



University of Peloponnese

Department of Political Science and International Relations

Master Of Arts: Mediterranean Studies

Academic Year 2015-2016

Dissertation Essay

Political Islam and Economic Development in Turkey

Supervisor: Petropoulos Sotirios

Student's Name: Dede Sofia

A.M : 3033201503005

Abstract

The developments of the last decade in Turkey, the upgrading of the country internationally, as well as the new social phenomena that characterize it, is the evidence that triggers the search for answers to questions that caused these changes. In view of the political developments of recent years marked mainly by the six consecutive electoral successes of the ruling Justice and Development party, then the questions of change in Turkey, focus on logical and justified longer case, that a key exponent of change is the Justice and Development Party of Prime Minister Recep Tayip Erdoğan with the recoil of the army and the start of a new era this of Political Islam.

This paper seeks to analyze the root causes of the prevalence of Justice and development party in recent years, through the juxtaposition of the overall course of Turkish political Islam and the way in which political Islam is linked to the economy and the economic development of Turkey. In the first chapter of the essay, is mentioned the economic development in Turkey from 1923 and the birth of Turkish republic until 2001 and the last financial crisis in Turkey. Through this analysis of the past years, it is conducted an effort to show how and why political Islam arise in Turkey and how it was expressed until the government of Recep Tayip Erdoğan.

The second part of the essay gives weight to the period after the economic crisis of 2001 and the victory of Justice and Development Party of Recep Tayip Erdoğan. The essay presents the efforts of Justice and Development Party to lead the neoliberal model of economic development of Turkey during the early years of the 21st century, but also the impact of this effort in transforming the Turkish State until today.

Finally, the analysis attempts to give answers and conduct conclusions for the future of Turkey and how political Islam affects the economic development of the country.

Key words

Key words used to find sources are as follows: “Political Islam” “Islamic Capital in Turkey” “Turkey’s Economic Development” “Erdoğan’s Economic Policy”

Table of Contents

Abstract	2
Key words.....	3
Table of Contents	4
Introduction	5
Chapter I: The establishment of Turkish Republic – Kemalism	8
Chapter II: Political Islam as the opposition of Kemalism and the troubled economy decades	11
1. <i>Democratic Party: 1950-1960</i>	11
2. <i>Planned Economy Period: 1960-1983</i>	14
3. <i>The Özal’s Era and the Economy Reforms: 1983-1991</i>	19
4. <i>The 90’s and the successive economic crises until 2002</i>	24
Chapter III: Economic Development and Political Islam under AKP’s government.....	31
Conclusions and Future Prospects.....	35
Bibliography.....	39

Introduction

In all Muslim countries Islam has always been more than a religion. Islam it is not only a religion, is in the same time policy, social life, way of life and attitude and much more for a good Muslim. By this it is easy to be understood why it is used the word of Political Islam. Islam anyway is political but what it is tried to be said with political is the depth that Islam affects policy or economy or international relations. In this essay it is analyzed Political Islam in Turkey and how it evolved in this specific country. As it would be mentioned in the continue Political Islam in Turkey is completely different from “other Political Islams” in the rest Muslim countries.

On 20th of October in 1923, Kemal Ataturk becomes the “Father” of Turkish Democracy as he established for the first time in Turkish history a democratic secular state divided from its Islamic past and the Caliphate. Turkey’s western orientation was defined by the six principles of Kemal – republicanism, nationalism, populism, reformism, secularism and etatisme – as it comes to the economic development of the country the last principle is the one that characterized for a long period of time as we will see in the next chapters. However, after the formal end of World War II in 1945, has been gradually associated with creating a multi-party system and with the release of etatisme on economic policy. (Bozarlan, H., 2008, p.p.41-52).

The state was particularly poor and helpless to help fund a stable economic development, on the scale sought and expected by the ruling bourgeoisie. Only the foreign assistance and foreign investment were real sources for rapid development. So important was the financial support provided by the Marshall Plan yet and the

penetration of Turkey in NATO, since it was considered as economic and military ally – partner. (Bozarslan, H., 2008, p.p.71-75).

However Turkey has dealt with various economic problems through the next years after World War II. Turkish economy developed multidimensional touching an annual rate of growth of 5% to 8% by 1997. The cause was the massive inflow of foreign capital – remittances and foreign direct investments in Turkey, the internal migration from the hinterland to the metropolis and especially to Istanbul, the liberalization of the market in Western dictates. Although, the changeable cycles of development and painful recession, rampant inflation, the very costly public sector that functioned as an auxiliary resource for parties of power and finally the full economic paralysis which every ten years has been forcing the governing party to make necessary reforms have created instability in politics and new waves of poverty.

Turkey's problematic economy was revealed more clearly in 2001 when the financial crisis hit. This important monetary crisis was about to indicate the need of 12billions from IMF. In the end, it was proved that this monetary and economic crisis has been done in order to satisfy the interests of certain circles in the capital market. (Veremis, Th. & Ntokos Th, 2002, p.p. 45-80)

In the first part of the essay, is conducted an analysis in Turkey's past. It is essential to be mentioned how Turkish Republic established and why its economy was based in the theory of etatisme that Kemal Ataturk introduced. How the next governments tried to help the economy and which policy did they follow. There was the period that the more conservative ones felt the need to establish a new policy in economy that would express them more than etatisme – the policy of Political Islam.

In the second part is analyzed how Recep Tayip Erdoğan and his party of Justice and Development, totally loyal to the principles of political Islam, received a busted with undervalued currency country in the elections of 2002 and managed to upgrade its economy and to stay in power for 14 consecutive years., despite its anti-kemalist orientation.

The essay that follows aims firstly to present the current situation of economic development in Turkey under the leadership of the Justice and Development party and on the other hand deals with how and to what extent the political Islam that professes the ruling party affects the country and its future. The main purpose is to conduct objective conclusions on prospects that present the Turkey as a new economic power. The method followed throughout the development and approach are simple analog juxtaposition of events based on authoritative sources from the Internet but from carefully selected literature so as to ensure the quality and the validity of work and of the conclusions which were to be held.

Chapter I: The establishment of Turkish Republic – Kemalism

In order to understand better what Political Islam is and how it is connected even to the Turkish economic development, it is essential to analyze how all things started very long ago.

In 1923 Mustafa Kemal Atatürk with his new social movement known as the New – Turks (Yeni Türk) wanted Turkey to enter a new era and unite the population left after the separation of the former Ottoman Empire under the same identity. This identity could not be based on religion, in other words the fact of being Muslim, but it should be based on a national identity. Turkish Nation. In fact this is the first time that the word Turk is being putted as the main characteristic of their nation. Until these period of time they would not be characterized as Turks but as Ottomans. The main difference between them is this of religion that Kemal tried to abandon and approach a more secular state. This was the starting point when Kemal established the Turkish Republic and left behind the Caliphate and the Sultan. He created a secular state separating religion and politics and made a lot of reforms in order to achieve the “Europeanization” of his country. Kemalism was representing the progress, the civilization and was not just a barbaric Anatolian state characterized from Islam’s backwardness.

Furthermore, Atatürk in order to protect his newborn secular state, created a strong elite circle around him based first and foremost in the army. This was the main reason for why the army plays such an important role in Turkey’s political life. Finally, Mustafa Kemal was not opposed to religion per se, but what he wanted was to construct a

progressive Islam, because he could not totally eradicate the religion from the people, that would be in the service of nation-building and the economic development of Turkey. (Yavuz H, 2003, p.p. 46-50). Even though, this policy for promoting secularism was successful in the urban centers in the periphery had failed to transform the majority of the population. This was the area where political Islam found fertile ground.

The truth is that Atatürk found a poor heritage from the Ottoman Empire. The main reasons were not only the wars and the losses of territories but the underdevelopment as well. During the years of 1923 until the decade of 50s especially after the 1930 where the economy of the country become stagnant Kemal had to deal with many problems. In 1931, the principle of etatism was officially adopted in the economic life of the state. This principle wanted a more closed market economy, centralizes in the hands of the Turks as a nation. This was satisfying and the principle of nationalism. As a result, Kemal created elite that owned the biggest part of the country's wealth and left the masses poor and helpless. As an example Kemal himself was the owner of "İş Bankası" – Work Bank.

From the one hand, one reason of this stagnation was the shrinkage of the country - from an Empire to a simple country. While from the other hand another reason was the massive waves of migration and the exchange of populations. Great port cities destroyed or abandoned and never recovered again since then because till then the main economy was been hold by the foreign population leaving in Turkey's remain territories, like Greeks, Armenians and Jews. As a result Turkey not only lost a great amount of its population but also entrepreneurs, capital, marketing capabilities and traders that was held from these minorities. (Güneri,A. , 1995, p.p. 91-107)

In 1934, however, with the help of Soviet advisors the government adopted a five year industrial plan and by the end of the decade state economic enterprises emerged in many sectors such as textiles, sugar, iron and steel. Also many investments in the public sector had been done in transportation like the construction of the railway. In the end, Kemal Ataturk passed away in 1938, and he could not complete his economic reforms. As a result the characteristics of this era were high levels of illiteracy, the concentration of the market and capital in the hands of the government – huge public sector – the decrease of imports and agriculture. Also, imports and exports were not included in governments planning so we are talking about a real closed economy.

It can be understood that Turkish Republic formed for the wealth of specific elites and not for all the people in the country, that was and the main reason why political Islam and Islamic movements blossomed in rural areas – the periphery. There traditional Islam was still strong and almost untouched from the “new” kemalist element and simultaneously these populations were exhausted from the tough economic situation that the country was, the poorness and the underdevelopment. Etatism, promoted the state as a leading producer and investor in the urban sector and had a long – lasting impact in Turkey and later in other countries in Middle East.

As the biggest part of the market was in the hands of government and the elite, the rest of the people were living under very bad circumstances. The World War II that burst in 1939 and lasted almost six years damaged furthermore Turkey’s economy and delayed its development. As a result for all this misery and the tough situations Turkey had been through, political Islam matured and become more active as the opposition of Kemalism. (Güneri,A. , 1995, p.p. 91-107)

Chapter II: Political Islam as the opposition of Kemalism and the troubled economy decades

1. Democratic Party: 1950-1960

Most of the countries were devastated and economically ruined after the war. In a similar situation, but not from the war rather than its own politics as it was mentioned to the previous chapter, was Turkey. The discovery of great amounts of oil in Saudi Arabia as well as the delimitation of the Soviet Union communism from the United States, gave Turkey a valuable position in the plans of West. It was in the perfect geographical position to control all. The expansion of communism, by creating a multiparty country with rightist views, and control S. Arabia by building a bridge(Turkey) which will connected East with the West.

As a result Turkey after 1945 became a priority for the West policies. Turkey would pass in an era of multiparty; it would strengthen the anticommunism propaganda by strengthening the religion and the existence of more rightist parties and these were the main objectives in the after war era in Turkey as it concerns political and economical life. The multiparty established in 1946 and introduced the rise of Political Islam in Turkey. (Rabasa & Larrabee, 2008, p.p. 35-37). A lot of changes were about to come and a proof for all these was the immediate join in the Truman Doctrine and the Marshal Plan after the end of war while in 1952 became an official member of NATO. (Celasun M & Rodrik D, 1989, p.p. 617-629)

The political party of Kemal gradually lost its power and become more tolerant. As a result in the general elections of 1950, the newly formed Democratic Party had won over the Inonu's Republican Peoples Party – once upon Kemal's Party- and Turkish

parliament framework switched to a multiparty. Inonu's reforms after the war did not seem to satisfy the public opinion something that led to the birth of the Democratic Party.

Democratic Party, which was headed by Adnan Menderes, was more based to rural conservatives, like the emerging Turkish bourgeoisies and farmers. The main plan was that there is no plan; Democratic Party had more liberal ideas like free enterprises, market economy and private property. It stayed in power and to the political life of Turkey until 1960. In these ten years Democratic Party, brought a short of economic development to the country and strengthened the lower masses. It was somehow a first form of Political Islam standing opposite of Kemalism and the previous decades. Democratic Party owed its success of economic development in several facts. Firstly, as mentioned before, it brought opportunities to lower masses like farmers and independent entrepreneurs; as a result market started slowly moving from the hands of specific elite to the hands of simple people. Also another important feature of this decade is that American foreign help began entering the country and big amounts of capitals and investments reached Turkey from the west. Finally, the burst of the Korean War gave a boost to the Turkish exports and agriculture sector also showed great improvement. (Güneri,A. , 1995, p.p. 91-107)

Democratic Party, furthermore, used the State Economic Enterprises (SEE) as means of investment and economic development. In a rent seeking economy SEE were very useful in terms of party policies but once again monopolization of economic and political power from the behalf of the government delayed the economic development of market economy and the Democratic Party lost its ideals about private enterprises and market forces. In 1958 IMF designed a devaluation and stabilization program in order to control high inflation which caused from central bank financing of public

enterprises deficits and agricultural support purchases. (Celasun M & Rodrik D, 1989, p.p. 617-629).

The Democratic Party years ended with a military coup in 1960 and with tragic consequences because of the political and economical instabilities. Democratic Party, besides the final result, passed political and economical life of Turkey in another level. Firstly, political participation become broader and political status of rural population improved. Also, it must be recognized that Democratic Party had the intention to transform the policy of Etatism in economy introduced by Kemal Ataturk to a market economy. However, the increasing of SEE was a quiet wrong option that led to high inflation and eventually ruined the market. (Güneri,A. , 1995, p.p. 91-107)

2. Planned Economy Period: 1960-1983

The decade of 1960 started with the intervene of Turkish military which was promoted by a lot of Kemalists, who were considering Menderes' policies, as heretical and dangerous as well as quiet revolutionary. One year after the military coup left the power again to the politicians but first it had promoted several reforms to strengthen its political role. The most significant reform was this of the creation of the National Security Council, a structure that was about to secure that government's policies were agreed with Kemalism's secularism. (Rabasa & Larrabee, 2008, p.p. 35-37)

This period can be described as planned economy period because of the return to a covered etatism which means planning and public enterprises increase. It is once again about a closed economy with the state initiative. From 1963 to 1973, about ten years, were adopted about four plans to promote economic development. During the first and the second plan – 1963-1967 and 1968-1972 – emphasized on domestic savings. However, this kind of policy did not seem effective as the pursuit of development in a planned fashion did not actually work. As a result in August 1970 the government is persuaded to introduce an IMF stabilizing program which finally was abandoned because of the partial military intervene in 1971. (Celasun M & Rodrik D, 1989, p.p. 621)

At the same time, the 1961 constitution expanded the scope for associational freedom, which led to the proliferation of autonomous groups, including religious groups. Religious organizations that had resurfaced in the 1960s mushroomed in the 1970s.

Different Sufi and religious groups were helping the poor cope with the problems of modernization. (Rabasa & Larrabee, 2008, p.p. 35-37)

The decade of 1970's followed the other two development programs the one 1973-77 and the other in 1978-83. However, the result was an economic crisis that took place in 1979 and another stability program that was introduced ended with another military take over. From 1980 to 1983 were taken drastic economic measures by the military regime. Unfortunately the results were not as good as expected and inflation, unemployment were increased, the market and the economy collapsed with a negative growth rate as the prices were distorted. Turkey was a closed and planned economy but it could not neglect world prices forever. The oil shock was the indicator of this vulnerability. (Güneri,A. , 1995, p.p. 91-107)

The Menderes era thus had several important results. First, it expanded the process of democratization and opened up the political arena to religious and ethnic groups that had previously been marginalized or excluded from politics. Second, it provided political space for religious groups to resurface and begin to organize politically.

Under these circumstances, has been given space to religious forces to form their own separate political party, the National Order Party (MNP), by the leadership of Necmettin Erbakan.

Necmettin Erbakan might be considered as the father of Turkish political Islam. He first conceived in the 70s, the idea to create a new autonomous political pole capable to face Kemalism. Until then, as it was analyzed to previous chapters, the various parties trying, with some concessions in the field of religion and education, to win over the votes of Islamists. The Erbakan tried, and to some extent succeeded, to release political Islam from the traditional parties, to give an independent political

existence and make a regime's power pole. The current success of Erdogan's AKP owes much to capture this idea of Erbakan: His idea to create a regime pole, grounded in Islam, able to compete in the same Kemalist.

Based on the principles of nationalism he tried to create a new economic and social order. However, his newborn party was short-lived. MNP was shut down after the military intervention in 1971. At this point of time Turkish society was certainly ready for the creation of an Islamic party and taking as a point of revenge toward Kemalism, who sought the violent eradication of religion.

In the same time the National View movement (*Milli Görüş*) was came out from the founders and the successors of the MNP (Yavuz, H, 2003, p.p. 208-213) as a comeback to traditional values and institutions. Kemalist attempt to replace the Islamic-Ottoman state and culture with a Western model was considered as a huge historic mistake and the source of all the ills in Turkish society. Movement's main purpose was to put an end to Westernization and rebuild a national Islamic order. They considered Turkish identity more closely to the Muslim world rather than the West. As a result, from the ashes of National Order Party was emerged the National Salvation Party (MSP), which was founded in October 1972.

The new party was characterized by the expression "*A Great Turkey Once Again*" ("*Yeniden Büyük Türkiye*") and its proposal was that solution to all Turkey's problems was the return to Islam's teachings and the Muslim was of life. (Yavuz, H, 2003, p.p. 208-213) They were persuaded that the process of Westernization had fragmented Turkish society and that an economic policy based on Anatolian capital would strengthen the nation and would be able to compete the West and rule the East. In the 1970s, the MSP established itself as an important actor in Turkish political life.

In the elections of 1973 it gained third place and Erbakan formed a coalition government with the CHP and became deputy prime minister under Bülent Ecevit. After the military coup in 1980, the MSP was closed down and Erbakan and his lieutenants were banned from political activities for ten years. (Rabasa & Larrabee, 2008, p.p. 40-42)

Repeated interventions by the Turkish military in Turkish political life with various coups did not manage to stop the Islamization of Turkish society. Moreover, at times, the military used the Islamists against the left movement, which considered more dangerous. Ironically, the military contributed to the strengthening of political Islam in Turkey (Rabasa & Larrabee, 2008, p.p. 37-38). This happened mainly after the coup of General Kenan Evren in 1980.

Evren allowed establishing Islamic schools and embraced the American strategy of creating "green" Islamic area for the communist opposition. (Yavuz, H, 2003, p.p. 208-213) Islamic symbols were connected with nationalism. It was based on the tripod of "the family, the mosque, and the barracks," this new "Turkish-Islamic synthesis" was designed to reduce the appeal of radical leftist ideologies and also to diminish the influence of non-Turkish strands of Islamic thinking from Pakistan and the Arab world. The military also hoped the new synthesis would act as a counter to Islamic radicalism from Iran. (Rabasa & Larrabee, 2008, p.p. 40-42). Media as well as the educational system were used very carefully in order to promote the ideology to the masses. Scholars selectively used Ottoman-Islamic ideas to make the past relevant to the present and to cement differing interests together by emphasizing the danger to family, nation, and state posed by ideological fragmentation. By these means it would

be created a new figure of depoliticized Turkish-Islamic culture and society would become reunified and become more strong and stable.

Furthermore this synthesis, would sent an ambiguous message, that from the one hand Turkey was defined as a secular state but from the other hand, the role of religion was still strong and was the national identity of Turkey. (Rabasa & Larrabee, 2008, p.38)

During this period, the state protection and the Turkish Islamists killed thousands of Kurds and leftists. Moreover, a favorite of the Islamic militarist regime Evren, Turgut Özal, would become prime minister and later President.

3. The Özal's Era and the Economy Reforms: 1983-1991

In 1983 the MSP party reemerged under a new name— the Welfare Party (RP). Welfare's ideology was quiet similar to MSP with very little differences. It expressed the same hostility to Westernization and the same anti-Western bias. Its economic program, "Just Order," stressed the need for greater social justice and equality and an end to undue Western influence. In foreign policy, Welfare advocated cutting Turkey's ties to the West and closer integration with the Muslim world. (Yavuz, H, 2003, p.p. 213-215)

In 1983 Turgut Özal, became prime minister in Turkey and he immediately started close cooperation with the World Bank and the IMF by implementing several economic reforms. Özal who had worked for the World Bank as a western-trained technocrat, he had also been associated with Erbakan's National Salvation Party (MSP) before founding his own party, the Motherland Party (*Anavatan Partisi* (ANAP) in 1983. Özal served as prime minister between 1983 and 1989 and then as president from 1989 until his death in office in 1993. One of the most far-reaching legacies of the Özal years was the official legitimization of radically new perspectives on the role of Islam and the Ottoman heritage in contemporary Turkish society. He tried to bridge the secular-Islamic divide country. (Rabasa & Larrabee, 2008, p.38-40) As a result the economic and political reforms carried out under ANAP party in 1980s also strengthened the role of Islamic groups.

The reforms that Özal tried to apply were firstly the convertibility of Turkish Lira. Secondly Özal's economic policy supported foreign trade and move to liberization of the imports, he removed a number of barriers in exports by introducing export credits.

Another interesting measurement that was applied was the privatization programme and the decrease of the huge public sector investment. (Güneri,A. , 1995, p.p. 91-107)

Economic liberalization seemed to be the most important outcome of Özal's economic policy because it has increased the export orientation of the economy. Most of this increase occurred in textiles, steel, automotives and other manufactures. It is obvious that all these measures wanted to make a more operational capital market managed to take state's control over the economy and created a new class of entrepreneurs and capitalists in the provincial towns of Anatolia. Regional industrial centers such as Gaziantep, Denizli, Kayseri, Malatya, Konya and others emerge and a known a new middle class was created so-called "Anatolian bourgeoisie" with strong roots in Islamic culture. (Sevket P., 2007, p.p. 266-300). Özal helped these ambitious small medium enterprises in order to develop an opposition to the large Association of Turkish Industrialists and Businessmen (TÜSIAD), which had its base in Istanbul. It is quite interesting that TÜSIAD instead of promoting democratization and empowerment of the people it become the main obstacle of the Anatolian bourgeoisie. (Yavuz, H, 2003, p. 88)

This new upcoming bourgeoisie of Anatolian small medium enterprises who was combining the religious discipline, the ethnical solidarity and the entrepreneurial dynamism has been known as the "Anatolian Tigers". ¹"Anatolian tigers" preferred less state intervention in the economy and the institutionalization of market

¹ *"In the enterprises of these Anatolian tigers, management is less rigid and contact between workers and management has become more personalized. Social trust, solidarity, and loyalty are at the center of the regional economic development successes. The shared culture produced by communal ties, Suffi networks, and village connections ease conflict and facilitate economic activity. The new Anatolian bourgeoisie is less dependent on the state and more embedded in Turko-Islamic culture and demands a smaller government, larger political space, and freedom for civil society"* (Yavuz, H, 2003, p. 88)

competition over the oligarchic capitalism of TÜSIAD. Their voices were expressed by forming their own associations known as MÜSIAD and HÜRSIAD.

The results of the 1980's economic policies were the creation of these two distinct bourgeoisies in Turkey. They were competing each other and many times have been in conflict. This competition was not only over the market but the most important aspect of their competition was over their ideological and cultural orientation of the country.

Another important detail that had both influenced the development of political Islam in Turkey as well as its economy was the demographic change that occurred during this period of time. The migration of the rural population to urban centers was so massive that has led to such socioeconomic pressures that promoting the embracement of Islam was considered as a mean of social equality and justice. (Yavuz, H, 2003, p. 80-82) This inner migration had as a result these rural populations to bring with them in the cities their traditional habits, beliefs and customs. They were living isolated in the outskirts of the large cities had made their own neighborhoods (gecekondu mahallesi) and had no integration into the urban culture. This is and the main reason why they represented an important pool of potential voters for Islamic parties opposed to Westernization and the forces of globalization, such as the series of Erbakan's party. In many ways, Özal embodied these clashing traditions. (Rabasa & Larrabee, 2008, p.38-40) His more tolerant approach gave greater freedom to Islamic religion and helped the development of Muslims groups and brotherhoods which were also allowed to finance and create private schools and universities to promote their faith. The Islamists were given economical and political freedoms and get organized

under several groups like the Nakşibendi orders, the Fethullah Gülen movement², and the political National View movement of Necmettin Erbakan which were competing time after time over the meaning and proper role of Islam in Turkish society

Özal many times used the Suffi orders, kinship ties, and mosque associations to build dynamic bridges with society, resulting in the adaptation of these traditional networks to a modern urban environment. The two Turkeys—one secular and urban, the other rural and pious—were brought into closer proximity with one another, exacerbating social tensions. (Rabasa & Larrabee, 2008, p.38-40)

Özal's economic liberalism, anti-bureaucratic, and pro-Islamic attitude made him very popular while ANAP's encouragement to religious expression has increased state support for religious institutions. Özal also formed a new list of policies about the Kurdish question which were allowing greater cultural freedom for the Kurds. It is very important to mention that Kurds prior to this period had not been recognized as a distinct ethnic group. In addition, he was always being in favor of Turkey's full integration into the European Union, treating potential membership as a way to undermine the authoritarian position of the powerful Kemalist state-centric institutions, public sector industries, and those who profited from their patronage. (Yavuz, H, 2003, p. 75-79)

² *"The Gülen movement has its roots in the Nurculuk movement of Said Nursi (1873–1960). Gülen departed from Nursi's emphasis on individual transformation and focused on the public sphere and on turning Islam into Islamic networks and social capital. The Gülen movement is active in promoting harmony among Islam, Christianity, and Judaism, and it sponsors a variety of fora for interfaith dialogue. He argued that the time of the "jihad of the sword" was over, and that we are now in the era of the "jihad of the word," meaning a reasoned attempt to reconcile science and rationalism with Islam. Nursi defended the rights of Armenians and Greeks in Turkey and reached out to Christian leaders. In 1950, he sent his collected works to Pope Pius XII and received in reply a personal letter of thanks. In the same way, in 1953, Nursi visited the Ecumenical Patriarch Athenagoras in Istanbul to seek cooperation between Muslims and Christians against atheism. Fethullah Gülen reinvented the Nur movement as "Turkish Islam."*" (Rabasa & Larrabee, 2008, p.15-18)

Özal after 1990 became president of the Turkish Republic, his earlier success in the structural adjustment program has started to fade away and the benefits that economic liberalization brought failed to approach the squatter towns. These areas had evolved to the proper environment of radical ethnic and religious ideologies development. It is thus clear that macroeconomic policies have Islamic political identity in Turkey.

As a result, those who felt disappointed of Özal's 1980s economic policies tended to support the Welfare Party of Erbakan because that party allowed for social mobility through Islam and stressed a platform of social justice and economic redistribution led by the state. These ideological rifts over the correct economic policies led the Welfare Party to the victory in the elections of 1994 while in the previous elections of 1987 has taken also a significant percentage.

The Turkish state has had to find a balance between economic growth and decentralization; foreign investment and national industry; Islamism and secularism; local interest and national interest; rural and urban needs; security and freedom. Moreover, in order to be competitive in the global market, Turkey has had to achieve domestic stability.

4. The 90's and the successive economic crises until 2002

The rise of Islam in the 1980s was one of the dominant developments in Turkey, which also gave impetus to the spread and strengthening of Turkish companies. The religiosity of the time was evident in the public sphere defined in magazines, publications, creation of Islamic schools, strong religious ties and business associations which strengthened the economic relations between Turkey and the Arab-Muslim world.

Political Islam in the decade of the 1990's flourished more than the previous years and unquestioned proof was the victory of the first Islamic party in Turkey. The 80's reforms were not enough for the second phase of Turkish neo-liberalism in the 1990s. The period was characterized by a high degree of macroeconomic and political instability, lower growth rates, chronic inflation and weak budgetary performance. The appreciation of the Turkish Lira was the major driving force behind the slowing pace of exports and rise of imports, leading to an external deficit. Towards the end of 1993, it was more or less obvious that the fiscal deficit and external balance situation became unsustainable. As a result, Turkey encountered its first crisis of the neo-liberal era in 1994—the Turkish Lira was devalued twice, in January and April of 1994. (Tamer Çetin & Feridun Yilmaz, 2010, p.56) and the reasons of this crisis were lying again in the big public sector.

In the local elections of 1994, the Welfare Party, the new party of Erbakan, came first by receiving 19 percent of the vote and winning the mayor's office in 28 municipalities, including Turkey's two largest cities, Istanbul and Ankara. In the 1995

national elections, Welfare came in first with 21.6 percent. (Rabasa & Larrabee, 2008, p.38-40)

Welfare Party, was the best organized party of all the previous political parties which showed how strong the political Islam in Turkey had developed. It had a strong devoted Muslim crowd especially those who were living in the poor urban neighborhoods however its political agenda was given priority to social issues rather than economy or religion. Erbakan's party was working very effectively in these gecekondu areas by helping the residents to find jobs, have health care, food and social amenities. The increasing disappointment with the West gave resonance to Welfare's strong anti-Western rhetoric. (Rabasa & Larrabee, 2008, p.p. 42-44)

Erbakan and his party, however, proved unable to cope with mounting domestic problems. Due to the government's low level of credibility and its lack of commitment to the stabilization program, as well as the high degree of currency substitution (dollarization) and the high costs of borrowing, chronic inflation could not be reduced during the 1990s. This situation led to other successive economic crisis, in 1998,2000 and 2001. (Güneri,A. , 1995, p.p. 91-107)

By the end of 1999 it was clear that the macro-economic balances were not sustainable. Negotiations with the IMF led to a new stabilization program with a pegged exchange-rate regime as the key anchor to bring down inflation. This program was deeply flawed in design, however, as it ignored significant problems in the financial sector, especially the large deficits of the public-sector banks, which had been used for financing part of the budget deficits. After some initial successes, the program disintegrated into a full-blown banking and financial crisis in 2001.

In the face of massive capital outflows, the government was forced to suspend the program and accept a dramatic depreciation of the lira. In early 2001, the Turkish

government invited Kemal Dervis, to leave the World Bank and take up the job of economy minister. With IMF support, his team developed a program based around fiscal discipline and large budget surpluses. The program adopted a floating exchange-rate regime and converted the outstanding liabilities of the public-sector banks to long-term public debt. It also featured some long-term structural reforms, including measures to reform the vulnerable financial system, and a series of laws that attempted to insulate public-sector banks and state economic enterprises from the interference of politicians and strengthen the independence of the central bank. The economy has staged a remarkable recovery since. (Sevket P., 2007, p.p. 266-300).

The policies of Erbakan, besides the economy, created many tensions in the society as well between secular and Islamic lines. The governance of Erbakan had no special success in addressing the growing internal problems in Turkey. It was difficult to balance his anti-systemic rhetoric with the interests of the secular establishment, which was extremely suspicious towards the intentions and goals. Rather than pursue policies designed to reduce social tensions, Erbakan chose to polarize more the already tense climate in Turkish society. (Rabasa & Larrabee, 2008, p.p. 42-44)

These movements, combined with the often excessive rhetoric of Erbakan, alarmed the secular establishment and especially the military. However, this time rather than to intervene as it had done in 1960, 1971 and 1980, the army is implementing more subtle and indirect methods to Force Erbakan to resign.

On 28 February 1997, the National Security Council, which was lead by military presented Erbakan a list of recommendations for limiting activities that were against the secular state. Erbakan did not go to the implementation of the recommendations and the army mobilized the secular establishment against him, forcing him, after a process of decay where they lost the support of many members to resign in June 1997.

The "Velvet" or "post-modern coup" as it was, was that which removed the first Islamist Government in Turkey and in January 1998, the Welfare party came outlaw and Erbakan with his collaborators condemned to a five-year ban on mixing with politics by the Constitutional Court. (Rabasa & Larrabee, 2008, p.p. 42-44)

The results of Özal's reforms in the 1980's became much more obvious in the decade of the 1990's. The first result was this of Erbakan's victory and the presence of the first Islamist's party in the Turkish parliament. The next result was the more intensive presence of these Anatolian small medium enterprises that continued to getting bigger and stronger during the last decade of the 20th century despite the country's mess economic condition.

In more details, as it was mentioned in the previous chapter, a very specific result was the emergence and rapid growth of the organized expression of this new portion of the bourgeoisie of Turkey. The Independent Industrialists and Businessmen's Association (Müstakil Sanayıcı ve İşadamları Derneği – MÜSİAD) was founded on 5th May 1990 in Istanbul from 12 young entrepreneurs and established as the Association of Muslim businessmen. The term independent in name of the Institute was showing the different approach from that of TÜSİAD and separate economic and cultural identity of the chapter of Anatolia from the 'secular'. (Yavuz, H, 2003, p. 92-94)

The MÜSİAD's membership was counting 1,718 in 1995 but had increased to 2,897 by 1997; nearly half of these companies were founded after 1983, with 580 being established between 1990 and 1995. Only 27 of the 2,897 companies were founded before 1950. It was organized in 41 major cities to oppose the state's continued favoritism toward a handful of business conglomerates, which are represented by a rival group, the TÜSİAD. (Yavuz, H, 2003, p. 92-94)

To counter the uncompetitive environment created by state support of the TÜSİAD and big business in general, the MÜSİAD has advocated full liberalization and privatization of the Turkish economy. The MÜSİAD is not anti-capitalist but opposes “crony capitalism,” that is, the close connections between political power centers and a limited number of oligopolistic companies, political ties that make the Istanbul-based bourgeoisie “both state-protected and monopolistic” vis-à-vis the free market-oriented, Anatolian-based national bourgeoisie.

The MÜSİAD’s literature enthusiastically promotes the virtues of free market capitalism. The MÜSİAD has produced an Islamic economic manifesto that is derived from its booklet; *Homo Islamicus*. The association extols the life of the Prophet Muhammed as an ideal guide for conducting one’s own life. By invoking the example of the Prophet as a merchant, the MÜSİAD seeks to justify a free market system and to oppose the state’s intrusive role in the economy. (Yavuz, H, 2003, p. 92-94)

At the same time, the February 28 process had an important impact on the orientation and development of the Islamist movement. Many members of the Islamist movement concluded that the only way the Islamists could succeed was by avoiding a direct confrontation with the secularists and deemphasizing the religious agenda.

This recognition sparked an intense internal debate and rethinking within the Islamic movement about the movement’s future political strategy and agenda, and a growing philosophical and political rift emerged within the movement between two different groups. The “traditionalists” (*Gelenekçiler*), centered on Erbakan and his chief lieutenant, Recai Kutan, opposed any serious change in approach or policy, while a younger group of “modernists,” or “reformists” (*Yenilikçiler*), led by Recep Tayyip Erdoğan, the mayor of Istanbul, and his close associate Abdullah Gül, argued that the

party needed to rethink its approach to a number of fundamental issues, particularly democracy, human rights, and relations with the West.

The reformists also opposed Erbakan's authoritarian leadership style and called for greater inner-party democracy. The influence of this internal debate was reflected in the platform of the Virtue Party (*Fazilet Partisi*), which replaced the Welfare Party. However, while Virtue was Welfare's successor, it differed in a number of important respects. Unlike Welfare, which was far away from the ideology of Westernization, Virtue began to embrace Western political values. (Rabasa & Larrabee, 2008, p.p. 44-47)

In short, anti-Westernize and suspicion of the West was no longer a hallmark of Islamist discourse. After the Virtue Party was shut down by the Constitutional Court in June 2001, the movement formally split. The traditionalists established the Felicity Party (*Saadet Partisi*), under the formal leadership of Recai Kutan, with Erbakan exerting the real leadership behind the scenes.

The modernists founded a new party, the AKP, with Erdoğan as party chairman. This split represented a fundamental ideological rift in the *Milli Görüş* movement.³ They tried to made a combination by establishing a "new civilization" based on traditional Islamic values and in the same time to compromise with the secular establishment to expand their political support. They were also anti-Western and regarded Islam as incompatible with Western values. (Rabasa & Larrabee, 2008, p.p. 44-47)

³ *The Milli Görüş was the first ideological Islamic movement which was forming the rhetoric of Erbakan during the 1970-1980 as it was mentioned in previous chapter. Milli Görüş, which means National View, has three main characteristics Islamism, nationalism and anti-Westernism. National View ideology categorizes Erbakan's followers as authentic Muslims and Turks and other parties as 'the imitators of the West. (Sambur,2009)*

The party opposes Turkish membership in the EU, arguing that Turkey should intensify its ties to the Muslim world. Europe is portrayed as an enemy of Islam whose ultimate aim is to divide and weaken Turkey.

Chapter III: Economic Development and Political Islam under AKP's government

The ideological modernization of the AKP and the adoption of a different political discourse have helped the party to significantly increase his political power and influence. The AKP won the elections in November 2002, far exceeding the representative of Kemalist party CHP. Since only these two parties took the percentage of votes required to pass the limit of 10% for their representation in Parliament, the AKP managed to form government by itself.

The electoral success in 2002 is mainly due to the adoption of a moderate and pragmatic policy that aired the appropriate message of the party towards a broader political audience. Apart from this, however, other factors contributed to the electoral triumph of the AKP. One was the disastrous performance of the Turkish economy. The Turkish lira was devalued several times, the banking sector was hit and the economy shrank in 2001. (Rabasa & Larrabee, 2008, p.p. 51-60)

A second factor that played a decisive role was corruption. The AKP managed to tap into public discontent from the revelations about corruption of secular parties and presented itself as the party of uncorrupted. Also, the AKP benefited from the demise of the Turkish left in the early 1990s. The AKP managed to fill the vacuum created by the decline of the left, particularly in working-class neighborhoods. The party has very well developed local infrastructure and organized social networks, most of which was established by the Welfare party and with those weapons managed to expand his

political power and influence on the working class and the poor of large urban centers of Turkey. (Sambur, 2009, p.p.117-127)

These factors explain the success of the AKP rather than a religious strategy approach to Islam.

The results of the elections on 22 July 2007 showed that AKP's electoral influence increased in all regions of the country. The most significant increases occurred in the Kurdish regions of southeastern Turkey in particular, while the AKP raised its rates in the five largest cities of Turkey. In Istanbul, he received almost as many votes took all his opponents combined. This shows that the party gradually grew in proportion and in urban centers after the region. However, key supporters came from the poorest and least developed areas of cities. The support received from different social groups gives the AKP features a right party, which succeeded to combine the right cultural features with social and economic aspects associated with left-wing voters and generally appealing to the electorate as a whole. (Sambur, 2009, p.p.117-127)

Economic stability has been the key to the electoral success of AKP and the "discretionary" intervention of the army in April 2007, which contained a veiled threat of possible military intervention, also seems to contribute to increase popular support for the AKP.

Erdoğan's Party came first in municipal elections, held on 29 March 2009, but with reduced his power in relation to 2007. Then, after the election on 12 June 2011, the Justice and Development party achieved and new victory, ensuring self-reliance. Erdoğan was thus the second politician to win three successive elections in Turkish history, since 1946. (Rabasa & Larrabee, 2008, p.p. 51-60) Erdoğan achieved nine consecutive electoral victories in first direct presidential elections held on 10

September 2015 and he is now the 12th President of Turkey. Despite the AKP's claim that he is a conservative Democratic Party, many Turkish representatives of the secular State but also external observers are questioning whether the justice and development party has left the Islamic agenda of his predecessors and has reconciled with its activity within the framework of the Turkish secular State, or if the priority that the party has given privatization , structural change and integration with the European Union is merely a tactical shift in political strategy.

Erdoğan's Government, managed to bring the Turkish economy back on track after the financial crisis of 2001, following the guidelines of the International Monetary Fund. Between 2002 and 2011, the Turkish economy was developed. The reduction in inflation and interest rates has led to a significant increase in domestic consumption and the Turkish economy started to attract a large proportion of foreign direct investment, thanks to a disciplined program of privatization. (Sambur, 2009, p.p.117-127) State control on the economy has started to dwindle and Turkey in recent years has been significant successes in piece of integrating many of the previously marginalized groups. The Islamic ruling party is closely connected with, an enterprising MÜSİAD organization representing the interests of small and medium-sized enterprises in Istanbul and the Interior of Anatolia.

However, the economic achievements of the ruling Islamic party are noteworthy. By effect it appears that the AKP managed the economic crisis that erupted in Turkey at the end of the 20th and early 21st century as well as the economic reforms at a much more efficient way than their predecessors of the secular establishment. (Sambur, 2009, p.p.117-127) The tidying of the public by Erdoğan was one pillar of its policy; the other was the privatization of state enterprises. Kemalists had put great emphasis

on state enterprises as a means of developing Turkish economy. By the mid-1980s, Özal had launched the privatization of these enterprises, which quickened on Erdoğan.

The Decade 2002-11 the Turkish economy drew enough money from these privatizations. Privatization helped significantly to attract funds from abroad. High interest rates that give the Turkey constituted a lure for the international financial capital. The Government was successful in applying various instruments for improving the business environment in Turkey. (OECD, 2014)

Despite the global economic crisis in 2008 Turkey economy showed resilience and an example from which other countries in the region can be taught. (Sambur, 2009, p.p.117-127) The labor market has recovered quickly after the crisis and the seasonally adjusted unemployment rates and employment have also come back to pre-crisis levels. Turkey has also made significant progress in terms of competitiveness over the past decade according to the global competitiveness Index of the World Economic Forum.

In addition, fundamental reforms implemented after 2001 have allowed Turkey's financial sector remained relatively strong despite the global economic crisis. The Turkey was the only country in the Organisation for economic co-operation and development (OECD), which did not provide support to the banking sector in the aftermath of the global crisis. (OECD, 2014)

Conclusions

The Turkey occupies a unique position among modern nation-States, not only due to its geopolitical position, but also because of its cultural and religious heritage. The unique position of Turkey is reinforced by the fact that it lies at the crossroads of different cultural and religious traditions of East and West. These multiple traditions played an important role in the construction of political, social and cultural identity of the Turkish society.

Modern Turkey was founded on the ruins of the Ottoman Empire and inherited an imperial legacy that inaugurated modern reforms during the eighteenth century in political, legal, administrative, educational and cultural level. The founders of the Republic of Turkey organized and promoted these reforms and accelerate the process of modernization of Turkish society.

The Kemal Atatürk was the one that created the Republic of Turkey and introduced sweeping reforms in many areas, giving an end to the obsolete Ottoman Empire and aiming to progress and prosperity. Essentially Kemal laid the foundations of the modernization of the country, transforming the Turkish people of religious congregation in the nation. Despite the fact that some of the reforms that promoted caused political, social and cultural controversies and rifts, the social tapestry kept those elements, patterns and characteristics of referring to cultural, political and religious references that make up the unique identity of Turkey. Despite the sweeping reforms that led to the modernization and secularization of Turkey, Islamic values remained deeply rooted in Turkish society.

The transition and transformation of the political system of one-party to a multi-party became a focal point, as it created competition for power. So the new parties have used Islam as a means of attracting votes by restoring to prominence the Islamic values, while at the same time created space for the emergence of religious groups and organizations. As consequence the first Islamic party was created.

The army, which intervened decisively in politics after the end of the single party period, also contributed to the strengthening of political Islam. The global resurgence of religion in response to the deterioration of the social, political and economic conditions strengthened in the latter part of the twentieth century. The revival of Islam in Turkey accelerated after the 1980s, due to the failure of the effort of cosmic elite to replace religion with a completely modern secular values and this had several effects on Turkey's economy. Özal's reforms were the reference point for the economic history of the country since it was released and combined with political Islam began a new era of cooperation with the East.

Secularization and westernization could not perform the metaphysical functioning of religion. Aggregated well, social changes, such as migration from rural to urban areas, rapid demographic changes, the multi-party system and economic and industrial changes have together influenced the revival of Islam in Turkey.

The stronger recovery of political Islam was held in the early 1990s, where for the first time after the founding of the Turkish Republic, in power is an Islamic party. In his rise to power has helped decisively the powerful anti-western front created in the country, due to the non-accession to the European Union. Despite the fact that Turkey has improved the level of democracy in relation to the period of its establishment, the problems concerning relations between the State and religion still exist. In a

democratic nation, the Government and the majority religion of the nation are different factors and each have their own impact and influence on governance and on the economy of a nation. In the case of Turkey o separation of religion and the Government does not allow many of the applications of the democratic regime.

The State ideology permeates not only the official institutions, but defines and limits of public interest, irrespective of whether the State flourish the people refer to mandatory religious processes that keep "old-fashioned" attitude to ending the religious people to remain stationary and under-developed based on the Western model. However only with moderation and democracy can ensure stability and prosperity. This seems to have been the view of the justice and Development Party of Erdoğan, which rose to political prominence in the early 21st century. Although the roots of the party were Islamic, originally it was self-defined as a conservative democratic party who was in favor of Western political values, such as democracy and respect for human rights.

Despite the "turn" of the party after 2005 and change of attitude towards Europe, the Erdoğan Government has managed to bring the Turkish economy on track. The adoption of a moderate and pragmatic policy led the party to electoral success. In fact, the success is attributed to the moderate policy that followed, despite the Islamic values and roots. In a Muslim nation, which the majority did not consider illegal and old-fashioned exercise of their religion, there are certainly plenty of room for further improvement of the Turkish Republic, in order to become more inclusive and tolerant to other religions and to find the appropriate balance between religion and secularism. Nevertheless, Turkey is regarded as a model nation that shows the road so that Islam

and democracy to be able to coexist peacefully, especially in today's complex environment of the broader region of the Middle East.

Bibliography

Hamit Bozarslan, *Histoire de la Turquie Contemporaine*, Social Sciences, Savvalas, Athens 2008

Thanos Veremis & Thanos P. Ntokos, *Modern Turkey : Society, Economy and Foreign Policy*, ELIAMEP, Papazisis, Athens 2002

Ioannis Mazis, *Secret Islamic Orders and Political – Economical Islam in Modern Turkey*, Proskinio, 2000

Hakan Yavuz, *Islamic Political Identity in Turkey*, Oxford University Press, 2003

Akalin Güneri, *The Turkish economic development since 1923: achievements and failure*, Turkish Public Administration Annual, Vol.20, 1995
http://www.todaie.edu.tr/resimler/ekler/8c50b4adc5a3475_ek.pdf?dergi=Turkish%20Public%20Administration%20Annual [received 5/7/2016)

Merih Celasun & Dani Rodrik, *Turkish Economic Development: an Overview, in Developing Country Dept and Economic Performance ,Vol.3: Country Studies – Indonesia, Korea, Philippines,Turkey* , University of Chicago Press, 1989

Angel Rabasa & F. Stephen Larrabee, *The rise of political Islam in Turkey*, RAND Corporation, 2008

Altug Sumru G. & Filiztekin Alpay & Pamuk Sevket, *The Sources of Long-term Economic Growth for Turkey, 1880-2005*,CEPR Discussion Papers 6463, C.E.P.R. Discussion Papers. 2007.

Tamer Çetin & Feridun Yilmaz, *UNDERSTANDING THE PROCESS OF ECONOMIC CHANGE IN TURKEY: AN INSTITUTIONAL APPROACH*, Nova Science Publishers, 2010 <http://bookzz.org/book/2027423/b8d10d>

Bilal Sambur, *The Great Transformation of Political Islam in Turkey: The case of Justice and Development Party of Erdogan*, European Journal of Economic and Political Studies, 2009

OECD, “Economic Surveys: Turkey overview”, 2014. [received in 3/10/2016]
http://www.oecd.org/eo/surveys/Overview_Turkey_2014.pdf