

THE DYNAMICS OF THE EXISTENCE AND THE EXPANSION OF GLOBAL  
CAPITAL IN AN UNRECOGNIZED STATE:  
THE CASE OF MULTINATIONAL CORPORATIONS AND TRANSNATIONAL  
CORPORATIONS IN THE TURKISH REPUBLIC OF NORTHERN CYPRUS

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## **ABSTRACT**

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This thesis studies the dynamics of the existence and expansion of MNCs and TNCs, as the representatives of global capital, in the TRNC within the context of embargoes and non-recognition in the international area. By this way, a better understanding will be provided on what mechanisms the MNCs/TNCs use to expand their operations all over the world. In this regard, the main research questions of this thesis are; ‘What are the dynamics of the existence and expansion of global capital in the forms of MNCs and TNCs in the TRNC as an unrecognized state?’ and ‘How, and by using which tools and mechanisms do the MNCs and the TNCs exist, evolve, operate, and expand their capital in the TRNC market?’. By using a Marxist theoretical framework, this thesis hypothesizes that global capital would expand to any territory, including unrecognized, quasi-legal states, to overcome its crisis. Therefore, the mechanisms, tools, and processes used by the MNCs/TNCs in their operating processes within the TRNC, and the dynamics and the forces behind investing in the TRNC despite the risks of illegality were investigated by conducting a field study. The field study was conducted through semi-structured in-depth interviews and cross-sectional surveys based on a sampling that consists of nine

participants who are representing thirteen establishments of thirteen different MNCs/TNCs operating in the TRNC. The findings of this research support the hypothesis and show that the MNCs and the TNCs use extraordinary tools and mechanisms in order to expand and legalize their investments in the TRNC.

Keywords: Crises of Capital, Globalization, Multinational and Transnational Corporations, Quasi-States / Unrecognized States, Capital Expansion

## ÖZ

TANINMAYAN BİR DEVLETTE KÜRESEL SERMAYENİN VAR OLUŞUNUN  
VE YAYILIMININ DİNAMİKLERİ:

KUZHEY KIBRIS TÜRK CUMHURİYETİ'NDEKİ ÇOK ULUSLU ŞİRKETLER  
VE ULUSLARARASI ŞİRKETLER ÖRNEĞİ

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Bu çalışmada; küresel sermayenin temsilcileri olan uluslararası şirketlerin (UŞ) ve çok uluslu şirketlerin (ÇOŞ) Kuzey Kıbrıs Türk Cumhuriyeti'ndeki (KKTC) varlıkları ve genişlemeleri, ambargolar ve KKTC'nin uluslararası alanda tanınmaması bağlamında araştırılmıştır. Bu yolla, UŞ ve ÇOŞ'lerin faaliyet alanlarını dünya çapında genişletme mekanizmalarının daha iyi anlaşılması sağlanacaktır. Tezin temel araştırma soruları şu şekildedir: "Tanınmayan bir devlet olan KKTC'de küresel sermayenin UŞ ve ÇOŞ formlarında var olmasının ve yayılmasının dinamikleri nelerdir?" ve "UŞ ve ÇOŞ'ler KKTC pazarında var olma, gelişme, faaliyet gösterme ve sermayelerini genişletme süreçlerini ne şekilde, hangi araçlar ve mekanizmaları kullanarak yürütmektedirler?" Bu çalışma küresel sermayenin kendi krizlerinin üstesinden gelebilmek adına, tanınmayan/sözde-devletler de dahil olmak üzere herhangi bir bölgeye yayılabileceği hipotezini Marksist bir teorik çerçeve içinde öne sürmektedir. Buna istinaden, UŞ ve ÇOŞ'lerin KKTC'de faaliyet gösterdikleri süre içinde kullandıkları yöntemler, araçlar ve işlettikleri süreçlere ek olarak "yasa dışılık" riskine rağmen KKTC'de yatırım yapmalarının arkasındaki dinamikler ve itici güçler bir saha çalışması yürütülerek



incelenmiştir. Bu saha çalışması, on üç farklı UŞ ve ÇOŞ'lerin KKTC'de faaliyet gösteren on üç kuruluşunun temsilcileri olan dokuz adet katılımcıdan oluşan örneklem ile gerçekleştirilen yarı yapılandırılmış derinlemesine mülakatlar ve kesitsel anketlerin ışığında yürütülmüştür. Bu çalışmanın neticesinde elde edilen bulgular ise öne sürülen hipotezi desteklemekte ve UŞ ve ÇOŞ'lerin KKTC'deki yatırımlarını alışılmadık araç ve yöntemler kullanarak genişlettikleri ve yasal bir zemine oturttukları gözler önüne serilmektedir.

**Anahtar Kelimeler:** Sermaye Krizleri, Küreselleşme, Çok Uluslu ve Uluslararası Şirketler, Sözde-Devletler / Tanınmayan Devletler, Sermaye Genişlemesi

To My Parents,  
METU NCC Family,  
And The Memory of Prof. Dr. Serdar Saydam

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## LIST OF ABBREVIATIONS

EC	European Community
ECHR	European Court of Human Rights
ECJ	European Court of Justice
EU	European Union
GDP	Gross Domestic Product
IPC	Immovable Property Commission
MNC	Multinational Corporation / Multinational Company
RoC	Republic of Cyprus
TNC	Transnational Corporation / Transnational Company
TR	Turkish Republic
TRNC	Turkish Republic of Northern Cyprus
UN	United Nations
US	United States of America
USA	United States of America
VAT	Value – added Tax



## **CHAPTER 1: INTRODUCTION**

The Turkish Republic of Northern Cyprus, with its population lower than half a million and a small-scaled economy, is a tiny political entity which is located in one-third of an Eastern-Mediterranean island named Cyprus. Since its establishment in 1983, the Turkish Republic of Northern Cyprus (TRNC) is an unrecognized state in the whole world, excluding Turkey. In addition to this, there are economic embargoes imposed on the TRNC by the European Union member states. According to the U.S. Department of State data (2015 & 2018) there is an increase in the investments of the foreign companies and offshore companies in the TRNC market. There were 340 foreign companies and 333 offshore companies operating in the TRNC by 2015 June, excluding the companies that are based in Turkey (U.S. Department of State, 2015). The number of these companies in the TRNC market has increased to 403 foreign companies and 422 offshore companies by 2018 July (U.S. Department of State, 2018). Therefore, the increase in three years consists of 63 foreign companies and 89 offshore companies, which are in total 152 companies, that are related with the global capital, invested in the TRNC market and started to operate here in the last three years. These foreign companies are either the Multinational Corporations, or the Transnational Corporations that operate in the TRNC market. On the other hand, the aforementioned offshore companies are the domestic companies of the TRNC that operate their businesses with the Multinational Corporations or the Transnational Corporations in the TRNC market. Moreover, none of these Multinational Corporations or Transnational Corporations are the companies that are based in Turkey, the only country that recognizes the TRNC. All of these companies are either based in states that do not recognize the

TRNC, or their centers are located in these states that do not recognize the TRNC. Thus, it is possible to say that, since ‘legally’ there is no state as the TRNC from the perspective of these states, then the ‘legality’ of the investments of these companies in the TRNC is also in question.

In this regard, this thesis is an attempt to study the dynamics of the existence and expansion of global capital in the TRNC, an unrecognized state. Following this topic, this study has two primary research questions: (1) ‘What are the dynamics of the existence and expansion of global capital in the forms of Multinational Corporations and Transnational Corporations in the Turkish Republic of Northern Cyprus as an unrecognized state?’; and (2) ‘How, and by using which tools and mechanisms do the Multinational Corporations and the Transnational Corporations exist, evolve, operate, and expand their capital in the Turkish Republic of Northern Cyprus market?’. Based on these questions, the secondary research questions of this study follow as: (a) ‘Which dynamics of the global capitalist environment push the Multinational Corporations and the Transnational Corporations to invest in the Turkish Republic of Northern Cyprus?’; (b) ‘How does the Turkish Republic of Northern Cyprus itself, as a state, approach to the investments of the Multinational Corporations and the Transnational Corporations within its territories?’; and (c) ‘How does the domestic market of the Turkish Republic of Northern Cyprus, as a non-recognized state, take shape in respect to the investments of the Multinational Corporations and the Transnational Corporations in this market?’.

The hypotheses of this study could be explained as the following; If one considers the Multinational Corporations and the Transnational Corporations as the global capitalists or the representatives of global capital today, then one may argue that the existence and expansion of their capital in the Turkish Republic of Northern Cyprus

(TRNC) would have extraordinary processes. The MNCs and the TNCs need to use extraordinary tools and mechanisms in order to legalize their investments in the TRNC. Moreover, in some cases, these companies even need to change the structures of their own investments in the TRNC in order to get around the obstacles on their expansion and capital accumulation processes and the difficulties that they face to this end, which were caused by the contexts of non-recognition of the TRNC and the embargoes imposed on the TRNC.

Therefore, the main objective of this study is to investigate and reveal both legal or extra-legal mechanisms and the tools that are used by the Multinational Corporations and Transnational Corporations in order to operate and expand their capital in the TRNC, within the contexts of non-recognition of the TRNC and the embargoes imposed on the TRNC. This study is important in order to understand how the MNCs and the TNCs themselves are changing their own inner structures in order to legalize their investments in the quasi-legal states, and how the capitalists and their capital keep up with the extraordinary political situations such as non-recognition, and how they are getting around the juridical issues in the international arena related with the existence of their investments in the states that are considered as ‘quasi-legal’, such as the TRNC. In addition to these, this study is also important in order to understand the structure of the globalized capitalist system, as well as the transforming structures of the nation-states today regarding the globalization issues. Additionally, at the end of the study, it is expected to have a better understanding on what mechanisms, legal or illegal, the MNCs/TNCs use to expand their capital towards all over the World.

In order to achieve the objectives of this study, mainly Marxist theories will be used as a framework. As Harvey (2010) argues, ‘Capital is not a thing but a process in

which money is perpetually sent in search of more money. Capitalists – those who set this process in motion – take on many different personae’ (Harvey, 2010, p. 40). The reason behind this notion is that capitalism is a system that is prone to crisis in which the capitalist perpetually needs to accumulate his/her capital but the profit rate of this capitalist is destined to fall in time within a particular geography (Harvey, 1990, 2006; Hilferding, 2006/1910; Lenin, 1996/1917; Luxemburg , 2003/1913; Marx,1991/1894, 1992/1893), thus the capitalist needs to expand his/her capital everywhere in the world that he/she can reach. However, in order to have a better understanding on the ‘crisis-prone’ nature of capitalism, one may argue that there is a need to approach to the capitalist system, and to the crises of capital, in a Marxist sense. Therefore, during this thesis, the concepts of capitalism, as well as the capital itself, will be reviewed by using a variety of Marxist approaches to the capitalist system. The reason behind using a variety of Marxist approaches, rather than using a single theory is that, since the capitalist system has a changing nature within the history, the nature of capitalism, as well as the capitalist system itself, can not be explained by a single theory. Therefore, this study aims to adress the first research question of this thesis, which is related with the dynamics of, or the reasons behind, the existence and expansion of global capital in the TRNC, by using the existing literature on the capitalist system and the crises of capital.

Moreover, within the capitalist expansion process, capitalists do not only ‘take on many different personae’ (Harvey, 2010, p.40), but also use many different tools and mechanisms in accordance with the structures of the target geographies of their expansion. However, sometimes these target geographies may inhold some political entities that have extraordinary situations like non-recognition, or political/economic embargoes. Therefore, the expansion processes of the capitalists, and the tools and

mechanisms used by them for their expansion are also expected to be extraordinary in such geographies, depending on the situations in these geographies caused by non-recognition and/or embargoes. In this sense, when it comes to the second research question of the thesis, how do the MNCs and TNCs exist in the TRNC market and pursue their capitalist expansion processes, the existing literature does not present adequate information. Thus, this thesis will conduct a case study to concentrate on this issue in order to analyze the tools and mechanisms used by the MNCs and the TNCs in order to evolve, operate, and expand their capital in the TRNC market. This case study is analyzed by conducting a field study that consists of interviews and surveys that will provide qualitative information about the issues related with the investments of the MNCs and the TNCs in the TRNC market. Additionally, some direct observations of the researcher of this thesis, and some information gathered from secondary data, such as newspapers and governmental documents that are related with the same issues, will be included in this case study.

To sum up, the existing literature helps us to have a better vision on the dynamics of the global capitalist environment and the factors that led the MNCs and the TNCs to invest in TRNC. However, when it comes to the legal or illegal mechanisms that the MNCs/TNCs use in order to expand their operations in quasi-legal states, as well as the in the whole world, this study aims to investigate and reveal these mechanisms and tools used by the MNCs/TNCs, by taking ‘The operations of the MNCs and the TNCs in the TRNC market’ as a case for these issues.

This thesis consists of five chapters. After introducing the topic, research questions, hypotheses, main objectives, and the theoretical framework of this study in this chapter, in Chapter 2, a detailed review of the relevant scholarly works in the academic literature that were written on the concepts of the capitalist system will be

examined in order to provide a better understanding on the capitalist crises. Thus, in this chapter the main reasons behind the existence of the global capital in the TRNC will be provided.

Chapter 3 consists of two main parts. The first part of the chapter is going to provide the different expansion methods, or foreign market entry modes, of global capital, and the reason behind using different market entry modes for the expansion process of the global capital towards different geographies that do not experience extraordinary political conditions such as non-recognition and embargoes. These foreign market entry modes are going to be examined in five sub-parts, each of the sub-parts will examine a different foreign market entry mode that are being used by the MNCs and the TNCs as the representatives of global capital. However, in Part 3.2 the internal and political and economic structures of the Turkish Republic of Northern Cyprus, which are related with the issues of expansion of global capital in territories that experience the contexts of non-recognition and embargoes, will be presented.

Chapter 4 consists of three main parts. The first part of Chapter 4, which is the Part 4.1, will present the research method of the field study in detail. Then in Part 4.2, in order to investigate and reveal both legal or illegal mechanisms that are used by the MNCs/TNCs to expand their operations in the TRNC, the analysis of the field study of this thesis will be presented in accordance with the five different foreign market entry modes that are used by the MNCs and the TNCs in order to invest and expand within the TRNC market. Lastly, Part 4.3 will present a summary and an evaluation of the findings and analyses of the study.

Finally, some conclusions on the findings and analyses of the study are going to be made in Chapter 5. Additionally, some implications and suggestions for further research will be made on the issues that were included in this thesis.

## **CHAPTER 2: THE CRISES AND EXPANSION OF CAPITAL**

Within this chapter, some of the main scholarly works in the academic literature that were written on the concepts of the capitalist system will be reviewed to provide a basic understanding of the literature on the theories related with the capitalist crises. Since the capitalist system has a changing structure within the history, the impacts of its crises on capital and politics show different results, and therefore, it is important to know the features of capitalism and its evolution throughout history, and consequently the different stages of capitalism and its inferences, to be able to make a better examination of the dynamics of the existence and the expansion of global capital in such states. However, because this thesis is much concerned with the flow of capital, there is a need to understand the nature of capital itself and its origins. Thus, before going into details on the features, stages and crises of the capitalist system, it is important to know what the capitalist system is and how capital acts.

The expression 'capitalism' is a quite debated term within the literature since its emergence. First of all, the emergence of the capitalist system itself is a matter of debate. While some scholars like Wood (2005, p. 73) claims that 'emergence of a capitalist system' first seen in England, there are, on the other hand, some other scholars like Heller (2011) who asserts that limiting a perspective of the birth of the capitalist relations of production to Europe, or England would be too Eurocentric. However, according to Wood, there are some underlying causes of claiming that emergence of a capitalist system first seen in England such as; first, without reaching up to critical masses of primitive accumulation, the age-old practice of commercial profit taking in the older commercial societies does not represent a major social



transformation toward capitalism; second, the commercial societies that were established in the Ancient Mediterranean but its further evolution into capitalism was interrupted by an unnatural break of the era of feudalism which was prevalent for several centuries; lastly, it is England's agrarian capitalism that led to the Industrial Revolution and made the industrial capitalism that created the market society and a transformation in social property relations that compelled people not just to buy cheap and sell dear but to produce competitively dependent on the market (Wood, 2002). Therefore, it is the capitalism that emerged in England which has been evolved in an unimpeded progress towards the modern capitalism of today and spread over the Western Europe and rest of the World (Wood, 2002). In regard to the information presented above, it can be said that there may be some other pre-capitalist societies before England witnessed capitalism. However, the capitalist system that emerged in England was the first one that grown to maturity, evolved perpetually, and became ever-expanding modern capitalist system of today without being interrupted by any other social system. Thus, it could be argued that the global system which we live today in the World is the result of the capitalism that emerged in England. From this point of view, within this thesis, as agreeing with Wood(2002), it will be assumed that the emergence of the capitalist system was first seen in England as an agrarian capitalism prior to the English Industrial Revolution.

When it comes to the definition of capitalism, the debate is getting severer. There are different schools of thought concerned with this issue and the way one sees capitalism is dependent on which side of these schools of thought he/she is standing in or vice versa. Moreover, the contents, which are important matters for a definition, of capitalism differ from one scholar to another even if they belong to the same school of thought:

That is easily (and frequently) said, but it is harder to define what capitalism is or to date its appearance. Few would disagree that capitalism involves the production of goods and services for sale on the market by privately owned profit-seeking enterprises. Some Marxists would insist on adding that capitalist enterprises employ free wage-workers (though other Marxists seem happy to talk of slave plantations as capitalist).

(Brewer & Chilcote, 2000, p. 67)

However, in his masterpiece named 'The Wealth of Nations', Adam Smith (1991/1776) was the first to systematically investigate the capitalist system. 'Smith conceives capital as a fund set aside by the capitalists for the purpose of making profits. As Smith observes, the importance of capital lies in its social purpose which is to maintain production' (Watkins: 1985, p.41). Since the capitalist accomplishes to make a profit from the production process, there starts an accumulation process of the capital. There is an important question about whether the accumulation of capital leads to some economic crises or not. While Smith (1991/ 1776) saw the accumulation of capital as an essential element of economic growth, hereby the wealth of nations, he also did not see any tendency towards economic crises in the capitalist accumulation process. According to Smith, crises may occur in such circumstances that derives as a result of expenditures to the employment of unproductive labor that can not produce more than these expenditures in order to replace the production cost. (Watkins: 1985). However, Karl Marx criticized these notions as 'Smith did not yet know the phenomenon of over-production, and crises resulting from over-production'(Marx: 1968/ 1959, p.525). According to Marx, there is a tendency to over-produce some certain types of goods in capitalist economic system and this situation most probably leads to some inevitable economic crises:

There is, Marx argued, an inherent contradiction in capitalism between its capacity to produce goods and the capacity of consumers (wage earners) to purchase those goods, so that the constantly recurring disproportionality

between production and consumption due to the 'anarchy' of the market causes periodic depressions and economic fluctuations.

(Gilpin, 1987, p. 36)

In other words, the capitalist has a tendency to produce more because he/she aims to make greater profit. But the amount of goods that are produced is likely to be more than the capacity of the consumers. This situation can have different causes. Mill argues that this affair, and of course an economic crisis, is 'simply the consequence of an excess of speculative purchases' (Mill: 1848, p. 561). Watkins (1985) explains speculative purchases as a phenomenon that is caused by the people in a society who keep the money in their pocket but do not spend it in some period of time for some reason. That means, according to this view, if the people in a particular society do not spend the money in their pocket, then the total amount of the consumption in this society is forced to have a deficit against the total amount of the production. Following that, the problem reveals itself as economic crisis. In regard to the aforementioned phenomenon, there appear some questions as 'Who are these people that have money in their pocket and do not spend it? Why would these people keep their money in pocket rather than spending it?'

Before answering these questions, there is a need to mention that this deficit of the consumption has been discussed thoroughly by Hobson also, but from a different perspective with a different title and meaning which is 'under-consumption' (Hobson, 2005/1902). In his theory of underconsumption, Hobson (2005/1902) argues that the technological advances in manufacturing power, and the modern machinery, gave rise to a constant increase in the volume of production. Thus, along with the competition and technological advances, 'The power of production far outstripped the actual rate of consumption, and, ... , was unable to force a

corresponding increase of consumption by lowering prices.’ (Hobson, 2005/1902, p.75). In other words, in consequence of the competition, which is naturally existent in the nature of capitalism, and the growth in the producing power, the total production, in capitalist economies, exceeded the total consumption, and as long as this flood of over-production can not be absorbed by the consumption, the problem of ‘underconsumption’ reveals itself and it follows as periodic trade depressions.

In addition to these, by looking at Hobson’s theory of underconsumption (2005/1902), it is also possible to answer, with regard to Mills’ previously presented arguments, the two questions asked above. The first question is related with the identification of people who have the money in their pocket. According to Hobson (2005/1902), the excess money, or saving, is the money which is in the pocket of the rich, or the capitalist, that came into existence through the surplus capital which is acquired by the production; it is not the money of the poor, or the workers, because in consequence of the competitive wage system in the capitalist economy, the workers’ wages ‘are based upon cost of living, and not upon efficiency of labor’ (Hobson, 2005/1902, p. 83). Therefore, wages were not sufficient enough to create an excess money for consumption. In this regard, it is possible to say that, as a response to the first question, it is the capitalist who has the money in his/her pocket, not the poor, in other words the working class. So here we come to the second question, why the capitalist keeps money in pocket, instead of taking care of the deficit and increase consumption, thus prevent the trade depressions? According to Hobson (2005/1902), some part of this money is being spent by the rich, or capitalist, for luxuries of their own life, not for the over-produced goods. Furthermore, the remainder part of the money, which is the major part of the money, comes into existence as ‘surplus capital’ for a capitalist, and this substantial amount ‘is saved and stored up for

investment' (Hobson, 2005/1902, p. 82). Therefore, this surplus capital is now a saving for the capitalist and he/she will not spend this money until he/she finds a new profitable investment opportunity. So, the reason behind 'why the capitalist keeps money, instead of spending?' phrase is that this money is not 'idle money', rather it is a reserve money that kept by the capitalist for his/her future investments. Moreover, Hobson (2005/1902) argues, if the producers, or capitalists, can not find a suitable, and profitable investment opportunities for their surplus capital, or reserve money in other words, the result takes place as under-consumption, and it follows as periodic trade-depressions. At this point another question comes out, 'Is it possible to prevent these periodic trade-depressions within a capitalist economic system?'

Hobson (2005/1902) argued that the periodic trade-depressions are economic results based on under-consumption, and can be surmountable by doing some regulations in the distribution of wealth, like increasing the wages of the workers and regenerate the tax policies, in a society. Thus, beside the money for cost of living, the workers would have some more money in their pocket to spend for the over-produced goods, and of course to prevent under-consumption, as well as the trade-depressions that resulting from this phenomenon.

On the other hand, as it is mentioned above, Karl Marx, prior to Hobson, elaborated the causes of periodic economic depressions, or crises, in his critics to the capitalist system. In his point of view, Marx argued that (as cited in Chilcote, 2000) capitalism is a system that rests on a mode of production that purposes achieving surplus value for the capitalist which is based on production, and which is interdependent with accumulation of capital. Moreover, in this mode of production, labor power is also transformed into a kind of commodity and it's a precondition that, to achieve surplus value, the profit rate of the capitalist must exceed the costs of means of production,

and the costs of forces of production; which are the costs of the commodities, tools, and machinery used within the production process, and the wages of the workers (Marx, 2000/1967). So one may ask that why, in capitalist system, accumulation of capital is interdependent with surplus value of the capitalist? In response to this question, Marx argued that in capitalist mode of production, since the price of a commodity is determined by the market, there is competition amongst capitalists, and for this reason, which is competition, capitalists, in order to avoid facing off against danger of extinction, are forced to increase their efficiency and productivity by means of new capital investments in the means of production such as more efficiently working new machinery and tools, which can also be seen as a way of cost savings in labor, and all of these presuppose saving of surplus value, and accumulation of capital of the capitalists (Gilpin, 1987).

Thus, by looking at the arguments provided above, it is possible to say that, for the capitalist class, there is a tendency to save his surplus, accumulate his capital, and being in search of new investments, or better productivity, in order to increase his surplus value. In this case, there may be given two possibilities that come into existence for a capitalist. The first possibility is that the capitalist cannot find any sufficient investment opportunity that suits his/her surplus value. On the other hand, the second possibility is that the capitalist finds an effective way of investing his surplus value. However, the latter possibility, in itself, has two different investment options for the capitalist; he/she may either invest in the existent establishment in the manner of the means of production which are the tools, machinery and equipment in order to increase the productivity of his/her current establishment; or he/she may invest this amount, which is the surplus value, in a new establishment which can be a

new subsidiary of the existent establishment, or completely a new enterprise in a different sector.

There is a need to pay attention and scrutinise the outcomes of each of these possibilities. The outcome of the first possibility engenders the problem of over-accumulation of capital and leads to economic crisis just because if the capitalist can not find a profitable way to reinvest his/her surplus value, that means since there is no return as more surplus value of this accumulated amount of capital, then this capital itself is no longer profitable for the capitalist and from now on it is idle and devalued capital, and for the capitalist it is not worth of employing the workers anymore, so laying off starts, thus the crisis (Harvey, 1990, 2006; Marx,1991/1894; Robinson, 2004). In addition to this, the problem of over-accumulation implicates another problem for the capitalist by the reason of competition in the capitalist market because if a capitalist cannot increase his/her productivity, his/her competitors, which are the other capitalists that could increase their productivity, will have an advantage over this capitalist on the market, so his/her sales and profit rates, thus the surplus value, will decline, and this situation leads this capitalist to bankrupt, thus laying off workers, unemployment, and crisis (Marx,1991/1894). Therefore, in the light of the information provided above, it is possible to say that, reinvestment for productivity is an obligation for a capitalist, it is indispensable to increase his/her productivity in order to survive against his/her competitors and draw them away in the market.

In regard to these arguments, another question appears as; Is reinvestment and increasing productivity, in order to prevent bankruptcy, thus the trade depressions and the economic crises, sufficient enough for the capitalists? The answer of this question is linked to the second possibility which has been provided above as the

possibility when the capitalist finds a profitable investment opportunity for his/her surplus value. As it has been mentioned above, this possibility has two different investment options. The first option appears as the reinvestment in the means of production. Within this option, if the capitalist finds a profitable way to increase his/her productivity in a manner of means of production, then he/she will spend his/her money, which is the accumulated capital, or formerly the surplus value, for the sake of the means of production, therefore his/her volume of production will increase as well, however, Marx argued that this phenomenon leads to over-production of commodities, but unfortunately, overproduction results as a trade depression, and an economic crisis because of the increase in the gap between the output of the production, in other words the over-produced commodities, and the insufficient mass consumption of workers' wages or purchasing power to offset the production (Marx, 1992/1893). Here, one may argue that the theory of over-production and theory of under-consumption show some similarities since both Marx and Hobson argued that workers's purchasing power is already insufficient due to the low wages, thus there will be a gap between the total production rate and the mass consumption of workers in the capitalist societies (Marx, 1992/1893; Hobson, 2005/1902). However, there is a crucial difference between these two theories. While Hobson (2005/1902) argued that the trade depressions and the economic crises can be eliminated by a redistribution of wealth, which implies an increase in in the wages of the workers, which would increase the total consumption and overcome under-consumption; Marx (1992/1893), on the other hand, argued that, while there is an existence of the problem of under-consumption in the capitalist economies, this phenomenon itself is a result of over-production, therefore it is the main problem of over-production that causes the crises in capitalism and those crises. According to



Marx (1992/1983), it does not matter even if one argues that they are the results of under-consumption, crises can not be eliminated by a redistribution of wealth in a society for two reasons. These two reasons can be explained as:

Under capitalism, not all commodities are consumer goods; an important fraction of the total 'commodity mountain', namely, all means of production, cannot be, and are not intended to be, bought by workers. Therefore, an increase in sales of consumer goods, in and of itself, tells us nothing of the course of sales of equipment and raw materials. It does not lead automatically to greater productive investment. Indeed, a redistribution of the national income at the expense of profits (which would be the outcome of a sudden large rise in wages) would result in a collapse of investment, i.e. of sales of means of production. If this succeeded a period of actual decline in the rate of profit, then capital accumulation would contract very violently indeed and the crisis would remain unavoidable.

(Marx, 1992/1893, p. 71)

In other words, the first reason of why Marx (1992/1893) claims that a redistribution of wealth can not prevent crises, is therefore, it is not only the working class who are intended to be the buyers of the commodities, but also the capitalist class for their means of production, such as raw materials for the production process, and new machinery or tools in order to achieve increased productivity. In this reason, even if the wealth of the working class increases, the consumption of the commodities which could be consumed apart from the working class still can not be consumed, thus it would be impossible to prevent the crises depending on the unclosed gap between the total production rate and the mass of consumption. Moreover, this circumstance also implicates the second reason in itself; as it is mentioned above, Marx (2000/1967) argued that in capitalist system, the labor power itself is a kind of commodity within the production process, in this reason, increasing wages does not mean increasing the productivity, so it will be nonprofitable for a capitalist to pay more money on the labor power. Moreover, since it is an obligation for the capitalists to devote their surplus value, or the accumulated capital, to productive

reinvestments, which can be either an investment on the means of production or opening up a new business, if those capitalists, instead of spending their surplus value for productive reinvestments, spend it for their workers, their profit rate will decline, and this situation leads to a collapse of the capitalists, finally as per the scenario economic crisis occurs again (Marx, 1992/1893).

Indeed, as it has been argued above, the capitalist, as the second option of the investment opportunities, may also invest his/her surplus value or the accumulated capital in a new establishment which can be a new subsidiary of the existent establishment, or completely a new enterprise in a different sector. However, within this option, it must be presupposed that the capitalists' accumulated capital is sufficient enough for both making productive improvements on the existent establishment and opening up a subsidiary or a new enterprise. The reason behind this is that if the capitalist does not make any reinvestment in his/her existent enterprise, his/her capital will be obliged to the problem of over-accumulation. On the other hand, it could be argued that, it does not matter if the capitalist opened up a subsidiary or opened up completely a new enterprise in a different sector, since this is a new investment in a new place, this new establishment, thus the capitalist and his/her capital also, are destined facing the same cycle of the problems of over-accumulation and over-production in the long run. But within this cycle, Marx argued that, since it announces profit and the surplus value and starts the accumulation process, realization of a produced commodity in the market, which is the sale in other words, has a vital importance in the capitalist mode of production: 'In *commodity production* the conversion of the product into money, the sale, is a *conditio sine qua non*. Direct production for personal needs does not take place. Crisis results from impossibility to sell' (Marx: 1968/ 1959, p.509). In addition to

this, according to Marx (as cited in Gilpin, 1987), it is not only the sale, but also the rate of profit, which is acquired by sale, in a vital importance for a capitalist. However, as capital accumulates and become more efficient and productive, then the rate of return falls down at the end, and in this case the phenomenon of falling rate of profit is an inescapable law of the capitalist system:

Marx ... believed that the tendency for profits to decline was inescapable. As the pressure of competition forces capitalists to increase efficiency and productivity through investment in new labor-saving and more productive technology, the level of unemployment will increase and the rate of profit or surplus value will decrease. Capitalists will thereby lose their incentive to invest in productive ventures and to create employment.

(Gilpin, 1987, p. 37)

In regard to the arguments presented above, one may argue that the falling rate of profit leads to the problems of over-production and over-accumulation which will bring crisis at the end, but the falling rate of profit is a result of an obligation of capitalists to invest in productivity in order to survive in the competitive capitalist market. Same result occurs vice versa, if investment in the means of production stops, over-accumulation and then laying off start, and unemployment spreads all over the economy at stake, and the consequence is economic crisis again.

In this point, it is possible to say that the capitalist mode of production, and of course the capitalist system, is a system that needs accumulation of surplus value, and investing this accumulated capital in the means of production in an effort to increase productivity in order to survive, but those needs are also the venoms which cause over-accumulation and over-production in the long run, and crisis will occur at one point, indeed, as a result of these needs at the beginning. Marx (1968/1959) expresses this situation as 'Crisis is the forcible establishment of unity between elements that have become independent and the enforced separation from one

another of elements which are essentially one' (p. 523). As a consequence of this situation, it is possible to say that the capitalist mode of production, thus the capitalist system, is a system which has inherent contradictions within its nature, to tap it off, let alone having a likelihood for crises, it is a system that creates the crises itself: 'For Marx, crises are a manifestation of the irrationality of the capitalist system, a system that imposes limitations upon its own development'(Watkins, 1985, p. 67). In the same direction, Sombart (1909) argues that crises are characteristics of capitalism. While Sombart presents the Marxian theory of self-destruction of the capitalist system as;

The occurrence of commercial crises, coming as they do with constantly increasing force, proves conclusively the failure of the prevailing economic system to maintain its predominance. The crises are the symptoms of the bankruptcy of the existing social order; and one day they will become so extensive that recovery will become quite impossible.

(Sombart: 1909, p. 86)

However, in this regard, if the capitalist system is a system that contradicts with itself, there is a need to understand that why and how the capitalist system itself did not collapse, and how it still continues its own existence. In respect to this issue, while disagreeing with the theory of self-destruction in some degree, Sombart himself, argued that the crises are:

...accidental complications arising after periods of commercial prosperity. What the capitalist economic system produces are rather chronic periods of depression ... But this depression vanishes the moment there is a more even flow in the production ... It would not necessarily follow that 'the symptoms of disease,' as Marx and Engels described them, would appear, and so we cannot say that Capitalism is digging its own grave. It would be more correct to say that it was preparing its bed of sickness. That would not necessarily mean death, for Capitalism might go on living for an unlimited length of time.

(Sombart: 1909, pp.86-87)

The arguments and theories presented above help us to understand the changing nature of the capitalist system and its relation to the crises of capital. As it has been argued above, capitalism is a system that both rests on and rests against crises. Indeed, even if it witnessed crises in time, the capitalist system could survive as an economic system in a sort of way until the present time.

When it comes to the reason behind what kept the capitalist system alive and how its nature has changed in time, there is a need to understand how could the capitalists pursue their own existence, or more precisely, how the capitalists could survive in the competitive markets of the capitalist economies. This is because, within both the problems of over-accumulation and over-production, as it has been presented above, competition played an important role. The reason behind this notion is that if the capitalists could not find any investment opportunities and expand their capital, they lost their advantage in the competitive market, then they were being forced to close down their establishments.

Regarding this issue, in his masterpiece named 'Finance Capital', Rudolf Hilferding (2006/1910) argued that, within the development of the capitalist system, in order to eliminate competition amongst capitalists in the market and avoid of bankruptcy, the capitalists were forced to merge with each other and, then cartelization, trustification, and monopolization, or in other words the concentration of capital, started to take place. Furthermore, Hilferding (2006/1910) claimed that this concentration of productive capital necessitates concentration of banks, and concentration of banks necessitates concentration of productive capital just because 'The cartel itself presupposes a large bank which is in a position to provide, on a regular basis, the vast credits needed for current payments and productive investment in a whole industrial sector' (Hilferding, 2006/1910, p.223). But it was not only the productive

capitalist who took the advantage of this concentration, it was also the advantage of the banks, because as Hilferding argued ‘... the banks have to invest an ever-increasing part of their capital in industry, and in this way they become to a greater and greater extent industrial capitalists’(Hilferding, 2006/1910, p. 225). In this way, as Hilferding (2006/1910) argued, it was not a merger only between the productive capitalists, or a merger between only the non-productive capitalists, which are the banks, it was also a merging of the productive and non-productive capitalists through the joint stock companies. Indeed, it was actually the non-productive capitalists who took the greater portion of the advantage, because they became industrial capitalists as well and they had a greater control over the productive capitalists through their stocks in the industry. This new form of the capital was no longer the old-known capital that arising from primitive accumulation, herein after, according to Hilferding (2006/1910) it was finance capital: ‘I call bank capital, that is, capital in money form which is actually transformed in this way into industrial capital, finance capital’ (p. 225). In this way, Hilferding (2006/1910) claimed that, the more finance capital gets concentrated, the more control of the social production falls into the hands of a small number of large capitalist associations, which are the new monopolies of finance capital.

However, while agreeing with Marx (1992/1893), Hilferding (2006/1910) also argued that a crisis is a consequence of a decline in the profit rates; when profit begins to fall, crisis takes its place in capitalist economies. Furthermore, according to Hilferding (2006/1910), the problem of over-production is still existent in this new form of capital, and the worse is that as the production gets more concentrated, the output of the production gets enormously increased as well. In addition to this, Hilferding saw an inverse proportion between the profit rate, and the development of

capitalism and asserted that ‘The level of profit depends upon the organic composition of capital, that is to say, upon the degree of capitalist development. The more advanced it is the lower will be the average rate of profit’ (Hilferding, 2006/1910, p. 315). The reason behind this is that as the capital gets more productive, and gets concentrated, the market of that specific sector in a given economy will be occupied in a greater extent by the capitalists who hold that capital, thus over-production, in respect to that sector in the market, increases to a greater extent and the total sales rate of this whole sector also begins to fall in a greater extent. In this case, Hilferding asserted that ‘... cartelization greatly enhances the direct importance of the size of the economic territory for the level of profit’ (Hilferding, 2006/1910, p.313). This is because, as the output of production increases, the capitalists will need a bigger, or a new market in order to sell their produced commodities which are increased in volume. In the contrary case, bankruptcy and the crisis is close at hand. Therefore, according to Hilferding (2006/1910), it became necessary for the capitalist class to export their industrial capital and make investments abroad, thus their capital could continue to get expanded, so the capitalists could maintain obtaining more surplus value from the international market. However, Hilferding (2006/1910) argued that, the competitive nature of capitalism was still existent within the international markets also, thus, cartelization and monopolization did not mean to put an end to the crises of capital. Moreover, in this instance, the problem was getting bigger than it was in the previous forms of capitalism. As Hilferding argued, in order to survive against their international competitors, the monopolies of finance capital had to reach to the following destinations:

The policy of finance capital has three objectives: (1) to establish the largest possible economic territory; (2) to close this territory to foreign competition by a wall of protective tariffs, and consequently (3) to reserve it as an area of exploitation for the national monopolistic combinations.

(Hilferding, 2006/1910, p.326)

In respect to this argument, it's possible to say that the monopolies needed to get expanded towards the international markets, but they also needed to be the only and only controllers over the economic territories that they reached abroad through the protective tariffs. In addition to this, Hilferding (2006/1910) argued that monopolies were not only holding the economic power within the territory that they existed in, but they were holding also the political power within these territories: 'Domination of the economy gives control of the instruments of state power. The greater the degree of concentration in the economic sphere, the more unbounded is the control of the state' (p. 370). In other words, the more concentrated the capital in a given state, the more the capitalists, who controlled that capital, had a greater control over the policies and actions of that state. Thus, it could be argued that, under the control of the monopolies, the states started to act in accordance with the objectives of these monopolies. According to Hilferding (2006/1910), these actions of the states, which were the objectives of the monopolies, gave rise to the era of imperialism.

In order to have a better understanding of the internationalization of the capital, there is a need to make a better examination of the political and economic mechanisms of imperialism. In this sense, Rosa Luxemburg (2003/1913) argued that, within the existence and development of capitalism, the capitalist system always needed to expand, thus the system itself needs a non-capitalist environment in order to pursue its own existence: 'Capitalism needs noncapitalist social strata as a market for its surplus value, as a source of supply for its means of production and as a reservoir of



labor power for its wage system' (pp.348-349). Just like Hilferding, Luxemburg (2003/1913) also argued that, in a capitalist system, political power is a tool used by the capitalist class for the required economic process for themselves. Therefore, Luxemburg (2003/1913) defined imperialism as 'the political expression of the accumulation of capital in its competitive struggle for what remains still open of the noncapitalist environment' (p.426). In other words, for Luxemburg (2003/1913), the meaning of imperialism was the economic and political competition of the capitalists for the expansion of their capital, by means of territorial expansion of the capitalist states, towards the new or non-capitalist areas of the world. However, Luxemburg (2003/1913) claimed that the method of this expansion reveals itself as the colonial policy of the capitalist states and it is implemented through an international loan system and war, and added that, this expansion implies force, fraud, oppression and looting through the political and economic violence that is enforced by these capitalist or imperialist states. Since Cyprus was an old colony of the British Empire, the arguments provided above are important in order to have a better understanding on the secular imperialist interests on Cyprus as a particular geographical territory.

On the other hand, in his marterpiece named 'Imperialism: The Highest Stage of Capitalism', the well-known Russian Marxist V.I. Lenin (1996/1917) developed his arguments upon the theories of Hilferding, and claimed that 'Imperialism is the monopoly stage of capitalism' (p.89). Lenin (1996/1917) argued that 'Imperialism emerged as the development and direct continuation of the fundamental characteristics of capitalism in general. But capitalism only became capitalist imperialism at a definite and very high stage of its development ... Monopoly is the transition from capitalism to a higher system' (p.89). While describing the monopoly stage, Lenin (1996/1917) concurred with Hilferding, and argued that

finance capital was the result of merging of the monopolized bank capital and the monopolies of manufacturers. Lenin (1996/1917) also argued that, in the monopoly stage of capitalism, just exporting goods abroad was not sufficient to provide the obligatory growth and development of capital, therefore, the monopolized capitalists had to export their capital through the imperialist policies. In respect to this obligation for the export of capital, Lenin (1996/1917) claimed that, within the imperialism period, all the economic territories of the whole world, including the non-capitalist areas, are occupied by the greatest imperialist powers, which are the capitalistic states that are driven by the desires of the greatest capitalist monopolies.

Lenin (1996/1917) called the result of this process as ‘the division of the world’, a phenomenon of the monopoly stage of capitalism which emerged as a result of ‘The transition from a colonial policy which has extended without hindrance to territories unoccupied by any capitalist power, to a colonial policy of monopolistic possession of the territory of the world which has been completely divided up’ (p.90). Therefore, Lenin argued that there are five basic features of imperialism within its definition:

- 1) The concentration of production and capital developed to such a high stage that it created monopolies which play a decisive role in economic life.
- 2) The merging of bank capital with industrial capital, and the creation, on the basis of this ‘finance capital’, of a ‘financial oligarchy’.
- 3) The export of capital, which has become extremely important, as distinguished from the export of commodities.
- 4) The formation of international capitalist monopolies which share the world among themselves.
- 5) The territorial division of the whole world among the greatest capitalist powers is completed.

(Lenin, 1996/1917, p.90)

However, within the aforementioned definition, while Lenin (1996/1917) was asserting that ‘The territorial division of the whole world ... is completed’(p.90), he neither meant to indicate that the greatest capitalist powers came to an agreement about the ownership of these territories, such as which territories are belonging to which capitalist powers, nor he claimed that the division of the territories is completely ended and the ownership of these territories will not change in the future, in fact, Lenin meant that:

... the colonial policy of the capitalist countries has *completed* the seizure of the unoccupied territories on our planet. For the first time the world is completely divided up, so that in the future *only* redivision is possible; territories can only pass from one ‘owner’ to another, instead of passing as unowned territory to an ‘owner’

(Lenin, 1996/1917, p. 78)

Thus, it is possible to say that, an important issue regarding the argument presented above emerges as, under the favour of imperialism, the capitalist system spread all over the world. In addition to this, Lenin (1996/1917) argued that the colonial policies of the imperialist powers stimulated the uneven development between the productive forces of capital, thus, by use of colonial possessions through force, some countries got more powerful in the expense of the others. However, Lenin (1996/1917) claimed that the inherent anarchy of the capitalist system got deepened and intensified with the monopoly, or imperialist, stage of capitalism; This is because monopolization not only extends and compounds competition, but also engenders the dangers of stagnation and decay for the capital expansion and the capitalist accumulation process.

As a result of these arguments, Lenin (1996/1917) asserted that the redivision of the world, thus, took place through violence of colonial policies, and imperialist wars

between the greatest powers. Even worse than that, according to Lenin (1996/1917), the first world war was an imperialist war, which was launched to make it possible the redivision of the economic territories in the world, and it took place for the sake of the control of the economic resources of these territories:

Capitalism has grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the people of the world by a handful of 'advanced' countries. And this 'booty' is shared between two or three powerful world marauders armed to the teeth (America, Great Britain, Japan), who involve the whole world into their war over the sharing of *their* booty.

(From Lenins' own 1920 preface to: Lenin, 1996/1917, p.5)

In this regard, one may argue that imperialism was a result of the uninterrupted development of the capitalist mode of production, and since the nature of the capitalism is anarchical and conflictual, the nature of the imperialism, which evolved as a new form of the capitalist system, is also anarchical and conflictual. Moreover, the development of capital through the monopolization also was not able to prevent the crises which were resulting from this anarchical and conflictual nature. Moreover, while the need for accumulation and expansion of capital was still existent, the more the capital monopolized and concentrated, the more extensively was the effects of the crises of capital. Thus, no matter how far it is, how hard it is, how violent it is, or how inhumane it is the method of the expansion of the capital, the capitalists did whatever they could do for the sake of this expansion and endless accumulation of their capital, they could even start a world war to this end without batting an eyelid. In this sense, the aforecited arguments of Lenin (1996/1917) have great importance to understand how large scaled are the dimensions of crises of capital, and how vitally important are the endless expansion, and accumulation of capital, for a capitalist, to this end.

However, since the second half of the twentieth century, which is the post-war period to the second world war and especially after the 1970s, with the phenomenon of globalization, capital spread all over the world through the rise of multinational and transnational corporations (Gilpin, 2000). Thus, the territorial limits of capital, which is the capital in the form of multinational or transnational corporations, besides the territories of nation-states within the globalization period, have been a much-debated issue within the literature in order to understand the nature of the capitalist system within this period, as well as the crises of capital that occurred until the present time (Berberoglu, 2003; Callinicos, 2007; Gilpin, 2000; Harvey, 2006; Panitch & Gindin, 2012; Robinson, 2001, 2004; Wood, 1999). There are some scholars such as Wood (2005), who see that new period of the capitalist system as a new stage of imperialism, which is in other words the capitalist imperialism; 'Economic imperatives comprehensive and powerful enough to be reliable instruments of imperial domination belong to the twentieth century, and probably only after World War II. ... But this new form of empire would spawn its own contradictions' (p. 117). Moreover, she argued that it is not easy to identify the characteristics of this new period as the new imperialism because 'While a few colonial pockets still exist, neither the US nor any other major Western power is today a colonial empire in direct command of vast subject territories' (Wood, 2005, p. 1). However, Wood (2005) asserts that even if 'Today, it is harder than it was in earlier colonial empires to detect the transfer of wealth from weaker to stronger nations' (pp. 3-4), the nature of the capitalist imperialism is still existent. The reason behind this notion is that, according to Wood (2005), there is still force, but this time the force is usually being imposed, not through the obvious exploitation of the weaker states by a direct colonial command of the stronger ones, but through the

economic compulsions by the greatest powers of the globalized market. On the other hand, she argues that the usage of economic force does not mean to an end to the threats to resort to the use of force in terms of political, military and judicial coercion, but ‘Capitalist imperialism, after all, seeks to impose its economic hegemony without direct political domination wherever it can’ (Wood, 2005). In this regard, Wood (2005) argues that ‘To understand the “new imperialism” ... requires us to understand the specificities of capitalist power and the nature of the relation between economic and “extra-economic” force in capitalism’ (p. 5). What she meant by extra-economic force here is the non-economic force which can be explained as the force that is not imposed by the economic tools, such as the military force and political force.

In his masterpiece named ‘The New Imperialism’, Harvey also examined this new form of imperialism, which is the ‘capitalist imperialism’ and suggested his own definition to this phenomenon:

I here define that special brand of it called ‘capitalist imperialism’ as a contradictory fusion of ‘the politics of state and empire’ (imperialism as a distinctively political project on the part of actors whose power is based in command of a territory and a capacity to mobilize its human and natural resources towards political, economic, and military ends) and ‘the molecular processes of capital accumulation in space and time’ (imperialism as a diffuse political-economic process in space and time in which command over and use of capital takes primacy). With the former I want to stress the political, diplomatic, and military strategies invoked and used by a state (or some collection of states operating as a political power bloc) as it struggles to assert its interests and achieve its goals in the world at large. With the latter, I focus on the ways in which economic power flows across and through continuous space, towards or away from territorial entities (such as states or regional power blocs) through the daily practices of production, trade, commerce, capital flows, money transfers, labour migration, technology transfer, currency speculation, flows of information, cultural impulses, and the like.

(Harvey, 2003, pp. 26-27)

It is important to note that, according to Harvey (2003), the actors of ‘the molecular processes of capital accumulation in space and time’(p.26), are the members of the capitalist class and their capital. Harvey (2003) argues that the state logic of imperialism and the capitalist logic of imperialism have different motivations and interests than the each other since ‘The capitalist holding money capital will wish to put it wherever profits can be had, and typically seeks to accumulate more capital. Politicians and statesmen typically seek outcomes that sustain or augment the power of their own state vis-a-vis other states’ (p. 27). However, even if their interests and motivations differ, Harvey (2003) argued that these two logics of state and the capitalists, or in other words respectively ‘The Logic of Territory and the Logic of Capital’(Harvey, 2003, p. 33), need each other in particular points; in this regard, they are intertwined in complex ways. The logic of territory needs the logic of capital because ‘Capital is the lifeblood that flows through the body politic of all those societies we call capitalist ... By taxing this flow states augment their power, their military might and their capacity to ensure an adequate standard of life for their citizens’ (Harvey, 2010, p. vi). On the other hand, the logic of capital also needs the logic of territory because:

Capital accumulation through price-fixing market exchange flourishes best in the midst of certain institutional structures of law, private property, contract, and security of the money form. A strong state armed with police powers and a monopoly over the means of violence can guarantee such an institutional framework and back it up with definite constitutional arrangements. State formation, coupled with the emergence of bourgeois constitutionality, have therefore been crucial features within the long historical geography of capitalism.

(Harvey, 2003, pp. 89-90)

Furthermore, Harvey (2003) argues that as a result of the mixture of the imperialist practises of these two logics, ‘The wealth and well-being of particular territories are

augmented at the expense of others.’ (p. 32). This situation takes place through the ‘unfair and unequal exchange, spatially articulated monopoly powers, extortionate practices attached to restricted capital flows, and the extraction of monopoly rents’ (Harvey, 2003, p. 31). As a result of the asymmetries of these spatial exchange relations, Harvey (2003) argues that, there emerges an uneven geographical conditions of wealth, and the capitalistic logic of imperialism seeks to ensure its capital accumulation through taking advantage of this situation and by exploiting the weaker side of these asymmetries. On the other hand, the logic of territory seeks to ensure that the asymmetries of exchange over space are militating in favor of its own interests (Harvey, 2003).

When it comes to the nature of the new imperialism, Harvey (2003) argues that the contradictory nature of capitalism and the tendency to over-accumulation, thus the tendency to the capitalist crises, is still existent in the nature of the phenomenon of new imperialism. However, Harvey (2003) argues that ‘The survival of capitalism for so long in the face of multiple crises ... is a mystery that requires illumination’ (p.87). In respect to this, Harvey (2003) proposes a theory of ‘spatial fix’ to identify the reasons behind the survival of capitalism for so long against those multiple crises that occurred throughout the history of imperialism, which are caused by the contradictions of capital accumulation and asserted:

The central point of this argument concerned a chronic tendency within capitalism, theoretically derived out of a reformulation of Marx's theory of the tendency for the profit rate to fall, to produce crises of overaccumulation. Such crises are typically registered as surpluses of capital (in commodity, money, or productive capacity forms) and surpluses of labour power side by side, without there apparently being any means to bring them together profitably to accomplish socially useful tasks. The most obvious case of this was the world-wide slump of the 1930s when capacity utilization was at an alltime low, surplus commodities could not be sold, and unemployment was at an all-time high. The effect was to devalue and in some cases even destroy the surpluses of capital and to reduce the surpluses of labour power to a



miserable state. Since it is the lack of profitable opportunities that lies at the heart of the difficulty, the key economic (as opposed to social and political) problem lies with capital.

(Harvey: 2003, pp.87-88)

Therefore, Harvey (2003) argues that, if the aim is to stand apart from devaluation of capital and prevent a crisis related with over-accumulation, then somehow a profitable way to absorb the surplus capital, which is the accumulated capital, must be found. Regarding to this, 'Geographical expansion and spatial reorganization' (Harvey, 2003, p.75) is an alternative way to this end. However, Harvey (2003) argued that 'this option cannot be divorced from temporal shifts in which surplus capital gets displaced into long-term projects that take many years to return their value to circulation through the productive activity they support' (p. 88). Moreover, according to Harvey (2003), because geographical expansion necessitates long-term investments such as physical and social infrastructure, 'the production and reconfiguration of space relations provides one potent way to stave off, if not resolve, the tendency towards crisis formation under capitalism' (p.88). Regarding this notion, Harvey (2003) gives the example of the solution process of United States of America for 'Great Depression of 1930s' as 'The US government tried to respond to the overaccumulation problem in the 1930s, for example, by setting up future oriented public works projects in hitherto undeveloped locations with the direct intention of mopping up the surpluses of capital and labour then available' (pp. 88-89).

As a result of the arguments provided above, Harvey (2003) argues that the logic of capitalist system is always in search of an endless accumulation of capital and a never-ending profit in space and time, and this molecular process necessitates an endless expansionist attitude for the capitalists, for their capital. Thus, the trend

towards globalization is, according to Harvey, is a result of the drive of the capitalist logic towards ‘the reduction if not elimination of spatial barriers, coupled with equally incessant impulses towards acceleration in the turnover of capital’ (Harvey, 2003, p. 98). However, according to Harvey (2003), the geographical elements of the capitalist activity still comprise inherent contradictions and tendencies to crises. As a consequent of this, Harvey suggests the following circumstance as:

The aggregate effect is, as I have often had cause to formulate it in the past, that capitalism perpetually seeks to create a geographical landscape to facilitate its activities at one point in time only to have to destroy it and build a wholly different landscape at a later point in time to accommodate its perpetual thirst for endless capital accumulation. Thus is the history of creative destruction written into the landscape of the actual historical geography of capital accumulation.

(Harvey, 2003, p. 101)

Regarding the aforecited argument, it is possible to say that, in order to avoid the devaluating effects of over-accumulation, the logic of capitalist imperialism is consistently in search of a new geography to invest their accumulated capital, however, the realization of this process brings a creative destruction with itself. Furthermore, an important issue to understand here is that, the new geography here, which is to be invested, also must currently have profitable investment opportunities for the existent surplus capital of the capitalist of the other geography. In other words, the geographical expansion and endless flow of capital necessitates an existent uneven development within the geographies of world. Regarding this notion, another question emerges; How is this uneven development coming into existence and being utilized by the capitalist imperialism?

In order to explain this process, Harvey (2003) argues that the underlying reason that makes this process is the phenomenon named ‘The accumulation by dispossession’.

However, Harvey argued that in order to understand this phenomenon, one needs to understand the theory of 'primitive accumulation', depending on the reason such as:

A closer look at Marx's description of primitive accumulation reveals a wide range of processes. These include the commodification and privatization of land and the forceful expulsion of peasant populations; the conversion of various forms of property rights (common, collective, state, etc.) into exclusive private property rights; the suppression of rights to the commons; the commodification of labour power and the suppression of alternative (indigenous) forms of production and consumption; colonial, neo-colonial, and imperial processes of appropriation of assets (including natural resources); the monetization of exchange and taxation, particularly of land; the slave trade and; usury, the national debt, and ultimately the credit system as radical means of primitive accumulation.

(Harvey, 2003, p.145)

Furthermore, Harvey (2003) asserts that within all of these processes of accumulation of capital by dispossession, throughout the history, the logic of territory played important role by standing for the logic of capital and promoted the expansion of capital. According to Harvey, this happens; neither because the logic of territory is assembled with the logic of capital completely, nor because the logic of capital undermined the logic of territory and it got powerless against the former. Indeed, according to Harvey (2003), the reason behind this process is that, regarding their different but intersecting interests and motivations, both the logics of territory and capital were taking the advantage of primitive accumulation since the rise of the capitalist system, and they are taking the advantage of accumulation by dispossession since the rise of capitalist imperialism:

The state, with its monopoly of violence and definitions of legality, plays a crucial role in both backing and promoting these processes and ... there is considerable evidence that the transition to capitalist development was and continues to be vitally contingent upon the stance of the state. The developmental role of the state goes back a long way, keeping the territorial

and capitalistic logics of power always intertwined though not necessarily concordant.

(Harvey, 2003, p.145)

In addition to these, Harvey (2003) claims that the organizations and institutions such as the World Bank, International Monetary Fund, and World Trade Organization, these are all the new mechanisms that were established by the imperialist logic of territory, in order to promote the processes of accumulation by dispossession. When it comes to the question of how these new mechanisms of accumulation by dispossession, if can not prevent totally, then at least try to help solve the problem of over-accumulation; Harvey (2003) argues that the capital surplus reveals itself as punchline of the problem of over-accumulation. In response to this, 'What accumulation by dispossession does is to release a set of assets (including labour power) at very low (and in some instances zero) cost. Overaccumulated capital can seize hold of such assets and immediately turn them to profitable use' (Harvey, 2003, p.149). Therefore, Harvey (2003) asserts that, devaluating the existing capital assets and labour power in a given geography is a phenomenon which is used by the imperialist logics as a way to achieve this solution, as a result, 'Devalued capital assets can be bought up at fire-sale prices and profitably recycled back into the circulation of capital by overaccumulated capital' (p.150). However, according to Harvey (2003, p.150), in order to achieve this goal, there must be triggered some kind of crisis in order to ensure a 'wave of devaluation' within the targeted geography before making an investment there by the abovesaid idle capital surplus. This very moment is where the aforementioned new mechanisms of the logic of state are getting involved to the process of accumulation by dispossession:

Limited crises may be imposed by external force upon one sector or upon a territory or whole territorial complex of capitalist activity. This is what the international financial system (led by the IMF) backed by superior state power (such as that of the United States) is so expert at doing. The result is the periodic creation of a stock of devalued, and in many instances undervalued, assets in some part of the world, which can be put to profitable use by the capital surpluses that lack opportunities elsewhere.

(Harvey, 2003, p.150)

Furthermore, Harvey (2003) gives the devaluations that occurred within the financial crises of East and Southeast Asia, and the latter period of investments of the imperialist powers towards these areas by the help of International Monetary Fund as an example to this argument. According to Harvey, another important aspect of such an accumulation by dispossession is presented as:

Regional crises and highly localized place-based devaluations emerge as a primary means by which capitalism perpetually creates its own 'other' in order to feed upon it ... Valuable assets are thrown out of circulation and devalued. They lie fallow and dormant until surplus capital seizes upon them to breath new life into capital accumulation ...

(Harvey, 2003, pp.151)

This argument has a crucial importance to this thesis, since one may argue that, non-recognition of a state, as well as the devaluating effects of this situation to the capital assets of such a state, and the latter period of investments of international capital towards this unrecognized state, could be considered as an accumulation by dispossession that is imposed by the imperialist logics of territory and capital. This is what exactly is happening in the case of the Turkish Republic of Northern Cyprus since its declaration of self-determination in 1983. Despite the fact that not any single state, except Turkey, recognizes it officialy, there are multinational and transnational corporations operating in the territories of this state. Moreover, depending on its political isolation from the rest of the world, it is possible to say

that the valuable assets of the Turkish Republic of Northern Cyprus (the TRNC) are thrown out of circulation and devalued since it is an unrecognized state.

To sum up, the existing literature helps us to have a better vision on the dynamics of the global capitalist environment and the factors that led MNCs and TNCs to invest in the TRNC. Accordingly, it is possible to say that the most important reason behind the existence and expansion of global capital in the TRNC market can be explained by the capitalists' 'need' for an endless capital expansion due to the unending crisis of capital and the capitalist system, which is arising from the problems of 'over-production', 'under-consumption', and 'over-accumulation'. The expansion of global capital towards the TRNC market could be considered as a 'component of the whole' in terms of the expansion process of global capital in the whole world. This is because, 'Since it can never be known in advance whether or not a profit-seeking venture can succeed here rather than there, then probing the possibilities everywhere and finding out what works where becomes fundamental to the reproduction of capitalism' (Harvey, 2010, p.161). Therefore, it could be argued that, for a capitalist, it is not only a necessity, but also an obligation to 'probe the possibilities everywhere', or in other words 'expand his/her capital everywhere', even in an unrecognized state which has a small-scaled economy. Indeed, one may argue that, since the contexts of 'non-recognition' of the TRNC, and 'embargoes' imposed on it, can be considered as phenomena which imply a 'dispossession' that took place in the TRNC; then expanding capital towards the TRNC could bring profitable investments for the MNCs/TNCs through 'accumulation by dispossession'<sup>1</sup>.

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<sup>1</sup> For a detailed discussion on this subject, please see Chapter 3.

However, in order to examine the mechanisms, legal or illegal, the MNCs/TNCs use to expand their operations in the TRNC, as well as in the whole world, there is a need for a further research. In this regard, the main purpose of this thesis is to investigate and reveal those both legal or illegal mechanisms that are used by MNCs/TNCs, as the representatives of global capital, to expand their operations all over the world, even in quasi-legal states, by using the example of the TRNC. In order to have a better understanding on the The first section of the next chapter (Chapter 3 – Part 3.1) is going to provide information about; the different expansion methods that are being used by global capital in order to expand in the different regions of the world; and the reasons behind using these different expansion methods. In the Part 3.2, the internal political and economic structures of the TRNC will be analyzed in relation to the issue of expansion of global capital.

## **CHAPTER 3: CAPITAL EXPANSION METHODS AND THE TRNC**

### **MARKET**

In the previous chapter, the reasons behind the expansion of capital have been discussed. It has been argued that capitalism is a system which is prone to crises, indeed, the capital itself is in a crisis and it has an everlasting need for an expansion. By using the suitable literature for this study, it has been argued that this expansion of the global capital is being achieved by the logic of capital, which represents the giant multinational corporations (MNCs) and transnational corporations (TNCs), and dialectically by the logic of territory (the actors and mechanisms that are related with the states) through an accumulation by dispossession.

However, Barbara Bradby (1975) argued that the spread of capitalism takes different forms in different economic territories. Thus, it could be argued that, also the expansion of capital towards different geographies of economic territories takes different forms, and it comes into existence in different scales. In this regard, it must not be expected to see an equally determined expansion of capital or an expansion of capital of a single sector in all over the world (Bradby, 1975). Indeed, the geographies, the forms, and the scales of expansion may diversify. According to Bradby (1975), there are different reasons behind this diversification of expansion of capitalism, as well as the diversification of articulation of capital in different economies. The first reason is related with the needs of the capital in different sectors ‘Articulation will arise sporadically because of the needs of certain branches of capitalist production, and may under some certain conditions, disappear again, since capital is continually seeking cheaper sources or capitalistically produced



substitutes for its raw materials' (Bradby, 1975, p. 149). The second reason is about the historical circumstances of the capitalist system, such as the uneven development of capitalism, and the needs of capitalism such as the need for exploiting the less developed economic territories of this uneven development of the capitalist system, since 'Capitalism has different needs of ... economies at different stages of development, which arise from specific historical circumstances, e.g. raw materials, land, labour-power, and at times of crisis, markets.' (Bradby, 1975, p. 129). Another reason for this diversification is related with the internal structures and dynamics of the targeted economic territories by the capital for the capitalist expansion, according to Bradby (1975), whichever particular sectors of capital are related with the internal structures of a targeted economic territory, then these related parts of the capital takes place in that territory in the name of the capitalist articulation.

In respect to the aforecited arguments, it is possible to say that global capital, and its expansion must not be considered as a unified process. On the contrary, it is actually a diversified process, and it has a multidimensional nature. Capital does not belong to a single capitalist; there exist various sectors, or branches, in capitalist mode of production, and every capitalist of those sectors, is the only one of its kind. Moreover, in today's transnational and multinational joint-stock companies, although it is quite hard to define the ownership relations and decisions of every stockholders, it is possible to identify the strategies, the dynamics and the mechanisms of global expansion of those companies which stand for the global capital. It is possible to identify these dynamics, strategies, and mechanisms in the sense of the needs of the different branches of capital, and the internal structures of the targeted economic territory for the capitalist expansion.

In this regard, because this thesis is particularly concerned with the capitalist expansion in the Turkish Republic of Northern Cyprus in forms of Multinational Corporations and Transnational Corporations as the representatives of global capital, in this chapter, in the first section, the different expansion methods, or foreign market entry modes, of global capital and the reasons behind these different foreign market entry modes will be presented. In the second section, the internal political and economic structures of the Turkish Republic of Northern Cyprus, which are related with the issue of expansion of global capital, will be presented. In doing so, the phenomenon of political non-recognition will also be discussed in order to have a better understanding on what kind of imperialist accumulation by dispossession took place in the TRNC for the accumulation process of global capital. Finally in the last section, the internal structures of the TRNC and the dynamics of foreign market entry modes will be mutually assessed by making a contrast in the sense that branches of global capital are the most feasible ones to expand in the TRNC, of course from the perspective of global capitalists, and therefore which foreign market entry modes are most practical ones to apply in the name of the expansion of these branches of global capital in the TRNC, will be discussed in conclusion to this chapter.

### **3.1. Expansion Strategies and Foreign Market Entry Modes of the Global Capital**

In this section, the reasons behind the different expansion strategies of the global capital will be examined. In respect to these different strategies, the different forms of the MNCs and TNCs, in other words 'The Foreign Market Entry Modes' will be presented. In doing so, some advantages and disadvantages of these different foreign

market entry modes regarding the needs of the MNCs /TNCs and the internal economic structures of the territories that are to be expanded will also be examined.

First of all, as it has been presented in Chapter 2, capital is in a need of a never-ending expansion. According to Ghauri & Cateora (2010) the driving force of the MNCs and TNCs to expand towards the international markets is the growth of these firms. In addition to this, 'Foreign direct investment (FDI) has been among the fastest growing economic activities around the globe' (Wadhwa & S, 2011, p.219). However, Ghauri & Cateora (2010) assert that the reasons behind the expansion of the MNCs/TNCs, towards a particular market, and which entry mode to be used in this process, consist of a combination of the company objectives and the market characteristics of the targeted economic territory. Furthermore, about the the company objectives within the international expansion process, Ghauri & Cateora suggest the following:

Normally companies have three main objectives when entering a foreign market: (1) market seeking, (2) efficiency seeking, (3) resource seeking. A **market-seeking** strategy means that the company is looking for a considerable market for its products/offers ... **Efficiency seeking** means that firms want to enter countries/markets where they can achieve efficiency in different ways, e.g. R&D [Research and Development] and other infrastructural effects ... **Resource-seeking** firms try to enter into countries to get access to raw materials or other crucial inputs that can provide cost reduction and lower operation costs...

(Ghauri & Cateora, 2010, p. 267)

Therefore, it is possible to say that the main objectives of the MNCs/TNCs are different from the each other because they are operating in different sectors, thus their needs are differing from the each other, and these different objectives can be reached by expanding into different territories in different forms. However, according to Ghauri & Cateora (2010), other important issues regarding the decision-

making process of the TNCs/MNCs on their expansion are related with the ‘economic, cultural and legal environment of the country’(p.269) which is being planned to be invested in its territories by the MNCs/TNCs. Dunning (1980;1988) offers an eclectic theory of ‘OLI framework’ on the effects of factors that the countries to be invested has on the decision-making processes on foreign investment by the MNCs/TNCs for investing in that particular country. Dunning (1980;1988) asserts that the degree that a country provides ‘OLI’ advantages (which are respectively the advantages over Ownership, Location, and Internalization) to the capitalists determines the likelihood of foreign direct investment in this particular country. Wadhwa & S (2011) explained the ‘OLI framework’ proposed by Dunning (1980; 1988) as the following:

He says that a country should have any of these three advantages to attract FDI. Firstly, the firms should possess ownership advantages which enable them to compete efficiently in the local market, example, firm’s production process, firm’s competitive advantage over domestic firms, and also include patents, copyrights, technical know-how and management skills. Secondly, the host countries should possess some locational advantages which encourage outside firms to serve local market directly rather than going for exports, example, lower production and transportation cost, favorable tax treatments, lower risks, access to protected markets. And finally, the firms should have sufficient incentives to serve foreign firms through internal networks, example, lower transaction costs, minimum technology imitation, effective management and good quality control.

(Wadhwa & S, 2011, pp 219-220)

Therefore, it is possible to say that the existing risky situations for the future of the investment that are planned to be made by the capitalists in a particular economic territory affect not only the likelihood to be made of this investment by the MNCs/TNCs, but also the scale and the shape of this investment. In consequence, Hill & Hult (2018) argue that there are three main decisions to be made by the companies before choosing the market entry mode in order to expand its capital

towards a particular economic territory in the international market. These decisions are related with the questions of ‘... which foreign markets to enter, when to enter them, and on what scale’ (Hill & Hult, 2018, p. 358). In this respect, in order to have a better understanding on the inner mechanisms of the foreign market entry mode choices of the TNCs/MNCs, there is a need to examine these three questions by taking into consideration the aforementioned three main objectives of these companies.

Regarding the first question, which is the question of ‘Which foreign markets to enter?’, Hill & Hult (2018) argue that this question must be addressed by the investor through assessing the potential of its investment in this particular economic territory for its relative long-term growth and profit in contrast to its competitors in the sector.

In doing so, Hill & Hult suggest the following:

Ultimately, the choice must be based on an assessment of a nation’s long-run revenue potential. This potential is a function of several factors ... such as the size of the market (in terms of demographics), the present wealth (purchasing power) of consumers in that market, and the likely future wealth of consumers, which depends on economic growth rates. While some markets are very large when measured by number of consumers(e.g., China, India, Brazil, Russia, and Indonesia), one must also look at living standards and economic growth.

(Hill & Hult, 2018, p. 359)

Therefore, it could be argued that while some industries and their market entry modes necessitate higher populations, on the other hand, there are some other industries that their market entry modes necessitate higher consuming power within an economic territory, rather than population. Moreover, Wadhwa & S (2011) argue that, among market-seeking factors, there is a significant and ‘positive relationship between the GDP of host country and FDI inflows to host country’ (p. 221). These two arguments could be applied to, respectively, the investments on the producing

facilities of a company which is in the manufacturing industry, and the new investments in a particular economic territory which is aimed to be used as a market by a company that is in the service sector. While the former needs higher population for its manufactures, the latter needs higher consuming power within the targeted economic territory for their expansion. However, when the former needs a market for its produced commodities, the consuming power becomes significant again.

When it comes to the second question, which is related with the timing of entry to the foreign market (the question of ‘When to enter them?’), it has been argued that if a company is the first foreign company to enter a particular economic territory in a particular sector, or a product group, this provides this company what is called as the ‘first-mover advantage’ (Ghauri & Cateora, 2010, p.267; Hill & Hult, 2018, p. 360). In other words, being the first mover of a particular sector, or a product, gives the investor company some advantages such as an ability to create a well-known brand before its competitors enter this particular market, or gaining more experience about the inner dynamics of this particular market before its competitors enter here, or a cost advantage depending on the ability of the first-mover company on cutting prices below the prices of the products of the later entrant within this particular market (Ghauri & Cateora, 2010, p.267; Hill & Hult, 2018, p. 360). Thus, in order to have a some relative advantages over their competitors in the market of a particular economic territory, the MNCs/TNCs are also looking after being the first mover of their sectors or product groups to the targeted area of the expansion of their capital.

The third question before choosing the foreign market entry mode for the companies is related with the decision on the scale of the entry to be made in that particular market. Regarding this issue, Hill & Hult (2018) argue that both of the small-scale and the large-scale entries have their own advantages and disadvantages for the

companies that are entering to a particular market. While small-scale entry reduces the risks of huge losses of capital in contrast to a large-scale entry, on the other hand large-scale entry increases the chance of capturing the first-mover advantage in contrast to a small-scale entry (Hill & Hult, 2018, pp. 362-363). Therefore, Hill & Hult (2018) assert that when entering a new market, the companies must achieve the balance between the small-scaled entry and the large-scaled entry in accordance with their objectives and the internal structures of that particular market. Therefore, it could be argued that, the size of the target economic territory, for the capitalist expansion, carries a crucial importance at this point. For example, the initial investment costs in a small-scale economy will not be as high as the initial investment costs in a large-scale economy, in this way the chance of capturing the first-mover advantage can be less costly in a small-scale economy than a large-scale economy in particular sectors for the TNCs/MNCs.

Finally, when the decisions have been made on where, when, and in what scale the foreign market entry will take its place, it is time for the international capitalists, to choose which foreign market entry mode is to be used in order to expand in the market of a particular economic territory. Although it has been argued that there exist more or less foreign market entry modes (Ajami, Cool, Goddard, & Khambata, 2006; Cullen & Parboteeah, 2010; Ghauri & Cateora, 2010; Hill & Hult, 2018; Hollensen, 2007; Katsiolouides & Hadjidakis, 2007), depending on their relation to the arguments and objectives of this thesis, there will be presented and examined five different kinds of foreign market entry modes within this study. These are respectively; Exporting, Licensing, Franchising, Joint Ventures, and the Wholly Owned Subsidiaries.

### **3.1.1. Exporting**

Exporting is the most common foreign market entry mode that is being used by the manufacturing firms as exporters (Cullen & Parboteeah, 2010; Hollensen, 2007). Moreover, according to Hill & Hult (2018), ‘Many manufacturing firms begin their global expansion as exporters and only later switch to another mode for serving a foreign market’ (p. 363). On the other hand, ‘Exporting presents a low level of commitment and as the required resource commitments are minimal, the risk of bearing a potential loss is minimal as well’ (Katsiolouides & Hadjidakis, 2007, p. 261). What is meant by the ‘potential loss’ here, is the capital cost of establishing a new investment in a particular new market. Therefore, Ghauri & Cateora (2010) asserted that exporting is widely being used by also the many mature international companies as a foreign market entry strategy. Exporting, as a foreign market entry mode, does not involve FDI (Katsiolouides & Hadjidakis, 2007). Furthermore, many MNCs and TNCs that operate in the manufacturing industries are centralizing their manufacturing operation locations in their home countries or in the regions which low-cost, and highly skilled labour are available, such as the East Asian countries like China, and exporting their products to the international markets from these centers (Hollensen, 2007). However, some of the disadvantages of exporting come in to existence; if transportation costs to the target market, or tariff barriers are enough to undermine the profitability of the products, or when the delegating firm in the importing country is not committed to the exporting company by a distribution duty or a licence agreement ( Hill & Hult, 2018). In this sense, a distributorship agreement between the exporting company and the importing company may lessen the disadvantages in some circumstances. Hollensen (2007) argues that, although



there exist various modes of exporting, a distributor can be considered as a part of the exporting company :

Exporting firms may work through distributors (importers), which are the exclusive representatives of the company and are generally the sole importers of the company's product in their markets.... For each country exporters deal with one distributor. ... distributors own and operate wholesale and retail establishments, warehouses and repair and service facilities. ... Distributors usually seek exclusive rights for a specific sales territory...

(Hollensen, 2007, p. 318)

Therefore, it must be noted that since the distributors are considered as the 'exclusive representatives' of the exporting companies in a particular territory, then, while analyzing 'exporting' as a foreign market entry mode, this thesis is going to be concerned with the 'distributors' of the MNCs/TNCs in the TRNC market.

### **3.1.2. Licensing**

Licensing is another foreign market entry mode that is being established through a licensing agreement between two companies, which are the 'licensee' and the 'licensor' (Cullen & Parboteeah, 2010, p. 249). When it comes to the characteristics of licensing as a foreign market entry mode, Ajami et al. suggest the following:

Through licensing, a firm (licensor) grants a foreign entity (licensee) some type of intangible rights, which could be the rights to a process, a patent, a program, a trademark, a copyright, or expertise. In essence, the licensee is buying the assets of another firm in the form of know-how or R & D (Research and Development).

(Ajami et al., 2006, p.25)

Therefore, an advantage of licencing as a foreign market entry mode is that the commitment of the licensee to the licensor is being assured by the 'licensing agreement'. Moreover, Hill & Hult (2018) assert that 'a primary advantage of licensing is that the firm does not have to bear the development costs and risks

associated with opening a foreign market' (p. 366) because in this foreign market entry mode, the licensee bears most of the capital that is necessary for the overseas operation, not the licensor.

### **3.1.3. Franchising**

Franchising is one of the most well-known foreign market entry modes in the daily life. There are many TNCs/MNCs in the service sectors that involve in franchising agreements and expand in the economic territories of the TRNC. In order to define the basic operating procedures and processes of franchising as a foreign market entry mode, Hill & Hult explained the following:

Franchising is basically a specialized form of licensing in which the franchiser not only sells intangible property (normally a trademark) to the franchisee but also insists that the franchisee agree to abide by strict rules as to how it does business. The franchiser will also often assist the franchisee to run the business on an ongoing basis. As with licensing, the franchiser typically receives a royalty payment, which amounts to some percentage of the franchisee's revenues. Whereas licensing is pursued primarily by manufacturing firms, franchising is employed primarily by service firms.

(Hill & Hult, 2018, p. 367)

In this regard, it is possible to say that, in the franchising businesses, the franchisee is not only benefiting from the perceived value of the brand of franchisor, but also being assisted by the franchisor. Thus franchising, as a type of a business, offers the local capitalist to provide not only the competitive advantage over its competitors but also the technical knowledge of the TNCs/MNCs in order to increase the efficiency of their investments. On the other hand, franchising as a foreign market entry mode provides the franchisor some advantages as well, such as 'Rapid entry and expansion in the foreign market without any major risk assumption or capital investment requirements.' (Katsioloudes & Hadjidakis, 2007, p. 250). Instead, the 'risks' and

‘cost of capital’ of establishing a franchising business is expected to be covered by the franchisee. However, although this situation seems like an important disadvantage of the franchisee, on the other hand it could be argued that, the franchisee can be considered as a domestic capitalist in a particular economic territory who is already starting a business and will bear the costs and risks of starting a business regardless of his/her investment will include a franchising agreement or not. In addition to this, ‘From a franchisee’s perspective, the franchise is beneficial because it reduces risk by implementing a proven concept.’ (Czinkota, Ronkainen, & Moffett, 2011, pp. 444-445). Therefore, it is possible to say that although the franchisee bears the costs and risks of this kind of investment, the brand reputation of the franchisor provides a competitive advantage to the franchisee over its competitors in the domestic market. This is an important point in order to have a better understanding on the reasons behind establishing a franchising business with a MNC/TNC, from the perspective of a franchisee as a domestic capitalist. However, another disadvantage of the franchisee is that the franchising agreement describes not only ‘what a franchisee can do’, but also the restrictions such as ‘what a franchisee can not do’ while operating his/her franchising business: ‘A franchisee cannot simply change the staff uniform, alter prices or vary opening hours as the company operates a standardised approach to doing business’ (Wall, Minocha, & Rees, 2010, p. 46). As a result of this, it is possible to claim that although the stores, the shops and so on of the franchisee are owned by the local companies/capitalists of a particular economic territory, these stores, shops and so on in fact exist as parts of the TNCs/MNCs which provide profit to those companies that stand as representatives of the imperialist logic of capital. Moreover, the same argument

could be applied to the investments which take shape in other foreign market entry modes, such as exporting (through distributors) and licensing.

When it comes to the disadvantages of the franchisor in such foreign market entry mode, Hill & Hult (2018) argue that it is difficult to make quality control of the goods and services that the franchisee sells by the franchisor. In order to find a way around this disadvantage, Hill & Hult (2018) assert that the franchisor can establish a master franchisee, which is a kind of a joint venture to some extent, in this way ‘because the subsidiary (or master franchisee) is at least partly owned by the firm, the firm can place its own managers in the subsidiary to help ensure that it is doing a good job of monitoring the franchises.’ (Hill & Hult, 2018, p. 368). However, being a joint venture is not a precondition of being a master franchisee. A local company can be a master franchisee without investing a joint venture with the franchisor<sup>2</sup>. In addition to this, Katsioloudes & Hadjidakis suggest that ‘Master franchising is based on granting the foreign franchisee exclusive territorial right to a particular region or country. The master franchisee in the foreign country then assumes the role of franchisor’ (Katsioloudes & Hadjidakis, 2007, p. 250). In this sense, it is possible to say that, in the case of ‘master franchisee’ the domestic capitalist does not only operate a business of a MNC/TNC as a franchisee of this global company, but also operates as a representative of global capital by taking over the ‘franchisor role of the MNC/TNC’ within this particular domestic market.

#### **3.1.4. Joint Ventures**

First of all, Hill & Hult (2018) assert that ‘A joint venture entails establishing a firm that is jointly owned by two or more otherwise independent firms.’ (p.368).

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<sup>2</sup> For an example to this situation, please see Chapter 4 – Part 4.2.2.

Therefore, a foreign firm can expand in the market of a particular economic territory by establishing a joint venture with a local company in this particular territory. Just like the other foreign market entry modes, joint ventures also have their own advantages and disadvantages. To begin with the advantages, the costs and the risks of the investments of both the local firm and the foreign firm are decreased by sharing these costs and risks in joint ventures (Czinkota et al., 2011; Wall et al., 2010). In addition to this, Rugman, Collinson, & Hodgetts (2006) argue that through establishing an international joint venture agreement, a MNC/TNC ‘might provide a local partner with technology know-how and an infusion of capital that, in turn, will allow the local firm to expand operations, raise market share, and begin exporting’ (Rugman et al., 2006, p. 241). Therefore, both the domestic capitalist and the MNC/TNC benefit from a joint venture investment. Another important advantage of the MNCs/TNCs in joint ventures occurs in respect to the idea that ‘Local partners can often lead the way through legal mazes and provide the outsider with help in understanding cultural nuances’ (Ghauri & Cateora, 2010, p. 278). Therefore, this is an important issue for foreign companies in order to understand the inner structures of the markets of particular economic territories, such as the lesser known small-scale economies like the TRNC. However, Hill & Hult (2018) argue that the disadvantages of the joint ventures come into existence when one of the partner companies, which is the foreign company, needs a tight control over the subsidiaries of this investment, and if this disadvantage is to be thrown off, one way for the foreign company is setting up a wholly owned subsidiary, which is considered as another foreign market entry mode.

### **3.1.5. Wholly owned subsidiary**

Wholly owned subsidiary is another foreign market entry mode in which the foreign firm, or the MNC/TNC, owns the whole stocks of the established company located in a particular territory (Ajami et al., 2006). Moreover, according to Hill & Hult (2018), a wholly owned subsidiary can be established in a foreign market in two different ways by a company, 'The firm either can set up a new operation in that country, often referred to as a greenfield venture, or it can acquire an established firm in that host nation and use that firm to promote its products' (p. 369). Thus, as an advantage, establishing a wholly owned subsidiary provides a full control to the investor company over its operations in this particular foreign market (Katsioloudes & Hadjidakis, 2007, pp. 255-256). However, the disadvantage of the wholly owned subsidiary is that it is the most costly foreign market entry mode to be realised (Hill & Hult, 2018, p. 369). Thus, it is possible to say that in order to own a wholly owned subsidiary in the market of a particular economic territory, it is not necessary for a foreign company, or a MNC/TNC, to set up the investment from the beginning, it can acquire another local company, that is already established in this market, in respect to its objectives and economic structures of this market. However, one may argue that, when establishing a wholly owned subsidiary in a small-scale economy, not only the costs of the establishment, but also the competitive advantages of this establishment in respect to the international market in the long run must be taken into consideration.

### **3.2. The economic indicators and political structures of the Turkish Republic of Northern Cyprus**

As it has been presented in the previous section, the economic indicators and the economic structures are important in order to identify the underlying reasons behind the diversification of the capitalist expansion in different economic territories. Therefore, in order to have a better understanding on the issue of why; at the one hand, while some branches of the capitalist industries do not exist in the economic territories of the TRNC , on the other hand some other branches exist and expand in the TRNC, in this section some economic structures and economic indicators of the TRNC, that are related with the subject, will be presented.

To begin with, Cyprus is the third largest island in the Meditarrenean Sea, and the largest island in the Eastern Mediterranean Sea, and it is located in the midst of the continents of Asia, Africa, and Europe. Thus, it is possible to say that, since it is located where trade routes intersect, the TRNC is situated in a geographically valuable place for the international capital; ‘Due to its strategic location, Cyprus has been coveted by various external powers throughout its history. Today shipping routes ... and competition for control of potential chokepoints make European powers, Turkey, and others very involved with that island...’ (Leigh & Vukovic, 2011, p.59). This is an important point to see some of the reasons behind the imperialist interests in Cyprus, since one may argue that occupying Cyprus could give an advantage to the controlling imperialist power by giving it the control of the trade routes between the Middle-East and the Europe.

However, there is not a much crowded population as a whole in the TRNC, according to the Turkish Republic Embassy in Nicosia/TRNC, the total population

of the TRNC was 335,455 and 93,292 of this population were consisting of students who were studying in the TRNC universities in 2016 (Türkiye Cumhuriyeti Lefkoşa Büyükelçiliği, 2018). According to the aforementioned information, it could be argued that nearly the one-third of the total population of the TRNC is consisting of the university students. Moreover, the population of the university students increased more in the last two or three years. According to TRNC Minister of National Education and Culture, Mr. Cemal Özyiğit, the total population of students in the TRNC universities in the 2018-2019 academic year was 102,944 and while 12,506 of this population was consisting of the TRNC citizens, 54,966 of them were citizens of Turkish Republic, and the rest of this population as 35,472 were consisting of students who are the citizens of other nations ('KKTC'de Üniversite Öğrencisi Sayısı Ne Kadar?' [How much is the University Students Population in the TRNC], 2018). This information is important in two respects, the first is that even if there is not any state that officially recognizes the TRNC, except the Turkish Republic, there is an increasing number of citizens of these states that does not officially recognize the TRNC who come and live for a period of time to study in the universities of the TRNC. So one may argue that there are some states that do not officially recognize the TRNC but accept formally the documents which are given by some institutions that belong to the TRNC, such as a diploma given by a university located in the TRNC.

The second important aspect, of the beforementioned information about the total and student population of the TRNC implies that, if nearly the one-third of the total population of the TRNC is consisting of university students, then any representative of global capital, who purposes to invest in the TRNC, must take into consideration that any calculation of the expected rate of labour force in the TRNC must be figured



out by subtracting this one-third of the total population. Furthermore, although it could be suggested that the university students may join in the labour force, the proportion of the students in the total labour force participation rate would remain insignificant. There are some reasons behind this notion; Firstly, nearly all of the university students are visiting the TRNC not to join the workforce, but to complete their academic education. Indeed, most of the students are going back to their own countries after finishing their education in these universities. Secondly, unless they complete their education process, the university students must not be considered as technically skilled labour. In addition to this, most of the students can not work in the full-time jobs in most branches of industry, therefore, they mostly work in part-time jobs at the businesses in the service sector. Thus, according to the Turkish Republic Embassy in Nicosia/TRNC, the total working age population of the TRNC in 2018 was 132,818 and 125,513 of this population was the employed population, including the state officials and state servants. Therefore, the unemployment rate was approximately 5.5%, which indicates 7,305 unemployed people (Türkiye Cumhuriyeti Lefkoşa Büyükelçiliği, 2018). The concern of this thesis is not related with the percentage of the unemployment, but the count of the unemployed population. It can be argued that the unemployed population of the TRNC is neither enough to create a 'reserve army of labor' (Marx, 1992/1893, p.22) that serve the global capitalists of manufacturing industry to apply a pressure on wages, nor it provides the material conditions of expanded reproduction within this economic territory; Since the global capitalists of manufacturing industry need huge masses of population as labour, not only the unemployed population of the TRNC, but also the total population of the TRNC is not sufficient to provide labour force for the huge 'efficiency seeking' manufacturing industry of the global capital.

Moreover, when it comes to the gross domestic product per capita, GDP per capita, of the TRNC, it was \$ 13,721 (US Dollars) in 2015 and it continually grown towards \$14,942 (US Dollars) by the end of 2018 (Türkiye Cumhuriyeti Lefkoşa Büyükelçiliği, 2018). The following figure (See Figure 1) shows the gross domestic product per capita, the GDP per capita, of some regions which industrial manufacturing activities of global capital highly exist within their economic territories:

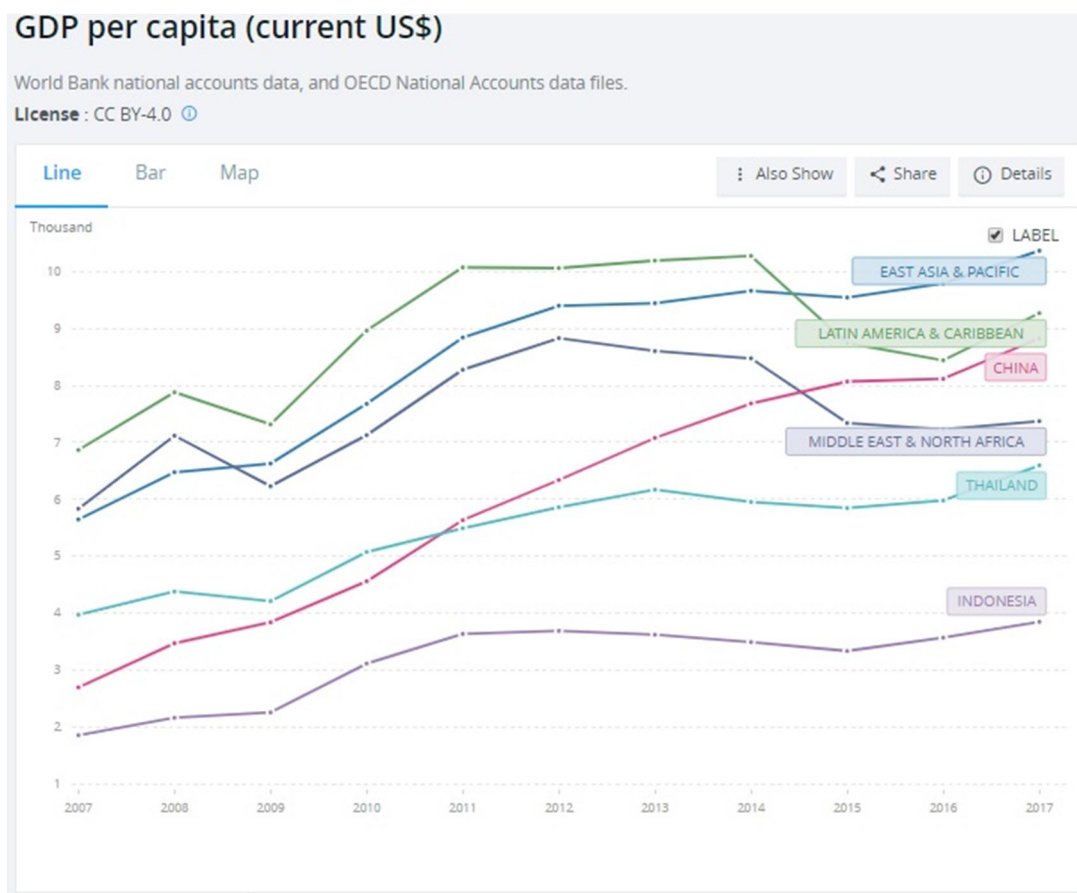


Figure 1. Graph of the GDP Per Capita of China, Thailand, Indonesia, and Average GDP Per Capita of the East Asia & Pacific Countries, Latin America & Caribbean Countries, Middle East & North Africa Countries, Years Between 2007-2017, Value Thousand US- Dollars. Reprinted from *The World Bank Open Data*, by The World Bank Group, 2019, Retrieved from <https://databank.worldbank.org> Copyright 2019 by The World Bank Group. Reprinted with permission.

According to the figure above (Figure 1), while the average GDP per capita of; East Asia & Pacific Countries was 10,367\$, Latin America & Caribbean Countries was 9,271\$, and Middle East & North Africa Countries was 7,373\$ in US Dollars in 2017. On the other hand, the GDP per capita in some countries, where huge industrial manufacturing plants of global capital prevail are; China 8,827\$, Indonesia 3,864\$, Thailand 6,595\$ in US Dollars, in 2017 (The World Bank Data, 2019). In addition to this, the average minimum monthly wage in the TRNC, in contrast to the average exchange rates until the 19th of July 2018, was 600\$ in US Dollars in 2018 (U.S. Department of State, 2018). Thus, it could be argued that, since the industrial manufacturing process of global capital necessitates lower wages within the invested economic territories in order to pursue its surplus value of its production process, the TRNC, with its higher GDP per capita and higher minimum-wages than the average GDP per capita and average minimum-wages most of the regions mentioned above, is not offering a good opportunity for the global capital of industrial manufacturing sectors to serve as an economic territory that articulate with the production process of global capital.

However, in respect to the economic indicators of the TRNC provided above, there appears a question; if the GDP per capita and minimum wages in the TRNC are higher than the average of these regions presented above, then how can one detect an imperialist accumulation by dispossession that takes place in the TRNC? In order to address this question, it must be known that these economic indicators are not the only indicators that took place in the whole picture. In fact, the context of non-recognition plays an important role on the imperialist accumulation by dispossession in the TRNC since its establishment. Following the coup against Makarios, and the violent actions of EOKA B towards Turkish Cypriot society; Turkish Armed Forces

landed to Cyprus on the 20th of July 1974, depending on Turkey's right as one of the guarantors of security in the Republic of Cyprus and Turkish authority for intervention on Cyprus depending on the Guarantee Treaty, so the partition of the island between the Greek Cypriots and the Turkish Cypriots came into existence (Camp, 1980). After nine years from the partition, in 1983, while the Greek-Cypriots were controlling the Republic of Cyprus, the Turkish Cypriots declared their self-determination, and established the Turkish Republic of Northern Cyprus, or the TRNC (Papadakis et al., 2006, p.3). Just after the declaration of the TRNC, the Turkish Republic officials announced Turkey's recognition of the TRNC (Erol, 2015). However, Turkey was the only state that officially recognized the TRNC (Erol, 2015). As a reaction, the United Nations started an embargo upon the TRNC by declaring the 'United Nations Security Council Resolution 541' (United Nations, 1983) which states that the declaration of the TRNC was incompatible with the 1960 Treaty about the establishment of Republic of Cyprus, as well as the 1960 Treaty of Guarantee, thus the attempt to create a 'Turkish Republic of Northern Cyprus' is invalid. As a consequence, the Turkish Republic of Northern Cyprus is an unrecognized state in the whole world, excluding Turkey. Furthermore, while there are political and economic embargoes on the Turkish Republic of Northern Cyprus, by the states which do not recognize it as well as their interstate institutions such as the European Union, are still being applied since 1983; the Republic of Cyprus (RoC) 'the Southern (or the Greek) part of the Island', is a member state of the European Union, and it pursues its existence as a recognized state in the international area, excluding Turkey (USA International Business Publications, 2011, pp.131-133).

One of the political embargoes on the TRNC reveals itself as the lack of ‘Foreign Missions in the TRNC’ today. Although there are some commission/information/support offices of some states, depending on the political embargoes, there is no formal embassy maintained by any state in the TRNC, except Turkey (Turkish Republic of Northern Cyprus Ministry of Foreign Affairs: 2011). The same situation is valid when it comes to the TRNCs ‘Missions Abroad’. There are 26 missions of the TRNC abroad in total; while 7 of them are the official missions in Turkey, which are the TRNC ambassador in Ankara, and the 6 consulates in İstanbul, Mersin, İzmir, Gaziantep, Antalya and Trabzon, the rest of the 19 missions are ‘quasi-formal’ representative offices in Brussels, Washington, New York, London, Geneva, Rome, Baku, Abu Dhabi, Islamabad, Doha, Muscat, Kuwait City, Manama, Bishkek, Stockholm, Berlin, Budapest, Strazbourg, and Helsinki (Turkish Republic of Northern Cyprus Ministry of Foreign Affairs: 2011). Thus, it is possible to say that, depending on the lack of formal foreign/abroad missions in/of the TRNC such as embassies and consulates, the foreign affairs of the TRNC are in a ‘quasi-legal’ situation. Thus, the so-called international relations, except the resolution negotiations on the ‘Cyprus Conflict’, are considered as informal communications. This situation is one of the major problems related with the embargoes that the TRNC faces, and it causes an isolation from the international arena.

Moreover, the embargoes and isolations are not restricted only with the political embargoes. There are also some economic embargoes that originated and depended on the political non-recognition of the TRNC. These economic embargoes not only cause an isolation of the TRNC from the international markets, but also undermine the industrial development of the TRNC (Kanol & Köprülü, 2017). In this sense, the

phenomenon of non-recognition of the TRNC, and the political and economic embargoes that are imposed upon the TRNC in the latter period to 1983 could be considered as the factors that lead to the economic disadvantages of the TRNC by the imperialist logics of territory. However, in order to have a better understanding on how the process of dispossession is being realized in the TRNC, there is a need to examine the specific issues of embargoes on the TRNC within historical context. First of all Stefan Talmon (2001) asserts that agriculture sector was an important source of income in the TRNC in 1994:

Despite the growth of the tourism industry, agriculture is (still) the backbone of the Turkish Cypriot economy and a major foreign currency earner. In 1994, agricultural products accounted for 48,1 per cent of total exports and 23,4 per cent of the working population was employed in the sector ... In 1994, some 80 per cent of the citrus crop of Northern Cyprus was sold to the United Kingdom.

(Talmon, 2001, p. 729)

Following this, as a part of the dispossession of the TRNC, thus the obstacles on its economic development, has firstly begun on the agricultural sector of the TRNC, ‘... on 5 July 1994, the European Court of Justice banned the export of citrus fruit and potatoes from Northern Cyprus to European states’ (Müftüleri-Bac & Güney, 2005, p. 285). However, although one may argue that the embargoes on the agricultural industry of the TRNC do not officially indicates an embargo on the production industries of the TRNC, there were some rules and regulations for the importation of goods to the member states of the European Union, or the European Community (or the EC) in 1990s, that in fact meaning to an embargo also on the production industries of the TRNC in practical terms (Talmon, 2001). The reason behind the banning of the importation of goods from the TRNC to the European Union states, or the EC states, was that the European Court of Justice, or the ECJ, concluded that the

TRNC was an unrecognized state and thus the export certificates of this state were not considered, by the ECJ, as the certificates of a state that is associated with the European Community (Talmon, 2001). Talmon clarifies this situation as the following:

The EC Commission thus informed the member states in several committees about the practical consequences of the ECJ's ruling and called for particular vigilance with respect to products which might originate in northern Cyprus ... Although the Court did not formally impose an 'embargo' on goods from northern Cyprus (as it has been contended), its ruling virtually closed the European Community market to goods from northern Cyprus: without a valid EUR.1 movement certificate, furnishing evidence of their Cypriot origin, Turkish Cypriot goods could still be imported into the Community but were treated as goods from a country not associated with the European Community, thus exposing them to import duties ranging from 3 per cent to 32 per cent. This meant that Turkish Cypriot companies, specially in the textile industry, had to lay off several hundred workers, a significant part of the TRNC's workforce, as their goods were no longer competitive on the European market.

(Talmon, 2001, pp.736-737)

Moreover, not only the textile industry in the TRNC, but also many other production industries of the TRNC have been undermined by the aforementioned embargoes. Just three years after the ECJ ruling on the importation of the TRNC originated goods, a domestic company of the TRNC, named 'Sanayi Holding', went bankruptcy, closed down its 57 manufactures, and laid off hundreds of workers in 1997 (Gürsel, 2019, June 11). Therefore, it is possible to say that not only the agricultural industry, but also the production industries of the TRNC were banned from the international markets by undermining its competitiveness; as it has been examined in Chapter 2; In the capitalist mode of production, losing competitiveness causes a great loss in the capitalist accumulation process and crises, and devaluation of capital. If there is an economic territory in which the productive capital within its geography is obliged to lose its competitiveness in the international markets, it is also possible to say that the

capital assets of this economic territory are obliged to have a devaluation. Thus, as it has been presented in Chapter 2, Harvey (2003) argued that if the existent valuable capital assets in an economic territory are ‘thrown out of circulation and devalued’ (p. 151) in some way by the external actors, then there is a dispossession that takes place within this economic territory. Regarding this, it could be argued that there is an imperialist dispossession against the people of the TRNC. Since the production industries of the TRNC were devalued by the European Court of Justice, or in other words the European Union, then the manufactures of these production industries were forced to close down and lay off hundreds of workers. By this way, the people of the TRNC did not only become unemployed, but also ‘have been incorporated into the global economy as consumers rather than producers’ (Bryant, 2015, para. 10). In addition to this, even if one attempts to run a business in production industry at the TRNC today, he/she is still going to face difficulties to sell its products in the international markets that are depending on its competitive disadvantage which are related with the context of non-recognition and its effects such as transportation/communication difficulties, or restrictions on export of his/her products just because its country of origin is the TRNC, which also can be considered as an embargo. Therefore, it is possible to say that the industrial economic development of the TRNC is undermined through externalizing the TRNC industries from the international markets by using the context of non-recognition and some economic sanctions, or embargoes by the European Union, following the phenomenon of non-recognition of the TRNC.

However, with the efforts of the seventh Secretary-General of the United Nations Kofi Annan, in order to solve the Cyprus Conflict by a reunification of the island, a solution plan, known as the Annan Plan, was offered to the TRNC and the RoC by



the United Nations. Thus, the Annan Plan was conducted two separate and simultaneous referenda at both of these states on the 24th of April 2004 (Sözen & Özersay, 2007). In addition to this, the unification was offering an establishment of a new federal state (Sözen & Özersay, 2007). As Sözen & Özersay expressed, the solution ‘called for the reunification of the island under the name United Cyprus Republic in a bi-zonal federal structure comprised of two constituent states, the Greek Cypriot State and the Turkish Cypriot State’ (Sözen & Özersay, 2007, p. 125). In this sense, it is possible to say that the Annan Plan was taking into consideration the rise of a possible ethnic conflict in the future and, in order to prevent such a situation, was offering a federal state solution for Cyprus. However, the Annan Plan could not be implemented due to the results of the referenda:

The plan, however, was rejected by a decisive 76 per cent ‘no’ vote by the Greek Cypriots while the Turkish Cypriots supported the plan with a 65 per cent ‘yes’ vote in the separate and simultaneous referenda on 24 April 2004. However, the Greek Cypriot-governed ROC [Republic of Cyprus] succeeded in becoming a full member of the EU on 1 May 2004.

(Sözen & Özersay, 2007, p. 139)

In respect to the aforementioned information, it is possible to say that, the result of the referenda for the Annan Plan and the EU access of the RoC were not only meaning to the continuation of the political isolation from the international area, but also it was undermining the competitiveness of the economy of the TRNC as against the economic development of the RoC. These are because, while with the rejection of the referendum by the RoC, the TRNC could not succeed to end its isolation from the international markets, as well as the international political environment, the RoC became a full member of an interstate institution, which is the EU, and began to reap the benefits of this full membership, such as the customs union with the EU, or the EU funds for some infrastructural funds, which gave a competitive advantage to the

economic development of RoC with respect to the economic development of the TRNC (Gökçekuş, 2009). Moreover, Bryant (2015) argues that, over the past decade, the TRNC ‘has witnessed not only increasingly direct relationships with international bodies and institutions, but also the increasing penetration of global capital’ (para. 8). However, when considered together with the obstacles placed against the industrial development of the TRNC, such as non-recognition, this penetration of the global capital meant that ‘Turkish Cypriots have been incorporated into the global economy as consumers rather than producers’ (Bryant, 2015, para. 10). Therefore, one may argue that, while the phenomenon of non-recognition of the TRNC by the imperialist logics of the territory, such as the states and the interstate institutions like the EU, undermine the industrial development of the TRNC; on the other hand the imperialist logics of capital pursue its capitalist expansion and accumulation in the forms of Transnational Corporations or Multinational Corporations today in the territories of the TRNC; and this situation could be considered as an imperialist accumulation by dispossession that takes place in the TRNC.

Moreover, although it is sharing the same island with the TRNC, the GDP per capita in the only-neighbouring state of the TRNC, the Republic of Cyprus, which also is known as the Southern (or the Greek part of) Cyprus, has a much higher GDP per capita than the TRNC (Gökçekuş, 2009). The GDP per capita of the Republic of Cyprus was 25,658\$ in US Dollars in 2017(The World Bank Data, 2019). On the other hand, the foreign aid, which is being provided by the Turkish Republic, the only state that officially recognizes the TRNC, has a crucial share in the GDP per capita of the internationally unrecognized TRNC. The Turkish Republic is providing foreign aid to the northern side of Cyprus since the partition in 1974 and since the

establishment of the TRNC in 1983. According to the Turkish Republic Embassy in Nicosia/TRNC, an average of between 25% and 30% of the total state budget of the TRNC is consisting of the foreign aid provided by Turkey between 2007 and 2017, and the foreign aid to the TRNC by the Turkish Republic is expected to increase in the following years (Türkiye Cumhuriyeti Lefkoşa Büyükelçiliği, 2018). In addition to this, incomes of the TRNC universities and the tourism sector have an important percentage in the total GDP of the TRNC; according to the statements of Undersecretary of the TRNC State Planning Organization, Mr. Ödül Muhtaroglu, the percentages of incomes of the TRNC universities and the tourism sector of the TRNC were, respectively, consisting 9.3% and 9% of the total GDP of the TRNC in 2017 ('2017 yılı Gayri Safi Yurtiçi hasıla sonuçları açıklandı'[The TRNC Gross Domestic Product in 2017, has been announced], 2018).

It is important to mention the tourism sector in the TRNC because, depending on its climate and geography, the tourism sector is an important source of income not only in the TRNC, but also in the Republic of Cyprus. According to the statistics of the TRNC Ministry of Tourism and Environment, the total number of tourist arrivals in the TRNC was 1,759,625 in 2018, and approximately 77% of this number, which is 1,359,420 in total, were consisting of tourists who came to the TRNC from Turkey (Kuzey Kıbrıs Türk Cumhuriyeti Turizm Planlama Dairesi, 2019). When it comes to the total number of tourist arrivals in the Republic of Cyprus, there were 3,938,625 tourist arrivals in 2018 ('Güney Kıbrıs'a 2018'de gelen turist sayısında artış gözlemlendi'[An increase in the number of foreign tourist arrivals in the Southern Cyprus in 2018, has been observed], 2019). The information provided above shows that the number of total tourist arrivals in the Republic of Cyprus was more than the double amount of the number of total tourist arrivals in the TRNC in 2018. One can

argue that, while there are some other factors such as the European Union Membership of the Republic of Cyprus, the non-recognition of the TRNC also plays a crucial importance in this issue. As it is already known, depending on its non-recognition, there are no any direct flights or navigation routes from any other state to the TRNC, except Turkey. Scott Pegg asserts that ‘The fact that no country other than Turkey maintains direct air links with the the TRNC substantially increases both the costs and the inconvenience of traveling to Northern Cyprus and is a serious impediment to the development of the tourist industry there’ (Pegg, 1998, p. 5). Therefore, while this situation directly undermines the tourism sector in the TRNC, it could be argued that this situation also has indirect negative effects on some other economic sectors in the TRNC. The reason behind this notion is that the less the number of tourists visiting the TRNC, the lesser the buoyant of commerce within this economic territory, thus the whole economic activity gets undermined as a result of non-recognition. In this regard, it is possible to say that the context of non-recognition plays an important part on the dispossession that takes place in/of tourism sector, and on the economic activities that are related with the tourism sector in the TRNC.

Furthermore, another important issue related with the non-recognition is that ‘A variety of international organizations including the Universal Postal Union, the International Civil Aviation Organization, and the International Air Transport Association have refused to recognize or deal with the Turkish Cypriots in their respective areas of competence’ (Pegg, 1998, p. 4). Therefore, as a result of the non-recognition of the TRNC by these international organizations, some processes and activities related with international trade, such as transportation and communication are getting harder to be accomplished. For example, if one attempts to send or ship

anything (i.e. a commodity, a payment, a document, or a letter) from the TRNC to any state that does not officially recognize the TRNC, he/she must identify his/her address as ‘Mersin10/Turkey’, with a zipcode in 99000 derivatives, which is a kind of masked address for the TRNC that transmits this address and make it look like an address in Mersin, a city of the Turkish Republic, and then send or ship this post to the recipient. Thus, in this process, the ‘thing’ that is to be shipped from the TRNC to anywhere in the world, must firstly arrive to Turkey, then depart from Turkey in order to reach the recipient address. The same process is valid in vice versa, for this time the sender needs to write ‘Mersin10/Turkey’, as well as the same zipcode range, on the recipient address, and the shipment needs to arrive Turkey first, then depart from Turkey to the TRNC, otherwise the package will be sent back to the sender.

However, another important issue about the internal political and economic structures of the TRNC is related with the right to private property ownership. According to a report of the US Department of State about the investment climate of Cyprus in 2015, ‘Investors are advised to consider the risks associated with investing in immovable property [in the TRNC]’ (US Department of State, 2015, p. 15). The underlying reason behind this situation is that the ownership of private property in the TRNC, especially the lands that were owned by the Greek Cypriots before the partition of the island and the establishment of the TRNC, are still a matter of conflict today:

For property in the Turkish Cypriot-administered areas, only pre-1974 title deeds are uncontested. In response to the European Court of Human Rights’ (ECHR) 2005 ruling in the *Xenides Arestis* case that Turkey’s ‘subordinate local authorities’ in Cyprus had not provided an adequate local remedy for property disputes, Turkish Cypriot authorities established an Immoveable Property Commission (IPC) to handle property claimed by Greek Cypriots.

(US Department of State, 2015, p. 15)

Moreover, although the Immovable Property Commission (IPC) is established to handle the disputes on private property ownership in the territories of the TRNC, according to the IPC, there are hundreds of applications made by the Greek Cypriots, and not all of the applications are concluded with a final solution:

The Immovable Property Commission was set up under the Immovable Property Law (No. 67/2005) in accordance with the rulings of the European Court of Human Rights in the case of *Xenides-Arestis v. Turkey*. The purpose of this measure was to establish an effective domestic remedy for claims relating to abandoned properties in Northern Cyprus ... As of 11 June 2019, 6,544 applications have been lodged with the Commission and 970 of them have been concluded through friendly settlements and 33 through formal hearing. The Commission has paid GBP 303.877.517.- to the applicants as compensation. Moreover, it has ruled for exchange and compensation in two cases, for restitution in three cases and for restitution and compensation in seven cases. In one case it has delivered a decision for restitution after the settlement of Cyprus Issue, and in one case it has ruled for partial restitution.

(Immovable Property Commission, 2019, para 1,5)

In respect to this information, it is possible to say that the security of the property ownership in the TRNC is carrying some particular risks depending on the European Court of Human Rights (the ECHR) ruling about the property disputes at the TRNC. As it has been examined in Chapter 2, according to Harvey (2003), the logic of capital needs security of its private property within the territories where it operates. In addition to this, depending on the reason that their primary operation is production, the production industries of capital, first of all, are in need of a secured private property ownership. They need a secured ownership of land for their manufacturing facilities, the ownership of the buildings, which are the manufactures, themselves also necessitate security (Harvey, 2003). Therefore, it could be argued that the risks on the property ownership decreases the preferability of investing in the production industries in the territories of the TRNC. This situation could also be

considered as a part of the aforementioned dispossession that takes place in the TRNC.

On the other hand, another important aspect of the internal economic structures of the TRNC is related with the governmental incentives that are promised to be given by the state of the TRNC. According to the TRNC State Planning Organization, 'Encouragement of foreign investment is among the primary objectives of the Turkish Republic of Northern Cyprus' development policy' (Turkish Republic of Northern Cyprus State Planning Organization, 2018). In order to reach this objective, which is encouraging the investments in the TRNC, there are some governmental incentives that are promised to be given by the TRNC to the investments with Investment Certificates that are granted from the TRNC State Planning Organization, 'regardless of whether an investor is local or foreign' (Turkish Republic of Northern Cyprus State Planning Organization, 2018, p.3). In this regard, it is possible to say that the Multinational Corporations (MNCs) and Transnational Corporations (TNCs) are allowed to benefit from the governmental incentives as much as the local companies in the TRNC. Some of these governmental incentives for the investments are as follows:

Investment allowance is 200% on the initial fixed capital investment expenditure for the investments to be made in the Development Priority regions determined by the State Planning Organization in the development plans and / or annual programs. Investment allowance is 100% on the initial fixed capital investment expenditure for the investments in other sectors and regions. Güzelyurt, Lefke, İskele and Geçitkale were determined as Priority Development Regions by the Council of Ministers ... Import of machinery and equipment concerning the project are exempt from every kind of custom duties and funds in accordance with Incentive Certificate ... Zero rate VAT is applied for both the imported and locally purchased machinery and equipment in accordance with the Incentive Certificate ... State owned land and building lease is possible for the investments that are granted Incentive Certificate in accordance with the regulations in force ... Investments that are granted Incentive Certificates are exempt from all kinds of taxes and fees related with construction licence ... Reduction of stamp duty concerning

capital increase is provided for the investments that are granted Incentive Certificate ... Allowances are also given on existing buildings or on the construction, extension or adaptation of buildings owned and used by a person or corporate body. In total, tax allowance is given equal to the cost of an asset plus the investment allowance ... Initial (Investment) Allowance rate is 50%. Investment allowance rate can be increased up to 100% or new rate, which is not less than legal rate, can be determined by the Council of Ministers with the recommendation of Ministry of Finance for the investments in Priority Development Regions and in sectors with special importance specified under the Incentive Law and the Tourism Industry Incentive Law ... The exports of all goods and services are exempt from VAT. According to the legislation the exporters can claim credits or refunds for the VAT paid on their inputs ... Air, land and sea transportation services, from TRNC to foreign country, from foreign country to TRNC or from foreign country to foreign country via the TRNC, except passenger transportation services which are provided by transportation corporations in the TRNC, are exempt from VAT. According to the legislation carrier can claim credits or refunds for the VAT paid on their inputs ... Services provided in ports or airports for the sea or air transportation vehicles used in the production of income are exempt from VAT.

(Turkish Republic of Northern Cyprus State

Planning Organization, 2018, pp. 3-6)

Therefore, it is possible to say that the TRNC state is aiming to encourage both the domestic and global capital to invest in the territories of the TRNC through the governmental incentives provided by the state; such as the tax allowances, investment allowances, and some exemptions from the Value Added Tax (which is a kind of a consumption tax) in some circumstances. In addition to this, according to the TRNC State Planning Organization (2018), 'In accordance with its development policy, Northern Cyprus is giving preferential treatment to export-oriented industries. Due to its small domestic market, the TRNC authorities focus on export of goods and services' (p.2). In other words, it is possible to say that another important objective of the economic policies of the TRNC state is encouraging the logic of capital to make investments on the export-oriented industries, which can also be considered as the production industries, in the territories of the TRNC.



However, although the state authorities of the TRNC are endeavoring to increase the export-oriented manufacturing investments in the TRNC, on the other hand, the forementioned obstacles on the production industries in the TRNC and the context of non-recognition is ‘hindering their [the Turkish Cypriots’s] endeavour to achieve a self-sustaining economy’ (Kanol & Köprülü, 2017, p.391). Therefore, it could be argued that since the production industry gets undermined in the TRNC; then, as Bryant (2015) also argues, the TRNC economy is being forced to get involved in the global market as a consumer economy, rather than as a producing economy. By adding on the argument of Luxemburg (2003/1913) that ‘Capitalism needs noncapitalist social strata as a market for its surplus value’ (p. 348), Bradby asserts the following:

... pre-capitalist modes of production are necessary to provide capitalism with buyers of its expanded surplus. They are 'necessary' here in the sense that if this market did not exist, then capitalism could not go on accumulating, or could not have accumulated at all in the first place.

(Bradby, 1975, p.134)

In this sense, it is possible to say that, by undermining the production industries of the TRNC through banning its integration into the international markets by the imperialist logic of state, the TRNC is being forced to serve as a market to the imperialist logic of capital for its accumulation process. Thus, the TRNC is getting articulated with the expanded reproduction of capital as a market, rather than an economy which serves as a stage in the production process. Since this point has a crucial importance to this thesis, as an evidence to the argument presented in the preceding sentence, it could be argued that, this case is in fact getting more obvious by analyzing the balance of import rates and export rates in the TRNC. The

following figure (See Figure 2) shows the total import value, the total export value, and the foreign trade deficit of the TRNC between the years of 2006 and 2017:

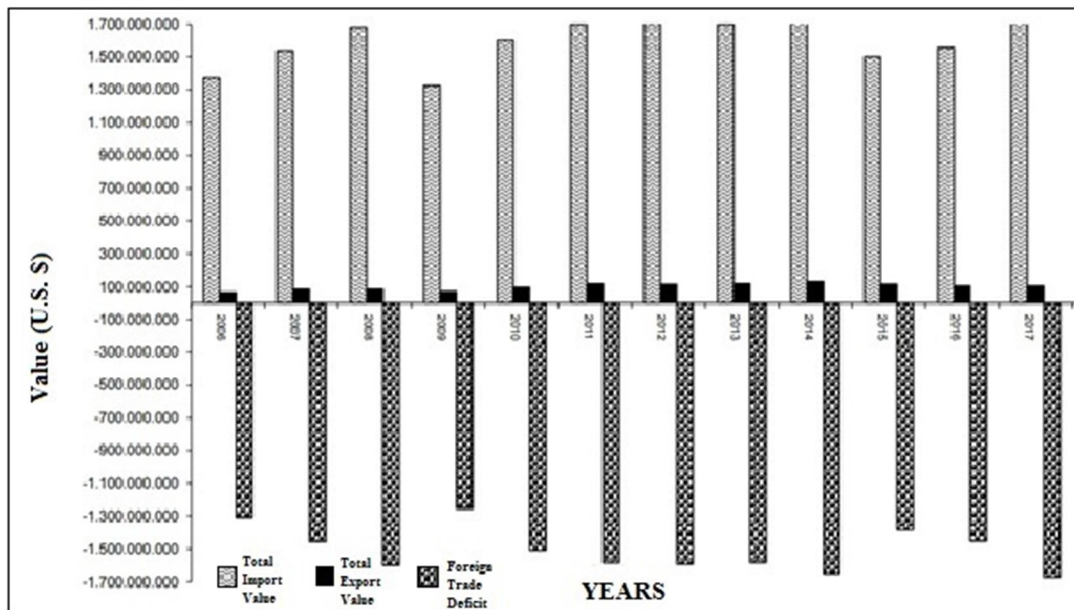


Figure 2. Graph of the Foreign Trade Balance of the TRNC, the indicators are respectively, the Total Import Value, the Total Export Value, and the Foreign Trade Deficit of the TRNC, Years Between 2006-2017, Value US-Dollars. Reprinted from *Kuzey Kıbrıs Türk Cumhuriyeti: Dış Ticaret İtlahat ve İhracat İstatistikleri 2017* [Turkish Republic of Northern Cyprus: Foreign Trade Import and Export Statistics 2017], by KKTC Ekonomi ve Enerji Bakanlığı Ticaret Dairesi [TRNC Ministry of Economy and Energy, Department of Trade], n.d., Retrieved from <https://ticaret.gov.ct.tr> Copyright 2019 by KKTC Ticaret Dairesi [TRNC Department of Trade]. Adapted with permission.

By looking at the figure above (Figure 2), it is possible to argue that, for each of the years between 2006 and 2017, not only the total import value, but also the foreign trade deficits are nearly more than ten times of the total export value of the TRNC. Thus, the claim that ‘there is an imperialist accumulation by dispossession in the TRNC’ is gaining strength in the sense that the production industries of the TRNC are banned from the international markets by being thrown out of the cycle by the imperialist logics of territory through the context of non-recognition, or economic embargoes, or disputes on the property ownership. As a consequence, the

competitiveness of the production industries of the TRNC are undermined in this way and the businesses in production branches have been forced to shut down. Moreover, combined with this dispossession, an imperialist accumulation process took place in the TRNC, in the forms of foreign investments in different sectors by the MNCs or TNCs, or by selling the capitalistically produced goods that come from somewhere else in the world. Thus, one may argue the following: not necessarily as a producing economy, but as a consuming economy, the TRNC is being integrated to the international markets.

### **3.3. An assessment on the TRNC economy in respect to the the dynamics of the different foreign market entry modes and the expansion strategies of the MNCs/TNCs**

In respect to the information and arguments provided in Part 3.1, and Part 3.2, within this section the issues of; which branches of industry are the most feasible ones for the imperialist logics of capital, and therefore, which foreign market entry modes, in the TRNC, are the most practical ones for these capital, will be examined by mutually assessing the dynamics of the different foreign market entry modes and the economic structures and indicators of the TRNC.

First of all, as it has been presented before in Part 3.1, every different company that operate in different branches of the capitalist industry has different objectives, needs, and strategies; while some some companies in the production industries seek for cheap labor in order to reduce the costs of their production and gain competitive advantage by this way, or raw materials which are necessary for their production operation, there are some other companies in the same industry, but they are seeking for a market for their produced commodities. Therefore, it could be argued that, for

the ones that are in search of an economic territory to establish a production facility, i.e. a manufacture, the TRNC is not a feasible economic territory depending on the following reasons; (1) the wages are high in the TRNC, so the increased cost of labour may decrease the surplus value for the capitalist, (2) the total population and working population in the TRNC are not creating huge masses of labor power that is necessary for the giant production processes of the global capital (3) the phenomenon of non-recognition is aggravating the transportation and communication issues between the TRNC and the world market (excluding Turkey), (4) the economic sanctions that could be considered as an embargo imposed on the TRNC by the European Union, undermine the competitiveness of the production industries that operate in the TRNC depending on their inability to sell their produced commodities to the EU markets, (5) the property ownership issues in the TRNC and the ECHR rulings on this issue increase the risks related with the ownership of property in the TRNC for the capitalists. However, because the small-scale entries to the foreign market are less risky and the TRNC government is providing some incentives and allowances, then some small-scale production units that are established to provide commodities for the domestic market of the TRNC could be feasible, not in the long run, but in the short run, depending on their inability to expand towards the foreign markets. However, it could be argued that, for some global companies which are in the consumption sector that produce fast moving consumer goods, the TRNC market may be feasible in the long-run to a certain extent as long as their products get consumed domestically, and as long as it is cheaper establishing a small-scale production unit than exporting their goods to the TRNC. This kind of establishments could be practically succeeded by the TNCs and MNC in forms of some foreign market entry modes such as joint ventures and

wholly owned subsidiaries. The MNCs/TNCs may either establish a jointly owned business with a local company in the TRNC, or they can establish a wholly owned subsidiary of their global businesses by acquiring a local company or by establishing a greenfield venture.

When it comes to the resource-seeking TNCs/MNCs that operate in the production industry which are seeking to get access to the raw materials, it is possible to say that, regardless of that if the TRNC has a resource-rich geography or not, depending on the problems that are arising from the issues of non-recognition of the TRNC and the economic embargoes imposed on the TRNC, the articulation processes of the raw materials with the production process of the TNCs/MNCs will be undermined, in the senses of lack of communication, and high costs of transportation. Therefore, it is possible to claim that the TRNC market is not a feasible location for this kind of investments of the MNCs and TNCs, as long as they have some other objectives such as, for example using their investments in the TRNC market as a reserve to be used actively in the future. However, in order to do this, the property ownerships of the MNCs/TNCs in the TRNC must be guaranteed in some certain way and by some certain authorities.

However, it could be argued that since the GDP per capita, the minimum wages, and therefore the purchasing power, are perpetuating in adequately high amounts in the TRNC to be used as a market by the TNCs/MNCs, then the territories of the TRNC are feasible for the investments of the TNCs/MNCs which are operating in production industry and in a search for new foreign markets for their produced commodities. Although the communication and transportation processes between the TRNC and the rest of the world are difficult to achieve, these difficulties could be overcome in such circumstances depending on the following reasons; (1) the

process of shipping goods from a certain country to the TRNC is easier than shipping goods from the TRNC to that country, and (2) since the purchasing power is high, the costs of transportation could be reduced relatively by increasing the prices of the goods in the TRNC market. In addition to the latter reason, it must be noted that depending on the non-recognition and the economic embargoes, the domestic market of the TRNC is already unable to reach these goods in relatively low costs, neither by producing these goods, nor by importing them from somewhere else. Therefore, it is possible to say that, despite the difficulties in the communication and transportation processes, the TRNC market is still feasible for such investments of the TNCs/MNCs due to the TRNC markets' own internal dynamics. When it comes to the choice of the foreign market entry modes for this kind of investment, it could be argued that exporting, licencing, and to some extent joint ventures in the form of licencing, could be practical for the TNCs/MNCs in order to expand in the TRNC market. In fact, by looking at the total import values of the TRNC (See Figure 2), it is possible to see that exporting has a substantial place and being widely used as a foreign market entry mode in order to enter the TRNC market. However, it is quite an important issue here that the inner structures, mechanisms, and the dynamics of these kinds of foreign market entry modes in the TRNC are going to be different from what they actually are in the territories that do not have such political and economic conditions like non-recognition and economic embargoes.

Finally, when it comes to the MNCs/TNCs that operate in the service sector, it is possible to say that most of these representatives of the imperialist logic of capital, which are the TNCs/MNCs, can also be considered as market-seeking companies and depending on the internal economic indicators in the TRNC, such as the high

purchasing power, the TRNC market is feasible for the investments of these companies as much as the other market-seeking companies from different sectors that are presented above within this section. However, depending on the structural differences of the companies in the service sector, than the ones in the production industries, these companies need to invest in the TRNC market through different foreign market entry modes such as franchising, but establishing joint ventures can also be practical for them in some circumstances. Yet, in addition to these, if a MNC/TNC decides to establish a joint venture in the TRNC market, then this company must take into consideration the continuing property ownership disputes in the TRNC and the possible risks that will result from these disputes. As a result of this issue, and also the other issues which are related with the non-recognition and the economic embargoes that being imposed on the TRNC by the imperialist logics of territory (such as the EU states and institutions like the ECHR, or UCI), just like it happens in the other foreign market entry modes and the other sectors of business, the inner structures, mechanisms, processes, and the dynamics of the foreign market entry modes, which are used by the MNCs/TNCs in order to invest in the TRNC market, will also be different from the ones that do not have these kinds of issues such as non-recognition and economic embargoes. In this sense, these inner structures, mechanisms, processes and the dynamics which are being used by the TNCs/MNCs in order to pursue their imperialist accumulation by dispossession are worth further investigation, which are also among the main objectives of this study.

## **CHAPTER 4: AN ANALYSIS ON THE FLOW OF GLOBAL CAPITAL IN THE TRNC MARKET**

In the previous chapters, the main underlying reasons behind the expansion of global capital, the various and different forms of this expansion, as well as the importance of the different objectives of the capitalists, different expansion modes, and the different structures of the geographies to be expanded were presented. In this respect, the economic and political structures of the TRNC, which are related with the forms of expansion of the global capital, have been presented, and a contrast has been made among these expansion modes. As a result of the phenomenon of ‘non-recognition’ and the ‘political and economic embargoes’ that have been imposed on the TRNC, it has been shown that the industrial development of the TRNC has been limited and the people of the TRNC have been forced to be consumers of the global capital. The existence and the expansion of the MNCs and the TNCs in the TRNC market can be seen as an evidence of this situation.

As it has been presented in Chapter 1, there is an increase in the amount, in numbers of investments, of the foreign companies and offshore companies in the TRNC market. Furthermore, what is meant by ‘foreign companies’ and ‘offshore companies’ in the aforementioned information is that the Multinational Corporations (MNCs) and/or Transnational Corporations (TNCs) that have direct investments in the TRNC market, or MNCs and/or TNCs that have any kind of ‘offshore’ investments in cooperation with domestic capitalists in different forms of market entry modes that are presented in Chapter 3. Additionally, none of these MNCs/TNCs are based on/centered in Turkey, the only state that recognizes the



TRNC. The reason behind this is that since an MNC is defined as ‘An enterprise operating in several countries but managed from one (home) country’ (Multinational corporation, 2019), and a TNC is defined as ‘A commercial enterprise that operates substantial facilities, does business in more than one country and does not consider any particular country its national home’ (Transnational company, 2019), then one may argue that a foreign firm that operates in the TRNC market would naturally be an MNC or a TNC. At this point, it must be mentioned that depending on the reason that the investments of both the MNCs and TNCs represent global capital in the TRNC, it is not the concern of this thesis whether the company investigated is an MNC or a TNC within its nature. Thus, both the MNCs and TNCs are considered together as a part of the global capital. However, depending on the reasons of the non-recognition of the TRNC within the international political area, and the political-economic embargoes imposed on the TRNC, in the previous chapter it has been argued that the inner structures, tools and mechanisms that are used by these companies and the dynamics of the foreign investments in all different market entry modes in the TRNC, are expected to be different from what they actually are in the territories that do not have such political and economic conditions like non-recognition and economic embargoes.

Therefore, in this chapter, it has been aimed to investigate and analyze these different structures, tools, mechanisms and the inner dynamics of the investments of the MNCs and TNCs in the TRNC market. In doing so, I conducted a fieldwork study and in Part 4.1 the details of the research method of this thesis’ fieldwork will be introduced. Then in Part 4.2, the findings and analyses of this study will be presented. Finally, Part 4.3 will offer a summary of the findings and analyses of the study, and some evaluations will be made on these findings.

#### **4.1. Research Method**

In order to investigate the tools and mechanisms used by the TNCs/MNCs within their investment processes in the TRNC, as well as the different structures and inner dynamics of their investments and the operation processes of these establishments, this study was conducted through three different research methods. Firstly, the research was conducted through a semi-structured in-depth interview method on the basis of maximum variation / heterogenous sampling with representatives of thirteen MNCs'/TNCs' establishments in the TRNC. Depending on their knowledge and responsibilities about the companies' historical backgrounds, operations and organic structures, these representatives are purposively selected out of either the executive managers of these establishments in the TRNC such as wholly owned subsidiaries, or owners or executive managers of the domestic companies that are operating businesses of these MNCs/TNCs in the TRNC through bounding themselves to these MNCs/TNCs by specific written and official agreements such as distributorship agreements, franchising agreements, licensing agreements, or joint venture agreements. However, there are some domestic groups of companies in the TRNC that do these kinds of businesses with multiple MNCs/TNCs. Therefore, I have interviewed four executive managers and one owner in four domestic groups of companies that do mutual businesses with nine MNCs/TNCs, one owner and two executive managers of domestic companies that do business with three MNCs/TNCs, and one executive manager of a wholly owned subsidiary of an MNC/TNC. In a brief, I had nine interviewees in total who belong to eight companies that could be considered as parts of thirteen MNCs/TNCs. In order to clarify the sampling, the table below (Table 1) presents the sample of the semi-structured in-depth interviews:

Table 1.

*Sampling of the interviewees*

MNC/TNC Code	Market Entry Mode	The Local Company Code	Interviewee Name/Position
MNC 1	Exporting /Distributorship	Company A	Haydar / Executive Manager
MNC 2	Exporting /Distributorship	Company B	Haşmet / Executive Manager
MNC 3	Exporting /Distributorship	Company B	Haşmet / Executive Manager
MNC 4	Exporting /Distributorship	Company C	Mithat / Owner, Shareholder
MNC 5	Exporting /Distributorship	Company C	Mithat / Owner, Shareholder
MNC 6	Franchising	Company A	Kenan / Executive Manager
MNC 7	Franchising	Company D	Yüksel / Owner, Shareholder
MNC 8	Franchising	Company E	Tamer / Executive Manager
MNC 9	Franchising	Company E	Tamer / Executive Manager
MNC 10	Franchising	Company E	Tamer / Executive Manager
MNC 11	Licensing	Company F	Haluk / Executive Manager
MNC 12	Licensing & Joint Venture	Company G	Biröl / Executive Manager
MNC 13	Wholly Owned Subsidiary	No Local Company (Named as Company H)	Faik / Executive Manager

*Note.* This table is an original work of the author of this thesis. In order to ensure confidentiality, the names of all of the MNCs and TNCs have been hidden and given them a ‘code number’ with the term ‘MNC’, regardless of if they are an MNC or a TNC. The same technique has been applied on the existent investments in the TRNC, for the same reason, their codes represented as numeric codes with the term ‘Company’. When it comes to the interviewees, their names are also changed in order to ensure confidentiality, in addition to this, for protecting their identities, genders of all of the interviewees have been represented as ‘male’ regardless of their gender. Moreover, their ages also will not be represented for the same reason.

As it can be seen in the table above (Table 1), each of the interviews represents a different MNC and a different foreign market entry mode. The number of the interviews in respect to the market entry modes follows as; five Exporting/Distributorship, five Franchising, one Licensing, one Joint Venture with a Licensing, and one Wholly Owned Subsidiary. The reason behind the differences in

the amounts is the availability of these specific kinds of market entry modes in the TRNC market, thus they were represented proportionally in this study. However, the limitation on the multiplicity of the companies in the sample set is due to the unwillingness of some companies to participate in this study. I have first contacted the purposively selected sample via phone and asked for an appointment for the interview if they are willing to participate the research. The potential interviewees who refused to participate had to be excluded from this study.

The interview questions consist of seventeen core questions and twenty sub-questions that are related with the core questions. These questions can be categorized under the following topics: the story of the establishment phase of the MNC or the domestic companies that represent the MNCs in the TRNC market and the investment processes of the MNCs; the decision-making process of the market entry and the reasons behind investing in the TRNC market; the governmental policies of the TRNC state on foreign investments, and the effectiveness of the governmental incentives for foreign investments; how and in what ways the structures and operation processes of the investments of the MNCs have been changed in respect to the context of non-recognition of the TRNC and political and economic embargoes related with the TRNC; the kind of organic links that exist between the local companies in the TRNC that do businesses for the MNCs and the MNCs themselves, and the kind of legal/illegal agreements or partnerships involved in this way; which tools and mechanisms the establishments of the MNCs use to buy the commodities abroad that are necessary for their businesses in the TRNC; the position of the establishments/investments of the MNCs in the TRNC market, and the market share of them in the TRNC; how they (either the domestic capitalists that do mutual businesses with the MNCs, or the global capitalists, which are the subsidiaries of the

MNCs, themselves) see the sector that they are doing businesses in the TRNC market; and lastly (this is applicable only for the companies that have production facilities in the TRNC), whether they exploit the domestic natural resources of the TRNC. Each of the interviews was conducted through face-to-face and one-on-one verbal communication in the personal office of the related interviewee, or in a place that provides privacy which the related interviewee and I mutually decided on. The interviews lasted around forty minutes (depending on the depth of the information that the interviewee provided, while some of the interviews took thirty minutes, some others lasted as long as sixty minutes) and each of the interviews were tape recorded in order to keep, protect and transcribe the information that interviewees provided. The interviews were done between the time period of 7th of May 2018 and 31th of December 2018. A draft of the interview questions has been presented in Appendix A. While transcribing the interviews, all quotations are written in text as verbatim, but in order to provide an easier reading some of the grammatical mistakes and the mistakes on pronunciation have been corrected and some sentences were condensed in the translated versions of the quotations. In addition to this, some of the proper names of the companies have been hidden, and written as e.g. ‘Company X, Company Y, or Company Z’ in order to provide confidentiality and protect their identities. An example of the interviews in text has been provided in Appendix B.

In addition to the semi-structured in-depth interviews, as a second research method, another field study has been conducted through cross-sectional surveys. The surveys have been applied to the same sample at the same places at the beginning the interviews. The surveys have been conducted in the same time period with the interviews and the contact with the participants were made depending on the

willingness of the participants at the same phone call for the interviews. Thus, the sample of the participants are exactly the same with the interviews.

The cross-sectional surveys consist of five open-ended, four closed-ended, and two semi-closed-ended questions, so eleven questions in total. These questions can be categorized under the following topics: the date of establishment of the domestic companies; the date of establishment of the investments by the partnership between the domestic companies and the MNCs; the kinds of foreign market entry modes used in order to establish these coinvestments in the TRNC market; the sectors that the coinvestment operate in the TRNC market; the average annual returns of these coinvestments last year; the amount of workers in these coinvestments; the number and location of, if there are, subsidiaries/suboffices/sub-stores/sub-dealers (these alternatives differs according to their sectors and market entry modes) the MNCs have in the TRNC market; the local companies themselves, that have coinvestments with the MNCs, any foreign shareholders, if any, the percentage of the stocks of these local companies that these foreigners have; and lastly, whether the MNCs have a large production facility in the TRNC or not. The information gathered from the surveys have been analyzed in a qualitative approach in accordance with the research questions of this study. A draft of the survey questions is provided in Appendix C.

However, the study also includes some direct observations of the researcher that are related with the existence and expansion of global capital in the TRNC market, such as some investigations and analyses of the internet sites of the MNCs in order to check the legality of the agreements between the MNCs and local companies of the TRNC, in the base countries of the MNCs. Furthermore, the study includes some other direct observations on the issues related with global capital in daily economic

life in the TRNC market that have been affected by the context of non-recognition of the TRNC.

As a result, it must be known that the reason behind choosing the maximum variation/heterogenous purposing sampling for the interviews and the surveys is that this study have been conducted in order to reach general conclusions about each of the different market entry modes, which are the variations, that are considered as the expanding investments of the MNCs and TNCs in the TRNC market. By this way, at the end of this study, some general conclusions about the structures, processes, tools and mechanisms of these investments of global capital within the TRNC market as a market of an unrecognized state, will be presented . However, depending on the unwillingness of some of the companies to participate in the study, it must be noted that the variations of the results and findings, thus the conclusions, are limited to the information that were gathered from the participants of the field studies that were conducted for this thesis. In the next part, Part 4.2, the analyses of the results and findings of these field studies are going to be presented.

#### **4.2. Existence and Expansion of Global Capital in the TRNC Market**

In this part, the structures and the dynamics of the existence and expansion of global capital in the TRNC as an unrecognized state, and the tools and mechanisms that are used by global capital within the expansion processes of their investments in the TRNC market in the forms of establishments of Multinational Corporations (MNCs), and the Transnational Corporations (TNCs), will be analyzed by using all the information provided in the pveious chapters and the findings of the field studies of this thesis. However, as it was argued before in Chapter 3, the investments of global capitalists have different structures in accordance with the methods that they use in

order to expand towards a foreign market, in other words the foreign market entry modes. In this sense, in order to have a better understanding on the distinguishing features of each kind of investments of the MNCs and TNCs in the TRNC market, first of all, each of the foreign market entry modes, that have been used by these representatives of global capital, must be analyzed separately. In this sense, while in Part 4.2.1 the analyses on ‘The investments in the TRNC market by using ‘Exporting’ as a foreign market entry mode’ will be presented, Part 4.2.2 will cover ‘Franchising’, Part 4.2.3 will cover ‘Licensing’, Part 4.2.4 will cover ‘Joint Ventures’, and finally in Part 4.2.5 ‘Wholly Owned Subsidiaries’ will be analyzed and some conclusions about the findings will be made.

However, before beginning the analyses, it must be noted that depending on the reason that the Turkish Republic of Northern Cyprus is an officially recognized state by the Turkish Republic, the MNCs that have Turkish Republic as their home country were not included in this study. This study analyzes only the MNCs that are based on the states that do not officially recognize the TRNC, and the TNCs as representatives of global capital, since any of a TNC ‘does not consider any particular country its national home’ (Transnational company, 2019). In addition to this, as it has been noted in Part 4.1, both the MNCs and the TNCs are ‘companies’ that have businesses in more than one country, thus both of these types of companies can be considered as representatives of global capital. In this regard, depending on their similarities from this perspective, as well as the ethical issues about confidentiality, both of these types of companies will be presented as ‘Multinational Corporations (MNCs)’ in the following parts of this chapter.



### 4.2.1 Exporting

Before beginning, it must be known that, as it can be seen by looking at the ‘Foreign Trade Balance’ of the TRNC<sup>3</sup>, exporting is a commonly used foreign market entry method by the MNCs in order to expand their operations in the TRNC market. The most common way to accomplish exporting as a foreign market entry mode for the MNCs in the TRNC market is to set up a kind of a ‘Distributorship Agreement’ between the particular MNC and a local company of the TRNC. In addition to this, depending on the reason that the distributors for an MNC are ‘the exclusive representatives of the company and are generally the sole importers of the company’s product in their markets’ (Hollensen, 2007, p. 318), all the three domestic companies that import goods from the five MNCs were selected out of the distributors of these MNCs.

First of all, it must be known that there are various MNCs that operate in several sectors in the production industry that involve in the TRNC market by exporting. While ‘MNC1’ is an industrial production company that produces ‘fast-moving consumer goods’, the ‘MNC 2’ and ‘MNC3’ are two different industrial production companies, with different brands, in the ‘automotive sector’, ‘MNC4’ is another industrial company that produces ‘professional cleaning products’ such as cleaning machines for professional use, and ‘MNC 5’ is an industrial production company which is producing ‘commercial laundry equipments’. All of these MNCs are operating worldwide, and all of them are defining themselves as ‘one of the leading companies’ in their sectors and they are continuously expanding in different markets in the world.

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<sup>3</sup> Please see Figure 2 in Chapter 3.

When it comes to the local firms, it is possible to say that the establishment dates of some of the local firms can be traced back to the dates before the partition of the island in 1974. However, most of the firms that do distributorship for these companies in the TRNC market are established after the establishment of the TRNC in 1983. All the three local companies, which are the 'Company A', the 'Company B', and the 'Company C', are established by the domestic capitalists of the TRNC and none of them has any foreign shareholders. All the three local companies have started their businesses on their own without any distributorship connections with any MNC. However, some of the distributorship agreements between these local companies and the MNCs can be traced back to the time period between the partition of the island in 1974 and the establishment of the TRNC in 1983. In this sense, it is possible to say that, in order to expand their capital, the representatives of the global capital, or the MNCs, sign even quasi-legal distributorship agreements with other companies that exist in a territory that does not have any legal, or quasi-legal, state. This is because, Company A was established before the partition of the island in 1974, however, there is a time period between 1974 and 1983 that this company was not based in any 'current' state, and in this time period, this company was even not registered in any governmental office. In other words, depending on the reason that, between 1974 and 1983, there was not any state 'established' in the territories where the TRNC exists on today, the center of the Company A was existing in a territory 'without any state' when it signed a distributorship agreement with the MNC1 and started its operations on this particular territory. Therefore, if one considers this kind of company as a 'ghost company' that did not exist in a particular state within this time period, then it is possible to say that, in order to expand, an MNC may establish a coinvestment with a company, and it doesn't matter this company and the

distributorship agreement is legal or ‘quasi-legal’ in all senses. Our interviewee from the Company A did not talk about the history of the company in the time period between 1974 and 1983, in this sense, there is not any information available about the decision-making process of the market entry of the MNC1 or Company A in the TRNC market, nor any information available about the processes of this investment within the time period between 1974 and 1983. However, it must be known that the Company A is an officially registered company in the TRNC now, and since it is a ‘legal’ company within the TRNC today, then one may argue that the distributorship agreement between the MNC1 and Company A is a legal agreement ‘within the TRNC market’. On the other hand, when it comes to the question of how the MNC1 and the Company A have legalized their distributorship agreement at the territories, or the state, that the MNC1 has its center, the interviewee did not give the details of this issue, but he said that their company, the Company A, is written as the distributor company of the MNC1 in the TRNC, and the TRNC is described as a state in the agreement. However, he didn’t give any information about how, or in what ways, this agreement is being legalized in that particular state:

‘Atay: Now... What kind of a relation do MNC1 and Company A have between them? And, what kind of agreement does it depend on?’

Haydar: There is a distributorship agreement. The only firm which procures this trademark is our company.

Atay: Then, how do you build the relation between your company and the MNC1 on a legal ground? Well, is it seen in the agreement as via Turkey, like a distributorship which is depended on Turkey, or is it independent from Turkey like a distributorship of a different country?

Haydar: Distributorship of the country, well... it is the distributorship of the state. It is done by another company in Turkey, eventually. Also, we are the

ones who sell these products throughout the Turkish Republic of Northern Cyprus.’<sup>4</sup>

Furthermore, I checked the internet site of the MNC1 in order to see its distributors and could find the Company A as a distributor of the MNC1 within the territories of the ‘TRNC’, the internet site has been checked at the same day with this interview. In addition to this, the interviewee from the Company A noted that the Company A is also doing its business operations with a full responsibility and liability. The Company A is operating as the only distributor of the MNC1 in the TRNC, so all of the standards such as working hours, trade routes within the TRNC, annual business plans, and education of workers are being planned and operated mutually by the MNC1 and the Company A.

When it comes to the question of legality of the distributorship agreements of the Company B, firstly there is a need to clarify that the Company B has signed both of its distributorship agreements with the MNC2 and MNC3 after the establishment of the TRNC. In other words, when MNC2 and MNC3 signed a distributorship agreement between their companies and the Company B, the Company B was an officially recorded company in the TRNC. The interviewee in the Company B did not give any information about the decision-making process of the Company B, and he noted that he does not know the decision-making processes of the MNC2 and MNC3 on investing in the TRNC depending on the reason that both the MNC2 and MNC3 were existent in the TRNC market before the Company B established a

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<sup>4</sup> ‘Atay: Şimdi... MNC1 ile Company A arasında nasıl bir bağlantı var? Ne tip bir anlaşmaya dayalı? Haydar: Bir distribütörlük anlaşması var. Kuzey Kıbrıs'ta bu markayı tedarik eden tek firma biziz. Atay: Peki MNC1 ile aranızdaki resmiyeti ne şekilde sağlıyorsunuz? Yani Türkiye üzerinden, Türkiye'ye bağlı bir distribütörlük gibi mi, yoksa Türkiye'den bağımsız, farklı bir ülkenin distribütörlüğü olarak mı görünüyor anlaşmada? Haydar: Ülke distribütörlüğü, yani... ülke distribütörlüğüdür. Türkiye başka bir şirkette sonuçta. Ayrıca Kuzey Kıbrıs Türk Cumhuriyeti'ndeki her noktada biz satıyoruz.’, Haydar, Company A, MNC1, 15 August 2018.

distributorship agreement with these companies. Both the MNC2 and MNC3 had some other local companies of the TRNC as their distributors within the TRNC market:

‘Beforehand, these distributorships belonged to other trading companies in Cyprus (TRNC). For example, Company X was the distributor of MNC3 , Company Y was the distributor of MNC2, and they swapped the distributorships from there to here. But as you said, who got into contact first, how it all happened, I have no idea about that.’<sup>5</sup>

As a result of this, the decision-making processes from the perspective of the Company B, the MNC2 and the MNC3 is unknown. However, the interviewee from the Company B (Haşmet) noted that the Company B had been already operating in different sectors through distributorship agreements before they signed the first distributorship agreement with a company in the automotive sector, which was the MNC 2. Thus, it is possible to say that the Company B was already doing businesses in other sectors as a representative of the global capital in the form of distributorship before its agreements with the MNC2 and the MNC3. Haşmet did not give any information about how the distributorship agreements of the Company B with the MNC2 and MNC3 are legalized in the home countries of the MNC2 and the MNC3, as well as in the international area. However, he stated that the Company B, as a distributor of the MNC2 and the MNC3, is operating with a full responsibility and liability for its products; the Company B is providing all the after-sale services in the TRNC and all of the replacement parts for the automobiles that they sell in their services are original products of the MNC2 and the MNC3. After our interview with Haşmet in Company B, I personally checked whether the CompanyB is written as the distributor of the MNC2 and the MNC3 in the global internet sites of these

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<sup>5</sup> ‘Daha önce bu distribütörlükler Kıbrıs’ta (KKTC’de) başka ticari şirketlerdeydi. Meselâ MNC3 Company X’deydi, eee... MNC2 Company Y’deydi, oradan buraya geçti. Ama sizin dediğiniz gibi, nasıl bir, eee... şey oldu, kim daha önce birbiriyle temas kurdu, o konuda bilgim yok.’, Haşmet, Company B, MNC2, MNC3, 11 August 2018.

MNCs, and I could not find any information stating that the Company B is the official distributor of the MNC2 or MNC3, neither at the the internet site of the MNC2, nor in the internet site of the MNC3. There is a seperate internet site of the Company B in behalf of the MNC2 but there is no link between that site and the global site of the MNC2. Therefore, one may argue that depending on these situations, the legality of each of the distributorship agreements between the Company B and the MNC2, as well as the MNC3, are in question in the international area. On the other hand, Haşmet stated that the Company B provides and guarantees services for the products that are bought from other foreign dealers of both the MNC2 and the MNC3, and MNC2 and the MNC3 also provide and guarantee services in international area for the products bought from the Company B as a distributor of these companies. By this way, it is possible to say that both the MNC2 and the MNC3 are working their businesses with the Company B as their official distributors for this particular territories. Thus, the distibutorship agreements of the Company B with the MNC2 and the MNC3 could be established through a specific kind of a 'hidden distributorship' agreement.

However, even if the Company A is written as the distributor of MNC1 in the TRNC state and operating as its 'legal' distributor, according to the statements of the interviewee, when they are writing their contact address for any kind of communication, they use the phrase 'Mersin/10, Turkey', as the state, in their contact address at the international area. Moreover, the same problem about the contact address was valid also for the Company B, and the Company C. All of the interviewees in these companies stated that they can not write the TRNC as a 'state' in their contact addresses at the international area. However, the interviewee in the Company A (Haydar) stated that during the importation processes of the

commodities, they are not having any difficulties caused by their contact address because the MNC1 has a production facility that provides goods to the region from Turkey:

‘After all, we bring our products from Turkey, there is nothing for us to concern about. These products are already manufactured in Turkey, wrapped there and sent here. So the products are made in Turkey. Thus, the products depart from Turkey at first. These are sent to nearby countries from Turkey as well. But I do not know which countries they are...’<sup>6</sup>

By this way, since the Turkish Republic recognizes the TRNC, it is possible to say that the inner working structures of the coinvestment in the form of a distributorship agreement between the MNC1 and the Company A in the TRNC do not undergo a change by the context of non-recognition of the TRNC. On the other hand, the working structures of the Company B with the MNC2 and the MNC3 are different because of the context of non-recognition of the TRNC. The Company B is importing all the products of the MNC2 from a country that does not recognize the TRNC, since the MNC2 does not own any production facility in Turkey. These products include both the automobiles and the replacement parts. When it comes to the imports of the products of the MNC3, while the Company B can import some of the replacement parts from Turkey, all the imported automobiles are produced in a country that does not recognize the TRNC. Depending on the context of non-recognition, the importing processes of the commodities show differences. None of the products that are shipped by the MNC2 or the MNC3, from a state that does not recognize the TRNC, can arrive the TRNC directly on a legal base. In other words, depending on the reason that the TRNC is unrecognized by this particular state, there is not any shipping way or a flight between that state and the TRNC. The local

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<sup>6</sup> ‘Biz zaten Türkiye’den getiriyoruz ürünlerimizi, bizim için herhangi bir sıkıntı yok. ... Zaten ürünlerin fabrika çıkışı Türkiye oluyor. Orada paketlenip buraya gönderiliyor. Yani üretim yeri Türkiye. Eee... böyle olunca da... yola ilk Türkiye’den çıkıyor. Yakındaki... yakında olan başka ülkelere de Türkiye’den gönderiliyor. Hangileri olduğunu bilmiyorum ama...’ Haydar, Company A, MNC1, 15 August 2018.

capitalists like the Company B and the global capitalists like the MNC2 and the MNC3 are getting around this problem with a kind of a ‘tunneling method’. This method is also used by the Company C with the MNC4 and the MNC5. This is being accomplished through using the shipping ways and flights between the TRNC and the only state that recognize the TRNC, which is Turkey. In this method, the MNC ships its products first to Turkey, and when these commodities arrive to the customs of Turkey, the ‘so-called’ international shipping of these commodities seems like ended, and the ship, or the plane, that carries these commodities delivers them to the customs of Turkey. After this point, these commodities are being shipped from Turkey to the TRNC. This process is being accomplished by using a ‘masked’ address for the TRNC in the international area, which is ‘Mersin10/Turkey’. The TRNC seems to be a ‘so-called’ district of a city of Turkey, ‘Mersin’. However, the necessary use of this method for the importation processes is increasing the costs of shipping and causing a waste of time in the shipping processes for the local capitalists of the TRNC, as well as for the MNCs which operate in the TRNC that use this kind of a market entry mode:

‘Atay: So, while purchasing these replacement parts, while bringing them, do you experience some problems or difficulties due to the non-recognition of the TRNC as a state?’

Haşmet: Well, as I said... none of the products come directly. There is no difference between bringing automobiles and bringing replacement parts (to the TRNC). The procedure is the same, eventually. Well, the status of being unrecognized, not being able to bring anything by a direct flight or a direct shipping... All in all, as I said, all of these increase the transportation costs.’<sup>7</sup>

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<sup>7</sup> ‘Atay: Peki bu yedek parça alımlarınızı yaparken, bunları getirirken, yine KKTC’nin tanınmamış bir devlet olmasının size yaşattığı belli sıkıntılar, zorluklar oluyor mu?’

Haşmet: Yani şimdi dediğim gibi, eee...hiçbir mal size direkt olarak gelmiyor. Yani otomobil getirme ile... yedek parça getirme arasında bir fark yok. Yani prosedür aynı şekilde işliyor sonuçta. Yani o tanınmamışlık, direkt uçuşun... direkt uçuşla sana bir şey gelememesi, yahut direkt gemi ile sana bir şey gelememesi... Sonuçta dediğim gibi, en azından "Navlun maliyetlerini" artırıyor.’, Haşmet, Company B, MNC2, MNC3, 11 August 2018.



Moreover, sometimes even some of the Turkish customs officials are getting confused when they see the term ‘Mersin’ as the shipping addresses:

‘Once or twice, they called from there (from Mersin), and they said “You have goods in customs”. But our goods are not subject to the customs of Turkey (He smiles.). We told them (the customs officials) about the situation. In the end, we solved it, but arrival of the goods delayed ten days.’<sup>8</sup>

This situation is not the only difference that the Company C has in the operational processes of its businesses with the MNCs related with the context of non-recognition. In addition to this, there are some structural differences that exist in the businesses of the Company C, as a distributor of the MNC4 and the MNC5, that are related with the context of non-recognition. Before explaining these differences, it must be noted that the prevention of the production industries of the TRNC through the embargoes and nonrecognition is the biggest factor in the decision-making processes of the Company C, as a domestic capitalist of the TRNC, in order to establish distributorship agreements with the global capitalists, which are the MNC4 and the MNC5 in that particular case. Mithat, who is one of the owners/shareholders of the Company C, stated that they, the owners of the Company C were standing as the first counterparty in order to call for a distributorship agreement in both of the businesses with the MNC4 and the MNC5, depending on the lack of production of these commodities in the TRNC:

‘Atay: Were you the first to get into contact, or was it them?’

Mithat: Yes, we got in contact first.

Atay: So... What were the reasons for you to choose working with foreign companies, why especially those companies? Or, what motivated you on getting into contact with them?

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<sup>8</sup> ‘Bir iki kez oradan (Mersin’den) arayıp “Gümrükte mallarınız var.” dediler. Ama bizim mallarımız Türkiye’nin gümrüğüne tabi değil. (Güler.) Adamlara anlattık durumu falan... Gerçi sonradan çözdük ama... geçmiş olsun, on gün gecikti malların gelmesi.’, Mithat, Company C, MNC4, MNC5, 10 August 2018.

Mithat: Well, because there was not domestic production of that kind of a product (in the TRNC).'<sup>9</sup>

In this sense, one may argue that the lack of production of these commodities can be considered as a result of non-recognition of the TRNC, as well as the embargoes that are imposed by the European Union by restricting the importation of the TRNC based products within the EU market. As it was discussed in Chapter 3, this situation is one of the factors that undermine the existence of domestic production facilities in the TRNC.

Another structural difference in the operations of the Company C with the MNC4 and the MNC5, which depends on the context of non-recognition of the TRNC, is related with the issues that involve the 'legality' of the distributorship agreements:

'Atay: Did you experience any problems on the governmental basis? Some issues related with international laws or something similar?

Mithat: Sure! They do not believe that our country is legal, on the governmental basis. So, rather than not believing... According to their home states, we do not have such a state here. Oh, of course... yes, there is a country, but they cannot consider it as a legal state and make a legal agreement with us anyway. So they cannot submit this agreement to the governments of their home states to procure acceptance for its legality.

Atay: Then if we consider the issue from the perspective of law... (I get interrupted.)

Mithat: It is made in "gentlemanlike".

Atay: What do you mean by this?

Mithat: Well... They cannot report it to their home country as a "responsibility". If something bad happens, they cannot prove their home state that our company is a legal entity. This is a disadvantage for them, and

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<sup>9</sup> 'Atay: İlk siz mi iletişime geçtiniz yoksa onlar mı?

Mithat: Evet, ilk biz iletişime geçtik.

Atay: Peki... Yabancı firmaları, ya da tam olarak o firmaları seçmenizdeki sebepler neydi? Sizi onlarla iletişime geçmeye motive eden şey neydi?

Mithat: Yani o tarz ürünün... eee... yerli üretimde olmaması, evet.', Mithat, Company C, MNC4, MNC5, 10 August 2018.

we show understanding for this issue. Though, it is a disadvantage for us, too. We cannot move any issue on to “any” international sort of arena. So there is a reverse situation regarding this, actually. Our government recognizes an agreement made with them as “legal”, but theirs does not.

Atay: As I understood, rather than a legal agreement, there is a connection between you and them established like a bond of communion.

Mithat: Of course, yes. Under these conditions, it is established like that.’<sup>10</sup>

I am going to call that kind of a distributorship agreement as ‘in-practice distributorship’. According to the information Mithat provided about this kind of distributorships that his company, which is the Company C, involves in with the MNC4 and the MNC5, the features of ‘in-practice distributorship’ are as follows:

(1) The domestic company, which is the distributor of the MNC, is operating its business through a full responsibility and liability for ‘only’ the products that this company sells in the particular territories that the domestic company is responsible for.

(2) Thus, even if the products sold by the domestic ‘in-practice distributor’, are guaranteed by this distributor within the territory, which is considered as its span of authority, for this particular brand of the MNC, on the other hand, these products

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<sup>10</sup> ‘Atay: Devlet bazında sıkıntılar yaşadınız mı? Yani uluslararası hukuk vesaire gibi?

Mithat: Tabii ki... Evet, devlet bazında tabii ki... Bizim burada, eee... hukuksal bir devletimiz olduğunu...na... inanmıyorlar. Dolayısıyla, inanmıyorlar-...dan ziyade... Onların, eee... (1-2 saniye duraksar.) onların baktığı açıdan bizim burada böyle bir devletimiz yok. Haa tabii... var, tamam ama bizi yasal çerçeveye koyup da bir anlaşma yapamazlar zaten. Yani onların o tarafta bu anlaşmayı... gösterip de bunun yasal olduğunu kabul ettiremezler kendi şeylerine... devletlerine.

Atay: Yani öyleyse bu duruma dışarıdan hukuksal olarak bakac... (Sözüm kesilir.)

Mithat: (Sözümü keserek) “Centilmenlik” çerçevesinde... yapılıyor.

Atay: Hmm... Ne gibi yani, meselâ?

Mithat: Yani... onlar, bunu bir sorumluluk olarak... yazamıyor kendi ülkesinde, bir şey çıksa... bir sorun çıksa, gidip de bizi orada yasal bir şeymişiz gibi gösteremiyor. Onlar için bir dezavantaj bu, biz de bu konuda anlayışla yaklaşıyoruz duruma. ... Gerçi bu bizim için de bir dezavantaj, yani... biz “hiçbir yere” gidemiyoruz uluslararası alanda... Yani tam ters bir durum var ortada. Bizim devletimiz onlarla yapılan anlaşmayı tanır ama onlarınki tanımaz...

Atay: Anladığım kadarıyla yasal bağlardan ziyade “gönül bağı” gibi kurulmuş bir iletişim var aranızda.

Mithat: Tabii, evet. Bizim şartlarımızda bu şekilde kuruluyor.’, Mithat, Company C, MNC4, MNC5, 10 August 2018.

are not covered by the guarantee of the MNC at the after-sale services at the global level. In addition to this, the products of the MNC are sold anywhere in the world, including Turkey, are not covered by the guarantee of after-sale services of this particular brand of the MNC by the ‘in-practice distributor’ of this MNC.

(3) In this kind of a distributorship agreement, the alliance between parties, which are the ‘in-practice distributor’ and the MNC, is established through a tie that is based on a kind of voluntariness, or a bond of communion, rather than a legally bounded ‘official’ tie.

(4) The transportation processes of the commodities are provided by the aforementioned ‘tunneling method’. This method increases the costs, but the companies are getting around this problem by increasing the prices of the products that are being sold by the ‘in-practice distributors’. By this way, a customer is paying more money for a product of an MNC that the ‘in-practice distributor’ sells, but he/she is receiving lesser value for this product, than he/she receives from a product he/she bought from a ‘legal’ distributor due to the reason provided above in the ‘feature 2’. This is because of the reason that the price of a commodity includes the after-sale services as a value included to this price in normal conditions. However, in the context of ‘in-practice distributorship’, this price is paid by the customer, even more than its normal price, but a value that is included in this price, which is the after-sale services in a global scale, is not received by the customer.

(5) By operating through an ‘in-practice distributorship’ of an MNC, the domestic capitalist is taking advantage of the ‘brand reputation’ of the MNC within its market in order to gain a competitive advantage in sales. On the other hand, the MNC is also taking advantage of the ‘in-practice distributorship’ by getting rid of the

duty of providing guarantees for the products sold by the in-practice distributors at the global scale. Thus, the MNC decreases some of the costs caused by the after-sale guarantees.

Moreover, one may argue that an ‘in-practice distributorship’ agreement is not expected to be established in a state that does not have any issues like ‘non-recognition’ depending on the comprehensiveness of the international laws. In this regard, it is possible to say that this kind of a distributorship may be indigenous to the states that have the issue of non-recognition, such as the TRNC.

When it comes to the governmental policies of the TRNC on foreign investments in the form of distributorship, neither the Companies A/B/C, nor the MNCs 1/2/3/4/5 received any governmental incentives for their coinvestments in the TRNC. None of the participants of our survey gave information about the average annual returns of their companies. However, all of them stated that operating a business with an MNC gives a competitive advantage within the TRNC market depending on the ‘brand reputation’ of the MNCs. Haydar noted that there some are local brands in the TRNC operating in this sector, but the MNC1 is the leading company with respect to the market shares. Thus, their market shares are enough for these coinvestments in order to be profitable investments for the domestic capitalists and the global capitalists. Moreover, Haşmet, from the Company B, noted that the market share of the MNC2 in the TRNC, is the highest market share amongst the markets that the MNC2 has operations, not in a quantity of the commodities sold, but according to the market share of the MNC2 in the markets of specific territories of states. Haşmet stated that the Company B even has some awards given by the MNC2 for its market share:

‘Haşmet: Most of those awards, as you can see there... In terms of “the total population/sales” rate in a particular market, the TRNC market is the market

that the MNC2 (as the brand of the product) has the highest market share in contrast to the rest of the world. When you compare it to the population... Most of the awards are related to that.

Atay: Then, can we say that you have a high profitability ratio?

Haşmet: Here I'm talking about the market share. But it is true; our profitability ratio is naturally high.'<sup>11</sup>

In this sense, it is possible to say that, even if the total population of the TRNC is small, in some sectors, such as the automotive sector, where 'a sale' of a product provides a high contribution to the capitalist accumulation process, if the market share is high, then the investment on this small-scaled economy provides a profitable investment for the global capitalists, as well as for the domestic capitalists.

When it comes to the number of people working in these coinvestments, there are 650 workers that the Company A has for the MNC1, 90 workers in total are working at the CompanyB for the MNC2 and the MNC3, and 35 people in total are working in the Company C for both the MNC4 and the MNC5. The Company A has two other sub-offices for the MNC1 in Nicosia; The Company B does not have any sub-offices or sub-stores for the MNC2 or the MNC3, it has only its center in Nicosia; The Company C has a center in Güzelyurt, and a subsidiary that is used for both the MNC4 and the MNC5 in Nicosia.

As a result, it could be argued that the dynamics and structures, as well as the processes, mechanisms and the tools used by the capitalists in their investments in a non-recognized state have some particular differences than how these are

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<sup>11</sup> 'Haşmet: Gördüğünüz gibi... O ödüllerin çoğu da, nüfusa göre Dünya'da en çok MNC2 (MNC2 markalı ürün) satılan yer, KKTC. Nüfusa oranla kıyasladığımızda. Ödüllerin çoğu onunla ilgilidir.

Atay: Evet... Öyleyse kârlılık oranınız da yüksek diyebilir miyiz?

Haşmet: Ben pazar payı olarak konuşuyorum bu noktada... ama doğrudur, kârlılığımız da bu durumda haliyle yüksek oluyor.', Haşmet, Company B, MNC2, MNC3, 11 August 2018.

materialized in the markets of states that do not have such conditions. However, it must be known that the global capitalists are doing their businesses whether these investments are legal or quasi-legal. They find a way in order to get around these illegalities and continue to operate their businesses. Another important thing to state here is that depending on the embargoes, the production industries of the TRNC are banned from the international markets. Thus, the people of the TRNC are indeed forced to interact with the global capital as the consumers. By this way, even if the TRNC is a non-recognized state existing under conditions of political and economic embargoes with a small-scaled economy with its low population, the global capitalists are still expanding their capital by exporting their products through domestic capitalists in the TRNC. They are establishing distributorship agreements with specific kinds, such as ‘in-practice distributorship’ agreements, and they continue to accumulate capital by using this small-scaled market of the unrecognized state, the TRNC. This situation is bringing some advantages to the domestic capitalists in the TRNC that work with the global capitalist, their profitability is increasing more in respect to their competitors in the TRNC. As the domestic capitalists establish businesses with the global companies and penetrate the market in the TRNC, they are investing their accumulated capital in other sectors through other coinvestments with other MNCs. By this way, the capital in the TRNC is being concentrated at the hands of the domestic capitalists that work with the global capitalists, and their companies are becoming larger establishments named as ‘group of companies’.

Another interesting finding related to the exporting as a foreign market entry mode in the TRNC is based on a direct observation. The counterfeits of the products of the MNCs are being sold in the big venues and shopping malls in the TRNC. The figure

below (Figure 3) presents a view of these counterfeit products that are sold in a shopping mall:



*Figure 3. Some pictures of the counterfeits of the products of MNCs that are being sold in a shopping mall at the Turkish Republic of Northern Cyprus. The pictures have been taken by the author of this thesis with a permission of the manager of this shopping mall on 6th of June, 2019.*

When I asked to a saleslady in that shopping mall if these products (see Figure 3) are original products of the MNCs or not, she laughed at me and told that they are of course counterfeit products that are imported from China, and she asked me to let her know if I find original products of these brands sold at these prices anywhere. When



I asked her if they sell these counterfeits at numerous volumes or not, she replied me stating that they are selling these products everyday. In this sense, it is possible to say that some of the domestic capitalists of the TRNC are taking advantage of the non-recognition by importing and selling counterfeit products of the MNC's original products. The sale of counterfeits is not a legal business under normal conditions, but one may argue that (some of) the MNCs can not struggle against the sales of counterfeits of their products in an unrecognized state, because it may be harder to apply the international laws about this issue in an unrecognized state. Moreover, it is not a loss of control of the TRNC state, because these counterfeits are being sold in large shopping malls by announcing that these products are counterfeits; they are not being sold through undercover purchases in the small shops located at the ghettos. Thus, it is possible to say that this situation could be considered as an evidence to the lack of the regulations that depended on the international business laws in the TRNC market as an unrecognized state.

#### **4.2.2. Franchising**

First of all, it is possible to say that franchising, as a foreign market entry mode, is being used in the TRNC market by the MNCs that operate in the service sector, as well as the commercial MNCs that have industrial production facilities. While the former are using this market entry mode in order to establish their shops that sell service, the latter are also using this market entry mode in order to establish shops as a part of their chains of distribution that are selling their industrially produced goods at their huge factories at somewhere in the world that provides cheaper costs of labour. In this sense, the purposively selected sample of this thesis for this specific kind of market entry mode includes: the MNC6 and the MNC10, the 'coffehouse' companies; the MNC7, a 'coffee and coffeeshouse' company in the service sector;

and the MNC8 and MNC9, the industrial production companies in the ‘textile’ sector that sell their industrially produced commodities. All the Companies A, D, and E are the domestic companies of the TRNC and none of them has any foreign shareholders. While the Company A is the franchisee of the MNC6, the Company D is the franchisee of the MNC7, and the Company E is the franchisee of the MNC8, MNC9, and MNC10 within the TRNC market. As it has been presented in the Part 4.2.1, the establishment date of the Company A dates back to the years before the partition of the Cyprus; however, the franchising agreement between the Company A and the MNC6 was signed in the 2000s, after the Annan Plan. The Company D was established at the same year with its franchising agreement with the MNC7 in the 2010s. The company E was established in the 2000s before the Annan Plan but signed all the three franchising agreements with the MNC8, the MNC9, and the MNC10 in the 2010s, the time period after the Annan Plan.

The MNC6 has more than 100 workers who work in nine shops located at several cities of the TRNC (Kyrenia, Nicosia, Famagusta, Lefke, and some other provinces); four of these shops (with 75 workers) are owned by the Company A as a ‘master franchisee’, and five of these shops (with around 25 workers) are owned by other domestic capitalists as the ‘sub-franchisees’ which are affiliated with the Company A first, then the MNC6. On the other hand, the MNC7, through the Company D as its franchisee, has two shops in Nicosia and Güzelyurt with around 25 and 30 workers. The franchisors of the Company E have more than 160 workers in the TRNC; the MNC8 has around 70 workers in total at three shops which are located in Kyrenia, Nicosia, and Famagusta. There are nearly 50 workers in the two shops of the MNC9 which are located in Kyrenia and Nicosia; and there are nearly 45 people in total who are the workers of the MNC10 with three shops located at Kyrenia,

Nicosia, and Famagusta. None of the interviewees from these companies gave any information about the average annual returns of these coinvestments. However, according to the information gathered by the interviewees, the number of the shops of all the MNCs 6, 7, 8, 9, and the MNC10 in the TRNC are increasing constantly. In addition to this, all of the companies, which are the Company A, the CompanyD, and the Company E are constantly sparing a constant percentage of their accumulated capital in order to expand their investments and/or in order to make new investments. Thus, it is possible to say that all of these MNCs are expanding their capital within the TRNC market through their franchisees, and both the domestic capitalists of the TRNC as the franchisees and the global capitalists as the franchisors are pursuing their capitalist accumulation processes through these franchising agreements. None of the Companies A,D, or E has benefited from the governmental incentives when establishing their franchising investments with the MNCs 6,7,8,9, or 10.

When it comes to the decision-making processes of the franchising agreements, in all of the five different franchising agreements between the Companies A,D,E and the MNCs 6,7,8,9, and 10, all of the interviewees stated that the domestic companies were the first parties in order to get into contacts with the MNCs. One of the interviewees, Kenan from Company A, stated that the reason behind this investment was the ‘brand reputation’ of the MNC6:

‘...On those days, the MNC6 was already the second biggest multinational company in the sector. They had a very important position in Turkey’s market as well; they were a “reputed” company. The coffee sector, as you know, started to become popular and grew in Turkey and the TRNC within the last 15-20 years. Well, because of these... the MNC6 was preferred.’<sup>12</sup>

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<sup>12</sup> ‘... MNC6 da zaten sektörde aslında hem, eee... o zamanlar ikinci sıradaki en büyük uluslararası firmaydı, bu sektörde. Türkiye pazarında da çok ciddi bir yerleri vardı, oradan da “bilindik” bir... firmaydı. Zaten kahve sektörü, biliyorsunuz, yani son on-... onbeş yıldır aşağı yukarı, Türkiye pazarında da, burada (KKTC pazarında) da ilgi görmeye başladı ve büyümeye başladı. O yüzden de şey... MNC6 tercih oldu.’, Kenan, Company A, MNC6, 15 December 2018.

In other words, the domestic capitalists of the TRNC believe that depending on the brand reputation of the MNCs, doing franchising businesses with these companies gives them some competitive advantages within the TRNC market. This could be one of the most important reasons behind establishing franchising investments for the domestic capitalists with the MNCs. Kenan also stated that, before establishing a franchising agreement with the MNC6, the Company A was already operating distributorships for some other MNCs.<sup>13</sup> Thus, by establishing a franchising agreement and opening up these coffee shops, the Company A has invested its accumulated capital, which is gained from its other coinvestments with other MNCs, in a new profitable coinvestment with another MNC. A similar situation to this has been found in the story of the Company E with a different substance. Before starting its businesses with the MNCs 8,9, and 10, the Company E was operating a distributorship of an MNC based in Turkey and invested its accumulated capital from this distributorship on the franchising business with the MNC8. The Company E signed the franchising agreements with the MNC9 and MNC10 after the establishment of the franchising agreement with the MNC8. Thus, the Company E also became a ‘group of companies’. By this way, the validity of the claim that was presented in Part 4.2.1 on the concentration of capital in the TRNC through coinvestments of the domestic capitalists and the global capitalists and the ‘groups of companies’, is supported in franchising businesses, too. The reason of ‘brand reputation’ was also valid for the Company D in the decision-making process for establishing a franchising investment with the MNC7:

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<sup>13</sup> As it has been presented in the Part 4.2.1, the Company A is still a distributor of the MNC1 in the TRNC market.

‘...We could have created our own brand name like everyone else did, but... as I said, because it is an international brand, all of the hotels use it. It is used everywhere by everyone, it has more popularity. Naturally, the brand is known everywhere.’<sup>14</sup>

Therefore, it is possible to say that the ‘brand reputation’ of the MNCs has a great importance not only on the decision-making processes on establishing a franchising business with these firms, but it also provides a competitive advantage within the TRNC market over the domestic competitors in the same sector. Kenan states that when ‘the brand reputation’ comes together with the ‘first mover advantage’, it brings a big market share in that specific sector at the TRNC market:

‘In our sector... As I said, we can easily say that we are the market leader (in the TRNC). Well, it is because we are the first franchisee company (in the TRNC), and because MNC6 has an important place in the world markets, and also, we do the work right.’<sup>15</sup>

On the other hand, when it comes to the competition in the sector of the MNC8 and MNC9, it is possible to say that the strongest competitors of these companies in the TRNC market are the other MNCs that are based in Turkey:

‘Of course, there is competition! Turkish companies, especially... the “multinational” Turkish rival companies are more corporate and successful compared to their past... They do their job seriously in terms of both the products and the product range. They are not unprofessional anymore... They are more professional now, especially in the case of branding. They develop and learn, too. Their products are manufactured in third world countries as well...’<sup>16</sup>

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<sup>14</sup> ‘...Biz kendimiz de bir marka yaratabilirdik herkesin yaptığı gibi ama... dediğim gibi, uluslararası bir marka olduğu için, bütün oteller kullanıyor, her yer kullanıyor, daha çok bilinirliği var, otomatik olarak marka her yerde biliniyor.’, Yüksel, Company D, MNC7, 9 August 2018.

<sup>15</sup> ‘Kendi sektörümüzde... Dediğimiz gibi, biz... pazar lideriyiz diyebiliriz, rahatlıkla. Ya bu hem ilk... "Franchisee" firma olmamızdan dolayı, eee... hem MNC6'nın Dünya'da ciddi bir yerde olmasından dolayı, hem de işimizi doğru yaptığımızdan dolayı.’, Kenan, Company A, MNC6, 15 December 2018.

<sup>16</sup> ‘Tabii ki rekabet var, eee... Türk firmalar, eskiye nazaran, özellikle... rakip olan "uluslararası" Türk firmalar, eskiye nazaran daha kurumsal, daha başarılı, eee... hem ürün, hem koleksiyon açısından... daha... eee... detaylı yapıyorlar bu işi öyle söyleyeyim. Eski o... pazar usulü değil de, daha böyle bir...’

Therefore, it is possible to say that the domestic competitors of these companies do not have a large piece in the market share in that sector. This could also be caused by the obstacles on the importation of the TRNC based products, such as the restriction of importation of the TRNC based products within the European Union market depending on the embargoes imposed on the TRNC. Since these small domestic brands of the TRNC can not reach the foreign markets, then they can not establish larger production facilities at the geographies where they can produce their goods with lesser costs than the costs that they produce in the TRNC. Thus, the producing domestic capitalists of the TRNC lose their competitive advantage against the MNCs.

When it comes to the establishment processes of these franchising businesses, the organic links between the domestic companies and the MNCs, and the structures and operational processes of these investments, as well as the tools and mechanism used by these companies within these operational processes, it is possible to say that each of the case has some different features than the other cases. To begin with, it is possible to say that the franchising between the Company A and the MNC6 is the most ordinary case regarding these issues. The franchising agreement between the Company A and the MNC6 is a legal franchising agreement both in the TRNC and in the state that the MNC6 has its headquarter. The most important reason behind this, according to Kenan, is that the center of the MNC6 is not located in the European Union. Therefore, Kenan expressed that although the domestic company of the Republic of Cyprus ( RoC, or the Greek Southern Cyprus) which is the franchisee of the MNC6 in the RoC, tried to undermine the establishment processes of the franchising businesses of the MNCs with the domestic companies of the

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profesyonel, marka anlamında... Çünkü onlar da gelişıyorlar, onlar da öğreniyorlar, eee... üretim onlarda da hep 3. Dünya ülkelerinde...’, Tamer, Company E, MNC8, MNC9, MNC10, 15 August 2018.

TRNC through ‘lobbying activities’ in the MNC6, the Company A could succeed to establish a legal franchising agreement with the MNC6 in the country that the MNC6 has its headquarter:

‘Here (in the TRNC), you know, the embargos, etc... Since TRNC is an unrecognized country, it is pretty difficult for multinational companies to enter the market of the island (the TRNC). Also there’s the Greek (RoC) lobby, etc... But the real reason is that it is (the MNC6) a company based in the ‘Country X’; because they are not a member of the European Union, they stay away from those kinds of political issues... TRNC was eventually a new market and a new country for them (for MNC6). So we could establish the agreement.’<sup>17</sup>

The ‘lobbying activities’ of the domestic companies of the RoC, that has franchising businesses of the MNCs, against the domestic companies of the TRNC within the establishment processes of the franchising agreements, are creating some obstacles on these agreements. Yüksel, from the Company D, stated that these domestic companies of the RoC, which are the franchisees of the MNCs in the RoC, are also benefiting from the non-recognition of the TRNC when they try to prevent the domestic firms of the TRNC to establish franchising agreements with these MNCs by their lobbying activities:

‘Well, they (the MNC’s RoC franchisees) say “Cyprus is a territory of the European Union, and that we are in the European Union, and it is actually the whole island (Cyprus)... There is a temporary ‘status quo’ in the island. When this situation comes to an end, I will open one”, and they can deceive the firm (the MNC) by this way. There is actually another country in itself, but... Because it is unrecognized, they say “it is an occupied territory”. You know all these things... but we cannot tell (convince) the world about this situation because we do not have such a lobbying abroad... The Turks do not have a powerful lobby. The Greek lobby, the Armenian lobby, and the Jewish lobby

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<sup>17</sup> ‘Burada (KKTC’de) aslında, biliyorsunuz, ambargolar vesaire... aslında Kuzey Kıbrıs Türk Cumhuriyeti’nin tanınmamasından dolayı, uluslararası firmaların Ada’ya (KKTC’ye) girişi bir hayli zor oluyor. Ayriyeten, işte Rum (GKRY) lobisi... vesairenden dolayı ama ...Country X firması olduğu için ... Avrupa Birliği’nde olmamaları, bu tür politik konulardan uzak olmalarından dolayı... Kuzey Kıbrıs (KKTC) da onlar (MNC6) için... sonuç itibariyle yeni bir pazar, yeni bir ülkeydi... ve bu şekilde anlaşıldı.’, Kenan, Company A, MNC6, 15 December 2018.

are quite powerful. We... How can I say...? We do not have a diaspora! So, we cannot express the situation properly.’<sup>18</sup>

However, once MNCs realize that the TRNC has a separate market from the RoC, then they sign a franchising agreement with the domestic companies of the TRNC without any hesitation, regardless of whether this franchising agreement is going to be ‘legal’ or not in their home states. Tamer, from the Company E, stated that before the Company E contacted the MNC8 for a franchising agreement, the MNC8 was not aware that the TRNC has a separate market than the RoC. Therefore, by sending a second e-mail to the MNC8, the Company E invited a manager from the MNC8 to the TRNC in order to convince the MNC8 that the TRNC has a separate market than the RoC:

‘Foreign companies outside the island are now aware that the island has two separate “markets” being North and the South. They know it either as a common market, or the reverse, a Greek (the RoC) market. Well, you know, humbly, there is a situation caused by the smear campaign orchestrated by the Greeks (the Greek Cypriot companies). Of course, we are... a quite insisting company. So we sent a second mail to a different person; to the development manager of the company (the MNC8). (He smiles.) And fortunately he took us seriously, and came to visit us. After he came, everything happened easily and quickly.’<sup>19</sup>

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<sup>18</sup> ‘Yani diyor "Kıbrıs Avrupa Birliği'nin bir toprağıdır, Biz Avrupa Birliği'nde yaz ve tüm tüm Kıbrıs'dır aslında, geçici bir "statüko" durumu vardır. Bu durum bittiği zaman orada ben de açacağım." deyip, böyle firmayı kandırabiliyorlar. Aslında başka bir ülke var ama onu, eee... tanınmadığı için derler ki "Orada işgal altındadır." diyorlar, biliyorsunuz hep bu tipik şeyleri. ... Ama Dünya'ya bunu anlatamıyoruz, çünkü bizim lobiciliğimiz yok, bizim dışarıda, eee... Türk milletinin güçlü bir lobisi yok. Yunan lobisi, Ermeni lobisi, eee... Yahudi lobisi çok güçlü. Bizim, eee... ne derler? eee... diasporamız yok. Dolayısıyla biz bunu ifade edemiyoruz, doğru düzgün, ne olduğunu, olayın.’, Yüksel, Company D, MNC7, 9 August 2018.

<sup>19</sup> ‘Yurtdışındaki firmalar, burayı Kuzey ve Güney olarak iki ayrı "Market" olarak bilmiyorlar. Ya ortak bir pazar olarak biliyorlar, ya da tam tersi, Rumların, eee... tabii naçizane bilirsiniz kötölemesinden kaynaklanan bir durum var. ... Tabii biz, eee... şirket olarak biraz ısrarcı olduğumuz için, ikinci bir mail attık, farklı bir kişiye, eee... şirketin "Development Manager"ına. (Güler.) O da sağolsun bizi ciddiye aldı, eee... bizi ziyarete geldi. O ziyarete geldikten sonra da her şey çorap söküğü gibi gelişti zaten.’, Tamer, Company E, MNC8, MNC9, MNC10, 15 August 2018.



Furthermore, Tamer added that when the development manager of the MNC8 visited the Company E and saw that the markets of the RoC and the TRNC are separate markets, the MNC8 signed the franchising agreement with the Company E without any hesitation.

When it comes to the operational processes and the tools and mechanisms used by the franchisee companies in the TRNC and their franchisor companies, it is possible to say that all of the domestic franchisee companies of the MNC6, MNC7, MNC8, MNC9, and MNC10 in the TRNC, which are the Company A, Company D, and Company E, are operating with a full responsibility and liability to these franchisor MNCs. As it has been mentioned above, the Company A is the ‘Master Franchisee’ of the MNC6. There is no ‘joint venture agreement’ between these two companies, but the MNC6 has given the Company A the official right to establish ‘sub-franchising agreements’ with other companies in the TRNC. The reason behind why the MNC6 did not establish a joint venture with the Company A while signing a ‘master franchisee’ agreement could be caused by the issues on the property ownership in the TRNC which has been mentioned in Chapter 3. Thus, one may argue that the MNC6 did not want to risk its capital by buying a property in a territory that has such risks. However, by avoiding establishing a joint venture in the TRNC, the MNC6 did not risk its capital but pursued its capitalist accumulation through the royalty payments received from the Company A and expanded its capital by getting a share from the royalty payments that the Company A receives from its sub-franchisees as well. In addition to this, Kenan, from the Company A, stated that the expansion of capital through the number of the stores in the TRNC market is an obligation for the Company A, depending on their franchising agreement with the MNC6:

‘In the contract which we signed... it was written that in the first decade we had an obligation to open at least seven stores, and we met this condition.’<sup>20</sup>

Moreover, there are some other responsibilities of the Company A against the MNC6 as a franchisee: they are being audited by the MNC6 in a regular base every year; all the operations are being realized under the rules that the MNC6 determines; they can not sell any product in these coffee shops without the approval of the MNC6, the Company A has to get permission from the center of the MNC6 for this kind of operation. Moreover, Kenan stated that this is an important rule for all of the franchising agreements, but there are some domestic companies in the TRNC that use the brands of the MNCs but do not seem to be like a ‘real’ franchisee due to the following reason:

‘Before we put up for sale any product in our stores, we have to receive approval from the corporate office of the MNC6... For example, we currently do not have alcohol in stock in our MNC6/TRNC stores. As a coffee shop, we primarily sell ‘coffee’, and also food. Actually, we are a coffee shop which sells food, too. Though... While the number of the companies increases in this sector and the market shares decreases, the people have to renovate themselves. Well, some have alcohol in their shops as well... To give an example, vitamin bars started to be included in some places which are actually coffee shops. Lots of alternatives are provided from yoghurts to salads in these bars. We wonder who will open a coffee shop which also sells lahmacun (Turkish pizza), in the future (while smiling). In “X Province” (One of the regions in TRNC, the information was hidden to protect the mentioned company’s privacy) a firm, I will not mention its name, an X Company which claims that it is an MNC’s franchisee, can actually hire a pita maker and sell pitas inside of its coffee shop. Well, then you understand that it is not a real franchisee, it is just... the name of the brand which was just somehow given to the shop.’<sup>21</sup>

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<sup>20</sup> ‘Sözleşmede imzaladığımız, örnek veriyorum ilk on 10 yıllık periyotta... işte yedi 7 mağaza açma gibi bir zorunluluğumuz vardı mesela, onu sağladık’, Kenan, Company A, MNC6, 15 December 2018.

<sup>21</sup> ‘Biz herhangi bir ürünü kullanmadan önce... MNC6’nın merkez ofisinden onay alma gibi bir yükümlülüğünüz var. ... meselâ şöyle açıklayayım biz MNC6 olarak, örnek veriyorum alkol, kendi mağazalarımızda şu an itibarıyla buldurmuyoruz. Biz Coffee Shop olarak, sadece... işte öncelikle "Kahve" satma ve yanında, eee... yiyecek de sat-... aslında biz yiyecek de satan bir Coffee Shop'uz. Fakat, eee... firmalar arttıkça ve pazar... azaldıkça, artık insanlar kendilerini yenilemek zorunda kalıyorlar. İşte kimi alkol de... dahil ediyor, örnek veriyorum, vitamin barlar aslında coffee Shop olan

During our interview, I learned from Kenan which company he was talking about. After our interview, I checked that MNC's internet site in order to investigate that issue and in line with these statement of Kenan, I also could not find any information which states that there is a franchisee of this particular MNC in not only in the TRNC but also in the whole Cyprus. Thus, it is possible to say that this particular establishment that Kenan was talking about, is not a real franchisee of that particular MNC; it is indeed a 'counterfeit franchisee'. This kind of an establishment could be peculiar to the TRNC market thanks to the non-recognition status of the TRNC state. In addition to this, even if all the interviewees from the Company A, Company D, and Company E claimed that these companies are real franchisees of the MNC6, MNC7, MNC8, MNC9, and MNC10, after our interviews ended, I checked the internet sites of all of these MNCs at the same dates with these interviews. According to these internet sites; the MNC6, MNC7, and MNC9 do have franchisees in the TRNC, so it is possible to say that the franchising agreement between these three MNCs and the Companies A,D, and E are legalized in the home countries of these MNCs. The internet site of the MNC10 does not have any relevant information on this issue; there is no information about any of its franchisees located in anywhere in the world, so the result is limited to the claims of the interviewee from the Company E. When it comes to the MNC8, it is possible to say that the franchising agreement between the Company E and the MNC8 has been legalized by using a kind of a 'tunnelling method' by showing the Company E as a domestic company

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yerlerin... içine girmeye başladı, eee... yoğurttan salataya kadar işte bir sürü, bir sürü alternatif... geliyor. Bekliyoruz artık ileride... hani "Kim lahmacun ile birlikte (Gülerek,) Coffee Shop açacak?" diye. Ki X Şehrinde (KKTC'nin bir şehri) (Bahsi geçen firmanın gizliliğini sağlamak adına gizlenmiş bilgi, KKTC'nin şehirlerinden birisi.) isim vermeyeyim, X bir firma, uluslararası (2-3 saniye duraksar.) olduğunu söyleyen bir firma, eee... meselâ bir gözlemeci teyze koyup gözleme falan satabiliyor Coffee Shop'un içinde, eee... ve o zaman anlıyorsunuz işte gerçek... aslında franchise olmadığını, master franchise olmadığını, sadece işte, eee... ismini oraya... bir şekilde koyduğunu...', Kenan, Company A, MNC6, 15 December 2018.

based in the RoC; in this sense the Company E could also be called as a ‘tunneled franchisee’ of the MNC<sup>8</sup>.

In addition to these, there is another case that must be noted here. In some cases, the franchisee in the TRNC is being forced to use a kind of ‘masked brand’ for its original franchising business. I tried to include a company that does this kind of franchising into the sample, but the executive managers of this company refused to participate in the research. Therefore, in order to get some information, I visited a store of this company in the TRNC, in the 9th of August 2018, and had a little talk with the store manager and asked if this company is a franchisee of an MNC or not. He replied as ‘Yes, it is a franchisee of the MNC (X).’, and he added that all the products they sell are being imported from that MNC and all the business processes in these stores are being operated under the rules and regulations of that MNC. While there is no deeper information about that kind of a franchising agreement, I will claim that this kind of a franchising is another specific kind of a franchising which is peculiar to the markets of states, such as the TRNC, that have issues like non-recognition. Thus, I will call this kind of a franchising business as ‘masked franchising’.

However, when it comes to the operational processes that the franchisees located in the TRNC, it is possible to say that the context of non-recognition plays a great role in these processes also. Yüksel, from the Company D, is aware that the lack of after-sale services of the equipments that they use in their stores is a problem caused by the status of non-recognition of the TRNC:

‘Atay: Have you ever experienced any problems related with the status of non-recognition of the TRNC?’

Yüksel: Well... We have! Our biggest troubles are these actually; here (in TRNC), there is not a technical service for the equipment related to the job (coffee machines, etc...) which came from the franchisor (the MNC7). We use the equipment, but here (in TRNC) there is not a technical service although you can find these services in the RoC and in Turkey, so we cannot have them serviced whenever we need to.<sup>22</sup>

The problem that the Company D experienced about this issue could be related with the phenomenon of ‘in-practice distributorship’ which is presented in Part 4.2.1 since they also face difficulties related with the after-sale services.

Lastly, since the MNC8 and the MNC9 are textile companies, all of the products sold in the stores of their franchisee, the Company E, are being imported from these MNCs to the TRNC. On the other hand, the MNC6 and the MNC10 are ‘coffeehouse companies’ and the MNC7 is both a ‘coffee’ and a ‘coffeehouse’ company. All of these three MNCs have their own coffee beans. Therefore, all the franchisees of these companies in the TRNC, which are the CompanyA, Company D, and Company E are importing their franchisors’ coffees. Moreover, all the dynamics and structural differences in the transportation processes related with the status of non-recognition of the TRNC presented in the Part 4.2.1 are valid for these franchising investments. All the three participants stated that they use, what I call, the ‘tunnelling method’ in order to get around the problems related with the non-recognition of the TRNC and this situation increases the costs of transportation. Yet this problem is being overcome by increasing the prices of the products and services in the franchising businesses located in the TRNC.

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<sup>22</sup> ‘Atay: KKTC’nin tanınmamış olması ile ilgili hiç sıkıntı yaşadınız mı?’

Yüksel: Eee... Yaşadık, eee...en büyük sıkıntılarımız şunlar aslında, eee... oradan, franchise’la (MNC7 ile) ilgili olan, gelen ekipmanların (Kahve makinası v.b.) burada (KKTC’de) servislerinin olmayışı. Mesela Güney’de (GKRY’de) oluşu, Türkiye’de oluşu, fakat burada (KKTC’de) onların servislerinin olmayışından dolayı, ve onların ekipmanlarını kullandığımız dan dolayı da... şimdi o ekipmanlara servis yapmak istediğimizde yapamıyoruz.’, Yüksel, Company D, MNC7, 9 August 2018.

To conclude with ‘franchising’ as a foreign market entry mode, it could be argued that no matter is it legal or illegal to invest in the TRNC market, there are some MNCs that invest in this market without any hesitation. In this foreign market entry mode as well, the MNCs find a way to get around of the issues related with illegality of their investments and expand their capital by using the domestic capitalists in the TRNC. They use different tools and mechanisms such as establishing a ‘tunnelled franchising’ or a ‘masked franchising’ with the domestic capitalist in order to pursue their capitalist accumulation processes. However, there are some real franchising businesses in the TRNC market that are considered as ‘legal establishments’ in the home countries of some MNCs, such as the franchising business of the MNC6. Yet, although these businesses are considered as legal or not, all the franchisees located in the TRNC have to use different working methods than the franchisees located in states that do not have such conditions like non-recognition. For example, all the franchisees in the TRNC market, as well as their franchisors, have to use the ‘tunnelling method’ for their international transportation processes. This situation increases the costs, but as it was mentioned above, this problem is being solved by the capitalists by increasing prices. As a result, although the product or service that the MNCs sell are standardized products in all over the world, the people of the TRNC are being forced to pay more than the people who live in countries that do not have such conditions like non-recognition. This situation could be considered as another aspect of the dispossession that took place in the TRNC. In addition to this, since the franchisees are paying royalty fees to their franchisors, one may argue that these franchisees could be considered as the consumers of their franchisors to a certain extent. However, once a domestic company becomes a ‘master franchisee’ of an MNC, this ‘domestic’ company is also becoming a part of the global capital by

selling an MNC's 'franchising business' in the domestic market. By this way, the domestic capitalists pursue not only the capital accumulation processes of the MNCs, but also the capital expansion processes of the MNCs in the TRNC market.

#### **4.2.3. Licensing**

First of all, it must be noted that the interviewee from the Company F (Haluk) was the only participant who gave information about the average annual return of the domestic company. The average annual return of the Company F was 50 million TL (Turkish Lira) at the end of the first half year of 2018. The Company F is a licensee of the MNC11; so depending on the reason that the MNC11 is an industrial production company that produces 'fast-moving consumer goods', the Company F is a production company that produces fast-moving consumer goods that are 'licensed' by the MNC11. However, in addition to the production of the 'licensed products', the Company F is producing also its own brands' products in the TRNC. The Company F has a large production facility located in Famagusta, a large distribution plant and its center in Nicosia, and 170 people in total who are working at these facilities. There are more than 2500 sales points in every cities of the TRNC, but it is expected to increase in the following years. Therefore, it is possible to say that both the MNC11 and the Company F are pursuing their capitalist accumulation through their business operations in the TRNC and expanding their business within that particular market. The establishment story of the Company F is interesting. The Company F was established as a joint venture between a domestic company of Turkey (I will call that company as the 'Company F1' within this part), which was a licensee of the MNC11, and domestic capitalists of the TRNC during the time period of 1974 and 1983. The Company F1 owns more than 80% of the shares of the Company F, so the domestic capitalists of the TRNC has less than 20% of the shares

of the Company F. The Company F was established first as the distributor of the MNC11 in the TRNC. Although there is no information about the structural details about the distributorship operations of this company, Haluk from the Company F, stated that the Company F had been distributing the products that were produced under the license of the MNC11 at the production facilities of the Company F1 in Turkey, as well as the products that were produced by the Company F1 as the Company F1's own brands. However, Haluk expressed that, after the establishment of the TRNC, the Company F established a production facility in the TRNC and started to produce the commodities of the MNC11 at this manufacture:

'Aforetime, we were importing the products of the MNC11 from Turkey. Then, in 1983, production had begun here (in the TRNC). When our factory got involved in the process, we started to sell our produced goods (under the MNC11's license) in Famagusta.'<sup>23</sup>

When it comes to the question of how the license agreement between Company F and the MNC11 has been legalized, or is it 'legalized actually?', Haluk explains these mechanism as the following:

'Well, let's put it this way... Because of MNC11 was running a business with the Company F1 in Turkey, and the Company F1 established the Company F here in 1981, and because the Company F1 (as a licensee of the MNC11 in Turkey) established a factory through Company F here (in the TRNC) in 1983; the products which were produced here (MNC11 branded products) were upheld as if they were made in Turkey. However, because (thereafter) the Company F1 was completely acquired by the MNC11, the operation here (the Company F) directly proceeds via MNC11.'<sup>24</sup>

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<sup>23</sup> 'Daha önce Türkiye'den ürün getiriliyordu, MNC11 ve diğer varyantlar... Sonra burada üretim başladı 1983'de. Bu üretimle beraber fabrika devreye girdi ve Mağusa bölgesine fabrikadan satış sunuldu.', Haluk, CompanyF, MNC11, 15 August 2018.

<sup>24</sup> 'Şimdi şu şekilde... daha önce MNC11 Türkiye'de çalıştığı için the Company F1 ile, the Company F1 de 1981'de buraya iştiraki açtığı için ve MNC11'i (markanın lisansiyesi olarak) oradan gönderip (Türkiye'den KKTC'ye) 1983'te de (KKTC'deki iştirakini) fabrika haline getirdiği için... buradaki üretilen (MNC11 markalı ürünler), Türkiye üzerindenmiş gibi destekleniyordu. Fakat Türkiye'deki operasyon tamamiyle MNC11'e devredildiği için, bu operas-... buradaki operasyon ise direkt MNC11 üzerinden devam ediyor.', Haluk, Company F, MNC11, 15 August 2018.



Thus, it could be argued that the rights for the usage of ‘MNC11 licence’ of the Company F has been provided by a kind of a ‘tunnelled licensing agreement’ between the Company F1, and the MNC11. However, about ten years after the establishment of the Company F, the MNC11 bought the Company F1, excluding the shares of the Company F1 in the Company F. After that, the Company F started to work as a ‘licensee’ of the MNC11.

However, Haluk stated that the tunnelling method is still being used by the Company F and the MNC11 in order to legalize the usage of the ‘licensing rights’ of the MNC11 for the products produced by the Company F:

‘Atay: So... Does the legal link between the Company F1 and the MNC11 look as if it is established via Turkey?

Haluk: It looks like that... but in reality, it is not via Turkey. Well, we neither have a direct contact with Turkey, nor running our business under “the MNC11 Turkey”. We purchase the concentrates (a kind of an input which is necessary to produce the “licensed” products of the MNC11) directly from the (headquarter of) the MNC11.’<sup>25</sup>

Moreover, the link between the Company F and MNC11 was provided by not only a tunnelling method, but also through a ‘masking method’ that shows the Company F as a ‘distributor’ of the MNC11, not a ‘licensee’ of the MNC11 on official base. Haluk talked about this issue while answering a question that I asked him related with the rights of the Company F for the usage of the brand name of the MNC11 on its products:

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<sup>25</sup> ‘Atay: Öyleyse... Aslında (Company F ile MNC11 arasındaki resmi bağ) Türkiye'den imiş gibi mi görünüyor?

Haluk: Türkiye'den imiş gibi görün... görünüyor, aslında değil. Yani Türkiye'ye direk bağlı bir durumumuz yok. "MNC11 Türkiye"ye de bağlı değiliz. Direk "MNC11" ile biz... konsantre (MNC11'in lisanslı ürünlerini üretebilmek için gerekli olan bir çeşit ara-madde) alımını yapıyoruz.’, Haluk, Company F, MNC11, 15 August 2018.

'Atay: Well, let me ask you one more thing. You openly use the brand name of the MNC11 in the TRNC. Is it because your license agreement was made via Turkey? Because... As you know, there are some companies here that cannot use their own names.

Haluk: Currently... I won't say "We can't use". Because we have the right of production and filling (packaging the beverages), the central firm ( the headquarter of MNC11 was mentioned here) lets us use the name... but, as I said, because we can't get involved in marketing procedures or other things like the auditing processes here... and because the MNC11 does not own another brand under the name of itself to compete with in the TRNC market...This place looks as if it's a distributorship although we are not distributors... and we have to keep on producing.'<sup>26</sup>

However, it could be argued that these structures and mechanisms, which were created between the Company F and MNC11, are the structures and mechanisms created with respect to the dynamics of the context of non-recognition of the TRNC. In this sense, it is possible to say that this kind of a 'licensing' business may be peculiar to the markets that exist under such conditions like non-recognition. Moreover, Haluk stated that the due to the articles of the 'licensing agreement' between the Company F and the MNC11, the Company F does not have permission to export the 'licensed products of the MNC11' that the Company F produces:

'According to the license agreement, we cannot export products. We act in accordance with the agreements regarding the license; we only produce and sell our beverages domestically, the MNC11 branded beverages which we produce in our company. We do not export them abroad.'<sup>27</sup>

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<sup>26</sup> 'Atay: O zaman ben size şunu da sorayım... MNC11 ismini açıkça burada kullanabiliyor olmanızı, lisans anlaşmanızın Türkiye üzerinden yapılmış olması mı sağlıyor? Çünkü... hani bildiğiniz gibi bazı firmalar var kendi ismini burada kullanamıyor...

Haluk: Şu anda eee... Biz kull... "biz kullanamıyoruz" demeyeceğim. MNC11 lisansı ile üretim ve dolum hakkı...na sahip olduğumuz için, eee... firma bu kullan-... ana firma, dediğim firma (MNC11'i kastederek) kullanmamıza izin veriyor fakat, eee... dediğim gibi pazarlama ve diğer etkenlerde dahil olmadığımız için, ya da denetleme sürecine de, dahil olmadığımız için burada... aynı firmanın rekabet edebileceği kendi markası da olmadığı için... Çünkü burası bir distribütörlük mantığıyla... görünüyor. Distribütör olmamıza rağmen... (üretim) devam etmek zorundayız.', Haluk, Company F, MNC11, 15 August 2018.

<sup>27</sup> 'Bizim yurtdışına satış için, lisans hakkımızda, öyle bir ibare yok. (2-3 saniye duraksar.) Lisans hakkındaki anlaşmalar doğrultusunda yürüyoruz. Meşrubat ürünlerimizi biz, kendi üretimimiz olan

It could be argued that, this constraint imposed by the MNC11 on the import of licensed products of the MNC11 produced by the Company F can be caused by the different structures of this licensing agreement, such as the ‘masking method’; caused by the dynamics of the non-recognition of the TRNC. Another important issue of the licensing agreement between the Company F and MNC11 is that the Company F is not audited by the MNC11 directly. The Company F has its own auditing operations for the products that are produced under the license of the MNC11. However, the reports of these auditing processes are reported to the MNC11.

When it comes to the transportation processes between the Company F and the MNC11, it is possible to say that the non-recognition of the TRNC plays an important role in this particular case also. Similar with the other companies in the sample of this thesis that have been presented previously in this chapter, the Company F and MNC11 are also using the ‘tunnelling method’ for the transportation processes which shows the TRNC as ‘Mersin10/Turkey’, like a province of a city of Turkey. The same problems, like the increase in the costs and lost of time, are also valid for this case. In addition to this, Haluk stated that the Company F is importing all the inputs from a facility of the MNC11 which is located in a European Union state. Therefore, because of these problems in the transportation processes which were caused by the ‘non-recognition’ of the TRNC, the Company F has to stockpile a particular amount of the products while waiting for the shipments of inputs:

‘Atay: Well... While purchasing inputs, does the imposition of embargos on the TRNC, or the TRNC’s situation of being unrecognized, cause particular problems for you?’

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MNC11 markalarını, sadece lokal üretip lokal satıyoruz. Yurtdışına göndermiyoruz.’, Haluk, Company F, MNC11, 15 August 2018.

Haluk: Yes, of course. We are obliged to stockpile the goods. In the transportation processes, we usually prefer sea-shipment because shipment via plane is more expensive. We prefer sea-shipment but “the departure of the ship from its location”, “its arrival to the port of Mersin”, and “its arrival here”; all of these take a long time. Otherwise, even if the goods (inputs) directly come here from Turkey by ship from Mersin or Taşucu, we may have to wait around fifteen days. The waiting period may take around two months for the goods which come from abroad. So, we have got to be planned. When we make plans we have to stock the goods that we will produce and sell, as ‘inputs, produced goods, and commodities’... and these results in inventory costs for us.’<sup>28</sup>

However, just like the other companies that do businesses with the MNCs, the Company F is also getting around of this problem by raising the prices of its products in the TRNC market.

As a conclusion to this case of the ‘licensing agreement’ between the Company F and the MNC11, I will refer this ‘licensing agreement’ between the Company F and the MN11 as a ‘Tunnelled-Masked Licensing’ agreement. The basic features of the ‘Tunnelled-Masked Licensing’, as a different kind of a foreign market entry mode, follow as:

(1) The licensing agreement is being legalized in the base country of the MNC by using a ‘tunnelling method’ that shows the licensee company as a company based in a recognized state by the home country of the licensor company (the MNC).

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<sup>28</sup> ‘Atay: Peki... Mal alımları esnasında, yani bu gerek hammadde için olsun gerekse de ara maddeler için olsun, KKTC’ye karşı uygulanmakta olan ambargoların veya tanınmamışlık durumun, yani KKTC’nin tanınmayan bir devlet olmasının, size yaşattığı belli zorlukları oluyor mu?  
Haluk: Var, tabii ki de oluyor. Stok tutmak zorunda kalıyoruz. Ürünlerin, eee... buraya ulaşım süreci... genelde gemi yolunu tercih ediyoruz, hava yoluyla oldukça pahalıya geliyor, gemi yolunu tercih ettiğimiz için gemi... gemin.. eee... geminin... bulunduğu noktadan çıkıp, eee... Mersin Limanı'na varıp, oradan buraya gelmesi, yurtdışından olan ürünler için, oldukça zaman... alıyor. Diğer türlü Türkiye'den gelen ürünler ise direkt Mersin'den ya da Taşucu'ndan buraya gemi ile gelse dahi, eee... bunun Türkiye'den gelenler için 15 günlük bir şeyi var, eee... kayma süreci var. Yurtdışından gelenlerin ise 2 ayı bulabiliyor. Bundan dolayı biz planlama yapmak zorundayız. Planlama yaptığımızda da, elimizde... hem üreteceğimiz hem de satacağımız ürünü, gerek emtia olarak, üretilmemiş ürün – hammadde - olarak, ve üretilmiş ürün olarak stoklamak zorunda kalıyoruz. Bu da bize stok maliyeti çıkartıyor.’, Haluk, Company F, MNC11, 15 August 2018.

(2) In addition to this, in order to restrict its licensee to import the ‘licensed’ products of the licensor (the MNC) to other markets, the licensing agreement is ‘masked’ by showing that agreement like a kind of a distributorship agreement. Thus, the licensee is prevented from importing these products to other markets.

(3) Because the licensee seems like a kind of a distributor of its licensor (the MNC), the licensee company is not being included in the auditing processes of the licensor. Instead, the licensee is auditing its production process by itself and reporting the results to its licensor.

(4) Therefore, the licensee is still operating with a responsibility and liability against its licensor (the MNC).

Moreover, it is possible to say that the ‘Tunnelled-Masked Licensing’ is a kind of licensing which is peculiar to the states that have conditions like non-recognition and embargoes, such as the TRNC. Thus, due to the issues related with legality of their investments in the TRNC; the structures, tool, and the mechanisms used by the MNCs in the TRNC market are different from how these are being used in markets of the states that do not have such conditions. The MNCs are pursuing their capital accumulation processes by changing their own structures, even in unrecognized states that exist under the conditions of embargoes.

There is another interesting issue about the case of the Company F and the MNC11. This is related with the scale of the TRNC market. Depending on the reason that the Company F is restricted to import the ‘licensed products’ that it produces, this Company is selling these commodities only within the domestic market of the TRNC. In this sense, although these products are ‘fast-moving consumer goods’,

depending on this restriction on imports, the capitalist expansion process of the Company F is undermined and the capital of the Company F is experiencing periodic capitalist crises and forced to go downsizing:

‘Haluk: Two years ago, it was decided to downsize the business.

Atay: What was the reason for that decision?

Haluk: Well... This decision was made administratively. It is hard to say if it was a good decision or not for now.’<sup>29</sup>

However, the Company F is constantly sparing a particular percentage of its accumulated capital for expansion or reinvestment. Thus, it is possible to say that this kind of an investment, which is operating its businesses through a ‘tunnelled-masked licensing’, is obliged to experience a successive time periods of capital expansion and capital downsizing constantly. On the other hand, it is possible to say that as long as the MNC11 constantly receives payments from the Company F for the usage of its license rights, these successive periods that the Company F experiences do not interrupt the capital accumulation process of the MNC11. In other words, as long as the Company F pays the licence fee to the MNC11 precisely and on a regular basis, and the capital accumulation of the MNC11 uninterruptedly proceeds, it does not matter for the MNC11 if the Company F is experiencing these successive periods or not. Indeed, due to the fact that the people of the TRNC are forced to be the consumers of the global capital because of the non-recognition of the TRNC. Therefore, even if the Company F goes bankruptcy, the MNC11 can find a way to sell its products in the TRNC market and pursue its capital accumulation by using another domestic capitalist. The people of the TRNC are unable to escape from

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<sup>29</sup> ‘Haluk: ... Bundan 2 yıl önce bir küçülme, eee... kararı alındı.

Atay: Neye müteakiben alındı bu karar?

Haluk: Eee... yönetsel olarak... yapıldı. İyi mi yapıldı kötü mü yapıldı demek şu an zor.’, Haluk, Company F, MNC11, 15 August 2018.

their fates, they are going to be the consumers again, thanks to the non-recognition of the TRNC.

The last thing to be mentioned related with the Company F and the MNC11 is that these companies are benefiting from the governmental incentives promised by the TRNC during the importation processes of the inputs. These are some kinds of tax allowances like ‘exemption from customs duties’ that were promised by the TRNC state which were mentioned in Chapter 3. In addition to this, the allocation of land that the center of the Company F is located on, has been provided by the TRNC state as an incentive to this investment. Thus, it is possible to say that, contrary to the import-based sectors, the TRNC state is providing some incentives to the production companies in order to promote the industrial development in the TRNC. However, since the production industries of the TRNC are undermined due to the non-recognition of the TRNC and embargoes imposed on it, one can argue that these incentives are not going to be beneficial for the domestic production industries in the TRNC. Since there is an embargo on the TRNC originated goods, the producers in the TRNC are going to be unable to export their products to the international markets. Therefore, like it happened in the case of ‘Sanayi Holding’, these domestic producing companies are going to be forced to bankruptcy, and hundreds of workers are going to be laid-off. In this sense, it is possible to say that due to the contexts of non-recognition and embargoes, the governmental incentives that were provided by the TRNC state are, indeed, beneficial for the representatives of the global capital and their capital accumulation process, not for the industrial development of the TRNC.

#### **4.2.4. Joint ventures**

First of all, the reason behind why the Company F and the MNC11 was not included in this part is that the Company F is not a joint venture company of the MNC11; it is a joint venture of a domestic company of Turkey (the Company F1) and some other domestic capitalists of the TRNC. In this sense, the Company F has an irrelevant case for the issue of ‘joint venture investment of an MNC in the TRNC’. In this sense, the Company F is not included in this part.

On the other hand, the Company G is a joint venture production company which operates in the ‘construction sector’. It was established by the MNC12 and another MNC based in Turkey (I will call this as the ‘Company G1’ within this chapter). The Company G was established in 1983, after the establishment of the TRNC , by the Company G1 as a foreign direct investment in the TRNC. Due to the fact that the TRNC is a recognized state by the Turkish Republic, this investment was a legal investment both in the TRNC and Turkey. However, the MNC12 bought more than 75% of the stocks of the Company G , so the joint venture was established in 1994. Thus, the Company G is a joint venture company of the MNC12 and the Company G1 today. The Company G does not have any subsidiaries in the TRNC. Its only facility is located at İskele (a small city of the TRNC) with 33 workers in total. However, there are more than 30 dealers of the Company G in the TRNC market located in every city of the TRNC, and the number of these dealers are inceasing day by day. Thus, it is possible to say that the Company G, as a form of global capital in the TRNC, is expanding its capital within the TRNC market. However, there is neither any information about the avarage annual return of the Company G, nor any information about the usage of the governmental incentives of th TRNC by the Company G. Another important information about the Company G is that this



company is a licensee of the MNC12, but the details of the licensing agreement will be provided later in this part.

At the beginning of the interview with Birol, who is the interviewee from the CompanyG/MNC12, he was quite nervous and avoided giving some of the information about the decision-making processes during the establishment processes of the joint venture such as: which company was the first to get into contact with the other; the reasons behind establishing a joint-venture instead of a wholly owned subsidiary; and why, particularly, the TRNC market was chosen to invest in despite the non-recognition of the TRNC and embargoes related with the importation of the TRNC originated products. However, I could succeed to get some important information related with these issues:

‘In the past years, Company G was bought on the assumption that a possible solution agreement (on the Cyprus dispute) “will be made” in Cyprus. This company was bought with a belief that this place would be a modern country; a country which would be reconstituted, where two societies work together; where marinas, highways and airports were designed together as if there is a ‘united’ Cyprus...’<sup>30</sup>

In this regard, it is possible to say that the MNC12 invested in the TRNC in order to benefit from the imperialist dispossession that took place in the TRNC through the contexts of ‘non-recognition’ and the embargoes imposed on the TRNC. This is because, as Harvey argued:

Devalued capital assets can be bought up at fire-sale prices and profitably recycled back into the circulation of capital by overaccumulated capital. But this requires a prior wave of devaluation, which means a crisis of some kind. Crises may be orchestrated, managed, and controlled to rationalize the

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<sup>30</sup> ‘Geçmiş yıllarda "Kıbrıs'ta olası bir anlaşma 'olur'." varsayımı ile burası (CompanyG) alındı. Olur da işte burası yeniden modern bir ülke... iki toplumun ortak çalışacağı, yeniden yapılandırılacak, işte marinaların, yolların, uçak alanlarının... birlikte dizayn edileceği... "Tek bir Kıbrıs olur." düşüncesiyle bu şirket alınmıştır...’, Birol, Company G, MNC12, 13 August 2018.

system. ... Limited crises may be imposed by external force upon one sector or upon a territory or whole territorial complex of capitalistic activity.

(Harvey, 2003, p.150)

In this sense, if one considers the non-recognition and the embargoes imposed on the TRNC as a 'wave of devaluation' imposed by an external force upon all the values that can be used as capital assets later on by the global capitalists, such as the land, in the TRNC, then it could be argued that the MNC12 aimed to benefit from this particular 'wave of devaluation'. Thus, if the Cyprus dispute can be resolved in a peaceful manner in the future, then the value of this particular investment of the MNC12 located in the TRNC (the Company G), would increase by this way. However, this is a risk that the MNC12 took while investing in a joint venture in the TRNC depending on the reasons: the property ownership disputes presented in Chapter 3, thus the possibility of losing capital; and it is 'not yet known' if the Cyprus dispute will be resolved or not in the near future. Therefore, one may argue that this investment (the Company G) currently is a kind of a 'reserve capital' for the MNC12.

When it comes to the organic links that exist between the Company G and the MNC12, Birol states that the Company G is not only a joint venture, but also a licensee of the MNC12. However, he added that although the Company G is a licensee and operates in accordance with all the standards, rules and regulations designated by the MNC12, and produces original 'licensed' product of the MNC12, the Company G is neither allowed to put the original 'licensed' brand of MNC12 on the packages of these products, nor it is allowed to use this brand anywhere in any market. Birol (from the Company G) also added that this situation is a result of the

non-recognition of the TRNC, and it undermines the ability of the Company G to export its products to any foreign market:

‘Atay: Either in the period when your foreign partners got involved, or within the period of your operational processes up to our day; have you ever had any financial difficulties or sanctions, or difficulties related with the policy issues due to the fact that the TRNC is referred to as an unrecognized state in the international area (except for Turkey), and due to the embargos imposed on the TRNC?’

Biol: Well, we did not encounter any sanctions but... we are a multinational company, but unfortunately we could not use our real name (brand) for our products. We could not use our world-wide reputed name (MNC12) as the name of company and as the brand of our products. We experienced a difficulty like that. Apart from this, we are limited in exportation; we cannot export. One of the results of being unrecognized is that... we can almost never export.<sup>31</sup>

Since the restriction on the usage of the brand name of the MNC12 for its own products produced in its joint venture company under its own license rights, is an issue that is related with the non-recognition and embargoes imposed on the TRNC; then it is possible to say that this kind of a ‘licensing and joint venture’ investment is a phenomenon which is peculiar to the establishments that exist in states, such as the TRNC, that has issues like non-recognition and embargoes. I will call these kinds of investments as ‘Custodian Joint Venture’. In this kind of an investment, it is possible to say that there are two different market entry modes used by the MNC, which are the ‘joint venture’ and ‘licensing’. However, the ‘license’ of the products produced in this joint venture establishment is hidden by using a different brand

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<sup>31</sup> ‘Atay:Gerek yabancı ortaklarınızın buraya ilk dahil olduğu zaman olsun, gerekse de o günden bugüne işleyiş süreciniz içerisinde olsun, KKTC’nin uluslararası alanda (Türkiye haricinde) tanınmayan bir devlet olmasının veya KKTC’ye karşı uygulanmakta olan ambargoların size yaşattığı çeşitli siyasi ve ekonomik zorlukları, veya yaptırımları, oldu mu, oluyor mu?’

Biol: Şimdi şöyle bir şey, yaptırım olarak karşılaşmadık fakat uluslararası bir şirket olduğumuzdan, esas ana ismimizi, eee... ürünümüze biz kullanamadık, maalesef. Gerek şirket ismi olarak, gerekse ürün ismi olarak, esas Dünya çapında "bilindik ismimizi" (MNC12) kullanamadık. Öyle bir sıkıntımız oldu. Onun haricinde ihracatlarda sınırlıyız, ihracat yapamıyoruz, tanımamışlığın verdiği sıkıntılardan bir tanesi de, eee... hemen hemen hiç ihracat yapamıyoruz.’, Biol, Company G, MNC12, 13 August 2018.

name for these products and for the joint venture than the original name of this MNC.

When it comes to the issue of competition in the TRNC, Birol, the interviewee from the Company G, stated that there are four competitors of the Company G in the TRNC market, but the Company G is the only company that has production facility at the TRNC in this sector. In addition to this, he added that the percentage of these four companies and the Company G in the market share are almost equal. The Company G is gathering nearly 50% of its inputs, which are necessary for its production, by exploiting the natural resources of the TRNC. However, Birol didn't provide any information about the governmental incentives of the TRNC that the Company G may be benefiting from.

As a result, it is possible to say that, just like the other foreign market entry modes, the 'joint ventures' are also being used by the MNCs in order to pursue their capital accumulation processes. Moreover, while investing in the TRNC market, the MNCs are getting around the problems related with the legality of their investments, due to the non-recognition of the TRNC, by changing their inner structures and by using different tools and mechanisms. The case of the Company G was also including 'licensing' as a market entry mode. However, in order to legalize its investment in the TRNC market, the MNC12 adopted a different strategy than the MNC11 did; the MNC12 established a 'Custodian Joint Venture' and 'masked' its licensing investment by using a different brand than its own brand for its investment in the TRNC. This situation can also be considered as another different tool that the MNCs use in their investments in the TRNC, which is not preferred in other markets that do not have the conditions like non-recognition and embargoes. As it was mentioned above, another aspect of the MNC12's investment in the TRNC market was related

with the objective of benefiting from the ‘imperialist dispossession’ that took place in the TRNC. However, as long as the the status of non-recognition of the TRNC continues, the investment of the MNC12 in the TRNC could be treated as a ‘reserve’ capital for the MNC12 against a possible capitalist crisis in the future.

#### **4.2.5 Wholly Owned Subsidiaries**

Before beginning, it must be noted that depending on the reason that establishing a wholly owned subsidiary in a particular market is a more costly method than the other foreign market entry modes, and due to the issues related with the property ownership in the TRNC presented in Chapter 3, the wholly owned subsidiaries are more risky investments than the investments made through other foreign market entry modes. For this reason, this kind of foreign market entry mode is not preferred as much as the other market entry modes by the MNCs in the TRNC market. The MNC13 seems to be like one of the MNCs that took these risks, but the story of this MNC in the TRNC is totally different.

First of all, the MNC13 is a company operating in the ‘Information Technology and Telecommunication’ sector. However, the wholly owned subsidiary of the MNC13 in the TRNC (I will call this subsidiary as the Company H), was first established in 1995 at the TRNC as a wholly owned subsidiary of another MNC which was based in Turkey (I will refer this company as the Company H1). However, following the acquisition of the Company H1 by the MNC13, the Company H1 became a wholly owned subsidiary of the MNC13. Thus, because the Company H was a wholly owned subsidiary of the Company H1, when the MNC13 bought the Company H1, the Company H also became a wholly owned subsidiary of the MNC13 in 2006. There is no relevant information about the decision-making processes of the

establishment process of the connection between the Company H and the MNC13. However, all of the stocks of the Company H are owned by the MNC13 today.

When it comes to the expansion process of the Company H as a wholly owned subsidiary of the MNC13, there are 22 suboffices and more than 1000 sales points of the Company H located in every city of the TRNC, and these numbers are increasing day by day. The center of the Company H is located in Nicosia with 125 workers. The total number of workers of the Company H in the TRNC is around 750, excluding the part-time workers. In addition to this, the expansion process of the Company H is backed by the headquarter of the MNC13. However, there is not any information available about the average annual returns of the Company H. At this point, it must be known that all of the interviewees avoided giving the information about the annual returns of their companies, excluding Haluk from the Company F/MNC11.

When it comes to the organic links between the Company H and the MNC13, it is possible to say that in order to legalize the links between the Company H and the MNC13 at the home country of the MNC13; the MNC13 uses a kind of a ‘tunnelling method’. The reason behind this situation is that the home country of the MNC13 does not recognize the TRNC, so the MNC13 needs to legalize its own investment, which is an investment in the form of wholly owned subsidiary in the TRNC according to the laws of its home country. This tunnelling method is created by showing this wholly owned subsidiary in the TRNC as a part of the wholly owned subsidiary of the MNC13 in Turkey. In other words, in order to legalize the ‘Company H’ (the wholly owned subsidiary of the MNC13 in the TRNC), the MNC13 shows the Company H like as a subsidiary of the ‘Company H1’ (the

wholly owned subsidiary of the MNC13 in Turkey). However, this situation brings some structural differences on the operational processes of the Company H:

‘All our liabilities are directly linked to Turkey (Company H1). We are integrated to the group (MNC13) via Turkey... Well, there is a pre-assessment before Turkey’s assessment in the processes. We report it (any process of the Company H) to Turkey (the Company H1), and Turkey reports it to the group. Well, global operation is... actually “financial responsibility”, apart from that... our “systematic connections” are established in some other different ways... as it should be, it is just like how it works in different groups (MNCs). We get in touch with the group at the same time as well.’<sup>32</sup>

I will call this kind of a wholly owned subsidiary as ‘Wholly Owned Tunnelled-Subsidiary’. In this kind of a wholly owned subsidiary, the ‘wholly owned tunnelled-subsubsidiary’ operates with a full responsibility and liability against the owner company (the MNC), but the operational processes of the ‘wholly owned tunnelled-subsubsidiary’ are being audited by another wholly owned subsidiary of the owner company (the MNC). It could be argued that this kind of a foreign market entry mode is peculiar to the investments located in states that have issues like non-recognition, such as the TRNC. In accordance with that, the Company H also uses the masked ‘Mersin10/Turkey’ address. However, because the Company H is basically selling ‘telecom services, the Company H is not using this address to import or export products. Thus, the Company H does not use this address at all. When the Company H needs products that do not exist in the TRNC, it is ordering and buying these products from the importer companies in the TRNC.

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<sup>32</sup> ‘Bizim direkt sorumlu olduğumuz yer Türkiye (Company H1). Türkiye üzerinden gruba (MNC13) bağlıyız, eee... yani Türkiye'nin altında bir değerlendirme, eee... var. Türkiye'ye biz bunu raporluyoruz, Türkiye de bunu gruba raporluyor... ama, eee... (bir süre duraksar) Tabii ki, global işleyiş biraz tabii... işte finansal sorumluluk... onun dışında sistemsel olarak, eee... bağlarımız daha farklı şekillerde, eee... olması gerektiği gibi, diğer gruplarda nasıl işliyorsa, biz de o şekilde o ilişkimizi grupla da götürüyoruz aynı zamanda.’, Faik, Company H, MNC13, 16 August 2018.

When it comes to the governmental policies of the TRNC on this kind of an investment, it is possible to say that the TRNC state is promoting these kinds of investments of the global capital through governmental incentives:

‘There are some governmental incentives on taxation of the imported goods. To briefly explain how it works, a VAT (value-added tax) exemption (zero-rate) ensues for the products during the importing process. Then these exemptions... Netting is done in following our VAT (value-added tax) payment periods (during the marketing activities).’<sup>33</sup>

As it can be seen in the aforementioned statements of Faik, from the Company H, the MNC13 is also benefiting from the governmental incentives that provided by the TRNC within its capital accumulation process in the TRNC market. Therefore, it could be argued that the MNCs which are benefiting from the governmental incentives of the TRNC are not only the producing firms such as the MNC11 but also some other market-seeking companies like the MNC13. However, the more these companies expand and grow in the TRNC market, the more the TRNC economy is getting vulnerable to these MNCs.

#### **4.3. A summary and an evaluation of the findings and analyses of the study**

As a conclusion for all of the MNCs’ investments in the TRNC, it is possible to say that, while pursuing their expansion processes in the TRNC market, except the structural differences that could be handled within operational processes inside the MNCs, such as using tunnelling methods, the MNCs are not experiencing much difficulties related with the non-recognition of the TRNC. Quite the contrary, some of them are in fact enjoying the governmental incentives provided by the TRNC state, such as the tax allowances and the land grants, and they are pursuing their

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<sup>33</sup> ‘Giren ürünlerin vergilendirilmesinde bir teşvik yöntemi yapılıyor, eee... şöyle ki... getirdiğimiz malların KDV muafiyetleri ortaya çıkıyor. Bu muafiyetler de, eee... daha sonraki KDV ödeme süreçlerinde, oradan mahsuplaşıyor.’, Faik, Company H, MNC13, 16 August 2018.



capitalist accumulation through their investments in the forms of different foreign market entry modes, such as ‘exporting’, ‘franchising’, ‘licensing’, ‘joint ventures’, and ‘wholly owned subsidiaries’. On the other hand, in some of these market entry modes, such as ‘exporting’, ‘franchising’, and ‘licensing’, the MNCs pursue their capital accumulation processes by expanding their businesses without risking their capital by investing in the domestic capitalists’ companies, or without spending money on these investments, the MNCs either sell their products, or sell the usage rights of their brand names to these domestic companies of the TRNC. The following table (Table 2) offers a summary of the findings in respect to each of the foreign market entry modes that are being used by the MNCs for the TRNC market:

Table 2.

*A summary of the findings on the structures of the businesses of global capital in the TRNC*

<b>FOREIGN MARKET ENTRY MODES</b>	<b>FINDINGS</b>
<b>Exporting</b>	1. Distributorship agreements are commonly used by the MNCs/TNCs. 2. Although ordinary distributorship agreements are existent, some different kinds of (extraordinary) distributorship agreements are also being made in some cases. Such as: a) Hidden Distributorship b) In-Practice Distributorship 3. No governmental incentive (from the TRNC state) has been used by the MNCs/TNCs or the domestic companies.
<b>Franchising</b>	1. Although ordinary franchising agreements exist, some different kinds of (extraordinary) franchising agreements are also made in some cases. Such as: a) Tunnelled Franchising b) Masked Franchising 2. No governmental incentive (from the TRNC state) has been used by the MNCs/TNCs or the domestic companies.
<b>Licensing</b>	1. Some companies use the 'tunnelling' method and 'masking' method together in order to legalize the licensing agreement in the international area; the 'Tunnelled-Masked Licensing'. Some structural differences exist due to the usage of these methods, such as: a) The licensor prohibits the licensee to export the 'licensed' goods that produced in this factory of the licensee. b) The licensee is not subjected to the auditing processes of the licensor; the licensee audits itself and reports the results to the licensor. c) The licensee experiences successive periods of capital expansion and capital downsizing due to the prohibition of exporting. 2. The TRNC state provides governmental incentives to these kinds of businesses.
<b>Joint Ventures</b>	1. The joint ventures allow benefiting from the 'imperialist dispossession' of the TRNC. In other words, the idea of 'accumulation by dispossession' exists in the minds of the global capitalists. 2. There is no relevant information about the usage of governmental incentives provided by the TRNC state. 3. The MNCs may establish a kind of 'masked' licensing agreement through establishing a 'Custodian Joint Venture' business. 4. The MNCs may exploit the natural resources of the TRNC.
<b>Wholly Owned Subsidiaries</b>	1. The MNCs may use a kind of 'tunnelling method' in order to legalize their wholly owned subsidiary (in the TRNC) at the international area: 'Wholly Owned Tunnelled-Subsidiary'. 2. The TRNC state provides governmental incentives to these kinds of businesses.

*Note.* This table is an original work of the author of this thesis. The table presents the findings related with the structural differences of the businesses related with the MNCs/TNCs that are operating in the TRNC market depending on the contexts of non-recognition and embargoes.

As it can be seen in the table above (Table 2), there are some structural differences in the businesses of the MNCs/TNCs that are operating in the TRNC. In order to legalize their businesses (which are located in the TRNC) at the international area, these differences are created by the MNCs/TNCs themselves as a consequence of the contexts of non-recognition of the TRNC and embargoes imposed on that state. These structural differences are being made by the MNCs/TNCs by using some different methods such as ‘tunnelling’, ‘masking’, or a kind of ‘hiding’ mechanisms for their own operations in the TRNC. Moreover, some of the MNCs/TNCs have even signed distributorship agreements with some companies that were not registered in any ‘legal or quasi-legal’ states within the time period between 1974 and 1983 when there was no particular state established in the territories that the TRNC exists today.

In order to expand their capital in the TRNC market, most of the MNCs/TNCs are using exporting (through distributorships), franchising, and licensing as foreign market entry modes. Since the TRNC is a small-scale economy, the reasons behind preferring these market entry modes could be due to the market size of the TRNC. However, another important reason behind choosing these market entry modes more commonly could be caused by the disputes on the property ownership in the TRNC. Thus, by using their distributors, franchisees, and the licensees, the MNCs/TNCs are eliminating the risk of losing their properties located in the TRNC; avoiding of the capital costs of establishing their investments in the TRNC; pursuing ‘the sale’ of their commodities in this particular market; and getting extra payments, such as a percentage of the profits, and the royalty fees, from these domestic companies. Therefore, the domestic companies of the TRNC, which have any business

agreements with the MNCs/TNCs, are bearing the capital costs of these investments and the legal risks on their own.

However, in some of the cases, especially in ‘exporting’ and ‘licensing’, the domestic capitalists of the TRNC were the counterparties that made the first contact with the MNCs/TNCs for establishing a mutual business in the TRNC market. The reasons behind this situation can be explained by various factors:

1. Depending on the contexts of ‘non-recognition’ of the TRNC and the ‘embargoes’ imposed on the exports of the TRNC originated commodities, the production industries of the TRNC are being undermined and forced to close down. Therefore, some particular types of commodities can not be domestically produced in the TRNC, and these particular types of commodities could only be procured by importing these goods from abroad. Thus, it is possible to say that the contexts of ‘non-recognition’ and ‘embargoes’ forced the people of the TRNC to be integrated to the international market ‘as consumers rather than producers’ (Bryant, 2015, para.10). Moreover, due to the increase in the prices that is caused by the extra transportation costs, the people of the TRNC are forced to pay more money for a product or a service than the people who live in states that do not have conditions of non-recognition and embargoes. However, in some cases, although they paid more money for a product, these consumers are unable to receive the expected value from these products thanks to the lack of the ‘after-sale services’ in the TRNC. By this way, the MNCs receive more money but provide less value for its TRNC customers. This could be considered as another issue related with the ‘accumulation by dispossession’ that is taking place in the TRNC.

2. Depending on the 'brand reputation' of the MNCs/TNCs, the domestic capitalist of the TRNC that establish mutual businesses with the MNCs/TNCs believe that selling goods or services of these MNCs/TNCs give a competitive advantage to them over their rivals in the TRNC market. In fact, this phenomenon is not only a belief but also a reality. These domestic capitalists of the TRNC are indeed taking the advantage of 'brand reputation' of the MNCs/TNCs and gaining a competitive advantage over their rivals. By this way, these domestic capitalists are increasing their share in the TRNC market by eliminating their competitors and pursuing their capital accumulation. Following to this, these domestic capitalists are expanding their capital by investing their accumulated capital in other sectors of the TRNC through establishing some other businesses with some other MNCs/TNCs. As a consequence, their capital is being concentrated and their firms are growing and becoming what is called as the 'group of companies'. Thus, it is possible to say that the ones who took the advantage of these kinds of businesses are not only the MNCs but also the domestic capitalists. However, it is possible to say that, once a domestic capitalist establishes a mutual business with a MNC/TNC and sells the goods or services of these representatives of global capital, then this domestic capitalist also becomes a part of the global capital. Therefore, even if the company of this capitalist seems as a domestic company as 'de jure', it is actually representing a particular MNC/TNC, or a part of the global capital, as 'de facto'.
3. Some of the interviewees of this study indicated that, depending on the 'lobby activities' of the franchisee companies of some of the MNCs/TNCs that operate in the Republic of Cyprus, these MNCs/TNCs are not aware of

the fact that the TRNC has a separate market from the RoC. However, once these MNCs/TNCs realize that the TRNC has a separate market from the RoC, they do not hesitate to establish a business in the TRNC market with a franchisee based in the TRNC. This situation may have various implications. First, the reason for the franchisees located in RoC for attempting to prevent the franchising investments in the TRNC could be due to their own fears of losing their 'possible market shares' for the future. This belief of the domestic capitalists, as the franchisees of these MNCs/TNCs in the RoC market, could be explained as: if the 'Cyprus Dispute' will be concluded in the future with a resolution through including the territories of the TRNC into the RoC, they believe that they, as the franchisees of these MNCs/TNCs for the RoC market, will be the franchisees of these companies for the so-called new territories of the reunited RoC. Thus, if the MNCs/TNCs are establishing franchising businesses with some other companies in the TRNC market today, the rights of operating franchising businesses for these MNCs/TNCs in the so-called territories of the 'pseudo-possible' reunited RoC will be a matter of dispute in the future. The second reason can be the nationalist ideologies of the Greek Cypriots (both the capitalist class and the working class) against the Turkish Cypriots. The latter suggestion is made following a statement of one of the interviewees of this study. Kenan, from the Company A/MNC6, stated that the franchisee company of the MNC6 in the RoC is reproaching about their decrease in the amount of customers since the MNC6 started to operate in the TRNC:

'They (the domestic company of the RoC which runs the franchising business of the MNC6 in the RoC) reproached about some particular things... If my memory doesn't fail me... They say "Because the MNC6 opened up a shop here (in the TRNC), locals in the RoC began

not to prefer the MNC6 and protested against it". They also claimed that their business stagnated because of these.<sup>34</sup>

However, this finding is limited to the findings following the statements of the interviewees of this study. Thus, 'The effects of nationalism on consumer behaviour in the RoC' is an issue that needs a further investigation.

Another important finding of this study is related with the investments of the MNCs/TNCs in production industries in the TRNC market. These companies are either getting governmental incentives from the TRNC state for the capital costs, such as land appropriation, or they are exploiting the natural resources of the TRNC for their inputs. Thus, it is possible to say that, the MNCs are either eliminating the risks related with the disputes on the property ownership in the TRNC through eliminating the capital costs of 'land' by using the governmental incentives, or they are taking these risks in return for exploiting the natural resources of the TRNC. Moreover, regardless of whether it is an investment in a production industry or not, the wholly owned subsidiaries of the MNCs/TNCs are also benefiting from the governmental incentives provided by the TRNC, such as tax allowances. As a result, it is possible to say that the TRNC, as a quasi-state, has a positive approach against the investments of the global capital to be made on these territories. However, one may argue that, the more the global capital gets expanded within the TRNC, the more the public revenues of the TRNC state become dependent on the domestic companies that represent the MNCs/TNCs, and the MNCs/TNCs themselves, in the future. This may increase the sphere of influence of these domestic capitalists on the TRNC, even it may go beyond the sphere of influence of the TRNC government.

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<sup>34</sup> (MNC6'nın GKRY franchising'ini kastederek) Bazı serzenişlerde bulundular. Benim de hatırladığım kadarıyla, işte buraya (KKTC'ye MNC6) açılmasından dolayı, o taraftaki (GKRY'deki) yerli halkın MNC6'yı (GKRY'deki MNC6'yı) tercih etmemesi, protesto etmesi, işlerinin düşmesi, bununla alakalı.', Kenan, Company A, MNC6, 15 December 2018.

This situation also increases the vulnerability of the TRNC economy against these monopolizing domestic capitalists. However, the detailed conclusions about these issues will be made in the next chapter.



## CHAPTER 5: CONCLUSION

In this study, it has been attempted to analyze the dynamics of the existence and expansion of global capital in an unrecognized state. The investments made by the MNCs and the TNCs in different forms of market entry modes at the TRNC market have been taken as the case of the study. In order to address the research questions of the thesis, first of all, the relevant existing literature was examined, then the case study has been conducted mainly through a fieldwork that consists of semi-structured in-depth interviews and cross-sectional surveys based on a purposively selected maximum variation/heterogeneous sampling out of the executive managers or owners of either the domestic companies that have coinvestments with MNCs/TNCs in the TRNC market, or wholly owned subsidiaries of the MNCs/TNCs located in the TRNC. In addition to these, in order to reach the relevant information with the objectives of this study, some secondary data, such as the governmental documents of the TRNC or statistical data from the World Bank database, have been used, and some direct observations on the TRNC market have been made. The research questions will be reminded in the following list:

- Primary Questions:
  1. What are the dynamics of the existence and expansion of global capital in the forms of Multinational Corporations and Transnational Corporations in the Turkish Republic of Northern Cyprus as an unrecognized state?
  2. How, and by using which tools and mechanisms do the Multinational Corporations and the Transnational Corporations exist, evolve,

operate, and expand their capital in the Turkish Republic of Northern Cyprus market?

- Secondary Questions:

1. Which dynamics of the global capitalist environment push the Multinational Corporations and the Transnational Corporations to invest in the Turkish Republic of Northern Cyprus?
2. How does the Turkish Republic of Northern Cyprus itself, as a state, approach to the investments of the Multinational Corporations and the Transnational Corporations within its territories?
3. How does the domestic market of the Turkish Republic of Northern Cyprus, as a non-recognized state, take shape in respect to the investments of the Multinational Corporations and the Transnational Corporations in this market?

However, following the research questions of this thesis, by examining the relevant existing literature; In Chapter 2 and Chapter 3, the reasons, and dynamics behind the expansion of the global capital in general are provided. In doing so, it has been argued that the capitalist system has a contradictory nature in itself. On the one hand, the capital has an unending need for an expansion and accumulation, and on the other hand, even if the capital is getting concentrated in few hands in a particular geography, there are natural 'territorial' limits against its accumulation process and its expansion. However, the realization of 'sale' of a product has vital importance for the capitalist class, and for the capital itself, in the accumulation process. As it has been presented in Chapter 2, Marx (1968/ 1959) argued that, for capital, as well as for the capitalist system, 'Crisis results from impossibility to sell' (p.509). In this

sense, one can argue that whenever or wherever a product is produced, in order to materialize the surplus value of a good or a service, 'sell' with 'profit' is the primary objective of a capitalist. In other words, if there is no realization of 'selling', then it is impossible to pursue the capitalist accumulation process. Therefore, it is possible to say that, no matter for what reason, and in what form of capital is expanding towards a new geography, i.e. a MNC or a TNC in production industry or service sector and expanding for market-seeking, efficiency-seeking, or resource-seeking reasons, the primary objective of those firms is to gain profit by selling its goods or services in the end. However, as it has been presented in Chapter 2, there are inherent limits to the capitalist accumulation process within a particular geography because the profit rate is destined to fall in this particular geography due to the phenomena of over-production, underconsumption, and over-accumulation. For this reason, a capitalist is in an unending need for expanding his/her capital towards a new geography. Thus, it is possible to say that this is the most important reason behind the expansion of capital, which is concentrated capital in few hands, towards everywhere in the world, even towards a market of an unrecognized state that live under embargoes with its small-scaled economy, such as the TRNC. Therefore, I argue that, in order to expand and continue to accumulate capital, global capitalists (MNCs/TNCs) would even expand to markets which have problems related to legality and recognition, like the TRNC. Thus, being an unrecognized, quasi state is not an impediment to the expansion of global capital into these territories.

When it comes to the question of how this expansion of global capital is being realized in time and space, Harvey (2003) argues that, in 'capitalist imperialism', the imperialist logics, which are the logic of territory and the logic of capital, are struggling against the phenomenon of 'over-accumulation' through an imperialist

‘accumulation by dispossession’. This kind of ‘new’ imperialist accumulation is realized through creating a devaluating effect on valuable assets in a particular geography by the imperialist logics. After this, when these assets get devalued, the imperialist logic of capital acquires the ‘depreciated’, cheaper, assets in this particular geography, then recycles back into the circulation of capital in a profitable way (Harvey, 2003). By this way, the imperialist logic of capital reinvests its over-accumulated capital, or its idle money, in a profitable investment. In this sense, this study argues that even if the intentions of unrecognized the TRNC state, or imposing embargoes on the TRNC, may have different reasons, these two phenomena led to an ‘accumulation by dispossession’ in the TRNC by the imperialist logics. This accumulation by dispossession is being realized by the MNCs and the TNCs, as the representatives of the ‘imperialist’ global capital.

However, the hypothesis of this study was that, due to the issues related with international laws and regulations, investing in an unrecognized state may have different mechanisms and dimensions than investing in the territories of other states that do not have such conditions. In this sense, in order to reveal and examine these differences, the inner dynamics of the investments of the MNCs and the TNCs in the TRNC market, the tools and mechanisms used by the MNCs and the TNCs within their investment processes and operational processes in the TRNC, and the effects of these investments on the domestic market of the TRNC, the field studies of this thesis were conducted. The analysis of these field studies has been provided in Chapter 4.<sup>35</sup>

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<sup>35</sup> The analyses and findings of the interviews were confirmed by an expert who double-checked the transcripts of the interviews for objectivity.

As it was presented in Chapter 1 and Chapter 2, some scholars such as Harvey (2010), argued that capital is in a never-ending need for expansion in time and space, and the capitalists ‘take on many different personae’ (p. 40) within this process. However, at the end of the analysis this study showed that, although the TRNC is an unrecognized state with a small-scale economy, the MNCs and the TNCs, as the representatives of the ‘imperialist’ global capital, are expanding their capital also in the TRNC market in different forms of existence. Therefore, it is possible to say that this study is important as it offers a confirmation of the reviewed literature. On the other hand, depending on the context of non-recognition of the TRNC, even if there exists a state named the TRNC in these particular territories, the businesses of the MNCs/TNCs in that particular state could be considered as ‘quasi-legal’ in the international area. As it was reminded above in this chapter, the hypotheses of this study proposed that the MNCs/TNCs are using extraordinary methods and mechanisms in order to pursue their capital expansion in the TRNC. With respect to this, the findings of this study offer the following:

1. Although the home states of these MNCs/TNCs do not recognize the TRNC, some of these states are already considering the TRNC operations of the MNCs/TNCs as ‘legal’. Therefore, it could be argued that the sphere of influence of the imperialist logic of capital (the global capitalists and their capitalist expansion) has gone far beyond the limits of the sphere of influence of the logic of territory (the nation-states) in the international area.
2. When it comes to the other states that do not consider these investments as ‘legal’, it is possible to say that the MNCs/TNCs are achieving to legalize their investments located in the TRNC before the laws of their home states as well as the international laws by using extraordinary methods, tools, and

mechanisms, such as a kind of ‘tunnelling method’ for the appearance and determination of the location information of these investments. The field study of this thesis found that most of the MNCs/TNCs are tunnelling the location of their investments in the TRNC by using a ‘masked address’ which shows the address of these investments as if they were located in Turkey. The reason behind using a masked address based on Turkey is that the Turkish Republic is the only state that officially recognizes the TRNC, thus, all of the transportational and communicational links between Turkey and the TRNC are considered as legal in both sides of the tunnel. Therefore, ‘using an address based in Turkey’ was naturally the only alternative for the MNCs/TNCs in the tunnelling method since the establishment of the TRNC in 1983. However, after the Annan Plan, and the opening up of the border gates between the TRNC and the RoC, the MNCs/TNCs started to use some addresses that seemed as if they were based in the RoC for their tunnelling methods. In this sense, it is possible to say that neither Turkey, nor the RoC plays an intentional state role in the tunnelling methods that are being used by the MNCs/TNCs for the TRNC market. In fact, the MNCs/TNCs, as the representatives of global capital, tend to use any opportunity to overcome the obstacles on their expansion and accumulation processes. The more the alternatives appear, the more the MNCs/TNCs use these alternatives. In addition to these, in some cases it was found that if the tunnelling method is not creating a useful solution, in order to pursue their expansion processes in the TRNC, the MNCs/TNCs use some other methods for their investments in the TRNC market; they establish different kinds of businesses with different working structures that can be considered as ‘extraordinary’ in respect to

their investments in the territories that do not have the same political status with the TRNC. Some of these establishments can be exemplified as the ‘Hidden Distributorships’, ‘In-Practice Distributorships’, ‘Masked Franchising’ businesses, or the ‘Custodian Joint Ventures’.

These findings of the study are important for the literature for two reasons. Firstly, this study adds on the literature by providing a better understanding on the different working structures, tools and mechanisms that used by the MNCs/TNCs in quasi-legal states. By this way, this study shows the capability of global capital to overcome juridical issues and political limitations in time and space. Secondly, this study not only shows the capability of global capital to overcome these limitations for its expansion processes, but also explains ‘how’ and ‘in what ways’ global capital expands towards these territories, and by using what kinds of tools and mechanisms do the representatives of global capital come into existence and ‘take on many different personae’ (Harvey, 2010, p.40) in these territories.

Hence, while we can conclude that global capital is able to overcome political limitations, it also must be noted that it does not matter for global capitalists if the territories, that they expand their capital towards, are considered as legal states or not. The global capitalist find a way to get around the issues related with legality of their investments in these particular territories, and they pursue their capital expansion processes as well as their capital accumulation processes within this ‘quasi-legal’ state. In other words, the global capitalists pursue their ‘accumulation by dispossession’, that is the ‘dispossession’ that was not imposed on the TRNC actually, but imposed on the people of the TRNC by the imperialist logics.

However, there is another important issue related with the findings of this study that must be noted here. There are some domestic capitalists of the TRNC who are taking advantage of the context of non-recognition of the TRNC. On the one hand, some capitalists are selling counterfeits of the products of global brands in huge shopping malls, on the other hand, some capitalists are establishing counterfeit franchising businesses which do not have any link with a global brand. The TRNC state do not have any 'law enforcement' against the usage of counterfeits. Thus, these domestic capitalists are taking the advantage of non-recognition of the TRNC and pursuing their capital accumulation processes by selling counterfeit goods and services. When it comes to the domestic capitalists of the TRNC who have different kinds of links with the MNCs/TNCs, and sell their products or services, it is possible to say that these capitalists are also taking advantage of non-recognition of the TRNC. Although some of the products can not be produced domestically in the TRNC and these capitalists naturally import these products from the MNCs/TNCs, there are some other domestic capitalists who are establishing businesses linked with the MNCs/TNCs due to the fact that the 'brand reputations' of the MNCs/TNCs provide a competitive advantage to them over their rivals within the TRNC market. Therefore, by eliminating their rivals (these rivals are the domestic capitalists that do not have mutual businesses with the MNCs/TNC) in the TRNC market, their accumulation process is gaining an acceleration. However, in order to avoid the problem of over-accumulation, these capitalists invest their accumulated capital in some other mutual businesses in the TRNC market with other MNCs/TNCs either in the same sector that they are already operating in, or in another sector. By this way, these domestic capitalists are becoming 'groups of companies' and the capital in the TRNC is getting concentrated and centralized in the hands of these capitalists. This



situation could also be considered as an example to the arguments on ‘concentration of capital’ which were presented in Chapter 2. However, as it was mentioned in Chapter 4 as well, the more the capital gets concentrated in the hands of these few number of capitalists, the more the public revenues of the TRNC become dependent on these capitalists. Therefore, it is possible to argue that this situation may engender some problems in the future related with the increasing political power of the domestic capitalists within the TRNC state, and the possibility of the TRNC state to get captured by these businesses . At this point, it must be mentioned that although these capitalists are considered as the domestic capitalists of the TRNC as ‘de jure’, they are actually the representing a part of the global capital as ‘de facto’. Therefore, it can be concluded that, since they establish mutual businesses with the MNCs/TNCs and sell their products or services in the TRNC, these domestic capitalists are not only accumulating their own capital, but also contributing to the ‘imperialist’ accumulation by dispossession that is being imposed on the people of the TRNC.

When it comes to the limitations of this thesis, it is possible to say that the main limitation of this study is related with the sample size of the field work. However, the most important factor on the sample size was the unwillingness of most the companies to participate in this study and give information about their inner structures which are related with the international laws and regulations. After all, I could achieve to include at least one sample for each of the foreign market entry modes, which are used by the MNCs/TNCs in order to expand their capital in the TRNC market, into the sampling of this study. In addition to this, it must be noted that the findings of this study are limited to the case of the TRNC, as an unrecognized state. Therefore, in order to have a better vision on these issues, further

investigations could be made by choosing different pseudo-states, that have similar political conditions with the TRNC, as a case. Or a comparative study could be made by comparing the implications of this study, for the TRNC, with some other states that have different political conditions from the TRNC. Moreover, in order to have a better understanding on the dimensions of the effects of the contexts of 'non-recognition' and 'embargoes' on the economic development of the TRNC, a further investigation could be made on the effects of embargoes and non-recognition on the exports of the TRNC. Lastly, in order to have a better understanding on the issues that were investigated in this thesis, the same issues can be investigated by conducting another field study which has a different sampling that consists of the representatives from the MNC's/TNC's headquarters.

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## APPENDICES

### APPENDIX A: A DRAFT OF THE INTERVIEW QUESTIONS

#### **Şirketinizin KKTC'ye giriş hikayesinden biraz bahsedebilir misiniz?**

- Yabancı ortaklarınız (veya anlaşmalı olduğunuz yabancı şirket/şirketler) ile ilk siz mi iletişime geçtiniz yoksa onlar mı size ulaştı?
- Neden böyle bir ortaklık (veya anlaşma) istediniz/istediler? Karar sürecinizi (veya karşı tarafın ilk tepkilerini) bize anlatabilir misiniz?
- Bu sektörde daha önce yabancı ortaklarınız (veya anlaşmanız) olmadan KKTC'de herhangi bir iş yapmış mıydınız?
- Neden yatırım yapmak için KKTC'yi seçtiğinizi/seçtiklerini bize biraz anlatabilir misiniz?
- KKTC'ye yatırım yaparken herhangi bir teşvikten faydalandınız mı?
  - Evet ise kimden/nereden ne gibi bir teşvik/teşvikler aldınız?
- Gerek yatırımınızı yaparken, gerek ise işleyiş süreciniz içerisinde olsun, KKTC'nin siyasi olarak Türkiye haricinde başka bir ülke tarafından tanınmamasından ve KKTC'ye karşı uygulanan ambargolardan dolayı çeşitli siyasi veya ekonomik zorluklarla veya yaptırımlarla karşılaştınız mı?
  - Evet ise ne gibi zorluklarla veya yaptırımlarla karşılaştınız?

#### **Şirketiniz ile anlaşmalı/ortağı olduğu şirket arasında ne tip bir bağ (ortaklık/anlaşma) var? Bu anlaşma(lar) ne tip bir resmiyete dayanıyor?**

- Şirketinizin anlaşmalı/ortağı olduğu şirkete karşı belli sorumlulukları var mı?
- Şirketiniz anlaşmalı/ortağı olduğu şirket tarafından herhangi bir denetlemeye yahut uyulması gereken standartlara tabi mi?
- Şirketiniz anlaşmalı/ortağı olduğu şirkete herhangi bir ödeme (franchising bedeli v.b.) yapmakta mı?
- Şirketiniz anlaşmalı/ortağı olduğu şirketten hammadde, ara madde yahut mal alımı yapmakta mı?
  - Evet ise;
    - Şirketiniz bu alımın ne kadarını, ne şekilde, nereden yapmakta?
    - Şirketiniz bu alımlar hususunda herhangi bir kotaya tabi mi?
    - Şirketiniz bu alımları yaparken KKTC'ye yönelik uygulanmakta olan ambargolardan ve KKTC'nin siyasi olarak (Türkiye hariç) tanınmayan bir devlet olmasından ötürü belli zorluklarla karşılaşıyor mu?
      - Evet ise ne gibi zorluklar ile karşılaşıyor?

- Hayır ise;
  - Şirketinizin üretiminin tamamını KKTC’de mi gerçekleştiriyor?
    - Evet ise, üretim şirketinizin anlaşmalı/ortağı olduğu şirketin ülkesinde gerçekleştirilmek yerine neden KKTC’de gerçekleştiriliyor?
    - Hayır ise, üretimin tamamı neden şirketinizde gerçekleştirilmiyor?
      - Bu durumun üzerinde KKTC’ye yönelik uygulanmakta olan ambargoların ve KKTC’nin siyasi olarak (Türkiye hariç) tanınmayan bir devlet olmasının ne derecede etkisi var?

**Genel olarak şirketinizin KKTC’deki yerel piyasada durumu nasıl bize biraz bahsedebilir misiniz?**

- Şirketinizin KKTC’de faaliyet gösterdiği alanlarda rakipleri var mı?
  - Evet ise;
    - Şirketinizin KKTC’de faaliyet gösterdiği sektör(ler) içerisindeki payı, (varsa) rakip firmalara kıyasla, ne kadardır?
    - Şirketinizin aynı sektörde olan KKTC yerel firmaları ile rekabeti son yıllarda nasıl seyretmekte?
  - Hayır ise;
    - Şirketinizin KKTC’de faaliyet göstermekte olan yerel firmalar ile ortak çalışmaları var mı?
- Şirketinizin KKTC’de açılışından bu yana kârlılık oranı nasıl?
  - Şirketiniz elde etmiş olduğu kârdan büyüme veya yeniden yatırım için pay ayırmakta mı?
    - Evet ise;
      - Şirketiniz KKTC’de büyüme veya yeniden yatırıma ne kadar pay ayırmakta?
      - Sizce KKTC’de büyümeyi veya yeniden yatırım yapmayı etkileyen faktörler nelerdir?
    - Hayır ise;
      - Şirketinizin yakın gelecekte KKTC’de büyüme veya yeniden yatırıma pay ayırması söz konusu mu?
      - Sizce KKTC’de büyümeyi veya yeniden yatırım yapmayı etkileyen faktörler nelerdir?
- Şirketinizin sektörü son yıllarda KKTC’de nasıl bir değişim göstermekte?
  - Şirketinizin ürün pazarında son yıllarda nasıl bir değişim oldu?
- Şirketiniz KKTC’nin yerel kaynaklarından faydalanıyor mu?
  - Evet ise, şirketiniz KKTC’nin hangi yerel kaynaklarını ne kadar kullanmakta?

## APPENDIX B: AN EXAMPLE OF THE INTERVIEWS

### An interview with Kenan (Company A, MNC6, 15 December 2018)

Atay: Hazırsanız, başlayalım mı?

Kenan: Tabii, tabii...

Atay: Öncelikle bize şirketinizin KKTC'ye giriş hikayesinden bahsedebilir misiniz?

Kenan: Eee... şimdi 2007 yılında, bildiğim kadarıyla, eee... Company A'nın da... Öncesinde yapmış olduğu 'Master Franchise' veya 'Franchise' ile bir firmanın Ada'ya (KKTC'ye) gelmesi ile ilgili girişimler sonucunda MNC6'ya ('Coffee Shop' sektöründe işleyiş göstermekte olan MNC6, bu sektörde dünyanın en büyük şirketlerinden birisidir.) ulaşıldı, eee... ve o günkü şartlara göre, bayiliği 2007 yılında Company A, başvurusu üzerine aldı.

Atay: 'Franchising' şeklinde, değil mi?

Kenan: Evet, Biz Kuzey Kıbrıs Türk Cumhuriyeti'nin 'Master Franchise'siyiz, eee... yaklaşık 11 yıldır.

Atay: Peki MNC6 ile ilk siz mi iletişimze geçtiniz Company A olarak, yoksa onlar (MNC6) mı?

Kenan: Bildiğim kadarıyla, evet, biz iletişime geçtik.

Atay: Hmm-hmm... Peki karar sürecinizi anlatabilir misiniz, yani neden MNC6 tercih edildi de başka bir firma tercih edilmedi?

Kenan: Hmm...

Atay: Ya da neden burada (KKTC'de) kendi oluşturacağınız bir marka değil de 'Franchising' yapmak?

Kenan: Şimdi zaten, Company A, bildiğiniz gibi, birçok firmanın... ana distribütörlüğünü yapıyor Ada'da (KKTC'de) ve sürekli zaten ülkenin (KKTC'nin) gelişimi için, eee... faaliyetlerde bulunan bir firma... Bir sürü uluslararası firmaya da daha önceden başvurularımız vardı, eee... MNC6 da zaten sektörde aslında hem, eee... o zamanlar ikinci sıradaki en büyük uluslararası firmaydı, bu sektörde. Türkiye pazarında da çok ciddi bir yerleri vardı, oradan da bilindik bir... firmaydı. Zaten kahve sektörü, biliyorsunuz, yani son on-... onbeş (10-15) yıldır aşağı yukarı,

Türkiye pazarında da, burada (KKTC pazarında) da ilgi görmeye başladı ve büyümeye başladı. O yüzden de şey... MNC6 tercih oldu.

Atay: Daha öncesinde de Company A'nın yaptığı franchising'ler ve distribütörlükler de MNC6 gibi global şirketler miydi?

Kenan: Biz... MNC6 olarak ilk... şirketin (Company A'nın) ilk... aslında şeyiyiz, eee... Franchisee'siyiz, bu servis ve... gıda sektöründe. Fakat bizim arkamızdan MNC XX de (Merkezi Amerika Birleşik Devletleri'nde bulunan ve uluslararası çapta franchising yolu ile operasyonlarını sürdürmekte olan uluslararası bir şirket) gruba (Company A'ya) dahil oldu. Başka da, eee... girişimler var, bu sektörde, onları da ilerleyen yıllarda inşallah... göreceğiz.

Atay: Peki MNC6'dan öncekiler daha çok Türkiye merkezli firmalar mıydı? Yani franchising adına şirketiniz ile çalışan ilk global firma MNC6 mi?

Kenan: Evet.

Atay: Evet, bu önemli bir durum... Bu süreçten... yani MNC6'yı buraya (KKTC'ye) gelmek için ikna etme sürecinizden biraz bahsedebilir misiniz? Yani KKTC'ye yatırım yapmaya neden ve nasıl ikna oldular?

Kenan: Burada (KKTC'de) aslında, biliyorsunuz, ambargolar vesaire... aslında Kuzey Kıbrıs Türk Cumhuriyeti'nin tanınmamasından dolayı, uluslararası firmaların Ada'ya (KKTC'ye) girişi bir hayli zor oluyor. Ayriyeten, işte Rum (GKRY) lobisi... vesaireden dolayı ama MNC6'in, yani o zamanki bütün parametreler şey... (KKTC adına) 'Bizim neyimize...' idi. Türkiye pazarı altmış-altmışbeş (60-65) mağaza ile Amerika (ABD) ve X Ülke'den (Şirketin kimliğini korumak için gizlenmiş bilgi. MNC6'nın merkezinin bulunduğu ülke) sonra en büyük üçüncü pazardı... (1-2 saniye duraksar.) Yunanistan'da, eee... MNC6 henüz açılmamıştı, 2007 yılında bizle beraber onlar da, aslında, Yunanistan için bayiliğini aldılar. Güney Kıbrıs'ta (GKRY'de) tek bir tane mağazaları vardı, yanlış hatırlamıyorsam. X Ülke firması olduğu için, X Ülke'nin biliyorsunuz, eee... global bir dünya yaratmaya çalışıyorlar; Avrupa Birliği'nde olmamaları, bu tür politik konulardan uzak olmalarından dolayı... Bütün hepsi bir araya gelince, Kuzey Kıbrıs (KKTC) da onlar (MNC6) için... sonuç itibarıyla yeni bir pazar, yeni bir ülkeydi... ve bu şekilde anlaşıldı.

Atay: Yani Güney'de (GKRY'de) sizden önce MNC6 var mıydı?

Kenan: Vardı, evet.

Atay: Yani siz (Company A) onlardan (GKRY'deki MNC6 franchising'ini işleten firmadan) daha sonra aldınız MNC6 franchising'ini...

Kenan: Evet, Güney'den, eee... bir-iki yıl sonra, emin değilim tam ama... biz bayiliği aldığımızda şey de vardı, faaliyettediydi Güney'de.

Atay: Hmm-hmm... Bu yatırımı yaparken, yani uluslararası bir şirketin franchising'ini buraya getirirken, devletten, yani dönemin KKTC hükümetinden de, herhangi bir destek veya teşvik aldınız mı?

Kenan: Bildiğim kadarıyla alınmadı.

Atay: Evet... Gerek başta bu yatırımı yaparken, gerek işleyiş süreciniz içerisinde olsun, KKTC'nin siyasi olarak Türkiye haricinde başka bir ülke tarafından tanınmamasından, veya KKTC'ye karşı uygulanmakta olan ambargolardan dolayı, çeşitli siyasi veya ekonomik zorluklarla, ya da yaptırımlarla karşılaştınız mı?

Kenan: Aslında çok da hakim değilim konuya ama, eee... bazı sıkıntılar mutlaka ki yaşadık. Bildiğim kadarıyla Güney'in bazı serzenişleri oldu, bu konuyla ilgili... işte buranın (KKTC'nin) tanınmamasıyla alakalı, buraya (KKTC'ye, KKTC'de konuşlanmış bir firmaya) bayilik verilmesinin doğru olmadığıyla alakalı, eee... MNC6 merkezi ile... görüştüklerine dair duyular aldım, yani o tür, eee... sıkıntı-... sıkıntı da diyemeyiz belki ama, yine bir... Lobi girişiminde bulunuldu. Fakat, dediğim gibi, yani pazarda Türkiye'nin çok ciddi bir... yeri olmasından dolayı belki de o ikili ilişkiler içerisinde, eee... çok etkili olamadılar diye düşünüyorum.

Atay: Bayiliğiniz direkt olarak buradan, KKTC'den, mi görünüyor yoksa Türkiye üzerinden mi gösteriliyor?

Kenan: Tabii tabii... Biz 'Kuzey Kıbrıs Türk Cumhuriyeti/Company A' olarak direkt Ülke X'de (MNC6 merkezinde), eee... Bu ülke (KKTC) için 'Master Franchisee'siyiz. Eee... Türkiye'de... ayrı bir firmaya ait Master Franchisee'si, Güney (GKRY) ayrı bir firmanın Master Franchise'ı, ülke olarak, biz de Company A olarak KKTC'nin... yetkili şeyiyiz, bayisiyiz.

Atay: Tabii aşması zor bir durum aslında tanınmamışlık, yani franchising adına, özellikle de uluslararası bir firmayı tanınmayan bir ülkeye getirmek. Biraz önce de dediğiniz gibi, KKTC'ye uluslararası bir firmanın franchising hizmetini getirdiniz, şirket olarak. Bu durumu, tanınmamışlığın getirdiği engelleri, ambargoları aşmak zor bir şey olmalı. Yani siz nasıl aştınız bu engelleri, neler çıktı karşınıza tam olarak, siz bunları aşmak için neler yaptınız, bu konuyu biraz daha ayrıntılı olarak anlatabilmeniz mümkün mü bu süreci?

Kenan: O süreç, eee... o sürece... çok hakim değilim, açıkçası, eee... çünkü ben başladığımda, ilk olarak şey... eğitim ve mağaza müdürü olarak başladım, ve bütün anlaşmalar imzalandıktan sonra aslında, süreç bittikten sonra ben, eee... sürece dahil oldum... (1-2 saniye duraksar) Ülke (KKTC) için çok güzel bir şey oldu, bir sürü şeyin de, eee... önünü açmış oldu, diğer firmanın. Fakat buradaki en büyük etkenin şey olduğunu düşünüyorum ben... Company A gerçekten Kuzey Kıbrıs Türk Cumhuriyeti'nde çok ciddi... bir firma. Yaptığı her şeyi mümkün olduğu kadar eksiksiz, kusursuz yapmaya çalışan bir firma. Eee... firmamızın (Company A'nın) bünyesinde çok ciddi markalar bulunmakta ve onların... işte Ada'da (KKTC'de)

bütün dağıtımını... veya işte distribütörlüğünü yapmaktayız. Bu da eminim ki MNC6'ya çok ciddi bir... güven vermiştir. Yine söylediğim gibi, Türkiye'nin (MNC6'nın Türkiye franchisee'si) çok ciddi bir noktada olması MNC6 için, eminim... onlar (MNC6'nın Türkiye franchisee'si) da bir şekilde referans olmuşlardır, Kuzey Kıbrıs Türk Cumhuriyeti ve Company A için... Bütün bu şartlar birleştiğinde, eee... bir şekilde anlaşma imzalandı.

Atay: Company A'nın Türkiye'deki MNC6 (MNC6'nın Türkiye franchisee'si) ile arasında bir ilişki var mı?

Kenan: Şeyimiz var, dostane ilişkilerimiz... çok ciddi anlamda, eee... yakınınız onlarla. Fakat, eee... Herhangi bir ortaklığımız veya işte... herhangi bir işbirliğimiz yok. Tamamen, işte bir kardeş kuruluş olarak devam ediyoruz.

Atay: Anlıyorum... İşleyiş süreciniz içerisinde özellikle, KKTC'nin tanınmaması ile ilgili belli sıkıntılar, aksaklıklar yaşadınız mı, veya yaşıyor musunuz? Meselâ kargolama vesaire gibi şeylerde?

Kenan: Şimdi biz zaten normalde Ada'ya (KKTC'ye) bir sürü ürünü getirebiliyoruz, işte 'Mersin10/Türkiye' (KKTC'nin uluslararası posta sisteminde kullanmakta olduğu bir çeşit, Türkiye üzerinden gösterilmek üzere, maskelenmiş adres), eee... yoluyla. Çok bir sıkıntı yaşamadık, yine zaten bizim MNC6 merkezinden geliyor bütün hammaddemiz ve ürünlerimiz. Ayriyeten, eee... Çin'de anlaşmalı MNC6'nın bir firması var, oradan da işte bu... sarf malzeme dediğimiz, bardaklar, işte diğer... ürünlerimiz geliyor. Çok bir problem yaşamadık, zaten şirket, hani... yurtdışı alımlarda çok... şey olduğu için, konuya hakim, vakıf olduğu için... çok büyük bir problem yaşamadık diyebilirim.

Atay: Gemi ile mi geliyor ürünleriniz?

Kenan: Gemi ile geliyor, eee... Yaklaşık bir kırkbeş ile altmış günlük arası (45-60 gün arasında) bir... şey, eee... süre-... süreç, alıyor bu. Biz siparişlerimizi işte, yılda iki veya yılda dört kez, eee... düzenliyoruz ona göre. Biraz zor oluyor süreç ama... Yani en azından, hani stoğun bitmemesi veya işte, elimizde ürünün kalmaması bakımından... (1-2 saniye sessizliğin ardından sessiz kalarak cevabını sonlandırır.)

Atay: Gemiler önce Mersin'e mi uğruyor yoksa direkt buraya (KKTC'ye) geliyor mu?

Kenan: Önce Mersin'e uğrayıp, oradan buraya (KKTC'ye) geliyor.

Atay: Şirketiniz (Company A) ile MNC6 arasındaki bağı resmi olarak nasıl tanımlayabilirsiniz? Yani aranızdaki bağı resmi tanımı ne şekildedir?

Kenan: Eee... Dediğim gibi, biz (Company A), MNC6'nın, yani Merkez MNC6'nın, Kuzey Kıbrıs Türk Cumhuriyeti'ndeki 'tek yetkili master franchisee'siyiz. Ve anlaş-... imzalanan anlaşmada da, eee... MNC6 ile aramızda imzalanan anlaşma, eee...

'Master Franchisee' anlaşmasıdır ve bu anlaşma... kapsamında biz (Company A) Kuzey Kıbrıs Türk Cumhuriyeti'nde kendi uygun gördüğümüz kurum kuruluş veya şahıslara da 'Sub-Franchise' dediğimiz alt bayilikleri de verme yetkisine sahibiz. Direkt MNC6'ya bağlıyız, ana merkeze (MNC6 merkezine), eee... diğer ülkelerin olduğu gibi (diğer ülkelerdeki MNC6 franchising işletmelerinin işleyiş şekillerinde olduğu gibi.).

Atay: Yani adada (KKTC'de) resmi olarak MNC6'nın Master Franchise yetkisine sahip olduğunuz gibi, başka kuruluşlara Sub-franchising verme, yani bir MNC6 mağazası açma iznini verme yetkisi de Company A'da. Doğru anladım değil mi?

Kenan: Evet, MNC6 ile ilgili alt bayilikleri verme yetkisi bize (Company A'ya) ait.

Atay: Yaklaşık kaç tane alt bayiliğiniz var?

Kenan: Şu anda, eee... üç tane Sub-franchisee'miz var, üç ayrı şahıs, ya da kurum, eee... toplamda da, beş tane de şeyimiz var, mağazamız var, Sub-franchise olarak çalışan (Katılımcımız burada bu üç ayrı şahıs veya kuruma bağlı mağazaların toplam sayısını refere etmektedir.).

Atay: Sizin Master-franchisee olarak kaç mağazanız var?

Kenan: Bizim de dört adet mağazamız var, kendimize ait olan, yani Company A bünyesinde çalıştırdığımız ama, eee... gitgide de sayı artıyor. Şu anda bayilik teklifleri var, değerlendirdiğimiz, açacağımız başka bir kaç tane daha, eee... mağazamız var, sub-franchise olarak vereceğimiz. İşte yavaş yavaş büyüyoruz, onunla ilgili.

Atay: Company A'nın, ya da sizin buradaki (KKTC'deki) MNC6 mağazalarınızın, MNC6 merkezine karşı ne gibi sorumluluklarınız var? Yani yapmakla yükümlü olduğunuz şeyler, ya da yapmamanız gereken şeyler var mı?

Kenan: Tabii ki var, kesinlikle. Biz (Company A) zaten MNC6'yı (MNC6'nın franchising haklarını) ilk aldığımızda onların (MNC6'nın), eee... standartları var. Eee... eğitim kitapları var, 'Operations Standards Manuel' dedikleri böyle devasa bir dosyaları var ve... o dosya, veya o anlaşma, içerisinde aslında MNC6'nın bize (Company A'na), eee... öngördüğü, veya uygulamamızı istediği her şeyi biz (Company A olarak,) uyguluyoruz. Veya aynı şekilde, o standartlar altında biz (Company A) de Sub- franchisee'lerimizden bunları istiyoruz. Bizim Kuzey Kıbrıs Türk Cumhuriyeti olarak (Company A'nın, MNC6'nın KKTC'deki master franchisee'si olarak) şöyle, eee... MNC6 ile ilişkilerimiz çok yakın. Bunun en büyük sebeplerinden biri, biz gerçekten, Company A, bu konuda çok hassas, eee... ve biz (Company A) onların (MNC6'nın) bizden istediği her şeyi birebir uygulamaya çalışıyoruz ve bunu sürdürülebilir şekilde yapmaya çalışıyoruz. İnanın bana, eee... yedi (7) yıl önce, on (10) yıl önce burada (içinde bulunduğumuz MNC6 mağazasında) içtiğiniz bir bardak latte (Bir çeşit kahve içeceği)'nin standardı neyse, şu anda da, eee... aynı kahve, aynı süt, aynı ısı, aynı derece, aynı su miktarı... Yani

her şeyi ile aynı şekilde uygulayıp devam ettirmeye çalışıyoruz. Ve bu yüzden şöyle, eee... merkezle (MNC6 merkezi ile) de, çünkü onlar bizi rutin olarak kontrollere geliyorlar, ziyaretlere geliyorlar, eee... her şeyi düzgün yaptığımız için de, gayet ilişkilerimiz iyi.

Atay: Belli bir franchising bedeli ödeniyor mu?

Kenan: Evet, tabii ki... Belli bir bedel (franchising bedeli) var, satıştan ödediğimiz belli bir oran var. Onları... daha çok muhasebe çözüyor onları.

Atay: Hmm-hmm... Şimdi, gerçi bir önceki soruda bu soracağım soruyu kısmen zaten cevapladınız ama, ben daha ayrıntılı bir cevap almak adına bu soruyu ayriyeten sorayım. MNC6 merkezinden belli denetimlere ve uyulması gereken standartlara tâbisiniz, değil mi?

Kenan: Tabii tabii, kesinlikle! Ve bunu biz (Company A olarak) gerçekten çok ciddiye alıyoruz. Çok, eee... ciddi bir şekilde uygulamaya çalışıyoruz. Zaten şeyde de... 2012 yılında bizim... MNC6'nın düzenlediği uluslararası bir barista Şampiyonası oluyor, bunu 2 yılda bir yapıyorlar, 2012 yılının (MNC6) Dünya Barışta Şampiyonu bizim takımımızdan çıktı, yani Kuzey Kıbrıs Türk Cumhuriyeti'nden, eee... bu da aslında işimizi ne kadar iyi yaptığımızı da gösteriyor. Bizim için de çok büyük bir gurur kaynağı aslında.

Atay: Evet, (Gülümseyerek,) ne nüzul... Şimdi, eee... tabii kahvelerinizi yaparken ihtiyaç duyduğunuz belli hammadde ve ara maddeler var, kahve ve süt gibi... Bunları, bu hammadde ve ara maddeleri, çoğunlukla nereden, ne şekilde temin ediyorsunuz?

Kenan: Şimdi genelde hammaddelerimizin çoğu, hatta neredeyse hepsi, Ülke X'den (MNC6'nın merkezinin bulunduğu ülkeden) geliyor. MNC6'nın hazırladığı, öngördüğü, eee... kahveleri kullanıyoruz. Onların (MNC6 merkezinin) bize önerdiği, örnek veriyorum şey... şuruplarımız var, çikolata tozu tarzında... vanilya, çikolata gibi toz ürünlerimiz var, bunların hepsini biz Ülke X'den (MNC6'nın merkezinin bulunduğu ülkeden) temin ediyoruz. Onun dışında, dediğiniz gibi, ara maddeler; işte süt, veya içeceğin içindeki 'x' bir bisküvi, veya işte herhangi bir... ara ürün, onları da yine MNC6'nın öngördüğü şekilde Ada'da (KKTC'de) lokal olarak çözüyoruz.

Atay: Bu alımların toplamını yüzdelerle bir oranla hesaplayacak olursak, ne kadarı Ülke X'den (MNC6'nın merkezinin bulunduğu ülkeden) geliyordur?

Kenan: Neredeyse hepsi diyebiliriz yani... Bizim Ada'da (KKTC'de) kullandığımız; işte soda, süt, yani... tedariki kolay olan ara madde dediğimiz... su gibi ürünler. Mesela suda bile biz, eee... buz makinalarımızda ve kahve makinalarımızda, eee... içilebilir suyu kendi tankerlerimizle satın alıp, ayrı bir depoya aktarıp, o depodan sadece... kahve makinaları ve buz makinalarına gitmesini sağlıyoruz. Onun da kendi içinde belli bir standardı var, ölçümleri... işte temizlikleri vesaire her şeyleri



yapılıyor. Yine MNC6'nın bize verdiği (Company A'ya koştığı) standartlar çerçevesinde ilerliyoruz.

Atay: Alımlarınız için ulaşılması gereken belli bir minimum veya maksimum kota var mı? Yani daha doğrusu MNC6 merkezi tarafından size (Company A'ya) verilen 'Yıllık minimum şu kadar buradan alım yapmanız gerekiyor.' gibi belirli bir... koşul var mı?

Kenan: Öyle bir şeyimiz yok, eee... kotamız yok, ama şey var, sözleşmede imzaladığımız, örnek veriyorum ilk on (10) yıllık periyotta... işte yedi (7) mağaza açma gibi bir zorunluluğumuz vardı mesela, onu sağladık. Ama şey, satış...larla ilgili herhangi bir yaptırım yok. Yani 'Şu kadar çikolata tozu almak zorundasın.' diye bir şeyimiz yok.

Atay: Peki bu hammadde ve aramaddede alımlarınızı yaparken herhangi bir sıkıntı yaşıyor musunuz, yani KKTC'nin tanınmamasından, ya da ambargolardan kaynaklanan bir takım sıkıntılar?

Kenan: Eee... (1-2 saniye duraksar.) Ya bazen şey... Devletin (KKTC devletin) birimlerinden kaynaklanan hani, prosedürler, biliyorsunuz... Onlar bazen işimizi zorlaştırıyor bizim, eee... ama bir şekilde çözüyor diyeyim yani... çözüyoruz.

Atay: Bu durumda KKTC'de prosedürlerin başka devletlerden, yani resmi olarak tanınmış olan başka devletlerden, daha mı problemlili olduğunu düşünüyorsunuz?

Kenan: Problem olarak da değil de... yani daha zor olduğunu söyleyebilirim. Kendine özgü kuralları var, belirli anlaşmalar... uluslararası anlaşmalar doğrultusunda yapılan şeyler... prosedürler... yok maalesef. Kendine özgü, eee... kuralları, prosedürleri var burada devletin (KKTC'nin).

Atay: Peki böyle zamanlarda şöyle dediğiniz oluyor mu, yani ' Bugün KKTC tanınmış bir devlet olsaydı, ambargolar olmasaydı, 'şu' daha kolay olurdu.' gibi?

Kenan: Tabii ki, kesinlikle. Yani hem maddi olarak, hem... daha ekonomik olurdu bir sürü şey, yani bütün firmalar için bu geçerli, hem de manevi olarak çok daha rahat ilerlerdi.

Atay: Meselâ maddi olarak neyi örnek verebilirsiniz?

Kenan: Eee... (3-4 saniye duraksar.) Şimdi örnek veriyorum, biz... şeyden getiriyoruz ürünümüzü, eee... işte Çin'den alıyoruz, bazı ürünleri... fakat bunları, işte varsayalım Güney'de (GKRY'de) bir tane şey var, üretici var ve orada bunu (alımı yapılacak olan ürünü) yapabiliyor. Fakat siz meselâ oradan ürün alamıyorsunuz, en basiti! Türkiye'den işte... almanız gerekiyor, Türkiye'de de pazarda... işte MNC6 var, onlar da kendi bünyelerinde yaptırıyorlar ama oradan meselâ buraya almak için belli bir kotanın üstünde ürün almanız gerekiyor, gibi, gibi...

Atay: Peki manevi bir örnek verebilir misiniz?

Kenan: (Katılımcımız bu soruya verdiği cevabın kayıt altında tutulmasını istemediğini belirtmiştir. Bu sebeple bu cevabın, ve bu cevapla ilgili katılımcımız ile aramızda geçen konuşmaların, dökümü bu alandan tarafımca kaldırılmıştır.)

Atay: Evet. Biraz da piyasadan bahsedelim o zaman. MNC6'nın KKTC'nin yerel piyasasındaki durumu nasıl, bize biraz bahsedebilir misiniz?

Kenan: Kendi sektörümüzde... Dediğimiz gibi, biz... pazar lideriyiz diyebiliriz, rahatlıkla. Ya bu hem ilk... 'Franchisee' firma olmamızdan dolayı, eee... hem MNC6'nın Dünya'da ciddi bir yerde olmasından dolayı, hem de işimizi doğru yaptığımızdan dolayı. Sektöre (KKTC'de coffee shop sektörüne) ilk biz (MNC6) girdik, işte mağazalarımız açıldı, yavaş yavaş büyüyoruz. Güçlü bir firmayla da aslında, Company A'yla, destekleniyoruz. Yani... doğru mudur söyleyeceğim bilmiyorum ama, yani pazar lideri diyebiliriz MNC6 için.

Atay: Öyleyse rakiplerinize nazaran KKTC'de yüksek bir pazar payına sahipsiniz diyebilir miyiz?

Kenan: Herhangi bir çalışmamız yok onunla ilgili ama... yani görüntüde öyle, bildiğimiz kadarıyla da öyle.

Atay: Peki yerel firmalar ne durumda KKTC'de? Çok fazla yerel rakibiniz var mı bu sektörde?

Kenan: Aslında... (1-2 saniye duraksar.) var yani, her 'Coffee Shop' bir şekilde bizim rakibimiz, eee... ve bu sektör, gerçekten son beş (5) yıldır Ada'da (KKTC'de) çok ciddi anlamda büyümeye başladı. 'Üçüncü nesil' dediğimiz 'Coffee Shop'lar açılmaya başladı ve sayılar... sayı da gitgide artıyor. Aslında pazar da (KKTC pazarı da) sonuç itibarıyla bir şekilde daralıyor. Yani rakiplerimiz var, yok değil.

Atay: Ama bir şekilde liderliğinizi... (Sözüm kesilir.)

Kenan: (Söze girer.) Biz öyle görüyoruz kendimizi diyelim, ya da ben öyle görüyorum diyelim. Yani bu konuda herkesin adına (Gülerek,) konuşmuş olmayayım ama... Görüntüde de öyle.

Atay: (Gülümseyerek,) Evet, MNC6 ile KKTC'de ortak bir çalışması, veya projeleri, olan yerel firmalar var mı?

Kenan: Bizim sektörle mi ilgili?

Atay: Yani sizin sektörünüzde olmak zorunda değil, başka sektörlerden de olabilir. Ancak özellikle 'Yerel' firmalar ile birlikte yürütülen ortak çalışmalar veya faaliyetler gibi...

Kenan: Company A'nın, zaten biliyorsunuz, biz çok büyük bir firmayız ve bir sürü sektörde, bir sürü alanda yerel firmalar var. Ancak MNC6 için soruyorsanız, MNC6'nın birlikte yürüttüğü... işte zaman zaman bazı kampanyalarımız oluyor. Şey var, Şirket XYZ (Şirketin kimliğini korumak adına gizlenmiş bilgi. KKTC'de haberleşme sektöründe faaliyet göstermekte olan bir şirket) ile meselâ bazı kampanyalar yapıyoruz. Zaman zaman oluyor, yani kapalı değiliz öyle bir şeye.... (2-3 saniye duraksar.) Tabii ayriyeten biz şeyde de, eee... 'Humanity' dediğimiz, bağış kısmında da çok... Mümkün olduğu kadar, eee... ortak çalışmalar yapıyoruz, bir sürü kurum ve kuruluşla, eee... Oluşur, yani lokallerle (KKTC yerel şirketleri ile) de çalışmamız oluyor sürekli. Zaten şey, işin aslı, bizim ana firmamız, Company A, mümkün olduğu kadar aslında yerli firmalarla, yani biz de aslında Company A olarak yerli bir firmayız, eee... çalışmayı çok tercih ediyoruz, ki hani mümkün olduğu kadar herkesle bir şekilde bir ortaklık yapıp bir şeyler... fayda sağlayabilelim diye.

Atay: Peki bu şekilde ortak çalışmalar yürüttüğünüz global firmalar var mı, MNC6 olarak?

Kenan: Bizim yok, yani global bir firmayla... yok.

Atay: Tamam, isterseniz biraz da kârlılık oranınızdan bahsedelim. Açılışınızdan, yani 2007'den bu yana kârlılık oranınız nasıl seyretmekte?

Kenan: İşin aslı şey... kahve sektörü çok... ciddi anlamda, işte kâr bırakan, sudan para kazanılan bir sektör değil maalesef. Biz de... şimdi zaman zaman övünüyoruz, hani 'Pazara (KKTC pazarına) ilk biz girdik, Ada'da (KKTC'de) ilkiz.' diye ama, bütün negatifiğini de aslında biz yaşadık, bu işin. Çünkü ilk açtığımızda maalesef... bu sektöre çok uzak olan, self-servisi kabul edemeyen, eee... bir sürü misafirimiz vardı. Mesela biz... 'Espresso'nun (Bir çeşit kahve içeceği.) ne olduğunu, hani, anlatana kadar, 'doğrusunu' aslında anlatana kadar, tabii ki bir sürü bilen insan da vardı ama, çok zorluklar çektik. Eee... O yüzden... çok ciddi de bir yatırım yapıldı, çok ciddi paralar... kazanıp, çok ciddi kârlar etmediğimizi biliyorum, (Güler.) ilk başlarda. Sonra bir toparlanma dönemi oldu doğal olarak, çünkü... bir iş, bir şey işletiyorsanız ve 'para kazanıyorsanız aslında', devam edersiniz. Fakat... çok çok çok kârlı bir iş olmadığını söyleyebilirim yani, bu işin. (2-3 saniye duraksar.) Bir de, dediğim gibi yani, bizim ana firmamızın (Company A'nın) güçlü bir firma olmasından dolayı, maddi ve manevi bir dayanma gücümüz oluştu aslında, biz ilk MNC6'yı (MNC6'nın KKTC mağazalarını) açtığımızda ve ora-... orası-... ora tarafından da (MNC6 merkezi tarafından da) bayağı desteklendik ki... ve bir şekilde ilerledi yani bu günlere gelindi.

Atay: Böylelikle yani bugün şunu diyebiliyor musunuz, 'Yapılan yatırımlara değdi, bugün biz bu işten kâr ediyoruz ve iyiki de bu yatırımı yapmışız.' Diyebiliyor musunuz?

Kenan: Bugün itibarı ile, tabii ki, tabii ki... On (10) yılın sonunda... Halâ açık olduğumuza göre (Güler, ben de gülerim.)... Yani bir şekilde diyebiliriz onu.

Atay: Evet. Peki şirketiniz elde etmiş olduğu kârdan büyüme veya yeniden yatırım için pay ayırmakta mı?

Kenan: Tabii ki, tabii ki... Mesela biz ilk (MNC6'nın KKTC'deki mağazalarını) açtığımızda, bilmiyorum biliyorsanız, bu ilk mağazamız, sadece bu... 'Eski taraf' dediğimiz diğer taraftan oluşuyordu burası (Katılımcımız burada, o esnada içinde bulunmakta olduğumuz, MNC6'in Lefkoşa/Dereboyu'ndaki mağazasından bahsetmektedir.), eee... ve biz bu tarafı dahil ettik (Katılımcımız ve benim o esnada oturuyor olduğumuz ofisin mağazada bulunduğu tarafı kastetmektedir), her iki-üç (2-3) yılda bir... bütün konseptimiz neredeyse, yenileniyor. Eee... 'Eğitim' bizim için çok önemli, bir tane eğitim atölyemiz var bizim, orada kurulu başka bir barımız... Biz işe başlayacak herkesi öncesinde, bütün çalışma arkadaşlarımızı, mutlaka bir eğitim sürecine alıyoruz. Eee... zaman ve para ve emek harcıyoruz ki bu işi daha iyi yapabilsinler diye. Yani o yüzden şey, ciddi bir payımız var, o işle (büyüme ile) ilgili.

Atay: Peki büyüme için ayırdığınız payın, yüzdelik olarak, belli bir minimum rakamı var mı, hani 'Kârımızın yüzde şu kadarını ayırıyoruz.' Diyebileceğiniz bir rakam?

Kenan: Yok, biz ihtiyaç çerçevesinde... merkez onu zaten harcıyor. Yani öyle bir... minimum hedef yok.

Atay: Burada merkez dediğiniz yer?

Kenan: Company A.

Atay: Company A... Tamam, peki sizce KKTC'de büyümeyi veya yeniden yatırım yapmayı etkileyen en önemli faktörler nelerdir?

Kenan: Eee... (4-5 saniye duraksar ve düşünür.) Ya aslında 'Devlet politikaları' (KKTC devlet politikaları.) diyebilirim ben, eee... çünkü malum, bütün prosedürler, kurallar, devletin (KKTC devletinin) bazı noktalarda, birimlerinin veya şahısların kendilerinin inisiyatif alıp esneyememeleri... Bunlar ciddi sıkıntılar yaratıyor, yani şirket adına değil ama, yani bir sürü yurtdışından gelen... arkadaşlarımız da var (Katılımcımız burada arkadaşlar derken yurtdışından KKTC'ye mal veya hizmet getirmekte olan başka kuruluş veya şahısları kastetmektedir.), eee... firmalarla da diyaloga geçiyoruz. Yani burada (KKTC'de) yurtdışından gelip de, aslında Company A'nın yerli bir firma olması da aslında büyük bir avantaj, yurtdışından gelip de bu ülkede (KKTC'de) bir iş yapacaksanız, siz de biliyorsunuz ki, çok zor! Yani hem maddi olarak çok zor, hem prosedürleri aşmanız çok zorlaşıyor, eee... bilmiyorum ama devletin (KKTC devletinin) bu konuda belki de biraz daha... kendini yenilemesi veya kurallarını değiştiriyor olması lazım, bazı noktalarda, yatırımcılara... destek oluyor olması lazım. Şimdi belki de vardır, hani farazi konuşuyorum ama, çok yeterli olduğunu sanmıyorum.

Atay: Devlet politikaları demişken, ben bir kez daha bir yere tekrar dönmek istiyorum ama, tabii sizin için de bir mahsuru yoksa. MNC6 yatırımını buraya yaparken, KKTC'ye, tanınmamışlıkla ve ambargolar ile ilgili şöyle bir durumla da karşılaştınız mı, MNC6 tarafından, işte 'KKTC tanınmayan bir devlet olduğu için bizim buraya MNC6 olarak yatırım yapmamız çok zor, yapamayız...' veya 'Yapmamalıyız.' vesaire gibi şeyler?

Kenan: Eee... yani çok... şey yapmadık... ama yani düşünülmüştür mutlaka, eee... merkez (MNC6 merkezi) tarafından ama, dediğim gibi, hani Company A zaten yerli, lokal bir firma olduğu için, bu tür bir, eee... anlaşmaya girmeden önce Ada (KKTC) gerçeklerini, bütün şartları, olabilecek her şeyi zaten değerlendirip, göz önünde bulundurdular ve ülkeyi de (KKTC'yi de) biliyorlardı aslında, eee... o yüzden şey, bunun bilincinde olarak hareket edildi yani.

Atay: Peki MNC6'dan bu konuda belli bir tepki oldu mu, 'Biz orayı (KKTC'yi) hiç bilmiyoruz.' Gibi?

Kenan: Onlar (MNC6 merkezi) zaten şey... öncesinde mutlaka gelmişlerdir buraya (KKTC'ye). Zaten, eee... 'Business Plan'ı (İngilizce: Bir yere bir şirket açılmadan önce yapılan bir çeşit saha araştırmaları ve fizibilite çalışmalarının, ve açılacak olan işletmenin operasyon planı.), ülke (KKTC) için, hazırlandı, bütün... her şey MNC6'ya aktarıldı. Onlar da (MNC6 merkezi de) kendi bünyesinde mutlaka değerlendirmişlerdir ki pozitif oldu diye düşünüyorum, ki bayiliği verdiler.

Atay: Hmm-hmm... Siyasi olarak bir tepki almış mıydınız herhangi bir yerden, o zamanlarda? Yani Güney'den (GKRY'den) özellikle?

Kenan: İşte bazı, eee... serzenişler dışında... şey almadık. Bizim, hani Kuzey Kıbrıs Türk Cumhuriyeti'nden de, tabii ki, herhangi bir sıkıntı olmadı, aksine işte övgüler, teşekkürler... alındı yeri geldiğinde.

Atay: Yani dava vesaire gibi bir şey yaşamadınız, değil mi?

Kenan: Yok, herhangi bir şey yaşamadık tabii ki.

Atay: Çünkü yaşayan belli firmalar var, biliyorsunuz...

Kenan: Evet.

Atay: O sebeple sordum bunu aslında, özellikle.

Kenan: Ya biz yaşamadık, çünkü dediğim gibi, yani biz direkt MNC6'dan her şeyi yasal olarak... bayiliği aldığımız için, isim hakkını, eee... Zaten bize dava açacak herhangi bir şey yoktu. Sıkıntısı olanın da MNC6 merkezi ile, eee... büyük ihtimal iletişime geçip, sorunlarını anlatmışlardır. Bu sebeple de çok... bize yansıyan bir şey olmadı.

Atay: Güney'deki (GKRY'deki) MNC6 franchising'i ile ilgili herhangi bir duyum aldınız mı? Çünkü bazı firmalar yatırım yaparken onların Güney'deki (GKRY'deki) franchising'ini işleten firmaların bazıları 'Kıbrıs'ın tamamı Güney Kıbrıs Rum Yönetimi'ne aittir, o sebeple Ada'nın tümünün franchising haklarını biz elimizde tutuyoruz, açarsak biz açarız.' gibi söylemleri oluyor, biliyorsunuz....

Kenan: Aslında... tabii ki şey var, dediğim gibi, hani bütün taşlar oturdu yerine biz (Company A, KKTC'deki MNC6 franchising haklarını) alırken, eee... Mesela Güney (GKRY'deki MNC6 franchising'ini işleten firma) isim hakkını alırken büyük ihtimal 'Güney Kıbrıs' olarak almıştır. Yani... çünkü bir harita belirliyorsunuz, o sınırlar dahilinde (franchising haklarını) size veriyorlar. Büyük ihtimal şey, eee... o şekilde (GKRY sınırları içerisinde) aldılar... ki ellerinde hani yasal olarak bir... yaptırım yoktu, merkeze de (MNC6 merkezine), bizim açmamız ile ilgili (Company A'nın KKTC'de MNC6 franchising'ini alarak mağaza açması ile ilgili). Eee... öyle bir şey yaşamadık. Ama şey, eee... Bazı serzenişlerde bulundular. Benim de hatırladığım kadarıyla, işte buraya (KKTC'ye MNC6) açılmasından dolayı, o taraftaki (GKRY'deki) yerli halkın MNC6'yı tercih etmemesi, protesto etmesi, işlerinin düşmesi, bununla alakalı... gibi duyumlar geldi yani o tür sıkıntılar yaşadıklarına dair. Tabii ne kadar inandırıcı, ne kadar değil, ya da... (1-2 saniye duraksar.) bilemiyorum o kadarını ama... (Cümlesini bitirdiğini susarak belli eder.)

Atay: Anlıyorum... Peki sizin (Company A'nın MNC6 franchising hakları için MNC6 merkezine) belirttiğiniz belirttiğiniz haritaya Güney de (GKRY de) dahil mi?

Kenan: Yok, biz sadece, çünkü orada zaten bir master franchise olduğu için, biz sadece Kuzey Kıbrıs Türk Cumhuriyeti olarak, eee... şeyi aldık, bayiliği. Ha bir de şey, o esnada biz haritayı çizerken... benim bir önerim oldu patronlara, eee... dedim 'Kapalı Maraş Bölgesi'ni de bizim haritamıza dahil etsek...' diye... ve galiba o konuda da muhtemelen Güney'in (GKRY'deki MNC6 franchising'ini işleten firmanın)... haritasında yoktu, yani yokmuştur muhtemelen ki... (Güler.) hiçbir şey gelmedi bize yine... itiraz. Yani bugün şey, biz o bölgenin (Kapalı Maraş Bölgesi'nin) haklarını da şimdiden almış olduk... ki gelecekte bir gün de kullanıma açılırsa Maraş Bölgesi'nin franchising haklarını, master franchise haklarını, biz (Company A) şey yapmış olacağız. O da öyle bir şeyimiz oldu yani... (Gülerek,) şans mı desem, akıllılık mı desem... Öyle yani.

Atay: Akıllıca bir hamle olmuş aslında, sizin adınıza yani...

Kenan: Yani, evet... (Gülümseyerek,) umarım öyle olmuştur.

Atay: (Gülümseyerek,) Evet... KKTC'de sektörünüz son yıllarda nasıl bir değişim göstermekte?

Kenan: Şimdi çok ciddi bir şekilde ilerliyor, yani çok hızlı şekilde büyüyor, özellikle bu... 'Coffee Shop' sektörü, eee... Bizim dışımızda birkaç tane daha uluslararası diyebileceğimiz, ya da işte yurt dışındaki ülkelerde merkezi veya işte bazı-... birkaç

tane mağazası, bayisi olan firmalar var. Onun dışında, eee... dediğim gibi, zaten biliyorsunuz, Kıbrıs halkı (KKTC halkı) aslında Dünya'ya kapalı bir halk değil. Yani sürekli yurt dışında... sürekli yenilikleri, gelişmeleri takip eden bir halk. Eee... lokalde (KKTC'de) de yerli yatırımcıların kendi yarattıkları (KKTC menşeli marka olarak) 'Coffee Shop'lar... az sayıda değil. Ve gerçekten işini ciddi yapan, iyi yapan firmalar da var. Sektörün bu büyümesi... aslında çok iyi bir şey, yani ülke için. Çünkü... sürekli yenileniyor, rakipleriniz yenilendikçe siz de kendinizi geliştiriyorsunuz. Eee... gayet hızlı büyüyor... ama kontrollü büyüyordur umarım diye de... eklemek istiyorum, çünkü biliyorsunuz, hani bu... bir anda büyüme, bir anda yok olmayı da getiriyor bazen... (2-3 saniye duraksar) Ama KKTC için kota, yani bu sektörde, Coffee Shop sektöründe... yavaş yavaş dolmak üzere bence diyebilirim ben, kendi şahsımca.

Atay: Bu durumda ürün pazarının da daha çok genişlediğini, büyüdüğünü söyleyebilir miyiz peki?

Kenan: Tabii ki, tabii ki. Yani artık... meselâ şöyle açıklayayım biz MNC6 olarak, örnek veriyorum alkol, kendi mağazalarımızda şu an itibarıyla bulundurmuyoruz. Biz Coffee Shop olarak, sadece... işte öncelikle 'Kahve' satma ve yanında, eee... yiyecek de sat... aslında biz yiyecek de satan bir Coffee Shop'uz. Fakat, eee... firmalar arttıkça ve pazar... azaldıkça, artık İnsanlar kendilerini yenilemek zorunda kalıyorlar. İşte kimi alkol de... dahil ediyor, örnek veriyorum, vitamin barlar aslında Coffee Shop olan yerlerin... içine girmeye başladı, eee... yoğurttan salataya kadar işte bir sürü, bir sürü alternatif... geliyor. Bekliyoruz artık ileride... hani 'Kim lahmacun ile birlikte (Gülerek,) Coffee Shop açacak?' diye. Ki X Şehrinde (Katılımcımızın isteği üzerine gizlenmiş bilgi, KKTC'nin şehirlerinden birisi.) isim vermeyeyim, X bir firma, uluslararası (2-3 saniye duraksar.) olduğunu söyleyen bir firma, eee... meselâ bir gözlemci teyze koyup gözleme falan satabiliyor Coffee Shop'un içinde, eee... ve o zaman anlıyorsunuz işte gerçek-... aslında franchise olmadığını, master franchise olmadığını, sadece işte, eee... ismini oraya... bir şekilde koyduğunu... (2-3 saniye duraksar. Ardından gülerek) Bakalım ürün yelpazemiz de bayağı genişledi, bu sektörde. (Ben de gülerim.)

Atay: (Burada katılımcımızın en son soruma verdiği cevaba müteakiben, katılımcımızın 'Sözde Franchising' olarak adlandırdığı şirket ve marka ile ilgili bilgi edinmek adına birkaç soru sordum. Katılımcımızın isteği üzerine, hakkında konuştuğumuz söz konusu şirket ve markanın, ayrıca katılımcımızın bana vermiş olduğu bilgilerin gizliliği ve güvenliğini sağlamak adına, bu firma ve markanın hakkında katılımcımız ile benim aramızda geçen bu diyalogun dökümü bu alandan tarafımca kaldırılmıştır.)

Atay: MNC6 olarak KKTC'nin yerel kaynaklarından faydalanıyor musunuz?

Kenan: Yerel kaynaklardan kastınız?

Atay: Yani meselâ burası (MNC6) için su... belki bir örnek olabilir...

Kenan: Tabii ki, tabii ki... Eee... Biz özellikle st tketiminde ok ciddi bir noktadayız, eee... yerli firma ile alıřıyoruz. Suyumuzu yine aynı řekilde... KKTC kaynaklarından tedarik ediyoruz, eee... bunun dıřında bizim... ‘Yan rnlerimiz’ dediđimiz rnlerde, sarf malzemelerimizde, hani řey... p pořetinden, iřte kařıđımıza kadar, karıřtırıcımıza kadar... Yani mmkn olduđu kadar, alabildiđimiz kadar, eee... destek alıyoruz yani. (1-2 saniye duraksar.) Hatta X bir firma, MNC6’in (merkezinin) onayladıđı bir firmadan, eee... řuruplarımızı bile meselâ, ieceklerde kullandıđımız, eee... burada (KKTC’de) bayisi olduđu iin, yurtdıřından almak yerine, onaylanan diđer markayı... da kullanıyoruz yani, mmkn olduđu kadar.

Atay: Bu yerel bir marka mı?

Kenan: Yerel deđil ama, eee... bazı rnlerde biz yerel rnleri de řey yapıyoruz, dahil ediyoruz.

Atay: Hmm-hmm...

Kenan: Buradaki asıl sıkıntımız řu, biz herhangi bir rn kullanmadan nce, rnek veriyorum yerel bir... iřte řurubu, ya da iřte bir... rn, MNC6 merkezinden onay alma gibi bir ykmllđnz var. nk... dřnn ki, eee... kırktan (40’tan) fazla lkede binden (1000’den) fazla mađaza var. Eee... ve ama řu, Kuzey Kıbrıs Trk Cumhuriyeti / Lefkořa’da itiđiniz, Lefkořa’daki MNC6’da itiđiniz bir bardak ‘Latte’-nin (Bir eřit kahve ieceđi.), eee... Hindistan’da itiđiniz bir bardak ‘Latte’ ile birebir ‘Her řeyinin!’ aynı olması gerekiyor. Tabii... bunu koruyabilmek adına, farklı bir rn kullanmadan nce, mutlaka onay almanız gerekiyor. Eee... Bu sre dahilinde de oranın (MNC6 merkezinin) onay verdiđi rnleri kullanıyoruz. (1-2 saniye duraksar.) Ama, eee... mesela biz yarıřmaya da katılırken, (MNC6’nın dzenlediđi) Dnya Barıřta řampiyonası’na, mesela ierisinde, eee... Kuzey Kıbrıs Trk Cumhuriyeti’nde bulabileceđiniz btn rnlerle iecekler denedik. Yani... Harnup tozundan, pekmezine kadar! Ada’da (KKTC’de), eee... lokalde olan btn rnleri denedik ve bir iecek yarattık, rnek veriyorum, onunla katıldık. Yani... biz mmkn olduđu kadar aslında řey, eee... kendi rnlerimize de, onlarla (KKTC’nin yerel rnleri ile) bir iecek... yapmaya da ok sıcađız. Ama dediđim gibi, byle bir řeyi yarattıđımızda bunu, eee... globale (Yurt dıřı pazarlarına) tařıyamıyorsunuz ama lokalde... onay aldıktan sonra yapabiliyorsunuz. Bu tr řeylerimiz de oldu yani, alıřmalarımız da.

Atay: Peki bu konuda, yani... yerel rnlerin ne kadar miktarda kullanılacađı konusunda belli bir kısıtlamanız var mı? Yani atıyorum rnleriniz iin maksimum... ‘Yzde (%) řu kadarını yerelden kullanabilirsiniz, bu kadarını da bizden (MNC6 merkezinden) almak zorundasınız.’ falan gibi...

Kenan: Yok, yle bir yzdemiz (%) yok bizim, eee... zaten řey, ana maddelerimiz, kahve ekirdeklerimiz, eee... toz dediđimiz; vanilya, ikolata gibi rnler, eee... řuruplarımız... Bunların hepsi zaten ana madde olduđu iin řeyden geliyor bize, MNC6 merkezinden geliyor. Eee... bunun dıřındaki yan rnler de; iřte su, soda, st,



işte ikolata eřitleri... bazıları, işte bisküviler vesaire... Onların hepsini zaten lokalde (KKTC içerisinde) özüyoruz. Bütün pasta ürünlerini lokalde özüyoruz, yani pasta dolabımızdaki bütün ürünleri, eee... burada (KKTC'de) özüyoruz. O yüzden şey, ürünler ayrı... gruplarda olduđu için herhangi bir yüzde (%) yok, yani 'Yüzde (%) bu kadarını benden aldın, yüzde (%) řu kadarını oradan al.' diye.

Atay: Hmm-hmm... Mağazalarınızın ve řubelerinizin içerisinde... üretip sattıđınız ürünler haricinde, herhangi bir 'Seri üretim' faaliyetiniz var mı?

Kenan: Yok, o tür, hani büyük aplı ya da işte bir fabrikaya da kavurma, eee... ofisimiz, tesisimiz vesairemiz yok. Biz bütün üretimi şeyde... yani gelen hammaddeyi işte barın içerisinde, eee... ekirdeđi o anda öğütüp, hazırlayıp, kişiye özel servis ile sunuyoruz.

Atay: Evet, böylelikle sorularımın da sonuna geldik. (Gülümseyerek,) Teşekkür ediyorum.

Kenan: (Gülümseyerek,) Ben teşekkür ederim.

Atay: Sizin de ayrıyeten eklemek istediđiniz herhangi bir şey var mı?

Kenan: İşte... eğitim şart! (Güler.)

Atay: (Gülerek,) Kesinlikle! Evet, (Gülümseyerek,) çok teşekkür ediyorum tekrar.

Kenan: (Gülümseyerek,) Ben teşekkür ederim. (Mülakat sona erer.)

## APPENDIX C: A DRAFT OF THE SURVEY QUESTIONS

### KKTC'DEKİ ÇOK ULUSLU VE ULUSLARARASI ŞİRKETLER İÇİN ANKET ÇALIŞMASI

Öncelikle anketimize katılım gösterdiğiniz için teşekkür ederiz.

Bu anket, Orta Doğu Teknik Üniversitesi Kuzey Kıbrıs Kampusu Siyaset Bilimi ve Uluslararası İlişkiler Bölümü Yüksek Lisans öğrencisi Atay Demirel tarafından Yrd. Doç. Dr. Yonca Özdemir danışmanlığındaki yüksek lisans tezi kapsamında; Çok uluslu ve uluslararası şirketlerin Kuzey Kıbrıs Türk Cumhuriyeti'ne yatırım yapmalarının altındaki sebepleri, faktörleri, itici güçleri ve KKTC'deki işleyiş süreçleri içerisinde kullandıkları mekanizmaları, araçları ve yöntemleri araştırmak amacı ile düzenlenmiştir.

Araştırmaya katılımınız tamamen gönüllülük temelinde olmalıdır. Ankette sizden kimlik veya kurum/kuruluş belirleyici hiçbir bilgi istenmemektedir. Cevaplarınız tamamıyla gizli tutulacak, sadece araştırmacılar tarafından değerlendirilecektir. Katılımcılardan elde edilecek bilgiler toplu halde değerlendirilecek ve bilimsel yayımlarda kullanılacaktır. Sağladığınız veriler gönüllü katılım formlarında toplanan kimlik veya kurum/kuruluş bilgileri ile eşleştirilmeyecektir.

Çalışma, genel olarak kişisel rahatsızlık verecek sorular veya uygulamalar içermemektedir. Ancak, katılım sırasında sorulardan ya da herhangi başka bir nedenden ötürü kendinizi rahatsız hissederseniz cevaplama işini yarıda bırakıp çıkmakta serbestsiniz. Böyle bir durumda çalışmayı uygulayan kişiye, çalışmadan çıkmak istediğinizi söylemek yeterli olacaktır.

Bu ankette toplam 11 soru vardır.

#### 1. Şirketinizin kuruluş tarihi nedir?

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#### 2. Şirketiniz hangi sektör(ler)de işleyiş göstermektedir?

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#### 3. Şirketinizin KKTC üzerinde herhangi bir büyük çaplı (fabrika v.b.) üretim tesisi var mı?

*Mark only one oval.*

Evet

Hayır

#### 4. Şirketinizin son 1 yıllık cirosu ortalama olarak ne kadardır? (Türk Lirası veya Euro)

---

5. Şirketinizin çalışan sayısı yaklaşık olarak kaçtır?

---

6. Şirketinizin, merkezi hariç, KKTC üzerinde kaç adet şubesi (veya bayisi) bulunmakta?  
*Mark only one oval.*

- Şirketimizin merkezinden başka şubesi (veya bayisi) bulunmamakta.
- 1
- 2
- 3
- 4
- Şirketimizin merkezinden başka 5 veya daha fazla şubesi (veya bayisi) bulunmakta.

### **Uyarı!**

---

Aşağıdaki soruyu lütfen şirketinizin (merkezi hariç) 1 veya daha fazla şubesi (veya bayisi) mevcut ise yanıtlayınız. Aksi takdirde bir sonraki sorudan devam edebilirsiniz.

7. Şirketiniz KKTC'nin hangi bölgelerinde şubelere (veya bayilere) sahip?  
*Check all that apply*

- Lefkoşa
- Girne
- Güzelyurt
- Lefke
- Mağusa
- İskele – Karpaz
- Diğer: \_\_\_\_\_

8. Aşağıdaki seçeneklerden hangisi/hangileri şirketinizin anlaşmalı olduğu uluslararası (veya) çok uluslu şirket(ler) ile arasındaki bağı en iyi şekilde tanımlamaktadır?  
*Check all that apply*

- Franchising
- Lisans
- Distribütörlük
- Müşterek Teşebbüs
- Tek Mülkiyetli Bağı Şirket
- Diğer: \_\_\_\_\_

## **Uyarı!**

---

Lütfen bu soruyu önceki soruya müteakiben cevaplayınız.

**9. Şirketinizin anlaşmalı olduğu uluslararası (veya) çok uluslu şirket(ler) ile şirketiniz arasındaki bağ hangi tarihte kuruldu?**

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**10. Şirketinizin %10 veya daha büyük paya sahip kaç tane yabancı uyruklu hissedarı bulunmakta?**

*Mark only one oval.*

- Yabancı uyruklu hissedarımız bulunmamakta.
- 1
- 2
- 3
- 4
- 5 veya daha fazla yabancı uyruklu hissedarımız bulunmakta.

**11. Şirketinizdeki %10 veya daha büyük paya sahip yabancı uyruklu hissedarınızın (veya hissedarlarınızın) şirketinizdeki ortaklık yüzdesi toplamları yaklaşık olarak ne kadardır?**

*Mark only one oval.*

- Yabancı uyruklu hissedarımız bulunmamakta.
- Şirketimizdeki yabancı uyruklu hissedarlar %10'dan düşük bir paya sahipler.
- %10-%25 arası.
- %25-%50 arası.
- %50 - %75 arası.
- %75-%100 arası.
- Şirketimiz tümüyle yabancı uyruklu hissedarlardan oluşmaktadır.

## TEZ FOTOKOPİSİ İZİN FORMU

### PROGRAM

SEES

PSIR

ELT

### YAZARIN

Soyadı : Demirel

Adı : Atay

Bölümü : Siyaset Bilimi ve Uluslararası İlişkiler (PSIR)

**TEZİN ADI (İngilizce) :** The Dynamics of the Existence and the Expansion of Global Capital in an Unrecognized State: The Case of Multinational Corporations and Transnational Corporations in the Turkish Republic of Northern 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 alınamaz.

### **TEZİN KÜTÜPHANEYE TESLİM TARİHİ:**