ Erdemir, "About Us: Our History," http://en.erdemir.com.tr/About_Us/history.aspx?SectionID=FtOdxB22KMZxYz484IbQHA%3d%3d&ContentId=9LiaGrAIKx20wXKT6oJ6KA%3d%3d.

³⁰⁸ "Erdemir Romanyada Fabrika Satın Aldı," *Milliyet.com.tr*, August 23, 2001, <http://www.milliyet.com.tr/erdemir-romanyada-fabrika-satin-aldi/ekonomi/haberdetayarsiv/17.03.2010/80484/default.htm?ver=97>.

³⁰⁹ "İsdemir, Erdemire Bugün Devrediliyor," *Milliyet.com.tr*, February 1, 2002, <http://www.milliyet.com.tr/isdemir--erdemire-bugun-devrediliyor/ekonomi/haberdetayarsiv/17.03.2010/45251/default.htm?ver=45>.

acquired Div-Han Divriği Hekimhan Madenleri, a mining enterprise, via block sale for USD 28.5 million.³¹⁰

As mentioned previously in the TÜPRAŞ case, the statement of the IMF's Turkey Representative that privatizations were vital for the program's success, hence the privatizations of large SEEs including ERDEMİR had to be realized to be able to conclude that the program achieved success manifests the pressure of the IMF on the AKP government.³¹¹ What is more, it was claimed that there was a link between the block sale of ERDEMİR and getting the negotiation date from the EU.³¹² This is a clear indication that the government made use of "external commitments" to justify the privatization of a highly strategic SEE. As a result, the PA accelerated the block sale processes of ERDEMİR and TÜPRAŞ simultaneously; sent invitations to thirty-nine iron and steel manufacturers in the world, which have huge production capacities, to consult in their views about ERDEMİR's privatization.³¹³ The call for tender was announced on May 24th, 2005.

It was not unanticipated that the potential bidders would be mainly foreign iron and steel manufacturers. The main reasons behind the interest of the foreigners in the SEEs were their strong financial structure, their shares in domestic markets and their high profits.³¹⁴ What is more, via purchasing 46.12 percent of ERDEMİR's shares, they would to have the right of administration of ERDEMİR's nine subsidiaries. In this way, they would own a strategic enterprise, which provides raw material for defense industry, owning two big ports; one in the Black Sea, the other in

³¹⁰ "Div-Han Madenleri Erdemirin," *Milliyet.com.tr*, March 5, 2004, <http://www.milliyet.com.tr/div-han-madenleri-erdemirin/ekonomi/haberdetayarsiv/17.03.2010/28378/default.htm?ver=88>.

³¹¹ "Aşgari Ücreti Tartışalım," *Milliyet.com.tr*.

³¹² TUSAM Ulusal Güvenlik Stratejileri Araştırma Merkezi, "Erdemir'in Satılmasının Gerçek Hedefi: Ulusal Sanayiye Dış Kontrol," *Cumhuriyet Strateji*, June 20, 2005, 21.

³¹³ "Erdemir, Yabancı Görücüye Çıkıyor," *Milliyet.com.tr*, January 7, 2004, <http://www.milliyet.com.tr/2004/12/07/ekonomi/eko09.html>.

³¹⁴ "Türk Şirketleri Kıymete Bindi," *Milliyet.com.tr*, January 14, 2005, <http://www.milliyet.com.tr/turk-sirketleri-kiymete-bindi/ekonomi/haberdetayarsiv/17.03.2010/101991/default.htm?ver=43>.

the Mediterranean. They would also enter the mine regions of Turkey via Erdemir Maden Şirketi.³¹⁵

It was obvious from the beginning that the block sale of ERDEMİR was going to be a controversial issue just like the other profiting SEEs' privatizations. Firstly, the method and envisaged contract price of the sale led to criticisms. Although they were not against privatization, the managers of ERDEMİR opposed the block sale by arguing that the shares could be privatized via public offering as there are examples of enterprises that work with a private sector logic under state's control, like the Korean COSCO.³¹⁶ Apart from this, Yılmaz Kaya, a member of parliament from the CHP, who was a member of "Erdemir Commission" as well, underscored that it would be a grave mistake to sell ERDEMİR, which, together with its subsidiaries, was the eighth largest steel producer of the world, and the biggest industrial corporation of Turkey in terms of total assets, making an approximate profit of USD 650 million annually. He asserted that the potential foreign buyers would most probably downsize the enterprise to reduce its competitive power, which would be disaster for the Turkish industry.³¹⁷ This statement indicates that the main concern of the opponent groups was not privatization *per se* but the idea of selling a strategic SEE to foreign capital. As usual, a long debate between Erdoğan and Deniz Baykal took place. Baykal claimed that the government was trying to sell ERDEMİR just for the sake of wriggling itself out of the debts that had been taken on since AKP came to power. He made it clear that CHP was totally against the sale of ERDEMİR and he added that it was not an ideological anti-privatization position because ERDEMİR had already been privatized, therefore it could only be sold, not privatized. Indeed, approximately 46 percent of ERDEMİR's shares were publicly owned. Baykal animadverted upon the attempt of Erdoğan to sell ERDEMİR for an amount equal to nearly two years profit of the

³¹⁵ Ali Ayaroğlu, "Erdemir Halkı: Erdemir'i Sattırmayız," *Cumhuriyet Strateji*, March 28, 2005, 30.

³¹⁶ "Erdemirde Fiyat ve Blok Tartışması," *Milliyet.com.tr*, February 2, 2005, <http://www.milliyet.com.tr/erdemirde-fiyat-ve-blok-tartismasi/ekonomi/haberdetayarsiv/17.03.2010/103570/default.htm?ver=54>.

³¹⁷ Melih Aşık, "İşte Abdülsansür," *Milliyet.com.tr*, April 28, 2005, <http://www.milliyet.com.tr/iste-abdulsansur/melih-asik/guncel/yazardetayarsiv/17.03.2010/113714/default.htm?ver=27>.

enterprise.³¹⁸ He underlined that even Italy, who is one of the founding members of the EU, impeded the purchase of the majority of shares in certain sectors by other EU members.³¹⁹ In fact, many other instances may be given such as Bulgaria, who impeded the acquisition of its biggest iron and steel plant, Kremikovsti, by ERDEMİR, which actually made the highest offer, because the acquisition of her strategic enterprise by a Turkish company was against her national interests.³²⁰

Erdoğan responded by blaming that CHP was more insular than the communists.³²¹ He tried to justify the privatization endeavor of the AKP through a very typical neo-liberal argumentation that privatization is not selling the loss-making public enterprises to private sector; privatization is an instrument that has consequences beyond the sale of public enterprises. He asserted that they favored privatization because they embraced an understanding of state which is stronger and more active in fulfilling its fundamental functions accurately;³²² Indeed, that statement can be regarded as the ‘mantra’ of neo-liberal transformation. It also reveals how the AKP has utilized the neo-liberal discourse efficiently to realize its own political agenda. It has “otherized” the opponents of privatization, thus the opponents of neo-liberalism, via calling them communists.

In the first place, the great number of potential foreign bidders of the tender caused reactions about the block sale. The president of Türk Metal Sendikası (Turk Metal workers' union), Mustafa Özbek, asserted that none of the advanced industrialized countries, neither Japan nor Germany, allow foreign companies to take

³¹⁸ “TOBB Toplantısında Erdemir Tartışması,” *Milliyet.com.tr*, May 9, 2005, <http://www.milliyet.com.tr/tobb-toplantisinda-erdemir-tartismasi/ekonomi/haberdetayarsiv/17.03.2010/115139/default.htm?ver=82>.

³¹⁹ “Baykal: Kirvesi mi Akıllı, Erdoğan mı?,” *Milliyet.com.tr*, May 11, 2005, <http://www.milliyet.com.tr/baykal--kirvesi-mi-akilli--erdogan-mi-/ekonomi/haberdetayarsiv/17.03.2010/115376/default.htm?ver=79>.

³²⁰ Ali Kulebi, “Dünya Devletleri, Birbirlerini Yutacak Stratejiler Geliştiriyor: Çelikte Küresel Satranç,” *Cumhuriyet Strateji*, June 12, 2006, 10.

³²¹ “Baykal'dan Erdoğan'a 'Komünist' Yanıtı,” *Milliyet.com.tr*, June 18, 2005, <http://www.milliyet.com.tr/baykal-dan-erdogan-a--komunist--yaniti/siyaset/haberdetayarsiv/17.03.2010/120548/default.htm?ver=34>.

³²² “Kirvesi mi Akıllı, Erdoğan mı?,” *Milliyet.com.tr*.

control of the integrated iron and steel industry, which has a monopoly position. He added that ERDEMİR supplies 40 percent of the flat steel demand of Turkey, and Turkey would be in need of nine more enterprises with ERDEMİR's capacity in 2025. Therefore, if ERDEMİR was sold to foreign companies, Turkey's future and growth would be left to the mercy of foreigners.³²³ The common concerns regarding the sale of ERDEMİR to a foreign company were that the foreigners could exploit the monopoly position of ERDEMİR and instead of making investments, they could downsize the enterprise and sell the steel produced at their own plants in Turkey, thereby increase Turkey's import of steel³²⁴ and they could reduce employment and as a matter of fact, Mittal Steel Company N.V., which was one of the world's largest steel producers that was one of the potential bidders, was known for its policy of reducing the number of workers right after acquiring a new company.³²⁵ This instance reveals that the core discussion concerning the sale of ERDEMİR was about the nationality of the acquirer, not the transfer of the resources of the Turkish public to the capitalist class. All these apprehensions led Türk Metal Sendikası to file a stay of execution and bring a suit for annulment against the decision of the PHC that formed the basis of the tender.³²⁶ Furthermore, the workers of ERDEMİR protested foreign potential buyers of ERDEMİR by closing the highway when for instance, NLMK, Arcelor came to visit the enterprise. However, the workers of İSDEMİR, who are organized in Çelik-İş Sendikası, the union formed by the workers of steel industry, did not participate in this

³²³ Hasan Pulur, "Kızımız Davulcuya, Zurnacıya Kaçmasın!," *Milliyet.com.tr*, May 18, 2005, <http://www.milliyet.com.tr/kizimiz--davulcuya--zurnaciya--kacmasin-/hasan-pulur/yasam/yazardetayarsiv/17.03.2010/116389/default.htm?ver=16>.

³²⁴ "Yerli - Yabancı Erdemir'de Kapaşacak," *Milliyet.com.tr*, July 12, 2005, <http://www.milliyet.com.tr/yerli--yabanci-erdemir-de-kapisacak/ekonomi/haberdetayarsiv/17.03.2010/123577/default.htm?ver=52>.

³²⁵ Nail Güreli, "İlhami Soysal'dan Erdemir'e," *Milliyet.com.tr*, June 29, 2005, <http://www.milliyet.com.tr/ilhami-soysal-dan-erdemir-e/nail-gureli/guncel/yazardetayarsiv/17.03.2010/122057/default.htm?ver=71>.

³²⁶ "Erdemir'in Satış Kararına İptal Davası," *Milliyet.com.tr*, May 15, 2005, <http://www.milliyet.com.tr/erdemir-in-satis-kararina-iptal-davasi/ekonomi/haberdetayarsiv/17.03.2010/115940/default.htm?ver=82>.

protest. Another reaction came from the managers of ERDEMİR; both the General Manager of ERDEMİR and İSDEMİR resigned.³²⁷

Contrariwise, Erdoğan preferred foreign capital and he even insinuated that for many years the national buyers of the SEEs' had aimed to exploit the state.³²⁸ This clear inclination of the AKP towards foreign rather than domestic business groups needs obviously to be explained. It might be the case that AKP did not want a domestic company with an opposition potential to AKP to acquire such profitable SEEs. What is more, Metin Kilci's statement that the growth of iron and steel companies via mergers was the global trend, thus this trend was an unprecedented opportunity for ERDEMİR's privatization³²⁹ and they would be glad to sell ERDEMİR to foreigners,³³⁰ further contributed to concerns that ERDEMİR was going to be annexed by the global oligopolies. The purely neo-liberal argumentation of Kilci reveals the state's attempt to portray the sale of strategic SEEs to foreign capital as a requirement of adjusting to the global trends.

The qualm about the possibility of selling ERDEMİR to a foreign company and its grave consequences had become so pervasive that the formation of a national consortium, named ERDEMİR Consortium, with the coordination of The Union of Chambers and Commodity Exchanges of Turkey (TOBB) created euphoria. The consortium was formed by 34 companies including one of the biggest conglomerates like Kibar Holding, Borusan, Tosçelik, Turkon Holding, Yardımcılar Holding and Diler Holding. The president of the TOBB, Rifat Hisarcıklıoğlu, made it clear that he was not against privatization and foreign investment; however, he underscored that in order to become a global player, Turkish companies had to unite and win the tender

³²⁷ "Erdemir İşçisinden Takvime Göre Eylem," *Milliyet.com.tr*, August 6, 2005, <http://www.milliyet.com.tr/erdemir-iscisinden-takvime-gore-eylem/ekonomi/haberdetayarsiv/17.03.2010/126363/default.htm?ver=01>.

³²⁸ "Erdemir Kavgası," *Milliyet.com.tr*, June 23, 2005, <http://www.milliyet.com.tr/erdemir-kavgasi/ekonomi/haberdetayarsiv/17.03.2010/121146/default.htm?ver=10>.

³²⁹ "Kilci: Erdemir'de Tarihi Fırsatı Yakaladık," *Milliyet.com.tr*, May 27, 2005, <http://www.milliyet.com.tr/kilci--erdemir-de-tarihi-firsati-yakaladik/ekonomi/haberdetayarsiv/17.03.2010/117517/default.htm?ver=54>.

³³⁰ "Erdemir İşçisinden Takvime Göre," *Milliyet.com.tr*.

of ERDEMİR, which had the potential of becoming a global player.³³¹ He averred that to become a global player they had to unite, for if they did not unite they would be mere ‘subcontractors.’³³² Although this consortium was called by many as the ‘national team’, actually many of the companies of the consortium like Assan and Borusan, had foreign partners. Therefore, the consortium itself was not completely national.³³³ OYAK participated in the struggle to impede the foreign companies too, but it did not join the consortium. As a matter of fact, OYAK had already declared that it would definitely buy one of the SEEs, namely TÜPRAŞ, Türk Telekom and ERDEMİR, which were going to be privatized. The General Manager of OYAK, Coşkun Ulusoy stated that the sale of any of these strategic enterprises to OYAK would be an assurance for the Turkish public.³³⁴ He added that he was not against privatization; however, he believed that the state should not withdraw from certain sectors; however, if these strategic enterprises were definitely going to be sold, then they should be acquired by patriots.³³⁵

On the other hand, the government was intractable regarding the issue of selling ERDEMİR to a foreign company. Kemal Unakıtan insisted that the only thing they could say to foreign capital was “welcome.”³³⁶ Furthermore, Erdoğan invited the

³³¹ “Global Olmak İçin Erdemir’i İstiyoruz,” *Milliyet.com.tr*, July 18, 2005, <http://www.milliyet.com.tr/-global-olmak-icin-erdemir-i-istiyoruz-/ekonomi/haberdetayarsiv/17.03.2010/124368/default.htm?ver=55>.

³³² “Türkler Amele mi Olsun?,” *Milliyet.com.tr*, August 17, 2005, <http://www.milliyet.com.tr/-turkler--amele-mi-olsun--/ekonomi/haberdetayarsiv/17.03.2010/127757/default.htm?ver=50>.

³³³ “Erdemir Savaşları,” *Milliyet.com.tr*, August 23, 2005, <http://www.milliyet.com.tr/erdemir-savaslari/ekonomi/haberdetayarsiv/17.03.2010/128485/default.htm?ver=24>.

³³⁴ “Üç Şirketten Birini Mutlaka Alacağız,” *Milliyet.com.tr*, May 27, 2005, <http://www.milliyet.com.tr/-uc-sirketten-birini-mutlaka-alacagiz-/ekonomi/haberdetayarsiv/17.03.2010/117512/default.htm?ver=88>.

³³⁵ “Erdemir’in Yüzde 20’si Arcelor’un Olacak...,” *Milliyet.com.tr*, December 30, 2005, <http://www.milliyet.com.tr/erdemir-in-yuzde---si-arcelor-un-olacak---/ekonomi/haberdetayarsiv/17.03.2010/140287/default.htm?ver=32>.

³³⁶ “Unakıtan: Yabancıya Tek Sözümüz Welcome,” *Milliyet.com.tr*, September 28, 2005, <http://www.milliyet.com.tr/unakitan--yabanciya-tek-sozumuz-welcome-/ekonomi/haberdetayarsiv/17.03.2010/129700/default.htm?ver=63>.

businessmen of the United Arab Emirates to the tender of ERDEMİR.³³⁷ It was ironic that on the one hand he was praising ERDEMİR's success while he was 'marketing' the enterprise, while on the other hand he claimed that ERDEMİR was not profiting that much and was hiring the relatives of politicians.³³⁸ The allegation of crony capitalism by a prime minister who had been blamed for cronyism for many times was also deemed very ironic. Besides, his statement that ERDEMİR was 'dirty' offended the workers of ERDEMİR, who protested him as a response.³³⁹ It was not only the Prime Minister who was concerned about cronyism. Kemal Unakitan, who stated that they wanted to save the public from this 'mess', claimed that the reason of İSDEMİR's total loss of USD 3 billion was the politicians, hiring their relatives and increasing employment to receive votes.³⁴⁰ Again ironically, it was the AKP's Minister of State, Abdüllatif Şener, who was blamed for assigning his brother to ERDEMİR's administration.³⁴¹ Apparently, both the contradictory statements concerning the profitability of ERDEMİR and the corruption accusations against the AKP acted as a counter-force against those who present the privatization of SEEs as a technical issue and economic necessity.

The 'pledges' of foreign companies, like Mittal and NLMK who were favored by the AKP government, were to make ERDEMİR a global company and raise the salaries of the employees respectively.³⁴² The competition among the national and

³³⁷ "İhalelere Davet Etti," *Milliyet.com.tr*, September 29, 2005, <http://www.milliyet.com.tr/ihalelere-davet-etti/siyaset/haberdetayarsiv/17.03.2010/129859/default.htm?ver=64>.

³³⁸ "Erdemir Milli Takımı," *Milliyet.com.tr*, July 15, 2005, <http://www.milliyet.com.tr/erdemir-milli-takimi/ekonomi/haberdetayarsiv/17.03.2010/123943/default.htm?ver=72>.

³³⁹ "Erdemir İşçilerinden Başbakan'a Çiçekli Yanıt," *Milliyet.com.tr*, July 16, 2005, <http://www.milliyet.com.tr/erdemir-iscilerinden-basbakan-a-cicekli-yanit/ekonomi/haberdetayarsiv/17.03.2010/124087/default.htm?ver=24>.

³⁴⁰ "Kime Satılırsa Satılır Sana Ne! Maaşımı Al Karışma...," *Milliyet.com.tr*, August 10, 2005, <http://www.milliyet.com.tr/-kime-satilirsa-satilir-sana--ne--maasini-al-karisma---/ekonomi/haberdetayarsiv/17.03.2010/126879/default.htm?ver=43>.

³⁴¹ "Erdoğan Unutmadı Aldı," *Milliyet.com.tr*, March 27, 2003, <http://www.milliyet.com.tr/erdogan-unutmadi-aldi/ekonomi/haberdetayarsiv/17.03.2010/6465/default.htm?ver=35>.

³⁴² "Yerli - Yabancı Erdemir'de Kapanacak," *Milliyet.com.tr*; "Türkiye Bizim İçin Güçlü Bir İhracat Kapısı Olur," *Milliyet.com.tr*, August 7, 2005, <http://www.milliyet.com.tr/>

foreign companies was followed by the competition of banks to become financiers of the potential buyers of ERDEMİR.³⁴³

The 'fortitude' of the national companies that were going to attend the tender made it obvious that the bid prices would be much higher than expected and this caused the withdrawal of six companies from the tender.³⁴⁴ Actually, the tender specifications might be the other reasons of these withdrawals because they stipulated that the buyer would not reduce the employment below 95 percent of the existing number for two years following the transfer of ERDEMİR and the buyer had to make new investments to ERDEMİR and İSDEMİR that would provide an additional production of 3.5 million tons. The specifications also granted golden share to the state that gave a veto right to it.³⁴⁵

The six companies that attended the tender were: Mittal Steel, Arcelor S.A. which was the world's largest steel producer in terms of turnover and the second largest in terms of steel output, NLMK (Novolipetsk Iron and Steel Corporation) which is one of the four largest steel companies in Russia, the Erdemir Consortium, which was formed by 34 national companies, OYAK, NuroL-Limak-Özaltın-Alkol Pazarlama Consortium and SeverStal which is a Russian company mainly operating in the steel and mining industry. Eventually, OYAK won the tender with its offer of USD 2.770 billion for 46.12 percent of ERDEMİR's shares, which means that they offered a price that was 86 percent higher than the stock exchange value of ERDEMİR.³⁴⁶

-turkiye -----bizim-icin-guclu-bir-ihracat-kapisi-olur-/ekonomi/haberdetayarsiv/17.03.2010/126499/default.htm?ver=45.

³⁴³ "Türk Bankaları Milli Konsorsiyumu," *Milliyet.com.tr*, August 25, 2005, <http://www.milliyet.com.tr/turk-bankalari-milli-konsorsiyumu/ekonomi/haberdetayarsiv/17.03.2010/128603/default.htm?ver=52>.

³⁴⁴ "6 Talip Erdemir'den Vazgeçti," *Milliyet.com.tr*, September 27, 2005, <http://www.milliyet.com.tr/--talip-erdemir-den-vazgecti/ekonomi/haberdetayarsiv/17.03.2010/129584/default.htm?ver=27>.

³⁴⁵ "Yabancı: Çılgın Fiyat Vermeyiz Yerli: İpi Biz Göğüsleriz," *Milliyet.com.tr*, October 4, 2005, <http://www.milliyet.com.tr/yabanci--cilgin-fiyat-vermeyiz---yerli--ipi-biz-gogusleriz/ekonomi/haberdetayarsiv/17.03.2010/130185/default.htm?ver=35>.

³⁴⁶ "Ayşe Askere Gitti," *Milliyet.com.tr*, October 5, 2005, <http://www.milliyet.com.tr/ayse-askere-gitti/ekonomi/haberdetayarsiv/17.03.2010/130327/default.htm?ver=45>.

Based on the tender specifications, OYAK had to purchase 3.17 percent of ERDEMİR's shares as well, which were owned by the Development Bank of Turkey, according to the same price and method. Therefore, OYAK was going to pay USD 2.96 billion for a total of 49.29 percent of the shares.³⁴⁷ The PHC approved the transfer of shares to OYAK on December 1st, 2005.

Although Mittal Steel and Arcelor could not win the tender, they still made a great deal of profit in consequence of OYAK's high bid price, as both Arcelor and Mittal had purchased ERDEMİR's stocks prior to the tender. That strategy was used by Ofer in TÜPRAŞ's block sale as well. The speculations that Mittal and Arcelor were going to sell their shares led to a panic and caused the small investors to make huge losses on the stock exchange.³⁴⁸

In the beginning, even the opponents of the block sale were pleased about the sale of ERDEMİR to a national company. Especially, the fact that the Turkish public has trusted Turkish Army more than any other institution, contributed to this gratification as OYAK is the Armed Forces Pension Fund. As a matter of fact, OYAK was going to finance the purchase of the shares partly by receiving loans from foreign banks as well, therefore the foreign capital's engagement was inevitable. Nonetheless, the control of the strategic company would be taken by OYAK and indeed, nothing else mattered for the opponents of the sale of ERDEMİR to foreigners, at that time.³⁴⁹ *Ergo*, the OYAK's announcement that it was planning to transfer 41 percent shares of Ataer Holding, the company established to take delivery of the transferred ERDEMİR shares, to Arcelor led to great discontent. Nevertheless, despite the approval of the PHC, this partnership had to be approved by the CA as well, which was seen by many as improbable because the CA had eliminated the Erdemir Consortium from the privatization competition on the grounds that they had coordination risk and domination in some sectors. Hence, one of the main reasons of the elimination was

³⁴⁷ Ibid.

³⁴⁸ "Mittal Eli Boş Dönmedi," *Milliyet.com.tr*, October 6, 2005, <http://www.milliyet.com.tr/mittal-eli-bos-donmedi/ekonomi/haberdetayarsiv/17.03.2010/130450/default.htm?ver=17>.

³⁴⁹ Meral Tamer, "Yabancı Sermayeye Evet, Yabancı Firmaya Hayır!," *Milliyet.com.tr*, October 6, 2005, <http://www.milliyet.com.tr/yabanci-sermayeye-evet-yabanci-firmaya-hayir-/meral-tamer/ekonomi/yazardetayarsiv/17.03.2010/130527/default.htm?ver=86>.

that Borusan, which was a member of the consortium, owns Borçelik that is Turkey's first private and second largest flat steel producer. As the drawbacks for Borusan was valid for Arcelor as well, the approval of the CA was not seen as probable.³⁵⁰ The possibility that the CA would not approve the partnership and harsh criticisms forced OYAK to not to wait for the decision of the CA and to relinquish the partnership. Later OYAK declared that the company would not be accepting any partnership unless they would have full control over the management.³⁵¹ Nonetheless, the partnership had been strongly supported by the EU.³⁵² This case reveals that nationalistic claims of domestic capital groups have financial limits and OYAK was no exception. At the beginning, OYAK also utilized nationalist sentiments in acquiring ERDEMİR, however, to finance the purchase of ERDEMİR's shares, the company attempted to establish a partnership with a foreign company. On the other hand, OYAK-ERDEMİR case also shows how particular political choices might have priority over economic ones in particular conjunctures.

This change of decision however made OYAK prone to attacks from those who were essentially not so content on the sale of ERDEMİR to OYAK. Metin Münir, a columnist for the daily Milliyet, recalled that OYAK had not had any experience in iron and steel industry and added that perhaps the biggest and most costly mistake OYAK had ever made was to buy ERDEMİR.³⁵³ He further claimed that to repay the loan received by OYAK to purchase the shares by using the dividends that would be taken from ERDEMİR) was improbable. What EFG Group, which comprises Zurich-headquartered private banking, and asset management group EFG International, and leading Greek banking institution Eurobank EFG suggested was to find a global

³⁵⁰ Metin Münir, "Rekabet Kurumu Oyak-Arcelor'a Geçit Vermeyebilir," *Milliyet.com.tr*, February 3, 2006, <http://www.milliyet.com.tr/rekabet-kurumu-oyak-arcelor-a-gecit-vermeyebilir/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/144807/default.htm?ver=36>.

³⁵¹ "Erdemir'de Kaptan Köşkünü Bırakmayız," *Milliyet.com.tr*, March 4, 2006, <http://www.milliyet.com.tr/-erdemir-de-kaptan-koskunu-birakmayiz-/ekonomi/haberdetayarsiv/17.03.2010/148413/default.htm?ver=67>.

³⁵² Anadolu Ajansı, "Dünya Çelik Devleri Birleşti," *Hürriyet*, June 26, 2006, <http://arama.hurriyet.com.tr/arsivnews.aspx?id=4648609>.

³⁵³ Metin Münir, "Erdemir: Hem Ağlarım, Hem Alırım," *Milliyet.com.tr*, February 24, 2006, <http://www.milliyet.com.tr/erdemir--hem-aglarim--hem-alirim/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/147529/default.htm?ver=30>.

partner to share the burden.³⁵⁴ OYAK responded to these claims by bringing an action for damages against five columnists who made negative evaluations regarding the sale of ERDEMİR to OYAK.³⁵⁵ However, this action was dismissed.³⁵⁶

OYAK used two types of loans: first one amounting to USD 1.6 billion was received via Ataer, and the second one amounting to USD 1 billion, received via OYAK. OYAK also put in funds to Ataer amounting to USD 500 million.³⁵⁷

As usual, suits for annulment of the sale were brought by the opponent groups like the Freedom and Solidarity Party (ÖDP) and Union of Chambers of Engineers and Architects (UCEA) against the block sale. The Chamber of Mechanical Engineers brought a suit for annulment against the block sale of ERDEMİR. Consequently, the 13th Chamber of the Council of State issued a stay of execution of the decision of the CA that allowed the transfer of 46.12 percent of ERDEMİR's shares to OYAK via block sale, due to the fact that the CA took the decision with 8 members while it had to take it with 7 members. The CA objected to this decision; however, the Plenary Session of the Administrative Law Divisions of the Council of State rejected the objection.³⁵⁸ Following this, the Council of State, issued a stay of execution for the second time, with the same justification. Moreover, the 13th Chamber of the Council of State issued a stay of execution of the decision of the PHC that allowed the sale of

³⁵⁴ Metin Münir, "Oyak, Borcunu Erdemir Temettüleriyle Ödeyebilir mi?," *Milliyet.com.tr*, July 16, 2006, <http://www.milliyet.com.tr/oyak--borcunu-erdemir-temettuleriyle-odeyebilir-mi-/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/164367/default.htm?ver=64>.

³⁵⁵ "Oyak'tan Gazetecilere Rekor Tazminat Talebi," *Milliyet.com.tr*, July 15, 2006, <http://www.milliyet.com.tr/oyak-tan-gazetecilere-rekor-tazminat-talebi/ekonomi/haberdetayarsiv/17.03.2010/164162/default.htm?ver=77>.

³⁵⁶ "Oyak'ın Milliyet Yazarlarına Açtığı Dava Reddedildi," *Milliyet.com.tr*, July 3, 2007, <http://www.milliyet.com.tr/oyak-in-milliyet-yazarlarina-actigi-dava-reddedildi/ekonomi/haberdetayarsiv/17.03.2010/204510/default.htm?ver=70>.

³⁵⁷ Serpil Yılmaz, "Oyak Grubu, 2 Milyar Dolarlık Şantiye Kurdu," *Milliyet.com.tr*, October 21, 2006, <http://www.milliyet.com.tr/oyak-grubu---milyar--dolarlik-santiye-kurdu/serpil-yilmaz/ekonomi/yazardetayarsiv/17.03.2010/244293/default.htm?ver=21>.

³⁵⁸ "Danıştay'dan Erdemir'e Vize Yok," *Milliyet.com.tr*, July 14, 2006, <http://www.milliyet.com.tr/danistay-dan-erdemir-e-vize-yok/ekonomi/haberdetayarsiv/17.03.2010/164036/default.htm?ver=98>.

ERDEMİR to OYAK based on the stay of execution of the CA's decision.³⁵⁹ In the end, the CA approved the sale of ERDEMİR to OYAK for the second time with its new decision taken by 7 members.³⁶⁰

Nearly a year after the sale of ERDEMİR to OYAK, OYAKBANK was sold to ING Group, which is a financial institution of Dutch origin offering banking, insurance and asset management services, for USD 2.673 billion. Needless to say that the sale led to many criticisms on account of the fact that it was OYAK that underscored the significance of national capital, but only a year after the sale of ERDEMİR, it sold OYAKBANK, which had acquired Sümerbank in 2001 and merged the two banks.³⁶¹ Güngör Uras recalled his caution that the financial burden of purchasing ERDEMİR's shares would be extremely high for OYAK to afford.³⁶² Actually, the sale of OYAKBANK to a foreign company was not that surprising when the foreign partners of OYAK such as Renault or Axa are considered.³⁶³ Besides, it had already become obvious that OYAK would need the support of foreign capital to finance the acquisition of ERDEMİR when it had tempted to transfer part of the shares of ERDEMİR to Arcelor.

On June 25th 2006, Mittal Steel merged with Arcelor, with the new company to be called ArcelorMittal. Mittal's offer to Arcelor was EUR 27 billion. Despite the previous offer of EUR 23.5 billion, the public opinion and the European leaders, including the Prime Minister of Luxembourg, were strongly against the merger.

³⁵⁹ "Erdemir'in Devri 'Usulen' Durduruldu," *Milliyet.com.tr*, July 19, 2006, <http://www.milliyet.com.tr/erdemir-in-devri--usulen--durduruldu/ekonomi/haberdetayarsiv/17.03.2010/164627/default.htm?ver=54>.

³⁶⁰ ANKA, "Rekabet Kurulu'ndan Oyak'a İkinci Onay," *Hürriyet*, September 20, 2006, <http://arama.hurriyet.com.tr/arsivnews.aspx?id=5120042>.

³⁶¹ Melis Şenerdem, "Askerin Emeklilik Fonu Şirket Avcısı Oluyor," *Fortune Türkiye*, December 2007, 130.

³⁶² Güngör Uras, "Oyak Yönetimi Bankayı 'Mecburiyetten' Sattı," *Milliyet.com.tr*, June 20, 2007, <http://www.milliyet.com.tr/-oyak-yonetimi--bankayi--mecburiyetten--satti/gungor-uras/ekonomi/yazardetayarsiv/22.04.2010/202954/default.htm>.

³⁶³ "Asker Bankası Yabancıya," *Milliyet.com.tr*, June 20, 2007, <http://www.milliyet.com.tr/asker-bankasi-yabanciya/ekonomi/haberdetayarsiv/17.03.2010/202869/default.htm?ver=09>.

However, Mittal's 'fray' ended up with success.³⁶⁴ In 2007, ArcelorMittal acquired Rozak Steel Profile to expand their activities in Turkey.³⁶⁵ It also formed a partnership with Borusan Group to establish an integrated steel plant in Turkey.³⁶⁶ Following this, in 2008, via purchasing 11.31 percent of ERDEMİR's shares on the ISE, ArcelorMittal raised its share in ERDEMİR to 24.989 percent.³⁶⁷ This led to the expectations of the foreign media that ArcelorMittal was going to make an offer for the rest of the shares of ERDEMİR as well.³⁶⁸ *Per contra*, ERDEMİR announced that it decided to terminate its partnerships with ArcelorMittal in other companies. This move was perceived as a message that OYAK was intractable concerning the management of ERDEMİR.³⁶⁹

OYAK tried to take meticulous steps regarding the reform in the administration of ERDEMİR. Firstly, it hired some of the managers who had been laid off after the AKP had come to power and it laid off thirty-five top level managers, who had been hired following AKP's election. The justification for the layoff was that after the AKP came to power, the top level managers were chosen from sectarians.³⁷⁰ Coşkun Ulusoy, the Chairman of the Board of Directors of ERDEMİR stated that there was bad governance and prodigality in OYAK's management, whereas Ayhan

³⁶⁴ Anadolu Ajansı, "Dünya Çelik Devleri Birleşti."

³⁶⁵ "ArcelorMittal, Rozak'ı Alarak Türkiye Faaliyetini Genişletiyor," *Milliyet.com.tr*, September 11, 2007, <http://www.milliyet.com.tr/arcelormittal-rozak-i-alarak-turkiye-faaliyetini-genisletiyor/ekonomi/haberdetayarsiv/22.04.2010/213114/default.htm>.

³⁶⁶ Özgür Gözler, "Büyük Rüya Arcelor-Mittal'le Gerçekleşti," *Fortune Türkiye*, December 2007, 143.

³⁶⁷ "Erdemir'de büyük hisse operasyonu," *Milliyet.com.tr*, June 17, 2008, <http://www.milliyet.com.tr/erdemir-de-buyuk-hisse-operasyonu/ekonomi/haberdetayarsiv/22.04.2010/877271/default.htm>.

³⁶⁸ "Mittal'in 'Erdemir Operasyonu' Yabancı Basında," *Milliyet.com.tr*, June 17, 2008, <http://www.milliyet.com.tr/millat-in--erdemir-operasyonu--yabanci-basinda/ekonomi-sondakikaarsiv/22.04.2010/877465/default.htm>.

³⁶⁹ "Erdemir ArcelorMittal İle Tüm Bağlantısını Kesiyor," *Milliyet.com.tr*, September 16, 2008, <http://arama.hurriyet.com.tr/arsivnews.aspx?id=9906031>.

³⁷⁰ Metin Münir, "Erdemir'deki 'Kıyım'ın Bir Başka Açıklaması," *Milliyet.com.tr*, April 5, 2006, <http://www.milliyet.com.tr/erdemir-deki--kiyim-in-bir-baska-aciklamasi/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/152286/default.htm?ver=97>.

Müdürrisoğlu, the Vice General Manager of ERDEMİR, clarified that besides bad governance, there was the ‘war of religious sects.’³⁷¹ As a matter of fact, this can be regarded as the reason why the AKP favored foreign investors over OYAK since the announcement of the tender of ERDEMİR. This was a good example to show how the AKP government attempted to use privatizations as an opportunity to strengthen its vulnerable position “within the internal power structure”³⁷², particularly vis-à-vis the Turkish Army, and how the privatization process became a field of political struggle in which various internal and external actors were involved.

OYAK made a great amount of investment after the block sale. In fact, the tender specifications obliged the investment, as mentioned earlier. Oğuz Özgen, the General Manager of ERDEMİR, remarked that despite severe competition in the iron and steel sector in the world, they invested USD 825 million in İSDEMİR and USD 122 million in Ereğli in 2007.³⁷³ In 2008, Coşkun Ulusoy mentioned that they invested USD 3.5 billion in İSDEMİR, which had made loss since it was established in 1970. He added that since OYAK took the control of İSDEMİR, the original Russian technology that caused the company to be much less efficient than ERDEMİR was modernized that İSDEMİR started to make profit for the first time.³⁷⁴

The revenue raised from the sale of OYAKBANK led to optimism among the managers of OYAK about the future investments in ERDEMİR. In October 2007, Coşkun Ulusoy declared that despite the global economic crisis, they would continue to make investments. He further pledged that regardless of the global economic crisis, they would not lay off workers.³⁷⁵ In November 2008, ERDEMİR declared a record level profit; the net profit of nine-month period of 2008 was 154 percent higher than

³⁷¹ Serpil Yılmaz, “Bizden Önce Erdemir'de Tarikatlar Savaşı Vardı,” *Milliyet.com.tr*, October 22, 2006, <http://www.milliyet.com.tr/-bizden-once-erdemir-de-tarikatlar-savasi-vardi-/serpil-yilmaz/ekonomi/yazardetayarsiv/17.03.2010/244292/default.htm?ver=29>.

³⁷² Bedirhanoğlu and Yalman, “State, Class and the Discourse,” 111.

³⁷³ Yılmaz, “Oyak Grubu.”

³⁷⁴ “Oyak Grubu, Yatırıma Devam Edecek,” *Milliyet.com.tr*, October 15, 2008, <http://www.milliyet.com.tr/oyak-grubu--yatirim-devam-edecek/ekonomi/sondakikaarsiv/17.03.2010/1003506/default.htm?ver=65>.

³⁷⁵ *Ibid.*

the previous year's same period, amounting to TRY 1.459 million.³⁷⁶ Coşkun Ulusoy was so confident about the financial position of ERDEMİR, which had USD 3.5 billion, that he even stated they could invest the funds to the companies in the US and Europe whose values would be decreased due to the global economic crisis' second and third phases.³⁷⁷

Unfortunately, ERDEMİR declared a shocking loss, amounting to TRY 1.2 billion, for the last quarter of 2008. Actually, it had been anticipated that the enterprise was going to make loss, mainly because of the global economic crisis that caused the decrease in the demand and the decrease in steel prices; however, the amount of the loss was much higher than the anticipations. This led to criticisms arguing that the reason behind it was bad governance.³⁷⁸ In consequence of this loss, ERDEMİR declared that it had to lay off workers in the face of the pledge that ERDEMİR would not be laying off workers due to the economic crisis.³⁷⁹ Nevertheless, later OYAK, Türk Metal Sendikası and Turkish Employer's Association of Metal Industries (MESS) agreed to cut the salaries of 7 thousand 25 employees instead of laying workers off. According to the co-decision; the salaries of the top level managers, white-collar and blue-collar workers were going to be cut by 35 percent for sixteen months. *Ergo*, 1400 workers of ERDEMİR were not laid off.³⁸⁰ Although the workers had protested the sale of ERDEMİR to OYAK at the beginning, the increase in the net profit of the enterprise and the pledge that no workers would be laid off had increased

³⁷⁶ Anadolu Ajansı, "Erdemir Grubu'ndan Kâr Rekoru," *Hürriyet*, November 12, 2008, <http://www.milliyet.com.tr/erdemir-grubu-ndan-kar-rekoru/ekonomi/sondakikaarsiv/22.04.2010/1015350/default.htm> .

³⁷⁷ "15 Kişilik Yatırım Timi Kuran Oyak, 3.5 Milyar Doları Nakitte Tutuyor," *Milliyet.com.tr*, June 16, 2008, <http://www.milliyet.com.tr/---kisilik-yatirim-timi-kuran-oyak-----milyar-dolari-nakitte-tutuyor/ekonomi/haberdetayarsiv/22.04.2010/876885/default.htm>.

³⁷⁸ Metin Münir, "Ereğli'den Şok Zarar Açıklaması," *Milliyet.com.tr*, March 12, 2009, <http://www.milliyet.com.tr/-/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/1070427/default.htm?ver=86>.

³⁷⁹ Ersin Ercan and Sertan Aydemir, "Kriz, Erdemir'i de Vurdu: 250 İşçi Çıkarılacak," *Milliyet.com.tr*, March 10, 2009, <http://www.milliyet.com.tr/kriz--erdemir-i-de-vurdu-----isci-cikarilacak/ekonomi/sondakikaarsiv/17.03.2010/1069301/default.htm?ver=60>.

³⁸⁰ Sertan Aydemir, "Sendika 1400 İşçiyi Krize Kurban Etmedi 7025 Çalışanın Maaşı Yüzde 35 İndi," *Hürriyet*, April 23, 2009, <http://arama.hurriyet.com.tr/arsivnews.aspx?id=11493587>.

the trust of the workers in ERDEMİR's managers. The President of MESS stated that they were gratified by the acquisition of ERDEMİR by OYAK, right after the collective bargaining ended up with agreement.³⁸¹ However, the salary cut and the earlier announcement of the lay off led to the workers' protests again.³⁸² OYAK's attempt to transfer part of the shares of ERDEMİR to a foreign company right after the acquisition had already led to great discontent. The announcement to lay off workers followed by the salary cuts rubbed salt in the wound and indeed these indicate that the only issue to be discussed regarding the privatizations of SEEs should not be the nationality of the acquirer.

3.6) The Privatization of PETKİM

The First Five Year Development Plan envisaged the establishment of a petrochemical industry in Turkey and it was adopted in 1962. Accordingly, under the leadership of TPAO and with the contributions of the Emekli Sandığı (Turkish Retirement Fund), Petkim Petrokimya Holding A.Ş. was established on April 3rd, 1965.³⁸³

Following the establishment of Yarımca Petrochemical Complex, during the Third Five Year Development Plan, the establishment of the second complex of PETKİM was proposed. Consequently, in 1985 Aliğa Complex with optimum capacity and advanced technology came into operation.³⁸⁴

PETKİM, one of the largest industrial enterprises of Turkey, is a fundamental raw-material producer. Its petrochemical products are vital inputs of "construction,

³⁸¹ "Erdemir'de Toplusözleşme Sevinci," *Cumhuriyet*, January 13, 2007.

³⁸² Sertan Aydemir, "Erdemir İşçisi Tedirgin," *Milliyet.com.tr*, April 20, 2009, <http://www.milliyet.com.tr/erdemir-iscisi-tedirgin/ekonomi/sondakikaarsiv/22.04.2010/1085509/default.htm>.

³⁸³ Petkim, "About Us," <http://www.petkim.com.tr/eng/Corporate/AboutUs.aspx>.

³⁸⁴ Petkim, "About Us."

electricity, electronic, packaging, textile as well as medical, dying, detergent and cosmetic sectors.”³⁸⁵

Council of Ministers Decree no. 87/12184 placed PETKİM under the privatization program on October 30th, 1987. The main charter of PETKİM was re-drafted on April 25th, 1988. The privatization program was cancelled on January 12th, 1995 and a new legal status was drafted with the PHC’s Decree no. 95/4. The Petkim Executive Board has been given the mandate to privatize the Yarımca complex by the PA. Eight plants of this factory were transferred to TÜPRAŞ in 2001, together with all its land, capital equipment and social dwellings for an amount of USD 60 million.³⁸⁶

The necessity of investment, the classic justification for privatizing the SEEs, was effectively used in the PETKİM case. In the paradoxical increase in investments prior to the privatization which resulted in the transfer of public resources to the upper classes, PETKİM again did not constitute an exception. In 2002, Sedat Ertunç, who was then the General Manager of PETKİM, stated that they had an investment program of USD 400 million that would endure until 2004. He added that they were financing these investments with the net assets.³⁸⁷ Notwithstanding, the government was tenacious regarding the sale of PETKİM. As usual, the pressure of the IMF, which urged the government to privatize all of the strategic enterprises, was substantial. Abdüllatif Şener, who was then responsible for privatization, stressed that when the IMF made its visits to Turkey, the questions concerning the privatization were constantly inquired.³⁸⁸ Prime Minister Erdoğan defended the IMF policies by stating that it is the governments who ask for loans, therefore it is the right of the IMF to set conditionalities to ensure that the debt will be paid back. He castigated the

³⁸⁵ Ibid.

³⁸⁶ Yeldan, “Assessing the Privatization Experience.”

³⁸⁷ “Savaş Petkimi Çökertebilir,” *Milliyet.com.tr*, October 18, 2002, <http://www.milliyet.com.tr/savas-petkimi-cokertebilir/ekonomi/haberdetayarsiv/18.03.2010/62682/default.htm?ver=73>.

³⁸⁸ “Özelleştirmede Cezai Sorumluluk Kalkacak,” *Milliyet.com.tr*, February 12, 2003, <http://www.milliyet.com.tr/ozellestirmede-cezai-sorumluluk-kalkacak/ekonomi/haberdetayarsiv/18.03.2010/2527/default.htm?ver=71>.

opponents of the IMF program and privatization by stating that “to be against the IMF means living in another galaxy.” He added that “unfortunately, there are remnants of the communist world in Turkey.”³⁸⁹ These statements clearly indicate how the AKP has made use of external commitments and globalization to legitimate its actions once more. It has tried to portray the attempts to privatize strategic SEEs as requirements to keep up with the globalizing world as if those were not deliberate acts. In this context, “otherizing” the opponents of privatization and the IMF policies via calling them as communists who live in another galaxy has been a useful tool.

As expected, the workers did not fall into line with their prime minister; and protested the privatization of PETKİM by impeding the visits of the potential buyers.³⁹⁰ In order to mitigate the apprehensions of the workers, Abdüllatif Şener declared that they were going to give employment guarantee to the workers of the enterprises, which were going to be privatized, including PETKİM.³⁹¹

Eventually, in January 2003, the PA announced the call for tender for the block sale of 88.86 percent of the shares of PETKİM, which had been ranked among the top 10 in Istanbul Chamber of Industry’s (İSO) “Turkey's Top and Second 500 Industrial Enterprises” list for many years. The tender was held on June 6th, 2003 and the companies that attended the tender were: Zorlu-Sanko partnership, Vakıfbank, which is a public bank established in 1954, Standart Kimya, which was owned by Uzan Group that was then one of the largest multi-sector conglomerates in Turkey. Ultimately, Standard Kimya won the tender with its offer amounting to USD 605 million, whose 40 percent was going to be paid in advance and the remaining 60 percent would be paid in three installments in three years. Right after winning the tender, Kemal Uzan, the Chairman of the Board of Directors of Rumeli Holding, the

³⁸⁹ “Petkim Değerinin Çok Altında,” *Milliyet.com.tr*, June 10, 2003, <http://www.milliyet.com.tr/petkim-degerinin-cok-altinda/ekonomi/haberdetayarsiv/18.03.2010/13001/default.htm?ver=99>.

³⁹⁰ “Petkim'in Görücülerini Düdükle Kovaladılar,” *Milliyet.com.tr*, May 29, 2003, <http://www.milliyet.com.tr/petkim-in-goruculerini-dudukle-kovaladilar/ekonomi/haberdetayarsiv/18.03.2010/11982/default.htm?ver=70>.

³⁹¹ “Özelleştirmede İşçilere, İş Garantisi,” *Milliyet.com.tr*, February 8, 2003, <http://www.milliyet.com.tr/ozellestirmede-iscilere--is-garantisi/ekonomi/haberdetayarsiv/18.03.2010/2146/default.htm?ver=02>; Yeldan, “Assessing the Privatization Experience.”

conglomerate of Uzan Group, stated that he did not know whether they would lay off workers; however they would give salary bonus.³⁹²

It goes without saying that the workers protested the block sale of PETKİM to Uzan Group. Especially the contract price led to harsh criticisms stating that the enterprise, which was worth to USD 7 billion and made a profit of TRY 20 trillion in 2002, was sold for an amount lower than its turnover of the previous year.³⁹³ Petrol-İş criticized the sale by arguing that after paying 40 percent of the contract price in advance, only a debt of USD 242 million was going to be left. Therefore, when the cash held by PETKİM was taken into consideration, Uzan Group was going to pay only USD 90 million.³⁹⁴

The market value of PETKİM was USD 1.1 billion, whereas the offer of Uzan Group for 88.86 percent of PETKİM's shares was only USD 605 million, meaning that the offer for the whole enterprise would amount to USD 680 million, which was nearly half of the market value of PETKİM.³⁹⁵ PETKİM's turnover was TRY 962 trillion in 2002, whereas the offer of Uzan Group was only TRY 863 trillion, thus even below the turnover of PETKİM. Besides, the evaluation made by the consulting firm hired by the PA, Trichem Consultants, estimated the value of PETKİM as USD 3.2 billion.³⁹⁶

³⁹² "Petkim'e En Yüksek Fiyatı Uzanlar Verdi," *Milliyet.com.tr*, June 7, 2003, <http://www.milliyet.com.tr/petkim-e-en-yukse-fiyati-uzanlar-verdi/ekonomi/haberdetayarsiv/18.03.2010/12747/default.htm?ver=63>.

³⁹³ "Tayyip'i Alana Unakitan Bedava," *Milliyet.com.tr*, June 7, 2003, <http://www.milliyet.com.tr/-tayyip-i-alana-unakitan-bedava-/ekonomi/haberdetayarsiv/18.03.2010/12756/default.htm?ver=70>.

³⁹⁴ "Petkim'in Satışı 900 Milyon Doların Altında Yapılmamalı," *Milliyet.com.tr*, June 18, 2003, <http://www.milliyet.com.tr/petkim-in-satisi-----milyon-dolarin-altinda-yapilmamali/ekonomi/haberdetayarsiv/17.03.2010/13671/default.htm?ver=62>.

³⁹⁵ "Petkim Değerinin Çok Altında," *Milliyet.com.tr*, June 10, 2003, <http://www.milliyet.com.tr/petkim-degerinin-cok-altinda/ekonomi/haberdetayarsiv/18.03.2010/13001/default.htm?ver=99>.

³⁹⁶ "Fiyatı Tartışılıyor," *Milliyet.com.tr*, June 8, 2003, <http://www.milliyet.com.tr/fiyati-tartisiliyor/ekonomi/haberdetayarsiv/18.03.2010/12839/default.htm?ver=03>.

It was not only the workers who were against the block sale of 88.86 percent of PETKİM's shares to Uzan Group for USD 605 million. The President of Turkish Chemical Manufacturers Association (TKSD) underscored that though they were not against the privatization of PETKİM, they believed that the enterprise should not be sold for an amount below USD 900 million. He added that PETKİM should be sold to foreign capital as it needed USD 2 billion for the modernization of its plants.³⁹⁷ These statements reveal that the domestic capitalist groups were supportive of the sale of PETKİM even to foreign capital while the only concern was the contract price of the tender.

Deniz Baykal, the former leader of the CHP, criticized the attempt to sell a strategic enterprise to a company that had disregarded the concession agreement.³⁹⁸ Metin Kilci, on the other hand, said that he 'wished' the amount was between USD 1 billion and 5 billion.³⁹⁹ Even Erdoğan stated that the offer was far below the value of PETKİM.⁴⁰⁰ As a matter of fact, it was apparent from the beginning that the tender would be cancelled when the statements of the Prime Minister are taken into consideration. While he was inviting the Malaysian businessmen to the tenders of the enterprises that were going to be privatized, he included PETKİM, whose tender had already been held.⁴⁰¹ Therefore, after the Ministry of Energy and Natural Resources confiscated the Çukurova Elektrik (ÇEAŞ) and Kepez Elektrik, (electricity generation, transmission and distribution companies that were established by the state and private sector investments in 1950s) which were owned by Rumeli Holding that is a conglomerate of Uzan Group, on the grounds that they disregarded the concession

³⁹⁷ "Petkim'in Satışı," *Milliyet.com.tr*.

³⁹⁸ *Ibid.*

³⁹⁹ "Petkim'de Gönülden Geçen 1 Milyar Dolar," *Milliyet.com.tr*, June 11, 2003, <http://www.milliyet.com.tr/petkim-de-gonulden-gecen---milyar-dolar/ekonomi/haberdetayarsiv/18.03.2010/13083/default.htm?ver=83>.

⁴⁰⁰ "Petkim Değerinin Çok Altında," *Milliyet.com.tr*.

⁴⁰¹ "İhalesi Yapılmış Petkim'e Yabancıyı Çağırıldı," *Milliyet.com.tr*, June 15, 2003, <http://www.milliyet.com.tr/ihalesi-yapilmis-petkim-e-yabanci-yi-cagirdi/ekonomi/haberdetayarsiv/18.03.2010/13430/default.htm?ver=82>.

agreement,⁴⁰² the controversy concerning the block sale of PETKİM to Uzan Group exacerbated, which led to the anticipation that the block sale was going to be cancelled.⁴⁰³ Baykal criticized selling a strategic enterprise to a company whose establishments- which were indeed transferred to it by the state in 1993- were confiscated by the Ministry of Energy and Natural Resources.⁴⁰⁴ Notwithstanding, both the CA and the PHC approved the sale of PETKİM to Uzan Group.⁴⁰⁵ These approvals were interpreted by Meral Tamer, who is a columnist for the daily Milliyet, as an attempt to demonstrate that the privatization in Turkey would continue in objective conditions, leaving political issues aside. Thus, approving the sale of PETKİM to Uzan Group, among the owners of which was Cem Uzan (the leader of the Genç Party, which is a political party, showing a harsh opposition against the AKP) was a proof of this.⁴⁰⁶ Petrol-İş concurred with this idea by arguing that the government attempted to sell PETKİM to its political rival to show that it was brave while the workers protested the approval of the sale of PETKİM to Standart Kimya by the PHC.⁴⁰⁷ The statement of Abdullah Gül, who was then the Minister of Foreign Affairs, that despite the claims that PETKİM would not be sold to Uzan family, they sold the enterprise to the company that made the highest offer in the tender, which was Standart Kimya, on the grounds that the interest of the country is a different issue than

⁴⁰² “Çukurova ve Kepez'e El Kondu,” *Milliyet.com.tr*, June 13, 2003, <http://www.milliyet.com.tr/cukurova-ve-kepez-e-el-kondu/ekonomi/haberdetayarsiv/18.03.2010/13247/default.htm?ver=46>.

⁴⁰³ Ibid.

⁴⁰⁴ “Petkim'in Satışı,” *Milliyet.com.tr*.

⁴⁰⁵ “ÖYK, Petkim'in Satışını Onayladı,” *Milliyet.com.tr*, July 1, 2003, <http://www.milliyet.com.tr/oyk--petkim-in--satisini-onayladi/ekonomi/haberdetayarsiv/17.03.2010/14809/default.htm?ver=37>; “Petkim İhalesine Rekabet Vizesi,” *Milliyet.com.tr*, June 25, 2003, <http://www.milliyet.com.tr/petkim--ihalesine-rekabet-vizesi/ekonomi/haberdetayarsiv/17.03.2010/14306/default.htm?ver=09>.

⁴⁰⁶ Meral Tamer, “Hükümete Petkim İçin Aferin,” *Milliyet.com.tr*, July 2, 2003, <http://www.milliyet.com.tr/hukumete-petkim-icin-aferin/meral-tamer/ekonomi/yazardetayarsiv/17.03.2010/14955/default.htm?ver=88>.

⁴⁰⁷ “Petkim'de Satış Eylemi,” *Milliyet.com.tr*, July 2, 2003, <http://www.milliyet.com.tr/petkim--de-satis-eylemi/ekonomi/haberdetayarsiv/17.03.2010/14893/default.htm?ver=78>.

politics, in a way justified these claims.⁴⁰⁸ Selling PETKİM to its political rivals would certainly portray the privatization as a purely economic and technical issue free of any political gains, which would increase the credibility of the government in the eyes of the public.

The protests of the workers of PETKİM were criticized by Salih Esen, who was then the Chairman of the Board of Directors of Aegean Region Chamber of Industry (EBSO), on the grounds that they caused difficulties for the plastics industrialists,⁴⁰⁹ which was a typical neo-liberal point of view.

When however Standart Kimya failed to fulfill the obligations set by the PHC in certain period of time, the tender was cancelled and the bid bond of Standart Kimya was forfeited.⁴¹⁰

Kemal Unakitan was optimistic about the second tender of PETKİM. He stated that they were engaged in active marketing for the tender of PETKİM and he added that they were contacting foreign companies in this context.⁴¹¹ Therefore, the AKP was again favoring foreign capital over the domestic capital. However, things did not work out as Unakitan had expected. The tender process of 88.86 percent of PETKİM's shares via block sale was re-opened on August 26th, 2003; however, as a result of insufficient number of bids, the tender was cancelled.⁴¹² What is more, PETKİM declared that it made a loss of TRY 215.5 trillion in 2003.⁴¹³

⁴⁰⁸ "Ülke Menfaati Farklı Siyaset Farklı İştir," *Milliyet.com.tr*, July 13, 2003, <http://www.milliyet.com.tr/-ulke-menfaati-farkli--siyaset-farkli-istir-/ekonomi/haberdetayarsiv/17.03.2010/15739/default.htm?ver=32>.

⁴⁰⁹ "Petkim'de Satış Eylemi," *Milliyet.com.tr*.

⁴¹⁰ Republic of Turkey Prime Ministry Privatization Administration, "Portfolio: PETKİM Petrokimya Holding A.S.," http://www.oib.gov.tr/portfoy/petkim/petkim_index_eng.htm.

⁴¹¹ "Petkimde Müşterinin Ayağına Kadar Gittiler," *Milliyet.com.tr*, September 6, 2003, <http://www.milliyet.com.tr/petkimde-musterinin-ayagina-kadar-gittiler/ekonomi/haberdetayarsiv/17.03.2010/17624/default.htm?ver=45>.

⁴¹² Republic of Turkey Prime Ministry Privatization Administration, "Portfolio: PETKİM."

⁴¹³ "Değerli TL Petkime Yaramadı," *Milliyet.com.tr*, April 6, 2004, <http://www.milliyet.com.tr/degerli-tl-petkime-yaramadi/ekonomi/haberdetayarsiv/17.03.2010/31511/default.htm?ver=34>.

Following the failure in the block sale, the PA decided to sell part of the shares of PETKİM via public offering. Osman İlter, the Vice President of the PA and Kenan Yavuz, the General Manager of PETKİM, underscored that although it had made a loss of TRY 215 trillion in 2003, it recovered owing to investments amounting to TRY 100 trillion and as a result, made a profit of TRY 81 trillion in six-months period. Therefore, they pointed out that PETKİM was much more valuable than it had been in the previous years.⁴¹⁴ This means that the government was ready to transfer the public wealth to the upper classes of possibly the Northern countries as it made clear that it preferred foreign capital.

The public offering of 34.5 percent of PETKİM's shares was completed on April 2005.⁴¹⁵ 71.5 percent of the shares were purchased by foreign institutional investors. Metin Kilci declared that the total net revenue raised was USD 267 million.⁴¹⁶ Nevertheless, the government was insistent on the block sale of PETKİM.

PETKİM made an investment amounting to USD 400 million, all of which was financed by its own resources. Owing to this investment, the production capacity exceeded three million tons and as a result, the turnover rose to USD 1.6 billion, while its profit rose to TRY 197 million in 2006.⁴¹⁷ Kemal Unakıtan tried to justify increasing investments prior to the privatization of PETKİM via making use of the neo-liberal argumentation that the more the enterprise grows, the more valuable it will become, resulting in higher revenue raised from its sale.⁴¹⁸ As a matter of fact, it is this

⁴¹⁴ "Petkimde İkinci Randevu," *Milliyet.com.tr*, November 6, 2004, <http://www.milliyet.com.tr/petkimde-ikinci-randevu/ekonomi/haberdetayarsiv/17.03.2010/93964/default.htm?ver=81>.

⁴¹⁵ Republic of Turkey Prime Ministry Privatization Administration, "Portfolio: PETKİM."

⁴¹⁶ "Petkim'de, 267 Milyon Dolarlık Arz," *Milliyet.com.tr*, April 19, 2005, <http://www.milliyet.com.tr/petkim-de-----milyon-dolarlik-arz/ekonomi/haberdetayarsiv/17.03.2010/112524/default.htm?ver=29>.

⁴¹⁷ G ng r Uras, "Petkim K t  Deęil, İyi Bir KİT idi (Satın Alan Hayrını G recek)," *Milliyet.com.tr*, July 6, 2007, <http://www.milliyet.com.tr/petkim-kotu-degil--iyi-bir-kit-idi--satin-alan-hayrini-gorecek-/gungor-uras/ekonomi/yazardetayarsiv/17.03.2010/204984/default.htm?ver=86>.

⁴¹⁸ "Unakıtan: B y terek  zelleřtireceęiz," *Milliyet.com.tr*, February 8, 2005, <http://www.milliyet.com.tr/unakitan--buyuterek-ozellestirecegiz/ekonomi/haberdetayarsiv/17.03.2010/104277/default.htm?ver=61>.

effective use of neo-liberal discourse that has made the AKP a successful agent of accumulation by dispossession. The increase in investments to the SEE that is going to be privatized is a significant form of state redistribution; via investing to such SEEs, the public wealth is transferred to the capitalist group that ultimately acquires the SEE.

The tender of 51 percent of PETKİM's shares, 44 percent of which were owned by the PA and 7 percent of which were owned by The Republic of Turkey, State Pension Fund was announced on March 16th, 2007 and eventually, this last tender was held on July 5th.⁴¹⁹ The eight companies that attended the tender were: Carmel-Limak Consortium (formed by Limak Holding and Carmel Olefins that is a subsidiary of Oil Refineries, which is the largest petrochemical company of Israel, one of the major shareholders of which is Ofer family), TransCentralAsia Petrochemical Holding Consortium (formed by Troika Dialog, which is a Russian investment bank and two Kazakh companies, namely Caspi Neft and Investment Industrial Group Eurasia), Zorlu Holding, Hokan Chemicals Consortium (a consortium formed by Yıldız Holding (Ülker), Ak Girişim (Akkök) and Anadolu Endüstri), Çalık-IOCL Consortium (formed by Çalık Holding and Indian Oil Corporation Limited), Naksan-Torunlar-Toray-Kiler Consortium (a consortium led by Naksan, which was the one of the biggest clients of PETKİM), Fırat Plastik Kauçuk Sanayi ve Ticaret A.Ş. (one of the leading construction material manufacturers in Turkey), and Socar&Turcas-Injaz Consortium (formed by Azerbaijani petroleum company, Socar, Turcas Petrol, which was established in 1988 by British Burmah Castrol and the joint stock company formed by Türkp petrol and Lubricant Oils, and the Saudi Arabian investment company, Injaz Projects Company Limited). The TransCentralAsia Petrochemical Holding Consortium won the tender with its offer of USD 2.05 billion, which was nearly three times higher than PETKİM's market value and six times higher than the contract price of the first tender. This indicates that if the sale of PETKİM had been realized in the first tender through the neo-liberal argumentation that the market should determine the value of a company, PETKİM would have been sold for a much lower contract price.

Nevertheless, Mustafa Öztaşkın, the President of Petrol-İş, declared that they were going to try their best to impede the transfer of PETKİM's shares to foreign companies, whose partnership structure was not transparent. He added that nobody

⁴¹⁹ Republic of Turkey Prime Ministry Privatization Administration, "Portfolio: PETKİM."

gave any information about the TransCentralAsia Petrochemical Holding Consortium. Accordingly, the workers protested the sale of PETKİM to this ‘mysterious’ company.⁴²⁰ Once more, instead of protesting the privatization of a strategically important SEE, the workers were questioning the acquirers of the enterprise. In addition, Salih Kılıç, the president of Türk-İş (Confederation of Turkish Trade Unions) criticized the block sale of PETKİM just two weeks before the general elections.⁴²¹

One of the most controversial issues concerning the block sale was the ambiguity about the major shareholders of the companies forming the consortium. The consortium had three main partners; Russian bank Troika Dialog, the strategic investors Kazakh Caspi Neft and Investment Industrial Group Eurasia, while Kazakh Bank TuranAlem, which was one of the largest Kazakh banks, was the consulting firm. The consortium did not give any details about the payment method. Although it was stated that it was the strategic investor and Kazakh, it was later revealed that Caspi Neft was owned by the U.S.-Houston based Transmeridian Exploration Incorporated, whose market value was only USD 187 million. It was further claimed that the main financier behind Investment Industrial Group Eurasia was TuranAlem which was established in 1953 as the "Sugar Beet Cooperative Bank" and had acquired 33.98 percent of the shares of Şekerbank before. The nontransparent partnership structure of TuranAlem had been criticized,⁴²² besides the financial difficulties the Bank was facing which would be exacerbated by the sale of PETKİM.⁴²³ Another allegation was that Russian Troika Dialog is one of the biggest financial resources of the Armenian diaspora and Ruben Vardanian, who held 65

⁴²⁰ “Alıcı İki Kazak Bir Rus,” *Milliyet.com.tr*, July 6, 2007, <http://www.milliyet.com.tr/alici-iki-kazak-bir-rus/ekonomi/haberdetayarsiv/17.03.2010/204897/default.htm?ver=46>.

⁴²¹ “Petkim İşçisi Bir Kez Daha Eylem Yaptı,” *Cumhuriyet*, July 5, 2007.

⁴²² “Alıcı İki Kazak Bir Rus,” *Milliyet.com.tr*.

⁴²³ Metin Münir, “Sahibi Belli Değil Şirketler Çemberinde Petkim,” *Milliyet.com.tr*, October 6, 2007, <http://www.milliyet.com.tr/sahibi-belli-degil-sirketler-cemberinde-petkim/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/216706/default.htm?ver=34>.

percent of Troika's shares, was one of the leading names of the Armenian lobby.⁴²⁴ Moreover, one of the four offices of Troika Dialog is at the Greek Side of Southern Cyprus, which caused controversies too.⁴²⁵ Besides, neither of the companies forming the consortium had any experience in petrochemical industry. Apparently, the only concern regarding the sale of PETKİM was the nationality of the acquirers; the claim that the acquirer company was financing the Armenian diaspora rubbed salt in the wound as the Turkish public was assumed to be extremely sensitive towards the Armenian issue.

The only political party supporting the sale of PETKİM to the Russian-Kazakh consortium was the AKP. All other parties had serious concerns regarding the block sale. Both the CHP and the MHP criticized the rush of the government in selling PETKİM just 16 days before the general elections. The timing of the tender caused it to be regarded as a 'shady' tender. The Democratic Party (DP) alleged that selling PETKİM to 'furtive' companies was not privatization, but crony capitalism.⁴²⁶ Besides, the ambiguity about the partners of the companies purchasing the shares led to harsh criticisms.⁴²⁷

Rifat Hisarcıkıoğlu, who had led the "Erdemir Consortium" with the aim of overcoming the problem of being mere subcontractors, criticized the increasing hostility against foreign capital after the privatizations,⁴²⁸ while Kemal Unakıtan stated

⁴²⁴ "Petkim Satışına ÖYK'dan Onay," *Milliyet.com.tr*, November 23, 2007, <http://www.milliyet.com.tr/petkim-satisina-oyk-dan-onay/ekonomi/haberdetayarsiv/17.03.2010/224293/default.htm?ver=13>.

⁴²⁵ Metin Münir, "Troika Dialog, Kıbrıs Rum Kesimi'nde Ne Yapıyor?," *Milliyet.com.tr*, August 1, 2007, <http://www.milliyet.com.tr/troika-dialog--kibris-rum-kesimi-nde-ne-yapiyor-/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/208427/default.htm?ver=52>.

⁴²⁶ "Ağar: Özelleştirme Değil Eşi Dostu Güzelleştirme," *Milliyet.com.tr*, July 14, 2007, <http://www.milliyet.com.tr/agar--ozellestirme-degil-esi-dostu-guzellestirme/siyaset/haberdetayarsiv/17.03.2010/205919/default.htm?ver=72>.

⁴²⁷ "Muhalefetten Petkim Eleştirisi," *Milliyet.com.tr*, July 7, 2007, <http://www.milliyet.com.tr/muhalefetten-petkim-elestirisi/ekonomi/haberdetayarsiv/17.03.2010/205040/default.htm?ver=83>; "Seçim Öncesi Stratejik Hata," *Cumhuriyet*, July 7, 2007.

⁴²⁸ "Varlıklar: Kazak Petrolü Çıkış Arıyor," *Milliyet.com.tr*, July 10, 2007, <http://www.milliyet.com.tr/varliker--kazak-petrolu-cikis-ariyor/ekonomi/haberdetayarsiv/17.03.2010/205433/default.htm?ver=87>.

that the nationality of the capital did not matter, therefore even if they were Armenians, if they had the money they could purchase the shares.⁴²⁹ Similar to this argument, the PA stated that it could not investigate the race or nationality of the capital.⁴³⁰ It is evident that the government was willing to sell PETKİM to foreigners, probably as a way to impede the strengthening of the domestic capital that was not allying with the AKP. The statement of Hisarcıklıoğlu, on the other hand, reveals how the capitalist class resident in Turkey changes its views concerning privatization depending on its interests.

Ultimately, the ambiguity regarding the partnership structure of the companies led Petrol-İş to fill a motion for stay of execution and bring a suit for annulment against the decision of the Tender Commission that allowed the sale of 51 percent of PETKİM's shares.⁴³¹

Fitch Ratings placed PETKİM on watch negative on the grounds that the contract price of the tender 181 percent higher than its stock exchange value, therefore TransCentralAsia Petrochemical would most probably be dependent on the cash flow of PETKİM in order to pay the debts from the purchase of the shares. Certainly, the ambiguity concerning the financial structure of the Russian-Kazakh consortium was another reason.⁴³² As a matter of fact, it was not possible to have detailed information about the financial structure of the companies in the post-Soviet space as capitalist economy was only 15 years old then.⁴³³

⁴²⁹ "Unakitan: Komünizmin Ağdalısıymışız," *Milliyet.com.tr*, July 18, 2007, <http://www.milliyet.com.tr/unakitan--komunizmin-agdalisiyimiz/ekonomi/haberdetayarsiv/17.03.2010/206391/default.htm?ver=55>.

⁴³⁰ "ÖİB: Sermayenin İrkını İncelemeyiz," *Milliyet.com.tr*, July 7, 2007, <http://www.milliyet.com.tr/oib--sermayenin-irkini-incelemeyiz/ekonomi/haberdetayarsiv/17.03.2010/205041/default.htm?ver=21>.

⁴³¹ "Petrol-İş, Danıştay'da Dava Açtı," *Milliyet.com.tr*, July 7, 2007, <http://www.milliyet.com.tr/petrol-is--danistay-da-dava-acti/ekonomi/haberdetayarsiv/17.03.2010/205042/default.htm?ver=89>.

⁴³² "Alıcıların Mali Gücü Hakkında Bilgi Yok," *Milliyet.com.tr*, July 8, 2007, <http://www.milliyet.com.tr/alicilarin-mali-gucu-hakkinda-bilgi-yok/ekonomi/haberdetayarsiv/17.03.2010/205168/default.htm?ver=84>.

⁴³³ *Ibid.*

Another criticism regarding the tender was the tender specifications, which stipulated that the buyer had to make an investment of only USD 150 million in three-year period. This amount was literally a drop in the bucket for PETKİM.⁴³⁴ In order to mitigate the criticisms, it was declared that the Kazakhstan state investment fund, Kazyna, was planning to be a partner of PETKİM. The consortium also announced that they were considering becoming partners with two Turkish companies as well. The investment amounting to USD 5 billion was another pledge of the consortium.⁴³⁵ On the other hand, it was claimed that the consortium would prefer making investment in building a refinery rather than an investment in petrochemicals, which is prone to be negatively affected by the fluctuations in petroleum prices.⁴³⁶

TransCentralAsia Petrochemical Holding authorized Credit Suisse First Boston (CSFB) to find funding to afford the contract price. The consortium was planning to finance at least half of USD 2.05 billion by getting loan. However, it was claimed that it could only find USD 400 million.⁴³⁷

Consequently, on October 16th, the PA decided to sell 51 percent of PETKİM's shares to the Azerbaijani-Turkish consortium, Socar&Turcas-Injaz Joint Venture Group, which made the second highest offer amounting to USD 2.04 billion, without stating any reason. However, it was claimed that the decision was taken on the account of the fact that the Kazakh-Russian partnership could not find funding for the purchase of the shares. Other claims concerning the reason behind selling PETKİM to the consortium that made the second highest offer was that Russian Troika Dialog is one of the biggest financial resources of the Armenian diaspora. Deciding to sell PETKİM to the consortium with the second highest offer at a time when the draft resolution on Armenian allegations was on the agenda of the U.S. House Committee

⁴³⁴ Tolgahan Özkan, "Petkim Nereye Gidiyor?," *BusinessWeek Türkiye*, May 27, 2007, 30.

⁴³⁵ Metin Münir, "Kazak Başbakan, Erdoğan'a Petkim İçin Mektup Yazdı," *Milliyet.com.tr*, July 14, 2007, <http://www.milliyet.com.tr/kazak-basbakan--erdogan-a-petkim-icin-mektup-yazdi/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/205969/default.htm?ver=24>.

⁴³⁶ Tolgahan Özkan, "Petkim'in Geleceği Karanlık," *BusinessWeek Türkiye*, July 15, 2007, 35.

⁴³⁷ "Petkim'de Kazaklara Finansman Şoku," *Milliyet.com.tr*, September 29, 2007, <http://www.milliyet.com.tr/petkim-de-kazaklara-finansman-soku/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/215715/default.htm?ver=29>.

on Foreign Affairs was considered to be a warning towards the Armenian diaspora in the US.⁴³⁸

The new buyers of PETKİM were perceived by many as the ideal buyers for this strategic company because first of all, Socar, which was established more than 150 years ago, is the owner of 25 percent of the shares of Baku–Tbilisi–Ceyhan pipeline and even before the privatization of PETKİM was on the agenda of the AKP, Turcas and Socar had started investigating a possible investment in a petroleum refinery and petrochemical plant in Turkey.⁴³⁹ Right after winning the tender, Socar declared that they were planning to make an investment for a refinery. It was also stated that Turkey had been importing petrochemical products to meet 75 percent of her demand; however, they were planning to decrease this amount to 30 percent as a result of their investments.⁴⁴⁰

This time the workers protested the sale of PETKİM on the grounds that it was illegal for Turcas to attend the tender because there had been a state tender ban on Turcas Petrol for a year as a consequence of giving false documents in a tender held by General Directorate of Highways. This technical rather than political objection developed by the workers shows that the privatization process as a whole is a field of class struggle where the workers learn new strategies of resistance through trial and error. As they realized that objecting privatizations of strategically significant and profitable SEEs on the grounds that they were against public interest was not availing, they decided to underscore the illegality of the tenders through technical language.

⁴³⁸ “Petkim'de Kazaklar Devre Dışı, İhale Azeri - Türk Ortaklığında,” *Milliyet.com.tr*, October 17, 2007, <http://www.milliyet.com.tr/petkim-de-kazaklar-devre-disi--ihale-azeri--turk-ortakliginda/ekonomi/haberdetayarsiv/17.03.2010/218290/default.htm?ver=84>.

⁴³⁹ Metin Münir, “Petkim'de Top Turcas ve Azerilerde,” *Milliyet.com.tr*, October 18, 2007, <http://www.milliyet.com.tr/petkim-de-top-turcas-ve-azerilerde/metin-munir/ekonomi/yazardetayarsiv/17.03.2010/218562/default.htm?ver=54>.

⁴⁴⁰ “Petkim'in Yeni Alıcısı Rafineri Kurmak İstiyor,” *Milliyet.com.tr*, October 18, 2007, <http://www.milliyet.com.tr/petkim-in-yeni-alicisi-rafineri-kurmak-istiyor/ekonomi/haberdetayarsiv/17.03.2010/218464/default.htm?ver=97>.

Consequently, the PA stated that there was no impediment to the partaking of Turcas in the tender.⁴⁴¹ Petrol-İş filed a motion for stay of execution of the tender specifications and the decisions of the PHC and the PA. Accordingly, the Plenary Session of the Administrative Law Divisions of the Council of State found the request of the Union apposite and consequently issued a stay of execution on the grounds that there was no public interest because PETKİM had been profiting with its increased capacity on account of the investments made and the increasing demand for petrochemical products.⁴⁴²

The stay of execution led to discontent for the EBSO, which was a supporter of the privatization of PETKİM. It even stated that the consequence of the annulment of the tender would be a disaster for the future of the plastics manufacturers.⁴⁴³ Furthermore, the President of the Turkish Plastics Industry Association (PAGEV) criticized the stay of execution, which was based on the decision that the block sale was against the public interest, on the grounds that the Turkish plastic industrialists have no gain in paying USD 7 billion annually for importing raw materials. According to PAGEV, as the private sector had not made investments because it could not compete with the state, the production of PETKİM had remained limited and this had led to the increase in imports. It was asserted that this was against public interest too.⁴⁴⁴

Ultimately, Petrol-İş's request of a stay of execution and annulment of the decision of the PHC to sell PETKİM to Socar&Turcas-Injaz Joint Venture Group was rejected by the 13th Chamber of the Council of State on the grounds that the joint

⁴⁴¹ "Petkim'de 'Yasaklı Şirket' Tartışması," *Milliyet.com.tr*, November 29, 2007, <http://www.milliyet.com.tr/petkim-de--yasakli-sirket--tartismasi/ekonomi/haberdetayarsiv/17.03.2010/225276/default.htm?ver=70>.

⁴⁴² "Danıştay: Petkim'in Satışında Üstün Kamu Yararı Yok," *Milliyet.com.tr*, January 12, 2008, <http://www.milliyet.com.tr/danistay--petkim-in-satisinda-ustun-kamu-yarari-yok/ekonomi/haberdetayarsiv/17.03.2010/233689/default.htm?ver=64>.

⁴⁴³ "Sanayiciler: Petkim'de Belirsizlik Artık Bitmeli," *Milliyet.com.tr*, January 4, 2008, <http://www.milliyet.com.tr/sanayiciler--petkim-de-belirsizlik-artik-bitmeli/ekonomi/haberdetayarsiv/17.03.2010/231945/default.htm?ver=41>.

⁴⁴⁴ Taha Akyol, "Türkiye'yi Yargı Yönetsin!," *Milliyet.com.tr*, January 26, 2008, <http://www.milliyet.com.tr/turkiye-yi-yargi-yonetsin-/taha-akyol/siyaset/yazardetayarsiv/17.03.2010/236037/default.htm?ver=87>.

venture group was formed by two companies, namely Socar&Turcas Enerji A.Ş. and IPCL Holding S.P.C, therefore the state tender ban on Turcas Petrol did not constitute an impediment for Socar&Turcas Enerji to attend the tender of PETKİM.⁴⁴⁵

On May 30th, 2008 the sales agreement for the transfer of 51 percent of PETKİM's shares to Socar&Turcas-Injaz Joint Venture Group was signed. The Joint Venture Group paid USD 1.660 billion of the contract price in advance.⁴⁴⁶

In October 2009, Kenan Yavuz, who was then the General Manager of PETKİM, declared that they were planning an investment of USD 5 billion for the next five years. He added that they were increasing employment as well, despite the economic crisis.⁴⁴⁷ In the year 2009, PETKİM made a profit of TRY 114 million with net sales amounting to TRY 2 billion. The gross production was 2.9 million tons and the exports amounted to USD 347 million.⁴⁴⁸ Privatizing such a profitable SEE clearly reveals the success of the AKP in redistributing the wealth of the masses to the capitalist class, in this case to the foreign capital.

In May 2010, Socar&Turcas announced that they relinquished the refinery project in Ceyhan for the reason that their priority was PETKİM refinery. It was also declared that their investment plan in Aliğa included a port as well and the expectation was that these investments would generate employment for ten thousand people. Another project was building a power station.⁴⁴⁹

⁴⁴⁵ "Danıştay'dan Petkim Özelleştirmesine Vize," *Milliyet.com.tr*, March 25, 2008, <http://www.milliyet.com.tr/-/ekonomi/sondakikaarsiv/17.03.2010/509260/default.htm?ver=28>.

⁴⁴⁶ "Ekonomide Yılın Olayları – II," *Milliyet.com.tr*.

⁴⁴⁷ "Petkim'e Özel Statü Ege'yi Uçurur," *Milliyet.com.tr*, October 25, 2009, <http://www.milliyet.com.tr/petkim-----vob-a-bedel/eg/haberdetayarsiv/17.03.2010/1154206/default.htm?ver=67>.

⁴⁴⁸ "Ceyhan'dan Vazgeçti, Petkim'e 5 Yılda 5 Milyar Dolar Yatıracak," *Milliyet.com.tr*, March 17, 2010, <http://www.milliyet.com.tr/ceyhan-dan-vazgecti-petkim-e-5-yilda-5-milyar-dolar-yatiracak/ekonomi/haberdetayarsiv/17.03.2010/1212488/default.htm?ver=20>.

⁴⁴⁹ Ibid.

CHAPTER 4

CONCLUSION

The privatization process has been an important aspect of the neo-liberal transformation in Turkey, which was launched by the January 24 measures. The pace of privatization in Turkey has been gradual compared to the shock-therapies implemented in the so-called transition economies in the 1990s. Until the AKP came to power in Turkey, except the sale of POAŞ, only small and medium-scale privatizations had been realized. This might be explained by the general unwillingness of the coalition governments for the privatization of large and profitable SEEs, which, if attempted, would have created unrest among coalition partners. The DYP-SHP coalition formed in 1993 was an example of such an intra-coalition controversy though DYP's leader Tansu Çiller, who was then the Prime Minister, was one of the most dedicated figures in Turkish politics in the 1990s in favor of privatizations as she attempted to privatize the T (telephone) of PTT in order to pay state debts. The coalition government of DSP and MHP, which proceeded in the privatization of POAŞ, was forced to do this due to the severe economic crisis and under the close guidance of the IMF.

The historical overview of the privatization history of Turkey in Chapter 2 indicates that economic crises have also been significant instances in the process of privatization. Hence, the 1994 currency crisis, increasing the leverage of the IMF and the EU in economic management, paved the way for the construction of necessary institutions such as the Privatization High Council, the Privatization Administration, and the Competition Authority (CA) for the regulation of the privatization process. The crisis atmosphere of the late 1990s and early 2000s forced governments to proceed in the privatization of large-scale SEEs, while the 2001 crisis have totally transformed the political atmosphere in favor of neo-liberalism, and hence privatizations of profitable SEEs, by the interventions of Kemal Derviş first, and the AKP after 2002 later.

The study of the five privatization cases analyzed in Chapter 4, namely POAŞ, Türk Telekom, TÜPRAŞ, ERDEMİR and PETKİM, all of which were completed by the AKP Government, reveals that the privatization experience in Turkey has been supportive of Harvey's argument of "accumulation by dispossession" which he identifies for many other countries as well. The evidence for this can be summarized as follows:

- Despite the heavy emphasis made on the economic necessity of privatizations on the basis of investment and/or efficiency requirements that would ultimately contribute to the well-being of state budget, the privatization of the five large SEEs indicate that investments made prior to privatizations and the ultimate tender prices which meant maximum two years of profit of the SEE concerned invalidate any such economic reasoning. For the ultimate cost-benefit analysis would possibly indicate a net cost for the state in monetary terms.
- Despite the rhetoric of transparency, all the privatizations examined led to various corruption claims, the invalidity of which could not be fully proved, or even investigated.
- Regardless of which company with what sort of an origin has acquired these enterprises, the above points indicate that the ultimate losers have been the laboring classes in general which have to be served by a poorer state in need of finance, hence under the discipline of capital, rather than labor.
- Besides this indirect affect, the laboring classes have been directly affected and "dispossessed" by those privatizations for at worst unemployment, at best lower real wages have what they got out of the whole process.

These are conclusions which are possibly not specific to the Turkish case though a comparative analysis among different country examples has been beyond the scope of this thesis, and hence not investigated. What the thesis has aimed to do, however, is to identify the historically specific characteristics of the privatizations of large-scale SEEs in Turkey through a detailed examination of the selected privatization cases. A general overview of this investigation provides us with some common tendencies observed in all of these cases, which needs to be problematized from a critical Marxist

point of view. Hence, the accumulation by dispossession within the Turkish context has been rendered possible through various strategies such as: effective use of neo-liberal arguments and the discourse of external commitments; the reproduction of neo-liberal discourse through the articulation of nationalistic concerns as evidenced in the celebration of “national” companies rather than “foreign” ones as final buyers; the functioning of domestic capital groups as subcontractors to large multinationals when possible; the transformation of state monopolies into private monopolies; and learning through trial and error by both the opponents and supporters of privatization which ultimately equipped the government better in pursuing its own political agenda through the privatization process. These strategies will be problematized in sequence below.

4.1) The Effective Use of Neo-liberal Arguments and the Discourse of External Commitments

The active use of neo-liberal discourse by the state and the capitalist groups, such as TÜSİAD has been a key strategy in dispossessing the laboring classes via the privatization of the SEEs. A common feature of the five privatization cases is the increase of investment prior to the sale of the enterprise. As Chang points out however, “if the performances of PEs [Public Enterprises] can be improved under public ownership, there is no efficiency reason to sell them.”⁴⁵⁰ A more political interpretation can be attained by Harvey’s concept of “accumulation by dispossession” for increasing investment prior to the sale of a SEE simply means the transfer of public resources to the capitalist groups acquiring those enterprises. As it is observed in the previous chapter, through a very typical neo-liberal argumentation, the AKP justified this action on the grounds that no one will buy an unprofitable enterprise and via increasing investment, the SEE will become more valuable, thus the revenue raised from its sale will be much higher. In addition, the AKP government has tried to legitimate the privatization of the most profitable SEEs of Turkey through the neo-

⁴⁵⁰ Chang, *Role of the State*, 229.

liberal argument that the main aim of the privatization is to relieve the burden on the state, eliminate the barriers for the entry of the private sector, and increase employment.⁴⁵¹ When the low contract price of a tender was criticized, it has been justified by the argument that the price was correctly formed in market conditions.⁴⁵² The response of Erdoğan to the accusations concerning the sale of profitable enterprises to foreign capital was that the AKP favored privatization because they embraced an understanding of a strong and active state, which is fulfilling its fundamental functions accurately.⁴⁵³ The AKP has also tried to use the neo-liberal discourse to justify its privatization attempts through “otherizing” the opponents of privatization via calling them “communists.”⁴⁵⁴

Needless to say, it was not only the government that has used the neo-liberal discourse actively; also the domestic capitalist groups have tried to justify the sales of the strategic and profitable SEEs through neo-liberal argumentations. The criticism of the Chairman of the Board of Directors of Aegean Region Chamber of Industry that the protests of the workers of PETKİM against the privatization of the enterprise was causing difficulties for the plastics industrialists,⁴⁵⁵ is a typical instance in this context.

The continuous reproduction of the separation of the political and the economic via portraying the market as an efficient and neutral sphere, whereas the political field is portrayed as partisan and rent-seeking has aimed to make the public perceive privatization as a purely economic and technical issue under the control of technocratic decision-making.⁴⁵⁶ The AKP has justified the privatizations of strategic and profitable SEEs by claiming that these enterprises are operating inefficiently due to the rent-seeking behavior of the managers. However, the continuous corruption

⁴⁵¹ “Şener: Özelleştirme Devlet Politikasıdır,” *Milliyet.com.tr*, July 25, 2005, <http://www.milliyet.com.tr/sener--ozellestirme--devlet-politikasidir/ekonomi/haberdetayarsiv/20.03.2010/125227/default.htm?ver=65>.

⁴⁵² “Tüpraş İhalesinde Düzgün Fiyat,” *Milliyet.com.tr*.

⁴⁵³ “Kırvesi mi Akıllı, Erdoğan mı?,” *Milliyet.com.tr*.

⁴⁵⁴ “Petkim Değerinin Çok Altında,” *Milliyet.com.tr*.

⁴⁵⁵ “Petkim'de Satış Eylemi,” *Milliyet.com.tr*.

⁴⁵⁶ Burnham, “Modern Economic Management,” 22.

claims against the AKP and its technocrats have certainly damaged the neutrality claim that the government has been trying to propose. Most of the large-scale privatizations were realized under the presidency of Metin Kilci, who was accused of many corruption engagements, including the Tüpraş scandal. He was granted a great leverage over key privatizations. The adherence to the principles of the PWC that puts emphasis on effective institutions led to the increased power of the PA, too. Corruption is not a new phenomenon for Turkey, however, contrary to the neo-liberal claim that neo-liberal agenda is the cure for this problem, corruption claims during the privatization process have invariably increased. In this respect, it has been even claimed that privatizations “have provided the AKP with a chance to enhance its power base by transferring wealth from the state to Islamist business groups on a selective basis, so that corruption has increased, rather than decreased, during its rule.”⁴⁵⁷ The close relations among the AKP and the “green capital”, has led to accusations of corruption concerning the tenders. Especially, the sale of Türk Telekom to the Middle Eastern capital, which has close relations with Erdoğan, for an amount that was nearly equal to two-year profit of this strategic SEE, was harshly criticized.

It was also perplexing that the AKP government has belied concerning the performance of the SEEs. While it was justifying the sale of the strategic SEEs, it claimed that the enterprises require technology transfer and need investment without utilizing the limited public resources. For that reason, core investors that were assumed to be experienced and have a strong financial structure could have provided these and would have also helped in developing competition. However, at the same time the government during the marketization process stated that the enterprises did not require any investment, as it would be much more difficult to sell the enterprises subject to investment requirements. Besides, a great portion of the revenues raised from privatizations were spent to realize other privatizations, thus only a small amount was ultimately transferred to the Treasury,⁴⁵⁸ which means that the state has not made profit from privatization. In this context, Chang underscores that the costs of “flotation

⁴⁵⁷ Pınar Bedirhanoglu, “The Neoliberal Discourse on Corruption as a Means of Consent Building: Reflections from Post-crisis Turkey,” *Third World Quarterly* 28, no. 7 (2007): 1247.

⁴⁵⁸ Yaman Törüner, “Asıl Özelleştirilmesi Gereken Özelleştirmenin Kendisi,” *Milliyet.com.tr*, June 16, 2003, <http://www.milliyet.com.tr/asil-ozellestirilmesi-gereken-ozellestirmenin-kendisi/yaman-toruner/ekonomi/yazardetayarsiv/18.03.2010/13578/default.htm?ver=29>.

and underwriting for the shares of the PEs” and the costs involved in valuing the PEs make privatization a highly costly business.⁴⁵⁹ When the facts that all of these SEEs were, after all, highly profitable enterprises and the acquirers made a great deal of profit after their block sales are taken into consideration, it can be argued that the government had a political rather than economic incentive for privatizations which ultimately transferred public wealth to the upper classes as well as to abroad.

Analogous to Burnham’s argument, the AKP government has used “the language of external commitments and globalization”⁴⁶⁰ to justify the privatizations of the state monopolies. The AKP tried to get over its weaknesses vis-à-vis particularly the TSK by fully getting the external support of the US and the EU. In this vein, the AKP used the IMF and the EU as anchors, more than ever.⁴⁶¹ Accordingly, the pressure of the IMF and the EU had a substantial role concerning the privatizations of large-scale SEEs in Turkey. As mentioned in the previous chapter, right after the signature of the eighteenth stand-by agreement with the IMF, which put a great emphasis on the privatization of large-scale enterprises, the government had to accelerate the privatization process. The statement of the IMF’s Turkey Representative, Hugh Bredenkamp, that privatizations were vital for the program’s success, hence the privatizations of ERDEMİR, TÜPRAŞ and Türk Telekom had to be realized to be able to conclude that the program achieved success,⁴⁶² and the emphasis put on the privatizations of large-scale SEEs in the letters of intent can be given as instances that manifest the pressure of the IMF and accordingly, the use of external commitments by the government. Moreover, while one of the important AKP politicians of the time, Abdüllatif Şener, stressed that when the IMF made its visits to Turkey, the questions concerning the privatization were constantly inquired,⁴⁶³ Erdoğan defended the IMF policies by stating that it was the governments who asked for loans, therefore it was the right of the IMF to set conditionalities to ensure that the

⁴⁵⁹ Chang, *Role of the State*, 229-30.

⁴⁶⁰ Burnham, “Modern Economic Management,” 19.

⁴⁶¹ Bedirhanoğlu, “Otoriter Devletin AKP’li Yüzü,” 51.

⁴⁶² “Asgari Ücreti Tartışalım,” *Milliyet.com.tr*.

⁴⁶³ “Özelleştirmede Cezai Sorumluluk Kalkacak,” *Milliyet.com.tr*.

debt would be paid back.⁴⁶⁴ In addition, it was claimed that there was a link between the block sale of ERDEMİR and getting the negotiation date from the EU.⁴⁶⁵ These instances elucidate the pressure of the IMF and the EU on the state concerning the privatization of strategic enterprises.

The impacts of the rating agencies have been substantial as well. As it is revealed in the privatization case of TÜPRAŞ, when the capital headquartered in the West does not prefer the transfer of the public resources of a Southern country to a particular capitalist group, which was Tatarstan based Tatneft in this case. For the rating agencies simply announced that the credit rating of that company was too low to acquire the enterprise.

Ironically, although the IFIs and the EU constantly force the Southern countries to privatize their SEEs and harshly criticize those who pursue nationalist policies, the West European states like Germany and France have a strict control over the strategically important enterprises. Especially, the protective measures that were taken by Vladimir Putin led to criticism of Russia's policy as insular by the West. After Vladimir Putin took the office, Russia has become very protective regarding her strategic enterprises. Russia, with the enactment of a new law, reclassified more than seventy mines as "strategic" and banned foreigners to have majority share in those regions. Moreover, she revisited the Production Share Agreement, which was signed at Boris Yeltsin's presidency on the grounds that it was against Russian interests, and requested Shell to leave the region, which made France solicitous as the situation of Total S.A., a French oil company, was uncertain.⁴⁶⁶ Furthermore, Russia prohibited the establishment of branches of foreign banks and insurance companies. On the other hand, Kerem Çalışkan, a Turkish journalist in Germany, points out that the German government identifies finance, energy, logistics, telecommunications and mining as the "strategic sectors" that must be strictly controlled in the face of foreign capital

⁴⁶⁴ "Petkim Değerinin Çok Altında," *Milliyet.com.tr*.

⁴⁶⁵ TUSAM Ulusal Güvenlik Stratejileri Araştırma Merkezi, "Erdemir'in Satılmasının Gerçek Hedefi", 21.

⁴⁶⁶ Nejat Tarakçı, "Stratejik Kuruluşlar Özelleştirilmemeli," *Cumhuriyet Strateji*, August 20, 2007, 14.

inflows.⁴⁶⁷ In addition to this, in spite of the fact that it does not have a strategic significance, the German automobile company Volkswagen, which was established by the initiative of the German dictator Adolf Hitler, was only allowed to be sold to national companies on the grounds that it represents German industry, history, discipline and character.⁴⁶⁸ Another instance is Nicholas Sarkozy, the President of France, who impeded the sale of Gaz de France (GDF) to the Italian energy company Enel. The privatization of GDF ended up with the triumph of the GDF Suez S.A., which was formed by the merger of two French companies, GDF and Suez S.A.⁴⁶⁹ This example evidently indicates that despite the European integration, Monetary Union and criticizing Russia for her protectionist policies, the Western European countries themselves are very concerned about foreign capital. French and German instances are illuminating in this sense. France did not want to lose control of GDF, even if it was sold to another European company. Nationalism continues to be a valid component of policy making and the European countries are still wary of foreign capital inflows. Even the US, who is regarded as the fortress of neo-liberalism, has been timorously prudent concerning the Arab capital since 9/11. She did not allow Arab companies to purchase the shares of their port enterprises for instance.⁴⁷⁰ Notwithstanding these examples, Northern countries still insist on privatization and foreign investment when it comes to Turkey and other Southern countries. In this respect, Andrew Gamble argues that “the leading capitalist powers have always found it easier imposing neo-liberal prescriptions on the ‘failed states’ of the periphery rather than upon themselves.”⁴⁷¹ As a result, the AKP government has been the darling of the North with its loyalty to neo-liberalism and accordingly, the AKP used by the language of external commitments and globalization as a way to legitimate the sales of state monopolies. In this respect, Erdoğan even stated that “to be against the IMF

⁴⁶⁷ Uras, “Fransa’da Devlet Enerji Sektöründe.”

⁴⁶⁸ Tarakçı, “Stratejik Kuruluşlar Özelleştirilmemeli.”

⁴⁶⁹ Uras, “Fransa’da Devlet Enerji Sektöründe.”

⁴⁷⁰ Dilek Filizfidanoğlu, “Arap Sermayesi Türkiye’ye,” *Cumhuriyet Strateji*, April 2007, 19.

⁴⁷¹ Andrew Gamble, “Two Faces of Neo-Liberalism,” in *The Neo-Liberal Revolution: Forging the Market State*, ed. Richard Robison (London: Palgrave, 2006), 25.

means living in another galaxy.”⁴⁷² The aim of the AKP is to portray the neo-liberal agenda as a requirement of adjusting to the globalizing world conditions, as if it is not a deliberate choice of the government. Nonetheless, the overuse of the language of external commitments and the great adherence to the IMF policies has led the opponent groups to criticize AKP’s actions on the ground that they increase power of the IMF to control economic decision-making.

A conclusion that can be drawn from the overuse of external commitments and globalization to legitimate the neo-liberal agenda by the AKP is that the neo-liberal arguments by themselves have not been sufficient to justify the agenda. Similarly, in the Turkish context, winning 47 percent of the votes in the general elections did not provide the AKP with the legitimacy it expected, and led the government to increase its adherence to the external anchors, particularly the IMF.

4.2) The Reproduction of Neo-liberal Discourse through the Articulation of Nationalistic Concerns

The reactions of the major opponents of privatization of the SEEs in Turkey have been based on different discourses of nationalism. The opposition parties, especially the CHP and MHP, have blamed the AKP for selling the most profitable and strategic enterprises to foreign capital. The criticism has been that the state monopolies would be transformed into private monopolies owned by foreigners, which would have detrimental effects on the public. Therefore, the “national capital” has been favored in all of the privatization processes by the opponent groups. However, the said argument fails to notice that the so-called “national capital” is not national either. The capitalist class of Turkey has already been internationalized, hence no more “national”. Through focusing solely on the nationality of the acquirers without questioning the privatization of the public enterprises *per se*, the opposition has apparently helped AKP to create an atmosphere ultimately favorable to

⁴⁷² “Petkim Değerinin Çok Altında,” *Milliyet.com.tr*.

privatizations. This has simply meant the reproduction of the neo-liberal discourse even by the opponents of the AKP.

Interestingly, it has not been only the opposition parties that have focused solely on the nationality of acquirers. The protests of workers have usually been based on the sale of strategic enterprises to foreign capital in return for amounts equal to couple of year profits of the enterprises. Indeed, the main apprehension regarding the block sales was that foreign acquirers would reduce wages and lay off workers. In this respect, as discussed earlier, the acquisition of ERDEMİR by OYAK was an illuminating case for after the declaration of OYAK that ERDEMİR would lay off workers, a policy which was against its commitments, the Türk Metal Sendikası and MESS had to agree to cut the salaries of 7 thousand 25 employees instead of laying workers off.

There have been only a few opposition groups that have been against privatization in principle. The most illuminating instance can be KİGEM, which has been opposing privatizations of the SEEs since 1994. However, as it has been revealed, the voices of such civil society institutions have not been heard in the major public discussions in line with the preferences of the mass media.

The analyses of the five privatization cases reveal that AKP has always preferred foreign capital under the cloak of improving the relations with the EU and increasing foreign investment, which will bring advanced technology. Erdoğan justified preferring foreign capital on the grounds that for many years the national buyers of the SEEs' had aimed to exploit the state.⁴⁷³ It was claimed that capitalists such as Uzan family has made a packet by acquiring the shares of SEEs. As Yeldan underscores, the AKP has abandoned the nationalistic stand of the "Turkish Islamic movement" that was against the IFIs and adopted a market-friendly approach, which embraces the global capital irrespective of its nationality.⁴⁷⁴ Nevertheless, it is still interesting to note that in many cases that were analyzed in the previous chapter, the AKP government openly declared that it preferred the acquisition of the SEEs by

⁴⁷³ "Erdemir Kavgası," *Milliyet.com.tr*.

⁴⁷⁴ Yeldan, "Patterns of Adjustment."

foreign capital. The reasons of this preference might be found in the vulnerable position of the AKP “within the internal power structure.”⁴⁷⁵ The AKP government has preferred the sale of the strategic SEEs to foreigners because domestic capitalist groups with an opposition potential would create problems for the government once they have been strengthened by the privatizations. Doğan Group’s acquisition of POAŞ was a case in point. Although there are also arguments that conflicts between the AKP and capitalist groups are not permanent, it is clear that the AKP has preferred either foreign or Islamist capital for selling the profitable SEEs.

4.3) The Functioning of Domestic Capital Groups as Subcontractors to Large Multinationals

It is not possible to term the capital resident in Turkey as “national capital” because it has already been internationalized. As the analyses of the five privatization cases further reveal that domestic capital groups have operated as subcontractors to large multinationals. As a matter of fact, none of the aforementioned SEEs that were privatized are owned by solely domestic capital. Even if the tender was won by an internal conglomerate, it had to sell part of its shares to finance the acquisition. Petrol Ofisi was acquired by İş Bankası and Doğan Holding, however, today OMV Aktiengesellschaft holds 41.78 percent of its shares. TÜPRAŞ and PETKİM were sold to consortiums formed by national and foreign conglomerates, while Türk Telekom was directly sold to the Middle Eastern capital. The only instance of a national investor that acquired a SEEs without a foreign partner was OYAK, however, immediately after winning the tender, OYAK announced that it was planning to transfer 41 percent shares of Ataer Holding, the company established to take delivery of the transferred ERDEMİR shares, to Arcelor. The great discontent of the public and the necessity to wait the approval of the CA dissuaded OYAK from the transfer. Nevertheless, OYAK had to sell OYAKBANK to ING Bank to be able to finance the acquisition. Similarly, Koç Holding had to sell Migros to a London based fund

⁴⁷⁵ Bedirhanoglu and Yalman, “State, Class and the Discourse,” 111.

company in order to afford the acquisition of TÜPRAŞ's shares. This means that the capitalist class in Turkey is not wealthy enough to afford the acquisition of large SEEs, unlike the multinational corporations whose motherlands are usually the US, the EU or Japan.⁴⁷⁶ Therefore, the domestic capital groups have been used as pawns by these multinationals, which were aware of the fact that acquiring the strategic SEEs would be difficult due to the apparent domination of nationalist sentiments in Turkish politics. The most illuminating instance may be the tender of TÜPRAŞ where Efremov formed a consortium with Zorlu Holding only a day before the tender was held. The capitalist class supports privatization without any exceptions, but when it comes to the block sale of a profitable SEE to a foreign company, which is against its interests, it is a master of disguise; it makes use of nationalist discourse. The Erdemir Consortium formed by the TOBB is an enlightening instance in this context. Indeed, many of the so-called "national companies" forming the consortium had foreign partners.

In conclusion, the overriding motive for the domestic capital in acquiring the SEEs was to sell their shares to foreign capital to make profit. Through this strategy, Doğan Holding for instance made an enormous amount of profit.

4.4) The Transformation of State Monopolies into Private Monopolies

The analyses of the five privatization cases reveal that the tenders attracted attention of foreign capital substantially. The reason why the foreign investors were so eager to purchase the shares of the Turkish SEEs was the lack of measures that could prevent the transformation of a state monopoly into a private monopoly. The government neither built the legal infrastructure to improve competition in the related sector, nor obliged effective conditions for the transfer of shares that could protect workers' rights, require investment and limit price increases. The critical liberal approaches harshly criticize the privatization of the SEEs without building the

⁴⁷⁶ Sencer İmer, "Kalkınmada Erdemir'in Önemi ve Kamu Payının Satışının Sakıncaları," *Cumhuriyet Strateji*, March 28, 2005, 23.

essential institutional infrastructure as it leads the privatized SEEs to become private monopolies that exploit consumers.⁴⁷⁷ When there is lack of competition in the market, a “natural monopoly sector” emerges, which leads to inefficiency. Consequently, public ownership is perceived as a must to prevent the abuse of the monopoly power by a private owner.⁴⁷⁸ The anticipation of the critical liberal approaches apparently suits the Turkish case. When the privatized SEEs are examined, it is clearly seen that this laxity had to be borne by the public. Nevertheless, in one of his speeches, which was published by UNESCO after being censored, Boutros Boutros-Ghali, the sixth Secretary-General of the United Nations, stated that it is not possible for the less developed countries who lack the sufficient infrastructure to draw any benefits from privatization: in the societies which lack these elements, the market economy in a short time, turns into a “plundering order.”⁴⁷⁹ Analogous to the claim of the post-Keynesian economics that when the privatized enterprise is a state monopoly, price increases will be substantial as the newly privatized enterprise will become a private monopoly, thus a price setter,⁴⁸⁰ in Türk Telekom case, the public had to bear the increasing prices due to the lack of any measure that could limit this. Under the pretext of increasing efficiency, Petrol Ofisi reduced both employment and the number of fuel stations prior to the acquisition of part of its shares by OMV. ERDEMİR, was planning to lay off workers too but after negotiations with the unions it cut instead the salaries of the employees. As a result, the lack of measures and lax tender specifications provided the acquirers with the opportunity to fully exploit public resources.

The study of the five cases basically revealed that privatizations of state monopolies have led to increases in prices, unemployment and deunionization. As it is mentioned in the previous chapter, for instance, Türk Telekom administration encouraged deunionization via paying higher salaries to the workers who were not

⁴⁷⁷ Ibid., 220.

⁴⁷⁸ Sheshinski and López-Calva, “Privatization and Its Benefits,” 433.

⁴⁷⁹ Dilek Filizfidanoğlu, “Özelleştirme İşsizliği Getiriyor,” *Cumhuriyet Strateji*, January 8, 2007, 15.

⁴⁸⁰ AlHussaini and Molz, “Regulatory Model of Privatization,” 394.

members of a union.⁴⁸¹ As a matter of fact, one of the underlying reasons of the desire to privatize the SEEs is that they provide job security, rigid wage regimes and high unionization levels, which is regarded by the private companies as a “bad precedence.”⁴⁸²

Although the critical liberal approaches’ claims concerning the privatizations of state monopolies adequately depict the detrimental effects on the public, they are based on the classic liberal assumption that the problem lies behind the lack of competition in the market. Therefore, they prioritize competition and effective institutions framework to provide it. This means that the problem with privatization is the underdeveloped markets and institutions in the South; if the privatization of a SEE is realized in a Northern country where the institutional framework is advanced and the market is highly competitive, the privatization can be beneficial. As a result, the critical liberal approaches do not consider the privatization of the SEEs as the acquisition of public resources by capital. On the other hand, Yeldan asserts that there are some values that the market cannot measure. Therefore, when it is necessary, state should engage in both milk and fabric production because the social utility of this can require bearing the burden of its economic cost.⁴⁸³ When the social cost of privatization is taken into consideration, the accuracy of this statement is revealed.

4.5) Learning through Trial and Error

It is evident that the AKP has been the most successful government regarding the privatization of large-scale SEEs. While the revenue raised from the privatizations during 1986-2002 period was about USD 8 billion, the revenue raised from the

⁴⁸¹ “Yönetim Sabote Etmiş Olabilir,” *Cumhuriyet*.

⁴⁸² Türk-İş Araştırma Merkezi, *KİT’ler ve Özelleştirme: İddialar ve Gerçekler* (Ankara: Demircioğlu Matbaacılık, 1999), 116.

⁴⁸³ “Tüpraş İade Edilsin,” *Cumhuriyet*, March 11, 2006.

privatizations realized during AKP rule reached USD 28 billion by 2008.⁴⁸⁴ Still however, the neo-liberal strategies implemented by the AKP government should not be perceived as a total rupture from the earlier practices. The success of the AKP in the privatization process partially lies in its ability to learn through trial and error. This is particularly evident in the legal system. Through the enactments of the laws no. 4568, 4971, 5148, 5189, 5234 and 5398, the Privatization Law no. 4046 that was enacted in November 1994 has been changed for eight times, six of which were realized under the AKP rule.⁴⁸⁵ In this respect, Stephen Gill argues that the main aim of “new constitutionalism”, which is the “political-juridical counterpart to ‘disciplinary neoliberalism,’”⁴⁸⁶ is to “*prevent future governments* from undoing commitments to a disciplinary neo-liberal pattern of accumulation.”⁴⁸⁷ This argument apparently elucidates the underlying reasons for the changes in law during the AKP rule. It is also important to note the impact of the Bretton Woods institutions in this process as they interfere in the judicial system of the countries under the color of international agreements.⁴⁸⁸

The privatizations of strategic SEEs have led to clashes inside the judicial system. All of the five cases of privatizations examined in the previous chapter demonstrate the conflicts among the organs of the judiciary regarding their decisions on the privatization of the SEEs. Nearly all of the tenders were initially canceled, showing that the oppositional forces have effectively used the judiciary as a significant tool. However, the intractable AKP government managed ultimately to undo these cancellations by finalizing the privatization processes without any exception. This “success” was achieved in a political process where the sides have learned through trial and error from the previous failures. When the government failed to sell a SEE

⁴⁸⁴ Benan Eres and Seçil Kaya Bahçe, “Sermaye Birikimi ve Siyasal Dönüşüm: AKP,” in *AKP Kitabı: Bir Dönüşümün Bilançosu*, ed. İlhan Uzgel and Bülent Duru (Ankara: Phoenix Yayınevi, 2009), 518.

⁴⁸⁵ Fikret Gülen, “AKP’nin İktidar Olduğu Dönemde Yasama Faaliyetleri (2002-2007),” in *AKP Kitabı: Bir Dönüşümün Bilançosu*, ed. İlhan Uzgel and Bülent Duru (Ankara: Phoenix Yayınevi, 2009), 207.

⁴⁸⁶ Gill, “Clash of Globalizations,” 47.

⁴⁸⁷ *Ibid.*, 48.

⁴⁸⁸ *Ibid.*, 63.

via block sale, which is the perfect way to transfer the public wealth to upper classes, it sold part of the shares via public offering and after a while it tried block sale method again. Owing to this strategy, it made the privatization of that SEE stay on the agenda, thus demonstrated its determination in selling that enterprise. Whenever a tender was canceled by the Council of State or a law was blocked by the Constitutional Court, AKP blamed them for hindering the improvement of the economy and claimed that such decisions impede possible foreign investments as they cause the state to look unreliable. Consequently, these pressures yielded results; all of the aforementioned strategic SEEs were eventually sold.

Nevertheless, the workers have learned the rules of the game too. As Uras underlines, beforehand, the suits for annulment against privatizations were used to be brought on the grounds that the “privatization is against the public good.” However, it was later realized that nobody really cares about such reasonings. Thus, the unions decided to open cancellation suits based on the actions against the law and tender specifications because it was much easier to prove these.⁴⁸⁹ Therefore, the privatization of the SEEs has been a learning process for the laboring classes as well. They have developed the aforementioned strategies during this class struggle that have indeed pushed the government for making more changes in law.

It is interesting to note that although the 1980 coup d'état has been considered as a significant turning point towards neo-liberalism in the Turkish history, the 1982 Constitution was not a model neo-liberal constitution for it still comprised a strong commitment to social state principle, despite oppressive measures against society and all sorts of opposition. Therefore, the neo-liberal changes had to be made in the Constitution in time, while in the meantime an ever more strengthened executive help the state to proceed in the neo-liberal agenda on a rather autonomous basis, even at the expense of the Constitution when needed. Hence, Özal government used Cabinet Decrees rather than Acts of Parliament, which gave the executive enormous discretionary powers. This has not indeed been unique to Turkey for during the 1980s and early 1990s, many states had to deal with their old constitutions that borne the stamp of ISI. Obviously, owing to the voids in law, various business groups known, by their close associations with Özal, emerged as the selected beneficiaries of this system

⁴⁸⁹ Uras, “Ayıklayın Pirincin Taşını.”

via making a packet with non-transparent privatizations, some of which were finalized even without a tender. As this overview on the five recent large-scale privatizations reveals, such practices have not been left behind even in the powerful single party government of the AKP. Even though the privatization processes have been now finalized in a much well-defined institutional structure, this basically meant the development of new and now more advanced strategies to enable the government to realize its specific political objectives. This tells us that privatization has never been a simply technical issue as claimed by neo-liberals but rather a political issue that reshapes political and economic balances in the society. During the AKP period, both the AKP and the oppositional forces have attempted to get advantage of the privatizations of profitable SEEs to strengthen their relative positions vis-à-vis each other. This has even worked sometimes against economic rationality as evidenced in the AKP's un-substantiated preference for "foreign", if possible Middle Eastern, capital; and OYAK's "political" inability of OYAK to get a foreign partner while financing the ERDEMİR deal which ultimately forced the company sell OYAKBANK instead.

The impact of the economic and financial crises in accelerating the privatization process in Turkey has to be once more recalled. The 2001 crisis has obviously been a turning point for Turkey in this respect. Based on her studies of the Argentine and Mexican economies, Teichman underscores that economic crises forced those who were in favor of "slower paced liberalization programme" to accept an accelerated process.⁴⁹⁰ The crisis periods give technocrats a great leverage over decision-making processes because although it may be the technocrats themselves who might be accused of failing to prevent the crises, they still become critical in managing the process to get over the crisis due to their claimed expertise.⁴⁹¹ Kemal Derviş can be the most illuminating instance in this context. He was seen as a *deus ex machina* by many during the 2001 economic crisis. He enabled the state to become fully engaged in the duties set by the IMF relation, which had already acquired a structural character since 1998 though. Greater adherence to the IMF advices was

⁴⁹⁰ Judith Teichman, "Mexico and Argentina: Economic Reform and Technocratic Decision Making," *Studies in Comparative International Development* 32, no. 1 (1997): 38.

⁴⁹¹ *Ibid.*, 49.

ensured by Kemal Derviş himself and the AKP government has continued this strategy in a way to strengthen its own political position though.

The strong executive authority of the AKP government was crucial in the privatization of large-scale SEEs in Turkey due to the AKP's ability to "break down opposition" and enjoy a large degree of autonomy needed to accelerate privatization.⁴⁹² The AKP has certainly put his stamp on this process through its own political choices which base on its Islamist inclinations.⁴⁹³ Hence, as Bedirhanoğlu and Yalman underscore, "the neoliberal privatization agenda has helped the Party create its own capital base through transferring public assets to a selected list of 'green' companies"⁴⁹⁴ and the AKP supported the Islamist capitalists, such as Çalık Group and the corporate groups of the Fethullah Gülen congregation⁴⁹⁵, for making fortunes. For instance, under the cloak that there was not any other potential acquirer, it sold SEKA in Balıkesir; 1980 acres land, factory facilities, 47 heavy construction equipments, water pump facility, 185 quarters, social facilities, and a factory that was making production to Albayraklar, a corporate group known by its close relations with the AKP, for USD 1.1 million.⁴⁹⁶ In addition, apart from its preference of foreign capital, the AKP has developed its own practice that is compatible with its Islamist character: selling the strategic SEEs to the Middle Eastern capital. The "active marketing" implemented by Kemal Unakıtan, was another innovation of the AKP to sell the strategic SEEs that had been on the privatization agenda since the 1980s. Erdoğan invited the businessmen of the United Arab Emirates to the tenders of THY, PETKİM and ERDEMİR,⁴⁹⁷ while soon after the sale of Türk Telekom to the Saudi Oger Company that is owned by the son of the former Prime Minister of Lebanon, Erdoğan personally invited the Sultan of Oman, Qaboos bin Said, to another privatization

⁴⁹² Ercan and Öniş, "Turkish Privatization," 112.

⁴⁹³ Bedirhanoğlu, "Otoriter Devletin AKP'li Yüzü," 44.

⁴⁹⁴ Bedirhanoğlu and Yalman, "State, Class and the Discourse," 122.

⁴⁹⁵ Sönmez, "2000'ler Türkiye'sinde AKP," 183.

⁴⁹⁶ Gülen, "Yasama Faaliyetleri (2002-2007)," 207.

⁴⁹⁷ "İhalelere Davet Etti," *Milliyet.com.tr*.

project.⁴⁹⁸ The visits of the Prime Minister and his Minister of Finance, Kemal Unakitan, to the Persian Gulf states were harshly criticized by many, who were suspicious about the close relations among the Middle Eastern capitalists and the AKP. The auction of Galataport was another controversial tender, where Erdoğan, in one of his harangues, said “I can meet all the entrepreneurs in the world. I suggest my ministers to meet too because I am fairly responsible for marketing my country.”⁴⁹⁹ Indeed, this statement can be regarded as the motto of the AKP in the privatization process. Consequently, the desire to sell a strategic SEE to the Middle Eastern capital was achieved in the Türk Telekom case.

As stated earlier, the AKP’s preference of the Islamic and foreign capital in general, emanates from its vulnerable position “within the internal power structure.”⁵⁰⁰ As the domestic capitalists such as Doğan Holding and Uzan Group who own powerful media groups have become serious opponents of the AKP government, it has developed the strategy of active marketing and sending invitations to foreign investors, particularly to the Middle Eastern capital, to impede a further strengthening of such internal capital groups vis-à-vis the government. Selling the most profitable SEEs to its own affiliates has hence been one of the most commonly used tools in this context.

In order to fulfill its mandate of “redistributing” the public resources to the capitalist class, the AKP government has preferred block sale method in privatizing the large-scale SEEs because it is the only way that the acquirer can fully exploit the resources. The low contract prices of the block sales are another proof of this redistribution policy. Moreover, in many cases the winner of the tender was allowed to purchase the shares of the SEE by the enterprise’s own money via placing the shares of the SEE as collateral to get loan. This means practically that anyone can

⁴⁹⁸ “Sizi de Oger Gibi Bekliyoruz,” *Milliyet.com.tr*, September 28, 2005, <http://www.milliyet.com.tr/-sizi-de-oger-gibi-bekliyoruz-siyaset/haberdetayarsiv/20.03.2010/129737/default.htm?ver=73>.

⁴⁹⁹ “Ülkemi Pazarlamakla Mükellefim,” *Sabah.com.tr*, October 16, 2005, <http://arsiv.sabah.com.tr/2005/10/16/eko107.html>.

⁵⁰⁰ Bedirhanoglu and Yalman, “State, Class and the Discourse,” 111.

acquire a large-scale SEE, no matter if he has sufficient sources or not. Needless to say, only the aforesaid selected groups have acquired these profitable SEEs.

There are still some SEEs, which have been on the privatization agenda for a long time that have not been yet fully privatized such as THY. As a matter of fact, the privatization of THY is a case worth examining. The reasons behind the reluctance of the AKP to sell the shares of this enterprise could be political rather than economic for the AKP has long been presenting itself as the government that enabled people fly regardless of their incomes.

Ertuğrul points out that capital targets primarily three profitable sectors in privatization: electricity, petroleum and telecommunications. The AKP government as one of the most ardent followers of the neo-liberal agenda in Turkey succeeded in privatizing two of these sectors, namely the petroleum and telecommunications sectors.⁵⁰¹ Hence, the next step of the AKP will probably be privatizing the third sector mentioned; the electricity. Indeed, TEDAŞ and Ankara Doğal Elektrik Üretim ve Ticaret A.Ş, two important companies operating in the Turkish electricity distribution industry, have already been included in the privatization agenda. It might be interesting to have a closer look at this process to see whether the specificities identified within the Turkish context above can also be observed in this process as well.

⁵⁰¹ N. İlder Ertuğrul, “AKP ve Özelleştirme,” in *AKP Kitabı: Bir Dönüşümün Bilançosu*, ed. İlhan Uzel and Bülent Duru (Ankara: Phoenix Yayınevi, 2009), 532.

APPENDIX

Ownership Structures of the Privatized Large-Scale State-Economic Enterprises in 2010

The Name of the Enterprise	Shareholding Structure	%
Petrol Ofisi A.Ş.	Doğan Şirketler Grubu Holding A.Ş.	54.17%
	OMV Aktiengesellschaft	41.58%
	Free float at ISE	4.25%
Türk Telekomünikasyon A.Ş.	Ojer Telekomünikasyon A.Ş.	55%
	Undersecretariat of Treasury	30%
	Free float at ISE	15%
TÜPRAŞ	Enerji Yatırımları A.Ş.	51%
	Others	48.9%
	Privatization Administration	a single Group C share
ERDEMİR	Ataer Holding A.Ş.	49.29%
	ERDEMİR's Own Shares	3.08%
	Other	47.63%
PETKİM	Socar&Turcas Petrochemical Inc.	51%
	Privatization Administration	10.32 %
	Traded on ISE	38.68 %

Source: Compiled from data on PA website (www.oib.gov.tr), ERDEMİR (<http://www.erdemir.com.tr>), POAŞ (<http://www.poas.com.tr>) and TÜPRAŞ (<http://www.tupras.com.tr>).

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