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# REGIONAL BLOCS, TRANSNATIONAL ACTORS AND INTEREST MEDIATION

The Cases of Mexico and Turkey

Işık Özel

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# REGIONAL BLOCS, TRANSNATIONAL ACTORS AND INTEREST MEDIATION

## The Cases of Mexico and Turkey

Işık Özel

### Abstract

This working paper explores the processes in which accession to different regional blocs has affected the ways the state interacts with societal actors, along with the interest representation and mediation models in both member and accession countries. Focusing on Turkey and Mexico, two upper-middle-income countries situated on the fringes of major powers and integrated into the regional blocs led by those, the paper examines the differential impact of the European Union (EU) and the North American Free Trade Agreement (NAFTA) on the organization and mediation of business interests; the ways in which these interests are incorporated into policy-making; and the processes of social dialogue. Taking into consideration the fundamental differences between these two regionalisms, it looks into both direct and indirect mechanisms with respect to the influence of regional-level actors on domestic actors and institutions. Maintaining that the impact of regional blocs cannot be easily isolated from that of international, transnational actors and processes, the paper scrutinizes the respective roles of international actors and transnational networks which, at times, have become more influential than the regional blocs in bringing about major institutional changes at the domestic level. Thus, it sheds light on processes of comparative regionalization and their varying influences on distinct polities, which is usually combined and even furthered or, rather, obstructed by the influences of transnational, international and global forces, along with domestic actors and institutions.

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## Contents

1. Introduction	5
1.1 <i>Why Mexico and Turkey and Their Incorporation into Regional Blocs?</i>	7
1.2 <i>Regionalization, Globalization, Institutional Change and Decoupling</i>	9
2. The EU Accession Process and Differential Impact in Turkey: Failed Dialogue, Empowered Organizations	10
2.1 <i>Failed Europeanization in Social Dialogue: the Economic and Social Council in Turkey</i>	12
2.2 <i>Non-EU External Actors and Bilateral Coordination Platforms at Work</i>	13
2.3 <i>The EU and Partial Empowerment of Corporatist Organizations in Turkey</i>	14
2.4 <i>The EU and the Burgeoning-Polarized-Cohesion of Turkish Business</i>	16
3. NAFTA Accession and Changes in Social Dialogue in Mexico	18
3.1 <i>NAFTA, Transnationalization and Mexico's Decaying Corporatism: A Case for Nafta-ization or North-Americanization</i>	18
3.2 <i>Transnationalization, NAFTA, Changing Institutions and Organizational Landscape in Mexico</i>	20
4. Conclusion	22
References	25

## 1. Introduction

Since the 1980s, most middle-income countries have undertaken drastic transitions from state-led development to market-oriented models, as they increasingly became integrated into global markets and regional blocs. State-society relations have transformed throughout these transitions in which market players and their preferences have been subject to major changes. The processes of regionalization, globalization and transnationalization have played substantial - and at times intertwined - roles in triggering such changes regarding the ways in which societal actors are organized and interact with the respective states. Following decades of protectionism, domestic businesses in these countries have been particularly affected by these processes which have increasingly exposed them to fierce international competition. Regional blocs have played different roles in facilitating, furthering or aggravating these outcomes.

This working paper explores the processes in which accession to different regional blocs has affected the ways the state interacts with societal actors, along with the interest representation and mediation models in member and accession countries. Focusing on Turkey and Mexico, two upper-middle-income countries situated on the fringes of major powers and integrated into the regional blocs led by those, the paper examines the differential impact of the European Union (EU) and the North American Free Trade Agreement (NAFTA) on the organization and mediation of business interests; the ways in which these interests are incorporated into policy-making; and processes of social dialogue. Taking into consideration the fundamental differences between these two regionalisms, particularly regarding the level of institutionalization, the paper tackles direct and indirect mechanisms with respect to the influence of regional-level actors on domestic actors and institutions. Drawing from the extant literature in comparative regionalism, it puts forward that regionalisms vary considerably in both what they intend to transform and what they can actually transform or what they end up transforming. The paper provides ample evidence for such variation.

Given the entwined processes of regionalization and transnationalization, the paper maintains that the impact of regional blocs cannot be easily isolated from that of international, transnational actors and processes along with the interaction between those (Schmidt 2002). Accordingly, it scrutinizes the roles of international actors and transnational networks which, at times, have become more influential than the regional blocs in bringing about major institutional changes in some issue areas at the domestic level. It sheds light on processes of comparative regionalization and their varying influences on distinct polities, which is usually combined and even furthered or, rather, obstructed by the influences of transnational, international and global forces, along with domestic actors and institutions. Pointing out the widespread existence of decoupling across regionalization between *de jure* constellations and *de facto* operation of the changes brought about by regionalization, the paper argues that higher levels of *de jure* institutionalization are no panacea for thwarting decoupling and puts forward that the likelihood of decoupling increases further when the credibility of full accession to regional blocs diminishes (Börzel/Soyaltın 2012; Müftüler-Baç 2005).

The paper asserts that in both Turkey and Mexico, a process of partial convergence (with the practices of the other member states of the respective regional blocs) has prevailed regarding the ways in which businesses are organized and interact with the respective states, despite the fact that some of the central institutional changes promoted by the blocs have failed to be implemented effectively. Although the EU

strengthened some of the corporatist dynamics in Turkey, especially corporatist organizations, the NAFTA fostered the dismantling of Mexican corporatism and promoted pluralism.<sup>1</sup> Likewise, all-encompassing organizations have been empowered in Turkey, while considerably weakened in Mexico. Despite such seemingly diverging outcomes, interest mediation in both cases has increasingly excluded labor, adopting a bilateral form between the state and business.

In the case of Turkey's protracted-cum-stalled accession to the EU and fading credibility of full-membership attached to it, the paper underlines the increasingly limited nature of the EU's transformative power particularly with regard to social dialogue between the state and societal actors. Examining the deficient process of Europeanization in this regard, it investigates how Europeanization has been curtailed by domestic actors, politics and institutions particularly in day-to-day practice (Börzel/Pamuk 2012; Noutcheva/Düzgit 2012; Özel 2013a). It shows that even the highest level *de jure* institutionalization does not guarantee the effective operation of grafted new institutions based on the conditionalities or recommendations of regional blocs and/or international organizations. It further demonstrates 'the transformative power' of distinct international organizations and transnational networks in bringing about institutional changes in business' interest mediation in Turkey, at times competing, at other times substituting the transformative power of Europe.

In the case of Mexico's accession to NAFTA, the accession process and membership to NAFTA helped extend changes in social dialogue and interest mediation, although such changes are not required by the NAFTA agreement or the membership conditions. Despite its generally limited degree of institutionalization on many different levels, NAFTA has brought about new forms of political organization and behavior, particularly in Mexico, referred to as "Nafta-ization" (Aspinwall 2009). The very dynamics of Mexican state and non-state actors' interaction with their counterparts in NAFTA affected the direction of these changes, whilst engendering the establishment of new institutions and organizations. The concurrence between the NAFTA accession and the ongoing domestic institutional changes in Mexico bolstered the extent of convergence, strengthened transnational networks, accelerating the dismantling of corporatism along with its entrenched institutions and the transition to the Anglo-Saxon form of pluralism in a changing organizational landscape.

Thus, the incorporation into regional blocs, including both the actual accession and the process of accession, functioned as a major source or catalyst of change in some respects, while having failed to foster changes in some others. In some issue areas and cases, other sources of change than the integration into regional blocs worked more effectively for countries like Turkey and Mexico where other conditionalities and/or policy recommendations could override those of the regional blocs, particularly when they coincided with the interests of domestic and transnational capital. Such a plurality of sources of change and the complexity of interactions between them epitomize the increasing understanding that regionalization is *only one of the games in town*, notwithstanding the significance of the changes that it brings about (Börzel/Risse 2012; Özel 2013a). The cases presented in this paper exemplify the complementary processes of regionalization, globalization and transnationalization in generating domestic changes in two upper-middle-income countries.

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<sup>1</sup> Throughout the paper, corporatist organizations refer to those which have semi-public legal status, considered as the official representatives of civil society based on compulsory membership of all respective interests, while pluralist organizations refer to those based on voluntary membership.

### 1.1 Why Mexico and Turkey and Their Incorporation into Regional Blocs?

Turkey and Mexico as similar cases provide us with useful insights about remarkable market openings and their numerous impacts on state-society relations. Both are upper-middle-income countries with fairly developed industrial bases, which are placed in the fuzzy group of `emerging markets` and were recently lumped into the group of `MISTs` (Mexico, Indonesia, South Korea and Turkey) adjacent to the BRIC group (Brazil, Russia, India and China; O'Neill 2001). Both are members of the Organisation for Economic Co-operation and Development (OECD), being constant outliers, and members of the G20, striving to raise their voice in international forums as well as in their own regional hinterlands.

Both countries have gone through similar transitions from a statist development strategy, mostly based on an import substitution industrialization (ISI) strategy, to a market-oriented model and they were amongst the pioneers of the market reform process in upper-middle-income countries (Özel forthcoming). After having protected the domestic industry for about five decades (notwithstanding occasional attempts to open up), both cases developed considerable industrial bases accompanied by significant domestic business interests. Similarly, the market transitions were initiated under the auspices of international financial institutions (IFIs) (accompanied by hefty loans) and consolidated under the scrutiny of different regional blocs. Besides bowing to the overall pressure of globalization to open up, both made simultaneous commitments to major regional trade blocs: NAFTA in the case of Mexico (1994) and the Customs Union Agreement in the case of Turkey (1995).

Both Turkey and Mexico have been largely affected by regional integration processes. Undoubtedly, the Customs Union Agreement in the case of Turkey entailed a higher degree of commitment regarding institutional changes, as it was considered an essential step towards accession negotiations on full EU-membership, which required compliance with the *acquis communautaire*. Although the Turkish accession to the EU, formally launched in 2005, has become a rather protracted and stalled process, the impact of the EU has been substantial on some issue areas and actors, but limited on others (Noutcheva/Aydin-Düzgüt 2012; Börzel/Soyaltin 2012; Keyman/Öniş 2007; Müftüler-Baç 2005; Özel 2013a). Evidently, respective accessions to a free trade bloc and a supranational bloc like the EU entail different dynamics which are difficult to compare, and Turkey's journey to accession has been on its way for five decades. Nevertheless, regarding social dialogue and interest mediation, both NAFTA and the EU have triggered changes in different directions, and changes influenced by the former are greater in certain respects, despite its limited nature compared to the EU. Although NAFTA is limited in terms of its scope and institutionalization, it has also given rise to significant institutional changes dubbed as "Nafta-ization" (Aspinwall 2009). These changes include shifts in institutional and organizational arrangements and capacities of civil society actors. In both countries, domestic institutions and interests have filtered and reshaped the processes through which the changes occurred and operated in practice (Özel 2012). The interplay between external sources of change and the adoption of changes by some domestic actors and existing institutions as well as the effective resistance by some others caused contestation of implanted institutions, often leading to conversion and drifting of institutions through the discrepancy between their *de jure* constellations and their *de facto* operation in both countries.

Regional integration processes facilitated export-led growth, accompanied by increasing dependency on the respective regional markets: Following the NAFTA process, about 80 per cent of the Mexican exports are oriented towards the U.S. market only, whereas the dependency of Turkish exports on the EU markets has recently dropped from 55-60 per cent in the late 1990s to 47 per cent (INEGI 2012; TSI 2013). Given the settling of export-oriented growth models and high levels of dependency in the respective regional markets, their business cycles have been highly synchronized with those in the U.S. and Europe respectively (Altuğ/Bildirici 2011).

In both countries, the domestic industry was historically nurtured by the state within the context of a state-led development strategy originally initiated in the 1930s, giving rise to a high level of capital concentration and the domination of large conglomerates with access to multi-sectoral investment and inter-firm proprietary structures. The ISI regime prioritized big business in both countries under “implicit pacts,” providing businesses with a broad range of selective incentives and granting privileged access to state authorities as well as oligopolistic and monopolistic profits in large domestic markets (Barkey 1990; Buğra 1994; Heredia 1996; Luna 1992; Özel 2003). More or less concurrent transformations in political and social institutions engendered new incentives for business actors, along with major challenges brought about by exposure to fierce international competition. In both countries, there has been increasing diversification and transnationalization of businesses since the 1990s. A common vein in the context of these transformations has been the decreasing power of labor in both cases (more drastic of a change in Mexico compared to that in Turkey), exemplified by the exclusion of labor from - or the collapse of - various trilateral platforms of social dialogue, and prevalence of bilateral forms of bargaining between the state and business actors.

Skeptics might suggest that despite all these common features, important institutional differences make the two trajectories divergent: presidentialism in Mexico vs. parliamentarism in Turkey; Mexico’s long-lasting one-party dominant regime vs. Turkey’s fragmented multi-party regime; and, finally, different interest mediation models, i.e., Mexico’s (in)famous corporatism vs. Turkey’s peculiar mix of corporatism and pluralism. However, both cases have experienced changes regarding these institutions that make them more or less akin in this regard. First, while presidentialism in Mexico has been weakening, the Turkish parliamentary system operates like a *de facto* presidentialism based on the enhanced power of the executive (Hernandez Rodriguez 2005; Özbudun 2012). Thus, in spite of the existence of different regime types, the power of the executive can be considered a common trait in these cases: The executive has historically had immense power in Mexico, though it has been decreasing in the last two decades (Bejar Algazi 2009; Alvarado 2009). Although Turkey has a parliamentary system, executive discretion has increasingly prevailed since the 1982 Constitution.

Second, the dominant-party regime led by the Institutional Revolutionary Party (PRI) withered away in Mexico in the late 1990s, a process culminating in the National Action Party (PAN)’s coming to power in 2000. In Turkey, however, the party system has increasingly adapted a one-party-dominant character under the rule of the AKP, the incumbent which came to power in 2002. Although Turkey was never considered a typical corporatist country, some of the essential characteristics of corporatism have prevailed since the 1920s, including the compulsory membership in and state control over semi-public chambers. In both countries, business’ formal access to state actors has always been accompanied by a variety of informal channels, signified by clientelistic mechanisms (Heper 1991; Heredia 1998; Sayarı 2011; Özel 2003).



Diverging paths across the two cases appeared rather recently as the compulsory membership in chambers, a key feature of corporatism, prevails in Turkey, but was abolished in Mexico in 1996. A striking difference between these trajectories is that the power of all-encompassing organizations (mainly corporatist/semi-public, but also pluralist) declined in Mexico, in spite of their increasing role in Turkey by the beginning of the 21<sup>st</sup> century. Transnational ties, regional and supranational influences have been influential in both cases, but interestingly, their role diverged regarding interest mediation: In Mexico, they contributed to the emergence of an Anglo-Saxon style of lobbying, whereas, in Turkey, they helped strengthen all-encompassing organizations along with helping empower semi-corporatism.

### *1.2 Regionalization, Globalization, Institutional Change and Decoupling*

In both Mexico and Turkey, domestic institutions and interests filtered and reshaped the processes in which changes occurred and operated in practice (Aspinwall 2009; Clarkson 2002; Özel 2012). The interplay between external sources of change, the adoption of changes by domestic actors on the one hand and the existing institutions and their defense by other domestic actors on the other hand, caused substantial tension and contestation of the institutions implanted by direct and/or indirect pressures of multiple international, regional and supranational actors. Such contestation becomes more effective at the level of implementation, displayed by the discrepancy between *de jure* constellations of institutions and their *de facto* operation, i.e., institutional decoupling, a common occurrence in both countries (Özel forthcoming).

Extant literature on regionalism, particularly on Europeanization, widely suggests that domestic arrangements may mitigate or impair institutional adaptation (Börzel 2002; Hix/Goetz 2000). A major challenge in the context of studying adaptation is to isolate the impact of regionalism from the effects of other sources. As Börzel and Risse (2012: 2) point out, “even in current candidate countries [...] the EU is not the only game in town in driving domestic reforms.” Both Mexico and Turkey provide good examples for intertwined influences, since international organizations such as the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO) and the OECD also played key roles in terms of exerting conditionalities, policy suggestions and facilitating transnational networks (Clarkson 2002; Özel 2013a).

Inexorably, the EU has exerted a higher level of influence over the multifarious transformations Turkey has gone through given its status as an accession country, the very nature of the EU and the accession. This has entailed a process of *Europeanization* defined as institutional adaptation regarding institutions and practices at the national level, operationalized as the range of adaptation of what is requested or recommended by the EU agencies at both *de jure* and *de facto* levels (Börzel 2002; Olsen 2002; Risse et al. 2001). This working paper examines adaptation through both formal rule transfer and effective implementation that involves changes in actors’ behaviour (Börzel/Risse 2012). It suggests that adaptation might become futile even in the presence of the highest level of formal institutionalization when hindering domestic institutions are not thwarted. The Turkish case exemplifies a high level of resistance and limited Europeanization in many issue areas (Börzel/Soyaltin 2012; Özel 2013a).

The impact of the EU accession process on the Turkish civil society has been studied with a distinct focus on the changing role of civil society in different areas (Ergun 2010; Göksel/Güneş 2005; İçduygu 2011; Keyman/İçduygu 2003; Rumelili 2005; Tocci 2005). The views regarding the EU's impact are diverse, ranging between empowerment, increasing and decreasing capacity, and no impact. Ergun (2010) asserts that the EU's role has been a transformative one regarding the Turkish civil society, and the civil society's strengthening helped spread "the idea of Europe." According to İçduygu (2011), however, the EU's impact on civil society's transformation in Turkey has been rather ambivalent. Tocci (2005) suggests that the civil society's transformation cannot be explained by the EU's impact, but significant domestic dynamics ought to be taken into account as well as the overlap between the occurrence of EU-related dynamics and domestic ones. Building up on this line of analysis, this working paper takes into consideration complex, juxtaposed and - at times - contradictory dynamics along with their varying outcomes.

## 2. The EU Accession Process and Differential Impact in Turkey: Failed Dialogue, Empowered Organizations

In the context of EU accession, the European Commission (EC) has been the central agent in promoting social dialogue in candidate countries. The EC has undertaken explicit attempts regarding social dialogue, which involves the organization and mediation of societal interests in order to incorporate societal interests (particularly those of employers and workers) into decision-making processes via various channels such as "discussions, consultations, negotiations and joint actions."<sup>2</sup> It should be underlined, however, despite the emphasis of the EU regarding the role of civil society to take part in the accession process, that effective incorporation of civil society in the decision-making or reform-making process has never been part of the official policy areas entailed by the *acquis*. Further, the EU's civil society policy has been rather fragmented, and the policy in candidate and potential candidate countries was formulated as late as in 2007 with the New Enlargement Strategy 2007-2008 (EC 2007) in line with the Commission's "Communication on Civil Society Dialogue" (EC 2005) and the provisions regarding the foundation of an "Instrument for Pre-Accession Assistance." Although the role of civil society in enlargement was largely pronounced in the context of the Eastern enlargement, designating a more active role for it in the accession process, it was solidified by the "Communication on Civil Society Dialogue."

In the case of Turkey, the EC's attempts in this regard had begun long before the accession negotiations were launched, but accelerated since then. In 2011, the EC published "The Guiding Principles for EC Support of the Development of Civil Society in Turkey" (EC 2011b). Since the 1990s, the EC has pressured Turkey to establish distinct institutions to facilitate social dialogue and build distinct institutions for that goal, the most important of those being the Economic and Social Council (ESK). Turkey, indeed, *seemed like* it complied with what was first proposed, then, imposed after the negotiations were launched. The ESK was established in 1995 by an executive decree, which later became a law, and was finally incorporated into the Constitution in 2010, following the successive remarks on its ambiguous legal status by the

<sup>2</sup> European Commission, Employment, Social Affairs & Inclusion, website on "Social Dialogue", <http://ec.europa.eu/social/main.jsp?catId=329&langId=en>, retrieved 24 September 2013.

EU (Işığışık 2002; Sezer 2003). Despite its constitutional status, the ESK has largely failed to function in practice, decoupling from what is on paper, as the following sections will shed light upon, exemplifying a major limitation with respect to Europeanization (Özel forthcoming).

So far, the EC has applied various mechanisms, including technical and financial support, to attain the goals established with regard to supporting civil society in the context of the national program and the Civil Society Facility. Currently, Turkey participates in a number of EU Programmes and Agencies including the Seventh Research Framework Programme, Customs 2013, Fiscalis 2013, the European Environment Agency, the Competitiveness and Innovation Framework Programme, Progress, Culture 2007, Lifelong Learning and Youth in Action (EC 2012: 6). Additionally, various programs provided funding and technical and administrative support for projects undertaken by civil society organizations. The Civil Society Enhancement Program is one of those which financed projects in a broad range from human rights to consumers' organizations (EC 2011b). Although Turkey (both the state and the civil society organizations including those of business) participates in EU initiatives and programs directed towards civil society's capacity building, the incorporation of civil actors into policy-making as a central objective has not been fulfilled. As the most recent Progress Report (EC 2012: 10) underlines, "consultation of civil society remains the exception rather than the rule."

The process of Europeanization regarding social dialogue and interest mediation has operated through two major mechanisms in Turkey: First, changes regarding the institutions of consultation and bargaining and, second, changes in the status and role of both corporatist and pluralist organizations. This paper suggests that changes through the first mechanism have been much less than those entailed by the second. In fact, the changes carried out with respect to the status and the role of organizations spawned a process of empowerment of business organizations, corporatist and pluralist alike. The capacity of business organizations has generally increased, but the outcome has been uneven across organizations mostly brought about by the government's use of its discretion (Özel forthcoming).

Despite the empowerment of organizations, social dialogue and the institutions which were established to facilitate it do not operate effectively. Such failure prevailed in spite of the fact that *de jure* institutionalization was taken to the constitutional level—that the key dialogue forum promoted by the EU was constitutionalized in 2010, following phases of precarious legal status. Thus, Europeanization in this regard has been highly limited, as it has been restrained by domestic institutional constraints. The most important constraint is the use of executive discretion circumventing not only civil society, but also the legislature. An interesting phenomenon is the recent emergence of a coordination platform called "The Coordination Council for the Improvement of Investment Environment" (YOİKK) which was institutionalized by the endorsement of the World Bank, not the EU, although the latter 'approved' its proceedings later despite the fact that this is a bilateral platform, rather than a trilateral one, which is at the core of the social dialogue upheld by the EU.

## 2.1 Failed Europeanization in Social Dialogue: the Economic and Social Council in Turkey

Based on its emphasis on civil society's incorporation into policy and reform-making inspired by the institutions of social dialogue in several European countries, the EC has promoted and monitored non-state actors' incorporation into policy platforms as well as the establishment of such platforms which would effectively facilitate public-private partnership in the context of enlargement. It played an important role in the establishment of the ESK, coinciding with the conventions of the International Labor Organization (ILO), as well as the demands of business and labor organizations to form a tripartite platform of dialogue and consultation. The ESK was founded in 1995 by an executive decree and its composition and functions were changed frequently by successive decrees as part of the common practice of post-1980 governance in Turkey (Özel 2012). Despite serving as window-dressing vis-a-vis the EU and ILO, the ESK failed to function effectively because of intensive inter-organizational rivalry over representation, the broad nature of its agendas and the overall reluctance of state actors to incorporate societal actors into policy-making.

Rather than being an arena of dialogue, the ESK has become an arena of conflict. The participating actors have used the Council as an arena for expressing their threats to the others. Unions, for instance, boycotted the meetings several times, based on the fear that their own constituencies would oppose their "collaboration with the employers and the state" (Sezer 2003: 84). Instead of using the Council as a venue of discussion and consensus-making, business and labor acted in similar ways, i.e., several organizations boycotted the meetings. Therefore, none of the members, including the government, used the ESK as a facilitator for consensus or a consultation platform. The ESK continues to exist without achieving its goals, while it only fulfills the *de jure* conditions imposed by the ILO and EU. When participants of the ESK are asked about the reasons behind ESK's failure, they underline "the lack of a culture of consensus" and "the state's unwillingness to effectively consult with the civil actors".<sup>3</sup>

The ESK has been overtly 'statist' from the beginning, as bureaucracy and the government were represented more heavily than civil society actors, thus the number of the ESK's consultees surpassed that of the consulted in most instances. Over-representation of state actors was criticized by business while labor claimed and protested that business was over-represented. A similar rivalry prevailed within these groups in terms of which specific organization represented business and labor. As a common pattern, each government changed the rules, granting and revoking representation to particular civil actors, changing the weight of their representation to reward or punish. The increasing concentration of power within the state was also reflected in the ESK, since only ministers and undersecretaries attached to ministries were gradually provided with seats, while the seats of the public agencies were removed.

Despite that the Council was included in the constitution in 2010 through the referendum on constitutional amendments, it has failed to work since it has not convened at all in two years following the referendum, exemplifying a high degree of institutional decoupling. Thus, a historic attempt towards an institutionalized social dialogue in Turkey failed to meet its initial goals.<sup>4</sup> Such failure has been pointed out in succes-

3 Personal interview with a former President of the Turkish Industrialists' and Businessmen's Association (TÜSİAD), Istanbul, September 20, 2012.

4 All interviewees emphasized the "lack of a culture of consensus" as a factor behind such ineffectiveness of the ESK,

sive Progress Reports of the EC, underlining “limited progress in social dialogue” (2011: 78) and suggesting that “social dialogue mechanisms were not effectively used during the reporting period. The Economic and Social Council, which gained constitutional status following the September 2010 referendum, has not yet convened” (EC 2011a: 36).

## *2.2 Non-EU External Actors and Bilateral Coordination Platforms at Work*

Although the EU’s promotion of social dialogue mostly failed in Turkey, some of the bilateral platforms between the state and business actors established and sustained by the support of the EU prove to be effective. One of the most important institutional changes with respect to public-private dialogue in economic governance in Turkey has been the establishment of YOİKK. This coordination platform was initially established to improve the investment environment in order to attract more foreign direct investment (FDI), which entailed urgency in the context of the 2000-2001 crisis creating a window of opportunity for a broad range of institutional changes in Turkey. The main external actor in the launching of this platform was not the EU, but the World Bank’s Investment Climate Advisory Service. The EU got onto the board later on in the process (and only marginally), indicating the presence of effective institutional change by actors apart from the EU, as well as the coinciding foci of international and supranational actors. Similar to the developments in Mexico, the effective operation of YOİKK, but not of the ESK, shows the prevalence of bilateral forums between the state and business at the cost of excluding labor.

Based on its structure which has taken on a flexible form regarding the coordination within and between public and private actors, it later began to entail a comprehensive list of areas through issue linkages: It has helped reduce red tape and implement a reform program to rationalize regulations and policies regarding investment, domestic and foreign alike, while facilitating coordination between private and public actors, which, in turn, played an important role in fostering economic growth in general and increasing FDI volume in particular. Mechanisms of reporting established within YOİKK help maintain the information flow between multiple actors, public and private, national and transnational. Institutional innovations and relative flexibility to accommodate to the flexible nature of the global economy, particularly with respect to its transnational composition incorporating corporate and international organizations, provide YOİKK with an unusual character in Turkish economic governance. Despite hosting such innovative aspects, YOİKK has also been affected by persistent legacies in Turkey. Having gone through many steps of institutionalization (and de-institutionalization), it has a highly layered structure which hosts overlaps between forums, players and mechanisms. Additionally, it does not have a clearly designed structure for monitoring and sanctioning.

The incorporation of business organizations into the YOİKK process, including the Union of Chambers and Commodity Exchanges of Turkey (TOBB), the Turkish Industrialists’ and Businessmen’s Association (TÜSİAD), the International Investors Association of Turkey (YASED), and the Turkish Exporters Assembly (TİM), has been an important feature of the platform. Some significant laws, such as those on foreign investment and simplification of business start-ups were legislated based on the drafts prepared by YOİKK. Hence,

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and some businessmen underlined the state-like character and formation of the ESK.

the evolution of YOİKK indicates a significant institutionalization with respect to coordination which could not be achieved by the ESK promoted by the EU. This indicates incomplete Europeanization even when *de jure* rules are adopted strictly (at the extent of constitutionalizing in the case of the Turkish ESK). It is also a good case to understand the significance of other external actors apart from the EU as sources of institutional change.

### 2.3 The EU and Partial Empowerment of Corporatist Organizations in Turkey

Contrary to its Mexican counterpart, the Turkish trajectory has entailed the further expansion, repositioning and strengthening of corporatist/semi-public business organizations in the 2000s, a trend which more or less provides counter-evidence to the prevalent trend of declining corporatism in the age of market transitions, globalization and regionalization. In such context, some corporatist organizations have displayed high levels of adaptive capability and the regional integration process has played an important role in facilitating that. The EU's impact in this regard occurred through two mechanisms: The use of direct and indirect instruments to enhance the capacity of business organizations, the peak business organization and the chambers alike, and the emphasis on civil society's participation in decision-making in general and accession negotiations in particular.

The most prominent example in this regard is the increasing capacity of TOBB to generate collective action in the business community. As the peak corporatist organization of business which had been largely politicized and co-opted until the 2000s, TOBB has embarked upon a new role in line with increasing transnationalization and globalization, acting as the mediator between the state and businesses as well as amongst businesses, and between domestic and foreign capital. TOBB's vast financial resources contribute to its enhanced capacity. Currently, TOBB lends to the state whenever the state needs it; sponsors a broad array of public projects; and funds a prominent university and a think-tank. TOBB's transformation regarding its increasing capacity is reflected in various chambers and unions which have also shown a remarkable adaptation capability.

The capacity of corporatist organizations increased through the undertaking of mutual projects, collaboration, technical support, sharing best practices in Europe, matching chambers and provision of project-based funding. These organizations' integration into various transnational networks has also helped further this process and it needs to be underlined that these networks are not limited to those in Europe, but that they are widespread at the international and regional level. Corporatist organizations have become important protagonists in civil society, turning into watchdogs of the EU harmonization process.

Established in 2001, the project of the Turkey-EU Chambers Forum launched a broad range of instruments and helped found new organizations including companies under the management of TOBB. These companies have sponsored major projects like the renovation of the Customs Offices operating at the borders of Turkey. "Matching Chambers" between TOBB and the EU has facilitated the matching of 56 chambers of commerce and industry across different provinces in Turkey with those in Europe with similar sectoral and technological specialization. Such matching provides intensive collaboration between the chambers, facilitates technology transfer and spread norms and procedures. Additionally, the EU-TOBB collaboration

initiated Turkey-EU Business Development Centers in several provinces in Turkey, which also entails collaboration between Turkish chambers and those in the EU. The EU-Turkey Global Business Bridges Project facilitates close interaction and collaboration between TOBB and the Association of European Chambers of Commerce and Industry (Eurochambers). Aiming to expand trade and investment partnerships between Turkish and EU-based companies in third countries, the project contributes to the recognition of TOBB as a key actor in representing Turkish business not only in Turkey, but also in third countries particularly in Turkey's close vicinity.

TOBB has embarked on a broad range of new functions in line with those of semi-public business organizations in Europe. One of the projects endorsed by the EU is the initiation of a Vocational Training Project (UMEM) and Centers for Vocational Training, which provide training for low-skilled labor force and match employers and employees. Other state-like functions included the sponsoring of railway renovation between Turkey and Pakistan, training programs provided for the chambers in the Middle East, and providing hefty incentives for businesses to invest in Palestine (Industry for Peace Program). In a way, by means of empowering TOBB, the EU has indirectly contributed to Turkey's recently acquired role of the 'big brother' in its close vicinity, especially in the Middle East and Central Asia, an unintended consequence of Turkey's protracted accession process.

One of the consequences of the EU's fostering of the increasing capacity of TOBB is the flourishing of small and medium-sized businesses (SMEs) in Turkey, the constitutive base of the peak organization. This strikes as a contrast to the developments in Mexico where big business' hegemony has been exacerbated by the NAFTA process. TOBB provides credits for the SMEs; helps increase their capacity by training programs, matching of employees and the European chambers; facilitates international networks and, thus, exports, amongst many other functions. Evidently, the EU's emphasis on the development of SMEs is not only through TOBB, but it entails concrete incentives and mechanisms to enhance the presence and power of SMEs in domestic economies as well as in the European economy (Small Business Act for Europe (SBA); 2008). Some of the principles listed in the SBA are adopted by Turkey's Small and Medium Enterprises Development Organization (KOSGEB) which works in collaboration with several EU-based agencies and similar organizations. The Commission's annual Progress Reports often praise the KOSGEB's undertakings for enhancing the capacity of SMEs (EC 2012: 68).

The development of SMEs in Turkey as well as their expansion to European and global markets appears as a noteworthy phenomenon, given the common trend in emerging markets where market liberalization usually empowers big business actors at the expense of SMEs. The EU's contribution to the growth of SMEs through promoting distinct incentives, empowering the organizations in which they are represented and fostering transnational links has coincided with complex domestic processes where increasing economic power of these enterprises has brought about new claims to political power. Such increasing power occurred with a twist in Turkey, as it contributed to the coming to power of the socially conservative political parties, namely the Welfare Party and the Justice and Development Party (AKP), widely referred to as "Islamists." Some of the recently-flourishing SMEs which shared common religious-cum-cultural identities began to generate claims to political power, constituting a major electoral base for the Welfare Party in the 1990s and the AKP in the 2000s (Buğra 1997, 1999; Gümüşçü 2010; Hale/Özbudun 2011; Özel 2010). Initially referred to as "Anatolian Tigers," this diverse group of businesses significantly expanded



particularly outside the Istanbul area and have increasingly integrated into the global economy as contractors, exporters and, later, investors on international markets and accumulated considerable wealth (Buğra 1997; Gümüşçü 2010). Some of the newcomers' credentials embedded in their religiously conservative identities (including the links to Islamic orders) contrasted the overtly secular(ist) credentials of most big businesses (Özel 2010, 2013b). Hence, the emergence of new rivalries exacerbated the polarization within the Turkish business community.

Many new business organizations have come into existence in Turkey since the early 1990s, paralleling the emergence and growth of new business actors bolstered by internationalization and regionalization as well as ideological polarization in the Turkish society. On top of all existing cleavages in Turkish business such as semi-public vs. pluralist organisations; SMEs vs. big business; export-oriented vs. import-oriented business; Istanbul vs. the rest of Turkey; yet a new cleavage emerged in the 1990s: Islamist (read as anti-secular(ist)) vs. secular(ist) business. These newly flourishing actors, with a shared sense of marginalization and limited access to state resources and markets in the era of state-led development between the 1930s and 1980s, began to mobilize in the early 1990s towards generating collective action. Consequently, the Turkish business community, already multi-layered and fragmented, became increasingly polarized between these groups mirroring the polarization in the overall society. The rivalry between the two groups has given rise to two simultaneous and seemingly contradictory trends: increasing fragmentation on the one hand and unprecedented cohesion on the other hand. Each group has attained considerable cohesiveness in the 2000s and the EU accession process played a key role in that.

#### *2.4 The EU and the Burgeoning - Polarized - Cohesion of Turkish Business*

The partial Europeanization process in Turkey has also empowered pluralist business organizations and facilitated the emergence of all-encompassing peak organizations. The Law on Associations enacted in 2004 in accordance with the EU's classification on territorial federations exemplifies the most important institutional change in this regard.<sup>5</sup> The EC endorsed the enactment of this law based on the concern for civil society organizations' active participation in the accession negotiations and harmonization processes.<sup>6</sup> The law facilitated the establishment of federations and confederations. Two important confederations were born out of this law: The Turkish Enterprise and Business Confederation (TÜRKONFED) in 2004 and the Confederation of Businessmen and Industrialists of Turkey (TUSKON) in 2005, both with claims to represent the whole business community in Turkey (Özel 2013b). The nearly simultaneous emergence of these new organizations with similar claims for representation signifies the emergence of a 'polar cohesion' in the Turkish business community, embodying two contradictory processes: unprecedented cohesion on one hand and increasing fragmentation on the other. TÜRKONFED represents secular(ist) business interests, while TUSKON represents anti-secular(ist)/Islamist business interests, a microcosm of the current polarization in the Turkish society (Özel forthcoming).

<sup>5</sup> Law No: 5253, accepted on 4 November 2004, published in Official Gazette #25649, Vol. 44, 11 November 2004.

<sup>6</sup> TÜRKONFED, website, <http://www.TURKONFED.org/indexeng.htm>, retrieved 1 September 2012.



Although both confederations claim to become the umbrella pluralist organization (TÜRKFED with 10,000 businesspeople, 9 federations and 95 associations; and TUSKON consisting of 45,000 individual members, aggregated in 176 affiliated business associations and 7 federations<sup>7</sup>), their self-acclaimed titles are contested because of the ongoing rivalry posed by the other. TÜRKFED was endorsed by TÜSİAD which represents big business, and is often referred to as the ‘Club of the Rich.’ As TÜSİAD sought to eschew this image of a very small constituency which was often pointed out by the EU with regard to the need for TÜSİAD’s to expand its space of legitimacy, it fostered the foundation of TÜRKFED to enhance its representative legitimacy particularly vis-à-vis the EU.<sup>8</sup> The EU accession process played an important role in the establishment of TÜRKFED, as it was founded in accordance with the EU’s classification on territorial federations, based on the aim of monitoring the harmonization processes.<sup>9</sup>

Despite such claims of TÜSİAD and TÜRKFED, TUSKON’s overt alliance with the government and limited interaction with organizations in the secularist front show the leverage of TUSKON vis-à-vis the government in terms of representation, brought about by the ideological affinity between the two. The most striking indicator of the overt alliance is the privileged incorporation of TUSKON into several policy platforms, the provision of distinct incentives and/or funding for some of its activities by the government, helping the enterprises affiliated with these organizations benefit from access to a broad array of privileges like tenders and contracting. Although the beneficiaries have partially changed, this is in line with the legacy of the executive using its discretion to select the businesses to consult with and its creation of business allies through clientelistic networks. This exemplifies the pattern of the government facilitating capital accumulation by generating its own clientele (Buğra 1994; Özel forthcoming).

Simultaneously with the impact of Europeanization on business organizations’ changing capacities, organizations have increasingly become integrated into transnational networks. This phenomenon is accelerated by the EU accession process. Currently, most chambers, federations and confederations along with all major pluralist organizations are members of multiple transnational business networks, some of these based in Europe, some others have worldwide and/or regional links. Likewise, the expansion of transnational networks has been an increasingly prevalent phenomenon in Mexico. The main difference between the two cases is the multi-layered access and activism in those networks undertaken by diverse organizations including those representing the interests of SMEs in Turkey, besides the organizations representing big interests.

The peak corporatist organization TOBB in Turkey is a good example of that, as the SMEs make up of its overwhelming constituency. It is an active member of Eurochambers as well as of the Business and Industry Advisory Committee (BIAC) of the OECD and takes part in the management of the World Chambers Federation and the International Chambers of Commerce, among several others. Pluralist organizations have also been transnationalized extensively. The big business’ association TÜSİAD is a member of several transnational business networks, such as the Confederation of European Business (BUSINESSEUROPE),

7 Tuskon, website, <http://www.tuskon.org/?p=content&cl=kurumsal&l=kurumsal>, retrieved 26 February 2013.

8 TÜRKFED, website, <http://www.TÜRKFED.org/indexeng.htm>, 1 September 2009; personal interview with Celal Beyse, chairman of TÜRKFED, Bursa, 10 September 2009.

9 TÜRKFED, website, <http://www.TÜRKFED.org/indexeng.htm>, retrieved 1 September 2012.

the Business and Industry Advisory Committee (BIAC) and the European Round Table of Industrialists (ERT). TUSKON (the peak organization in the anti-secularist pole) has also been increasingly incorporated into various transnational networks, some of which are based in Asia and Africa, as part of TUSKON's designated prospect for global reach. Turkish business organizations lobbied in these transnational networks for the launching of accession negotiations and proceeding with them.<sup>10</sup>

### 3. NAFTA Accession and Changes in Social Dialogue in Mexico

Unlike the EU accession and membership, NAFTA accession and membership neither entails any specific agenda for social dialogue nor for the organization and mediation of societal interests. In the case of Mexico, accession to NAFTA indisputably signifies a very limited regional integration process compared to what EU accession requires. As a limited regional bloc, yet a *new generation* free trade agreement, the NAFTA involves clauses on intellectual property, investment and, to a certain extent, clauses on labor rights and environmental protection in addition to those in the realm of market access, but no clauses on social dialogue or interest mediation. Nevertheless, Mexican business' incorporation into the process of negotiations was strongly endorsed by the other NAFTA members, namely the U.S. and Canada. From the initiation of negotiations onwards, various civil society organizations have taken part in the debates about NAFTA, if not directly in the negotiations process, and this engendered new organizations and alliances to monitor the negotiations as well as to assess their outcomes.

Combined with the nearly simultaneous dynamics in the domestic sphere, the NAFTA process directly and indirectly contributed to the reshaping of the organizational landscape regarding business representation and interest mediation. Transnational networks of business which NAFTA helped expand and strengthen have played important roles in this process of transformation. An important outcome of these intertwined dynamics has been the increasing convergence of the interest mediation forms to those prevalent in the U.S. and Canada, the two other members of the regional bloc. This is, indeed, fairly striking, when compared to the EU's failed efforts for convergence of interest mediation in Turkey, despite the fact that de jure institutional adaptation was carried out to the highest degree possible.

#### 3.1 NAFTA, Transnationalization and Mexico's Decaying Corporatism: A Case for Nafta-ization or North-Americanization?

In Mexico, interest mediation institutions as well as business organizations have gone through drastic changes. Corporatism has been mostly replaced by pluralism, signifying a certain degree of convergence towards the Anglo-Saxon interest representation model prevalent in the U.S. and Canada, the other two members of NAFTA. The NAFTA agreement helped expand the process of transnationalization of domestic businesses in Mexico, contributed to, if not caused, the spread of pluralistic interest mediation, while, indirectly furthering the dismantling of the previous corporatist mechanisms. In the context of these transformations, most of the former consultative mechanisms collapsed, and pacts and concertations have

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<sup>10</sup> Personal interview with a former President of TÜSiAD, Istanbul, 3 July 2008.

been mostly replaced by narrow-focused, specialized issue-based lobbying. Although social pacts still exist, they either do not function in practice or their design renders them ineffective. The diminishing power of all-encompassing organizations (pluralist and corporatist alike) and the rise of pluralistic forms mark the new era of interest mediation in Mexico. Increasingly diversified and fragmented business actors endeavor to access multiple actors in the increasingly fragmented legislature, unlike in the previous era where access was focalized on the executive.

NAFTA membership has influenced the process of change through various channels despite the fact that NAFTA is only a free trade agreement with a certain degree of deepening based on its clauses on investment, competition and a regulatory framework in certain sectors, among other issue areas. Although these channels, particularly the transnational networks, might seem much more indirect compared to the EU's more direct impact regarding changes in civil society organizations and interest mediation, they have been substantially influential in the transformation of organizations and interest mediation forms in Mexico. Coinciding with NAFTA integration, thus increasing presence and influence of the U.S.-based companies along with transnational networks, new forms of interest mediation have been largely influenced by the Anglo-Saxon type of pluralism, signifying a degree of *North-Americanization*, if not *Nafta-ization*. These changes coincided with the transformations of domestic institutions, contributing to the shaping of outcomes.

One of the most important institutional changes in this regard was the amendment in the Law of Chambers in 1996, which became a milestone in declining power of corporatist organizations, as it abolished compulsory membership in the chambers, hence in confederations. This was partially an outcome of intense lobbying by powerful pluralist organizations against corporatist forms, particularly contesting compulsory membership in chambers and confederations. For decades, leading pluralist business organizations fought against corporatism which they perceived as a controlling and co-opting instrument of the authoritarian Mexican state.<sup>11</sup>

Division in the Congress in 1997 constituted another major institutional change which restrained the former power of the chambers and confederations. Nevertheless, prior to such de jure institutional changes, the de facto power of corporatist business organizations like the Confederation of Industrial Chambers of the United States of Mexico (CONCAMIN) and the National Chamber of Transformation Industries (CANACINTRA) had already started to weaken since the 1980s, although on paper they are still the 'public organs to be consulted' in the process of policy-making. The domination of pluralist organizations over corporatist ones through the course of market transitions, particularly exemplified by the Pact of Economic Solidarity (PSE) which was launched in the midst of a severe economic crisis in 1987 and the Coordinating Council for Foreign Trade (COECE) which acted as the advisory body during the NAFTA negotiations, representing the business community, had endangered the protagonist presence of chambers and confederations as the exclusive organs of representation and consultation. Amongst these, the PSE carried the legacy of pacts in Mexico, despite the fact that it was a different one, as it accentuated the big interests' lead in consultation platforms and mostly co-opted the labor interests, contributing to the emergence of "bilateral corporatism" or "business corporatism" (Luna 1992, 2004; Ortega 2003).

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<sup>11</sup> Interviews with officials of the Coordinating Council of Businesses (CCE) and the Employers Confederation of the Mexican Republic (COPARMEX), 15-17 August 2012, Mexico City.

Amongst the pluralist organizations, some of the leading protagonists of the abolition of the Chambers' Law were those hosting businesses with substantial transnational ties, such as the Mexican Business Council for International Affairs (CEMAI) and the National Association of Importers and Exporters (ANIERM). Endorsed by multinational companies and their transnational networks, these organizations have lobbied against corporatism fiercely. The same organizations played a key role in the promotion of a free trade agreement with the U.S. and later in the process of NAFTA negotiations. Although most business actors had been against such an agreement during most of the 1980s, in the late 1980s, CEMAI and ANIERM, two small organizations (particularly compared to the giant confederations hosting thousands of businesses), acted as an advocacy group to promote a free trade agreement with the U.S. They lobbied bureaucracy, government, academics, and major business organizations and "it was particularly difficult to persuade big business."<sup>12</sup> These organizations' proposals were, initially, opposed by Carlos Salinas, who, in 1990, announced his commitment to pursue NAFTA. Between 1990 and 1992, the Ministry of Commerce and Industrial Development (SECOFI) organized a series of meetings and workshops to 'train' industrialists about the advantages of NAFTA as part of the pro-opening campaign. These organizations accompanied by SECOFI carefully 'marketed' NAFTA to the industrialists, by issue linkages underlining that NAFTA would increase capital inflows, bring technology, bolster employment, and help further macroeconomic stabilization and growth, all to the industrialists' benefit.<sup>13</sup>

The Mexican Council of International Affairs along with the peak organization, the Coordinating Council of Business (CCE), played important roles during the NAFTA negotiations. The CCE initiated the COECE to represent the business community in Mexico. The consultation and coordination taking place between SECOFI and COECE during the NAFTA negotiations helped consolidate Mexico's free trade coalition (Ortega 2003; Thacker 2000). Nevertheless, the whole process was dominated by internationalized big businesses with transnational ties. COECE's general coordinator and some staff members came from CEMAI, which played a key role in persuading both the state and business elites, whilst offering its personnel and resources, including its office in Washington D.C., to the use of COECE.<sup>14</sup> Such domination by big interests harmed the representative legitimacy of COECE. After the NAFTA negotiations, COECE kept its role as representing business actors in free trade negotiations with the EU, but mostly faded away afterwards.

### *3.2 Transnationalization, NAFTA, Changing Institutions and Organization Landscape in Mexico*

Following the change of the Law of Chambers in 1996 and then the division in the legislature in 1997, a new era in business representation began. Confederations and chambers had lost many members, resources and relative power and they had to apply innovative instruments as survival strategies.<sup>15</sup> Therefore, the dismantling of the corporatist legal framework was accompanied by changing executive-legislature rela-

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<sup>12</sup> Personal interview with a former chair of CEMAI, Mexico City, 20 May 2004.

<sup>13</sup> *Tratado de Libre Comercio de América del Norte*, SECOFI, Mexico City, 1992.

<sup>14</sup> Personal interview with a former president of CEMAI and coordinator of COECE, Mexico City, 20 May 2004.

<sup>15</sup> As an example of losing members and resources, CANACINTRA had 80,000 members in 1995, but this number dropped to 22,000 in 1996.

tions, the weakening of the previously omnipotent executive and the empowerment of the latter by the emergence of a divided legislature in 1997, increasing the number of veto players within the state. In this changing institutional landscape with new incentives, actors became much more diversified: New actors were born, whilst the old ones transformed the ways in which they aggregate interests, relate to their constituencies as well as act and interact with state actors. In a way, they carved new identities and strategies to access the state and their clients. All business actors, independently of their age or representation, shifted their focus from accessing the executive to accessing the legislature, which has been divided since 1997. The Congress, which had a trivial role before, became a central target to access and influence.

Semi-public organizations have also gone through a substantial transformation, re-inventing their identities to adopt more flexible forms to represent business and become service providers, lobbyists, and consultancy offices, as “they have become pragmatic in order to survive, and now they play by the rules of the new game to regain their power.”<sup>16</sup> Organizations like CONCAMIN and CANACINTRA “became ultimate lobbyists in the new era, providing precious data to one party, and strategies for the other.”<sup>17</sup> They undertook lobbying at different levels, legislature, judiciary and executive, whilst training their members about lobbying, providing data and facilitating access to decision-makers, underlined as “the most important assets in the age of information” (Barrios 2004: 11). These strategies helped these organizations to partly maintain their membership following the initial drop after the abolition of compulsory membership.

The partial dismantling of corporatism and newly-flourishing pluralism particularly based on the new rules for business organizations and the increasing incorporation of transnational actors transformed the ways in which business actors access the state, where lobbying began to substitute former large scale, economy-wide *concertations*. Besides Mexico’s internal dynamics regarding major institutional changes, transnational and international actors and dynamics, such as the U.S. and multi-national corporations (MNCs), also played a major role in this process. Hence, some of the key institutional arrangements of the “post-revolutionary social pact” have been replaced by new rules, norms, and forms of interaction between the state and business.

A major diversification process has emerged in this context and pluralism has begun to dominate over corporatist patterns. As both business and the state have increasingly become fragmented, lobbying firms and specialized departments within business organizations (semi-public chambers and confederations, and pluralist associations alike) and individual firms become interlocutors for the legislature at both federal and local levels, for the executive and judiciary as well as the independent agencies in different stages of the making of primary and secondary legislation. Some of the new actors in an increasingly pluralist setting have joined the older ones in acting like watchdogs in Mexico’s protracted democratic transition. Akin to their counterparts in Turkey, such a role has provided them with an enlarged space of legitimacy, partially diluting the concerns raised by their serving special - and mostly concentrated - interests. The increasing fragmentation of both business and the state have become coupled processes, mirroring one another in this context. They have impaired the capacity of the actors to negotiate and coordinate particularly on broad platforms.

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16 Personal interview with CANACINTRA officials, Mexico City, 4 September 2012.

17 Personal interview with a lobbying firm, Mexico City, 29 August 2012.

A good example of weakening of cross-sectoral broad platforms has been the dismantling of COECE, which had facilitated coordination within the private sector and between the private sector and the government during the NAFTA negotiations. It mostly faded in the 2000s after ‘having completed its mission,’ since the trade negotiations with NAFTA and the EU were already completed. Afterwards, several organizations came into existence to take part in international trade-related matters, which mostly represent special concentrated interests, domestic and transnational alike. One of these organizations has been the Mexican Business Council for Foreign Trade, Investment and Technology (COMCE), founded by the merger of CEMAI and the National Council of Foreign Trade (CONACEX), both representing transnational(ized) interests. Working through bilateral business committees and regional delegations, COMCE engages in transnational contacts with similar business organizations of different countries. COMCE mostly failed to achieve those goals because of the domination of special and extremely concentrated interests which “monopolize” the “free-trade” agreements through the organizations and lobbies they lead.<sup>18</sup>

The organizational landscape in Mexico has become highly diversified in this new era and this has been coupled with the diversification of the ways in which distinct organizations interact with the state, other social actors and the public. New actors have emerged and power constellations changed, old actors’ behaviors have been transformed, mostly adopting pluralist organizational forms and interest mediation patterns prevalent in North America, while leaving corporatist bargaining which was the prevalent form before. Lobbying firms, think-tanks and consultancy firms instantaneously evolved into important actors on the new scene, situating themselves within the ranks of the flourishing civil society. These new actors began to juxtapose and at times replace the once-powerful confederations and/or all-encompassing pluralist organizations which have also taken on new identities through redefinition of their roles and new ways of interacting with the state as well as with their members, and transnational links played a major role in such transformations.

#### 4. Conclusion

Market transitions interlinked with regionalization and globalization spawned major changes for all societal actors and re-shaped state-society relations in upper-middle-income countries. Such transitions have been particularly important for domestic business actors who had been previously shielded from the vagaries of international markets in the context of state-led development and accompanying protectionism. As the previously-closed domestic markets were opened up to international competition and incorporated into respective regional markets, domestic businesses have searched for new ways to influence policies and regulations, access policy-makers, and mediate their interests. Regional blocs have played different roles in directly molding or facilitating and furthering these processes, as well as in strengthening or weakening varying business actors.

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<sup>18</sup> COMCE, website, [http://www.comce.org.mx/contenido1.php?id\\_contenido=1&con=contenidos](http://www.comce.org.mx/contenido1.php?id_contenido=1&con=contenidos), retrieved 3 September 2013.

This paper examined the differing impact of two similar countries' integration into two different regional blocs regarding social dialogue, along with the changes in organization and mediation of business interests, focusing on Turkey-EU and Mexico-NAFTA as a paired comparison. Acknowledging the substantial differences between these two regionalisms, namely the EU and NAFTA, and hence two different accession processes, the paper aimed to show the interplay between the process of regionalization and international and transnational actors and forces in bringing about significant changes in the respective domestic spheres. It demonstrated the limited transformative power of the EU in certain issue areas in the context of Turkey's protracted-cum-stalled accession to the EU, notwithstanding its considerable power in some others; and, in the case of Mexico, the unexpected transformative power of NAFTA when combined with and intensified by international and transnational forces and processes spawned by NAFTA.

The paper adds to the growing literature on comparative regionalism, pointing out the variation across regionalisms regarding both what they intended to transform and what they ended up transforming. Through demarcating distinct (and at times intertwined) influences of multiple actors, apart from the EU and the NAFTA, such as international organizations and transnational networks on major changes in domestic politics, the paper can be situated in line with several other studies in the respective literature which emphasize the existence of multiple sources of domestic change, refuting that regional blocs, particularly the EU, are the "only games in town," regarding major domestic changes (Börzel/Risse 2012: 2; Schmidt 2002). Accordingly, it investigated the intertwined processes of globalization, transnationalization and regionalization, looking into specific actors and forces, along with their transformative effect on interest organization and mediation in the respective countries. It showed that international actors and transnational networks have become more influential than regional blocs (including the EU) in bringing about substantial institutional changes in distinct issue areas.

The paper has shown that concurrent pressures exerted by regionalization, globalization and transnationalization have intersected with dynamic changes in the respective domestic arenas in the last decades and given rise to varying outcomes. It demonstrated how institutions such as the ESK, promoted by the EU, failed to be effective in Turkey, while institutions such as YOİKK, promoted by the World Bank and fostered by transnational business links, have proven to be relatively more effective. Such relative effectiveness of different sources than Europeanization exemplifies the limited nature of the EU's transformative power together with the significance of other external actors as sources of institutional change in countries like Turkey. The paper has shown the widespread presence of decoupling, even when *de jure* institutionalization takes place at the highest extent possible. It also has pointed out the intensification of decoupling in line with diminishing credibility of full accession, as in the case of Turkey (Börzel/Soyaltın 2012). Accordingly, it addresses the ongoing discussion on institutional decoupling between formal rule transfer and actual implementation particularly regarding institutions requested or recommended by regional blocs and international organizations alike.

The paper demonstrated the complexity of Europeanization across different issues within the same country by pinpointing the variation in terms of effectiveness of change. The EU's impact on social dialogue and interest organizations in Turkey has varied considerably. The former has been highly limited despite the explicit agendas and pressures exerted, while the latter has been substantial, as both semi-public and pluralist business organizations have been empowered substantially, accompanied by a burgeoning (po-



lar) cohesiveness across organizations. Nonetheless, the EU's promotion of social dialogue largely failed. Although the EU has promoted the incorporation of civil society in decision-making in general and the accession process in particular, and promoted designated institutions in this regard, it lacked a cohesive approach in this context. Combined with the resistance by domestic institutions and actors' guarding those, the councils of social dialogue promoted by the EU failed to function effectively. Whereas, some other institutions promoted by non-EU actors have proved to be more effective, signifying the plurality of external sources of change regarding institutional arrangements in the upper-middle-income countries. Informal ways of mediating interests - both organizational and particularistic - also continue to prevail, as part of the long-lasting legacy. In Mexico, however, the NAFTA process has not entailed any agenda on social dialogue, interest mediation or organizations although it has contributed to major changes regarding interest mediation and organizations, combined with domestic institutional dynamics and their changes, at times accelerating those. The transnationalization of Mexican big business and the increasing prevalence of transnational networks fostered by NAFTA played important roles in this process.

Despite such constraints regarding Europeanization, the EU's transformative power has been considerably high with respect to the capacity-building and reorganization of business organizations. The enhanced capacity of distinct business organizations, in turn, has given rise to relative empowerment. This outcome, however, has been accompanied by an unintended consequence, as it helped empowering distinct political interests through the links between the incumbent political party and distinct business organizations. Brought about by the previous - historical - alliance between the secular(ist) state establishment and big businesses, the AKP initially formed alliances with certain groups of SMEs comprised of devout businesspeople. Turkey's protracted accession process to the EU, which nearly stalled by the late 2000s, contributed to the relative strengthening of SMEs through enhancing the capacity of organizations representing SMEs as well as expanding financing instruments. An unintended consequence, the empowerment of SMEs has prevailed as they have become a major source of support for the AKP which, by and large, effectively seized newly-arising political claims.

The very dynamics of Turkey's and Mexico's interaction with the respective regional blocs affected the direction of these changes, whilst engendering the establishment of a broad array of new institutions and organizations along with a high level of institutional decoupling. New forms of state-business interactions have emerged out of these trends: Mexican corporatism has more or less dismantled, while a new form of corporatism has been on the rise in Turkey, juxtaposed to expanding pluralism. State-business interactions now take place at many different layers and in new modalities of governance by the participation of multifarious actors - national, transnational, regional and supranational alike. PAN and AKP's coming to power in Turkey in 2000 and 2002, respectively, epitomizes a major socio-political turning point in both countries: The political movements which had been entrenched against the respective regimes almost concurrently came to power, representing socially conservative constituencies who wholeheartedly embraced globalization, regionalization and accompanying market transitions.



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