

Privatization processes as ideological moments: The block sales of large-scale state enterprises in Turkey in the 2000s

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Abstract

In the process of neoliberal transformation in Turkey, what differentiated the 2000s from the previous two decades were the block sale privatizations of large-scale state enterprises such as PETKİM, Türk Telekom, TÜPRAŞ, and ERDEMİR. These block sales, the conditions of which were shaped by political struggles at different levels, were also constitutive political and ideological moments *per se*, helping to reproduce a particular perception of social reality at the expense of others. This paper will overview and critically problematize the privatization processes of these four enterprises, all completed under the successive AKP governments in power since 2002. By focusing on the apparently technical and economic aspects of the block-sale processes, such as valuation, efficiency enhancement and marketing, the paper calls into question the increased concerns over their transparency, and wonders whether such concerns can be understood as attempts to mask the substantially corrupt nature of capitalist relations of production, which inescapably makes itself felt during these processes.

Keywords: Privatization, Turkey, neoliberalism, AKP, large-scale state enterprises.

2005 was an exceptional year in the privatization process in Turkey; the bulk of the shares of the three large-scale and highly profitable state-owned enterprises, namely Türk Telekom, TÜPRAŞ, and the

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ERDEMİR Group, were sold by block sales to, respectively; Oger Telecoms Joint Venture in July for \$6.55 billion, Koç-Shell Joint Venture in September for \$4.14 billion, and OYAK in October for \$2.77 billion.¹ At the time, Türk Telekom was the incumbent fixed-line state telecommunications monopoly, TÜPRAŞ was the country's largest industrial enterprise with four oil refineries and 28.1 million tons of annual crude oil processing capacity,² and the ERDEMİR Group owned 80% of the iron ore reserves in Turkey.³ The specific characteristics of the enterprises concerned inevitably led to great public interest in their privatizations. Moreover, the government in office was the Justice and Development Party (AKP), the Islamic political preferences of which had been persistently questioned since the Party's rise to power in November 2002, and concerns over the possibility of AKP's utilizing this opportunity to strengthen its socio-economic base through the sale of these enterprises to so-called "green capital" attracted further attention to the issue.⁴ This was the reason why the whole process provoked a sharp controversy in the media among pro- and anti-AKP circles. Additionally, the privatization of these three giants, together with the privatization of PETKİM, another large petrochemical company the block sale of which could not be finalized in its first tender in 2003, were among the stand-by commitments of the government to the IMF, meaning that the fund was also observing the process closely.⁵

As this overview of the political atmosphere surrounding the privatization year of 2005 implies, the sales of large-scale and profitable state enterprises are controversial processes involving multi-level political conflicts and concerns. Privatizations through the block sale method further increase the potential for conflict, as this leads to a direct change in the ownership and management structure of the enterprises con-

1 Formal information about the privatization processes of these enterprises can be found in the annual activity reports of the Privatization Administration (ÖİB). The block sales were concluded for 55% of Türk Telekom, 51% of TÜPRAŞ, and 46.12% of the ERDEMİR Group. See T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı, "Yayınlar," <http://www.oib.gov.tr/yayinlar/yayinlar.htm>.

2 Turkish Petroleum Refineries Corporation, "About TÜPRAŞ," <http://www.tupras.com.tr/detailpage.en.php?DirectoryID=103>.

3 ERDEMİR, "About Us: Our Profile," <http://en.erdemir.com.tr>.

4 See Bağımsız Sosyal Bilimciler, *Bağımsız Sosyal Bilimciler 2007 Yılı Raporu: 2007 İlk yazında Dünya ve Türkiye Ekonomisine Bakış* (Ankara: Türk Mühendis ve Mimar Odaları Birliği, 2007), 75-80, http://www.tmmob.org.tr/resimler/ekler/e01938fc48a2cfb_ek.pdf.

5 The Stand-By agreement signed with the IMF for the period May 2005 to May 2008 set strict targets for the privatization of the most profitable state-owned enterprises in Turkey. Article 33 of the Letter of Intent submitted to the IMF in April 2005 envisaged the privatization of PETKİM, TÜPRAŞ, ERDEMİR, and Türk Telekom by the end of 2005. See Government of Turkey, "Letter of Intent and Memorandum of Economic and Financial Policies," (April 26, 2005), 14 <http://www.imf.org/external/np/loi/2005/tur/042605.pdf>.

cerned, with important implications for the workers and managers, as well as for competition in the relevant sectors.⁶

The diverse political implications of these conflicts seem to have given rise to a novel kind of academic interest in the privatization process in Turkey, which had hitherto been analyzed mainly on technical and economic grounds, from either supportive pro-market or critical statist perspectives.⁷ In a recent study, Balkan-Şahin has analyzed how the process in the 2000s was shaped by hegemonic struggles among different social forces, including business organizations, trade unions, and the AKP government.⁸ In another study, Öniş has focused on the changing relative power and discourse of what he calls the pro- and anti-privatization coalitions, problematizing the legal and institutional context within which the privatization process has taken place in Turkey.⁹ The apparent novelty of these recent studies is that, in contrast to earlier works in which a pro- or anti-privatization position used to be explicitly or implicitly adopted on the basis of various technical or economic calculations, these latter try to underline the political underpinnings of privatizations as processes shaped by conflicting political and economic interests.

While the accurate emphasis made in these recent studies on the constitutive role of politics in the processes of privatization deserves attention, these most recent studies' treatment of privatizations as means and/or instruments helping to strengthen or weaken different social actors and/or processes still overlooks the very political character of the privatization processes *per se*. In other words, privatization, when understood as "a major instrument of public enterprise reform"¹⁰ or a

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- 6 Methods used in privatization processes have varied among different countries. As Simga-Mugan and Yüce remind us, while mass privatizations through the distribution of shares to the public for free or for a minimal charge were preferred in the so-called "transition" countries to ensure a speedy transformation in property relations, in the established capitalist countries, block sales, public share offerings, sale of assets, trade sales, sale of equity, sales on the open market, employee buyouts, or build-operate-transfer methods have all been applied in combination. See Can Simga-Mugan and Ayşe Yüce, "Privatization in Emerging Markets," *Emerging Markets, Finance and Trade* 39, no. 5 (2003): 85.
- 7 One study by Arin and Ulubaşoğlu is a good example of the former kind: See K. Peren Arin and Mehmet Ali Ulubaşoğlu, "Leviathan Resists: The Endogenous Relationship between Privatization and Firm Performance," *Public Choice* 140, no. 1-2 (2009). See also Cevat Karataş and Metin Ercan, "The Privatisation Experience in Turkey and Argentina: A Comparative Study, 1986-2007," *METU Studies in Development* 35, no. 2 (2008). For a statist critical approach to privatizations, see Erinç Yeldan, *Assessing the Privatization Experience in Turkey: Implementation, Politics and Performance Results*, Report submitted to the Economic Policy Institute (Washington, DC: 2005).
- 8 Sevgi Balkan-Şahin, "Privatization as a Hegemonic Process in Turkey," *Journal of Contemporary European Studies* 18, no. 4 (2010).
- 9 Ziya Öniş, "Power, Interests and Coalitions: The Political Economy of Mass Privatization in Turkey," *Third World Quarterly* 32, no. 4 (2011).
- 10 *Ibid.*, 707.

“global trend .. or particular idea” adopted by different actors,¹¹ acquires a political meaning only in relation to the political processes and/or struggles externally related to it. This paper intends to problematize the privatization process as a political and ideological moment within which a particular perception of social reality is reproduced in opposition to others. This will be attempted by focusing on different moments of the block sale privatizations of PETKİM, Türk Telekom, TÜPRAŞ, and ERDEMİR, all completed during the successive AKP governments in power from 2002 to 2008.¹²

To this end, overviewing the basic neoliberal arguments used to legitimize privatization processes is a necessary starting point. As well known, the general neoliberal approach to the issue tends to make sense of privatizations on the basis of a simple cost-benefit analysis where the sale of state enterprises would arguably save the state from various burdensome expenditures, and benefit society through increased competition and efficiency. However, this neoliberal conclusion is reached by the different lines of argument followed by Monetarism, Public Choice Theory and Agency Theory. The Monetarist justification for privatization emanates from the general assumption that state intervention should be minimized as excess intervention leads to the malfunctioning of inherently efficient markets.¹³ Hence, public enterprises should be privatized and start operating under market principles. The Public Choice version of neoliberalism has suggested that it is indeed “governmental-political failure” which distorts the working of the market.¹⁴ On account of this, privatization is regarded as the perfect solution to overcome government failure and political decision-makers’ abuse of their power over state enterprises, arising from their self-interested nature.¹⁵ Finally, Agency Theory has problematized the relations between the state and enterprise managers as one of principal-agent relations, in which the principal faces difficulties in deeming the agent responsible for seeking the interests of the principal.¹⁶ This problem has been attributed either to

11 Balkan-Şahin, “Privatization,” 483-484.

12 For a more detailed overview of these privatizations as well as that of POAŞ, see Merih Angın, “Turkish Experience in Privatization: The Privatizations of Large-Scale State-Economic Enterprises in the 2000s” (Unpublished MSc Thesis, Middle East Technical University, 2010).

13 This perspective was shaped by the Chicago School of Economics led Milton Friedman in the 1970s. For a monetarist analysis of privatizations, see Coşkun Can Aktan, *Privatization and the Turkish Experience* (Ankara: Seçkin Yayıncılık, 2004).

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

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

16 *Ibid.*, 116.

the fact that enterprise managers have low incentives for efficiency and high discretionary power,¹⁷ or that political interference distorts managers' incentives, leading to over-employment and underinvestment.¹⁸ On the basis of these arguments, neoliberal perspectives have commonly justified the privatization of state-owned enterprises by making claims for their improved after-sale performance, even though not all empirical data necessarily prove this.¹⁹

However, the ideological power of these arguments has not simply rested on their persistent reproduction by neoliberals at such theoretical levels; these arguments have been internalized in the real processes of privatization by many—not necessarily neoliberal—actors, and have become practices that have helped redefine the meaning of the state, the legitimate conditions to ensure efficiency and the fair levels of price; hence, a specific form of “normality” based on capitalist market rationality. The very political nature of privatization processes is reflected in their reproduction of a specific pro-capital “normality,” which in turn helps draw the boundaries between the legitimate and illegitimate, the just and unjust and the corrupt and uncorrupt in capital-labor-state relations. The more visible these practices are, the more widespread their “educative” impact becomes.²⁰ Hence, what has made the four selected privatization processes worth analyzing is, besides other reasons, their visibility.

The methodology of this study is Gramscian in the sense that material, political and ideological forms are understood as internally related and inseparable elements of social totality, which is itself subject to continuous change in relation to class struggles fought to reform or trans-

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- 17 Narjess Boubakri et al., “Privatisation in Developing Countries: Performance and Ownership Effects,” *Development Policy Review* 26, no. 3 (2008): 278.
- 18 See Rafael La Porta and Florencio Lopez-de-Silanes, *The Benefits of Privatization: The Evidence from Mexico*, Working Paper 6215 (Cambridge, MA: National Bureau of Economic Research, 1997), <http://www.nber.org/papers/w6215>.
- 19 Having examined the performances of nine companies privatized by 2003, and in which the Turkish state used to have over 50 percent ownership, Simga-Mugan and Yüce argue that there occurred no improvement in the after-tax profits of these companies after the privatizations, and that none of them could achieve good financial performance: Simga-Mugan and Yüce, “Privatization in Emerging Markets,” 105. On the other side, Karataş and Ercan claim that Türk Telekom ensured efficiency and labor productivity gains after its privatization: “The Privatisation Experience,” 369.
- 20 On the constitution of the public-private divide in the Ottoman Empire through a series of “corruption” trials made in the immediate aftermath of the 1840 Criminal Law, Kırılı draws attention to Gramsci's definition of “hegemony” as an “educative” relationship through which the “right,” and the “wrong” are redefined. See Cengiz Kırılı, “Yolsuzluğun İcadı: 1840 Ceza Kanunu, İktidar ve Bürokrasi,” *Tarih ve Toplum*, no. 4 (2006). See also Antonio Gramsci, *Selections from the Prison Notebooks*, ed. Quintin Hoare and Geoffrey Nowell-Smith, trans. Quintin Hoare and Geoffrey Nowell-Smith (New York: International Publishers, 1971), 350.

form its constitutive forms in the real process of history.²¹ Gramsci's stress on social totality is expressed best in his formulation of a "historic bloc in which precisely material forces are the content and ideologies are the form."²² To understand how dominant classes win consent to their rule from those they dominate, Gramsci developed the conception of "hegemony," which requires the creation of a new common sense around a "collective national-popular will" through the functioning of ideology as the organic "cement" welding together a historic bloc.²³ According to Williams,²⁴ it is a moment:

in which the philosophy and practice of a society fuse or are in equilibrium; an order in which a certain way of life and thought is dominant, in which one concept of reality is diffused throughout society in all its institutional and private manifestations, informing with its spirit all taste, morality, customs, religious and political principles, and all social relations, particularly in their intellectual and moral connotation. An element of direction and control, not necessarily conscious, is implied.

Hence, in Gramsci's concept of "hegemony," ideology becomes lived, habitual practice, rather than an abstract "system of ideas" and encompasses both unconscious dimensions of social experience and the workings of formal institutions.²⁵ It is indeed only in this way that it can bind together classes and class fractions, which are in positions of dominance and subordination in relation to each other.²⁶

This article intends to highlight the neoliberal ideological propositions that have been habitually reproduced during the privatization processes of PETKİM, Türk Telekom, TÜPRAŞ, and ERDEMİR. It is hence important to recognize that neoliberal arguments on privatization acquire a particular ideological power when translated into a technical

21 Jacques Texier, "Gramsci, Theoretician of the Superstructures," in *Gramsci and Marxist Theory*, ed. Chantal Mouffe (London: Routledge and Kegan Paul, 1979); David Forgacs, ed. *A Gramsci Reader: Selected Writings 1916-1935* (London: Lawrence and Wishart, 2000); Esteve Morera, *Gramsci's Historicism* (London: Routledge, 1990); Stephen Gill, "Epistemology, Ontology and the Italian School," in *Gramsci, Historical Materialism and International Relations*, ed. Stephen Gill (Cambridge: Cambridge University Press, 1993).

22 Gramsci, *Selections*, 377.

23 *Ibid.*, 181-182.

24 Gwyn A. Williams, "The Concept of 'Egemonia' in the Thought of Antonio Gramsci: Some Notes of Interpretation," *Journal of the History of Ideas* 21, no. 4 (1960): 587.

25 Terry Eagleton, *Ideology: An Introduction* (London: Verso, 1991), 112-115.

26 Gramsci, *Selections*, 328; Stuart Hall et al., "Politics and Ideology: Gramsci," in *On Ideology*, ed. Center for Contemporary Cultural Studies (London: Hutchinson University Library, 1977), 48.

and economic language. This is a language within which state-capital-labor relations are perceived through efficiency, productivity, or profitability trends, graphs, and/or levels as if they can be analyzed on an objective ground isolated from politics. This is a language that has been shaped by and acquired meaning from the perspective of capital and capitalist competition, hence it necessarily prioritizes particular questions over others. Questions related to the real life conditions of laborers, for instance, cannot even be formulated in this language. However, this technicized presentation of social reality can sometimes mean totally the opposite of what is implied when rethought in relation to other dynamics. Take for instance the frequently referred to statistics on "privatization revenues": contrary to what such figures imply, it is rather questionable whether there is ultimately any real revenue that can be registered to states' budgets due to privatizations. Simga-Mugan and Yüce argue that expenditures made for privatizations generally almost totally eat away the revenues.²⁷ While reminding that governments might write off debts of or make new investments in the enterprises to be privatized, Karataş and Ercan warn that the ÖİB in Turkey discloses no information on such expenditures, making it impossible to calculate what is really earned out of the privatization process.²⁸ Moreover, given the fact that almost half of the claimed revenues acquired from privatizations are then re-invested in the enterprises to be privatized, privatization becomes almost a loss-making activity.²⁹

This article will thus attempt to contest the specific capitalist "normality" reproduced in and through the privatization processes of PETKİM, Türk Telekom, TÜPRAŞ and ERDEMİR by underlining the class nature of some apparently technical and economic practices and/or discourses adopted in relation to efficiency and valuation controversies. Besides this, it will also highlight the sort of a "mercantile" image of the state persistently legitimated throughout these privatization practices.

To these ends, the article will firstly stage a short discussion of the privatization process in Turkey up to the 2000s. Then the specificities of the block sales of the four state-owned enterprises will be problematized through a detailed overview of the PETKİM case, and a selective reading of the Türk Telekom, TÜPRAŞ, and ERDEMİR cases. Re-narrating the whole block sale process of PETKİM from start to finish is intended

27 Simga-Mugan and Yüce, "Privatization in Emerging Markets," 103.

28 Karataş and Ercan, "The Privatisation Experience," 355.

29 İbrahim Türkmen, "Türkiye 2005'te 18 Yıla Bedel Özelleştirme Yaptı," *Zaman*, July 15, 2005. Türkmen informs us that ÖİB re-invested 47% of privatization revenues in the enterprises to be privatized in 2005. Interestingly, Türkmen uses this figure as support for his pro-privatization arguments.

as a historical critique in support for the arguments developed in this article. This historical analysis is followed by an analytical discussion of how a specific perception of the state as well as efficiency and valuation considerations have all been approved and reproduced during the block sales of Türk Telekom, TÜPRAŞ, ERDEMİR, and PETKİM.

Privatization processes in Turkey until the 2000s

Privatization has been an indispensable, though not a persistent, component of the neoliberal restructuring of the Turkish state, for the privatization of state-owned enterprises was not given priority in the Turkish structural adjustment program in the early 1980s.³⁰ The emphasis in those years was more on their reform, arguably required to increase their efficiency and productivity.³¹

Hence, in contrast to those implemented in many post-Soviet countries in the 1990s, the Motherland Party (ANAP) government under the leadership of Turgut Özal, who is known as the architect of neoliberalism in Turkey, did not adopt a shock-therapy approach in privatization. Instead of directly privatizing the state-owned enterprises, Özal preferred initially to issue revenue sharing certificates (GOSs), a method totally different from the direct sale of enterprise assets. In the GOSs, there was no transfer of public assets to the private sector, and it worked more like a different form of public borrowing. The first GOSs were offered in December 1984 and January 1985, respectively raising the revenues for the first Bosphorus Bridge, and the Keban Dam and Hydroelectric Power Station.³²

Despite these early steps, however, privatization could acquire priority in Turkey only after 1987, during Özal's second term in office. As Öniş outlines, the first major case of divestiture took place in February 1988 with the public offering of the shares of Teletaş, a telecommunications company. The initial confidence regarding the success of this privatization declined later with the steady fall of the value of Teletaş shares in the capital markets. The failure in the Teletaş case led to the conclu-

30 Galip L. Yalman, *Transition to Neoliberalism: The Case of Turkey in the 1980s* (Istanbul: İstanbul Bilgi University Press, 2009), 329.

31 Contrary to the claimed low efficiency of state-owned enterprises, Türel points out Ercan Uygur's findings, which suggest that labor, capital and total factor productivity growth in state-owned manufacturing enterprises in Turkey were no worse than that in private manufacturing companies in 1965-1988. See Oktar Türel, "Restructuring the Public Sector in Post-1980 Turkey: An Assessment," in *The State and Global Change: The Political Economy of Transition in the Middle East and North Africa*, eds. Hassan Hakimian and Ziba Moshaver (Richmond: Curzon Press, 2001), 188.

32 Ziya Öniş, "The Evolution of Privatization in Turkey: The Institutional Context of Public-Enterprise Reform," *International Journal of Middle East Studies* 23, no. 2 (1991): 167.

sion that the capital market in Turkey was not advanced enough for such a big transfer operation.³³ Following that failure, the government started to look for alternative methods to implement privatizations. The direct sale of state assets to the private sector was found to be the second-best policy implemented in the late 1980s, seen in the privatization processes of five cement plants owned by ÇİTOSAN, the airplane services company USAŞ, and Boğaziçi Airlines, which were all purchased by foreign companies.³⁴

This new trend of selling state enterprises to foreign capital by block sale was criticized by various business circles in Turkey. Placing Sümerbank and particularly PETKİM under the privatization agenda led to harsh criticism on the grounds that the decision undermined “national sovereignty.”³⁵ The opposition of business groups, such as the Turkish Industry and Business Association (TÜSİAD), was based on their concerns over increased competition due to the involvement of foreign investors to the process.³⁶ In return, the ANAP government tried to justify the block sales to foreign investors on the grounds that they attracted foreign investment, which would bring in “technology and managerial expertise.”³⁷

The political atmosphere in the 1990s was rather different than that in the 1980s due to the dissonant coalition governments succeeding one another up to the 2002 elections. The period is also characterized by the persistent fiscal crisis of the state, which governments attempted to overcome through privatizations rather than tax revenues. It goes without saying that this time most of the business interests supported this policy,³⁸ even though inter-state controversies between coalition partners or different state institutions prevented the finalization of the sales of large state enterprises such as the Milk Industry Corporation (SEK), Türk Telekom, PETKİM, and Turkish Airlines.

The currency crisis of 1994 forced the incumbent government to adopt an IMF stabilization program on April 5th which put great emphasis on the need to privatize state-owned enterprises.³⁹ This brought

33 Ibid., 167-168, 171.

34 Karataş and Ercan, “The Privatisation Experience,” 172.

35 Öniş, “The Evolution of Privatization,” 172.

36 Ibid., 173.

37 Marcie J. Patton, “Constraints to Privatization in Turkey,” in *Privatization and Liberalization in the Middle East*, eds. Iliya Harik and Denis J. Sullivan (Indianapolis: Indiana University Press, 1992), 114.

38 Türel, “Restructuring the Public Sector.”

39 Merih Celasun and İsmail Arslan, “State-Owned Enterprises and Privatization in Turkey: Policy, Performance and Reform Experience, 1985-95,” in *State-Owned Enterprises in the Middle East and North Africa: Privatization, Performance and Reform*, ed. Merih Celasun (London: Routledge, 2001), 232.

onto the agenda the need for an appropriate legal and institutional base for privatizations, which had been managed up to then through government decrees on a trial-and-error basis. The outcome was Privatization Law No. 4046 in November 1994, which created the Privatization High Council (ÖYK) as the “ultimate decision-making body for privatization,” the ÖİB as the “executive body for the privatization process, reporting directly to the Prime Minister,” and the Competition Authority (CA).⁴⁰ Ercan and Öniş argue that this law was also enacted to meet the requirements of entry to the EU Customs Union.⁴¹ Nevertheless, the Constitutional Court continued hindering the privatization process by annulling the contradictory clauses of the Privatization Law with the rulings on valuation techniques. To meet this challenge, first an amendment was made in 1997, and then the concept of privatization was incorporated into the Constitution in 1999.⁴²

Still, in the unstable political atmosphere of the 1990s, systematic implementation of neoliberal policies, including privatizations, proved impossible, although the ultimate privatization of the petroleum giant Petrol Ofisi (POAŞ) by a statist-nationalist coalition in 2000 signaled that Turkey’s arguable “lost decade” was about to come to an end.⁴³ This constituted a milestone in the privatization process in Turkey as it marked the start of the block sales of large-scale state enterprises.⁴⁴ Still, the ideal conditions for a renewed neoliberal assault were created by the 2000-2001 economic crisis. Besides bringing the AKP to power, this crisis also meant increased international pressure on the Turkish state for neoliberal institutionalization; a conjuncture which also forced the new government to undertake the sale of large-scale profitable state enterprises under hard-nosed international scrutiny.

40 Republic of Turkey Prime Ministry Privatization Administration, “Privatization Endeavor in Turkey,” T.C Başbakanlık Özelleştirme İdaresi Başkanlığı, Basın ve Halkla İlişkiler Daire Başkanlığı, <http://www.oib.gov.tr/yayinlar/publications.htm>.

41 Metin R. Ercan and Ziya Öniş, “Turkish Privatization: Institutions and Dilemmas,” *Turkish Studies* 2, no. 1 (2001): 116.

42 *Ibid.*, 122.

43 51% of the shares of POAŞ were sold to the İş Bank-Doğan Holding Consortium in March 2000 in return for only 1.260 Billion US dollars. Later enjoying the laxities of the tender agreement, Doğan Holding had managed to acquire the control of the 92.98% of the company by 2005. See Harun Gürek, “POAŞ’ta Yeni Skandal,” *Akşam*, October 18, 2002; İzak Atiyas, “Recent Privatization Experience of Turkey: A Reappraisal,” in *Turkey and the Global Economy: Neo-Liberal Restructuring and Integration in the Post-Crisis Era*, eds. Ziya Öniş and Fikret Şenses (London: Routledge, 2009), 104-105; Angın, “Turkish Experience in Privatization,” 38-48. For a discussion of Turkey’s “lost decade,” see Pınar Bedirhanoğlu and Galip L. Yalman, “State, Class and the Discourse: Reflections on the Neoliberal Transformation in Turkey,” in *Economic Transitions to Neoliberalism in Middle-income Countries*, eds. Alfredo Saad-Filho and Galip L. Yalman (New York: Routledge, 2010), 115.

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

As this historical overview indicates, there was no operational harmony within the Turkish state⁴⁵ on the question of the privatization of large-scale state enterprises up until the 2000s, and various inter-state conflicts thus prevented a systematic policy implementation. Still, the enactment of the Privatization Law in 1994, immediately after the economic crisis, has to be recognized as a reflection of changing social and political dynamics in Turkey under the “coercive” transformative pressures of the crisis.⁴⁶ It is no doubt that the 2001 crisis had a similar effect on Turkish political economy with specific implications on the privatization process. This, however, should not lead us to underestimate the historical specificities of the AKP government which has ultimately turned privatizations into a systematic policy option in Turkey in the 2000s.

Privatization of large-scale state enterprises by AKP governments

The AKP has been a dedicated proponent of privatization in Turkey since the Party’s first years in office. Such a stand was adopted after the Party’s establishment in 2001 through the careful abandoning of the developmentalist perspective of the National View, the Islamist current out of which the AKP cadres had developed.⁴⁷ Immediately before the privatization season in 2005, Erdoğan was arguing that privatization was not a way to sell the loss-making public enterprises to the private sector, but was an instrument that had consequences beyond this. As he asserted, they were favoring privatization because they embraced an understanding of the state which was stronger and more active in fulfilling its fundamental functions accurately.⁴⁸

The AKP’s support for the privatization of large-scale profitable state-owned enterprises can also be rethought, besides the Party’s ideological commitment to neoliberalism, in relation to its politically vulner-

45 This is not to be read as meaning that the state is autonomous from capitalist interests. The policies of the Turkish state, which historically reproduces itself within capitalist relations of production, are shaped at a particular moment in time by both the structural dynamics of capitalism in general, and the conjunctural and conflictual interests of different capital groups in particular.

46 Bonefeld attracts attention to Benjamin’s argument that a coercive moment before the moment of rule of law is necessary. As he maintains, “[l]aw cannot be applied to chaos-law requires order; ... Order needs to be imposed so that law can rule. The imposition of order makes possible the codification of social relations and their regulation on the basis of the rule of law. Imposition of order has the force of law. The rule of law presupposes the force of law, that is, violence is a law-making power and a law-preserving power.” This argument, which is proposed to make sense of military interventions as “constitutional” moments in capitalist development, can be rethought in relation to the rather violent and transformative economic crises. See Werner Bonefeld, “Democracy and Dictatorship: Means and Ends of the State,” *Critique* 34, no. 3 (2006): 243-244.

47 İlhan Uzgel, “AKP: Neoliberal Dönüşümün Yeni Aktörü,” *Mülkiye Dergisi* 30, no. 252 (2006).

48 “Baykal: Kirvesi mi Akıllı, Erdoğan mı?,” *Milliyet*, May 11, 2005.

able position within the state, particularly during its first term in office. This was a period in which the AKP was in government but not in power due to the Islamists' long and careful exclusion from strategic state posts, such as those in military. By contrast, at the international level, there was a welcoming but cautious attitude towards the AKP's powerful rise to government. This was welcomed as a development that would ultimately help establish the "strong state" capable of implementing neoliberal policies in Turkey, while the Islamist character of the Party still created concerns.⁴⁹ Within such an atmosphere, the AKP had a special incentive to remain loyal to the targets of the neoliberal agenda, for this would increase confidence in the Party at the international level and ensure an uninterrupted flow of short-term finance into the country, leading in return to its empowerment in domestic politics. The privatization process of the large-scale state enterprises, which had long been on the agenda of international financial institutions as well as the EU, gave the AKP the chance to make a big show to this end, turning the block sales of PETKİM, Türk Telekom, TÜPRAŞ and ERDEMİR into "prestige" cases.

The Block Sale of PETKİM

The privatization of PETKİM was a rather long process that started in January 2003 and was finalized in May 2008. It is important to note that the privatization processes of Türk Telekom, TÜPRAŞ, and ERDEMİR were all completed in between these dates. Hence, overviewing the sale of PETKİM in detail will enable us to analyze the changing political-economic dynamics affecting the conditions of privatization processes in Turkey throughout the 2000s.

The first tender for the block sale of PETKİM was launched in January 2003, just three months after AKP's coming to power, as previously scheduled by the ÖİB.⁵⁰ Despite the expectations of a much higher price, it became clear in June 2003 that Standart Kimya, owned by the Uzan Group, had won the tender by offering just US \$605 million for 88.86% of the PETKİM shares.⁵¹ This was a rather interesting result as Cem Uzan, who was the leader of the Genç Party, had been one of AKP's rivals in the 2002 general elections.

49 Uzgel, "AKP."

50 The ÖİB had already declared in September 2002—before the elections—that 51% of the shares of PETKİM would be sold in block. "PETKİM Ekim'de satışa çıkıyor," *Milliyet*, September 25, 2002.

51 "PETKİM'e En Yüksek Fiyatı Uzanlar Verdi," *Milliyet*, June 7, 2003. About a week before the highest offer was announced, the head of the ÖİB, Metin Kilci, had somehow declared that not 51% but 88.86% of the shares of PETKİM were going to be sold. See "Tamamı Satılıyor," *Milliyet*, May 30, 2003.

Even though Erdoğan himself declared his disappointment with the sale price, the tender result was successfully used as an opportunity to demonstrate the AKP's approval for market dynamics and disregard for political concerns. In reaction to the opposition parties' criticisms against PETKİM's block sale under IMF pressure,⁵² Erdoğan argued that if governments ask for loans, it was the right of the IMF to set conditions to ensure that the debt would be paid back. He attacked the opponents of the IMF program and privatization by stating that "to be against the IMF means living in another galaxy" and that "unfortunately, there [were] remnants of the communist world in Turkey."⁵³

Various circles, including Petrol-İş (Petroleum Workers' Union), the Turkish Chemical Manufacturers Association, and the CHP (Republican People's Party), criticized the low contract price and payment conditions, claiming that PETKİM had been sold for an amount lower than its turnover of the previous year.⁵⁴ Indeed, the consulting firm hired by the ÖİB, Trichem Consultants, had previously estimated the value of PETKİM as \$3.2 billion,⁵⁵ so the head of the ÖİB Metin Kilci also declared that he wished the amount to be between one and five billion dollars.⁵⁶ Regardless of the ongoing tender process on the other side, Erdoğan had somehow already started re-marketing PETKİM to foreign businessmen.⁵⁷

Despite these criticisms, ÖYK approved the block sale of PETKİM to the Uzan Group on the condition that Standart Kimya should pay 40% of the price in advance.⁵⁸ Some columnists appreciated this as a sign of government's objectivity in tenders, even though it was also announced that the Uzan Group, which was in sharp competition with Nokia and Motorola at that time, was not expected to find the credit to pay the required cash. It was argued that the approval of the sale would help increase the confidence of foreign investors to make offers in the prospective privatizations of TÜPRAŞ and TEKEL.⁵⁹ Hence, Abdullah Gül, who was then the Minister of Foreign Affairs, also argued that

52 Indeed, Abdüllatif Şener, who was then responsible for privatizations, stressed that questions concerning privatizations were constantly inquired after during IMF visits. See "Özelleştirmede Cezai Sorumluluk Kalkacak," *Milliyet*, February 12, 2003.

53 "PETKİM Değerinin Çok Altında," *Milliyet*, June 10, 2003.

54 See "Tayyip'i Alana Unakıtan Bedava," *Milliyet*, June 7, 2003; "PETKİM'in Satışı 900 Milyon Dolardan Altında Yapılmamalı," *Milliyet*, June 18, 2003; "PETKİM Değerinin Çok Altında."

55 "Fiyatı Tartışılıyor," *Milliyet*, June 8, 2003.

56 "PETKİM'de Gönülden Geçen 1 Milyar Dolar," *Milliyet*, June 11, 2003.

57 "İhalesi Yapılmış PETKİM'e Yabancıyı Çağırıldı," *Milliyet*, June 15, 2003.

58 "ÖYK, PETKİM'in Satışını Onayladı," *Milliyet*, July 1, 2003.

59 Meral Tamer, "Hükümete PETKİM İçin Aferin," *Milliyet*, July 2, 2003.

the interests of the country and politics were two different things.⁶⁰ As expected, Standart Kimya failed to fulfill the obligations set by the ÖYK, so the tender was canceled.⁶¹

After the failure of the first tender, Finance Minister Kemal Unakıtan became engaged in active marketing abroad to ensure the sale of PETKİM in the next round.⁶² The tender process for the block sale of 88.86% of PETKİM's shares re-opened on August 26, 2003, but was canceled due to an insufficient number of bids.⁶³ Moreover, PETKİM declared that it had made a loss of TRY215.5 trillion in 2003.⁶⁴ It was later declared that, owing to new investments made amounting to TRY100 trillion, PETKİM had made a profit of TRY81 trillion in a six-month period.⁶⁵ Following further investments, the enterprise's production capacity was declared to exceed three million tons.⁶⁶ These investments were justified by claims that the more the enterprise grew, the more valuable it would become, resulting in higher revenue raised from its sale.⁶⁷

Between the second and the third tenders for PETKİM, four significant years passed throughout which the block sales of Türk Telekom, TÜPRAŞ and ERDEMİR were completed, endowing the AKP with not only confidence but also experience in the management of the privatization processes.

In PETKİM's third tender on July 5, 2007, 51% of the enterprise's shares were initially sold to TransCentralAsia Petrochemical Holding Consortium (formed by Troika Dialog, a Russian investment bank, and two Kazakh companies, namely Caspi Neft and Investment Industrial Group Eurasia). The price offered was \$2.05 billion, which was nearly three times higher than PETKİM's market value and six times higher than the contract price of the first tender.⁶⁸ This time, however, the ambiguity of the major companies forming the consortium led to various concerns⁶⁹ that ultimately, without stating any reason, the ÖİB decid-

60 "Ülke Menfaati Farklı Siyaset Farklı İştir," *Milliyet*, July 13, 2003.

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

62 "PETKİM'de Müşterinin Ayağına Kadar Gittiler," *Milliyet*, September 6, 2003.

63 "Portfolio: PETKİM."

64 "Değerli TL PETKİM'e Yaramadı," *Milliyet*, April 6, 2004.

65 "PETKİM'de İkinci Randevu," *Milliyet*, November 6, 2004.

66 Güngör Uras, "PETKİM Kötü Değil, İyi Bir KİT İdi (Satın Alan Hayrını Görecek)," *Milliyet*, July 6, 2007.

67 "Unakıtan: Büyüterek Özelleştireceğiz," *Milliyet*, February 8, 2005.

68 "Portfolio: PETKİM."

69 It was later revealed that Caspi Neft was owned by a U.S.-based company, whose market value was only 187 million US dollars, and that the main financier behind the Investment Industrial Group Eurasia was TuranAlem, a rather opaque partnership. Other claims and/or concerns were that Russian Troika Dialog was one of the biggest financial powers behind the Armenian diaspora, that one of the four offices of Troika Dialog is on the Greek side of Cyprus, and that neither of the companies forming

ed on 16 October to sell 51% of PETKİM's shares to the Socar and Turcas-Injaz Joint Venture,⁷⁰ which made the second highest offer with \$2.04 billion.⁷¹ The reason was not questioned at that time by the IMF, even though the fund had closely observed the previous block sales of Türk Telekom, TÜPRAŞ and ERDEMİR. For the IMF, the shift of attention to the subprime mortgage market collapse in the US in 2007 had made investigating Turkey's various other macro-economic indicators more important than the observing of the privatization process.

In such an atmosphere, the new buyers of PETKİM were highly appreciated by some columnists because, first of all, Socar, established more than 150 years ago, owned a 25% stake in the Baku-Tbilisi-Ceyhan pipeline.⁷² Right after winning the tender, Socar declared that they were planning to invest in a refinery. It was also announced that, even though Turkey had been importing petrochemical products to meet 75% of her demand, Socar was planning to decrease this amount to 30% as a result of their investments.⁷³

The decision of the ÖİB was challenged by Petrol-İş, the authorized trade union in PETKİM, on the grounds that it was illegal for Turcas to attend the tender because there had been a year's state tender ban on Turcas Petrol after it gave false documents in an earlier tender held by General Directorate of Highways. When the ÖİB stated that there was no impediment to Turcas partaking in the tender,⁷⁴ Petrol-İş filed a motion for stay of execution of the tender specifications, together with the decisions of the ÖYK and the ÖİB. Accordingly, the Plenary Session of the Administrative Law Divisions of the Council of State found the request of the Union apposite and issued the stay of execution on the grounds that there was no public interest as PETKİM had been profiting with its increased capacity on account of the state investments and the increasing demand for petrochemical products.⁷⁵ Ultimately, Petrol-İş's request of a stay of execution and annulment of the decision of the ÖYK to sell PETKİM to Socar and Turcas-Injaz Joint Venture was re-

the consortium had any experience in the petrochemical industry. For details, see "Alıcı İki Kazak Bir Rus," *Milliyet*, July 6, 2007; Metin Münir, "Sahibi Belli Değil Şirketler Çemberinde PETKİM," *Milliyet*, October 6, 2007; "PETKİM Satışına ÖYK'dan Onay," *Milliyet*, November 23, 2007; "Alıcıların Mali Gücü Hakkında Bilgi Yok," *Milliyet*, July 8, 2007.

70 This was a joint venture formed by the Azerbaijani petroleum company, Socar, Turcas Petrol, established in 1988 by British Burmah Castrol and the joint stock company formed by Türkpetrol and Lubricant Oils, and the Saudi Arabian investment company, Injaz Projects Company Limited.

71 "PETKİM'de Kazaklar Devre Dışı, İhale Azeri - Türk Ortaklığında," *Milliyet*, October 17, 2007.

72 Metin Münir, "PETKİM'de Top Turcas ve Azerilerde," *Milliyet*, October 18, 2007.

73 "PETKİM'in Yeni Alıcısı Rafineri Kurmak İstiyor," *Milliyet*, October 18, 2007.

74 "PETKİM'de 'Yasaklı Şirket' Tartışması," *Milliyet.com.tr*, November 29, 2007.

75 "Danıştay: PETKİM'in Satışında Üstün Kamu Yararı Yok," *Milliyet.com.tr*, January 12, 2008.

jected by the 13th Chamber of the Council of State, and the sales agreement for the transfer of 51% of PETKİM's shares to Socar and Turcas-Injaz was signed on May 30, 2008. The joint venture paid \$1.660 billion of the contract price in advance.⁷⁶

This overview of the privatization of PETKİM reveals that the process was persistently subject to various political interventions at its different moments, despite the bold claims about its depoliticized character. Questions, however, remain unanswered: such as why PETKİM was sold to the Uzan Group despite the obvious impossibility of the realization of the purchase, why the enterprise was ultimately sold to Socar and Turcas-Injaz rather than Trans Central Asia, and why this happened despite the corruption allegations raised by Petrol-İş against Turcas. Whatever the answers to these questions might be, the story above reveals that a level of political intervention is indeed almost inevitable in this process. As this is so, one should question the ideological implications of the persistent calls made by neoliberals for an imagined depoliticized market sphere. It appears that the more the politicized nature of market relations become visible in such large transactions, the more political reflexes to prove the opposite are required.

The block sales of Türk Telekom, TÜPRAŞ, and ERDEMİR

Most of the issues publicly raised during the block sale process of PETKİM were also widely debated during the privatizations of Türk Telekom, TÜPRAŞ, and ERDEMİR. Hence, besides the conventional neoliberal arguments, such as the expected rise in efficiency and productivity levels, and the potential revenues, the nationalities of the prospective buyers, the strategic importance of the privatized enterprises, and various corruption claims became the hottest topics in these debates. Analyzing the way these debates were constructed is important, for, beyond various implications of the block sales on different political and economic processes, the discourses and practices engaged in during these block sales have turned them into political moments in themselves, within which a particular "normality" in capital-labor-state relations was persistently reproduced.

To start with, it is important to mention that POAŞ, TÜPRAŞ, and PETKİM used to be the subsidiaries of the Turkish Petroleum Corporation (TPAO), established by the state in 1954 with the aim of constructing a vertically integrated petroleum company to operate across the entire supply chain, from hydrocarbon exploration, drilling, production

⁷⁶ "Ekonomide Yılın Olayları-II," *Milliyet*, December 17, 2008.

and refinery to marketing and transportation.⁷⁷ Thus the privatization of these enterprises in the 2000s meant a substantial restructuring of the petroleum sector in Turkey. The privatization process of TÜPRAŞ started in 1989, when the 49% of the company's shares were handed over to the Mass Housing and Public Participation Fund.⁷⁸

On the other side, the ERDEMİR Group, established in 1960, was the biggest industrial corporation of Turkey in terms of total assets, with its nine subsidiaries.⁷⁹ Ereğli Demir Çelik, located in Ereğli in the Black Sea region, was the parent company of the group, and the largest flat steel manufacturer of Turkey. At one point, the group owned 80% of iron ore reserves in Turkey.⁸⁰ The privatization process of ERDEMİR had started in 1987, though the AKP re-vitalized it in 2005.

Lastly, the importance and profit generating capacity of Türk Telekom was self-evident since it was—and still is—the only fixed line communications company in Turkey. Its privatization had been on the agenda since the 1990s, though the lack of a regulatory framework impeded this. In 1993, Prime Minister Tansu Çiller had tried to sell the last “T” of PTT (Turkish Post, Telegraph and Telephone), which, according to her, would end domestic indebtedness; at that time approximately \$14-16 billion.⁸¹

It is interesting to note that attempts to increase the value of these three already valuable state-owned enterprises were made through new investments, led by the state prior to their privatizations. In September 2001, TÜPRAŞ and PETKİM signed a protocol to transfer PETKİM's Yarımca facilities to TÜPRAŞ for \$60 million. Following this, 50.98% of shares in DİTAŞ (Marine Operations and Tanker Management Co., another subsidiary of TPAO) were also sold to TÜPRAŞ for \$16.5 million in October 2002.⁸² Moreover, TÜPRAŞ had an ongoing Master Investment Plan of \$2.1 billion, covering the 1999-2006 period, to modernize the existing plants and to increase competitive capacity, and

77 Turkish Petroleum Corporation, “History of TPAO,” <http://www.tpa.gov.tr>.

78 Turkish Petroleum Refineries Corporation, “About TÜPRAŞ.”

79 These are: İskenderun Iron and Steel Works Co. (İSDEMİR), the long steel manufacturer; ERDEMİR Maden, which has reserves in Sivas and Malatya-Hasançelebi; Turkey's only seamless steel pipe plant Çelbor in Kırıkkale; ERDEMİR Romanya, the siliceous steel plant in Romania; Erenco, which offers investment and engineering service for iron and steel investors; ERDEMİR Lojistik, which provides logistics services; ERDEMİR Çelik Servis Merkezi, the steel service center for cold product cutting and slitting in Gebze; and ERDEMİR Gaz that was established to meet the group's need of gas.

80 ERDEMİR, “About Us: Our Profile.”

81 Fikret Bila, “PTT'nin T'siyken Satsaydık Makus Talihimizi Yenerdik,” *Milliyet*, July 4, 2005.

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

launched to meet EU Environmental Legislation.⁸³ Yeldan states that more than half of this investment was realized by 2005 and “with the planned installation of a new refinery with 10 million tons/year, it [was] expected that the enterprise [would] create employment for 1,000 new workers.”⁸⁴ ERDEMİR, on the other hand, completed its Capacity Expansion and Modernization Investments in 1996, amounting to \$1.5 billion, and one of the biggest industrial investments in Turkey. In 1998, the New Port Facilities initiative that would construct one of the biggest ports of the Black Sea was launched. The enterprise also started up production on its Tin/Chrome Plating Plant in 1999, and Galvanizing Line in 2001.⁸⁵ In 2001 again, it acquired COST S.A., Romania’s siliceous steel plant,⁸⁶ followed by the purchases of İSDEMİR in 2002⁸⁷ and Div-Han Divriği Hekimhan Madenleri, a mining enterprise in 2004.⁸⁸ Finally, coming to Türk Telekom, the company formed a consortium with Koç Holding to purchase 65% shares in Bulgarian Telecom, which eventually failed due to the sale of the latter to the US private equity fund Advent International.⁸⁹

The question of ascertaining the appropriate value of these enterprises during the block sales led to significant controversies. A tender for the block sale of a 55% share in Türk Telekom was made in July 2005, and Oger Telecoms Joint Venture won the bid.⁹⁰ The privatization agreement gave Oger Telecoms the opportunity to transfer control of Türk Telekom to any other corporation without notifying the relevant Turkish authorities.⁹¹ Later, when the net profit Türk Telekom made in 2004 was calculated, it became clear that the annual profit of the company was alone sufficient to cover the installments of the block sale. Hence, immediately after the block sale, the new General Director of Türk Telekom declared that company was not planning to make any extra investments; meaning that the company’s existing revenues were enough to pay the installments. Following this declaration, Oger Telecoms paid the

83 Ibid., 30.

84 Yeldan, *Assessing the Privatization Experience*, 21.

85 ERDEMİR, “About Us: Our History,” <http://en.erdemir.com.tr>.

86 “ERDEMİR Romanyada Fabrika Satın Aldı,” *Milliyet*, August 23, 2001.

87 “İSDEMİR, ERDEMİR’e Bugün Devrediliyor,” *Milliyet*, February 1, 2002.

88 “Div-Han Madenleri ERDEMİR’in,” *Milliyet*, March 5, 2004.

89 “Oger Bulgar Telecomu Alıyor,” *Telekomcular Derneği* (2011), <http://www.telekomculardernegi.org.tr/haber-2227-oger-bulgar-telecomu-aliyor.html>.

90 This was a consortium led by Saudi Oger, which was owned by the Lebanese Hariri family and Telecom Italia—the largest Italian telecommunications company, also a shareholder of Avea. See Republic of Turkey Prime Ministry Privatization Administration, “Privatization of Türk Telekom,” http://www.oib.gov.tr/telekom/turk_telekomunikasyon.htm.

91 Miyase İlkunur, “Telekom’da Türkiye By-pass Edildi,” *Cumhuriyet*, June 7, 2006.

remaining installments of \$4.3 billion in advance, and much earlier than the required date. The common criticism voiced in relation to this development was that Türk Telekom was privatized before the necessary measures had been taken to impede monopolization.⁹²

The tender for the block sale of a 51% share of TÜPRAŞ was held in September 12, 2005 and won by the Koç-Shell Joint Venture Group for \$4.14 billion. This price was found satisfactory by many as, in its first unsuccessful tender process in 2004, TÜPRAŞ had been about to be sold to the Zorlu-Efremov consortium for only \$1.302 billion for a 65.76% share.⁹³ When the CHP had tabled a motion and asked whether \$1.3 billion was really an appropriate price for TÜPRAŞ, the State Minister at the time, Ali Babacan, had replied that the price had been correctly formed by market conditions.⁹⁴ Hence, the price attained in the second tender was thought to *ipso facto* justify the cancellation of the earlier bid following the legal objections raised by Petrol-İş and the authorized workers union in TÜPRAŞ.⁹⁵ As expected, Petrol-İş filed motions for stay of execution of the second sale as well on the grounds that although the privatization of TÜPRAŞ was based on the necessity of investment, this provision was not included in the agreement. Petrol-İş emphasized the procedure that was implemented in ERDEMİR's privatization, where the ÖYK took measures to guarantee 95% continued employment, continuation of existing investments, and the closure of integrated facilities, thus overseeing the protection of minority rights, and the union underlined that these measures were not being taken in the privatization of TÜPRAŞ.⁹⁶ Yet the Council of State declined the request of annulment and the block sale of TÜPRAŞ was finalized without further amendment.⁹⁷

The differentiating characteristic of ERDEMİR's block sale process were the excessive debates around the nationality of the potential buyers. Indeed, even though the question of nationality was also used in the TÜPRAŞ sale by the Koç Group; when it was declared that it was planning to attend the tender only for the sake of impeding the Russian petroleum companies, who had already become a monopoly in

92 Metin Münir, "Oger Telecom Korunuyor Mu?," *Milliyet*, April 28, 2007.

93 "TÜPRAŞ'a 1.3 Milyar Dolar," *Milliyet*, January 14, 2004.

94 "Unakıtana Tataristan Sorusu," *Milliyet*, January 16, 2004; "TÜPRAŞ İhalesinde Düzgün Fiyat Oluştı," *Milliyet*, January 25, 2004.

95 "TÜPRAŞ'ın Satışı İptal," *Milliyet*, November 27, 2004.

96 "İşte TÜPRAŞ'ta Satışı Durduran Dilekçe...", *Milliyet*, February 4, 2006.

97 "Danıştay'dan TÜPRAŞ'ın Özelleştirilmesine Vize," *Milliyet*, May 9, 2006. Due to Petrol-İş's request for a revision of the decision, the process was to be completed in November, 2008.

Bulgaria,⁹⁸ this was seen as a pragmatic strategy to win the tender. In the ERDEMİR tender, however, there was sharp controversy over this question. Firstly, the managers of ERDEMİR opposed the block sale by arguing that the shares could be privatized via public offering, citing examples of enterprises that work to a private sector logic under state control, such as the Korean group COSCO.⁹⁹ Yılmaz Kaya, a CHP MP and member of the “Erdemir Commission,” also emphasized that it would be a grave mistake to sell ERDEMİR, which was, together with its subsidiaries, the eighth largest steel producer in the world, making an approximate profit of \$650 million annually. He asserted that potential foreign buyers would most probably downsize the enterprise to reduce its competitive power, creating a disaster for Turkish industry.¹⁰⁰ The president of Türk Metal (Turk Metal Workers’ Union), Mustafa Özbek, pointed out that none of the advanced industrialized countries, neither Japan nor Germany, had allowed foreign companies to take control of their integrated iron and steel industries. He added that ERDEMİR was supplying 40% of Turkey’s flat steel demand, and that, by 2025, Turkey would be in need of nine more enterprises of ERDEMİR’s capacity. Therefore, if ERDEMİR was sold to foreign companies, Turkey’s future and growth would be left to the mercy of foreigners.¹⁰¹ One of the other concerns of Türk Metal regarding the sale of ERDEMİR was that one of the potential buyers, Mittal Steel Company N.V., was known for its policy of reducing the number of workers right after acquiring a new company.¹⁰² In reaction to such concerns, Erdoğan declared openly that the government was seeking foreign capital involvement in ERDEMİR as national companies buying state enterprises had traditionally exploited the state. Metin Kilci, the head of the ÖİB, also took this position by arguing that the growth of iron and steel companies via mergers was the global trend, that this was an unprecedented opportunity for ERDEMİR’s privatization,¹⁰³ and that they would be glad to sell ERDEMİR to foreigners.¹⁰⁴ Later, Kemal Unakıtan approved the government’s inclination towards foreign buyers by arguing that they wanted to save the public from the “mess” created by the politicians’ concerns to use state enterprises to employ their relatives or increase employment

98 “TÜPRAŞ’a Rus Firmalar Girerse, Biz de Gireriz,” *Milliyet*, May 1, 2003.

99 “ERDEMİR’de Fiyat ve Blok Tartışması,” *Milliyet*, February 2, 2005.

100 Melih Aşık, “İşte Abdülsansür,” *Milliyet*, April 28, 2005.

101 Hasan Pulur, “Kızımız Davulcuya, Zurnacıya Kaçmasın!,” *Milliyet*, May 18, 2005.

102 Nail Güreli, “İlhami Soysal’dan ERDEMİR’e,” *Milliyet*, June 29, 2005.

103 “Kilci: ERDEMİR’de Tarihi Fırsatı Yakaladık,” *Milliyet*, May 27, 2005.

104 “ERDEMİR İşçisinden Takvime Göre Eylem,” *Milliyet*, August 6, 2005.

for private gain and votes, respectively.¹⁰⁵ The possibility of the sale of ERDEMİR to foreigners even led to the formation of a national consortium, named ERDEMİR Consortium, with the coordination of the Union of Chambers and Commodity Exchanges of Turkey (TOBB). The president of TOBB, Rifat Hisarcıklıoğlu, made it clear that he was not against privatization and foreign investment, but that, to become global players rather than mere subcontractors, Turkish companies had to unite and win the tender of ERDEMİR.¹⁰⁶ It is interesting to note, however, that although many called this consortium the “national team,” many of the companies in the consortium, such as Assan and Borusan, actually had foreign partners.¹⁰⁷ OYAK, the Turkish Armed Forces Assistance (and Pension) Fund, participated in the struggle to impede foreign companies, but did not join the consortium. As a matter of fact, OYAK had already declared that it would definitely buy one of the state enterprises up for privatization, and the sale of any of these strategic enterprises to OYAK would be an assurance for the Turkish public.¹⁰⁸ The General Manager of OYAK, Coşkun Ulusoy, argued that, if these strategic enterprises were definitely going to be sold, then they should be acquired by patriots.¹⁰⁹

The tender of ERDEMİR was ultimately won by OYAK despite powerful rivals such as Mittal Steel, and Arcelor, and the fund purchased 46.12% of ERDEMİR's shares for \$2.770 billion.¹¹⁰ This price was 86% higher than the stock-exchange value of ERDEMİR.¹¹¹ The confrontation also led to stricter tender provisions, as it was a condition that the buyer would not reduce staffing below 95% of existing level for two years following the transfer, and that it had to make new investments in ERDEMİR and İSDEMİR that would enable additional production of 3.5 million tons. The specifications also granted veto to the state on important matters.¹¹² After all these confrontations that took place on the question of “nationality,” OYAK's announcement that the company was planning to transfer to Arcelor a 41% share of the Ataer Holding, the company established to take delivery of the transferred ERDEMİR

105 “Kime Satılırsa Satılır Sana Ne! Maaşını Al Karışma...,” *Milliyet*, August 10, 2005.

106 “Global Olmak İçin ERDEMİR’i İstiyoruz,” *Milliyet*, July 18, 2005; “Türkler Amele mi Olsun?,” *Milliyet*, August 17, 2005.

107 “ERDEMİR Savaşları,” *Milliyet*, August 23, 2005.

108 “Üç Şirketten Birini Mutlaka Alacağız,” *Milliyet*, May 27, 2005.

109 “ERDEMİR’in Yüzde 20’si Arcelor’un Olacak...,” *Milliyet*, December 30, 2005.

110 Based on the tender specifications, OYAK also had to purchase the 3.17% of ERDEMİR's shares owned by the Development Bank of Turkey. Therefore, OYAK ultimately paid \$2.96 billion for a total of 49.29% of the shares. See “Ayşe Askere Gitti,” *Milliyet*, October 5, 2005.

111 *Ibid.*

112 “Yabancı: Çılgın Fiyat Vermeyiz Yerli: İpi Biz Göğüsleriz,” *Milliyet*, October 4, 2005.

shares, led to considerable public outcry. OYAK later abandoned this decision, declaring that they would not accept any partnership unless they had full control over the management.¹¹³ Still, the fact that such a transfer was considered possible by OYAK has to constitute a warning about the weak bases of nationalist considerations in the processes of privatization.

This hot debate on the question of the nationality of the bidding companies can be interpreted as a survival strategy driven by workers and other possible losers, rather than as an argument with real substance. In the Türk Telekom tender, which was the first large-scale privatization won by a “foreign” joint venture, the workers perceived no immediate threat from the privatization due to the provision that 1,117 state workers of the enterprise were to be transferred to other public enterprises.¹¹⁴ It is also interesting that no such concern about nationality dominated the sale of Türk Telekom. One possible answer is that, up to the Türk Telekom case, no such big state enterprise had ever been sold to “foreigners,” and there might have been an expectation that such a sale would anyway be canceled. To the surprise of many, this did not happen, and the block sale was finalized. Hence, it is important to recognize that the block-sale processes of TÜPRAŞ and ERDEMİR took place after this experience, and, in the ERDEMİR case, besides the opposition of the workers, small and medium-scale industrial companies dependent upon ERDEMİR’s iron and steel pursued a nationalist strategy against the sale of the company to Mittal Steel or Arcelor. The nationality-based criticisms made in the PETKİM tender in 2007 have to be rethought in relation to this background, though it never became evident whether the nationalities of the potential buyers really affected the cancellation.

The privatization processes of large state enterprises as ideological moments

The changing form and content of the political struggles that shaped the privatization processes of Türk Telekom, TÜPRAŞ, and ERDEMİR can tell us much about the changing historical trends in Turkish political economy. Besides this however, these privatizations have also had a constitutive political impact, for they have also turned into ideological moments within which the capitalist market has been praised as the main legitimate regulative framework in capital-labour-state relations. It is thus necessary to focus on the specific perception of the state, and the considerations of efficiency and valuation approved and reproduced

113 “ERDEMİR’de Kaptan Köşkünü Bırakmayız,” *Milliyet*, March 4, 2006.

114 “Oger Şartlara Uyarsa Türk Telekom’u Alır,” *Milliyet*, July 7, 2005.

during the block sales of Türk Telekom, TÜPRAŞ, ERDEMİR, and PETKİM.

Firstly, the process as a whole has consolidated a specific idea of the state, as a collective subject whose reflexes in the act of privatization are not very different from those of a private merchant trying to market his/her products. The active marketing tours made by Kemal Unakıtan in Russia, the UK, Germany, and the oil rich Gulf countries in the PETKİM case, or the invitations sent by the ÖİB to thirty-nine iron and steel manufacturers of the world to participate in the ERDEMİR block sale were telling examples in this sense.¹¹⁵ The best interpretation is that these were endeavors to create a competitive sale process to ensure higher prices, and this simply strengthens the image of a “merchant state” in search of higher profits. On the other hand, the fact that the marketed “products” were indeed inherited from previous generations also adds a prodigal quality to this image, an interpretation that should not necessarily be read as an appreciation of so-called developmentalist states. These relatively new characteristics of the Turkish state can be understood as reflections of the ever increasing subordination of the state to capital in the historical development of capitalism; a tendency which is not peculiar to Turkey.¹¹⁶ The non-problematic internalization of such an understanding of state by the AKP governments has consolidated this subordinate role of the Turkish state as the new “normality.”

Another important reflection of this subordination can be identified in the efficiency arguments developed in relation to the block sales analyzed. The efficiency issue in these privatization processes has mainly reflected concerns for the necessity of a substantial change in the content of the labor force. This has been ensured by the elimination of arguably excess workers later replaced by new ones employed under “flexible” conditions. Karataş and Ercan attract attention to the drop in the number of workers employed in Türk Telekom from 51,737 at the end of 2005 to 37,035 by the end of 2007.¹¹⁷ Much of this drop was caused by about 10,000 of Türk Telekom’s state workers exercising their right to be transferred to other public services.¹¹⁸ It would be naïve to assume that the story was radically different under the “patriotic” OYAK administration of ERDEMİR; when ERDEMİR declared a loss amounting to TRY 1.2 billion in the last

115 “Aktif Pazarlama’ya Rusya’dan Başladı,” *Milliyet*, April 27, 2003; “ERDEMİR, Yabancı Görücüye Çıkıyor,” *Milliyet*, January 7, 2004.

116 See Dag MacLeod, “Privatization and the Limits of State Autonomy in Mexico: Rethinking the Orthodox Paradox,” *Latin American Perspectives* 32, no. 4 (2005).

117 Karataş and Ercan, “The Privatisation Experience,” 370-371.

118 *Ibid.*, 366-367.

quarter of 2008, the company declared that it had to lay off workers due to the economic crisis.¹¹⁹ The deal made later between OYAK, Türk Metal, and the Turkish Employer's Association of Metal Industries (MESS) prevented the layoffs by cutting the wages of 7,025 workers by about 35% for sixteen months.¹²⁰ What such moments apparently teach us is simply the legitimacy of eliminating and/or restructuring the conditions of the labor force according to companies' profitability concerns. This basic capitalist reality is obviously not new, though its harsh implications for the real-world conditions of laborers necessitate persistent reproduction of this practice as "normal," and the block-sale processes of the large state enterprises have provided ample opportunities for this.

Last but not the least, the already-questioned valuation processes during the block sales need to be further problematized in terms of their reproduction of a pro-capital normality. Indeed, deep concerns on the inappropriateness of the ultimate sale prices in most of the cases is evidence of the incompatibility of the exchange value set by the market for these enterprises with an average sense of equity. Rather than comparing and contrasting sale prices with other technical indicators of value, we need to recall, for instance, that the purchase of TÜPRAŞ by Koç Holding has meant the appropriation by the latter of a company which was as big as itself in terms of the holding's annual revenues.¹²¹ It is thus not so strange that, following this purchase, Koç made a sharp change in its conventional strategy of proximity to the consumer by selling MİGROS. So neither this nor OYAK's sale of OYAKBANK after ERDEMİR's block sale should be found strange, given the epoch-making impact of the purchases of these giant state enterprises on these companies.¹²² Similarly, the purchase of PETKİM led to a total reconsideration of the investment strategies of Socar and Turcas, such that in May 2010, Socar and Turcas announced that they had relinquished the refinery project in Ceyhan on the grounds that their priority was the PETKİM refinery.¹²³ It needs to be recalled that, rather than seeing such practices of immediate enrichment as ordinary/normal/accepted aspects of market dynamics, Boratav et al. define them as corrupt and

119 Ersin Ercan and Sertan Aydemir, "Kriz, ERDEMİR'i de Vurdu: 250 İşçi Çıkarılacak," *Milliyet*, March 10, 2009.

120 Sertan Aydemir, "Sendika 1400 İşçiyi Krize Kurban Etmedi 7025 Çalışanın Maaşı Yüzde 35 İndi," *Hürriyet*, April 23, 2009.

121 Özgür Öztürk, *Türkiye'de Büyük Sermaye Grupları, Finans Kapitalin Oluşumu ve Gelişimi* (İstanbul: Sosyal Araştırmalar Vakfı, 2010), 229.

122 Melis Şenerdem, *Koç TÜPRAŞ Borcunu Azaltıp Yeni Projeleri Kovalayacak Fortune Türkiye*, October 2007; Güngör Uras, "OYAK Yönetimi Bankayı 'Mecburiyetten' Sattı," *Milliyet*, June 20, 2007.

123 Uras, "OYAK Yönetimi Bankayı 'Mecburiyetten' Sattı."

predatory within the context of state-capital relations in Turkey, and Harvey as moments of “creative destruction” at a more general level.¹²⁴

Conclusion: Beyond the transparency vs. corruption divide

The possibility that corrupt practices and relations might have accompanied the privatizations of PETKİM, Türk Telekom, TÜPRAŞ, and ERDEMİR had been a serious concern since the beginning of these processes. In response to such considerations, the ÖİB tried to assure the transparency of the tenders by broadcasting them live over TV channels. Even though this did not prevent the many corruption claims and criticisms directed against them, these privatizations were finally praised by various international organizations, including the IMF and the OECD, for their transparency and expected positive impact on the flow of foreign direct investment to Turkey.¹²⁵

This article has consciously neglected the various allegations of corruption made during the block-sale processes of the four state-owned enterprises as making an analysis on the basis of the conventional definition of corruption would have devalued its main arguments.¹²⁶ However, the above overview should have implied that various suspicious connections and coincidences could easily have taken place in the block-sale processes. The problem with focusing on such claims is that this very endeavor creates the illusion that once such claims are proved to be baseless, the transaction itself comes to be accepted as legitimate and right.

This is indeed exactly what this article has tried to refrain from. For no matter how properly these allegations are investigated—though in most cases they are not—this is anyway done within the legal forms and boundaries defined by capitalist relations of production, so that such investigations generally serve to enhance the limits of the ethical acceptability of the latter. Hence, rather than focusing on these surface appearances, this article has tried to attract attention to the substantially corrupt, inhuman, and unjust nature of capitalist relations of production which appear

124 Korkut Boratav et al., “Kamu İşletmeleri ve Özelleştirme Deneyimi: Sorunlar ve Politika Seçenekleri,” *Toplum ve Bilim*, no. 77 (1998): 120-121; David Harvey, “Neo-liberalism as Creative Destruction,” *Geografiska Annaler: Series B, Human Geography* 88, no. 2 (2006).

125 See International Monetary Fund, *Turkey: 2007 Article IV Consultation - Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Turkey*, IMF Country Report No. 07/362 (Washington, DC: International Monetary Fund 2007), 37; Angel Gurría, *Presentation of the OECD Economic Survey of Turkey, 2006 edition* (Ankara: 2006), <http://www.oecd.org/turkey/presentationoftheoecdconomicsurveyofturkey2006edition.htm>; http://www.oecd.org/document/21/0,3746,en_33873108_33873854_37560981_1_1_1_1,00.html.

126 The conventional definition of corruption is “use of public office for private gain.” For a mainstream neoliberal discussion on corruption, see Arvind Jain, K., “Corruption: A Review,” *Journal of Economic Surveys* 15, no. 1 (2001): 73.

in flashes within the most ordinary and arguably technical practices of these large-scale privatizations, though do so only if we manage to question what is simply taken for granted, or has become habitual. The obsession with the “transparency” of such large transactions should be seen as an attempt to prevent and get away with this, and thus constitutes the most important ideological moment of these privatization processes.

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