When we look at the reflections of global crisis on Turkey, we see that the manufacturing sector was negatively affected by the crisis and poverty and unemployment increased as a result of this. This picture was typical for almost all ‘developed’ and ‘developing’ countries. However, what is striking for Turkey is the fact that banking sector increased its profits in the crisis conditions. As crisis burst in financial sector and world’s biggest banks bankrupted in a short while, the ‘success’ of the banking system in Turkey seems quite peculiar and needs an explanation.

In order to reveal the impact of the current global crisis on the accumulation process in Turkey, we need to carry out a two dimensional analysis simultaneously. First, as capitalist crises effect developing countries in a different way than the developed world, we must deal with the specificities that are caused by late development. Second, due to the rapid internationalization of capital in the last decade, and the high degree of capital accumulation in the same period in Turkey, we must take into consideration the ‘developments’ that took place in the capitalist accumulation process.

Through such a dual analysis, we can see that both the contraction of manufacturing and the ‘success’ of banking sector grounded at the process of restructuring of capital after the 2001 crisis of Turkey. Actually, restructuring process is important in terms of late development; since it lead to a new phase in the accumulation process in Turkey. To begin with, while the manufacturing sector developed rapidly after 2001, it became more and more ‘dependent’ to the ‘developed’ countries in terms of credits, imports of means of production and markets for its products. That’s why the crisis of the ‘developed world’ spread immediately to Turkey through manufacturing. For banking, in fact, restucturing process comprised a basis for a strong and secure banking system, as well as centralization of capital in the sector, which faced a severe crisis in 2001. Despite those ‘developments’ regarding the banking sector, the size of the Turkish banking system is still small in comparison with developed countries, as a specificity of late development. For example, while per capita bank assets was 82.827 Euro in EU 27 in 2007, it was 4.453 in Turkey in the same year (TBB, 2009c: 111). Besides, capital market is also very small even compared to other developing countries (See Table 1).
Table 1: Selected Aggregates in Capital Markets (2007, as percentage of GDP)

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>Developing Countries</th>
<th>Turkey*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Markets</td>
<td>265</td>
<td>167</td>
<td>77</td>
</tr>
<tr>
<td>Stock **</td>
<td>119</td>
<td>122</td>
<td>44</td>
</tr>
<tr>
<td>Bonds and Bills</td>
<td>146</td>
<td>45</td>
<td>33</td>
</tr>
<tr>
<td>- Public Sector</td>
<td>52</td>
<td>28</td>
<td>33</td>
</tr>
<tr>
<td>- Private Sector</td>
<td>94</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>Total (including bank assets)</td>
<td>421</td>
<td>253</td>
<td>150</td>
</tr>
</tbody>
</table>

Source: Global Financial Stability Report, October 2008 (See, TBB, 2009c, p.110)
*Ratios based on foreign exchange
**Market value

Those characteristics of the banking system kept it secure during the crisis. However, in or after 2010, even banking is expected to be affected negatively.

In the following chapters, I will deal with the impact of the crisis on manufacturing and the banking sector in relation to the specificities of late development and the process of restructuring of capital after the 2001 crisis of Turkey.

1. Specificities of Late Development and Turkey

Until 2000s, Turkey had economic and social characteristics which were specific to late development:

- agriculture had a big share in the economy
- financial system was considerably weak; hence accumulation process depended on foreign credits
- industrial production consisted of mainly production of consumption goods; hence, it depended on import of means of production
- exports did not have a large volume and consisted of mainly consumption goods

Late development, actually, does not refer to something different from capitalist accumulation; since the concept of ‘development’ means capitalist development. What gives the ‘capitalist’ attribute to the late development process is the fact that the basic dynamics of capitalist production predominate, sooner or later (see Yaman Öztürk, 2008). The term ‘late development’ expresses, on the one hand, the late attendance of those countries to the capitalist relations of production, and on the other hand, the capitalist attribute gained in this process (see Yaman Öztürk and Ercan, 2009).
Turkey has faced three severe crises in the last 30 years: at the end of 1970s, in the middle of 1990s, and at the beginning of new millennium. The leading factors in those crises of Turkey had been determined by two specificities of late development:

- the weakness of the financial system
- dependency on import of means of production

These specificities set limits to capitalist accumulation and, hence, brought about the crisis. In the meantime, they made late developed countries ‘dependent’ to the early ‘developed’ ones. Actually, for the capital groups in Turkey, they were the fundamental inadequacies which had to be got through as soon as possible.

2001 crisis of Turkey marked an important moment in the accumulation process, regarding those limits and late development. This made the turn of the millenium a new phase for the capitalist accumulation process in Turkey. As mentioned in the preface, in order to reveal the impact of the global crisis on Turkey, the affects of the crisis should be investigated in relation to late development and the ‘developments’ after the 2001 crisis of Turkey:

- After the crisis, both the financial system and industrial production were restructured
- Since then, Turkey has had a deeper integration with international capital

In this new era, capitalist relations became dominant in all aspects of social life. On the one hand, financial sector and banking were strengthened. Following the “Banking Restructuring Program”, the banking sector showed a rapid growth in 2002-2008 period: The total assets rose from 130 billion to 465 billion USD; their ratio to GDP rose to 77% from 57%. New banks were opened; international money capital entered the Turkish economy; international banks opened new branches in Turkey; new financial instruments were introduced. On the other hand, industrial production has ‘developed’ in order to produce more capital intensive goods for export, as automotive sector has. At the same time, privatization reached to a level that all the primary needs, from education to health, were being commodified. In this process, labour relations have been restructured as well.

2. Impact of the Current Crisis on Turkey

Starting from the last quarter of 2008 in particular, the global crisis had considerable reflections in Turkey. But in the year 2009, impact of the crisis was felt much more heavily.

In fact, Turkey faced the crisis in an extraordinary way compared to many other countries. While the real sector has been affected quite negatively, banking system has gained advantage
from the crisis conditions. Manufacturing has seen negative growth rates since the 3rd quarter of 2008 and has contracted 22% in the first three months of 2009. Textiles, manufacture of machinery and equipment, manufacture of motor vehicles were the most affected sectors.

The banking sector has been affected as well, however, to a rather limited extent in comparison with many other countries. In this period, the banking sector continued to support the financing of economic activities. Despite the crisis, the net profit of the year increased by 52% and reached to TL 19.5 billion in 2009. Total assets increased by 16% and reached to USD 537 billion. The number of branches and employees continued to increase after 2007. At the end of June 2010, total number of branches and the number of employees increased by 298 and 5,000, respectively.

I want to focus to these two basic sectors: manufacturing and banking. For manufacturing, I will deal with the manufacture of motor vehicles; for banking, I will look at the largest five banks in the system.

2.1 Impact of Current Crisis on Manufacture of Motor Vehicles

With the affect of the current global crisis, world total motor vehicles’ production decreased by 13% in 2009. In Western Europe, the decrease was much more dramatic: 19%. Depending on the decreases in sales in EU as of last quarter of 2008, motor vehicles’ production in Turkey contracted accordingly, after May of 2009; since 90% of total exports of the sector was directed to this region. Besides, contraction in the domestic market worsened the level of production (OSD, 2010a).

Manufacture of Motor Vehicles’ Production and Exports

Manufacture of motor vehicles’ production covers 9.84% of the total manufacturing sector in Turkey (Treasury, 2009). It has been one of the driving forces of the restructuring process of the capital after 2001 crisis of Turkey: in the post-crisis period, production and the exports of the sector have developed rapidly. As total production of manufacturing sector has grown by an annual rate of 7.6% between 2002-2007, manufacture of motor vehicles has shown above average growth rates in the same period. Between 2002-2004 it has grown by 45% but this figure decreased to 9% between 2004-2007.

We can monitor the basic tendencies of capitalist accumulation process in Turkey after 2001, by following the course of the manufacture of motor vehicles (MMV):

1. Production and export of MMV developed after 2001
2. MMV is a technology intensive sector
3. An important part of its production has the character of production of means of production (commercial vehicles)
4. MMV is one of the foreign capital intensive sectors
5. MMV is an export oriented sector; it exports 80% of its production; mainly to the EU
6. MMV has contracted significantly in 2009

As was mentioned, in the post-crisis period, production and the exports of the sector have developed rapidly. While automotive industry’s production was about 300 thousands before Customs Union, it increased up to 1.2 million in 2007 (See Figure 1). In the same period, total exports reached to 830 thousands from 35 thousands and automotive industry has become the ‘production center’ of the products which were exported to EU. Sector has been able to export 80% of its production and is at the first place in the ‘intra sectors exporters’ since the second half of 2006.

Figure 1 : Production and Export of Motor Vehicles

![Figure 1](image)

**Source**: 2009 Yılı Değerlendirme Raporu, Automotive Manufacturers Ass. (OSD), 2010 Temmuz Raporu, OSD, 2010
* Data for first 7 months provided, rest is estimated accordingly

Manufacture of motor vehicles has also been a leading sector in exports. While motor vehicles’ production has grown up rapidly, its export soared, as well. However, increase in the exports was accompanied by the increase in imports; since, as a ‘late developed’ country, Turkey’s industrial production have still been dependent on import of means of production.

While the share of the motor vehicle exporter firms was 3-10% in the top 500 industrial enterprises during the 1980-1990s, it started to increase in 2003 and became 30% in 2007.
Because of the global crisis, it decreased to 25% in 2008. There are still 8 members of OSD in top 500 exporter enterprises of which the first three ranks belong to this sector (OSD, 2010b).

Exports were at very low levels during the 1990s. The level of production was also very low, and nearly at 400 thousands (See Figure 1). The sector’s share in total manufacturing exports was about 6% that time (See Figure 2). After 2001, there was a jump in both production and exports. They saw peak levels at the beginning of 2008 (See Figure 1). The sector’s share in total manufacturing exports started to increase after 2001 and reached to 16% during the 2000s, as well (Figure 2). In the same period, imports also increased (See Figure 2).

Because of the global ‘developments’, sector recorded rapid decrease in production and exports, just as other manufacturing branches. Just after the global turmoil, motor vehicles sector benefited from some measures adopted by the Turkish government. With a package of measures announced in March 2009, tax rates in white goods and automobile were reduced. Moreover, the rate of VAT was decreased for some goods, such as heavy-duty machines and equipments. In April 2009, the scope of the tax reduction was expanded to cover sectors such as automotive supplies industry. After a while, the validity time of the tax reductions was extended up to October 2009. All these tax reductions must definitely be accepted as a kind of public transfer to the capital. Yet, government announced a new subsidies package, to be applicable until the end of 2010, introducing reductions in corporate/income tax rates, reimbursement of employer’s contribution to social security premiums by the Treasury Undersecretariat, interest subsidies, allocation of lands or sites for investments, VAT exemption, and customs tax and duty exemption for investments in twelve sectors, including motor land vehicles manufacturing. The package divide Turkey into four separate regions for granting region based government subsidies, as well (See, TBB, 2010).

However, despite those incentives and supports by the state, the sector couldn’t escape from the impact of global crisis. Although the reduction in the private consumption tax increased the sales of light commercial vehicles (LCV) in 2009, it didn’t affect the heavy commercial vehicles’ (HCV) market: Hence it was contracted by 42.3%. In 2009, a lot of subsectors of manufacture of motor vehicles were contracted considerably; for example, production of light trucks and heavy trucks were contracted by 89% and 74%, respectively. Capacity use rate in this sector also decreased to 42%, from 77% in 2008. Especially in HCV producer firms, two-thirds of working days were off during the year of 2009 (OSD, 2010a).
In the first half of 2010, motor vehicles production increased by 39 percent compared to 2009. It seems as if it started to recover. But in fact, as written in the report of Automotive Manufacturer Association, this recovery probably resulted from the “base effect”.

**Figure 2 :** The share of Motor Vehicles in Manufacturing’s Foreign Trade

Source: Several data on foreign trade, Türkiye İstatistik Kurumu (Turkstat), 2010

Both graphs of production and exports in Figure 1 are in accordance with the tendencies of real sector’s total production and total exports of Turkey. After 2001, Turkey’s total exports has increased very rapidly.

**Figure 3 :** Change in Total Exports and Total Imports (USD)

Source: Constructed from data provided by TUIK, 2010

In 2001, exports and imports of Turkey were at the level of 40 million USD. After 2001, both increased and reached their peaks in 2008. That time total exports were about 125 million USD, total imports were 200 million USD. In the period of 2001-2008, the gap between exports and imports was gradually widened. It shows that, as production for export increases, production’s dependency on imported inputs (especially means of production) increases, as well. This arised from the changes in the composition of exports after 2001.
There were actually two basic changes in the composition of total exports’ production in Turkey: 1. Relative weight of the departments of production has changed: the share of investment goods has increased as the share of consumption goods has decreased.

**Figure 4**: Change in the Composition of Exports (%)

2. Depending on the change in the composition of exports, technical composition has also changed between 2002-2008: The share of products with low technology in the exports decreased to %25 from %46, as the share of products with mid-high technology increased to %36.8 from %23.2. As production is becoming more technology-intensive in character, it requires more complicated imported means of production. Hence, imports increased as well as exports.

**Foreign Directs Investments**

Motor vehicles has been one of the foreign capital intensive sectors. Larger automotive firms either belong to foreign capital, or have a foreign partner.

**Table 2**: Foreign Capital in Manufacture of Motor Vehicles

<table>
<thead>
<tr>
<th>Company</th>
<th>Share of foreign capital</th>
<th>Capacity (2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIOS</td>
<td>29.74</td>
<td>13155</td>
</tr>
<tr>
<td>Askam</td>
<td>0</td>
<td>9000</td>
</tr>
<tr>
<td>BMC</td>
<td>0</td>
<td>21800</td>
</tr>
<tr>
<td>Ford Otosan</td>
<td>41</td>
<td>315000</td>
</tr>
<tr>
<td>Honda Turkey</td>
<td>100</td>
<td>30000</td>
</tr>
<tr>
<td>Hyundai Assan</td>
<td>70</td>
<td>125000</td>
</tr>
<tr>
<td>KARSAN</td>
<td>0</td>
<td>28000</td>
</tr>
</tbody>
</table>
In fact, after 2001, Turkey became one of the most attractive countries for foreign capital investments. While a total of 2.65 billion USD FDI has entered during 1985-2000 period, 3.35 million USD entered in just one year in 2001. Actually, remarkable increase was recorded after 2004. FDI flows jumped to 10 billion USD in 2005 (See Figure 5).

In the meantime, capital accumulation in Turkey has experienced a new peculiarity in 2000s. While there were almost no FDI outflow before, Turkey witnessed a rapid increase in FDI outflows in 2000s. Her FDI outflows reached to USD 2.5 billion in 2008 (See Figure 5). In 2009, Turkey’s outward investments decreased to USD 1.6 billion so Turkey held the 45th place in outward international investment ranking. According to UNDP 2009 Report, aggregate international direct investment stock as of 2009 amounts to USD 17.7 trillion.

**Figure 5 : FDI Inflows and Outflows of Turkey**

FDI inflows to Turkey declined by %58 in 2009 according to UNCTAD World Investment Report 2010. Decline in worldwide international direct investment (FDI) inflows by %37 to
USD 1.1 trillion in 2009, over the previous year. Turkey received USD 7.6 billion in FDI inflows and fell down to 32nd place among the largest recipients of FDI inflows in 2009. Its position fell down to 15th place in ranking for developing countries. In 2008, Turkey held 20th place in global ranking and 9th place in the developing countries. Decline in FDI inflows is based primarily on the narrowing of the international financial sources. The global crisis leads to contractions in investments, intra-company loans, reinvested earnings, profits of international subsidiaries of transnational corporations and in mergers and acquisitions.

In 2009, there were 212 million USD FDI flows into the manufacture of motor vehicles. It constitutes %12.9 of the total FDI in the manufacturing sector. But, it should be remembered that, especially in the main automotive industry, important parts of larger investments were made through self-financing (Treasury, 2010:74).

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So far, various data - from the level of FDI flows to the volume of manufacturing production - reveal that accumulation process entered a new phase. That ‘advanced’ stage of capital accumulation was absolutely achieved by suppressing the working class: working hours have been extended, social security and job security have been abolished in many sectors; unsecured jobs have penetrated into even public institutions. As manufacturing and the other sectors were contracted by the global crisis, the working class carried the burden of the crisis, with unemployment rate increased to %20.

2.1 Impact of the Current Crisis on Banking Sector

Banking sector has turned global crisis conditions into an opportunity. Despite the crisis, net profit of the sector increased by %52 to USD 13.096 in 2009. The ratio of shareholders’ equity to total assets increased from %10.4 to %13.3 as of December. As average return on assets was %2.4, average return on equity increased to %16.3. Total assets increased by %16 and reached to USD 537 billion. In the meantime, the ratio of total assets to the GDP increased as well. At the beginning of 2002, this ratio was nearly %55, it increased to %84 at the end of 2009 (See Figure 6).

One of the basic reasons underlying the increase in the profit volume was rapid fall in interest rates. Central Bank reduced short-term interest rates by 8.5 percentage points in total from 15 percent to 6.5 percent during 2009. The longer maturity of the banking assets than that of the banking liabilities seems to be the most effective reason. Hence, banks could collect short
term deposits with low interest rates, while they have already provided long term credits with high interest rates. One of the supports was introduced by the Banking Regulation and Supervision Agency (BRSA): BRSA required banks not to distribute but hold their earnings and get permission for distribution. In addition to those measures, increase in fee and commission revenues, limitation of operating expenses also supported the increase in profits (See TBB, 2010). Moreover, weakness of the derivative markets in Turkey also prevented the banking system from collapse.

**Figure 6**: Total Assets (billion USD and as percentage of GDP)

Banking became one of the most profitable sectors in Turkey for international capital. In 2009, 49 banks were operating in Turkey. Among them, there were 21 banks whose shares were owned by international capital at a rate of minimum 51 percent. There are also 4 banks having strategic partnerships with international financial institutions.

**Concentration of Capital in the Banking Sector**

Banking system was strengthened after the 2001 crisis of Turkey. The restructuring process of capital after crisis triggered and also speeded up the concentration of capital in the banking sector. As of 2009, there were 49 banks operating in Turkey. Largest five of them have almost 2/3 of the total assets and total deposits of the system. These largest five have more than half of the total loans, as well (See Table 3).
Table 3: Concentration of Capital in the Banking Sector, % (Largest five)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>58</td>
<td>62</td>
<td>62</td>
<td>63</td>
</tr>
<tr>
<td>Total deposits</td>
<td>61</td>
<td>64</td>
<td>65</td>
<td>66</td>
</tr>
<tr>
<td>Total loans</td>
<td>55</td>
<td>57</td>
<td>58</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: Banks in Turkey, The Banks Ass. of Turkey (TBB), 2010

Average of the total assets of the largest five banks was around 10 billion USD in 1999. It means total assets of them was nearly 50 billion USD that time. Total assets started to increase in 2002 and reached to 300 billion USD in 2007. Because of the crisis, we see a small decrease in 2008; but it increased and reached to 350 billion USD in 2009 (Figure 7).

Figure 7: Average of Total Assets of Largest Five Banks, USD, million

We can see the concentration of capital in banking sector more clearly at Figure 8. The share of total assets of those largest five banks in the total assets of banking sector was %42 in 1999. After 2001-2002, their share increased sharply. It reveals that, restructuring of the banking system after crisis resulted in concentration of capital at the hands of a few banks. After 2002, the ratio of their total assets to total assets of the banking system has been more than %60 (Figure 8).

In short, we see that more than half of the assets was concentrated in five banks in the sector. This tendency strengthened the banking system which was restructured after 2001. However, it still has a small size compared to ‘developed’ countries. What is important for the banking sector in Turkey is that the sector doesn’t have many precarious facilities, such as derivatives.
In addition, measurements adopted by government, Central Bank and BRSA at the very beginning of the global crisis supported the system. Especially the decrease in interest rates provided banks with profitable facilities. As a result, while manufacturing sector was affected by the crisis negatively, banking sector increased its profits.

**Figure 8**: Largest Five in the Banking System

<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>0</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source**: Banks in Turkey, The Banks Ass. of Turkey (TBB), 2010
50th Anniversary of the Banks Association of Turkey and Banking System 1958-2007, TBB-2008

**CONCLUSION**

As a conclusion, we can see that the global crisis affected the manufacturing sector negatively, while banking sector gained advantages of crisis conditions, in Turkey. These diverging effects of global crisis on Turkey grounded on the process of the restructuring of capital after the 2001 crisis. Restructuring process opened a new stage in the capital accumulation in Turkey, regarding late development of the country. Since then, industrial production and financial system have developed rapidly. In the meantime, Turkey has had a deeper integration with international capital. Hence, it made Turkey open to the effects and determinations of the ‘developed’ countries.

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