

ECONOMIC POLICY PREFERENCES OF TURKISH CYPRIOT BUSINESS
GROUPS IN THE POST-2004 PROCESS IN NORTH CYPRUS

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ABSTRACT

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The aim in this thesis is to investigate the policy preferences and policy evaluations of two main Turkish Cypriot business groups, Turkish Cypriot Chamber of Commerce and Turkish Cypriot Chamber of Industry, with regards to the labour market in North Cyprus and relations with Turkish state and capital in the post-Annan Plan period in North Cyprus. Thus, I have resorted to the method of in-depth interview in order to penetrate into the mindset of Turkish Cypriot business groups' officials in detail. My findings reflect that, while the transformation in the economic relations between Turkey and North Cyprus in the post-2004 process have been considered to be favorable by Turkish Cypriot business groups, their impact upon articulating the required revisions are relatively low. Moreover, Turkish Cypriot business groups, both because of their general approval towards the transformation in the post-2004 process and their weakness vis-a-vis the leverage of Turkish state upon the economic policy-making in North Cyprus, have preferred to be more reconciliatory and cautious in this sphere. On the other hand, regarding the labour market aspect of the discussion, Turkish Cypriot business groups act with the understanding of creating a "business-friendly" environment in terms of reducing the labour costs and obtaining the required type of labour force. Unlike the former sphere, their discourse in terms of policy preferences and impact upon the different aspects of labour market are more confident and clear-cut.

Keywords : Turkish Cypriot business groups, labour market, privatization, Turkish Cypriot state, policy-making.

ÖZ

KUZHEY KIBRIS'TA 2004 SONRASI SÜREÇTE KIBRISLI TÜRK SERMAYE GRUPLARININ EKONOMİ POLİTİKASI TERCİHLERİ

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Bu tezin amacı Kuzey Kıbrıs'ta Annan Planı sonrası dönemde; emek piyasası ve Türkiye devleti ve sermayesi ile ilişkiler bakımından, iki ana Kıbrıslı Türk sermaye grubu olan Kıbrıs Türk Ticaret Odası'nın ve Kıbrıs Türk Sanayi Odası'nın siyasa tercihlerini ve siyasa değerlendirmelerini incelemektir. Bu nedenle, Kıbrıslı Türk sermaye gruplarının yetkililerinin zihniyetlerine ayrıntısıyla nüfuz edebilmek açısından, derinlemesine mülakat yöntemine başvurdum. Bulgularım, Türkiye ve Kuzey Kıbrıs arasında, ekonomik ilişkiler bakımından 2004 sonrası dönemdeki dönüşümün Kıbrıslı Türk sermaye grupları tarafından olumlu olarak değerlendirilmesine karşın, bu grupların ihtiyaç duydukları revizyonları dile getirmedeki etkilerinin görece düşük olduğu yönündedir. Dahası, Kıbrıslı Türk sermaye grupları, hem 2004 sonrası dönüşüme yönelik genel onayları hem de Türkiye devletinin Kuzey Kıbrıs'taki ekonomik siyasa yapımındaki güçlü etkisi karşısındaki zayıflıklarından dolayı, bu alanda daha uzlaşmacı ve temkinli bir tavır tercih etmişlerdir. Öte yandan, tartışmanın emek piyasası boyutu açısından bakıldığında, Kıbrıslı Türk sermaye grupları, emek maliyetlerini düşürmek ve istenilen türde emekgücünü elde etmek anlamında bir "işveren dostu" ortamın oluşturulması anlayışıyla hareket etmektedirler. Bir önceki alana kıyasla, emek piyasasının farklı boyutları üzerindeki siyasa tercihleri ve etkileri bakımından sahip oldukları söylem, daha kendinden emin ve kesindir.

Keywords : Kıbrıslı Türk sermaye grupları, emek piyasası, özelleştirme, Kıbrıslı Türk devleti, siyasa-yapımı.

To my father...

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LIST OF ABBREVIATIONS

AKP	Justice and Development Party (Adalet ve Kalkınma Partisi)
CTP	Republican Turkish Party (Cumhuriyetçi Türk Partisi)
DEİK	Foreign Economic Relations Board (Dış Ekonomik İlişkiler Kurulu)
DPÖ	State Planning Organization (Devlet Planlama Örgütü)
GDP	Gross Domestic Product (Gayri Safi Yurtiçi Hasıla)
EU	European Union (Avrupa Birliği)
KTSO	Cyprus Turkish Chamber of Industry (Kıbrıs Türk Sanayi Odası)
KTTO	Cyprus Turkish Chamber of Commerce (Kıbrıs Türk Ticaret Odası)
CTBA	Cyprus Turkish Businessmen Association (Kıbrıs Türk İşadamları Derneği)
TEB	Turkish Economy Bank (Türk Ekonomi Bankası)
TOBB	The Union of Chambers and Commodity (Türkiye Odalar ve Borsalar Birliği)
TRNC	Turkish Republic of Northern Cyprus (Kuzey Kıbrıs Türk Cumhuriyeti)
TÜSİAD	Turkish Industry and Business Association (Türk Sanayicileri ve İşadamları Derneği)
UBP	National Unity Party (Ulusal Birlik Partisi)

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CHAPTER 1

INTRODUCTION

It is important to begin with the fact that, there are several problems for studying political economy of North Cyprus in general. First problem is that it is not even easy to come to terms with a minimum socio-economic structure and political sovereignty that can be studied either through a comparative perspective or even through a possibility to establish linkages with the political economy literature elsewhere. This is because of the a) peculiar political and economic conditions of North Cyprus : The Turkish Cypriot state is an unrecognized state or a state with limited recognition (Tkachenko, 2011). According to the United Nations Security Council Resolution, no. 550, the northern part of the island is considered as “the occupied part of Republic of Cyprus” and Turkish Republic of Cyprus (TRNC) is considered as “legally invalid”. Moreover, this state, since its formation, has been considered as a transitory state in the sense that, regardless of its conditions, a “solution” to the Cyprus problem has always been on the agenda. The clearest reflection of this transitory frame of mind can be witnessed in the great lack of motivation towards making investments to some regions of North Cyprus which are considered to be given back to Greek Cypriots in case of a solution.¹ Therefore, it can be argued that, let alone its political stability or even its regime, the very existence of TRNC has been on very slippery grounds since its formation. b) lack of political and economic sovereignty regarding the political and economic institutions of TRNC : The implication of the Provisional Cause no.10 of the Constitution of TRNC puts forward that the political authority regarding the external and internal security (military and police forces) is held by the Turkish Armed Forces, i.e., the army of Turkey. Beside this legal provision, de facto intervention of the institutions of Turkey to the institutions of and election

¹ “‘Belirsizlik,’ or ‘uncertainty,’ is the word that Turkish Cypriots invariably use to describe their state, their identity, and their quotidian existence.” (Bryant & Yakinthou, 2012 : 20)

processes in North Cyprus is of great significance in the post-1974 period (Çağda, 2015). Regarding the economic institutions, Central Bank of TRNC has no prerogative of coining money. On the other hand, Aid Committee of Republic of Turkey² was established under the Embassy of Turkey to the Turkish Republic of Northern Cyprus in order to track and coordinate the implementation of economic protocols signed between Turkey and TRNC. In 2012, it was revealed that the content of one of these protocols is actually prepared at Prime Ministry, Ministry of Finance and TRNC Embassy of Turkey without the information and participation of TRNC authorities (Kıbrıs Postası, 2012).³ Another problem is related with the lack of statistical data regarding the detailed macroeconomic, demographic and social indicators. Even the number of people living in TRNC is debatable.⁴

The main aim of this thesis is to study the policy preferences and policy influence of Turkish Cypriot business groups within the framework of post-2004 (post-Annan Plan referendum) process with regards to the various aspects of labour market, relations with Turkish capital/business, economic relations between Turkey and North Cyprus and privatization policies. As it will be argued in detail in the next chapter, there is a gap in the academic literature regarding the Turkish Cypriot business groups, especially in terms of their preferences and impact on the macroeconomic policy-making in the North Cyprus. Therefore, the motivation behind this thesis is to fill the gap of the investigation of Turkish Cypriot business groups' policy preferences, policy evaluations and to some extent, impact upon the policy-making process regarding the labour market, privatization and relations with Turkey and Turkish capital/business in the post-2004 process which is marked with the neoliberal structuring of the economy.

² This name was changed to Office of Development and Economic Cooperation in 2016.

³ "Turkey not only controls the TRNC's security, but it also effectively controls its internal affairs. This control is exercised both through the present TRNC constitution, which puts the police under the control of the Turkish military in the island, and through Turkey's yearly aid package, via which certain demands are made. In addition, the TRNC's Security Council, commonly called the Coordination Committee, is composed of the president, prime minister, and both elected officials and non-elected members, including members of the military, and its decisions are to "receive priority consideration by the Council of Ministers."" (Bryant & Yakinthou, 2012 : 16)

⁴ Last population census was made in 2013 and the result was 286.257 people. However, İrsen Küçük, a former prime minister of TRNC, declared during his incumbency that the population of TRNC is actually around 600.000

In this respect, the thesis is structured into three chapters. In the second chapter of the thesis; historical, theoretical and methodological framework of the thesis, together with the review of the political economy literature on North Cyprus is revealed.

The thesis maintains in two main chapters which are the “Turkish Cypriot Business Groups’ Relations with Turkey and Turkish Capital” and “Labour Market in North Cyprus. In this respect, this thesis will explore the variations in terms of policy preferences and policy impact of Turkish Cypriot business groups with regards to these two issues. I will try to show that while Turkish Cypriot business groups’ policy preferences and policy impact are strong, well-framed and clear-cut with regards to the policy-making in the labour market of North Cyprus, their stance towards the relations with Turkey and Turkish capital is more reconciliatory, weak and rippled.

In third chapter, which is the “Turkish Cypriot Business Groups’ Relations with Turkey and Turkish Capital”, I focused upon the economic relations between Turkey and North Cyprus as a general framework and tried to integrate the policy preferences and policy evaluations of Turkish Cypriot business groups with regards to these relations. The reason I have began with the economic relations between Turkey and North Cyprus together with its historical framework is that these relations have had a huge impact upon the macroeconomic policy making in North Cyprus through the binding economic protocols since 1986 and therefore, crucial for the deeper understanding of the privatization policies and various aspects of the labour market. Moreover, I have integrated the issue of privatization policies and their implementation within the framework of economic relations between Turkey and North Cyprus as these policies has been shaped through the economic protocols made between these two countries. However, it is also misleading to neglect the importance of internal actors in favor of overestimating the determining role of Turkish state and/or economic protocols upon the economic policy making of North Cyprus. This is why, I have focused specifically upon the policy evaluation process of the Turkish Cypriots business groups and their impact upon the policy making process with regards to the economic relations between Turkey

and North Cyprus in the third chapter. Third chapter begins with the evaluation of historical framework of economic relations between Turkey and North Cyprus and focused specifically on the 1974-2004 era in order to explain the transformation of the Turkish Cypriot economy from an agrarian society accompanied with the newborn heavy industrial production to a service and import oriented society. After briefly discussing the political, social and economic turmoils in the Turkish Cypriot society in the late 1990's and early 2000's followed immediately after by the emerging of the possibility of EU membership and solution to the Cyprus problem, the thesis discusses in detail the post-2004 process in which I have tried to put the policy preferences and policy evaluations of Turkish Cypriot business groups at the central point. In this respect, the stance of Turkish Cypriot business groups towards the post-2004 process with regards to the deepening of neoliberal policies with the AKP government, economic protocols, relations with Turkish capital and business, and the implementation of privatization policies are investigated in detail.

Regarding the fourth chapter, "Labour Market in North Cyprus", Turkish Cypriot business community's policy preferences, policy evaluations and its influence upon the policy-making process with regards to four main topics is investigated. In this respect, I have focused upon the issues of a) labour force mobility which is composed of the both inwards and outwards labour force mobility, the issue of foreign labour force, Turkish economic migrants in North Cyprus and the changing demographics of the foreign labour force in the post-2004 process, b) different patterns of employment c) the mismatch in the labour market which refers basically to the problem of incompatibility between the higher education system and the type and character of labour force the labour market demands and d) working conditions in the private sector.

Finally, in the conclusion chapter, I have tried to concisely summarize my findings, to reveal a synthesis of the discussions that has been made throughout the thesis and in this respect, to present the general characteristics of Turkish Cypriot business groups.

There are several reasons to focus upon Turkish Cypriot Chamber of Commerce (TCCC) and Cyprus Turkish Chamber of Industry (CTCI) within the Turkish Cypriot business groups : First of all, these two chambers are the two most organized and vocal business groups in North Cyprus and are the most influential ones on the policy-making process.⁵ Historically, these two chambers are the oldest business groups.⁶ TCCC and CTCI are the two business groups which have the most members in North Cyprus.⁷ These two groups represent two of the most important business interests in North Cyprus, i.e. the trade interests and industrial interests. Most importantly, these two chambers were both established with a law⁸ and therefore have the right and authority to join to several committees and commissions of decision-making mechanisms at the level of state institutions. Finally, as these chambers represent different types of business interests, examining both has also revealed the inner clash of interests within the business community and their reflection upon the policy making process.

In order to achieve the goal of filling the gap of the investigation of Turkish Cypriot business groups' impact upon policy-making and policy preferences regarding the labour market, privatization and relations with Turkey and Turkish capital in the post-2004 process which is marked with the neoliberal structuring of the economy, I resorted to the method of in-depth interviews in order to penetrate into the mindset of Turkish Cypriot business groups' officials in detail. In this respect, I carried out 26 in-depth interviews. The interview questions were organized as semi-structured and an interpretivist approach has been deployed throughout the thesis in terms of the interviews. I carried out in-depth interviews with four out of the total six presidents of TCCC and two of the total two presidents

⁵ The most influential fractions of business in terms of forcing to implement their demands at the level of decision-making mechanisms are "the fractions which are close to TCCC and CTCI, these are the most dominant ones and are close to the administration. These are inclined towards lifting up their voices" (M. Şadi, personal interview, March 8, 2016).

⁶ TCCC was officially established in 1959 and CTCI was established in 1977.

⁷ TCCC has "3500 registered active members" (kttto,2009) and CTCI has around 500 members.

⁸ "Law of trade chamber was ratified at May 12, 1981 in the Parliament of Turkish Federated State of Cyprus and went into effect" (kttto, 2009). On the other hand, CTCI was first "established in 1977 as an independent non-governmental organization" (kibso, 2012) but the Law of Cyprus Turkish Chamber of Industry was ratified in 1992.

of CTCI in the post-2004 period.⁹ I also made in-depth interviews with the two current and one former member of Board of Directors of TCCC and three current members of Board of Directors of CTCI. In order to deepen my findings, I have not limited the in-depth interviews only to these two business groups but I also carried out in-depth interviews with the following : four trade union officials; three former minister of finances in the post-2004 period¹⁰; the former president and a member of Cyprus Turkish Businessmen Association; a labour inspector, an academician whose main research field is the labour market of North Cyprus; a president of an opposition party in parliament, a member of a Central Executive Board of a political party and a president of a non-governmental organization. I have also scanned the newspaper articles related with the Turkish Cypriot business groups for the post-2004 period.

⁹ The reason behind the high proportion of the presidents of these two chambers within the in-depth interviews is that the public voice of these chambers has been their presidents since 2004 and the policy preferences of these chambers have been revealed to the public through their presidents. In this respect, an in-depth interview with all of the presidents of both chambers since 2004 will both help me to penetrate into the 'official' mindsets of these chambers and also to understand the variation of these mindsets across time.

¹⁰ Central Bank of TRNC is dependent to Central Bank of Turkey and also, Central Bank of TRNC neither have the prerogative of coining money nor have various financial tools as TRNC does not have its own currency and uses Turkish lira. Therefore Turkish Cypriot policy makers are more focused upon the fiscal policy and in this respect, ministry of finance gains a significant importance.

CHAPTER 2

HISTORICAL, METHODOLOGICAL AND THEORETICAL FRAMEWORK

Capitalist transformation of the economic and social structure of Cyprus had been experienced very lately, only after Britain took the control of the island from Ottoman Empire in the late 19th century. Until the end of the Ottoman reign in Cyprus which had lasted approximately 300 years, the economic structure of Cyprus had been marked with Ottoman type of economic and social relations. When Britain took the control of the island, Horatio Kitchener, a British commander who was sent to Cyprus for surveying purposed right after Britain leased the island from Ottomans, noted that “there were ‘many places in the island ... just waiting for the hand of the capitalist to change them from barren wastes to their former fruitfulness’” (Morgan, 2010 : 5). With this prospect, the British rule in Cyprus had witnessed the capitalist transformation of the island. Katsourides writes about the ushering of the “new (proto)capitalist relationships” through the tax system and maintains :

The British did, however, try to make Cyprus a market for its products by amending legislation in the direction of rationalising various aspects of administration, and by promoting the development of certain industrial sectors, primarily the mining industry. This was not exceptional, as colonial expansion often led to the commercialisation of at least some economic sectors of the colonised countries. In this way, a small proto-industrial sector operating on a capitalist base, emerged in Cyprus. (Katsourides, 2014 : 20)

I will not go into the details of the capitalist transformation of Cyprus as such an endeavor goes beyond the purposes of this thesis, however, this transformation is important to the extent that it had shaped the composition and character of the social classes in Cyprus and eventually prepared the ground for the emergence of a proto-Turkish Cypriot bourgeoisie. This point is crucial to the extent that, I consider the Turkish Cypriot business groups not merely as non-governmental

organizations or simply economic actors, but beyond that, as a social class. Therefore, without going into the details, I will briefly highlight the aspects of the capitalist transformation of the Cyprus which had paved the ground for the emergence of the Turkish Cypriot bourgeoisie.

During the Ottoman rule in Cyprus, the people of Cyprus had been legally categorized in accordance with their religious identity. Therefore, there were two main communities during the Ottoman era in Cyprus : the Muslim community and the Orthodox community. While the feudal landowners of the Muslim community had been engaging with either military or administrative interests, feudal landowners of the Orthodox community had been engaging significantly with trade (Beratlı, 2012 : 34-37). This composition had preserved itself in the British rule in Cyprus as well, however with the capitalist transformation of the society through the hand of the British rulers, the feudal elites of the Orthodox community had transformed to a proto-bourgeoisie class :

Just like the administrative structure of Ottomans, Muslim Turks had been working significantly under the bureaucratic jobs. Greek Cypriot bourgeoisie on the other hand had been intensifying its activities in the economic sphere and becoming powerful more and more (Kızılyürek, 2001 : 38, my translation)

The feeling of “lagging” in terms of ‘economic development’ of Muslim elites had later translated itself towards an ethnic struggle between the two communities.¹¹ What is crucial, at this point, in terms of the emergence of Turkish Cypriot proto-bourgeoisie as a class, is the endeavor to establish its own market in order to protect itself from the dominated prevalence of the Greek Cypriot bourgeoisie on the whole island. Political leader of Turkish Cypriot community at that time, Rauf Denktaş, concisely portrays this situation in the book he wrote back in 1966 :

While the Greek Cypriot youth were busy to kill Turks, Greek Cypriot merchants were in the fight of acquiring the agencies provided by the Turkish market.

¹¹ It is not surprising that, the ethnicisation of the religious identities of Orthodoxy and Islam towards Greek nationalism and Turkish nationalism respectively, had coincided with the contradictions of the economic interests between the Orthodox (Greek Cypriot) bourgeoisie and the Muslim (Turkish Cypriot) proto-bourgeoisie. For a detailed and comprehensive analysis of the transformation of religious identities to ethnic identities in Cyprus for both communities, see : Kızılyürek, 2002 : 73-141 and 209-301); for an investigation of the relation between the class struggles and ethnic conflict, see : Bozkurt & Trimikliniotis, 2012, 47-66).

Merchants have won their fight earlier than the Greek Cypriot youth. Now, Turkish market got a severe blow. (Denktaş, 1985 : 27, my translation)

In order to overcome the seizure of “Turkish market” by Greek Cypriot bourgeoisie, an ‘economic campaign’ named *Türk’ten Türk’e* (from the Turk to the Turk) had been launched during the late 1950’s : “It would be forbidden for Turkish Cypriots to buy products from Greek Cypriots (...) There is no doubt that this campaign had been executed with violence.” (Kızılyürek, 2011 : 69-71, my translation). Arslan considers this campaign as “a capital strategy, based on the actuation of a process of rapid capital accumulation, around the *Çarşı*, via the institution of a closed, all- Turkish circulation of capital” (Arslan, 2014 : 318). Arslan also, through giving reference from the memoirs of Denktaş, puts forward that, “the campaign in question gave rise to well-established trade corporations which are still standing.” (Arslan, 2014 : 321). This point is crucial to the extent that it demonstrates historical the continuity of the Turkish Cypriot bourgeoisie as a class. The *Türk’ten Türk’e* campaign had preserved itself in the 1960’s as well, even after the establishment of the Republic of Cyprus (Kızılyürek, 2011 : 69). The historical background in terms of the period between 1974 and 2004 will be discussed in detail in Chapter 3, therefore, I will move on the the theoretical and methodological background of the thesis.

The available literature both on political economy of North Cyprus in general and Turkish Cypriot business groups in particular is problematic in various aspects. First of all, there are only two articles which directly engage with Turkish Cypriot business groups. One of these is about the role of Turkish business groups as politico-economic actors within the context of political economy of Cyprus problem (Balkır, 2005); and the other one is also related with the politicisation of civil society, especially the Turkish Cypriot business groups within the context of potential EU membership (Balkır & Yalman, 2009). That is to say, these articles, while engaging with Turkish Cypriot business groups, mostly focus upon the political and social role of these business groups mainly within the context of Cyprus problem. Therefore, there is no single publication in the literature upon the relation between Turkish Cypriot business groups and the macroeconomic policy-making and internal socio-economic dynamics of Turkish Cypriot society and state.

Therefore, one has to investigate the different fields of social sciences literature related with the economics and politics of Turkish Cypriot society and state in order to derive arguments regarding the Turkish Cypriot business groups. However, as mentioned above, the methodology of vast majority of the publications in the academic literature in this respect is problematic. First of all, the literature is mostly dominated by the sectoral investigations of the various economic sectors in North Cyprus such as banking and financial sector (Gunsel, 2012; Fethi, Katircioğlu & Caglar, 2013; Şafaklı & Altuner, 2009), tourism sector (Dayioğlu, 2002; Katircioğlu, 2010) and higher education sector (Katircioğlu, 2009). This literature, on the other hand, is mostly dominated by the articles which are mostly based upon the assumptions of neo-classical economics as an epistemology, or/and econometrics as a methodology. These are highly inconsistent with the political economy approach I would like to deploy. This is because, this part of the literature mostly do not establish links between these sectors, do not argue the political or macroeconomic aspects of these sectors and focus narrowly upon the ‘technical’ analysis of these sectors and potential practical suggestions; that is to say, the framework of this part of the literature is problematic to the extent that, “state” or “political sphere” is considered as a collection of institutions which should provide the “right framework” for the better working of economy. In this respect, “political” is subordinated to the “economic” and in case of lack of this subordination, “political” is considered simply to be corrupt or an arena for “populist” policies. For instance, regarding the banking crisis in North Cyprus in the late 1999 and early, 2000’s, it is argued

Banking failures that resulted from political factors disrupted the overall economic management of the TRNC. Before the banking crisis, banks were forced to operate in a highly political environment. Political influence was used to get loans and financing for business and hence other industrial projects that would not be approved on their own merits. This sort of political influencing in the banking sector damaged the liquidity position of the banks and generally resulted in bad debts and non-performing loans. (Şafaklı & Altuner, 2009 : 2580)

This is not coincidental to the extent that, the very discourse of the Turkish Cypriot business groups themselves stems from the assertion that the pre-2004 period in the macroeconomic policy-making in North Cyprus had been dominated by “populist”,

“clientelistic” and “patronage” relations which eventually established obstacles in front of the proliferation of competitive “free market”. This is why the disciplining role of AKP government upon the macroeconomic policy-making in North Cyprus in the post-2004 process in terms of transforming these relations has been praised by the Turkish Cypriot business groups. However, as it will also be argued in the following chapters, the so-called “paternalistic” nature of the Turkish Cypriot political sphere in the pre-2004 period has been tried to be substituted with yet another kind of paternalistic relations in the post-2004 period through the inclusion of AKP factor which is renown for its “paternalistic” practices in Turkey. Indeed, it is the Turkish Cypriot business groups themselves which also voice their concerns, especially within the debates of privatization issue in the post-2004 period, in terms of demanding priorities for themselves. Moreover, also bearing in mind that it had been the Turkish Cypriot business groups themselves as one of the major components of the political regime in North Cyprus in the pre-2004 period, it turns out to be the fact that the conceptualizations of “free market”, “populism” and “paternalism” have been a part of a legitimacy strategy towards the promotion of neoliberal policies.

Moving back to the discussion regarding literature review, as it is also mentioned above, in the vast majority of the literature, Turkish Cypriot state in particular and the political sphere in North Cyprus is general is portrayed as a limit to the proliferation of economic growth and success :

(...) to the extent that it [the state] maximize its interests and absorbs all the surplus of entrepreneurs it is characterised as “rentier” or “predatory”; to the extent that it suppresses the society as a whole and especially to the extent that it becomes a limit against the individual freedoms and economic activities it is characterised as “patrimonial” (Dinler, 2003 : 33, my translation)

However, it has already been mentioned that, in this thesis, Turkish Cypriot business groups are considered as a social class in its totality, and moreover, an investigation of the policy preferences of and the influence upon the policy-making process by the Turkish Cypriot business groups becomes possible only if the ‘Turkish Cypriot state’ is considered “as the expression of the balance of power

among the social classes” (Yalman, 2006 : 43, my translation). This does not necessarily leads to ignore completely the autonomy of the state and to reduce it to a mere reflection of balance of power among the social classes. Therefore, formulation of state should also embrace the relative autonomy of the state and consider it,

instead of being an existence of a power independent from such balance of power, should be evaluated as, in Gramsci’s expression, the conceptualization –at least an endeavor towards such a conceptualization- of the element which provides the formation of collective political will. (Yalman, 2006 : 43, my translation)

Another problematic regarding the vast majority of the literature is that there is an assumption of “economic interest” which covers the Turkish Cypriot society as a whole. However, the very endeavor of investigating the policy preferences of Turkish Cypriot business groups bases itself upon the assumption that, the conception of “unitary interest of the Turkish Cypriot society” is problematic :

in all class societies, conflicting interests continuously struggle to influence the state to gain the upper hand and state decisions that are taken at any particular moment in history reflect a particular solution to conflicting class interests and the interests of other internal and external actors at that particular conjuncture. Adopting this perspective enables room to manoeuvre beyond the political analyses that are based on the unitary interest of the Turkish Cypriot community. In addition it may facilitate the deconstruction of unitary actors in order to reveal the domestic origins of the drastic policy shifts... (Bozkurt, 2014 : 84)

Although very limited, there are several publications on the various aspects of the political economy of North Cyprus in the academic literature which establish links with the ‘political’ and the ‘economic’ without subordinating the former to the latter such as the articles which focus upon the impact and imposition of Turkey upon the economic policy-making in North Cyprus (Bozkurt, 2014); the policy perspective and penetration of Turkish capital to the Northern Cyprus (Tahsin, 2010); the neoliberal transformation of North Cyprus within a historical framework (Tahsin, 2014b) (Bozkut, 2013); political implications and outcomes of banking crisis in North Cyprus (Sonan, 2007); privatization and its social impacts (Lisaniler, 2013). Although these are not directly related with the Turkish Cypriot business groups, the insights of this part of literature has been incorporated into the

text in order to derive arguments which can be used to understand the policy preferences of Turkish Cypriot business groups.

CHAPTER 3

TURKISH CYPRIOT BUSINESS GROUPS' RELATIONS WITH TURKEY AND TURKISH BUSINESS GROUPS

3.1 Introduction

Economic relations between Turkey and North Cyprus have been the most important issue since 1974 in the public opinion of North Cyprus. This is not surprising due to various reasons : Turkey is the biggest trade partner of North Cyprus by far; economic policy making in North Cyprus is highly influenced by the economic policy making in Turkey through both the formal bilateral economic protocols&agreements and the leverage of Turkish governments over the Turkish Cypriot government in de facto manner¹². Turkish Cypriot firms, due to the unrecognized status of Turkish Cypriot state, execute their economic transactions via Turkey¹³. Due to the financial dependence of North Cyprus to the aids and credits of Turkey, the macroeconomic policy making perspective in Turkey has a huge impact upon the mindsets of Turkish Cypriot policy-makers. In this respect, I will try to reveal how Turkish Cypriot business community perceives the impact of Turkey on economic policy making in North Cyprus in the post-2004 process. That is to say, I do not focus upon the debates on the dependency of the Turkish Cypriot economy on Turkey but instead, this thesis will specifically focus upon the relations between the Turkish Cypriot business community and Turkey and/or

¹² This circumstance is pointed out by the World Bank itself in its report on North Cyprus in 2006 while discussing the budget formulation in North Cyprus : "A description of the budgeting process in the northern part of Cyprus should include a description of the role of the Government of Turkey which has been financing substantial annual deficits of the Turkish Cypriot community. The terms of this support have been set out in annual protocols, the first of which was signed in 1978. The process is transparent and the Protocols are printed in full in the Official Gazette." (World Bank, 2006, 15)

¹³ Turkish Cypriot firms, due to the unrecognized status of TRNC, should add "Mersin 10, Turkey" to the end of the real addresses in order to carry out their transactions.

business groups from Turkey.¹⁴ However, it is necessary to put these relations into a historical perspective.

Before moving on, It is also necessary to point out that the relations between the Turkish Cypriot business community and Turkish state and Turkish business community will not be dealt with separately. This is because, instead of embracing “the state-centered approaches that evaluate Turkish policy on Cyprus solely in terms of diplomatic relations”, it is important to “understand the social forces that form and transform Turkish policy on Cyprus from a political economy perspective”(Tahsin, 2010 : 133, my translation). Therefore, I will try to formulate a perspective which considers the policy perspective of Turkish state and Turkish business groups towards Cyprus in its totality without neglecting the inherent differences between these two. Moreover, the policy preferences and policy evaluations of Turkish Cypriot business groups with respect to privatization policies in North Cyprus will be integrated into this chapter both because the privatization policies have been executed under the economic protocols made between two countries and because the competition between Turkish Cypriot capital and Turkish capital has had a remarkable impact upon the implementation of the privatization policies.

¹⁴ With regard to the dependency debates and the debates around the character of the relation between Turkey and North Cyprus, see : (Bryant & Yakinthou : 2012 : 15-62)

3.2 Economic Relations between Turkey and North Cyprus in 1974-2004

Immediately after the division of Cyprus, Turkey had established the Cyprus Coordination Board¹⁵ in Cyprus in September 1974 and the former minister of finance of Turkey, Ziya Müezzinoğlu, was appointed as the head of Board : “Müezzinoğlu’s duty was to handle any economic problems related with Cyprus, coordinating with Ankara; everything from daily life to long-term approach (...) After a while, a system which solely hinges upon Turkey and becomes integrated to Turkish economy, was established.” (Birand, 1990 : 85, my translation) It is important to note that, this process had not simply been the shaping of the economy of North Cyprus under the tutelage and guidance of Turkey. Rather, it had been an important aspect of the establishment of a political regime and a process of state formation in North Cyprus under the impact of Turkey. Therefore, this process should not be considered simply as an economic relation between two politically equal and legal states within which the one state has a significant impact over the macroeconomic policy-making and economic policy formation of the other state¹⁶. Instead, organization of the society and its institutionalization i.e. the process of state formation and the making of the Turkish Cypriot political community had gone hand in hand with Turkey’s overwhelming impact and influence.¹⁷ In this respect, it is not surprising that, after the division of the island, mindset behind the economic organization of the North Cyprus had been based upon the social democratic principles of then Ecevit’s government in Turkey in particular and the principals of “Keynesian welfare national state” in general.¹⁸ Therefore, the

¹⁵ This board was renamed as “Organization for Cypriot Affairs” in 1981 and as “Consultancy for Cypriot Affairs” in 1984. This board can be considered as the earliest form of today’s “Office of Development and Economic Cooperation” organization under the Turkish Embassy in Nicosia.

¹⁶ Tahsin notes that “the activities of this board led to questions concerning the independence of TRNC since its advisory and coordination activities were perceived as interference to public affairs of Northern Cyprus.” (Tahsin, 2014a : 216)

¹⁷ For a comprehensive evaluation of the earliest attempts of state formation within the Turkish Cypriot community from a political economy perspective, see : Arslan, 2014.

¹⁸ Former member of Cyprus Coordination Board, Sadi Somuncuoğlu states that Müezzinoğlu’s project is to operate North Cyprus economy just like a state farm : “North Cyprus would be operated as State Farm, there would be “fair production, fair distribution”, no one would be given the right of property. As if it [the economy of North Cyprus] would be operated like a kolkhoz. In

economic organization in the very aftermath of 1974 had been organized around these principles.

Beside that, approximately 70 % of the industrial factories, workshops, agricultural lands and touristic facilities of Republic of Cyprus remained in the northern part of the border after the division in 1974 and due to the above-mentioned factors¹⁹, these factories, workshops and facilities were organized under various state economic enterprises.²⁰ The most important one of these economic enterprises is the “*Sanayi Holding*” (Industrial Holding).²¹ More than 30% of the industrial production of Republic of Cyprus -including the factories, workshops, raw materials and know-how materials- remained in the northern part of the border and was organized under a state economic enterprise named Sanayi Holding as mentioned above (Rahvancıoğlu, 2009 : 146).²² The production under the umbrella of Sanayi Holding was composed of light industrial production.²³

order to achieve this goal, extreme leftist civil servants from each ministry [in Turkey] was sent.” (Somuncuoğlu, 2011, my translation).

¹⁹ “In the same period, as the social democrat CHP was in power in Turkey and due to the prestigious position of the social state understanding, this “captured” industrial capacity was organized and operated as state economic enterprises.” (Rahvancıoğlu, 2009 : 146, my translation)

²⁰ Another reason behind this decision is the lack of capital accumulation and know-how of Turkish Cypriot trade bourgeoisie at that time to operate these facilities.

²¹ Sanayi Holding was only one of the state economic enterprises, representing the industrial production. There were other spheres organized around state economic enterprises such as the Cypruvex (fruit and vegetable organization), Cyprus Turkish Airlines, Cyprus Turkish Petroleum, Cyprus Turkish Tourism Enterprises, Cyprus Turkish Tobacco Industry and such, most of which had been privatized after the initiation of the neoliberal transformation.

²² At the beginning, “the shareholders of the company was the Development Fund of Turkish Cypriot Communal Chambers (50%) and various state economic enterprises in Turkey (Sümerbank 25%, Mechanical and Chemical Industry Corporation 5%, PETKIM 5%, Turkish Agricultural Supply Department 5%, Turkish Milk Industry Association 5% and Turkish Meat and Fish Association 5%)”; however, later, “all of the shares were transferred to the institutions of North Cyprus” (Erdim, 2014 : C,D, my translation)

²³ Among the factories given to the Sanayi Holding, there were metal working factories, facilities that produce farm machinery and water pumps, factories that produce citrus packing stations, steel pipe factory, plastic factories, workshops of weaving and manufacturing and shoe, factories which produce food products such as flour, cookies, chocolate, macaroni, margarine, factories of brick, tile, lime, factories of aluminum, paper bag, plastic sack and saucepan, enterprises of dye, detergent and cosmetics.” (Erdim, 2014 : C). Erdim, who is also one of the former chief of the some of the factories under Sanayi Holding, also notes that, “facilities under the company were the modern factories of that time. Such that, businessmen from Turkey, who were the companion of Bülent Ecevit during his visit of North Cyprus in early 1975, were astonished. It was their first time

However, with the 1980's, especially with the launching of the neoliberal transformation in Turkey, North Cyprus had also got its share from this process :

This decade was a period of neoliberal privatisation in north Cyprus, making it attractive for owners of small business enterprises, as well as highly skilled professionals, such as financial experts hired in local or offshore banks, lecturers who teach in the universities, and businessmen who have made investments on the island. Several new hotels were built or older Greek-Cypriot ones, previously run by the government, were privatised. Together with growth in the hospitality industry, hotels began to open casinos which catered mainly to Turkish tourists. (Hatay, 2008 : 155)

This transformation had also been the consequence of the harmonization and compatibility of neoliberal Özal government in Turkey²⁴ with the political leadership of Denktaş's presidency who had been concerned with the growing working class culture and trade union militancy around the industrial factories and workshops. This change of policy also suited the TCCC which had vigorously and publicly given its support to the privatization or liquidation of these factories and workshops in particular, and to the eventual shrinking of the manufacturing sector in general.²⁵ This harmonization had taken place within the broader neoliberal approach of Özal government to North Cyprus, which was reflected in the first economic cooperation protocol signed between Turkey and TRNC government. Tahsin states that "this represents the initial phase of the neoliberal transformation" in North Cyprus. (Tahsin, 2014a : 217). This protocol "legalized the laws on the central bank, currency and foreign exchange, banks and offshore banking, land and

to see aluminum facilities, water heater system through solar energy." (Erdim, 2014 : C, my translation)

²⁴ One of the prominent nationalist journalists of North Cyprus, who attributes a positive role to the political and military existence of Turkey in Cyprus, reject the claims that Özal told Turkish Cypriot people to give up production; however, he still acknowledges that Özal told that "this small country can not become an industrial country. There is no hope in agriculture either, due to drought. Create service sectors, tourism and university, finance sectors. Let's together make North Cyprus an open market as a substitute for decayed Beirut. We will give you all kinds of support." (Tolgay, 2016, my translation).

²⁵ "Chamber of Commerce, which has been aiming to increase its weight within the hegemonic bloc, has never concealed that it prefers a dependent structure based on imports to a society which produces its own needs. In its various reports and statements, it called the Sanayi Holding as hump and claimed that Sanayi Holding should be transferred to the private capital." (Rahvancıoğlu, 2009 : 154, my translation).

authorized suitcase trade (...) during Özal's government (...) free money transfer was authorized, the foreign exchange regime of TRNC was revised and customs taxes were decreased by 30 percent. (Tahsin, 2014a : 217). Moreover, it is, for the first time with this process that the 'IMF-metaphor', which would be used very widely for describing the Turkey-North Cyprus relations in the post-2004 process, was put into the terminology :

Critics in Turkey had been stemmed from linking aid to Cyprus to the implementation of IMF prescriptions by Özal. In a sense, the same conditions which had been imposed upon Turkey by IMF in order to give credit, was imposed to North Cyprus by Özal government. Moreover, Prime Minister [of TRNC] Derviş Eroğlu even sent an intention letter to Turkey for the aid.(Uzgel, 2004 : 354, my translation)²⁶

This transformation process has been rationalized by various economists as the natural outcome of the economies of micro states, and especially of the small island economies. The basic argument is that small island economies “have a relatively small resource base, undiversified economic structure, heavy dependence on imports, and a large agricultural, fishing and subsistence sector” (Katircioğlu, 2010 : 1957). These features are considered to be vulnerabilities and in order to overcome such vulnerabilities, these economies tend towards focusing upon the service sector in particular, and export-oriented services in general (Katircioğlu, 2010 : 1958). This is also related with the transformation of Turkish Cypriot economy throughout the post-1974 process and as Mehmet and Tahiroğlu argues, “the evolution and rapid growth of universities in North Cyprus has been the major force in the transformation of the economy from a traditional agrarian base to export-oriented services.” (Mehmet & Tahiroğlu, 2002 : 159).

²⁶ Hasgüler states that this protocol, which Özal himself imposed upon TRNC government by personally coming to Cyprus, is the “first explicit example of intervention in economic sphere” (Hasgüler, 2000 : 265, my translation)

However, despite of the arguments by various economists that revolve around mainly the assertion that

North Cyprus, as a micro state, possesses certain inherent comparative advantages, especially in tourism, higher education, and banking and finance, as well as other service sectors (...) service markets recognize no boundaries and thus are not constrained by diseconomies of scale that operate in the manufacture and trading of goods and commodities (Mehmet, 2010 : ix)

However, transformation to a “service economy” through eliminating industrial capacities had neither been a smooth nor a technical process. It has already been mentioned that the inception of neoliberal transformation of the Turkish economy immediately after the 1980 military coup had also triggered the neoliberal transformation of the Turkish Cypriot economy and economic protocols between Turkey and TRNC government was shaped under the impact of this transformation, as mentioned above. Moreover, this ‘liberalization’ of Turkish Cypriot economy were accompanied by either the privatization or the liquidation of the industrial production which had been organized under the above-mentioned Sanayi Holding. As also mentioned above, the process of the either privatization or liquidation of the state economic enterprises, most significantly the Sanayi Holding, had neither been smooth nor a technical process but instead, witnessed the alliance of Özal government in Turkey, Turkish Cypriot political leadership and TCCC against the labour unions organized in the factories and workshops of Sanayi Holding and the leftist opposition. This process had witnessed various strikes organized by the labour unions; harsh clashes between the police forces and the workers around the factories and workshops (Rahvancıoğlu, 2009 : 149-152); mass demonstrations and widespread political debates among the different fractions of society, including the debates within Turkish Cypriot bourgeoisie. For instance, TCCC, during this process, had become the fiercest advocate of the privatization and liquidation of the state economic enterprises, and especially the Sanayi Holding (Rahvancıoğlu, 2009 : 154). It is not surprising that, this process has triggered the fall of industrial production dramatically. The share of industry within the gross domestic

product has fallen from its peak point, which is 14.6%, in 1980 to 8.1% in 2014. (TRNC Prime Ministry State Planning Organization, 2001 : 10; TC Yardım Heyeti Başkanlığı, 2014 : 89). On the other hand, CTCI circles has always rejected the arguments which assert that industrial production is unproductive in case of the small island economies and that the small island economies should seek it comparative advantage in the service sector, trade, tourism and banking.

Early 1990's also witnessed the deepening of the neoliberal policies that had been launched during the Özal government in Turkey. Together with the joint economic commission protocol of 1992, more emphasis was put on the tourism, education and service-related sectors. Beside that,

in order to achieve related policy targets, additional laws that regulate Northern Cyprus's economy were approved. The offshore banking sector law (1990), the right to travel for a period of three months between Northern Cyprus and Turkey with an identity card (1991), the recognition of universities in Northern Cyprus by the Turkish Higher Education Council (YÖK) (1994) and laws related with private property, housing, land, and tourism that facilitate the opening of casinos are among the main laws that still shape the socioeconomic structure in Northern Cyprus. (Tahsin, 2014a : 218).

Second half of the 1990's had witnessed several important developments. First of all, with the decision of European Court of Justice in 1994 (C-432/92, 1994)²⁷, Turkish Cypriot exports to the European Union decreased dramatically : "The share of EU countries has decreased from 45.5 % to 14.1 % in imports and from 64% to 20.5% in exports during the period of 1977-2008." (Güryay, 2011 : 94). This dramatic fall has led to a remarkable increase of the volume of trade between Turkey and North Cyprus and therefore, a de facto economic integration between these two countries has occurred in favor of Turkey. The share of imports from and

²⁷ Contrary to the popular belief, European Court of Justice "did not officially impose an embargo to the imports from TRNC. However, the consequences of its decision has made the export from North Cyprus to European Community impossible in economic terms. It is still possible to export the products from TRNC to European Community without EUR.1 movement certificate. In this case, products would be considered as imports from third countries and therefore would be subject to a tax, of which the Community applies to such products, ranging from 3% and 32%." (Aran, 2009 : 4, my translation)

exports to Turkey were 37.7% and 27.6% respectively back in 1977 (Güray, 2011 : 95). In 1993, a year before the decision of European Court of Justice, the share of imports from and exports to Turkey were around 41.5% and around 22.2% respectively. In 1995, on the other hand, share of imports from and exports to Turkey were around 53.2% and 30.6 respectively.²⁸ (Ticaret Dairesi, 2015). It can easily be seen that, even right after the decision of European Court of Justice, a huge increase of trade between Turkey and North Cyprus was experienced. Moreover, this increase has specifically reflected itself upon the imports of North Cyprus from Turkey. Finally, according to the latest official data, the share of imports from and exports to Turkey were %66.5 and 58.5% respectively in 2014 (TC Yardım Heyeti Başkanlığı, 2014 : 27-29).²⁹

Secondly, the Luxembourg Summit of EU in December 1997 had an important transforming impact upon the relations between Turkey and North Cyprus in terms of political relations : “EU took Turkey out of the category of countries that would be members in the short term and it was decided to begin negotiations with six new candidates including Republic of Cyprus.” (Ulusoy, 2009 : 90, my translation). Moreover, with this Summit, the progress of relations between EU and Turkey was bound up to the conditionality of taking steps towards the solution of Cyprus problem. This had led to the emergence of “Protocol of Functional and Structural Cooperation” between Turkey and TRNC government. This protocol had foreseen a closer integration between Turkey and TRNC in the spheres of foreign affairs and defence³⁰.

While the situation back in 1997 reflected a divergence of Turkey and North Cyprus from European Union and closer integration between these two countries

²⁸ I deliberately did not take year 1994 as a meaningful example due to the 1994 currency crisis in Turkey which had a huge impact on the external trade of Turkey.

²⁹ One has to check the exact numbers instead of proportions in order to understand the trade imbalance between Turkey and North Cyprus. In this respect, Turkish Cypriot economy exported 1.185 million dollars from Turkey and imported merely 78.4 million dollars to Turkey in 2014 (TC Yardım Heyeti Başkanlığı, 2014).

³⁰ For the full text of the protocol, see : Protocol of Functional and Structural Cooperation. (1998). Perceptions, 3(1).

both in economic and political terms, with the 1999 Helsinki Summit of European Council, it was stated that Turkey is a candidate for EU membership. Moreover, the “Presidency Conclusions” of the Helsinki Summit did not link the Cyprus problem to the accession of Republic of Cyprus to the European Union; that is to say, the ground that had been established with the Luxembourg Summit in 1997 turned upside down.³¹ With the Helsinki Summit of December 1999, the attitude of the Turkish business community towards the 'Cyprus problem' changed as they became engaged with the pre-accession process of Turkey to the EU :

This became a turning point in the position of the hegemonic fraction of capital represented by TÜSİAD. After 1999 the association completely changed its disposition on Cyprus since 1974 and did not abstain from conflicting with the fractions which regarded Cyprus as a national cause. Such a position seemed to TÜSİAD as an obstacle to EU accession. (Tahsin, 2012 : 144).³²

On the other hand, for the Turkish Cypriot business groups, especially after the decision of European Court of Justice in 1994, re-integrating with the world markets had been the most vital goal. Moreover, the second half of 1990s and very early 2000's had witnessed several political, social and economic turmoils in North Cyprus which eventually led the Turkish Cypriot business community to change its position and perspective. Firstly, the banking crisis which occurred in the very late 1999 in North Cyprus had a huge impact on society : “The amount deposited in the

³¹ “The European Council underlines that a political settlement will facilitate the accession of Cyprus to the European Union. If no settlement has been reached by the completion of accession negotiations, the Council’s decision on accession will be made without the above being a precondition. In this the Council will take account of all relevant factors.” (European Council, 1999)

³² Yalman argues that, for the hegemonic fractions of Turkish bourgeoisie, “one of the most striking alterations of the 1980s, at least at the level of discourse, had been the consideration of integrating with world economy as an end in itself (...) Today, this discourse and the new forms it has taken has been paving the ground for normalizing the crises that have been confronted during the process of new integration with the world economy which has been carried out upon the ground of structural transformations necessitated by the neoliberal understanding.” (Yalman, 2002: 20-21, my translation). Therefore, the strong support by TÜSİAD for the EU membership and the solution of Cyprus problem became linked with each other from 1999 onwards. On the other hand, while TOBB [The Union of Chambers and Commodity Exchanges of Turkey] had been supporting the EU process at that period as well, its stance towards Cyprus issue was less confrontational due to its own membership-structure : “In this period, TOBB too looked positively to the EU accession process and even acted as one of the leading components of EU lobbying (...) However, with regards to the Cyprus topic, it should be underlined that TOBB tried to follow a more balanced policy when compared with TÜSİAD (...) Unlike TÜSİAD, TOBB embraces also the representatives of the small and medium scaled capital.” (Tahsin, 2010 : 147, my translation)

failing banks was USD 163 million in 58.000 different accounts. This amount represented almost 18% of all bank deposits in the banking system. More than 30,000 individuals were affected.” (Sonan, 2007 : 12). The banking crisis had reflected its strongest impact in the year 2000 and revitalized in 2001 due to the economic crisis in general and banking crisis in particular in Turkey.³³ This had been accompanied by various political turmoils, beginning with the assassination of a dissident journalist Kutlu Adalı in 1996, followed by his funeral of which thousands of Turkish Cypriots participated; detention of the columnists of a dissident newspaper, Avrupa, with the allegation of spying, followed by a mass demonstration of protest (Kızılyürek, 2002 : 298). Beside that, beginning with the Economic Cooperation Protocol of 1997 between Turkey and North Cyprus, the “conditionality principle” has began to take part³⁴ in the economic protocols between these two countries.³⁵ One of the basic consequence of this Protocol was that the political regime had lost its leverage to arbitrarily distribute the aids from Turkey to its constituency within the framework of political clientelism in order to consolidate its political legitimacy.³⁶ Therefore, it can be said that, beginning with

³³ Şahinkaya argues that, the reasons behind the banking crisis in North Cyprus in 1999-2001 were the “uncontrolled activities of banks, insufficient supervision and the important gaps in the former banking law.” (Şahinkaya, 2002 : 273, my translation). For a detailed analysis of the banking crisis in North Cyprus, see : (Şafaklı , 2002 : 107-113).

³⁴ In the second article of the Protocol, it is stated that “the conditions of the aids (...) will be determined with credit agreements. These aids, in the essence, will be used for the structural transformation programs and projects.” (Ekonomik İşbirliği Protokolü, 1997, my translation)

³⁵ It is also notable that, it is the 1997 Protocol that for the first time, privatization issue took part in the economic protocols between two countries : “Endeavors within the framework of Privatization Project will be hastened and with this purpose, a Unit for privatization will be established and this Unit, when necessary, will cooperate with the Privatization Board of Turkey.” (Ekonomik İşbirliği Protokolü, 1997, my translation)

³⁶ However, Sonan argues that, this new step is not related with the unwillingness of compensate the worsening economic conditions in North Cyprus accompanied by the banking crisis but “rather, it appears as a deliberate policy serving a political aim (...) Particularly, the Turkish government’s decision to side with President Denktaş against Prime Minister Eroğlu in this power struggle, and its decision to force Eroğlu to step down by using its economic and military influence proved counterproductive. By making the continuing flow of financial aid subject to implementation of a rather unpopular economic austerity program, Ankara decisively weakened Eroğlu, stopping short of effecting his resignation.” (Sonan, 2007 : 11). For a more detailed discussion on the political clientelism see : Sonan, 2010; Sonan, 2014). Regarding the dominance of power struggle over the economic considerations with regard to Turkey’s decision beginning with 1997 Protocol to link aids to the conditionality principle, one should also bear in mind that economic considerations is always linked with the power struggle. Therefore, what seems like a ‘political act’ and ‘power struggle’ may be designed to pave the way for the long-term ground for the realization of

the second half of the 1990s, with the combination of the economic crisis and political legitimacy crisis, the post-1974 consensus among various social classes and groups had begun to lose its ground.³⁷ Within this framework, Turkish Cypriot business community had taken the necessary steps quickly :

In spite of the fact that the impact of the severe economic and political crises encountered in Turkey and also in Turkish Republic of Northern Cyprus has been a decisive factor, the prospect of becoming incorporated into the EU has also emerged as a key determinant of the ways in which the Turkish Cypriot business community redefined its stance. The material benefits of EU membership became all the more attractive during the period of economic crisis. It was the few leading spokespersons of the business community such as Ali Erel, Erdil Nami and others who would voice these benefits, when the public was not informed. (Balkır, 2005)

The period between the Helsinki Summit and Annan Plan referendum had been a process in which Turkish Cypriot business community had went beyond its identity as an “economic interest group” :

The change in attitudes had also been reflected in a change of leadership of the main business organisation, the Turkish-Cypriot Chamber of Commerce, in the spring of 2001, at the peak of the economic crisis. The new board increasingly adopted a different vocabulary so as to express their views not as an interest group but as the representative of the interests of the Turkish-Cypriot people in general. (Balkır & Yalman, 2009 : 54)

The eagerness of Turkish Cypriot business groups in general and TCCC in particular to lead the society towards both the solution and EU membership also coincided with the rising legitimacy of the EU within the Turkish Cypriot society. After a devastating banking crisis and political instability, the EU had been considered as a stable union in which the economic well-being would be provided

economic considerations. For instance, back in 2005, IMF approved to give an amount of 10 billion dollar credit to Turkey through a stand-by agreement, despite Turkey did not completely meet conditions required for having the credit. This exceptionality was justified through an “exceptional circumstance” in which, the approved stand-by agreement was considered as an anchor for AKP government for the next general elections in Turkey in 2007. (Boratav, 2005)

³⁷ The latter’s link with the EU accession is related with the widespread appreciation of EU accession through the solution of Cyprus problem by Turkish Cypriot society. With the late 1990’s and especially with the early 2000’s, the legitimacy crisis in the society had reflected itself strongly in the society through several pro-solution and pro-EU mass rallies. For the details of the political aspect of this process, see : (Düzgün, 2008); for the details of the highly vibrant civil society at that period, see : (CIVICUS, 2005 : 114-172).

to the society. Moreover, living under an unrecognized state in terms of international law for almost 30 years, EU had been considered by the Turkish Cypriot society as the optimal choice for getting rid of this unrecognized status. EU, on the other hand, had enhanced its legitimacy in the eyes of Turkish Cypriot through various mechanisms :

Following the recommendation of the Council, the European Commission announced a Special Aid Package of €12 million for the northern part of Cyprus, on 3 June 2003. For the first time the EU was announcing an aid package in which the Turkish Cypriot community was the sole beneficiary (...) Turkish Cypriot - EU relations started changing their form radically during this period. Representatives of the European Commission, members of the European Parliament and delegations from Member States started visiting the northern part of Cyprus to meet with the representatives of NGOs, trade unions, universities and political parties. All these groups would tell the Europeans the same thing ,that they (...) wanted EU membership. (Beyatlı, 2011 : 139)

Before moving on to the post-2004 process, a brief evaluation of the pre-2004 period is crucial.³⁸ It is obvious that, as already noted, economic liberalization and the implementation of a neoliberal agenda has began in the pre-2004 period. However, there is a widespread belief among Turkish Cypriot business groups in particular and Turkish Cypriot society in general that the pre-2004 period in terms of Turkey-North Cyprus economic relations symbolizes an era in which the political, military and geostrategical considerations of Turkey had prevailed over the economic incentives. Moreover, Turkish Cypriot business community depicts the pre-2004 period as an era in which financial sources from Turkey had been given to the use of consecutive Turkish Cypriot governments without any supervision and this had led to abuse of these sources by Turkish Cypriot governments through populist policies. These governments had distributed the financial resources coming from Turkey in order to consolidate their constituency and to ensure the success in subsequent elections. These so called populist policies, it is argued, had reflected itself through the “swelling” of the public sector via overemployment, inefficient workforce, unsustainably higher wages, pensions,

³⁸ It is important to mention that, I did not go into the details with the interviewees about the relations with Turkey about the pre-2004 period during the in-depth interviews. However, during the in-depth interviews, references to the pre-2004 period within the framework of comparison with post-2004 era were made by the interviewees, though very briefly.

fringe benefits and low working hours and working load. That is to say, public sector, it is argued, had been used as a platform of vote-gathering. Moreover, it is argued, this had either been ignored by Turkey as it did not supervise closely the destiny of financial resources it had provided in order to protect its alliance with and sanction power over the consecutive Turkish Cypriot governments, or, while not being completely ignored, this process had both been mismanaged by Turkey due to various reasons and been abused by the consecutive Turkish Cypriot governments in order to implement their populist agendas .

Both former and latter approaches have been voiced under different contexts. Regarding the mismanagement issue, it is claimed that “Turkey, because of not working in a kitchen like TRNC before, had made very big mistakes. Beginning from 2000’s, especially after Erdoğan, Turkey has undergone a very serious transformation, it has settled [the reflection of this transformation] into economic programs.” (N. Ergün, personal interview, February 29, 2016). Former minister of finance, Zeren Mungan, who also contributed as an author to one of the TCCC’s publications, has a similar approach :

Turkey’s approach in North Cyprus after 1974 had been like “We went to North Cyprus, let’s stay there, let’s help Turkish Cypriots when they are in trouble.” The situation had been like this until 2000’s. There had not been enough effort in terms of restructuring TRNC, maintaining its own life [becoming self-sufficient in terms of economy]. Either the technical officials [of Turkey] had not been working sufficiently and/or there had been the understanding of “it is a small country, we will somehow help. (Z. Mungan, personal interview, March 2, 2016)

Also the former president of North Cyprus, Mehmet Ali Talat, implicitly emphasized the role of Turkey in the mismanagement of the economy of North Cyprus in a meeting :

Formation of economy [in North Cyprus] after 1974 has developed in a way to create and foster structural defects in a short time. Of course I can not say that this is under the responsibility of one person or some people. However, most serious mistake (...) [is the understanding that] it is not that important to organize the economic problems and economy of this small society Money that is required by this society [Turkish Cypriots] which has a less population than a district of İstanbul, could have been sent by Turkey somehow (...) Thus, we have established a public system with very serious structural defects. (Talat, 2009 : 16, my translation)

Talat then goes on to discuss the problems in the public sector of North Cyprus. Public sector, as also discussed in detail in chapter “Labour Market in North Cyprus”, has always considered to be very detrimental to the economy in terms of preventing the proliferation of private sector in various ways including borrowing opportunities and investments; creating and maintaining an inefficient and a very bulky bureaucracy and attracting the qualified labour force which would otherwise be employed in the private sector. This kind of public sector, as also mentioned just above, is considered to be the outcome of the mismanagement of its economic relations with North Cyprus by Turkey. This would, in turn, be exploited by consecutive Turkish Cypriot governments in order to realize their populist policies which will provide them an electoral success. It is crucial to note here that, this “mismanagement of economy” is not simply be considered within the context of Turkey’s economic approach to North Cyprus, but within Turkey’s own economic management as well. For instance, former minister of finance of North Cyprus argued that “in Turkey, with regard to economy policies, one could not talk about a completely settled structure until Kemal Derviş.” (Z. Mungan, personal interview, March 2, 2016) This point is important because, as I will argue in detail under the post-2004 process in terms of economic relations between Turkey and North Cyprus, there is a widespread perception in the Turkish Cypriot business groups that management of the economy in Turkey has become successful with the Justice and Development Party (Adalet ve Kalkınma Partisi, AKP) coming to power which has also been reflected itself to the Turkey-North Cyprus economic relations in the post-2004 process.³⁹ Therefore, it is possible to say that there is a widespread consensus upon the parallelism between the way Turkish governments manage the economy of Turkey and the way they approach to North Cyprus in terms of economic relations. One can easily see the parallelism of discourses between AKP government’s own narrative regarding its success over transforming Turkey’s “mismanaged economy” by the previous governments⁴⁰ and the perception of Turkish Cypriot elites in general and business community in particular regarding the transforming capacity of AKP

³⁹ This approach has its variations in itself. For instance, while some members of the Turkish Cypriot business groups acknowledge the ‘success’ of AKP government in terms of overcoming the mismanagement problem both in Turkey and in North Cyprus, they believe that Turkish Cypriot policy makers and politicians are still mismanaging the economy and this is what drives AKP government to assume a disciplining role in the economic policy making in North Cyprus. This variation is clearly reflected in the work by Bryant and Yakinthou which includes several interviews with the members of Turkish Cypriot business groups. According to one interviewee in this work, “what had changed in the relationship was both Turkey’s economic growth and increasing regional influence, and the current failure of Turkish Cypriot politicians to express the interests of their people. Quite a number of interviewees said: ‘If Turkey doesn’t understand us, it’s because we haven’t been able to explain ourselves.’ These same interviewees tended to conclude that the fault for this failure of communication lay primarily with their own government. As one businessperson phrased it, “What has made the [Turkish] ambassador into a governor is our own incompetent politicians.”” (Bryant & Yakinthou, 2012 : 17)

⁴⁰ Özal’s era has always been considered as an exception, however. From this standpoint, AKP government has deepened the successful economy policies inaugurated during Özal’s era.

government with regard to Turkey's approach to North Cyprus in economic terms.

Beside the (mis)management aspect of the economic relation between Turkey and North Cyprus in terms of the comparison between pre-2004 and post-2004 periods, a distinction is widely made between these two periods in terms of the policy agenda of Turkey towards North Cyprus. This distinction, on the other hand, is based upon not simply the capability or management/mismanagement assumptions but instead, upon the changing dynamics, especially in terms of the Cyprus problem and relations between North Cyprus and Republic of Cyprus. That is to say, while the (mis)management aspect is discussed within the borders of a 'technical' discourse; policy agenda of Turkey towards North Cyprus is discussed within the realm of 'political'. In this respect, Turkey's intention in terms of formation of a policy agenda towards Cyprus in the pre-2004 period is mostly being considered to stem from "political" and "military" motivations. This is because until the Helsinki Summit of European Council in 1999, "Cyprus problem had occupied a place at the very center of the security politics in Turkey." (Ulusoy, 2009 : 88, my translation). Until the Helsinki Summit, there used to be neither a substantial future prospect for the solution of the Cyprus problem nor an external catalyst which could stimulate the multiple sides around it. That is to say, until the Helsinki Summit, there used to be no substantial hope in order to overcome the vicious cycle which had reflected itself in the deadlock of negotiations regarding Cyprus problem. It used to seem like that, there is no substantial alternative to the political and military existence of Turkey in the northern part of the island, though considered as occupation by the Republic of Cyprus. Moreover, as also mentioned above, for Turkey

the geographical proximity of the island to Anatolia has facilitated articulation of the issue either as a source of an imminent, persistent threat to Turkish nation and state, or as an integral part of Turkey's national defence and security. In either case, the island of Cyprus has been imagined as an invaluable geostrategic asset, bound to be used by a hostile power to strike the Anatolian heartland, or one that can be used by Turkey against that aggressive state. (Kaliber, 2013 : 106)

According to this approach, in the pre-2004 period, for Turkey, intention of

preserving the geostrategical and military interests in Cyprus had caused pushing the economic development of the North Cyprus aside. However, Erdil Nami, former president of TCCC (2005-2007), told that there are such examples even after the post-2004 process regarding the political and military approach of Turkey to North Cyprus. For instance, during the interview, he referred to one of his attempts for a marina investment in northeast coasts of North Cyprus. Nami told that, due to the procedure for that kind of investment, an approval of the related military officer is necessary. During his discussion with the military officer, Nami told, there occurred a dispute between him and the officer in terms of the economic investment and maritime security. Nami said that military officer accused him for ignoring the safety and security issues in favour of economic benefits. (E. Nami, personal interview, March 10, 2016). Moreover, military, security, geostrategical and political priority of Turkey towards North Cyprus in the pre-2004 period had also reflected itself in the reluctance of the Turkish business groups towards investing North Cyprus. According to Uzgel,

it is asserted that the reason behind Turkish businessmen for not investing to North Cyprus is the objective conditions within which TRNC takes place. It is asserted that there is no economic rationality in investing a country in which no one, except Turkey, recognizes; to which no direct flights can be made from abroad and of which has an uncertain political future. (Uzgel, 2004 : 331, my translation)

Ali Erel, former president of TCCC (2001-2005) also shared his dialogues with the prominent Turkish businessmen regarding their approach towards investing North Cyprus :

Mustafa Koç told me that he would not invest here, he came here only for the purpose of visiting his friends. Sabancı said that he would not flog a dead horse [regarding investing in North Cyprus]. Eczacıbaşı as well, they respect to legal structure because of their international linkages. [Aydın] Doğan does not come either (A. Erel, personal interview, March 8, 2016).⁴¹

⁴¹ According to Ali Erel, there is no difference between pre-2004 and post-2004 periods regarding investing to North Cyprus except the investments by -what he calls- “green capital” which refers to the AKP affiliated Islamist capital : “In my opinion, there has been no transformation after 2004. It is the green capital which is interested in here. For instance [the privatization of] Ercan [Airport].

The traces of unwillingness of Turkish capital circles in terms of investing to North Cyprus can be found even back in 80's :

The most important manifestation of this attitude by Turkish businessmen occurred back in 1986 during Özal's visit to North Cyprus. Several businessmen had joined Özal in this visit including Sakıp Sabancı, Halit Narin, Ali Koçman, Şarık Tara and Feyyaz Berker. In this visit, Sabancı, then the president of TÜSİAD had offered to make North Cyprus entirely a free zone but this was not implemented. While this visit had risen the hopes of North Cyprus side that the Turkish businessmen would invest in North Cyprus, following years witnessed a disappointment in this respect (Uzgel, 2004 : 330, my translation)

The perception that Turkish state had given priority to political, military and geostrategical goals over economic goals in pre-2004 is also acknowledged by the opponents of the political hegemony of Turkey over North Cyprus. According to Şener Elcil, secretary general of the Cyprus Turkish Teachers Union,

Attitude of Turkey's administrators and Republic of Turkey Ministry of Foreign Affairs in pre-2004 were to control and hold the north of Cyprus evermore with a military mind. AKP has brought a change (...) transferring capital here, undertaking big investments, buying Greek Cypriot properties and Turkify them, presenting the social assets to the AKP-affiliated capital circles under the name of privatization. These are the things that could not be thought before 2004 (...) Turkey's military forces, once understanding that they would not be able to control here without violating the international law, has began to capture it through capital. (Ş. Elcil, personal communication, March 7, 2016)

It should be noted that, this widespread perception is problematic to the extent that it ignores that the so-called "economic perspective" towards North Cyprus by Turkey had also reflected itself in the pre-2004 period as well. It has already been discussed that, beginning from the very aftermath of the division in 1974, successive Turkish governments had reflected their own perspective and impact upon the organization of Turkish Cypriot economy. Moreover, the so called "transformation of the Turkish Cypriot economy", which has considered to be launched with the AKP government in Turkey, has its roots in the second half of the

They gain experience here, accumulate capital and enter a business in Turkey. At that period [Annan Plan era], we had a good relations with TÜSİAD and TOBB (...) This newly-growing capital, on the other hand, MÜSİAD, they do not have such criteria (...) We have never considered the Turkish capital as the capital of the occupying forces. After a solution, their investments will be to our benefit within the legal ground. (...) TÜSİAD, not TOBB, remained close to us during the Annan Plan era; moreover, they were aware of our thoughts and it was troublesome for them to establish a relationship with us. They are afraid of their state." (A. Erel, personal interview, March 8, 2016)

1980's, beginning with the 1986 protocol. While it is true that Turkish business circles had hesitated to invest in North Cyprus up until almost 2004, it had not been related with the lack of economic perspective of Turkish state due to its political, military and geostrategic considerations; on the contrary, it had stemmed directly from the economic considerations of Turkish business circles in terms of not considering North Cyprus as an economically efficient zone for investment. This is why, beginning with the liberalization policies of 1986 protocol, the prospect of transforming Turkish Cypriot economy towards a more “market-friendly economy” had been implemented.⁴² The discourse in the introduction paragraph of Economic Cooperation Protocol Between Turkish Republic of Northern Cyprus and Republic of Turkey in 1997 is remarkable in terms of revealing the ‘economic perspective’ between Turkey and North Cyprus in the pre-2004 process :

The governments of Republic of Turkey and Turkish Republic of North Cyprus delightedly record the positive outcomes provided by the (...) [1986] Protocol and following implementation protocols; confirmed that important developments has been reached by the virtue of a new development strategy in the direction of the principles of free market economy inaugurated with the aforementioned Protocol... (Ekonomik İşbirliği Protokolü, 1997, my translation)

Beside this, the proliferation of Turkish investments to North Cyprus after 2004 has not stemmed from the transformation of perspective from geostrategical/political/military approach to economic approach but it was also related both with the rising prospect for the solution of Cyprus problem after the Helsinki Summit in 1999 and with the inclusion of EU factor to Cyprus problem. Former minister of finance said that he is

aware of the fact that for Turkey, the way to be effective in Cyprus is not military but economic. [Turkey says] “I will no longer want to be in the position of occupying force, but let there will be mutual dependence at the water sphere for instance [in terms of water transfer from Turkey to North Cyprus]. I sell my water and Turkish Cypriot will have to get on well with me as they will buy my water.” Removing the dependence, and instead of [engagement over] public, an engagement over private sector... Turkey, through economic investments, will establish a relation

⁴² This purpose further revealed itself with the Agreement of Investments between Turkey and North Cyprus, made in 1988, in which the aims of facilitation of and encouraging the flow of foreign investment and the reducing the noncommercial risks are considered (Yatırımların Garantisi Anlaşması, 1988)

with EU without joining EU [through North Cyprus]. (B. Özgür, personal interview, March 2, 2016)⁴³

What is tried to be mentioned is that the discussion should not be made over whether the priority is given to the political or economic goals; but instead, an approach which acknowledges the various articulations of “economic” and “political” should be developed in order to grasp the relations between two country comprehensively.

3.3 Economic Relations Between Turkey and North Cyprus in Post-2004 Process

The most featured characteristic in the post-2004 process within the context of Turkey - North Cyprus relations in terms of economy according to the Turkish Cypriot business community circles is the disciplining role of Turkey on the macroeconomic policy making and implementation in North Cyprus. This disciplining role is made possible as Turkey is the only creditor of North Cyprus. That is to say, North Cyprus, as also elaborated in the introduction of this chapter, is dependent to the financial sources of Turkey. In this respect, Turkey has the leverage over the policy-making processes in North Cyprus through justifying itself as the single creditor. It is not an exaggeration to compare this relationship between Turkey and North Cyprus with the relationship of IMF with borrower countries. Various Turkish Cypriot government officials and even the Turkish officials has resorted to IMF-comparison in order to explain the economic relation between Turkey and North Cyprus. For instance, former Turkish ambassador of Nicosia Kaya Türkmen defined his position with this sentence : “At best, I can feel as IMF president.” (Türkmen, 2011, my translation). This comparison was also made by

⁴³ Former president of the Turkish Electricity Authority of Cyprus Workers' Trade Union talked in the same vein regarding the purpose of Turkish state in terms of its approach to North Cyprus : “[Turkey’s aim] has been both to pave the way for its own capital and political, colonization. Immigration Law, privatizations, water, electricity, that much people have been given citizenship... These are parts of a process. This has increased with the AKP government. Liberalization policies have began to be implemented and aids have been bound to this condition. This is because, [Turkey] wants to preserve its existence [in Cyprus] in economic terms after a solution as it is going to withdraw its army.” (T. Kalyoncu, personal interview, February 23, 2016).

Halil İbrahim Akça, successor of Türkmen : “Turkey has been undertaking the role of IMF of Turkish Republic of Northern Cyprus” (Akça, 2011, my translation). Former minister of finance of North Cyprus, Ersin Tatar also defined Turkey as “our IMF” during an interview he gave to a Turkish newspaper (Hürriyet, 2009).⁴⁴

It has already been discussed that, Turkey had always been very influential on the economic policy-making in North Cyprus in the pre-2004 period and moreover, beginning with the 1986 Protocol its disciplining role can be observed. However, it is possible to say that, economic relations between Turkey and North Cyprus has gone through a transformation with AKP government in Turkey :

Since 1986, Turkish governments have engaged in transforming the economy of the ‘TRNC’ in line with their ideological orientations via economic protocols signed between Turkey and the ‘TRNC’. Yet the AKP tried to closely monitor the economic system, and especially after 2006, IMF type conditionality principle that conditions loans on a number of prerequisites and reforms started to be implemented in North Cyprus as well (Bozkurt, 2014 : 95)

I will briefly examine the several economic protocols made between 2005-2015 between Turkey and North Cyprus as these protocols provide the general framework of economic policy perspectives between these two countries. It should be noted that, beginning from 2007, economic cooperation protocols that cover three-year time span⁴⁵ in terms of implementation, has began to determine the economic relations between Turkey and North Cyprus. It is important to note that, there had also been various agreements, one year protocols, additional protocols and memorandum of understandings in terms of economic relations between Turkey and North Cyprus during 2004-2007 period. However, it is with the 2007-2009 Economic and Financial Cooperation Protocol that the systematic transformation through a firm monitoring has began to be implemented.

Before moving on with the three year protocols, a brief discussion of the 2004-2007 period should be made. According to the Program of Restructuring and

⁴⁴ “Globalisation affected north Cyprus via Turkey.” (Bryant & Yakinthou, 2012 : 20).

⁴⁵ Until now, four “economic and financial cooperation protocols” have been made for the periods of 2007-2009, 2010-2012, 2013-2015 and 2016-2018.

Economic Development which were signed in 2005, there were two main purposes : privatizations and the public reform. I will not go into the details of this Program as no comprehensive steps had been taken in terms of the implementation of these two goals at that period. However, these two purposes are significant to the extent that, same framework has reflected itself strongly in the following three year protocols. Privatization refers basically to the privatization of the state economic enterprises. It has already been discussed in length that, Sanayi Holding, one of the most important state economic enterprises in the post-1974 economic setting of North Cyprus, had began to be either privatized or liquidated, starting with the 1980's. This had been followed in the 1990's by the "privatization of the 50 percent shares (...) of the SOEs in alcoholic beverages, tobacco, and tourism sectors." (Lisaniler, 2013 : 2) ⁴⁶ However, despite the comprehensive implementation of privatization policies beginning with the 1980's, at the beginning of the post-2004 process, various state economic enterprises, such as the Cyprus Turkish Petroleum, Cyprus Turkish Electricity Authority, Cyprus Turkish Airlines, Ercan Airport, Cyprus Turkish Shipping Company, ETİ Enterprises⁴⁷, Dairy Industry Organization, Agricultural Products Board and water management, were "yet-to-be-privatized".

On the other hand, "public reform" refers basically to the cutting of public spendings (including the wages, transfer payments and fringe benefits of public employees), decreasing the share of public sector within the GDP and therefore, paving the way for an economy in which the economic growth is realized through the private sector.

Turkish Cypriot business groups, in this period, had considered these two main

⁴⁶ Lisaniler also notes that "most of those privatized public enterprises were liquidated by their new owners. Workers of the liquidated firms lost their jobs, and workers of those firms that continued their operations, were subject to longer working hours and lower wages." (Lisaniler, 2013 : 2)

⁴⁷ ETİ Enterprises [Endüstri Ticaret ve İşletmecilik - Industry Trade and Business Administration] was a state economic enterprise which had mostly been engaged with trade. It was de facto liquidated in 2013 but due to the prolonged bureaucratic sophistication, its legal body has not been terminated yet.

purposes as very important and positive steps. Regarding the “public reform” issue, Salih Tunar, the former president of the CTCI (2000-2009) told that

after the 1974 in [North] Cyprus, policies which heavily rely upon the public sector had been followed. Look at the government programs as well, it had been mainly public (...) I approve the supports given to the private sector [by Turkey] (S. Tunar, personal interview, March 5, 2016).

Erdil Nami is thinking in the same vein :

As a matter of principle, public [the state] should not enter in a business unless it is compelled to do so. Health [service] should be provided to everyone. It [the state] should not hinder the private sector [in terms of providing health service] but it should provide it in a cheap, clean and high quality way. Education, police, customs and ports are the duty of the public. In the duties other than these, state should only regulate. (E. Nami, personal interview, March 10, 2016).

Regarding the privatization issue, while Turkish Cypriot business community had been in favor of the implementation of privatization of state economic enterprises in order to reduce the share of the state in the economy, there had also been various concerns about the way privatizations would be implemented. This concern had been related with the question of would take the privatized state economic enterprises over and it has reflected itself through the whole post-2004 process due to the rising interest of Turkish business circles both to invest and takeover the privatized institutions in North Cyprus. Nami frankly told that

this issue is the one I had dwelled upon most [during his presidency in the TCCC] but was not able to succeed, and therefore suffered for this (...) If Turkey is that much into this, then, if I have a local [Turkish Cypriot] capital here, let's marry these [Turkish capital and Turkish Cypriot capital] and make it a joint venture. (E. Nami, personal interview, March 10, 2016)⁴⁸

As we will see during the discussion regarding the consecutive three year protocols as well, TCCC has always been concerned about the share of Turkish Cypriot

⁴⁸ Nami also notes that, there had been important negotiations with Turkish officials in order to take steps towards eliminating this concern in 2007 and even a meeting was arranged with then Minister of Foreign Affairs of Turkey, Abdullah Gül, in order to discuss this issue. However due to the political crisis in Turkey that occurred after the declaration by Turkish Armed Forces in April 27, no further steps had been taken at that period. (E. Nami, personal interview, March 10, 2016)

capital both in the process of proliferation of private sector investments and the takeover of privatized state economic enterprises.

It has already been mentioned that, beginning with 2007-2009 Economic and Financial Cooperation Protocol between Turkey and North Cyprus, the economic relations between these countries has been organized around the protocols of three year span. In the 2007-2009 Protocol, a reference is given to the Program of Restructuring and Economic Development which were signed in 2005 and stated that the government of Turkish Republic of Northern Cyprus agrees to keep obliging the conditions which had already been stated in the 2005 Program : social security reform and state economic enterprises reform (Ekonomik ve Mali İşbirliği Protokolü, 2006). In this respect, during the 2005-2007 period, a social security reform was implemented in which the retirement age was increased and various rights, including the right of medical treatment free of charge was abolished.

2010-2012 Economic and Financial Protocol, on the other hand, entailed a “Programme of Increasing the Effectiveness for Public Sector and the Competitive Power of Private Sector”. In this Programme, several steps are stated including the provision of public reform, supporting the private sector and privatizations. Regarding the public reform, basically the Program focuses upon the decreasing the size of public sector employment; reduction of transfer payments, fringe benefits and implicitly the reduction of wages and privatization of state economic enterprises without considering any of these as exempted from privatization policies. 2013-2015 Economic and Financial Protocol has also detailed with a programme, this time named as “Transition to Sustainable Economy”. There is an obvious continuity between this Protocol and the former one in terms of the public sector reform, strengthening of the private sector and privatizations. I will specifically focus upon the privatization issue as I will elaborate the implications of public sector reform under the chapter of Labour Market. However, before elaborating on the perspective of Turkish Cypriot business groups on privatization within the framework of economic protocols between Turkey and North Cyprus, I will make a discussion on the perspective of Turkish Cypriot business groups on

the broader framework of economic relations between these two countries, the way these groups perceive the characteristic of the protocols and the way these groups exert their influence on the making and preparation of these protocols.

3.4 Turkish Cypriot Business Groups Within the Context of Economic Relations Between Turkey and North Cyprus

Under this section, I have investigated a) the way Turkish Cypriot business community perceives the distinguishing features in the post-2004 period in terms of economic relations between Turkey and North Cyprus b) impact and influence of Turkish Cypriot business groups in terms of the preparation and making of the economic protocols c) the way Turkish Cypriot business community perceives and evaluates the implementation of privatization policies and e) the relation of Turkish Cypriot business community with the activities of Turkish capital in North Cyprus.

3.4.1 The Distinction between Pre-2004 and Post-2004 Periods in Terms of Economic Relations Between Turkey and North Cyprus From the Perspective of Turkish Cypriot Business Community

The distinction between pre-2004 and post-2004 periods in terms of the economic relations between Turkey and North Cyprus has already been discussed within a historical framework in the previous section. Regarding the the way Turkish Cypriot business community perceives the distinguishing features in the post-2004 period in terms of economic relations between Turkey and North Cyprus, it is proper to say that for the Turkish Cypriot business community, pre-2004 period symbolizes the era in which Turkey's approach to and influence upon North Cyprus in terms of economic policy making had been marked with the lack of efficiency. It has already been argued that Turkish Cypriot business community depicts the pre-2004 period as an era in which financial sources from Turkey had been given to the use of consecutive Turkish Cypriot governments without any supervision and this had led to abuse and 'misuse' of these sources by Turkish Cypriot governments through populist policies. These populist policies, eventually,

had led to the erosion of the discipline in public finance because of the widespread and inefficient use of public spending, especially in the public sector through clientelistic employment practices, wage and transfer payment policies. This perception, on the other hand, has led the Turkish Cypriot business community to glorify the transformation in terms of economic relations between Turkey and North Cyprus in the post-2004 process, or to put it more concretely, under the AKP government in Turkey. AKP government's above mentioned "IMF-like" disciplinary and conditionality approach while crediting Turkish Cypriot state has been considered to be a favourable rupture from the pre-2004 period, at least according to the Turkish Cypriot business groups.⁴⁹ Moreover, AKP governments insistence upon the curtailment of public spending on wages, salaries and transfer perceived role is considered as favourable from the perspective of Turkish Cypriot business groups in terms of reducing the activities of public sector within the economy and giving way to the proliferation of private sector investments and private sector-led growth. However, there are negative aspects regarding the Turkey's influence on the determination of economy policies in North Cyprus from the perspective of Turkish Cypriot business groups. A current member of Board of Directors of CTCI (2009 -) argued that

Turkey wants the existence of Turkish Cypriot to be strong after a solution, but does not want us to be powerful enough to challenge itself. It gives priority to its own companies in TRNC. There is a very serious [strong] capital in Turkey. Its [Turkish capital's] uncontrolled entrance [to North Cyprus] has a negative effect. [Turkey] does not support the whole [Turkish Cypriot] society but always specific parties and individuals and this paves the way for the malevolent acts by Turkey. (N. Yılmaz, personal interview, March 1, 2016)

It is important to note that, negative aspects regarding the Turkey's influence on the determination of economy policies in North Cyprus has mostly been voiced by the TCCC circles because of the commercial relations between Turkish firms and Turkish Cypriot firms in particular and trade balance between Turkey and North Cyprus in general. Fikri Toros, current president of TCCC (2014 -) emphasized these problems with a very clear, certain and detailed manner :

⁴⁹ It has already been argued that, the disciplinary economic policies had been imposed by various Turkish governments upon North Cyprus in the pre-2004 period as well.

Of course there is an incompatibility with Turkey [in terms of the problems of Turkish Cypriot firms with Turkish firms in particular and Turkey in general]. First of all, active commercial enterprises are importing an amount of 1.6 billion dollars from Turkish firms. Our exports to Turkey is around 65 million dollars. Our imports are 18 times more than our exports. Is there any other example of trade balance like this between Turkey and other countries ? Alright, there are two economies with different scales and I do not expect an absolute balance but this situation is abnormal (...) This reality is not addressed in the protocols. It [economic protocols] does not say that it will increase the [Turkish Cypriot firms'] exports. Secondly (...), as Turkish Cypriot firms are micro-enterprises, they are considered as firms operating in Turkey and value-added tax is taken from them. Return of tax is not done when [the products of Turkish Cypriot firms] exit Turkey. Double taxation occurs and this has never been mentioned in the protocols. Thirdly (...) Turkish Cypriot importers can not send the imported products back to Turkey for reimbursement or repair when a problem occurs such as the faulty components or malfunctions. Except the documents, we can not send anything [back to Turkey] but shiploads can come from Turkey [to North Cyprus]. In terms of logistics, we do the imports mostly through Mersin. Today, [the price of a] merchant ship from Chinese ports is 600 dollars both to Mersin and to Limassol⁵⁰. When it comes from Mersin to North Cyprus, the price goes up to total 1500 dollars. If it came from Limassol [to North Cyprus through land route], it would be 700 dollars in total. If Turkey is telling that it is striving for the development of TRNC, why would not it regulate the freight fees between Mersin and Mağusa port ? Isn't it an impediment to transition to the private sector-driven economy ? (F. Toros, personal interview, March 9, 2016)

Another concern of the TCCC circles is related with their relation with Turkish firms within the framework of post-solution economic environment. This is because, Turkish Cypriot commercial firms mostly import from the Turkish firms and do business as the distributive agents of these firms. However, after 2004, Turkish firms have began to establish links with the firms in Republic of Cyprus and export their products to the south of the island. Although the volume of trade between Turkey and Republic of Cyprus has been very low⁵¹, there is a concern

⁵⁰ A port city in the southern coasts of Republic of Cyprus.

⁵¹ Between 2002-2012, there was an amount of 42.5 million euros of imports to Republic of Cyprus from Turkey (Kibris Postası, 2014)

around TCCC circles regarding the potential of increase of the trade volume between Turkish firms and Greek Cypriot firms after a solution. Current member of Board of Directors of TCCC (2014 -), told that the Chamber recently made a meeting with TOBB and shared their concerns : “We told to the president of TOBB that, distributing agents [of Turkish firms in North Cyprus] should be held by Turkish Cypriot firms after a solution, we told them to take care of this issue.” (M. Erk, personal interview, February 17, 2016).

3.4.2 Influence of Turkish Cypriot Business Community in the Preparation and Making of the Economic Protocols

Regarding the impact and influence of Turkish Cypriot business groups in terms of the preparation and making of the economic protocols, TCCC officials consider their Chamber as satisfactorily influential when compared with the CTCI officials. Vargın Varer, former Vice-President of TCCC (2014-2016) clearly stated that “our views have reflected itself a lot on the 2013-2015 Economic Protocol.” (V. Varer, personal interview, February 20, 2016). Current member of the Board of Director of TCCC (2014 -) also stated that, beginning with the Günay Çerkez’s presidency era [2009-2014] in the Chamber, good relations have been constructed with the Turkish officials in terms of Chamber’s influence on the economic protocols : “Thanks to the former administration of the Chamber, I am very satisfied with our relation with Turkey” (A. Limasollu, February 24, 2016). CTCI officials, on the other hand, though approving the content of the economic protocols, are more pessimistic about their influence on the protocols : “Protocols are correct in terms of privatization. Protocols are favorable for us. From time to time they [Turkish officials] ask our opinions. For instance, 2016-2018 Protocol is ready, but we do not know much about it.” (A. Çıralı, personal interview, February 26, 2016). The pessimism of the officials of CTCI on their influence upon the making and preparation of the economic protocols when compared with the optimism of TCCC officials should be understood within the broader framework of the way these two chambers perceive their influence on the general economic policy-making in North Cyprus. CTCI officials have mostly considered the impact of TCCC more

influential on the policy-making processes in North Cyprus. This is related with the transformation of Turkish Cypriot economy, beginning with the 1980's, towards a service sector oriented economy within which the industrial production has decreased dramatically. One of the CTCI officials complained that “dominant fraction is the one on whom the money circulated the most. In Turkey, it is the manufacturing sector which is influential. Look at to Germany and China, there is production (...) Turkey is still becoming more industrialized rapidly. In the other parts of the world, merchants are not dominant.” (A. Bulancak, personal interview, March 2, 2016).

3.4.3 The Way Turkish Cypriot Business Community Perceives and Evaluates the Implementation of Privatization Policies

Turkish Cypriot business groups also have an important concern regarding the implementation of privatizations within the framework of economic protocols. It has already been discussed in the previous section of this chapter that privatizations cover an important aspect of economic protocols between Turkey and North Cyprus and the privatization of almost all of the state economic enterprises have been foreseen in these protocols. It has already been discussed that, beginning with the 2004-2007 period, privatization issue has began to be a very important topic of debate for Turkish Cypriot business groups as well. Concerns of Turkish Cypriot business groups in terms of privatization issue should be understood within a broader competition between Turkish capital and Turkish Cypriot capital. In the post-2004 period, there is an increasing tendency of Turkish capital to invest in North Cyprus, including the takeover of the privatized institutions :

AKP clearly set up a strategy that defines northern Cyprus as an investment area and has been increasing the amount of credits especially coordinated by Turkey's institutions. In Turkey, a discourse stating that Turkey aims to make TRNC a “Riviera” of the Eastern Mediterranean region has been on the rise. The recent investments of large capital groups of Turkish origin in the Bafra Tourism zone stand out, and new investment areas are established with subsidy laws. On the one hand, based on the TRNC Future Strategies Report (2010) drafted by Türk Ekonomi Bankası (TEB), TOBB, and *Dış Ekonomik İlişkiler Konseyi* (DEİK, Foreign Economic Relations Board), the Turkish-TRNC Business Council aimed at encouraging investments (...) and on the other the TRNC Investment Consultancy

Council was created. Thus, the investments in northern Cyprus would be coordinated by a commission of government officials of Turkey and northern Cyprus and representatives of the private sector from both sides, which was recognized as the most concrete example indicating that fractions of Turkish capital would become more active in northern Cyprus during the AKP government. The first meeting of the Council summarized the proposals for the economy of northern Cyprus in 38 articles. The proposal package, by taking into consideration the requirements for EU accession, included proposals such as putting in force regulations required to encourage foreign investment, facilitating real estate purchases by foreigners, and making interventions on wages, privatizations, and a reduction of loan expenses of banks in northern Cyprus. The prioritized investments include tourism, education, energy, and communication. (Tahsin, 2012 : 147-148).

The privatization issue has already been discussed throughout this chapter both for the pre-2004 period and for the 2004-2007 subperiod. However, beginning with 2008, privatization policies have been implemented more systematically and widely. In this respect, various state economic enterprises have been privatized in this period and an agenda has been set for the rest of the state economic enterprises in the economic protocols. Within this period, Cyprus Turkish Petroleum, ETİ Enterprises, Ercan Airport, water management, pre-university education institutions of Eastern Mediterranean University were privatized. Moreover, Cyprus Turkish Airlines was liquidated. On the other hand, privatization of Cyprus Turkish Electricity Authority, Cyprus Turkish Shipping Company, Telecommunications Department and telecommunication services are on the agenda of privatizations within the framework of economic protocols.

Turkish Cypriot business groups have been supporting the privatization policies in the post-2004 process. However, there are various concerns of Turkish Cypriot business groups with regard to the way privatizations are implemented. Moreover, while these groups support privatization policies, there are differences in approach within these groups. For instance, TCCC has been adherent to privatization *in principle*. Current president of TCCC stated that “privatization is the most efficient business model which should be brought both to the state and to society in principle.” (Halkın Sesi, 2015, my translation). This is related with how the top administration of TCCC perceives the state function in general, and function of the Turkish Cypriot state in particular. Former (2014-2016) vice president of TCCC claimed that the function of the state can be described simply with “two words :

State should have a *regulatory* and *supervisory* function . Stop.” (V. Varer, personal interview, February 20, 2016). What is interesting is that Varer does not necessarily attribute these functions to the “state itself” universally but specifically to the Turkish Cypriot state. This is because, according to him, Turkish Cypriot state and Turkish Cypriot political culture have a populist nature. This approach, mostly very explicitly, is shared by the top members of TCCC. Turkish Cypriot state is considered to be irrational in terms of economic efficiency. Moreover, not only the state itself is an irrational instrument due to its populist nature, but it also both causes the proliferation of the populist culture through the society and establish obstacles against the proliferation of efficient business environment for the private sector. In this respect, privatization is considered as a great solution both in terms of rolling back the inefficient Turkish Cypriot state and to expand the sphere of influence of private sector concomitantly. Single –and most powerful exception- is Ali Erel, the president of TCCC between 2001 and 2005. According to Erel, there are structural problems both in the state and the society of North Cyprus. Indeed, the political situation established in the North Cyprus after 1974, including the Turkish Cypriot state, is the root of the problems. According to Erel, this political situation, which is defined by him as the defacto division of the island, emergence of an unrecognized state in terms of international law in northern part of the island and the political and economic domination of Turkey over Turkish Cypriot state and society, can not be reformed but should be abolished through the solution of Cyprus problem and the inclusion of northern part of the island to the European Union. In this respect, according to Erel, most of the Turkish Cypriot business people are also a part of this structural problem as they try to promote their business by taking advantage of this political structure instead of overcoming it : “In this country, when you involve in bidding, you can be a good businessman but your character goes away (...) They get the bids they want, they implement the privatization policies they want. This is not good business.” (A. Erel, personal interview, March 8, 2016). Ali Erel’s presidency had began immediately after the banking crises in North Cyprus which “had undermined the politic-economic foundation of the pro-taksim⁵² consensus.” (Sonan, 2007 : 17) Moreover, Erel’s

⁵² The term “pro-taksim” basically refers to the supporters of the geographical and political

era had coincided with the Annan Plan process which is generally considered to be the closest point to the solution of Cyprus problem and the entrance of the whole island to the European Union. Therefore, advent of Erel to the presidency of TCCC coincides with the transformation of the perception of Turkish Cypriot business groups in terms of their interests and future prospects. This transformation had reflected a shift from the advocacy of separatist Denktaş leadership to the support for the solution of Cyprus problem which would bring automatically the membership of the whole island to the European Union at that time. Therefore, it is not surprising that for Ali Erel, the question is not the implementation of the privatization policy per se, but the whole economic relations within this –what he calls- military order established by Turkey in the North Cyprus :

We do not have a fair-playing field. Our field is tilt. Natural process is working against us. We do not possess the Central Bank, we do not possess the transportation, everything is against us (...) We behave like a state but there is no state. We can not take the agreements which are imposed us by Turkey to the Constitutional Court. We are a sub-administration of Turkey and it is established by military methods. We should repeat it without forgetting. There is no law here. It is outside of the international law, what would European Court of Human Rights say ? (A. Erel, personal interview, March 8, 2016).

What is surprising is that, after the failure of the Annan Plan in the 2004 Referendum, without renouncing its strong support for the solution of Cyprus problem and EU membership, TCCC gave up its radical discourse and practice against the impositions of Turkey and political regime in the northern part of the Cyprus but Ali Erel himself has been protecting the above mentioned position since then.

While TCCC principally embraces the privatization policies, it also has another concern which has been invariably reflected under different presidencies of the Chamber. This concern emerged especially after the Annan Plan Referendum process as privatization policies have began to take place systematically at the macroeconomic level. This concern is related with the way privatization policies

division of the island into two parts one of which either joins to Turkey or is governed by the Turkish Cypriot society with the support of Turkey.

are implemented or to put it simply, the way the potentially privatized institutions are shared. Turkish Cypriot bourgeoisie, as a very lately emerged class, has always had an important concern regarding the capital accumulation and improving the know-how capacities of the firms. In this respect, privatization policies has become an important field of struggle regarding who will take over the privatized institutions. This struggle has been between the Turkish firms, especially the AKP-affiliated Turkish firms and Turkish Cypriot firms. The concern regarding the takeover of the privatized institutions has mostly been vocalized by TCCC. This concern has found its clearest expression with an announcement made by TCCC during the era of former president Günay Çerkez (2009-2014) after the privatization process of the Cyprus Turkish Petroleum institution which had concluded with a bid won by a consortium of two Turkish Cypriot firms in 2011. Privatization bid of the Cyprus Turkish Petroleum is the single major example in the post-2004 process that was concluded with Turkish Cypriot firms that won the bidding.⁵³ Immediately after this privatization, TCCC published an announcement stating that the privatization of Cyprus Turkish Petroleum should be considered as a good example in terms of its new ownership; therefore, this pattern should be followed in the subsequent privatization processes (Kıbrıs Postası, 2011). Moreover, beside publishing a statement, TCCC also made a visit to the new owners of the Cyprus Turkish Petroleum at that time in order to show the importance it attributes to the outcome of this privatization process. During the visit, president of TCCC Günay Çerkez stated that “I believe local firms will lay claim to the self-assets of Turkish Cypriot society within the context of privatization programs” (Haber Kıbrıs, 2011, my translation). This concern, as mentioned above, has been mentioned in the post-2004 process invariably by various TCCC presidents. However, TCCC has always been aware of the fact the, current capital accumulation level and know-how capacity of Turkish Cypriot firms in general make it very difficult for one single Turkish Cypriot firm to take-over the management of a privatized institution. Therefore, consortium of two or more

⁵³ Ercan Airport was taken over by a Turkish firm named Taşyapı and pre-university education institutions of Eastern Mediterranean University were taken over by another Turkish firm named Doğa College.

Turkish Cypriot firms or a joint venture of Turkish Cypriot and Turkish firms has been encouraged. As also mentioned within the 2004-2007 period discussion, for Erdil Nami, the most important concern regarding the privatization policies in his presidency era is to reach to a common understanding with Turkey's state officials to encourage the Turkish Cypriot and Turkish firms to carry out joint-ventures both in the context of privatization bids in particular and investments in general (E. Nami, personal interview, March 10, 2016). Current president of TCCC talked in the same vein regarding the inclusion and success of Turkish Cypriot firms in privatization bids :

Statement made by Mr. Çerkez is abiding. It is the common vision of economic organizations. This statement should be highlighted 10 times, it is abiding. One of our our most important stringencies is the insufficient capital accumulation (...) If we give to foreign capital at the privatization, this vicious circle will be maintained. It prevents the shift to the private sector oriented economy. If the locals get it, money stay inside. This should be a precondition. A contractor will come from abroad and take it and take away the money abroad... No way. Priority is a consortium [established by Turkish Cypriot firms], then [if that kind of consortium is not possible], a foreign firm will establish a firm in Turkish Republic of Northern Cyprus, it will comply with the regulation and tax obligation here. (F. Toros, personal interview, March 9, 2016)

CTCI's position regarding privatization, at least after 2009 under the presidency of Ali Çıralı is to some extent different from TCCC's position. While CTCI has also been sympathetic towards privatization policies, it has taken on a more cautious stance. That is to say, instead of principally embracing the privatization policies, CTCI has chosen to evaluate each privatization agenda separately. Current president of CTCI stated that "State Economic Enterprises constitute problems in every country. In each country, this problem is overcome through privatizations; however there is a danger of monopolization. Our economy is small, there is more danger of monopolization." (A. Çıralı, personal interview, February 26, 2016). However, CTCI also shares the same concern with TCCC regarding the inefficiency of the state in terms of production of goods and services : "It is obvious that, the costs of everything that state does is higher. Politicians always think about the following elections" (A. Çıralı, personal interview, February 26, 2016).

The basic distinction point between CTCI and TCCC in this respect is that, CTCI officials, unlike their counterparts in TCCC, do not attach any importance to the inclusion and success of local capital in the privatization bids in particular and in the investments in North Cyprus in general. For CTCI officials, unless there is a threat of monopolization, the way privatizations are implemented is not important in terms of who is going to take the privatized institutions over : “Money and capital are timid commodities. You should not dictate on these to come and become a partner with you. There is another reason behind TCCC to say that [TCCC’s demand for joint ventures]. They benefit from the system, they do not want to take risks.” (Ş. Coşar, personal interview, March 3, 2016). Therefore, CTCI circles are indifferent regarding who is going to takeover the privatized institutions or invest in North Cyprus unless there is a threat of monopolization : “Any kind of monopoly, whether it be a state monopoly or private monopoly is unfavorable (A. Çıralı, personal interview, February 26, 2016).

3.5 Conclusion

In this chapter, I have tried to investigate the policy preferences of Turkish Cypriot business groups with respect to economic relations between Turkey and North Cyprus which have mostly been executed through economic protocols in the post-2004 process. I have done this through drawing a historical framework in terms of the economic relations between these two countries in the post-1974 period in order to understand the perception of Turkish Cypriot business groups in terms of the character of novelty of post-2004 period when compared with the pre-2004 period. Beside the evaluation and preferences of Turkish Cypriot business groups towards this transformation, I have tried to reveal how influential Turkish Cypriot business groups are in terms of the preparation and making of the economic protocols which are the determining factors in terms of the economic relations between Turkey and North Cyprus. It is argued that, while the transformation in the economic relations between Turkey and North Cyprus in the post-2004 process have been considered to be favorable by Turkish Cypriot business groups, their impact upon articulating the required revisions are relatively low. Moreover, Turkish Cypriot business

groups, both because of their general approval towards the transformation in the post-2004 process and their weakness vis-a-vis the leverage of Turkey upon the economic policy-making in North Cyprus, have preferred to be more reconciliatory and cautious towards voicing their objections.

Finally, I have discussed the policy preferences of Turkish Cypriot business groups with respect to the privatizations policies as it establishes one of the most important tension points with regards to the relation between Turkish Cypriot capital and Turkish capital. It is argued that, Turkish Cypriot business groups consider the implementation of privatization policies as vital but are concerned about their own weakness vis-a-vis the Turkish capital in terms of sharing the privatized institutions.

CHAPTER 4

LABOUR MARKET IN NORTH CYPRUS

4.1 : Introduction

Labour market in North Cyprus is sophisticated both because it is significantly fragmented and there is an inward and outward dynamism in terms of labour force. Its fragmentation is multidimensional including the gender-based fragmentation (Lisaniler, 2008; Lisaniler, 2006); ethnicity-based fragmentation (Besim, Ekici & Lisaniler, 2015) and fragmentation among public, private and informal sectors. These are the basic aspects of fragmentation and these can further be elaborated into the sub-fragmentations such as the discrepancy between pre-2011 and post-2011 public sector employees due to the “Law Regulating the Monthly Salary, Wage and Other Allowances of the Public Employees”. Moreover, there is a sharp distinction between public and private sectors in terms of unionization in particular and working conditions and wages in general. Beside this, mismatch in the ‘local’ labour force in terms of the incompatibility between the education system and the required labour force is one of the most important concerns of the Turkish Cypriot business community. Another concern of Turkish Cypriot business community circles is the problems regarding especially the ‘local’ labour force in terms of different patterns of employment.

All of the issues mentioned above are interrelated with each other. Moreover, organization and re-organization of labour market in North Cyprus can not simply be evaluated through the internal dynamics of struggle among social classes or through ‘economic’ variables. There is also the political dimension in the case of migration from Turkey, reflecting the choices made by successive Turkish governments over the last few decades. However, during my research, I have tried to limit the issue of labour market in order not to include the debates of politically

motivated population transfer from Turkey to North Cyprus. I have only referred to some parts of these debates only when it is related with my research.

In this chapter, I will investigate the labour market under four sections : labour force mobility, different patterns of employment, mismatch in the labour market and working conditions in the private sector. I will investigate these issues with their relation to the Turkish Cypriot business community.

4.2 : Labour Force Mobility

One of the most important characteristics of the labour market in North Cyprus is the excessive circulation of the labour force; both inwards and outwards. Inwards immigration has mainly been based upon the Turkish immigrants historically, from 1974. It should also be noted that, with the 2000's, economic immigrants from Central Asia and Far East have began to move to North Cyprus. Regarding the external migration, there are two sources of labour force migration from North Cyprus : to Republic of Cyprus and to Commonwealth countries.

4.2.1 : Migration from North Cyprus to Republic of Cyprus

Regarding the migration from North Cyprus to Republic of Cyprus, it can be said that, while it had been an important concern in the very aftermath of the opening of borders in 2003, it has lost its significance from 2008 onwards. According to the data of State Planning Organisation (SPO), in 2004, 5.4% of the employed labour force (4655 people) of the North Cyprus was employed in the Republic of Cyprus (SPO, 2008); but from 2008 onwards, this trend has been decreasing constantly and according to the most recent data, only the 0.6% of the employed labour force is employed in the Republic of Cyprus (SPO, 2015). The data from State Planning Organisation in 2005, which concludes that 4.6% of the employed labour force (3919 people) was employed in the Republic of Cyprus, is more or less compatible with a research conducted by four scholars in November 2005 which estimates that there are around 5000-6000 Turkish Cypriot workers working in the south of the

border (Mehmet, Tahiroğlu, Lisaniler & Katırcıoğlu, 2007). According to this research, what attracts these workers for working in the Republic of Cyprus is the higher wages (Mehmet et al., 2007 : 43). Therefore, it is not surprising that, with the 2007 financial crisis and onwards which has strongly and adversely effected the Greek Cypriot economy and therefore the wages, number of Turkish Cypriot workers crossing the border to work in the Republic of Cyprus has been decreasing.

However, while the crisis has temporarily shelved this problem, it still occupies a place in the minds of Turkish Cypriot business groups and their Turkish partners. For instance, even before the opening of borders, a research report about an earlier version of the Annan Plan made by Union of Chambers and Commodity Exchanges of Turkey (TOBB) argues that, a further elaboration and revision is necessary for the later versions of the Annan Plan in order to “temporarily (...) prevent the migration of qualified labour force to the south due to the higher wages (...) in order to immediately enhance the competitiveness of Turkish constituent state in terms of the need for cheap labour force” (Balkır, 2003). Sabahattin İsmail, a nationalist Turkish Cypriot author argued during late 2000s that the “qualified labour force (...) is moving rapidly to the South [Republic of Cyprus]” (İsmail, 2009, my translation). Current president of North Cyprus, Mustafa Akıncı also ‘warned’ in 2005 that “we are a facing a threat of the labour and labour force as well as the capital to move to South Cyprus” (Milliyet, 2005, my translation). That is to say, the basic concern in this debate is the perceived threat of losing the qualified Turkish Cypriot labour force. However, research of Mehmet et al. reveals that “the majority of commuter workers in the South are unskilled rather than highly qualified manpower. It disproves the fear in some quarters of a large volume of human capital loss to the South (Mehmet et al., 2007 : 51). Beside this, there is an excessive flow of unqualified/semi-qualified and cheap labour force from Turkey, Far East and Central Asia to North Cyprus; therefore, Turkish Cypriot labour force commuting to south of Cyprus can easily be compensated. Moreover, as mentioned above, with the economic crisis in the Republic of Cyprus, the number of Turkish Cypriot workers commuting to the south of the border has since been decreasing and therefore, this debate has, at least temporarily, lost its ground

and significance.

4.2.2 : Migration from Turkey to North Cyprus

Under this section, I will try both to draw a brief historical framework of Turkish migration to North Cyprus and to focus on the implications of this migration upon the labour market of North Cyprus. As these are intertwined with each other, I will try to melt both issues in the same pot.

While there is a widespread consensus on the “political” motivation behind the Turkish migration to Northern Cyprus in the very aftermath of 1974 partition (Hatay, 2005 : vii; Kurtuluş & Purkıs, 2014 : 118), the later –and ongoing- migration –eased by the entrance to North Cyprus with Turkish identity card- has always been an issue of debate whether these later waves of migration are politically motivated or simply an economic migration just like the many other examples around the world. In order to formulate the motivation behind the Turkish migration to North Cyprus, it is important, firstly, to acknowledge the heterogeneity of the Turkish population in North Cyprus. In this respect, a three-waved formulation of Turkish migration to North Cyprus after the partition of the island offers an analytical distinction (Kurtuluş & Purkıs, 2014 : 27) : Kurtuluş and Purkıs argues that the “first-wave” of migration from Turkey to North Cyprus, which had taken place between 1975-1979, was based upon the need of agricultural/rural labor force; “second-wave” of migration, which had taken place from mid 1980’s until the end of the century, is composed of “semi-skilled labour, small and medium sized commercial capital owners and a sum of academics working in newly-established private universities, tourism experties and qualified/professionals such as bankers” (Kurtuluş & Purkıs, 2014 : 123). Finally the “third-wave” of migration, which has been taking place with the 2000’s, stemmed from the

interregional income distribution distortions evoked by the economic policies implemented in Turkey, agricultural policies and unemployment. The labour force

released in Turkey becomes a strong migration wave when it meets with the need for cheap labour force demanded by the construction sector in North Cyprus which has been a focus of fast growing development since 2002 (Kurtuluş & Purkis, 2014 : 301, my translation)

It is important important to note that, the third-wave migrants are the most important “ingredients” at the times when the Turkish migration becomes a hot topic in terms of a public debate. This is because, the first-wave migrants have mostly been isolated from the other parts of the population as they had been settled to evacuated Greek Cypriot villages in the northern part of Cyprus and the second-wave migrants, due to their socio-economic and cultural backgrounds mentioned above, have socialised with the ‘native’ Turkish Cypriots.⁵⁴ Therefore, as mentioned above, while the rising culturally-emphasized Cypriot nationalism has constructed a negative discourse against Turkish immigrants, its daily appearances and reactions tend towards the third-wave migrants, which are mostly the temporary habitants of the country, unlike the first and second wave ones.⁵⁵

Moreover, as also mentioned in the introduction of this section, the debate and discourse around the Turkish immigrants have two aspects : The politico-cultural aspect and the labour market aspect. While the second aspect simply covers the non-citizen migrants in North Cyprus, first aspect has an ethnically motivated political approach, which problematize the Turkish migration to North Cyprus since 1974, regardless of the citizenship status of these migrants. In this research, I have focused on the labour market aspect of Turkish migration or to put it more correctly, on the non-citizen labour force which is mostly temporary in terms of settling to North Cyprus. Detecting the number of the foreign labour force is not easy due to both there is an intertwinement between foreign labour force and a large informal economy; and there is an insufficient data and systematic research about the foreign labour force. Moreover, the political agenda of Turkey in North Cyprus has always been an important factor even in case of the labour market

⁵⁴ It is possible to see a sign of reaction to third-wave migrants even from the second-wave migrants themselves. This is an important indicator of the class factor in terms of reaction to migration.

⁵⁵ For a further discussion regarding the Cypriot nationalism and Cypriot ‘patriotism’ within Turkish Cypriots, see Erhürman, 2010 : 173-196; Özkızan, 2014 and Kızılyürek, 2002 : 290-299

perspective. There has always been demands coming from Turkish authorities upon Turkish Cypriot authorities to confer TRNC citizenship to Turkish citizens in North Cyprus. For instance, recently it has been claimed that Erdoğan demanded from Turkish Cypriot authorities to speed up the process of citizenship for the “10.000 Republic of Turkey citizens in TRNC who acquired the right of [TRNC] citizenship but have not become citizen yet” (Gündem Kıbrıs, 2016, my translation). This demand is related with the potential post-solution situation in Cyprus in which the balance of population between Greek Cypriots and Turkish Cypriots is considered to be an important issue. Moreover, such an endeavor has a historical background going beyond the AKP era in Turkey in order to compensate the imbalance of populations between Turkish Cypriots and Greek Cypriots. Therefore, the issue of migrant labour force from Turkey in North Cyprus has never been simply an ‘economic’ or a labour market issue. However, the exact opposite argument in this debate oversimplifies the issue as well. For instance, one of the reports by Council of Europe asserted back in 1992 that “the settlers [Turkish immigrants in North Cyprus] (...) were strongly flavored with Turkish nationalism and quite openly proclaimed their intention to build a Turkish nation.” (Council of Europe, 1992). Another example which follows the same approach is the ‘mainstream’ view in the high politics of Republic of Cyprus :

The Turkish settlers are brought to Cyprus from Turkey under the guise of migrant seasonal workers (...) Once in Cyprus the settlers are given homes and land that legally belong to the displaced Greek Cypriots. They are also given “Cypriot citizenship” and are thus eligible to vote in “elections” within the occupied areas. (3C Initiative, 1997 : 47-48)

Ignoring the ‘economic’ aspect of all these three waves of migration and simply focusing upon the ‘political’ motivation behind it, is misleading. Most of the Turkish immigrants have been exposed either to economic or to social exclusion; mostly to both of these. Especially most of the third-wave Turkish migrants have been employed in the most unsecured, low-paying and informal jobs. Therefore, considering these migrants simply as privileged “political settlers” who are the bearer of the political mission and intention of Turkey in Cyprus is misleading. The “political settlers” approach has also been embraced by the various components of

the leftist opposition in North Cyprus. I believe that one of the reasons behind the emergence of such an approach is the lack of political economy analyses on North Cyprus which focus on the internal dynamics. This has mostly been sacrificed in favor of the debates and analyses around Cyprus problem, relation between North Cyprus and international law and ethnic conflicts..

4.2.3 : Changing Dynamics in the Demographics of the Foreign Labour Force

In this section, I will specifically focus upon the partial decline of economic migration from Turkey to North Cyprus and the partial substitution of the Turkish labour force with the labour force from the “other” countries since 2008. I will necessarily touch upon the issues of informal economy and informal labour as these have many intersection points with the foreign economic migration to North Cyprus.

Up until 2000’s, migration to the Northern Cyprus had simply been understood as migration from Turkey, but this has changed recently : “In 1996, almost 100 percent of all foreign-born residents came from Turkey while the corresponding share was 84 percent in 2011.” However, while “the composition of immigrants changed during this period, Turkish immigrants remained the largest group of immigrants in Northern Cyprus.” (Besim, Ekici & Güven-Lisaniler, 2015 : 412). Focusing on the labour market and employment, according to the most recent data, in 2014, 33740 out of the 80455 documented employed labour force⁵⁶ is established by the non-citizens. Moreover, 27987 out of this 33740 non-citizen labour force are the citizen of Turkey, and, “others” which include mainly the labour force from Central Asia and Far East are only 5753. However, it is important to note that, there has been a trend towards an increase in the category of “others” since 2010. While the number of documented non-citizen labour force from “other” countries was 2650 in 2008, this number has increased to 5753 in 2014, as mentioned above. On the other hand, non-citizen labour coming from

⁵⁶ In case of North Cyprus, the term “documented labour force” basically refers to the labour force which is registered to a social insurance and/or security institution.

Turkey, which is wrongly perceived to be ever-increasing, has been fixed around 27000 since 2010 (TC Yardım Heyeti Başkanlığı, 2014) :

This trend is also mentioned by the former minister of finance Ersin Tatar (2009-2013) during our in-depth interview :

Foreigners, Turkmen women, do hospital care from night until morning for 100 Turkish liras. Cypriots do not do this. If we ban foreign labour force, a lot of people will be uncared. Looking to our structure here, there are Philippines, Vietnamese people in the house [for the home care job], they engender pleasure, they are loyal. (E. Tatar, personal interview, February 23, 2016).

Table 1 : Distribution of Employees by Nationality

YEARS	TRNC	TURKEY	OTHERS	TOTAL WITH WORK PERMIT	TOTAL
2008	40552	29740	2650	32390	72942
2009	38558	25503	2562	28065	66623
2010	39622	27792	2917	30709	70331
2011	40682	27211	3251	30462	71144
2012	42663	27996	4210	32206	74869
2013	45056	27383	4895	32278	77334
2014	46715	27987	5753	33740	80455

Source : Türkiye Cumhuriyeti Lefkoşa Büyükelçiliği Yardım Heyeti Başkanlığı, KKTC 2014 Ekonomi Durum Raporu

The rising trend within the Turkish Cypriot business people towards the foreign labour force other than the Turkish labour force stems from three incentives : First one is simply the wages. While there is no systematic research that compares the wage discrepancy between Turkish economic migrants and the economic migrants from “other” countries, there are various newspaper reports including short interviews with Turkish labourers in North Cyprus regarding the issue. Almost all

of the participants of these interviews agree upon the lower wages demanded by the labourers of “other” countries when compared with their own wage demands. One labourer states that he has been residing in North Cyprus for 18 years as a worker but the employers no longer prefer the labour force from Turkey : “Employers prefer cheap labour force. In the country, the population of third country citizens has increased so there are no jobs for us”. (Havadis, 2015, my translation). Another worker stated that the economic migrants from “other” countries

agree to work for lower wages and for longer working hours (...) Therefore, appeal of these workers is rising in the eyes of most of the employers as these workers do not become a burden to an employer in economic terms. Today, one Turkish worker is equal to three Vietnamese worker. (Havadis, 2015, my translation)

Perception of the Turkish economic migrants against the economic migrants from the “other” countries is expressed very concisely by one worker : “We are no longer fashionable” (Havadis, 2015, my translation).

Another aspect of this trend is the narrowing of the difference between Turkish labour market and Turkish Cypriot labour market in terms of wages, rights and benefits. Labour force in Turkey no longer consider North Cyprus labour market superior than the Turkish labour market. Although it is possible to investigate each sector in its own in terms of comparison between the two labour markets, it is sufficient to emphasize the general trend towards the declining/stagnating number of economic migrants from Turkey and rising number of economic migrants from “other” countries. According to the various civil society organizations of Turkish immigrants⁵⁷, there has been a rising trend of turning back to their homelands within Turkish economic migrants in North Cyprus. President of the Maraş Unity and Solidarity Association stated that “the economic situation in Turkey is getting better. Therefore the workers are turning back. Construction sector in Turkey has risen up. Workers have found job opportunities in better conditions. Therefore they

⁵⁷ There are several migrant organizations which have mostly been organized as fellow countrymen associations; that is to say, Turkish migrants in North Cyprus organize in accordance with the province they used to live in Turkey before they migrated to North Cyprus. Such examples are “Maraş Unity and Solidarity Association”, “Hatay Culture and Solidarity Association”...

have preferred Turkey.” (Yenidüzen, 2012, my translation) President of TRNC Association of People From Hatay stated that “with the economic conditions in Turkey are getting better, returning to Turkey has began. We know that approximately 20.000 workers from Hatay turned back.” (Yenidüzen, 2012, my translation). It is important to note that, foreign labour force in North Cyprus is mostly employed in constructions, tourism sector and agriculture.

Third incentive basically stems from the intention of employers to decrease the multiple aspects of the labour costs. First aspect of the labour costs, as discussed earlier, is the lower wages demanded by the labour force from the “other” countries. However, there are also aspects of labour costs other than the wages. In order to understand this, a brief evaluation of informal economy in North Cyprus is required. This is because, in North Cyprus, informal labour force is mostly dominated by the foreign labour force; and the labour force from “other” countries has mostly fallen into the category of informal labour.

There are very limited researches on informal economy in general and informal employment in particular on North Cyprus. Moreover, the findings of these researches are not in a harmony with each other. A research dated 2006 estimated “that informal employment is between 35 to 40 percent of the total labour force” back in 2000 in North Cyprus (Besim & Jenkins, 2006 : 23). Another research, published back in 2004, asserted that “sum total of illegal labour force potential is 20.968” for the end of 2000 and this number corresponds approximately to 19.3 of the total number of people employed (Güray & Şafaklı, 2004 : 41, my translation). The most systematic -and most recent- research done about the informal economy is a publication by Turkish Cypriot Chamber of Commerce. According to this research, 45.9 % of the informal employment corresponds to the “second job” category.⁵⁸ On the other hand, remaining 54.1 % is working as a wage laborer in the private sector (Saydam, Mungan, Besim & Gürpınar, 2015 : 28). According to the same research, 77 % of the informally employed labour force are composed of either TRNC citizens or dual citizens of TRNC and Turkey. The remaining 23 %

⁵⁸ The “second job” category will be elaborated in the next section.

are composed of either Turkish citizens or citizens of “other” countries. Although there is no data, it is important to note that the illegal form of employment of most of the TRNC and dual citizens correspond to the category of “second job.”⁵⁹ Moreover, it can even be said that the “second job” category is mostly dominated by the TRNC citizens when compared with the dual citizens as “widespread cronyism among Turkish Cypriots partly as a result of living together some years in enclaves before 1974 prevent competition between migrants from Turkey and Turkish Cypriots in certain professions especially in public sector jobs.” (Purkis & Kurtuluş, 2013 : 8). Therefore, it can be said that, the informally employed wage laborers are mostly composed of either dual citizens or the foreign labour force from Turkey and “other” countries.

In this respect, it is revealed that, in order to understand the changing dynamics in the demographics of the foreign labour force in North Cyprus, one has to consider the importance of informal economy. However, the lack of data regarding the informal economy in terms of the distribution of the ethnicity/citizenship status of the labour force avoid making accurate predictions. On the other hand, relying upon the discussion in the previous paragraph, it can be assumed that the foreign labour force dominated the informal economy. Moreover, it can be said that the trend towards a stagnation/decrease in the number of Turkish economic migrants and an increase in the number of “other” country migrants that is demonstrated in the Table 1, has most probably reflected itself more deeply in the case of informal economy. What makes it possible to make such an assumption is the rising trend within the Turkish Cypriot business people towards the foreign labour force from “other” countries instead of the labour force from Turkey within the context of informal economy :

With the law legislated in 2006 [Law of Work Permit of Foreigners], labour has become expensive for employers as the issues of social security and reserve fund payments, preliminary permit and work permit were made compulsory. Therefore employers have turned towards cheaper labour force. In these periods, bringing

⁵⁹ This is because, informal “second job” refers to the second job holders who are originally employed in the public sector. In order to be employed in the public sector in North Cyprus, one has to be a TRNC citizen.

workers from third countries has began. Beside the demand for cheap labour force, one of the biggest reasons for employing workers from third countries is that these workers, because of the conditions in their home countries, are more open to exploitation and can be made to work for longer times and in worse conditions. When the employers who demand from third countries are considered, it comes out that these are generally the firms which are not institutionalized. (Göynüklü, 2012 : 27, my translation)-⁶⁰

According to a labour inspector, who is an officer in the Labour Department⁶¹, labour force from the “other” countries are favorable for employers as these laborers are far less aware of their rights in the Labour Law⁶² when compared with the economic migrants from Turkey due to cultural and language-related reasons :

It discomforts the employers when the workers learn their rights in the Labour Law, communicate with and give advise to each other. Employers do not want workers to know the location of police and Labour Department. Therefore, employers try different countries for bringing labour force. The farther the country which the worker comes from, the more the employer has to pay as a security deposit to the Labour Department (...) Despite this, employers still prefer the labour force in the distant countries because they do not want a “worker culture” to proliferate,

⁶⁰ “Among the third countries, there are Pakistan, Turkmenistan, Philippines, China, Vietnam, Azerbaijan, Kyrgyzstan, Bangladesh, Kazakhstan and African countries. Between the years 2005-2006, bringing workers from Pakistan has began. Pakistani workers who work for 50 dollars in their home countries accept to work for 300 dollars in North Cyprus. Moreover, they do not have demands such as social security. Pakistani workers are employed in construction sector, agriculture, animal husbandry and restaurants. Especially they are demanded in the construction and industrial sectors as they are cheaper than Turkish workers in these sectors. Recently, an increase of the Turkmenistani migrant workers is being observed. Mostly, Turkmen women are employed. Turkmenistan women are employed mostly as domestic workers or for home care. While the ones who are employed as domestic workers has emerged in the last 3-4 years, the reason behind the emergence of home care is the lack of effective state mechanism towards elders. In addition to Turkmen women, in different sectors, especially in the construction and industrial sectors, Turkmen men are employed as well. While Filipino men are employed especially in the industrial sector, Filipino women are generally employed as domestic workers, caretaker or as waitress. Workers who are brought from China are mostly employed in Chinese restaurants. Beside this, women are employed as domestic workers, caretaker or as housekeeper. In the casino sector, there are ones who are brought from old Soviet countries and employed. Beside all these countries, migrant workers are brought from Bangladesh, Kyrgyzstan, Bulgaria and recently from Azerbaijan in order to be employed in different sectors. In addition to this, African students who study in North Cyprus universities are employed too.” (Göynüklü, 2012 : 27-28, my translation)

⁶¹ Labour Department is a department of Ministry of Interior and Labour and this department is the responsible institution for the supervision of the implementation of the Labour Law, including the inspection of informal economy.

⁶² I will elaborate the Labour Law under the section of “Working Conditions in Private Sector” but it is necessary to emphasize here that, Labour Law has mostly been tresspassed in the private sector, including both the formal and informal part of it, by employers.

therefore they change the workers constantly. (M. Rahvancıoğlu, personal interview, March 4, 2016)⁶³

4.2.4 : Turkish Cypriot Business Community on Foreign Labour Force

According to the most recent official data, unemployment rate in North Cyprus is 7.4 % (SPO, 2016 : 1). This may not be extremely high within a comparative framework in the post-2008 crisis environment, however, it should be noted that, the unemployment rate in North Cyprus is fluctuating. Despite of this unemployment rate, there are 33.740 foreign labour force with work permit (Table 1). When the number of foreign labour force which is employed in the informal sector is added to this, a question of “why do Turkish Cypriot employers bring foreign labour force despite of the availability of unemployed ‘local’ labour force” emerges. I have already mentioned some of the basic incentives for Turkish Cypriot employers to bring foreign labour force, but this issue has to be elaborated.

Vice-president of the Cyprus Turkish Chamber of Industry (CTCI), Şenol Coşar, stated during the interview that “foreign labour force is the consequence of our wrong policies. It is a void, and it will be filled by somebody else.” (Ş. Coşar, personal interview, March 3, 2016). There is an almost complete consensus among the members of the Turkish Cypriot business groups regarding what this void refers to : 1 . different patterns of employment within ‘local’ labour force and 2. mismatch in the ‘local’ labour force in terms of the incompatibility between the education system and the required labour force. I will go into the details of these two issues in the next two sections separately; but now, I will focus on the concerns of Turkish Cypriot business community groups regarding the foreign labour force. This is because, beside the existence of ‘positive’ incentives behind the Turkish Cypriot employers to bring foreign labour force and the argument that the emergence of high numbers of foreign labour force is “inevitable”, Turkish Cypriot business community groups’ perspective towards foreign labour force also includes

⁶³ One of the members of Board of Directors of DEV-İŞ, the only trade union in North Cyprus which is organized in the private sector, told me that “it is very difficult to organize the foreign labour force for unionization. As soon as realizing the attempt for unionization, bosses do not extend the work permit.” (K. Asam, personal interview, February 29, 2016)

various negative concerns. One of these concerns is the problem of socio-cultural adaptability of foreign labour force :

We bring labour force from Turkey. His [migrant worker's] family comes here as well. They have at least 5 children. This is a social problem. Our decent people ['local' labour force] are taken and employed in the public sector. The problem of need for qualified employee for private sector is not worked out. (A. Limasollu, personal interview, February 24, 2016)

There is a widespread discourse which essentially links the crime with the foreign labour force. This discourse has also been spreaded through related data and raw information which supports the argument.⁶⁴ However, firstly, this is related with the 'ethnicization' of poverty in case of North Cyprus.⁶⁵ Moreover, this also reveals the internal contradiction of the profit improvement strategies of Turkish Cypriot employers. Foreign laborers are mostly considered as a mere "labour force" and the social adaptation costs of these laborers are not undertaken by the Turkish Cypriot employers. Lack of state policy towards the adjustment process of migrant workers is another factor in the formation of this process.

Another concern of Turkish Cypriot business community regarding the high number of foreign labour force is the outflow of the money earned by the foreign labour force. One of the most important problems of Turkish Cypriot bourgeoisie is the insufficient capital accumulation and liquidity. In this respect, earnings of the foreign labour force -most of which is temporary- mostly do not circulate in the Turkish Cypriot market and are either saved or sent to the foreign laborers' home

⁶⁴ "45.7 % of the people who are in prison in TRNC is the citizens of Turkish Republic (TR). Evaluating this with the 22 % proportion of people who are the citizens of both TR and TRNC, the proportion of people who hold TR citizenship becomes 67.7 %. Proportion of people in the prison who are only the citizens of TRNC remains at 26%. According to the data obtained through another question is that the 60.1% of prisoners were born in Turkey. The proportion of people who were born in TRNC is 31.8 %. Once again, 40.7 % of the arrested and sentenced people had lived in Turkey until the age of 18 (...) According to the obtained data, people who come from Turkey through migration or temporarily increase the crime rates in TRNC" (Karakaş Doğan, 2012 : 113-114, my translation)

⁶⁵ I will not go into the details of this issue as it is outside of the task of this thesis, but in the next two sections, the basic distinctions between the 'local' labour force and foreign labour force will be revealed, though within different contexts. Moreover, it should also be noted that, with the deepening of neoliberal policies in the post-2004 process and the widening of market relations, this distinction has been eroded to some extent.

countries : “Impact of the local labour force on the economy, in terms of demand, is much more. We want local employment too as local labour force spend money in our own market.” (V. Varer, personal interview, February 20, 2016)

Finally, it is important to notice the distinction between TCCC’s and CTCI’s perspective towards foreign labour force. For CTCI, which represents the employers in industrial sector, in the ‘local’ labour force, there is the problem of lack of laborers who are equipped with the required skills for industry, especially in case of technical and intermediate staff. President of CTCI even claims that in the industrial sector, “foreign labour force earns as much as the local labour force”.⁶⁶ However, he added that, lack of ‘local’ labour force in terms of required labour skills has not completely been compensated by the foreign labour force : “Are the foreign labour force qualified ? I do not think so. Qualified labour force are the people who work for better wages, these people do not go to abroad.” (A. Çıralı, personal interview, February 26, 2016).

TCCC, mostly as the representative of the commercial interests, is concerned with decreasing the labour costs, especially the wages. Unlike the CTCI circles, TCCC circles, during the interviews, did not complain systematically from the lack of ‘local’ labour force who are equipped with the required skills for the related sectors but instead, mentioned the high expectancy of the local labour force in terms of wages and benefits. This is related with the “different patterns of employment”, which I am now going to investigate comprehensively.

4.3 : Different Patterns of Employment

There are various patterns of employment in North Cyprus and among these, the one which Turkish Cypriot business groups, especially the TCCC, are the most concerned is the “second job”⁶⁷. In order to understand this, various aspects of the society should be considered : First of all, this is related with the class structure of

⁶⁶ This issue is elaborated under the third section of this chapter.

⁶⁷ In case of North Cyprus, this term simply refers to the side job of a public sector employee.

Turkish Cypriot society. According to the most recent official data, among the employed people, approximately 83% of the employed people are wage-labour and approximately 16% of the employed people are either employers or self-employed.⁶⁸ (SPO, 2016 : 12). These numbers may not be very exceptional when compared with the European Union, of which the Turkish Cypriot society is a potential member.⁶⁹ However, when the “second job” aspect of the informal economy, which I mentioned in the previous section, is integrated into the analysis, the wage-labour aspect of above-mentioned proportion gains a different characteristic.

There are two main sources of informal labour force in North Cyprus. I have already discussed the foreign-labour aspect of the informal labour force in the previous section. Regarding the “second job”, it refers to state personnel such as the teachers, doctors or civil servants some of who engage with second jobs. There are examples such as doctors who, at the same time, work as a public employee in state hospitals and illegally⁷⁰ in their private offices; public school teachers who engage in tutoring activities for a fee without documenting it; and civil servants who engage with agriculture or self-employed jobs. For instance, the current member of Board of Directors of CTCI, complained :

Let me give an example. A friend of mine, while working in the private sector and gaining 3000 Turkish liras, left his job, and became a fire officer. He has a Jeep, mobile phone... Fire officers work one full day, and then have 2 days off. He does the same work I do [in addition to his job in public sector]. He [now] gains 8000 instead of 3000. (A. Bulancak, personal interview, March 2, 2016)

This form of informal employment and economy is mostly related with the revenue increasing activities of the state personnel and it is a widespread practice. It has already been mentioned in the previous section that the 45.9% of the total informal

⁶⁸ The rest is the unpaid family worker.

⁶⁹ “In 2014 employees accounted for 83.5 % of total EU employment (...) In 2014 self-employed persons (including family workers) accounted for 16.4 % of total EU employment.” (Eurostat, 2015)

⁷⁰ According to the 43th article of Law of Public Healthcare Personal, it is forbidden for public healthcare personal to do wage-earning or free of charge jobs whether within or outside their office hours.

employment corresponds to the “second job” category. What is more significant is the fact that 19% of the public sector employees engage with a second job informally (Saydam et al., 2015 : 36) When the exceptional proportion of public sector and public sector employment in North Cyprus economy⁷¹ is considered, the significance of the “second job” reveals itself. What is more important is that the second job does not refer to the “additional/second wage earning job”. On the contrary, 69.2 % of the formally employed wage earners engage with their informal second job either as an employer or as self-employed (Saydam et al., 2015 : 35). Therefore, it can be said that, while the formal indicators of employment does not reveal the distinctiveness of the class structure of Turkish Cypriot society, when the informal economy and employment, which is massive, is integrated to the analysis, a clearer picture of the structure of the society reveals itself.⁷² The social base of “second job” is so strong that, while it is not legal, as mentioned above, for public sector employees to engage with second job, there is no systematic steps taken either by consecutive governments or by jurisdiction. This has been occurring despite of the strong opposition of Turkish Cypriot business community and its strong demand towards taking measures both against the second job holders among public sector employees and informal second job holders in general. Current president of TCCC considers the second job as “unjust” and as one of the most

⁷¹ According to the most recent official data, public sector covers the 20.1 % of the gross domestic product (Sin, 2016) and the share of public sector employment within the total employment is 28.6 % (SPO, 2016 : 3)

⁷² This is why Turkish Cypriot society is widely called as a “petty-bourgeois society” or a “middle class society”. I will not go into the details of class structure of Turkish Cypriot society or the problem of conceptualization of “petty-bourgeois” or “middle class” as a class but it is important to note that, “petty-bourgeois society” is the most prevalent discourse in terms of defining the class structure of Turkish Cypriot society. For instance, Erhürman argues that, “it is important to detect that the most crowded class in the north of the island (...) is the middle class (petty bourgeoisie). The two segments, which compose this class, are the public sector employees plus public sector retirees and the small business owners and artisans. The members of these segments have benefited from the distribution of immovable properties left behind by Greek Cypriots and aids from Turkey, though not as much as the bourgeoisie, and become, albeit small scale, property owners.” (Erhürman, 2010 : 100, my translation). Another explanation regarding the petty-bourgeoisie character of Turkish Cypriot society stems from the perspective of colonization of north of Cyprus in the aftermath of 1974 : “The determining phenomenon in the aftermath of 1974 in the economic structure is the identity of strategic colony which had been shaped in the environment of lack of production and relative welfare pumped from outside. This structure, while causing a parasitic social existence, has been the ground for a lubricous political life in which the petty-bourgeoisie economic relations are decisive.” (Rahvancıoğlu, 2009 : 77, my translation).

important problems of labour market (F. Toros, personal interview, March 9, 2016). A member of Board of Directors of CTCI told that most of the public sector employees do second job and abuse their service in the public sector (N. Yılmaz, personal interview, March 1, 2016). Both TCCC and CTCI has made various declarations regarding the issue, however, with the exception of partial measurements, no systematic implementation of the related laws has occurred yet.

The second aspect is both the high number of public sector employees and enormous public spendings; including public sector wages, retirement pensions, fringe benefits and social assistances. According to the latest official data, 42.7% of the local budget was spent for personal expenses, i.e. for the wages and salaries of public sector employees back in 2014. On the other hand, around 48 % of the budget was spent for the transfer payments which include retirement pensions, retirement benefits, contributions to social security system, student scholarships and social assistances (TC Yardım Heyeti Başkanlığı, 2014).

The heavy weight of public sector in various aspects within the economy is one of the most important focal point of complaint for the Turkish Cypriot business groups. Looking at the “sectoral distribution of GDP at different years” in North Cyprus from 1977 until 2013, the proportion of public sector ranges from 14.7% to 24% (Güryay, 2011 : 84; TC Yardım Heyeti Başkanlığı, 2014). Even this simple data indicates the weight of public sector within the economy of North Cyprus. Moreover, what is more important is the perceived function of public sector within the economy by Turkish Cypriot business community. In this respect, public sector’s proportion within the economy is not only high, but it hinders the proliferation of the private sector in particular, and economic growth in general. This is because, as argued by the Turkish Cypriot business community circles, the single function of the dominance of public sector and public spendings within the economy is to maintain the rights and privileges of the public sector employees, who are considered as the strongest constituency in terms of voting. Therefore, personal salaries, fringe benefits and retirement pays have been the most dominant spending item within the public spending in general. This has led the Turkish

Cypriot state not to be able to reserve/create sources for the investment for public infrastructure. Beside that, weight of these spending items has led the consecutive governments to fall in the trap of necessity to borrow in huge amounts for other spending items, consequently leading to the crowding out effect. Moreover, public sector as a centre of attraction for employment both in terms of wages and rights, has stolen the qualified labour force from the private sector, which offers far worse working conditions when compared to the public sector. The depiction of Fikri Toros, explicitly express the mindset of Turkish Cypriot business community's towards the public sector :

(...) economic growth and alternative employment centering around the private sector is not being created. While the number of state personnel is not being decreased, current expenditure and transfer expenditures comprise a portion of 85%. This means, public budget has no sources for public investment. Budget deficit is growing, [public sector] can not pay its debt to the banks : Domino effect. (F. Toros, personal interview, March 9, 2016)

It has already been discussed with respect to different patterns of employment that there is an unwillingness of the 'local' labour force to be employed for unqualified or semi-qualified jobs⁷³ with low wages. According to the members of the Turkish Cypriot business groups, this unwillingness stems from the accessibility to above-mentioned alternative incomes provided by the public sector which dominates the economy. According to Vargın Varer, one reason behind this is the social assistance payments. Another, and the most important reason is the high privileges provided by the public sector, including high wages, fringe benefits and retirement pension/pay. Varer adds : "Such affluent rights have been provided in the public sector that, the families of the unemployed people, whether they are retired or still working, earn money beyond the subsistence of two people. This is a social problem" (V. Varer, personal interview, February 20, 2016). That is to say, large proportion of public sector employment accompanied by the high wages not only have an impact upon the public sector employees, but through various social ties,

⁷³ Such as salesclerk, casual worker, technician, operative, machinist, heating and cooling worker, waiter/waitress, home/child/old care, secretary, construction worker, bellboy, housekeeper and so on. Put it simply, the unqualified or semi-qualified jobs with low wages and fringe benefits in the leading sectors in North Cyprus such as tourism, construction, manufacturing, service and agriculture.

especially the family ties, contributes both the employees in private sector and the unemployed.

However, it should be noted that, there has also been two counter-trends : First one is the implementation of “Law Regulating the Monthly Salary, Wage and Other Allowances of the Public Employees”. This law is widely known as “*Göç Yasası*” (Immigration Law), a term coined by the opposition forces, especially the trade unions. The law went in effect on 1 January 2011 and there have been significant erosion both in terms of wages and allowances of public sector employees who have been employed since then. However, it should also be noted that, this counter-trend is not considered sufficient by the Turkish Cypriot business groups to overcome what they essentially complain:

Although the starting salaries have been lower for the employments after 2011, it is detected that the reason behind the attraction of public sector [in terms of employment] is both that in the medium term, because of the highness of salary scales, salaries will come up on the private sector and in the long term, retirement pensions and fringe benefits are generous. In the short-term, it is possible to say that, low salaries are compensated through overtime and through the working hours which provides the possibility for the second job. (TC Yardım Heyeti Başkanlığı, 2014 : 46, my translation).

However, with the second counter-trend, which is the “social security reform” which was implemented back in 2008, these ‘concerns’ has began to be eroded through the raising the retirement age and lowering the retirement pensions and benefits.

There is a widespread consensus among Turkish Cypriot business groups that this situation is related with the broader framework of what these groups call the excessive rights and wages provided in the public sector, accompanied by the positioning of public sector as center of attraction in terms of employment. This is considered to be the outcome of the populist policies which have been implemented through offering jobs, posts, incomes and rights in the public sector without considering the ‘economic outcomes’ by the consecutive North Cyprus governments. Turkish Cypriot business community circles consider the role of the

public sector as an obstacle in front of the further diminishment of the costs of ‘local’ labour force and therefore as an obstacle on the proliferation of employment in private sector :

Qualified labour force problem of private sector is not being resolved. People who take the exams for public sector are the qualified personal. It is really hard for us to train qualified personal. We lose our qualified employees in the private sector to the public sector. (A. Limasollu, personal interview, February 24, 2016).

However, member of Turkish Cypriot business groups reject that the bitter working conditions and low wages in the private sector has contributed to the ‘local’ labour force to seek jobs in the public sector :

The reason behind the tendency of qualified personal to find a job in the public sector is the poor working conditions in the private sector. Not simply because of the low wages, but even if the wages are high in the private, public sector is still preferred because of the benefits and rights it provides. Private sector is wild west [in terms of the working conditions]. (K. Asam, personal interview, February 29, 2016).

4.4 : Mismatch in the Labour Market

One of the basic reasons behind the excessive flow of foreign labour force to North Cyprus labour market, according to Turkish Cypriot business community groups is, as mentioned earlier, the mismatch in the ‘local’ labour force in terms of the incompatibility between the education system and the required labour force; especially in case of the higher education. Lack of the supply of ‘local’ labour force in terms of required skills, it is argued, is the consequence of the above-mentioned mismatch. There are two aspects which pave the way for the occurrence of such a mismatch, according to the Turkish Cypriot business groups. Before moving on to these two reasons, a brief explanation of the higher education sector in North Cyprus is required. It is important to note that, in this section, I will not go into the details of the higher education sector in North Cyprus as such an endeavour is unnecessary in terms of the aims of this thesis in general, and this section in particular. Therefore, this brief explanation will specifically focus upon the general historical framework of the development of the higher education sector in North

Cyprus and the consequential implications of this development upon the labour market in general and the labour force in particular.

The higher education sector in North Cyprus was appointed as one of the⁷⁴ “locomotive sectors” of North Cyprus economy in terms of macroeconomic policy perspective back in 1980’s.⁷⁵ This has been rationalized by various economists as the natural outcome of the economies of micro states, and especially of the small island economies. The basic argument is that small island economies “have a relatively small resource base, undiversified economic structure, heavy dependence on imports, and a large agricultural, fishing and subsistence sector” (Katırcıoğlu, 2010 : 1957). These features are considered to be vulnerabilities and in order to overcome such vulnerabilities, these economies tend towards focusing upon the service sector in particular, and export-oriented services in general (Katırcıoğlu, 2010 : 1958). This is also related with the transformation of Turkish Cypriot economy throughout the post-1974 process and as Mehmet and Tahiroğlu argues, “the evolution and rapid growth of universities in North Cyprus has been the major force in the transformation of the economy from a traditional agrarian base to export-oriented services.” (Mehmet & Tahiroğlu, 2002 : 159).

Higher education sector, together with the tourism sector, has been considered to be a vital ingredient to the North Cyprus economy in terms of compensating the huge trade deficit of the Turkish Cypriot economy as it has basically been targeting the foreign students who have been bringing foreign currency to the country both through tuition fees and through the daily expenses. This is why Mehmet and Tahiroğlu name these students as “long-term tourists” (Mehmet & Tahiroğlu, 2002 : 160). Moreover, as most of the students in North Cyprus universities are from

⁷⁴ Other one is the tourism sector.

⁷⁵ Currently, there are 16 universities that are active in North Cyprus. 11 of them are private universities, two of them are state universities but the fees in these state universities are as much as the private universities. The other three universities are the North Cyprus campuses of Turkish universities but operate as private universities functionally. Moreover, there are 7 more universities that were established, but not active yet in terms of education. Recently, Minister of National Education Culture stated that in 2014 and 2015, 19 applications were made for establishing university in North Cyprus and 10 of these got a preliminary permission from the Ministry (Gündem Kıbrıs, 2016).

Turkey, and considering the fact that both Turkey is the biggest trade partner of North Cyprus by far, and there is a huge trade deficit between these two countries in favor of Turkey, higher education sector has also been considering a -partial-balancing mechanism of the trade deficit between Turkey and North Cyprus in favor of the latter. More than half of the students registered in the universities of North Cyprus are from Turkey (Table 2)

Table 2 : Nationality of Registered Students in North Cyprus Universities (2015-2016)

Turkey	TRNC	Other	Total
47.033	12.000	21.982	81.015

Source : TRNC Ministry of National Education and Culture

Number of registered students in North Cyprus universities, except the TRNC citizens, sums up to almost 70.000, as also can be seen from Table 2. This number is, on the other hand, is equal to the almost a quarter of the entire population of TRNC and it reveals the significance of the high education sector within the economy of North Cyprus. In this respect, with the determination of higher education as the primary sector in North Cyprus in terms of macroeconomic policy perspective, various privileges has been bestowed upon it. For instance, according to the fifth article of the Law of Financial Arrangement of Higher Education Institutions, higher education institutions operating in North Cyprus benefit from all kinds of exemptions that are foreseen in the Incentive Law such as levies, charges, customs and fund reductions. Most significantly, profits made by higher education institutions through any kind higher educational and related activities are exempt from institutional and income taxes. These incentives and exemptions have been designed in order to establish the ground for the higher education sector to become the locomotive sector of the North Cyprus economy. However, with few exceptions, most participants of the in-depth interviews put forward various objections towards the settlement of higher education sector in North Cyprus.

These objections can be categorized into two : macroeconomic and labour market. I will specifically focus upon the objections towards universities in terms of their influence upon the labour market in general and required labour force in particular but before moving on to this task, I will briefly explain the macroeconomic objections towards these higher education institutions.

The basic objection in macroeconomic terms is that, while higher education sector has generated a positive feedback in terms of cash flow into the country in general, and a foreign currency flow in particular; this sector has abused the privileges bestowed upon itself in terms of lack of reciprocity. That is to say, higher education sector has benefited a lot from the resources of the country under the name of “locomotive sector”, but it has not equally reimbursed what it has taken :

I have always been giving this example, regarding the issue of “locomotive sector” : 30 years ago, we named it as the “locomotive” but we did not put compartments behind of it. [Higher education institutions] are exempt from taxes, enjoy incentives. They operate the dorms and transportation. These incentives should be reduced. Income of universities do not circulate in the market anyway. They do not make sufficient contributions in commercial terms. It is the time for a transformation both in tourism and in universities (...) They do not make commercial contributions, all of their business operate in themselves. (N. Yılmaz, personal interview, March 1, 2016).

That is to say, there is an argument that the relationship between higher education sector and the macroeconomy of the country is uneven in favor of the higher education sector. This is mostly based upon the assertion, which can also clearly be seen in the quotation above, that this sector has created, throughout time, its own ‘sub-industries’ such as residence, transportation, catering and even entertainment. However, as these ‘sub-industries’ operate within the “business boundaries” of the higher education sector and are owned by the same owners of higher education institutions, the assumed ‘return’ of this sector, which is the role of becoming the mediating tool through which the money enters the economy, has been hindered by the very same sector. This approach is embraced by the several members of the Turkish Cypriot business community. Günay Çerkez talks in the same vein : “They call the education and tourism as locomotive [sectors]. The definition of locomotive is “a tool”. Locomotive pulls the ones behind itself. In our example,

these two sectors are the ones who take the support of the state the most.” (G. Çerkez, personal interview, March 11, 2016).

However, this issue is not the basic concern of the Turkish Cypriot business community circles regarding the higher education sector as this sector is eventually considered to be vital -and a rare- tool for providing liquidity : “I do not want to make negative comments about the universities. They provide foreign currency inflow, it is a good thing, it boosts the economy.” (M. Şadi, personal interview, March 8, 2016). That is to say, while there is a widespread belief that higher education sector has taken away more than it has given back, it still, as mentioned above, considered to be a vital component of the Turkish Cypriot economy by Turkish Cypriot business community members :

25% of the expenses of the university students goes to universities and the rest contributes in economic terms to the other sectors in the country. The higher education sector is a strategic sector which provides the revenue to spread to the base and to the broad sections of society. In addition to this, although university students, due to their budget constraints, do not spend at a very high rate, with the economic vitality they generate, they contribute positively to the economy of the country. University students are in a position of being important consumers for almost all sectors. (Karabaş & Şafaklı, 2015 : 82, my translation)

The most controversial issue regarding the higher education institutions, on the other hand, is their negative impact upon the labour market, and especially the required labour force. Higher education sector was originally designed to target the foreign students for the explained reasons above. However, throughout the time, in order to enhance their revenues, higher education institutions has began to widen their target to the Turkish Cypriot citizens as well. It can be seen from the Table 2 that there are 12.000 Turkish Cypriot citizens registered in the universities in North Cyprus and this number -mostly- has an increasing trend. However, this trend has grown arbitrarily, without going hand in hand with a state policy on the higher education in terms securing the needs of labour market. Eventually, there has established an ever growing mismatch in the labour market in terms of the local labour force. There is no state policy in terms of establishing quotas and incentives in order to direct students to the related faculties and departments. Therefore,

universities can arbitrarily register the students in any department :

State should regulate its education policy properly. Do not let everybody into the university. Primary function of the universities here is not providing education to the students in Cyprus [TRNC citizens] but instead, the students abroad. These are private universities, justifiably demanding the Cypriots as well in order to increase the revenues. However, if the quality [of a university] increases, entrance marks will increase as well; but these universities keep the threshold low so that anybody can get in. (V. Varer, personal interview, February 20, 2016)

Former minister of finance shares the same concern :

The universities that will be launched from now on should give postgraduate education only. Every university should not launch every department. For instance, one should launch solely the medical department. If we do not take serious measures regarding the universities, these universities will be shuttle traders. (Z. Mungan, personal interview, March 2, 2016)

One may rightly ask, what is the obstacle for taking the necessary measures regarding the universities and establishing a state policy. It is related with the huge financial power of the private universities which establishes a ground for these universities to have a big influence upon the decision making mechanisms.⁷⁶ Words of another former minister of finance reveal this influence : “[In case of taking measures towards universities] the universities will make a lot of noise, ok, but, the universities are not sovereign, are they ? This issue is very serious.” (E. Tatar, personal interview, February 23, 2016).

One may also ask, what is the motivation behind the students themselves for entering into departments which will not equip them for the needed skills in the labour market. The answer is both related with the social and political culture. I

⁷⁶ Regarding the financial power of the universities, there are various examples but the most significant one is the Near East University, which was founded by Suat Günsel, currently the 1577 richest person (Forbes, 2016) in the world -which is very remarkable within the context of a small economy of North Cyprus-. Günsel -and his family- has also been active in the real estate and banking sectors and there are various allegations regarding the influence of Günsel family upon the decision-making mechanisms of Turkish Cypriot state. These allegations have been based upon the fact that various state institutions have been borrowing huge amounts from the Near East Bank in order to overcome the financial needs.

will not go into the details of this discussion as it is beyond the scope of this thesis. However, it can be briefly be said that, regarding the social culture, higher education is widely considered within the Turkish Cypriot society as a “must ingredient”. Regardless of the department, holding a university diploma is considered to be pivotal :

(...) is a good demonstration of the Turkish Cypriot households’ top priority placed on education as a joint family investment in children and as a pathway to family-sponsored career development. Families cut down on other expenses, often sell land and real estate, in order to invest in children’s schooling. Even though education in North Cyprus is free and compulsory from primary to secondary level, families spend large amounts of private pre-school and after hours coaching in order to prepare their children for competitive examinations. (Mehmet & Mehmet, 2003 : 11).

This is also proven through the fact that, although all of the universities in North Cyprus charge high tuition fees for registration⁷⁷, Turkish Cypriot families do not hesitate to pay it. This has even led many of the high school students, who are not willing to attend to higher education, to eventually register into a university.⁷⁸ Therefore, it is a widespread practice among the Turkish Cypriot students to join into departments which will not provide the required skill for the labour market. Vice Chair of the Department of Economics at the Eastern Mediterranean University complains that, while there is a huge demand in the labour market for economists, Turkish Cypriot student does not prefer it but instead, choose to study in the business administration because they consider this department to be easier to study (K. Bağzıbağlı, personal interview, March 10, 2016). Acceptance to the universities in North Cyprus is quite easy in terms of the required criteria if the student is capable of paying the fee.

One may ask, beside all these facts, how is it still reasonable for the students and their families to prefer the departments which would not eventually match with the needs of the labor market. This is related with the second aspect of the issue, the

⁷⁷ Annual fees in the universities are generally not lower than 10.000 Turkish liras and the fees can even go up to 40.000 Turkish liras for TRNC citizens.

⁷⁸ For instance, 1763 out of 2536 high school graduates in the education year of 2015-2016 joined to a university after their graduation in high school (Kıbrıs, 2016).

political culture in terms of employment. The widespread clientelism in the country⁷⁹, accompanied with the extensive public sector⁸⁰, has led to a political culture in which the employment is not linked to any kind of labour qualifications in terms of meritocracy. That is to say, education is not considered as a tool to acquire labour skills in order to find a place in the labour market but instead, it is considered to be a very important ingredient of “social status” :

We should review our education policy. Ok, let everybody study higher education. However, we do not think about what will be the return of this education in economic terms. We want our children to improve themselves in the socially approved field or in a universally approved field, but we do not think what will they do afterwards or we simply say that it is not a requirement for them to work in their homelands. (Z. Mungan, personal interview, March 2, 2016)

For the Turkish Cypriot business community, there are direct and various implications of the mismatch which has been occurring because of the above-mentioned reasons. First and most important one is simply the mismatch between the ‘local’ labour force and the required skills in the labour market. Because of such a deficiency in terms of the local labour force, an excessive inflow of foreign labour, which has already been discussed earlier, has emerged. However, the mismatch problem has reflected itself differently for the different factions of Turkish Cypriot business community.

For the Turkish Cypriot Chamber of Commerce, the basic concern is the rising expectancy of the university graduates in terms of wages and working conditions. I will elaborate the issue of working conditions in the private sector in the next section, but it should be said that, TCCC, in the post-2004 process, has considered the high participation of ‘future labour force’ in the higher education as the basic reason behind the emergence of an artificial expectancy in terms of wages and working conditions. Current president of the Chamber argues that, “neither the intermediate staff nor the professionals who have a profession anticipate a bright future in the private sector” (F. Toros, personal interview, March 9, 2016). That is

⁷⁹ For a comprehensive description of the political clientelism in the post-1974 process, see : (Sonan, 2014).

⁸⁰ The share of public sector in the GDP was 18.1 according to the most recent official data (TRNC Prime Ministry State Planning Organisation, 2016 : 3)

to say, for the TCCC, the mismatch is not only between the higher education and required labour skills in the labour market; but also there is a mismatch between the expectancy raised through acquiring a higher education diploma and the ‘realities’ of the private sector in terms of wages and working conditions. This point is crucial in terms of revealing the authenticity of the North Cyprus labour market.

With the neoliberal transformation, responsibility of overcoming the mismatch in the labour market has been incurred to the labour force through the “active labour force policies”. In this respect, a laborer has been responsible for acquiring required skills through courses, trainings and short term educational activities. That is to say, in case of the ‘insufficiency’ of the already gained diploma and skills in terms of being compatible with the ‘needs’ of labour market, a labourer should add extra skills to his/her arsenal. On the other hand, in case of North Cyprus, the behavior of the ‘local’ labour force, to some extent, diverges from this global neoliberal trend : “In other countries, [a higher education graduate] look for the other jobs and do other jobs. One may be a biologist, but works as an accountant or as salesclerk. In our example, people sit down and wait for the jobs compatible with their education.” (V. Varer, personal interview, February 20, 2016). According to the TCCC circles, most parts of the ‘local’ labour force is not completely or hugely dependent upon the market, in terms of selling its labour force, to earn a livelihood. This is also accompanied by the huge public sector in which the expectancy of ‘local’ labour force, which has completed the higher education, is met when compared with the private sector. All of these factors, on the other hand, come together to justify the excessive flow of the foreign -and cheap- labour force from Turkey and from “other” countries, as discussed in the first section of this chapter. It should be noted that, since the 2004, the neoliberal transformation has been deepening in the North Cyprus and this has had huge impact on the labour market through the “Law Regulating the Monthly Salary, Wage and Other Allowances of the Public Employees” which has rigorously deteriorated the working conditions and wages in the public sector; through widening of the market relations accompanied by the privatizations and the decrease in public spendings towards education and health; through the decrease in the numbers of the employed in the

public sector which has been compensated by the increase in the numbers of the employed in the private sector in which no significant bettering off in the working conditions has been witnessed. However, Turkish Cypriot business community circles agree upon the argument that, while these policies are positive ingredients for the economic viability of the country, these are still highly insufficient and the “market rationality” has not prevailed yet.

Another concern of TCCC circles regarding the higher education is the quality of the education in these institutions in terms of equipping the students with labour skills. This is particularly important for TCCC circles which mostly engage with trade and service activities which require specific labour skills such as accounting, software developing, graphic designing, computer engineering, public relations and so on. It has already mentioned that, because of the lack of comprehensive state policy which regulates the distribution of ‘local’ students to the departments related with the required skills in the labor market, students mostly make their choices without considering the relation of this choice with the needs of labour market. However, in addition to this, the quality of higher education institutions in North Cyprus is a big concern so even in case of an absolute mismatch between the required skills in the labour market and the emplacement of ‘local’ students to the related departments, it is still considered to be questionable whether these departments in particular and these universities in general are capable of equipping the students with these skills : “Our universities have been established only for commercial purposes (...) There is no excellence.” (G. Çerkez, personal interview, March 11, 2016)

Basic concern of the Cyprus Turkish Chamber of Industry regarding the issue is directly the mismatch in the labour market in terms of the intermediate staff, technician, operator and other kinds of expertise in industrial production. Current president of the CTCI complained from the fact that, ‘local’ labour force is mostly composed of the university graduates and therefore, the industrial sector has to compensate its need for proper labour force with the immigrant workers : “In all of our declarations, we emphasize the need for an intermediate staff. We even have an

excessive number of engineers. However, what we need is a craft and its education is only possible through vocational schools". (A. Çıralı, personal interview, February 26, 2016). That is to say, instead of university graduates which mostly gain profession for white-collar jobs, CTCI requires blue-collar or semi-professional labour force proper for industrial production. However, there is no systematic state policy for the education of the 'local' labour force in order meet the needs of industrial sector : "The roots of the issue is mistaken. We have pursued a very inaccurate education policy. Without considering the needs [of labour market] we have produced university graduates (N. Yılmaz, personal interview, March 1, 2016). Vice President of CTCI asserted that there is a huge contradiction between the higher education and the labor demand :

Look at our universities (...) They [local students] study in easier departments such as English, business administration, law, physical education... Because of state's wrong education policy, everybody is given scholarship in the university. However, educate intermediate staff, establish craft schools and give all of them [students of these schools] scholarship, job guarantee, credits, exempting them from half of their military service... Foreign labour force is the outcome of our wrong policies. (Ş. Coşar, personal interview, March 3, 2016)

Beside the criticism of CTCI circles towards the state's education policy, there is also a belief that, the problem should not merely be overcome through transforming the state policy due to socio-cultural reasons. It has already been discussed earlier this section that, one of reasons for 'local' students for joining university is the devotion of Turkish Cypriot families to the education of their children :

Can we give less education to our young people ? You want to give your child a good education (...) State should impose a quota but this will not happen. Even if we force people, they will find a way out and send their children to the south or to England⁸¹ for education. (A. Bulancak, personal interview, March 2, 2016)

4.5 : Working Conditions in Private Sector

Working conditions in the private sector have become one of the most important

⁸¹ Britain is the third most popular destination after North Cyprus and Turkey for Turkish Cypriot students in terms of higher education.

political topics in the public sphere of North Cyprus recently. While trade unions in North Cyprus have historically been vocal and organized in the public sector⁸², trade unions are almost completely absent in the private sector. According to a survey that was published in a report dated 2014, employees of 95% of the private workplaces are not unionized (PGlobal Küresel Danışmanlık ve Eğitim Hizmetleri, 2014 : 52). Revolutionary Trade Unions Federation (DEV-İŞ) is the single union in North Cyprus which is organized in the private sector. Current chairman of DEV-İŞ told to a newspaper that the rate of unionization in the private sector is only 0.5% (Yenidüzen, 2015). The rate of unionization in the private sector is so low that, back in 2007, former minister of labour had to state that the unionization rate in TRNC is way behind the world standards, even below the level of underdeveloped countries (Kıbrıs, 2007) The two basic reasons behind this extremely low rates, according to Ioannou and Sonan, are the “size of the private sector companies” and lack of “class-based trade unionism” (Ioannou & Sonan, 2014 : 7).

Due to the lack of trade unionism in the private sector, the only binding reference point for the working conditions in the private sector is the Labour Law. While there are some problems with the Labour Law as a law itself, the most important concern is the inefficient implementation and lack of supervision regarding the Labour Law. For instance, 59th article of the Labour Law regulates the employment process and procedures but this is mostly neglected.⁸³ Another problem regarding the lack of implementation of Labour Law is the overtime working hours and overtime payment which is mostly neglected or left to the mercy of the employer.⁸⁴

⁸² According to a research made back in late 2014, the total number of members of the unions organized in the public sector is 17.687 (Ioannou & Sonan, 2014 : 9). On the other hand, according to the official data of the state, the total number of the public sector employment was 31.276 back in the same period (SPO, 2015, 3)

⁸³ According to this article, an employer, who is going to employ people, must choose them from among the people who are registered as unemployed at the Labour Department. Even if an employer is willing to employ a person who is not registered, employer should firstly register this person to the Labour Department. This article is widely neglected and as a result, massive inflow and employment of foreign labour force without any comprehensive measures hence the expansion of informal economy occurs.

⁸⁴ 33th article of the Labour Law states that, an employee should have an at least one day off weekly. However, there are examples which violate this example : “My sole problem is that I work

Social security payments of most of the employees in the private sector are either postponed and not made regularly by the employers or completely ignored, even at the most institutionalized firms in North Cyprus (Ankara Değil Lefkoşa, 2014).⁸⁵ Work accidents, on the other hand, have been in a significant and constant rise in the post-2004 process.

Koral Asam, a member of the Executive Board of DEV-İŞ states that “Bosses, acting against the laws on purpose, then tell you to sue him/her. In a place where there are no courts... Minister of labour told that they are not carrying out inspections. Relations of political parties with the capital [groups]...” (K. Asam, personal interview, February 29, 2016). That is to say, even the Labour Law, as the only binding reference point for hindering the workplace abuses and injustices, is considered to be inefficient due to both the lack of leverage of judicial system over the workplace relations and employers and the impact of employers on the political sphere. The latter is more significant to the extent that, senior cadres of two dominant political parties in the political life of North Cyprus, namely the Republican Turkish Party (CTP) and National Unity Party (UBP) have either direct or close affiliations with the Turkish Cypriot business groups.⁸⁶

seven days a week” (Ankara Değil Lefkoşa, 2016, my translation). Another problem is the unpaid overtime work. According to the 34 article of the Labour Law, weekly working hours which exceed 40 hours are considered as an overtime work and should be paid accordingly. However, working for more than 40 hours weekly without any overtime payment is a widespread practice in the private sector. For instance, a bank employee stated that overtime work is not considered as “overtime” but as a part of the normal working hours, without any extra payment. Moreover, she argues that “overtime work is considered as a consequence of the employees’ own incompetence. During the day, there are delays and setbacks because 2-3 employees do the work which should actually be done by 6-7 employees and as I said before, employees are considered as responsible for this situation” (Ankara Değil Lefkoşa, 2016, my translation)

⁸⁵ One of the respondents of the in-depth interviews share an interesting anecdote in this respect : “I went to the Department of Social Security in order to register two employees (...) The woman in the cash desk asked me whether I would pay the social insurance over the actual wages of the employees or over a lower wage.” (K. Bağzıbağlı, personal interview, March 10, 2016). This anecdote is a proof that even the personal of the Department of Social Security has adjusted to the abuses and manipulations of employers over the social insurance payments of their employees.

⁸⁶ For instance, Aziz Gürpınar, former minister of labour (2013-2015) and a member of CTP, has close affiliations with TCCC as he took part as an author to one of the publications of TCCC. Moreover, Gürpınar, right after his job as a minister of labour ended, has become the director of a private company’s “occupational health and safety institute”. Another example is Sunat Atun. He is a member of the UBP, minister of economy and energy both between 2009-2013 and currently, and also was the minister of economy, industry and trade between 2015-2016. Atun, before the

Before elaborating the issue of Labour Law, it is crucial to make a brief discussion about the perception of Turkish Cypriot business communities with regard to their impact on the decision-making mechanisms in order to establish a better framework in the implementation of Labour Law.

It is not the aim of this thesis to widely discuss the level of representativeness of the demands of various social groups in decision-making mechanisms and political parties in North Cyprus but, moving from the discussion in the previous paragraph, it is possible to make an assumption that, there are various channels in terms of political cadres of political parties within which the demands of Turkish Cypriot business groups can easily flow in. However, it is also surprising to find out that, Turkish Cypriot business community groups do not agree with the argument that their demands are properly represented within the decision-making mechanisms and political parties : “Chamber of Commerce does not think that it can have an impact on the politics because we are not in the focus of politics. Our voting power is low in terms of number of members. Why do they [politicians] want to make us happy; at the end of the day, our voting potential is obvious.” (M. Erk, personal interview, February 17, 2016). Current president of the TCCC implicitly mentioned that it is the corrupted politicians and bureaucrats appointed by these politicians who are the driving force in decision-making mechanisms. They take their steps without taking into consideration the needs of business (F. Toros, personal interview, February 9, 2016). The utmost reflection of the disbelief of the TCCC with regards to its impact upon politics⁸⁷ is the presidency era of Ali Erel in which

beginning of his ministry career was an owner and director of a private company, engaging with import, retail sale and shipping. Moreover, he used to be the president of North Cyprus Young Businessmen's Association between 2006-2009. Ersin Tatar, former minister of finance, also a member of UBP, is an owner of a private TV channel. Another example is Kutlay Erk, secretary-general of CTP in between 2009-2011 and 2013-2015, is an owner of a private company which engages with construction equipments&tools import and sale. His son, Mustafa Erk, manager of this company, is a member of Board of Directors of TCCC since 2014. In this respect, it is not surprising that, the implementation of Labour Law, which directly and indirectly leads to the rise of costs for the employers, does not gain strong support from the two most dominant political parties.

⁸⁷ The only exception in this respect within the TCCC is the view of one of the members of current Board of Directors : “We have recently been influential on politics. We have always asked to

Erel and some members of TCCC was established a political party and participated in the parliament elections of 2003.⁸⁸

CTCI's perception on the level of its own impact upon the decision-making mechanisms is more or less the same with TCCC's perception on its own impact : "We submit our views for everything, but do these get taken into consideration, no (...) Perspective is to make least people uncomfortable (...) Politicians approach the issue with the view of voters." (N. Yılmaz, personal interview, March 1, 2016)⁸⁹

Turning back to the discussion regarding the Labour Law, lack of responsiveness from the major political parties to the problems regarding both the prevalent abuse of the rights of workers in the workplace in general and the implementation of the

involve in the kitchen [law-making process]. Now a bidding law is being prepared and we contributed to it a lot. This has made me hopeful." (A. Limasollu, personal interview, February 24, 2016).

⁸⁸ However, though establishment of a political party directly by the president of TCCC is a significant indicator, this should not be considered as an overstated reflection of the disbelief of the TCCC with regards to its impact upon politics because of two reasons : First reason is that the era of presidency of Erel at TCCC (2001-2005) coincides with the Annan Plan process in Cyprus and the establishment of a political party by Erel is directly related with the Annan Plan referendum; therefore the establishment a political party by TCCC at that time resonate itself more within the context of Cyprus problem instead of being a direct reflection of the disbelief of the Chamber with regards to its impact upon the internal decision-making mechanisms : "Going into politic was an obligation for us (...) They [other political parties] offered us offices and candidacy. We told them that we are not politicians. We want to be at the side of the pro-solution. We would, at that time, either going to work for the referendum or going to sit at home." (A. Erel, personal interview, March 8, 2016). Second reason is the significant opposition within the TCCC itself regarding the decision of establishment of a political party, which then eventually led to the removal of Erel from TCCC. Following president of the Chamber, Erdil Nami (2005-2007), who was the representative of the opposition against Erel at that period, revealed breaking point explicitly : "Mister Ali is an old friend of mine. The main distinguishing point between us is that, two issues should not be mixed together. If you are a politician, you wear the hat of a politician. TCCC is the organization of businesspeople" (E. Nami, personal interview, March 10, 2016)

⁸⁹ CTCI's approach to this issue differentiates from TCCC's view with regards to the wide and strong belief of the CTCI circles on the impact of trade circles represented by TCCC upon the political parties and decision-making processes. President of the CTCI emphasized that "with its power of capital, our trade sector is more powerful and it uses its power" (A. Çıralı, personal interview, February 26, 2016). Vice-President of CTCI revealed this more directly and explicitly : "In the aftermath of 2004, there had been no place for production in the state's main policy (...) Imported products are used even in state institutions. There are no incentives for local products, production and export (...) In this system, we can not overcome the pressures of trade circles" (Ş. Coşar, March 3, 2016).

Labour Law in particular has led to the rising, though unorganized, grievances in the society.⁹⁰ This has, on the other hand, led to the emergence of two main positions in terms of a solution to the de facto bitter working conditions in the workplace. First position, which is mainly advocated by the business circles and center-left CTP, is the stronger and more diligent supervision on the implementation of the Labour Law. Second position, on the other hand, has emerged quite recently and basically argues that, failing to implement the Labour Law stems from the close links between employers and consecutive governments therefore, this problem should not be achieved through demanding the governments to implement the Labour Law but instead, a struggle for the unionization of private sector employees should be given.

Regarding the first position, TCCC circles believe that it is sufficient to inspect the implementation of Labour Law in order to prevent the abuses in the workplace in terms of the rights of workers. However, according to a labour inspector, the responsible institution for the supervision of the implementation of the Labour Law, which is the Labour Department in the Ministry of Interior and Labour, is itself incapable of fulfilling this task. Moreover, this incapability, he argues, is a consequence of the deliberate policies of the consecutive governments :

There are 20.000 workplaces in Nicosia, and there are 4 officers who actually conduct the inspections [in Nicosia]. Moreover, there should be 5 regional authorities according to the law. In İskele [one of the 5 provinces of North Cyprus] there is not any regional authority and each inspector is authorized only in his/her region (...) Insufficient number of inspectors in the Labour Department (...) is a result of deliberate policies in order to prevent the inspections. This is because, existence of labour inspectors in the Labour Department put the employers in trouble. (M. Rahvancioğlu, personal interview, March 4, 2016)

It is also important to note that, according to this labour inspector who has been working in the Labour Department for more than 10 years, Labour Department “has constantly gone worse.”

While Turkish Cypriot business community members acknowledge the deficiencies

⁹⁰ 80% of the employment in North Cyprus takes place in the private sector

regarding the implementation of the Labour Law, they do not consider the working conditions in the private sector as too problematic, with the exception of some negligible examples in the private sector. For instance, a member of Board of Directors of CTCI stated “I do not think that the wages are low. Are not there 3-5 firms which set bad examples; yes there are, but it can not be generalized” (N. Yilmaz, personal interview, March 1, 2016). Moreover, they generally argue that, the duty for monitoring the implementation of the Labour Law is on the shoulders of the governments so instead of criminalizing the practices of whole business community and stigmatizing the whole private sector as exploitative, it is the government which should be urged to implement the Labour Law : “Carry out the occupational health and safety... Do not say that “I do not have enough personal for the inspection.” Then, resign. If they give the administration to Turkish Cypriot Chamber of Commerce, we will discipline it in 6 months.” (A. Limasollu, personal interview, February 24, 2016).

Another counter argument from the Turkish Cypriot business community circles regarding the deteriorating working conditions in the private sector is the ‘fallacious comparison’. That is to say, they argue, what is out of norm in terms of working conditions is actually the working conditions in the public sector which is too destructive for the economy and so generous that it drives the public sector employees to become idle, inefficient and to have undeserved gains. Therefore, working conditions in the private sector in North Cyprus, when compared with many other countries’ private sectors and with reference to the ‘economic rationality’, both in terms of wages and benefits, are not destructive as it is widely told. It is the undeserved and unjust wages, rights and benefits in the public sector which has created a fallacious ‘utopian image’ of working conditions. However, working conditions in the public sector are too costly, prevent the economic growth and thus unsustainable. Therefore, the grievances around the working conditions in private sector have been fueled by its comparison with the working conditions in the public sector, which is not a good example :

There are vacuums which distort the labour market. At the start, high initial wages

[in the public sector], but are getting rasped [because of the *Göç Yasası*], high retirement benefits, working comfort, expectation for second job (...) Previously, because of the give-and-take relationship of the state with a group, an artificial welfare was established in the public sector. Now, this is normalising, receding to the actuality. It is being accorded to the given conditions. Overly given purchasing power is getting rasped. [Working in the] private sector is becoming more attractive. (N. Ergün, personal interview, February 29, 2016)

Even when the deterioration of working conditions in the private sector is openly admitted, the discourse of ‘public sectors as a bad example in terms of labour market’ quickly become the major reference point. For instance, Metin Şadi, the former president of the Turkish Cypriot Businessmen’s Association (TCBA), stated regarding the working conditions in the private sector that

We can not say that it is very perfect. Our working methods in the private sector should be compared with other countries. There is no working in the public sector. Comparing with the public sector, private sector employees are like slaves. There are employees [in the public sector] who do not even work the quarter of working hours of what they are paid. There are employees who do not produce anything and receive undeserved high salaries. Comparing with the public sector, private sector is in a very bad condition. On the one side, luxury and comfort; on the other side wretchedness (...) Public sector should revise itself (M. Şadi, personal interview, March 8, 2016)

In addition to this, Turkish Cypriot business community circles believe in themselves that they are trying to treat their employees as fair as possible in terms of wages and rights as long as they (and therefore the firm) can afford it and employee deserves it. Therefore, even when the poor working conditions in the private sector are admitted by them, it is argued that, this is not because of the ‘greed’ of the employers or the strive to reduce the labour force costs in order to increase the profits; instead, this is because of the ‘economic reality’ and the ‘market conditions’. However, president of DEV-İŞ does not agree with this argument :

What they [employers] only care is making profit. They say “We went bankrupt, we are done”, then they open 2 more branch offices, buy 3 cars... They are not sincere. In the system of greedy and wild capitalism, they seek to exploit and suppress the country. (H. Felek, personal interview, February 29, 2016)

Regarding the extremely low unionization rate in the private sector, according to

the 16th article of the Labour Law, if an employee becomes a member of an union, it does not engender a right for termination of his/her contract by the employer. However, as mentioned above, the unionization rate is even below the 1% in the private sector due to the job loss fear. According to a member of Board of Directors of CTCI, “there is no obstacle regarding the unionization” in the private sector in legal terms (N. Yılmaz, personal interview, March 1, 2016). This ‘legal’ approach to the issue is widely embraced by the members of Turkish Cypriot business community members. However, when asked about the reason behind the extremely low rate of unionization in the private sector, instead of discussing the de facto barriers in the workplace against unionization, they refer to the practices of public sector unions which, they argue, is destructive for the economy and the good labour relations. For instance, a member of Board of Directors of TCCC argues that

Trade unions should primarily protect the workplace, increase the production and provide the work safety. However, in our case, trade unions always ask for themselves, solely [chasing] interests to such an extend that it hinders the viability of the institution or the firm. (M. Erk, personal interview, February 17, 2016)

Ali Çıralı, argues from the same vein : “I, as a person, am not against the unionization personally; however our trade union structure and mentality of trade unions is, as if trade unions are striving to bankrupt the workplace.” (A. Çıralı, personal interview, February 26, 2016). I have gained a clear understanding during the in-depth interviews that, the members of Turkish Cypriot business community consider the trade unions organized in the public sector as reference point for unionization practices in general. Moreover, they consider these practices as destructive. However, they carefully avoid from discussing the reason behind the lack of unionization within the private sector. According to the president of DEV-İŞ, the only trade union in North Cyprus which is organized in the private sector, arguments by the employers about the destructive nature of trade unions in North Cyprus is meaningless. He argues that, lack of unionization in the private sector stems from the will of employers to keep the costs, especially the labour force costs, as low as possible and any threat against this will, including unionization, is considered as “destructive” :

If a workplace is going to go bankrupt because of the wages, that workplace, from the beginning, is already bankrupt. They should first reveal the rate of profit and costs truly. From the perspective of responsible unionism, even at the expense of the interests of the union, we act responsible; there are examples in this regard (...) What they [employers] understand from trade union is wrong. Public institutions are perceived as the ranch of politicians but this is not because of the trade unions but the populist politicians. (H. Felek, personal interview, February 29, 2016)

It has already been mentioned that, the “legal approach” or the closer scrutiny for the implementation of the Labour Law in terms of unionization, is widely embraced by the Turkish Cypriot business circles. On the other hand there is a second position in terms of a solution to the de facto bitter working conditions in the workplace which is the political campaign named “Prohibit the Non-Unionized Working!”. This campaign was initialized very recently, in 2015 and has justified itself over the argument that, while it is legally valid to unionize in the private sector according to the Labour Law, due to the de facto dominance of employers over employees in the workplaces, employees hesitate to unionize in order to prevent a confrontation with the employers which can eventually lead to losing their jobs :

In the north of Cyprus in which the production has almost been cancelled out and in which the economy revolves mostly around the importation, work places have taken the characteristic of small scale enterprises. The number of employees in many workplaces, except the public institutions and a few exceptional private enterprise, can not even reach to three digit numbers. This situation is creating a perception of “a feeding foreman and his/her worker who should be loyal” instead of a classical “boss and worker” relation, especially for the private sector employees. In the workplaces in which the number of employees is relatively high, organizing and claiming rights are considered as an “extreme” option and is not taken into consideration. (Bağımsızlık Yolu, 2015, my translation)

According to this approach, due to the above-mentioned reasons in the quotation, it is impossible for the private sector employees to unionize by themselves and therefore, unionization struggle in the private sector should not be restricted to the workplaces and to the Labour Law but instead, a political campaign should be launched. Within this framework, a law proposal was made in the parliament in order to ban the non-unionized work in the workplaces of employers and/or shareholders who employ ten or more employees; that is to say, unionization would be compulsory in such workplaces if the proposal was passed. However, the

proposal was rejected in the parliament. The stance of Turkish Cypriot business community circles towards this political campaign and demand is quite sharp : Compulsory unionization “is against the human rights (...) Therefore we can never accept to make it compulsory in legal terms.” (M. Erk, personal interview, February 17, 2016).

4.6 Conclusion

In this chapter, I have tried to investigate the policy preferences of Turkish Cypriot business groups with respect to the four aspects of labour market in North Cyprus which are the labour force mobility, different patterns of employment, mismatch in the labour market and working conditions in private sector. In this respect, it is argued that all of these aspects have been linked to each other within the perception of Turkish Cypriot business groups with the understanding of creating an “business-friendly” environment in terms of reducing the labour costs and obtaining the required type of labour force. While Turkish Cypriot business groups consider the process establishment of such an environment as insufficient and far away from being completed, their discourse in terms of policy preferences and impact upon different aspects of labour market are more confident and clear-cut.

CHAPTER 5

CONCLUSION

In this thesis, the political economy of Turkish Cypriot business groups within the framework of post-2004 (post-Annan Plan referendum) process with regards to the various aspects of labour market, relations with Turkish capital/business, economic relations between Turkey and North Cyprus and privatization policies has been investigated. The thesis has been structured into two broad parts one of which is the economic relations between Turkey and North Cyprus and the other is the labour market. My main focus and investigation has been the labour market and privatization policies, however, the reason I have began with the economic relations between Turkey and North Cyprus together with its historical framework is that these relations have had a huge impact upon the macroeconomic policy making in North Cyprus through the binding economic protocols since 1986 and therefore, crucial for the deeper understanding of the privatization policies and various aspects of the labour market. Moreover, I have integrated the issue of privatization policies and their implementation within the framework of economic relations between Turkey and North Cyprus as these policies have been shaped through the economic protocols made between these two countries. However, it is also misleading to neglect the importance of internal actors in favor of overestimating the determining role of Turkish state and/or economic protocols upon the economic policy making of North Cyprus. This is why, I have focused specifically upon the policy evaluation process of the Turkish Cypriots business groups and their impact upon the policy making process with regards to the economic relations between Turkey and North Cyprus. This is crucial to the extent that the Turkish Cypriot business groups as social and economic actors have not been investigated in the already infant literature of the political economy of North Cyprus for the post-2004 process.

Regarding the labour market chapter, while there is a growing literature on the various aspects of labour market in North Cyprus that has been discussed in this thesis, there is not any study which investigates the relation of labour market with the Turkish Cypriot business groups as an economic and social actors. Therefore, in this chapter, I have tried to articulate the Turkish Cypriot business groups to the discussion of labour market in North Cyprus. In this respect, I have tried to establish an interrelated approach among the various and different aspects of labour market in order to reflect the stance of Turkish Cypriot business groups more comprehensively.

My findings have revealed that Turkish Cypriot business community considers the post-2004 process in terms of economic relations between Turkey and North Cyprus as satisfactory in terms of the macroeconomic policy making and attach this success to the disciplining and decisive role by Turkey which has reflected itself in the economic protocols. While there is no explicit belief within the Turkish Cypriot business circles regarding their impact upon the formation of these protocols, the content of the protocols have been considered to mostly be in accordance with the interests of business. On the other hand, partial objections towards the content and implementation of economic protocols especially in terms of privatizations and trade between the two countries have been voiced to some extent but has never been made an issue of confrontation against the impact of Turkish state upon the economic policy making. Instead, Turkish Cypriot business community considers the Turkish Cypriot state as the root of the problem in terms of reflecting their interests on the economic policy making. Turkish Cypriot state turns out to be considered as an inefficient-yet-interventionist in economic sphere, as a populist actor prioritizing the economic policies which are in favor of the demands of the constituencies of the consecutive governments and as an obstacle in front of the proliferation of the private sector. This perception has various implications in terms of state-market and state-business relations. For instance, while Turkish Cypriot business circles enthusiastically approve the guiding role played by the AKP government in Turkey in terms of transforming the Turkish economy, they do not consider any of the Turkish Cypriot political parties capable of undertaking such a

transformation, even potentially. This is because, according to Turkish Cypriot business circles, the Turkish Cypriot state itself is essentially populist and irrational in terms of economic policy making and implementation. This is explained through the clientelist essence of Turkish Cypriot political culture, populist essence of Turkish Cypriot state and the domination of “crony capitalism”. That is to say, the very essence of Turkish Cypriot state and society makes it impossible to establish a benevolent state-market relations in favor of the business interests and the “economic rationality”. Therefore, for Turkish Cypriot business groups; the Turkish Cypriot state and the ‘political sphere’ are essentially harmful to the proliferation of free market and business interests and therefore, the best possible situation is the one in which Turkish Cypriot state completely keeps its hands off the market at all. However, there are two problems with regards to this perception of Turkish Cypriot business groups. First problem is that, Turkish Cypriot business groups, especially Turkish Cypriot Chamber of Commerce, are the very core components and allies of the political regime which is considered to be “populist” and against business interests. Beginning from 1974 up until the launch of the Annan Plan process, Turkish Cypriot business groups had not seen any problems in terms of supporting the political regime which would later be labeled as populist by themselves. That is to say, the accusation made by the Turkish Cypriot business groups in terms of the mismanagement of economy in the pre-2004 period is problematic to the extent that they used to be the very component of the ruling bloc who had managed the economy in this period. Second problem is that, while AKP has been praised by Turkish Cypriot business groups for removing the barriers in front of the proliferation of the free market and private sector through eliminating the patronage/clientelistic social relations in North Cyprus in the post-2004 period, it is again the Turkish Cypriot business groups who have concerns regarding the success of AKP-affiliated Turkish capital in terms of taking over the privatized institutions. Moreover, AKP, which is considered as an actor which stimulates the proliferation of “free market” in North Cyprus by Turkish Cypriot business groups, has itself been widely affiliated with the clientelistic practices in Turkey in terms of providing privileges to the components of Turkish bourgeoisie which is close to itself. Therefore, the concept of “free market” praised by Turkish Cypriot business

groups is itself problematic due to these reasons and this conceptualization should better be understood as a call for the promotion of neoliberal policies and paving the way for the furthering of primitive accumulation in North Cyprus.

It is possible to say that, in this respect, state-market and state-business relations are insolvably problematic from the perspective of Turkish Cypriot business circles. This is the reason behind both the deep distrust of Turkish Cypriot state and the strong approval of the disciplining and imposing role of AKP government upon Turkish Cypriot economy despite of problems and democratic deficiencies it creates. Whether such perception of state-market and state-society relations is a true formulation is a subject of another -and theoretical- discussion about the Turkish Cypriot state and society.

The discussion regarding the labour market in North Cyprus, on the other hand, reveals various findings about the Turkish Cypriot business groups. Public sector with its privileged rights and wages in terms of employment, has been considered as a very malicious component of the labour market and influences negatively and remarkably the other parts and aspects of the labour market as well. Beside this, the prevalence of small property ownership together with the extensive practice of - mostly illegal- self employed second job practices renders the labour market very unfavorable for the business interests, from the perspective of Turkish Cypriot business community circles. Moreover, the ‘local’ labour force, which is mostly characterized by its high level of costs together with a prevalent-yet-inefficient-higher education enrollment which raises the level of expectancy of ‘local’ labour force, has been considered both as the outcome of high labour costs and the reason behind the massive flow of labour force migration to North Cyprus. The perceived character of public sector and ‘local’ labour force has paved the way for Turkish Cypriot business circles to establish a perception within which they consider themselves as victims of harsh labour market conditions where it is very difficult to pursue business interests. Therefore, even the public concern regarding the abuses in workplaces are justified through various manoeuvres. Within this justification process, public sector establishes an important “negative reference point” so as to

make comparisons in order to invert the arguments of “abuses of labour force in private sector” to the “excessive rights and wages in the public sector.”

Further investigation of Turkish Cypriot business groups is crucial in order to fill the huge gap in the literature on these groups. There is a need for both theoretical researches within which the state-market, state-society and state-business relations are comprehensively investigated and researches on the relation of Turkish Cypriot business groups with issues other than the labour market and privatization; such as the social policy.

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APPENDICES

APPENDIX A : TURKISH SUMMARY

Kıbrıs'ın yakın tarihine etnik çatışmaların, ikiye bölünmüşlüğü ve geçmişi uzun yıllara dayanan Kıbrıs sorununun damga vurduğu düşünüldüğünde, Kıbrıs'a dair gerek akademik gerek akademi dışı literatürün büyük oranda etnik çalışmalara, milliyetçiliğe, uluslararası ilişkilere ve Kıbrıs'ın Ortadoğu bağlamındaki öneminden mütevellit jeostratejik ve güvenlikle ilgili tartışmalara dayanıyor olması elbette şaşırtıcı değil. Ancak bu durum, özellikle 1974 sonrası Kıbrıs'ın kuzeyi açısından, belirli inceleme alanlarının ciddi şekilde ihmâl edilmesinin ve belirli tartışma başlıklarının -özellikle de akademik literatürde- kapsamlı bir biçimde ele alınmamasının önünü açmıştır. Genelde Kıbrıs'ın kuzeyinin 1974 sonrası siyasal iktisadi ve özelde de -bu tezin ana konusu olan- Kıbrıslı Türk sermaye grupları, bahsi edilen bu ihmâlden muzdariptir.

1974 sonrasında Kıbrıs'ın kuzeyinde gerçekleşmeye başlayan toplumsallaşma ve devlet oluşumu süreçleri, ziyadesiyle kaygan bir zemin üzerinde vuku bulmaktadır. Gerek KKTC'nin tanınmayan bir devlet olması bakımından uluslararası hukukta ve uluslararası ilişkilerde yaşanan sıkıntılar, gerek Kıbrıs sorununun varlığının doğurduğu keskin bir belirsizlik hali, gerekse de Kıbrıslı Türk toplumunun bir toplum olarak varoluşunun ve istikbâlinin dahi Kıbrıslı Türk halkınca dayanıksız bir temele yaslandığı algısı, bahsi geçen zeminin kayganlığının en belirgin ve net yansımalarıdır. Bunların ne denli güçlü bir yansıma oluşturdukları, Kıbrıslı Türk toplumunun istisnasız her kesiminin, katmanının ve sınıfının bu kaygan zeminden muzdarip olmasından anlaşılabilir. Bu araştırmanın konusu olan Kıbrıslı Türk sermaye grupları açısından bu duruma bakıldığında ise, KKTC'nin tanınmamışlığının ihracat olanaklarını kısıtlaması veya çok yüksek maliyetli kılmasının yarattığı zorluklardan ihracatçıların muzdarip olmasını; yine KKTC'nin tanınmamışlığının doğurduğu, uluslararası kredi kuruluşlarından finansmana erişim

gibi olanakların bulunmamasını, ticaret sermayesi başta olmak üzere çeşitli sermaye kesimleri ve yatırımcılar için ciddi bir likidite sorunu teşkil etmesini ve Kıbrıs sorununun doğurduğu mülkiyet ve toprak probleminin, Kıbrıs'ın kuzeyinin hem genel anlamda imarının hem de özeldede gayrimenkül piyasasının gelişiminin önünde büyük bir engel teşkil etmesini öne sürebiliriz.

Kıbrıs'ın kuzeyindeki bu toplumsallaşma ve devlet oluşumu süreçlerine, giriş paragrafında da belirtildiği gibi, çoğunlukla Kıbrıs sorunu, uluslararası hukuk ve milliyetçilik bağlamında bakılmış, bu süreçlerin genelde siyasal iktisat bağlamında, özeldede ise toplumsal ve ekonomik aktörlerin bu süreçler bağlamındaki konumlanışı bakımından değerlendirilmesi büyük oranda ihmâl edilmiştir. İhmâl edilmediği durumların çoğunda ise, böylesi bir uğraş, mevcut toplumsal ilişkilerin dinamik, karmaşık ve çelişkili doğasını yansıtan bir çözümlesini sunmak yerine, ya ekonomik anlamda teknik analizlerle ya da salt didaktik betimlemelerle sınırlı kalmıştır. İşte bu çalışmanın amacı, siyasal iktisat bağlamında ve toplumsal sınıfları temel alan bir yaklaşımla, sözü edilen toplumsal ilişkilerin önemli bir boyutunu oluşturan Kıbrıslı Türk sermaye gruplarını incelemektir. Bu inceleme ise, spesifik olarak, 2004 Annan Planı referandumu sonrası Kıbrıs'ın kuzeyinde, Kıbrıs Türk Ticaret Odası (KTTO) ve Kıbrıs Türk Sanayi Odası (KTSO) özelinde Kıbrıslı Türk sermaye gruplarının emek piyasası, özelleştirmeler, Türkiye devleti ile ilişkiler ve Türk sermaye grupları ile ilişkiler bakımından siyasa yapım süreçlerindeki siyasa değerlendirmelerini ve bu siyasaların oluşumu üzerindeki etkilerini incelemektir. Bu amacı gerçekleştirmek için ise yarı-yapılandırılmış sorulardan oluşan ve bulguları yorumsamacı bir çerçevede araştırmaya eklenen derinlemesine mülakât yöntemi tercih edilmiş ve bu çerçevede, başta KTTO'nun ve KTSO'nun eski ve mevcut yetkilileri olmak üzere, çeşitli toplumsal kesimlerin ve devletin temsilcileri, yekilileri ve görevlileri ile görüşmeler gerçekleştirilmiştir.

Kıbrıslı Türk sermaye gruplarının emek piyasası, özelleştirmeler, Türkiye devleti/Türk sermayesi ile ilişkiler alanlarındaki siyasa yapım süreçlerine dair değerlendirmelerini, yaklaşımlarını ve bu süreçler üzerindeki etkilerini çözümlenmeye girişmeden evvel, Türkiye ile Kuzey Kıbrıs arasındaki ekonomik

ilişkileri tarihsel bir bağlamda ele almak zaruridir; zira Kıbrıs'ın kuzeyindeki emek piyasası ve özelleştirmeler gibi makroekonomik unsurların şekillenmesinde, Kıbrıs'ın kuzeyinin kendi iç dinamikleri kadar, Türkiye ile Kuzey Kıbrıs arasındaki ekonomik ilişkiler de başat önem taşımaktadır. Dahası, Kıbrıs'ın kuzeyinin makroekonomik planlanması, Türkiye ile Kuzey Kıbrıs hükümetleri arasında imzalanan ve büyük oranda Türk siyasa-yapıcıların tesiriyle oluşan ekonomik protokollerle şekillenmiştir.

1974'te adanın ikiye bölünmesinin hemen ardından, Türkiye'deki ithâl ikameci politikaların henüz ana paradigma olmasının ve sosyal demokrasi anlayışının etkisiyle, Kıbrıs'ın kuzeyinde de bu yönde bir sosyo-ekonomik örgütlenmeye gidildi. Bu çerçevede, 1974'ten önce Kıbrıs Cumhuriyeti'ne ait sanayi tesislerinin, tarımsal alanların ve turistik tesislerin yaklaşık %70 kadarının Kıbrıs'ın kuzeyinde kalmasıyla birlikte, bu ekonomik kapasiteler çoğunlukla kamu iktisadi teşekkülleri biçiminde örgütlendi. Özellikle, 1974 öncesinde Kıbrıs Cumhuriyeti'ne ait olan ve 1974 sonrasında yaklaşık yüzde 30'u Kıbrıs'ın kuzeyinde kalan -çoğunluğu hafif-sanayi işletmelerinin "Sanayi Holding" adındaki kamu iktisadi teşekkülü çatısı altında örgütlenmesiyle, Kıbrıs'ın kuzeyindeki sosyoekonomik yapı tarım ve sanayi ağırlıklı bir hâl aldı.

1980'lerle birlikte, Türkiye'deki askeri darbe yönetimi ve ardından gelen Özal yönetiminin de etkisiyle, Kıbrıs'ın kuzeyinde de Türkiye'dekine benzer bir neoliberal dönüşüm programı uygulamaya konuldu. Bu çerçevedeki ilk sistematik adım, Özal hükümeti ile KKTC hükümeti arasında 1986 yılında imzalanan protokol antlaşmasıdır. Bu antlaşma ile birlikte

merkez bankası, para ve kambiyo, bankalar ve offshore bankacılığı ile ilgili kanunlar yasallasmıs, bavlul turizmini olumluyan, dis ticaret, eğitim ve bankacılık ve turizm alanlarına önem veren bir strateji belirlenmiştir. Serbestlesmenin önemli asamaları olarak sayılabilecek, serbest para transferi yapılabilmesi, KKTC kambiyo rejiminin gözden geçirilmesi, gümrük vergilerinin yüzde 30 oranında düşürülmesi Özal döneminde gerçekleşmiştir. (Tahsin, 2014b, 83)

Yine bu çerçevede, 1974'ün hemen ardından ağırlık verilen ve kamu iktisadi teşekkülleri etrafında örgütlenen hafif sanayi tesislerinin tasfiyesine ya da özelleştirilmesine gidilmiş ve turizm, ticaret, bankacılık ve yükseköğrenim sektörlerinin ön plana alındığı bir “hizmet ekonomisine geçiş” süreci başlamıştır. Bu geçiş sürecinin hayat bulmasında, Türkiye'deki neoliberal dönüşüm sürecinin başlamasının yanında, Kıbrıs'ın kuzeyinde -başta KTTO olmak üzere- ticaret sermayesi çevrelerinin ve kamu iktisadi teşekkülleri çerçevesinde örgütlenen hafif sanayi tesislerindeki sendikalaşmayla birlikte gelişen bir işçi sınıfı kültürünün oluşumunu bir tehdit olarak algılayan Denktaş-UBP yönetici blokunun etkisi de büyüktür.

1990'lı yıllarla birlikte bu süreç devam etmiş, offshore bankacılık ile ilgili düzenlemeler, Kuzey Kıbrıs'taki üniversitelerin YÖK tarafından tanınması, kumarhanelerin açılması, özel mülkiyet, toprak ve emlak ile ilgili yasalar takip etmiştir. Dahası, sanayi üretiminin GSYH içindeki payı tedrici olarak azalmış, iç pazardaki tüketimin kaynağı da bu doğrultuda ithalâta giderek daha çok yaslanmaya başlamıştır. 1994 yılındaki ABAD kararları ile birlikte KKTC'nin Avrupa Topluluğu ülkeleri ile arasındaki ticaret hacmi büyük bir darbe almış, bunun sonucunda da KKTC'nin dış ticareti büyük oranda Türkiye'ye bağımlı hale gelmiştir. Yukarıda da belirtildiği gibi sanayi üretiminin gösterdiği azalış ile ithalatın gösterdiği artışa paralel olarak, KKTC'nin -artık çoğunlukla Türkiye ile gerçekleşen- ithalâtı büyük oranda artmış, Türkiye'ye olan ihracatı ise bu artışa oranla çok düşük kalmıştır. Kısacası KKTC; finansal açıdan Türkiye'ye bağımlı olan, merkez bankasının başkanı Türkiye tarafından atanan ve Türk lirası kullandığından mütevellit Türk lirasının gösterdiği dalgalanmalardan doğrudan etkilenen bir ülke olmasının yanında, 1990'larla birlikte bu bağımlılığa dış ticaret halkasını da eklemiştir.

1990'lı yılların ikinci yarısı Kıbrıs'ın kuzeyinde pek çok siyasi dönüşümü beraberinde getirecek bir zeminin oluşmasına tanıklık etmiştir. 1997 yılındaki AB Lüksemburg Zirvesi'nde Türkiye, kısa dönemde üye olacak ülkeler listesinden çıkarılmış ve dahası, bu listeye Kıbrıs Cumhuriyeti girmiştir. Bunun sonucunda

Türkiye ile KKTC arasında dış politika ve güvenlik alanlarında daha ileri bir entegrasyon girişimi söz konusu olmuştur. Ancak kısa bir süre sonra, 1999 Avrupa Konseyi Helsinki Zirvesi ile birlikte Türkiye'nin tekrar AB'ye aday üye olmasıyla birlikte 2 yıl önceki durum tersine dönmüştür. Bu tersine dönüş literatürde "AB katalizörü" başlığı altında tartışılmış ve Kıbrıs sorununda artık AB'nin de doğrudan taraf olduğu bir süreç başlamıştır. Dahası, gerek Kıbrıs'ın kuzeyindeki gerekse de Türkiye'deki büyük sermaye gruplarının AB üyeliğini net bir biçimde desteklemesi sonucu, bu katalizör daha ciddi bir dinamik kazanmıştır. KKTC'de 1990'ların hemen sonunda başlayıp etkisini 2000'lerin ilk yıllarında çok ciddi bir şekilde sürdüren bankacılık krizi, tanınmamış bir devletin altında yaşıyor olmanın 1990'ların ikinci yarısıyla birlikte yükselen işsizliğin ve yoğunlaşan ekonomik sorunların Kıbrıslı Türk toplumunun pek çok kesiminde doğurduğu ciddi rahatsızlık, ifadesini Kıbrıs sorununun çözümüne ve AB'ye ciddi bir destek biçiminde bulmuştur. Bu durum, dönemin Cumhurbaşkanı Denктаş'ın Kıbrıs sorununun birleşik ve federal bir Kıbrıs devleti yönünde çözümlenmesine karşı takındığı tavır ile birleşince, Kıbrıs'ın kuzeyinde bir siyasi kriz süreci başlamış ve bu süreç; çözüme yönelik destek beyan eden siyasi partilerin 2003 yılındaki genel seçimlerde ciddi bir oy artışı kazanması, 2004 Annan Planı referandumunun Kıbrıslı Türk toplumunca yüzde 65'e varan bir oranla kabul görmesi ve Denктаş'ın 2005 yılındaki cumhurbaşkanlığı seçimlerini Kıbrıs sorununa çözüm söylemiyle aday olan Talat'a karşı kaybetmesini beraberinde getirmiştir. Bu süreçte başta KTTO olmak üzere Kıbrıslı Türk sermaye grupları önemli bir rol oynamışlar, bu sürecin öncesine kadar net bir biçimde destekledikleri Denктаş'a karşı cephe almışlar ve -bir siyasi parti kurmaya varacak kadar- 'siyasallaşan' bir tavra bürünmüşlerdir. Bu süreçle eşzamanlı olarak, başta TÜSİAD olmak üzere Türkiye'deki büyük sermaye gruplarının AB üyeliği ve -bunun önünde bir engel olarak gördükleri- Kıbrıs sorununun çözümü için net bir destek ortaya koyması, ve programında ve söyleminde ciddi bir biçimde AB üyeliği için mücadeleye yer veren Adalet ve Kalkınma Partisi'nin (AKP) iktidara gelmesiyle birlikte, Kıbrıs'ın kuzeyindeki AB ve çözüm dinamiği Türkiye'den de -daha önce görülmemiş türden- bir destek ve onay kazanmıştır. Hem Kıbrıslı Türk hem de Türk sermaye gruplarının AB'ye üye olmak aracılığıyla "dünya piyasalarına entegre olma"

söyleminde ve inancında ortaklaşması, bu durumu yaratan temel etkenlerden biri olmuştur.

2004 yılındaki Annan Planı referandumuna Kıbrıslı Türk toplumundan kabul oyu çıkmasına rağmen Kıbrıslı Elen toplumundan ret oyu çıkması sonucu, Kıbrıs'ın kuzeyinde Kıbrıs sorununa dair çözüm gündemi ciddi bir biçimde geri çekilmiş ve ekonomi politikaları başta olmak üzere 'iç meseleler' başat gündem haline gelmiştir. 2004 sonrası dönemde, Türkiye devleti ve Türk sermaye grupları ile ilişkiler açısından Kıbrıslı Türk sermaye gruplarının merkeze aldığı en temel gündem ise Türkiye ile KKTC arasında imzalanan ekonomik ve mali işbirliği protokolleridir. 1986 yılından beri Türkiye ile KKTC hükümetleri arasında çeşitli yıllarda imzalanan protokoller, 2004 sonrası dönemde daha sistematik bir hâl almaya başlamış ve 2007 yılından itibaren, Türkiye ile KKTC arasında -aralarında ciddi süreklilikler bulunan- 3'er yıllık protokoller imzalanmaya başlamıştır. Bu konuyu ayrıntılandırmadan önce, Kıbrıslı Türk sermaye gruplarının 2004 öncesi ve 2004 sonrası dönemler arasında, Türkiye ve KKTC arasındaki ekonomik ilişkiler - ve bu ilişkilerin Kıbrıs'ın kuzeyindeki ekonomik siyasa yapım süreçlerine etkileri- bakımından var olduğunu düşündükleri farklılıklar açısından incelemekte yarar vardır. Kıbrıslı Türk sermaye grupları 2004 öncesi dönemi değerlendirirken, çeşitli yaklaşımlara ve varsayımlara dayanmaktadırlar. Her şeyden önce, Kıbrıslı Türk sermaye gruplarına göre bu bakımdan 2004 sonrası dönemi 2004 öncesi dönemden ayırd eden en temel durum, ekonomik siyasa yapım süreçlerinin disipline edilmesi ve sistematik bir hâl almasıdır. 2004 sonrası dönemde Türkiye'nin "KKTC'nin IMF'si" olduğuna yönelik söylemlerin çeşitli kesimlerce de daha sık dillendirilmeye başlanması, bunun en bariz göstergesidir. 2004 öncesi dönemin 2004 sonrası gibi bir nitelik taşıyamamasına dair iddianın sebepleri ise, Kıbrıslı Türk sermaye gruplarına göre çeşitlilik arz etmektedir. Bu sebepler arasında Türkiye'nin daha önce Kıbrıs'ın kuzeyi gibi bir sosyoekonomik ortama dair siyasa-yapım deneyimine sahip olmaması; Türkiye'nin bizzat kendisinin de AKP hükümeti dönemine kadar kendi içinde de ekonomi yönetimini optimize edememesi ve bunun Kıbrıs'ın kuzeyine de yansması; Türkiye'nin ve Türk sermaye çevrelerinin, AB üyeliği somut bir hedef haline gelene ve Kıbrıs sorununun çözümsüzlüğünün de

bunun önünde -artık kaçınılmaz olarak- aşılması gereken bir engel olarak görmeye henüz başlamadığı 2004 öncesi dönemin büyük çoğunluğunda Kıbrıs'a bakışlarının “ekonomi odaklı” olmak yerine “askeri odaklı” olması ve jeostratejik ve güvenlikle ilgili kaygılara öncelik vermesi sayılabilir. Kıbrıslı Türk sermaye gruplarına göre, bu ilişkinin diğer tarafı olan Kıbrıs'ın kuzeyinde hükümetler ise, 2004 öncesi dönemde Türkiye'nin Kıbrıs'ın kuzeyine gönderdiği hibe ve kredileri siyasi çıkar elde etme maksatlı popülist politikalar aracılığıyla verimsiz bir biçimde kullanmış, bunu da özellikle kamu sektörünü -kayırmacılık yoluyla yapılan çok sayıda istihdam, yüksek maaş, transfer, sigorta ve emeklilik ödemeleri yoluyla şişirerek- gerçekleştirmiştir.

Kıbrıslı Türk sermaye gruplarına göre 2004 sonrası yukarıda tarif edilen 2004 öncesi dönemden ayıran en belirgin özellik, Türkiye kanadından gelmiştir. AKP hükümetiyle birlikte -ve birazdan sözünü edeceğimiz- iki ülke arasındaki protokollerin daha sistematik ve disiplinli bir çerçevede uygulanmasının gündeme gelmesiyle birlikte, Kıbrıslı Türk sermaye gruplarının sorun olarak gördüğü pek çok konu başlığının çözümü gündeme gelmiş ve bir kısmı da yine Kıbrıslı Türk sermaye gruplarına göre gayet başarılı bir biçimde uygulanmıştır. Kıbrıslı Türk sermaye grupları, bahsedilen konularda 2004 sonrası dönemdeki başarısızlıkları ise büyük oranda KKTC hükümetlerinin 2004 öncesindeki benzer tavırlarını 2004 sonrasında da göstermelerine ve Kıbrıslı Türk siyasal kültürüne bağlamaktadırlar.

KKTC ile Türkiye arasında, 2007 yılından başlayarak 3 yıllık protokoller imzalanmaya başlamıştır. Bu protokollerin en sonuncusu, 2016-2018 dönemini kapsayan ve halâ yürürlükte olan İktisadi ve Mali İşbirliği Anlaşmasıdır. Bu protokoller aynı zamanda çok kapsamlı programlarla desteklenmiş ve protokollerde yer alan önlemlerin hangi zamanlarda ve ne biçimde uygulamaya konulacağına kadar ayrıntılandırılmıştır. Aralarında büyük oranda devamlılıklar ve süreklilikler olan protokollerin ana teması, Kıbrıs'ın kuzeyindeki kamu sektörünü gerek istihdam açısından, gerek -maaşlar, transfer, sigorta, emeklilik ödemeleri dahil- kamu harcamaları açısından gerekse de kamunun ekonomideki ağırlığı açısından küçültmek ve buna paralel olarak özel sektörü güçlendirmektir. Bu protokollerde, sözü geçen temalar çerçevesinde ön plana çıkan en önemli unsurlar sosyal güvenlik

sisteminin ve emeklilik sigortası ödemelerinin yeniden yapılandırılması, kamuda istihdamın azaltılması ve maaşların aşağıya çekilmesi, kamu reformunun gerçekleştirilmesi ve halâ varlığını koruyan KİT'lerin tasfiye edilmesi ya da özelleştirilmesidir. Temel olarak, kamu sektörünün yerini özel sektöre bırakılması öngörülmektedir. Kıbrıslı Türk sermaye grupları, özellikle de KTTO, protokollerin içeriğinden büyük oranda memnundur. KTTO yetkilileri aynı zamanda protokollerin hazırlanışı üzerinde oda olarak bir tesiri olduğuna da inanmaktadırlar. Öte yandan protokollere yönelik en ciddi itirazlar, protokollerde KKTC ile Türkiye arasında Türkiye lehine olan dış ticaret ilişkisine dair önlemlerin bulunmaması, Kıbrıslı Türk ihracatçıların Türkiye'ye ihracat yapmalarının önündeki zorlukların kaldırılmaması ve özelleştirme politikalarının uygulanma biçimidir. Özelleştirmelerin uygulanmasıyla ilgili olarak, Kıbrıslı Türk sermaye grupları özelleştirmelere gayet olumlu bakmakla birlikte, özellikle KTTO'nun özelleştirilen kurumların ve işletmelerin kimlere devredileceğiyle ilgili ciddi kaygıları vardır. KTTO'lu yetkililer, 2005 yılından başlayarak, odanın istisnasız her başkanın döneminde, özelleştirilen kurumları ve işletmeleri ya Kıbrıslı Türk şirketlerin ya da Kıbrıslı Türk şirketlerle “joint venture” (ortak teşebbüs) gerçekleştirmek koşuluyla Türkiyeli şirketlerin devralmasını savunmuşlar, bunun gerçekleşmediği durumlarda da itirazlarını -KKTC hükümetlerine yönelttikleri keskinlikte olmasa da- dile getirmişlerdir.

Kıbrıs'ın kuzeyinde 1986 yılından beri ekonomik protokoller uygulanmasına ve 2004 öncesi dönemde de Türkiye hükümetlerinin KKTC'ye yönelik kredileri çeşitli kriterlere ve koşullara bağlamış olmalarına rağmen Kıbrıslı Türk sermaye gruplarının 2004 sonrası bu açıdan bir kopuş olarak görmeleri dikkat çekicidir. Dahası, bu grupların, 2004 öncesi döneme dair “popülizm” kavramsallaştırması altında eleştirdikleri KKTC hükümetlerinin pratiklerinin içerisinde, yine bu grupların kendilerinin sermaye birikimine büyük katkıları olmuş teşviklerin, sübvansiyonların, muafiyetlerin ve mali ve idari kolaylıkların da bulunduğunu hatırlamak gerekmektedir. Elbette Kıbrıslı Türk sermaye grupları, “popülizm” kavramsallaştırmasını büyük oranda kamu sektörüne ait pratiklere dair yapmaktadır ancak bizatihi bu grupların kendilerinin, 2004 öncesi döneminde kötü yönetimden

muzdarip olduğunu iddia ettikleri KKTC hükümetlerine, AB katalizörü devreye girene kadar büyük oranda destek verdikleri ve siyasa-yapım süreçlerinde birlikte çalıştıkları akıldan çıkarılmamalıdır.

Kıbrıs'ın kuzeyindeki emek piyasası, küçük ölçeğine rağmen çok katmanlı ve karmaşıktır. Cinsiyet temelli, etnik köken temelli, sektörlerarası ve hatta sektörlerin kendi içinde katmanlaşmalar vardır. Bunlara ek olarak emek piyasası, Kıbrıslı Türk sermaye gruplarına göre çeşitli -ve ciddi- sorunlar arz etmektedir. Emek piyasasının farklı boyutları ve Kıbrıslı Türk sermaye gruplarının emek piyasasına dönük siyasa-yapımına dair değerlendirmeleri dört ana tema etrafında incelenecektir. Bunlar : işgücü mobilizasyonu, değişik istihdam paternleri, yükseköğrenimin niteliği ve içeriği bakımından emek piyasasında oluşan uyumsuzluk ve özel sektörde çalışma koşulları. Kıbrıslı Türk sermaye gruplarının genel değerlendirmelerinden yola çıktığımızda, bu konuların birbirleriyle doğrudan ilintili olduğunu ve hatta yer yer iç içe geçtiklerini, bu sebeple de bu konulara dair siyasa-yapımlarına dair değerlendirmelerin de aynı özelliği gösterdiklerini görebiliriz.

Kıbrıs'ın kuzeyinde işgücü mobilizasyonu çeşitlenmiş ve dinamik bir görünüm arz etmektedir : Kıbrıs'ın kuzeyinden Kıbrıs'ın güneyine göç; Türkiye'den Kıbrıs'ın kuzeyine göç; Uzakdoğu ülkelerinden ve Türki devletlerden Kıbrıs'ın kuzeyine göç; Kıbrıs'ın kuzeyinden başta İngiltere olmak üzere “Batı” ülkelerine göç... Bunlar arasında Kıbrıslı Türk sermaye grupları için en büyük önemi arz eden göç, Kıbrıs'ın kuzeyinin başta Türkiye olmak üzere çeşitli ülkelere aldığı işgücü göçüdür. Kıbrıs'ın kuzeyinin -özellikle Türkiye'den- yoğun bir göç alması, ülkede çeşitli demografik tartışmaları da beraberinde getirmiş -ve işgücü alan pek çok ülkede olduğu gibi- işgücüyle suç arasında bir korelasyon kurulmaya çalışılması üzerinden çeşitli kaygıları dile getirmiştir. Kıbrıslı Türk sermaye grupları bu kaygıları paylaşmakla birlikte, işgücü göçünün kaçınılmaz bir sonuç olduğunu, ve bu sonucu doğuran sebeplerin de “yerli” işgücünün niteliğiyle ilgili olduğunu dile getirmektedirler. Bu nitelikleri teşkil eden konular ise değişik istihdam paternleri ve emek piyasasındaki uyumsuzluktur. Bunlara geçmeden önce, Kıbrıs'ın kuzeyine

yapılan yabancı işgücü göçüne dair birkaç noktaya dikkat çekmek gerekir. 1974'ten itibaren Kıbrıs'ın kuzeyi Türkiye'den yoğun bir biçimde göç almıştır. 2009 yılına kadar çok büyük oranda Türkiye göçmenlerinin kapladığı göçmen işgücü nüfusu, bu tarihten itibaren Uzakdoğu ülkelerinden ve Türki devletlerden de işgücü göçü görmüştür. Kıbrıslı Türk sermaye gruplarına göre bu göçler hem demografik hem de sosyal sorunlara yol açmış ve en önemlisi de, göçmen işgücünün kazandığı paranın kaydadeğer bir miktarını yurtdışına çıkarması sonucu, iç pazarda ihtiyaç duyulan likidite akışının sağlanması fazladan bir darbe daha almıştır. Kıbrıslı Türk sermaye gruplarının rağmen yabancı işgücüne ihtiyaç duyduklarını belirtmelerindeki temel etkenler 'yerli' işgücünün niteliğidir. Kıbrıslı Türk sermaye gruplarına göre gerek yükseköğrenim sektörünün makroekonomik anlamda "lokomotif sektör" olarak belirlenip büyük oranda ticari bir faaliyet biçiminde değerlendirilmesi sonucu eğitim ile emek piyasası arasında bir uyum sağlanmasına yönelik politikaların geliştirilememesi, gerekse de 'yerli' işgücünün, başta kamu sektörünün doğurduğu etki -yüksek maaşlar, yüksek emeklilik ödemeleri, transfer harcamaları, kamuya yoğun istihdam; ve tüm bunların sadece kamu çalışanlarına değil, onlar aracılığıyla kamu çalışanı olmayanlara da katkıda bulunması- sebebiyle alternatif gelir kaynaklarına sahip olması ve bunun da işgücü maliyetlerini yükseltip istihdam koşullarını sermaye lehine zorlaştırması bu etkenler arasındadır. Kıbrıslı Türk sermaye grupları yetkilileri, özel sektördeki çalışma koşullarına dair sorunların -güvencesiz çalışma, özelde sendikalaşma oranının yüzde 1'in altında olması, düşük ücretler- özel sektörü 'yerli' işgücü için cazibeli kılmadığıyla ilgili yaklaşımına ise, özel sektörün kendi imkanları uyarınca kendi çalışanlarına en iyi olanakları sunmaya çalıştığı biçiminde cevap vermektedir.

Sonuç olarak, Kıbrıslı Türk sermaye gruplarının Türkiye ve Türk sermayesi ile ilişkilerinde ve bu ilişkileri düzenleyen temel çerçeve olan protokollere dair siyasa-yapımı bakımından görece olumlu ve iyimser bir değerlendirmeye sahip olduğu ve bu iyimserliği korumadaki temel etkenin de Türkiye'deki AKP hükümetinin ekonomi alanındaki siyasa-yapımına dair becerisi ve Kıbrıs'ın kuzeyine dair yaklaşımında elden bırakmadığı disipline edici rol öne sürülmektedir. Öte yandan Kıbrıslı Türk sermaye grupları, başta özelleştirmelerin uygulanma biçimi olmak

üzere protokollerin içeriğine ve protokollerden yola çıkılarak atılan adımlara ilişkin sorunlara dair itirazlarını büyük oranda KKTC hükümetlerine yönelmekte, Türkiye'den ve Türk sermayesinden kaynaklandığını düşündükleri sorunlara dair ise daha uzlaşmacı bir tavır sergilemeye çalışmaktadırlar. Kıbrıslı Türk sermaye gruplarının emek piyasasına ilişkin siyasa-yapımına dair bakışlarında ise görece bir olumsuzluk ve ümitsizlik söz konusudur. Emek piyasasındaki uyumsuzluk, kamu sektörünün baskınlığı ve değişik istihdam paternlerinin işgücü maliyetlerini yükselttiğine inanmakta, ve bundan -her ne kadar kalıcı bir çözüm olmasa da- şimdilik tek çıkış yolunun yabancı işgücü olduğunu düşünmektedirler. Protokollerle kendilerine dayatılmadığı müddetçe KKTC'de bugüne kadar hükümette bulunmuş partilerin, siyasi çıkar hesapları nedeniyle, emek piyasasını iyileştirici düzenlemeler yapamayacağına inanmakla birlikte, Türkiye ve Türk sermayesi ile olan ilişkilere kıyasla, emek piyasasındaki siyasa-yapım süreçlerindeki nüfuzlarının daha güçlü olduğunu ortaya koymuşlardır.

APPENDIX B: TEZ FOTOKOPİSİ İZİN FORMU

ENSTİTÜ

Fen Bilimleri Enstitüsü	<input type="checkbox"/>
Sosyal Bilimler Enstitüsü	<input checked="" type="checkbox"/>
Uygulamalı Matematik Enstitüsü	<input type="checkbox"/>
Enformatik Enstitüsü	<input type="checkbox"/>
Deniz Bilimleri Enstitüsü	<input type="checkbox"/>

YAZARIN

Soyadı : Özkızan
Adı : Celal
Bölümü :Siyaset Bilimi ve Kamu Yönetimi

TEZİN ADI (İngilizce) : ECONOMIC POLICY PREFERENCES OF TURKISH CYPRIOT BUSINESS GROUPS IN THE POST-2004 PROCESS IN NORTH CYPRUS

TEZİN TÜRÜ : Yüksek Lisans Doktora

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir
2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir.
3. Tezimden bir bir (1) yıl süreyle fotokopi alınmaz.

TEZİN KÜTÜPHANEYE TESLİM TARİHİ: