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Article

# Market integration and transformation of business politics: diverging trajectories of corporatisms in Mexico and Turkey

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## Abstract

Transformation of interest politics in the context of globalization has been widely studied with respect to advanced countries. In a similar vein, this article examines the recent transformations and diverging national trajectories against the backdrop of global market integration, focusing on business politics in upper-middle-income countries. Tackling the ways in which domestic political arrangements refract the impact of global forces, the article indicates that the market integration process engenders diverging effects in national settings contingent upon executive–legislative relations. Where power is concentrated in the executive, market integration upholds a form of corporatism; and where legislative power increases, it promotes a form of pluralism. Based on the empirics of Mexico and Turkey, this article shows the links between increasing legislative power and emerging legislative lobbying in Mexico in contrast to increasing executive power and centralization and concentration of interest politics in Turkey. It delineates a major variation in national trajectories in business politics in the age of globalization—the rise of ‘elite-pluralism’ dominated by large firms in the former, and ‘competitive corporatism’ vastly controlled by the executive branch in the latter.

**Key words:** globalization, developing countries, interest groups, collective bargaining, state, internationalization

**JEL classification:** P16, P51, P52

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## 1. Introduction

In many middle-income countries, state–society relations have gone through substantial transformations within the last three decades. The processes of globalization, regionalization and transnationalization have played important—and intertwined—roles in triggering

changes regarding the ways societal actors are organized and interact with respective states. Focusing on state–business relations, this article examines the recent transformations in interest representation and intermediation drawing from the cases of Mexico and Turkey, two upper-middle-income countries situated at the frontiers of USA) and Europe and integrated into the regional blocs led by those bodies, namely the North American Free Trade Agreement (NAFTA) and the European Union (EU). In a puzzling way, business politics has evolved in strikingly different directions in these cases. Turkey has embarked on corporatist resurgence, as increasingly empowered peak business organizations have become key players incorporated into policy-making platforms. By contrast, in Mexico, most of the former corporatist institutions and actors have been dismantled or severely weakened.

This article asks what accounts for the variation regarding the evolution of business politics, and enquires about the ways in which this variation is shaped by changes in political institutions against a backdrop of deeper global—and regional—integration. At the domestic level, it examines the links between executive–legislative relations, centralization versus decentralization of political authority, changing political opportunity structures and their impact on state–business interactions. At the international level, it explores the differential impacts of external forces, as they are filtered through domestic redistributive coalitions, and scrutinizes how such coalitions have channeled external influence to facilitate changes in interest politics.

The findings indicate that changing executive–legislative relations have given rise to varying outcomes. In Mexico, the empowering of the legislative branch vis-à-vis the executive helped foster pluralistic lobbying (with an ‘elitist’ twist dominated by large firms), undermining the clout of peak organizations and corporatist institutions.<sup>1</sup> Accordingly, the locus of political activity for business has mostly shifted from the executive to the legislative branch, as the access points have diversified. In Turkey, however, increasing executive power and centralization of political authority have made business politics progressively more concentrated in the executive branch. In a way, centralization of business politics mirrors the centralization of political authority. Hence, this article argues that greater executive power leads to empowered peak organizations and more centralized interest mediation; and such power is further enhanced by the dominant party regime. External forces have operated as catalyzers in these two cases—the EU accession process helped enhance the power of peak business organizations, promoting hierarchical and nation-wide representation, and facilitating a corporatist awakening in a rather anachronistic fashion. NAFTA process, on the other hand, enhanced the power of large firms, helping thwart that of peak organizations and fostering Anglo-Saxon style professional lobbying.

1 Based on Schmitter’s (1979, p. 13) definition of corporatism as ‘a system of interest representation in which the constituents units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports’. Throughout the article, corporatist organizations will refer to those which have public or quasi-public legal status, designated as the official organs of consultation, entailing the characteristics put forward by Schmitter, while voluntary organizations refer to those based on voluntary membership.

Corporatist awakening in Turkey has taken place in a flexible, yet fairly comprehensive form, in the context of increasing competition imposed by global market integration. Although it entails some essential features of classical corporatism (such as centralization and concentration of interest politics; steering role of the state; prevalence of hierarchical peak organizations; compulsory membership and partial state control in semipublic organizations), it diverges from these classical arrangements in its flexibility regarding the actors and issues involved in coordination. The nature of organized interests has diversified, as voluntary-membership-based (hereinafter, 'voluntary') organizations are also included in many platforms, juxtaposed to their semipublic counterparts; and those platforms include sector and issue-based boards, as well as economy-wide arrangements. Increasing power of business at the expense of labor seems to parallel what the literature points out as 'bringing the capital back in' in advanced industrialized countries (Swenson, 1991; Schmidt, 2008). Active role of the state and shifting power balances are widely emphasized in the literature where a number of distinct qualifiers to corporatism have been employed to define contemporary arrangements (see the literature review below). Notwithstanding the intersections and limitations of varying conceptualizations of contemporary corporatisms, in order to depict the interest intermediation in Turkey, this article draws on 'competitive corporatism' coined by Rhodes (2001) with respect to transforming corporatist institutions in some European countries. Highlighting the interplay between hierarchy and markets, he indicates the flexibility of new bargains, accommodating market pressures, hence adapting to global and regional integration through market-conforming policy mixes, while preserving coordination. The nature and practice of Turkish corporatism reflect most characteristics of 'competitive corporatism'.

Like in Turkey, the actors and platforms in interest intermediation in Mexico have also been diversified and the balance of power has tilted towards business. Despite these similar trends, the Mexican trajectory has been different in the way that pluralist mechanisms have come to overshadow corporatist arrangements. Pluralism in Mexico, however, has come with a twist, leaning towards 'elite pluralism,' although it shares the central traits of neo-pluralism such as competition across interest groups, formed through voluntary membership, for influence over policy domain. Its difference stems from the narrow space of competition between a handful of interest groups that mobilize their resources in lobbying, at times facilitating privileged access rather than a competitive platform. In defining 'elite pluralism,' the article draws on Coen (1997, 2007) and Eising (2009) who observe similar trends in interest intermediation mechanisms at the EU level, highlighting recent dynamics where large firms overshadow pluralistic channels, dominating lobbying process and often replacing business organizations; and the balance of power between business and labor has tilted in favor of the former, while peak organizations and corporatist mechanisms lose their clout.

The transformation of interest politics in such settings could be potentially brought about by different dynamics as well. An alternative explanation of such transformations could be the market openings per se that have unmistakably changed incentive structures for both business and political actors. Hogenboom and Fernández (2014) assert that in the Mexican case, neoliberalism engendered substantial changes in interest politics, giving rise to elite pluralism and lobbying—especially on the part of big businesses. Nonetheless, Mexico and Turkey have gone through almost simultaneous and similar neoliberal transitions. Interest politics, however, has been transformed in opposite directions. Thus, neoliberal

transformations alone cannot explain the differences in outcomes with respect to the new trajectories of interest politics.

Another alternative explanation could be the presence of initially different arrangements as to representation and intermediation of business interests in the respective cases. If corporatist arrangements and their use by the state are considered part of the respective historical legacies, and the state's interaction with organized interests has historically been designed by corporatist instruments and mechanisms, one could simply infer that interest representation and intermediation might pursue a *path-dependent* trajectory. The contrary would be valid for pluralistic instruments and mechanisms as well. Nonetheless, the variation between the cases of Mexico and Turkey cannot be tackled by the presence of such (path-dependent) historical trajectories. Indeed, these cases display opposite placement regarding the prevalence of corporatism versus pluralism as historical patterns: Mexico is the case that is typically known for its corporatist legacy, while Turkey has never been considered a typical corporatist case due to its highly mixed interest representation and intermediation as well as the state's interaction with interest groups (Bianchi, 1984). Hence, this alternative explanation based on sustained legacies also fails to explain the respective variation across the cases.

In order to analyze this puzzling variation in the transformation of interest politics, this article applies process-tracing method to identify the causal processes and hypothesized links between variables, ruling out their alternatives (Mahoney, 2008, 2010; Bennett, 2010). Process tracing helps discover the sequence of causal steps and analyze within-case variation, while 'narrowing the list of potential causes' of outcomes (George and Bennett, 2005, pp. 206–207). By examining the diagnostic pieces of evidence and focusing on decision processes 'by which various initial conditions are translated into outcomes', it helps delineate the roots of particular decisions and events, and facilitate a scrutiny of preference formation (Bennett, 2010, p. 208). To generate such diagnostic pieces of evidence, semi-structured, in-depth interviews were conducted along with extensive archival research on public documents, business organizations' documents, press releases and media. The use of interviews (15 in Mexico and 17 in Turkey, for a total of 32) with officials and businesspeople involved in semipublic and voluntary business organizations as well as professionals at lobbying firms helped reveal how these actors perceived the new conditions and adopted strategies accordingly, and how they interacted with the state actors. Combined and cross-checked with archival data, diagnostic evidence was used to construct causal process observations and then establish causal sequences between events and changing preferences over time (Brady *et al.*, 2010, pp. 24–25). Process tracing was applied inductively for theory building, combined with Mill's method of difference. As argued by Bennett and Checkel (2015), the mutual use of these techniques alleviates their respective weaknesses and enhances the power of causal inferences compared to single case designs. When used with method of difference, process tracing can help indicate that the variation in the values of an independent variable is linked to the differing outcomes, while establishing that other differences across the cases do not necessarily lead to those outcomes (Munck, 2005, p. 116).

### 1.1 Why Mexico and Turkey?

Mexico and Turkey present meaningful variation in both independent and dependent variables (i.e. executive–legislative relations, and the organization and intermediation of business interests), across and within the cases, and as such they make likely candidates for small-n comparison. Both are stuck in upper-middle income, with almost identical levels of GDP per

capita.<sup>2</sup> They are members—yet constant outliers—of the Organization for Economic Cooperation and Development (OECD) and included in the G20. Similarly articulated to the global value chains, both are subject to intense, and mostly parallel, pressures posed by globalization and regionalization. Both cases were among the market-opening pioneers within their respective peer groups, transitioning from statist development pursued for about half a century, to a market-oriented model since the early 1980s. In the context of the former model, they staunchly implemented the import substituting industrialization (ISI) strategy which prioritized big businesses, providing them with selective incentives, privileged access and oligopolistic profits in large domestic markets dominated by multi-sectoral conglomerates, resulting in high levels of capital concentration (Luna, 1992; Buğra, 1994; Thacker, 2000; Puga, 2004; Schneider, 2013; Özel, 2014).

The evolution of business representation in Mexico and Turkey is also similar. Although Turkey has never been considered a typical corporatist case, some of the essential characteristics of state corporatism have prevailed since the 1920s, particularly state control over and compulsory membership in semipublic chambers and hierarchical peak confederations (Bianchi, 1984; Koraltürk, 2002). Business associations based on voluntary membership that were founded in the late 19th and early 20th centuries were incorporated into the emerging semi-corporatist framework during the structuring of state-led industrialization in the mid-20th century. In both countries, the formal access of business to state actors has been accompanied by a variety of informal channels, characterized by the vast presence of clientelistic mechanisms (Heredia, 1998; Sayarı, 2011). Another common trend has been the diminishing power and further exclusion of labor.<sup>3</sup> Divergence across the two cases appeared recently with compulsory membership in chambers, a central trait of corporatist systems, being abolished in Mexico in 1996 while continuing to persist in Turkey.

These cases provide us with useful insights about the numerous consequences of global and regional integration for state–business relations. Initiated under the auspices of international financial institutions (IFIs), these countries' market reforms have been consolidated under the supervision of different regional blocs. Mexico and Turkey made simultaneous commitments to regional trade blocs, NAFTA and the Customs Union Agreement (CUA), in 1994 and 1995, increasing their market dependence on USA and the EU. Undoubtedly, the CUA entailed a much greater commitment regarding institutional changes, as it was an essential step towards accession negotiations on full EU membership, which required compliance with the *acquis communautaire* (hereinafter, '*acquis*'). Although Turkey's accession to the EU, launched in 2005, has more or less stalled, the EU's impact has been substantial in some issue areas, albeit limited in others (Müftüler-Baç, 2005; Bolukbasi and Ertugal, 2013; Özel, 2013; Börzel and Soyaltın, 2012; Aydın-Düzgüt and Tocci, 2015).

Obviously, respective accessions to a free trade bloc with certain institutional components attached, and to a supranational bloc like the EU, entail different dynamics which complicate the comparison. Nonetheless, Turkish accession has been a protracted journey,

- 2 The two countries have almost identical levels of GDP per capita: Mexico's is USD 9005 whereas Turkey's is USD 9126 in 2015 prices (accessed at <http://data.worldbank.org/indicator/NY.GDP.PCAP>. CD on December 22, 2016).
- 3 The shift has been doubtlessly more drastic in the former than in the latter where labor never had much power except for a limited period in the 1970s, despite the existence of corporatist mechanisms. See Luna (2004).

and increasingly one without an end result, and despite its limited degree of institutional convergence, NAFTA has brought about new forms of political organization and behavior; instigated new institutions; reformed existing ones; and promoted some degree of governance transfer, particularly in the Mexican case (Clarkson, 2000; Duina, 2013). Likening such transformations to 'Europeanization', Aspinwall (2009) coins 'Nafta-ization', pointing out significant institutional changes along with the establishment of new standards and norms in a range of policy areas in Mexico including competition, telecommunications and the environment; and the creation of new civil society groups. In a similar vein of analysis, Duina (2013, p. 36) argues that NAFTA engendered a certain level of governance transfer through its side agreements, suggesting that, compared to Europeanization, such transfer into domestic polity 'has been limited, but not completely absent'. Highlighting the supranational quality of certain institutions established through NAFTA, Clarkson (2000) underlines analytical commonalities between the two regionalizations.<sup>4</sup> Ibarra-Yúnez (2004) identifies institutional convergence in legal and regulatory fields, while Kay (2011) pinpoints transnational mechanisms provoked by NAFTA.

Undoubtedly, despite common features, institutional differences prevailed historically: presidentialism in Mexico versus (previously) parliamentarianism in Turkey, and Mexico's long-lasting one-party dominant regime versus (previously) Turkey's fragmented multiparty regime, obviously spawned different forms of executive-legislative relations. However, both have experienced within-case variations, making them more or less akin in different periods. In a puzzling fashion, some of the fundamental political institutions in Turkey have been recently transformed in a way that mimics the earlier versions of their Mexican counterparts, such as the combination of hyper-presidentialism and dominant party regime with authoritarian ramifications. First, while Mexican presidentialism has been transformed through dwindling executive power since 1997 in the recent past, the Turkish parliamentary system operated like *de facto* presidentialism through the widespread use of executive discretion; semi-presidentialism was officially installed in 2014, followed by a transition to presidentialism empowered by a referendum held in 2017 (Alvarado, 2009; Béjar, 2009; Kalaycıoğlu, 2014; Özsoy-Boyunsuz, 2016). As discussed in the respective literature, the partisan power of the executive, the level of polarization and the party discipline have profound impact on the *de facto* empowerment of the executive, besides *de jure* factors such as the executive's constitutional power and respective institutional configurations (Mainwaring and Shugart, 1997; Carey and Shugart, 1998; Jones, 2012). Second, the dominant-party regime led by the Institutional Revolutionary Party (PRI) eventually withered in Mexico. Moving in the opposite direction, the Turkish party system has adopted a dominant-party character with the Justice and Development Party's (AKP) consecutive electoral victories since 2002, further buttressing executive power. In a way, Turkey has embarked on a trajectory similar to Mexico's past where corporatism was entwined with authoritarianism bolstered by the dominant-party regime and a strong executive in a hyper-presidentialist system.<sup>5</sup>

- 4 Albeit stating the possibility of '*acquis nord-américain*', Clarkson (2000, pp. 34, 49) claims that institutional harmonization is by-and-large left to the market as 'NAFTA's deliberately disempowered institutions create a vacuum which facilitates the consolidation of US hegemony over its partners'.
- 5 President Erdoğan uttered on several occasions that he sought a 'Mexican type of presidentialism'. See *Hürriyet*, February 15, 2015 (accessed at <http://www.hurriyet.com.tr/erdoganin-onerdigi-mek-sika-modelinin-ayrintilari-28293207> on September 1, 2016).

## 2. State–business relations in a changing world

Within the last three decades, expanding global and regional integration has unequivocally transformed the role of the state as well as its relation with markets and businesses across advanced and developing countries. Similarly, the way businesses are organized and interact with the respective states have also gone through major transformations in accordance with changing incentive structures. Besides the market forces, changing institutional contexts instigated adjustments in business behavior, engendering new forms of interest mobilization and relations with political actors (Klüver *et al.*, 2015; Eising *et al.*, 2017). Interest politics has been reshaped and the locus of business's lobbying activity has shifted in many countries as a response to changes in the nature and number of access points and modified opportunity structures (Coen, 1997; Beyers *et al.*, 2008; Rasmussen, 2015). In this process, the divides within businesses across size, resource endowment, sector and internationalization have sharpened; the clout of large firms has amplified at the expense of the small and medium-sized businesses (SMEs)—and at times of business organizations (Coen, 1997; Schmidt, 2008; Alba, 2010; Schneider, 2013).

Embedded in these empirical developments, weakening—or dismantling—of corporatist institutions, and the consequent transition from corporatism to pluralism have been widely discussed since the 1990s, particularly in reference to advanced countries. A number of studies considered the survival of corporatism unlikely, as the very structures on which corporatist institutions flourished began to erode. Those institutions, it was surmised, would inevitably fade away in post-Keynesian, post-Fordist settings marked by market liberalization, increasing internationalization and labor market reforms, along with constrained state capacity (Streeck and Schmitter, 1991; Streeck and Kenworthy, 2005). Supranational governance added another layer to those threatening forces, as foreseen by Streeck and Schmitter (1991). Indeed, in the context of the European integration, former corporatist mechanisms and peak organizations weakened; the relative power of business increased vis-à-vis other interest groups; and within business, large firms have dominated in pluralistic channels—a prevalent trend referred to as 'elite pluralism' (Coen, 1997, 2007).

A number of other studies, however, maintain that corporatist practices have changed form rather than being altogether dismantled, labeling the new forms by distinct qualifiers. Challenging the claims of decaying corporatist arrangements, these studies argue that corporatism is sustained, and even bolstered, albeit in more flexible forms, against the backdrop of globalizing markets and post-Fordist production patterns (Wiarda, 1997; Rhodes, 2001; Molina and Rhodes, 2002; Ornston, 2012). Traxler (2004, p. 583) highlights the transformation of corporatism in OECD countries 'from Keynesian, demand-side to competitive, supply-side coordination functions and from classical to lean structures'. Asserting that 'reports of the death of corporatism were greatly exaggerated,' Molina and Rhodes (2002, p. 306) point out the steering role of the state in the new era. In his depiction of 'competitive corporatism,' Rhodes (2001) emphasizes the flexibility of the new bargains, conforming to the requisites of market integration. Drawing from Italy and Ireland, Baccaro (2003) states that social pacts survived the transformations of the 1990s and 2000s by adapting to new conditions, yet all-encompassing corporatist organizations were unable to hold out in face of challenges. Examining the same cases, however, Culpepper and Regan (2014, p. 724) underscore the end of the tripartite pacts, caused by declining capacity and legitimacy of the unions, as they 'have neither the *carrots* with which to attract governments to incorporate

them into policymaking nor the *sticks* with which to compel their inclusion', a phenomenon indicated by Pempel and Tsunewaka (1979) for the Japanese case of 'corporatism without labor'.

Besides the market forces entwined in globalization and regionalization, transformations in institutional configurations have also played important roles in reshaping interest politics, such as the changes in executive–legislative relations. Focusing on Denmark and Norway, Rommetvedt *et al.* (2013, p. 460) argue that the strengthening of the legislature vis-à-vis the executive branch shifted interest groups' attention toward parliaments, and changing political opportunity structures turned influence-seeking interest groups into 'venue shoppers' as they 'move between access points', contributing to the decline of corporatist representation in policy-making. A similar trend prevails at the EU level where changing institutional structures transformed interest politics, reshaping the organization and intermediation of business interests. In line with changes in EU-level institutions, 'logic of access' has changed for business actors, expanding access points and venue-shopping (Bouwen, 2002; Beyers *et al.*, 2008). For instance, the empowerment of the European Parliament (EP) following the Lisbon Treaty from a 'consultative chamber' to a 'co-legislator' expanded the scope and reach of 'legislative lobbying' for businesses (Rasmussen, 2015, p. 365). Demarcating the institutional factors and changing political opportunity structures for business lobbying, Klüver *et al.* (2015) identify varying types of lobbying across the EP, the Commission and the Council.

Paralleling these changes, across many countries and levels (including the EU), an increasingly more diversified milieu of actors has prevailed, where old-school peak organizations coexist with voluntary (peak, sectoral and/or issue-based) associations, individual firms, professional lobbyists and consultants in diverse platforms (Streeck *et al.*, 2005; Brandl and Lehr, 2015; Ronit and Schneider, 2015). Despite this complex coexistence, large firms' privileged access to decision-makers has become common practice in national and supranational settings (Coen, 1997). Albeit acknowledging the better access of large firms to some institutions at the EU level, Eising (2009) underlines continued access of business organizations, depending upon their resource endowments. Such complex coexistence of pluralist and corporatist arrangements and organizations also prevails in middle-income countries where the transformations caused by global and regional integration have been more drastic compared to the advanced countries.

Corporatism, which was associated with parliamentary regimes in the advanced countries, had flourished in different forms in Latin American presidential regimes (Schmitter and Lehbruch, 1992). Pluralism has begun to thrive recently, marked by diversified organizational spectra, while corporatism has weakened (Thomas and Klimovich, 2014). Demarcating a general trend of decaying tripartite *concertaciones* and emphasizing the unlikely nature of European-style societal corporatism in the region, Silva (2002, p. 93) underscores the evolution of the Latin American interest intermediation model as being 'closer to the U.S. pluralist model than anything else, although it lacks essential elements'. Mainwaring and Hagopian (2005) also point to decaying corporatism the region. Boschi (2016) and Schneider (2015) indicate the erosion of former institutions and the expansion of business–government councils and committees across sectors, while Karcher and Schneider (2012) put forward the rise of lobbying with legislators as an outcome of democratization in the region. Along similar lines, Diniz and Boschi (2004) underline 'Americanization of business politics' in Brazil where business directly lobbies legislators,

and [Boschi \(2016\)](#) demonstrates how legislature's strengthening has triggered lobby groups and the transformation of corporatist organizations. Drawing from Argentina, [Johnson \(2008, p. 86\)](#) also highlights the decay of corporatism, the waning influence of peak organizations and the move towards greater pluralism. [Oliveira Gozetto and Thomas \(2014\)](#) analyze the expansion of fragmented pluralist forms of business representation in Brazil, emphasizing the increasing role of the legislative branch, meshed with the persistent legacy of a strong executive. [Doctor \(2007\)](#), on the other hand, pinpoints the rise of new tripartite neo-corporatist arrangements in Brazil.

Highlighting the understudied nature of legislative lobbying and legislature in developing countries, [Yadav \(2008\)](#) points to varying incentive structures, brought about by distinct legislative institutions and their impact on political parties. Focusing on business lobbying in India and China, she explicates how legislative institutions in India lead business groups to target their resources at the parties, rather than individual legislators, whereas in China, decentralization of legislative powers incentivizes business lobbying targeted at individuals at the subnational level (p. 68).

Building on these strands of literature, this article examines changing business politics in Mexico and Turkey, both characterized by complex coexistence of organizations and firms, and where institutional setups—and their transformations—shape the organization and intermediation of business interests. As diverging outcomes in the two cases, legislative lobbying through increasingly more pluralist mechanisms expanded in Mexico, while in Turkey, the tilting of executive–legislative relations at the expense of the latter, centralized the locus of business lobbying on the executive. Through an in-depth analysis of these constellations, the article explores the dynamics behind fading corporatism and rising elite-pluralism in Mexico, and the rebirth of corporatism in Turkey.

### 3. Belated rise of 'competitive corporatism': the case of Turkey

Substantial transformations have occurred in the organization and intermediation of business interests in Turkey since the 1990s. New hierarchical peak organizations have been established, existing ones have strengthened, and new forms of intermediation have emerged. The increasing power of the executive—and thus a diminishing number of veto players—has transformed the political opportunity structures for business actors.

#### 3.1 Changing executive–legislative relations

The balance between executive and legislative power in Turkey has changed through multiple mechanisms: increasing use of executive decrees; partisan power of the executive vis-à-vis the legislature; party discipline; and the recent shift from parliamentarism to semi-presidentialism as part of an ongoing transition to presidentialism. Bestowed with law-like status by the constitutional amendments in 1971 and 1982, executive decrees have been extensively used since the 1980s, as governments opted to bypass parliaments whenever they faced resistance ([Özel, 2014](#)). Since 2002, this instrument has increasingly been at the disposal of AKP governments. In the current context of the 'state of emergency' put in place following a coup attempt in 2016, decrees have become the sole instrument, akin to what was proposed by [Carey and Shugart \(1998, p.8\)](#) regarding 'executive decisions [becoming] policy status-quo even without legislative action'. The second mechanism in the tilting executive–legislative balance is the increasing partisan power of the executive maintained by the AKP's

sustained parliamentary majority in the last four general elections, acquiring a dominant-party status. Just like in the PRI regime preceding 1997, the significant size of the executive's legislative contingent has enhanced *de facto* executive power in Turkey. The third mechanism is the AKP's strong party discipline, which often results in bloc voting for diverse legislative initiatives.

The last mechanism is the ongoing regime change from parliamentarism to presidentialism empowered by a referendum in 2017, expanding executive authority. This change occurred in stages, with semi-presidentialism prevailing from 2014 when the first popular elections carried the former PM Recep Tayyip Erdoğan to the president's office. The presidential regime that is in the making (to be fully implemented by 2018) further enhances executive power, centralizing political authority in the president's office and potentially granting 'hyper-presidentialism' (Larkins, 1998; Özsoy-Boyunsuz, 2016).

As a result of these changes in executive–legislative relations, the number of veto players has dropped and the decision-making process has been increasingly centralized in Turkey. Accordingly, the political opportunity structures of business actors have shifted, and the benefits of accessing the executive have increased. As an unintended consequence, the EU accession process has indirectly contributed to such expansion and centralization, particularly through strengthening the political base of the AKP by means of myriad mechanisms including expanded capital inflows to the Turkish market at the height of the accession process, EU funds and increasing bureaucratic capacity.

### 3.2 Empowerment of business organizations in Turkey

Increasing executive power and the centralization of policy-making have expanded the incentives for businesses to form peak organizations and invest in the existing ones. Increasing—yet polar—cohesiveness within business through the rise of a few hierarchical peak organizations has facilitated focalized access to a smaller number of veto players. Political stability brought about by the AKP's successive electoral victories, enabling single-party governments, has enhanced the opportunities for close interaction between the peak organizations and the executive branch.

The EU accession process has helped enhance the capacity of business organizations, semipublic and voluntary alike, despite the limitations of EU civil society initiatives that have not been part of the official policy areas entailed by the *acquis*. Civil society policy for candidates was formulated as late as in 2006, and the 'New Enlargement Strategy 2007–2008' in line with the Commission's 'Communication on Civil Society Dialogue' designated an active role for civil society in accession (EC, 2011). Notwithstanding such limitations, the impact of EU accession on business organizations and interest intermediation in Turkey has taken place through several channels. The EC promoted the legal changes to establish nation-wide hierarchical confederations; it pushed to enhance their—and affiliated chambers'—organizational capacity; offered technical and financial support; and facilitated large networks. It also encouraged the incorporation of peak business and labor organizations into policy-making via 'discussions, consultations, negotiations and joint actions'.<sup>6</sup> Yet, institutions designed to facilitate such incorporation failed to function despite their constitutional status.

6 Accessed at <http://ec.europa.eu/social/main.jsp?catId=329&langId=en> on September 24, 2013.

### EU pushes forward a giant: empowerment of TOBB

The most prominent example in the EU's empowering of hierarchical business organizations has been the Union of Chambers and Commodity Exchanges of Turkey (TOBB), the peak semipublic business organization. Since it was founded in 1952 as a 'legal' all-encompassing entity, the TOBB represents (on article) all industrial and commercial interests, as all chambers and unions are its compulsory members. Yet for decades, rather than furthering business interests, it helped solidify and centralize state control over business interests due to its politicized and co-opted nature. Its higher ranks served as stepping stones for political careers, like in Mexico's leading organizations such as Confederation of Industrial Chambers of the United States of Mexico (CONCAMIN) and National Chamber of Transformation Industries (CANACINTRA) (Luna, 1992). TOBB's constantly changing status, vacillating between a bureaucratic agent, party affiliate and business organization, generated problems until the 2000s, as its legitimacy was often questioned by rival associations. Although authorized by law to be incorporated into policy-making, TOBB's *de facto* incorporation shifted between nonexistent and high, contingent upon governmental discretion. Notwithstanding such limitations, TOBB turned into a powerful entity, often referred to as 'a state within the state' (Özel, 2014). Possessed of a broad membership (365 chambers and 1.3 million firms), it became the wealthiest public institution in Turkey, establishing a university, 23 shareholdings and 13 foundations, besides other entities.<sup>7</sup> It has embarked upon a new role to generate collective action, acting as the mediator between the state and businesses as well as amongst businesses.

The capacity of TOBB and its affiliated chambers expanded during the EU accession process through accreditation, collaboration, technical support, project-based funding, chamber-matching and sharing of best practices, as well as the confederation's integration into European networks. Aiming to harmonize the Turkish chambers system with that of the EU, the accreditation of chambers, developed through collaboration with the European Chambers of Commerce and Industry (EUROCHAMBRES) and the British Chamber of Commerce, required strategic business planning, total quality management and capacity building. Currently, 224 out of 365 chambers in Turkey (all affiliated with TOBB) are accredited, facilitating eligibility for EU funding and access to international networks.<sup>8</sup> Established in 2007 by TOBB and EUROCHAMBERS, the EU-Turkey Chambers Forum has played a significant role in enhancing chambers' capacity.<sup>9</sup> Seeking to promote integration between European and Turkish business communities, it has helped to enhance chambers' services by know-how transfer and benchmarking, increase awareness of legislative changes, and found companies under TOBB. The 'Matching Chambers Initiative' matched

7 TOBB's revenues consist of membership fees, fees for trucking certificates for long-distance transportation, custom transit licenses, barcode license rights and the gazette of revenues and registration, among others. Accessed at <http://www.tobb.org.tr/Sayfalar/AmaciveYapisi.php> on January 30, 2016.

8 Accessed at <http://www.tobb.org.tr/EgitimveKaliteMudurlugu/Sayfalar/OdaBorsaAkreditasyonSistemi.php> on January 1, 2016.

9 TOBB President Hisarcıklioğlu's becoming the Vice-President of EUROCHAMBRES intensified those links.

41 Turkish chambers with 34 European counterparts, facilitating collaboration in vocational training and technology transfer.<sup>10</sup>

### **Intended and unintended consequences of the EU accession process: empowerment of the SMEs and 'Islamist' organizations**

One of the outcomes of the EU's empowerment of TOBB is the flourishing of SMEs in Turkey, constituting the overwhelming portion of TOBB's membership base. This phenomenon strikes a major contrast to most emerging markets where market liberalization weakened the SMEs; and more specifically to Mexico where the hegemony of big business has been exacerbated by the NAFTA process (Thacker, 2000; Shadlen, 2004; Alba, 2010). In the Turkish case, the empowered TOBB has collaborated with other public agencies to provide credit for SMEs; helped enhance human capital through endorsing and participating in collective skill institutions; matched employers with employees through its Vocational Training Project; facilitated its members' engagement into business networks; and bolstered the internationalization of its members through designated initiatives.

The EU's contribution to the growth of SMEs through various channels complemented respective governmental initiatives, coinciding with the thriving alliance between the AKP and SMEs. The relative empowerment of SMEs had begun to generate new claims to political power by the 1990s, contributing to the rise of religiously conservative political parties, amplified with the AKP's coming to power in 2002 (Buğra, 1999; Gümüüşü, 2010). AKP-SME alliance was indeed part of a realignment, as an outcome of a historically embedded conflict regarding state-business relations. Until the 1980s, the alliance between big business and the Kemalist state establishment (and its indispensable secularist component) had given rise to contestations over the distribution of public resources. Business actors, particularly the SMEs, which shared a predominantly Muslim identity and a sense of marginalization, due to limited access to public resources and the domestic market marked by high entry barriers, started mobilizing in the 1990s (Buğra, 1999; Öniş, 2007). They established organizations such as the 'Independent' Industrialists and Businessmen's Association (MÜSİAD), among others. Expanding their membership and political influence staggeringly, bolstered by the rise of Islamist parties, these organizations became sites of new business mobilization, constituting rivalry against other organizations. In this context, a new cleavage emerged between the Islamist versus secular(ist) businesses, on top of the existing ones: semipublic organizations based on compulsory membership versus voluntary-membership-based organizations; SMEs versus big business; export-oriented versus import-competing; Istanbul versus the rest of Turkey. The Turkish business community, which was already fragmented, has become highly polarized through the expansion of 'Islamist' organizations and their secular(ist) counterparts (Özel, 2010).

### **The EU, polarized cohesion and organizing 'Islamist' businesses**

Turkey's stalled EU accession process has also empowered voluntary organizations, particularly through facilitating their formation of confederations. An unintended consequence of

10 An example is the matching between Eskişehir Chamber of Industry and Stuttgart Chamber of Commerce and Industry in a know-how transfer project funded by the EU 'German Dual Vocational Education: Certified Mechatronics Training' (accessed at <http://v2.etcf.org.tr/EN/Genel/BelgeGoster.aspx?17A16AE30572D313AAF6AA849816B2EF78C76BE6A7A023D3> on January 6, 2016).

this initiative, however, has been the strengthening and unifying of Islamist business organizations. The Law on Associations enacted in 2004 in accordance with the EU's classification on territorial federations exemplifies the most important institutional reform in this regard.<sup>11</sup> The EC endorsed its enactment to promote the participation of civil society organizations in the accession negotiations. Many federations and two important confederations were born out of this law: the Turkish Enterprise and Business Confederation (TÜRKNFED) in 2004, at the secular pole; and the Confederation of Businessmen and Industrialists of Turkey (TUSKON) in 2005, at the Islamist pole, diversifying the universe of peak organizations in the making of competitive corporatism. TÜRKNFED, founded with 6 federations and 69 associations, had grown to 25 federations, 190 associations and 40 000 firms by 2017; while TUSKON consisted of 7 federations, 211 associations and 55 000 individual members.<sup>12</sup>

Establishment of these peak organizations with similar claims for representation of the whole business community signified the emergence of a 'polar cohesion' in the Turkish business community, embodying two seemingly contradictory trends: unprecedented cohesion on one hand and increasing fragmentation on the other. TÜRKNFED aggregated Industrialists and Businessmen's Associations (SİADs) which had been endorsed by the powerful Turkish Industry and Business Association (TÜSİAD) representing big business.<sup>13</sup> Often referred to as the 'Club of the Rich', TÜSİAD was criticized by the EU regarding the legitimacy of its representation (limited to around 650 individuals representing about 4000 firms, many of them adhering to a handful of conglomerates).<sup>14</sup> Although both claimed to be peak confederations aggregating associations based on voluntary membership, their self-acclaimed titles were contested because of the ongoing rivalry between them—and, at times, between them and TOBB as well as others—regarding representativeness and access to the state.

Reproducing the historical legacy of unsteady cooperation between the incumbents and businesses, the close ties between TUSKON and the government did not last long. The relationship had collapsed by 2013 due to a severe conflict between the government and the Gülen Community, an Islamic order with a vast transnational network, with which TUSKON was affiliated.<sup>15</sup> As the government denigrated the Gülen Community for a 'civilian coup' in 2013, while the latter accused the government of corruption, this conflict caused TUSKON's exclusion from all consultation platforms, later replaced by MÜSİAD, also known for its Islamist credentials, denoting the preponderance of 'politics of (dis)invitation' (Özel, 2014). The conflict exacerbated in 2016 when TUSKON was closed down as it was implicated in the failed coup against the government, and some of its prominent members were arrested.

11 Law #5253, published in Official Gazette #25649, Vol.44, November 4, 2004.

12 Accessed at <http://www.turkonfed.org/en/institutional-and-legal-structure/> on August 8, 2017.

13 Although there are no concrete figures as to TÜSİAD's economic weight, the association asserts that its members generate 50% of the nonpublic total value added in the Turkish economy; 80% of overall exports except energy; and 50% of nonpublic, nonagriculture employment (accessed at <http://www.tusiad.org.tr/tusiad/verilerle-tusiad/> on January 24, 2016).

14 Accessed at <http://www.TURKNFED.org/indexeng.htm> on December 1, 2015; interview with a former chairman of TÜRKNFED, Bursa on September 10, 2009.

15 Based on the decrees of the State of Emergency, Gülen Community is considered a 'terrorist organization'.

### 3.3 EU, IFIs and intermediation of business interests in Turkey

In Turkey, business intermediation has historically been undertaken through ad hoc consultation platforms, contingent upon executive discretion. Through a pattern of selective inclusion in a fragmented environment, governments picked and chose business organizations to be incorporated into policy-making platforms, depending on their current relationship with particular organizations. The rules and players of these platforms frequently changed and their *de facto* functioning mostly diverged from *de jure* constellations marked by an extremely weak legacy of institutionalized consultation and an absence of effective social dialogue.

Nonetheless, major institutional changes occurred in the early 2000s whereby consultative platforms were institutionalized and the existing ones were reformed. The increasing—yet polarized—cohesiveness of business in the 2000s, bolstered by the EU, helped establish these platforms. Either all three peak organizations—TOBB, TÜRKONFED and TUSKON—were incorporated into these platforms along with other organizations, or the governments used their discretion to shuffle them around. Important examples of such platforms are the Board of the Assessment of Economic Issues (ESDK), sustained for 5 years, as well as the Coordination Council for the Improvement of Investment Environment (YOİKK) and the Economic and Social Council (ESK). Both the EU and IFIs have played important roles in the making of these platforms. Although the EU's impact has been substantial, most of the platforms it promoted (such as the ESK) have failed, while those initiated by the IFIs have operated more effectively.

#### Europeanization on paper: Turkey's ESK experience

Against the backdrop of fading social dialogue at the EU level, along with accession process limitations in this regard, the EC's promotion of social dialogue in Turkey in fact preceded the accession negotiations. In the early 1990s, the EC pressured Turkey to establish such institutions, the most important of which has been the ESK. As the EC's push coincided with the ILO conventions, along with business and labor demands, the ESK was established in 1995 by an executive decree, which later was enacted as a law and finally acquired constitutional status in 2010. Its composition and functions were altered several times; successive governments changed the rules, granting and revoking representation to particular actors, changing the weight of their representation to reward or punish, and rendering the ESK dysfunctional.

Rather than forming an arena of dialogue, the ESK has been an arena of conflict ever since its establishment. According to a former president of TÜSİAD, 'the ESK was born dead as it was extremely dominated by the invincible Turkish state'.<sup>16</sup> Instead of using the Council for consensus-making, business and labor have acted in similar ways, at times protesting the ESK and boycotting its meetings (Koray and Çelik, 2007). Overrepresentation of state actors was criticized by both business and labor, while the latter also protested the overrepresentation of business. A similar rivalry prevailed within these groups as well regarding the participation of specific organizations, leading to constant shuffling of participants. 'Lack of a consensus culture' and 'the state's unwillingness to consult with the non-state actors' was often underlined by businesspeople who participated in ESK meetings.<sup>17</sup> Hence, the ESK served as window-dressing vis-à-vis the EU, yet failed to function.

16 Interview with a former president of TÜSİAD, Istanbul on December 20, 2011.

17 Interview with a former president of TÜSİAD, Istanbul on September 20, 2012.

Although the ESK was constitutionalized in 2010, even having a constitutional status has not improved its dysfunctional state, as it has not even convened since 2009. Its *de facto* operation has remained decoupled from its *de jure* frame, epitomizing the limitations of Europeanization coming up against domestic interests. The failure of this historic attempt to institutionalize social dialogue has been underscored in successive Progress Reports: ‘consultation of civil society remains the exception rather than the rule’ (EC, 2012, p. 10); ‘the functioning of tripartite and bipartite social dialogue mechanisms remains weak and the Economic and Social Council remained inactive’ (EC, 2013, p. 40).

#### IFIs and bilateral platforms at work

Although the EU’s promotion of tripartite social dialogue has mostly failed in Turkey, some of the bilateral state–business platforms have worked effectively. One of the most important platforms was the formation of the YOİKK in Turkey in 2001, endorsed by the World Bank’s Investment Climate Advisory Service to attract foreign investment. YOİKK operated effectively in the 2000s as a bilateral state–business consultation platform, yet at the cost of excluding labor, epitomizing competitive corporatism accommodating market pressures.

Based on its flexible structure, it has addressed a broad range of issues such as reducing red tape, implementing a reform program to rationalize regulations and policies regarding investment and tax reform. It has incorporated business actors into policy-making, as certain major laws were legislated based on drafts prepared by YOİKK. Formal members of the YOİKK Coordination Committee include TOBB, Foreign Economic Relations Board, the International Investors Association of Turkey, TÜSİAD and the Turkish Exporters Assembly. While TUSKON was also a regular participant/invitee preceding the conflict between the organization and the government in 2013, it was replaced by MÜSİAD in 2014 when the latter became a formal member—an indicator of the reproduced legacy of selective inclusion and changing rules.<sup>18</sup> The TOBB and its affiliated chambers have played important roles in the Working Groups and Technical Committees of YOİKK.

#### 4. Elite-pluralism in, corporatism out: the case of Mexico

Organization and intermediation of business interests in Mexico have also gone through major changes. Like in Turkey, varying forms of interest representation, semipublic and voluntary organizations, and formal and informal access to the state elites have coexisted; and the rivalry between business organizations to access these elites and selective incentives has prevailed historically. A major difference between the two cases is the earlier emergence of a relatively more cohesive business (though with contested legitimacy) and a more predominant role of tripartite bargaining. Yet, business was merely excluded from the key corporatist arrangements of the PRI regime, which officially incorporated the collective social actors into the party structure (Luna, 1992; Alba, 2010).

The peak business actor, the Coordinating Council of Business (CCE), which played a central role in key tripartite and bipartite platforms in the 1980s and 1990s, encompassed voluntary and semipublic organizations. What is striking in Mexico is that the capacity of peak organizations, which expanded until the 1990s, then began to decline. The social pacts and *concertaciones* that had marked the earlier decades and market transitions, particularly

18 Based on a decision made by the Council of Ministers on July 9, 2014, #2014/3.

those established in the aftermath of the debt crisis in the 1980s to achieve macroeconomic stabilization, lost their predominance. Unlike in Turkey, where semipublic organizations have gone through a revival juxtaposed to strengthening voluntary organizations, the capacity of semipublic organizations in Mexico diminished along with that of the peak voluntary organizations embedded in the process of dismantling corporatism (Luna, 2004; Tirado, 2006).

Changing executive–legislative relations have played a major role in the said transformations regarding interest politics. The dynamics of change, however, have occurred in an opposite direction than in Turkey, as the notoriously powerful presidents weakened, while the legislative branch strengthened. A major difference between these two cases is that the power of peak organizations declined in Mexico in line with the weakening of the highly centralized political authority constellations set by the PRI regime. Interest intermediation has adopted pluralistic mechanisms (albeit with limited space for inter-group competition), where specialized lobbying began to replace corporatist platforms, signifying partial convergence of the interest representation model towards the Anglo-American model. Greater integration of the Mexican market into the North American economic sphere following NAFTA also contributed to this development, through the expansion of transnational business networks.

#### 4.1 Changing executive–legislative relations

The transformation of executive–legislative relations in Mexico has taken place in distinct phases, the apex occurring in 1997 when the PRI lost its absolute majority in the Chamber of Deputies for the first time in six decades. Ending the PRI's monopoly on political power fused in the executive and legislative branches, this event altered the balance of power, empowering the Congress while weakening the executive and transforming the character of presidentialism (Nacif, 2002; Alvarado, 2009; Béjar, 2009). This major institutional change entailing the separation of powers reshaped the ways in which businesses, among other non-state actors, interact with different branches in order to influence the policy-making process, in line with the changing nature of decision-making in a broad range of areas including public policy formation, budget-making and elite recruitment, among others. Overall, it denoted a significant shift in opportunity structures for business actors, transforming the ways in which their interests are organized and intermediated.

As is well documented in the literature, this change did not take place through formal institutional reforms, since the separation of powers had been clearly set by the 1917 Constitution (Weldon, 1997; Casar, 2002). Indeed, compared to its Latin American counterparts, Mexico has a relatively weak presidential system regarding executive power. Nevertheless, hegemonic party rule along with the president's leadership of the PRI and the PRI's party discipline magnified the executive power until 1997, rendering the Congress a 'rubber stamper' of presidential legislative initiatives, a well-known trait of the PRI's authoritarian rule (Mainwaring and Shugart, 1997; Ugalde, 2000; Nacif, 2002, 2005). In what is often referred to as hyper-presidentialism, the executive in Mexico subordinated the legislative branch, even though the presidential authority was formally restrained and the legislative branch was bestowed with substantial *de jure* powers. Hence, political authority was extremely centralized in the executive branch, which had become the principal legislative organ in the context of the PRI's dominant-party regimes, where the legislative initiatives of

the executive were approved with minor amendments by the Congress, often called an 'accessory' (Gómez, 2008). As Nacif (2005) states, the legislature's empowerment indicated a drastic change in the role of the president: from a supreme legislator to a veto wielder, as the executive retreated to the limits of its constitutional authority when the dormant institutions began to be enforced in practice in line with a changing political matrix.

The nature and the power of the legislative have been reformed in several stages since 1964 through political dynamics, electoral reforms and a set of institutional reforms including the establishment of the National Electoral Institute. As for political dynamics, the process that started with the PRI's loss of a qualified majority in the Chamber of Deputies in 1988, proceeded to its loss of absolute majority in 1997 and finally culminated in its loss of both chambers in 2000. Preceding the PRI's loss of presidency in 2000, hyper-presidentialism and centralization of political authority had already ended by 1997 due to the party's political weakening and the opposition's control of the Congress during the 57th Legislature. Benchmarked against the 57<sup>th</sup> Legislature, legislative activity had increased by 236% in the 58th and 621% in the 59th Legislatures (Alvarado, 2009, p. 144). The rules regarding the internal structure and operation of the Congress changed as well in the late 1990s, introducing the principle of plurality in the formation and working of commissions (Béjar, 2009, p. 105). These commissions began to play important roles for business lobbying of legislators.<sup>19</sup>

Reshaping the relations between the executive and legislative branches by establishing a new veto player, these unprecedented developments transformed the opportunity structures and spawned new forms and channels of bargaining between the state and societal actors. In the previous setup, extremely centralized governance and decision-making structures were reflected by business organizations and the ways in which they interacted with the state actors: hierarchical and centralized peak organizations participated in broad pacts and *concertaciones*. In the new setup, the number of access points to policy-making increased, and the locus of business political activity mostly shifted from the executive (mainly the President and his entourage) to the legislative branch (the commissions and the individual legislators). A businessman wraps up the shift eloquently:

Before, we used to go up to the *King's* palace [referring to the President's Office] to ask for favours from *his excellency*. He was the only one who you would lobby with. Now, it is a mess, you have to lobby every single congressman. Well, it is a lot of work, but better than the middle ages.<sup>20</sup>

Two decades later, Turkey has been experiencing an opposite turn in political opportunity structures. Business actors, organized in hierarchical peak confederations, seek to access an increasingly centralized decision-making apparatus empowered by a dominant-party regime in an incipient presidentialism, where the legislative branch is merely subordinated and access to the president and his inner circle bears utmost importance for influencing policy-making.

19 Interviews with CANACINCTRA and CONCAMIN officials and lobbying firms, Mexico City, on August 29–September 6, 2012.

20 Interview with a businessman involved in COECE and COPARMEX, Mexico City on June 17, 2004.

#### 4.2 A case for NAFTA-ization or North Americanization?

The NAFTA process, coming into force 3 years before the division of the Congress, operated as a catalyst in the transformation of interest politics in Mexico, contributing to the spread of pluralistic interest intermediation through transnational mechanisms. Unlike the EU accession, NAFTA, which is a *new generation* free trade agreement with clauses on intellectual property, investment and competition, entails no specific agenda for social dialogue nor for the organization and intermediation of societal interests. Despite its limited nature, the NAFTA process has played an important role in reshaping the organizational landscape in Mexico, helping big business and its organizations acquire further leverage in interest politics.

NAFTA negotiations became a turning point for introducing professional lobbying to Mexican elites, as both the Mexican state and key business actors worked with US-based lobbying firms to promote Mexico's accession to NAFTA (Galaviz, 2006; Gómez, 2008). By 1992, 75 US-based lobbying agencies were registered with the Department of Justice as representatives of Mexican interests, and 22 of those were contracted by the government.<sup>21</sup> Later in the 1990s, lobbying firms began to operate as novel actors in Mexico, and US firms entered the market (Lerdo de Tejada and Godina, 2004; Ehrman Fiori, 2011).

The NAFTA negotiation process also engendered new business organizations to monitor the negotiations, and helped increase the clout of big business (Puga, 2004; Shadlen, 2004). The Coordinating Council for Foreign Trade (COECE), established by the CCE and known as an organization dominated by big businesses, acted as a business advisory body, becoming the key interlocutor of business during negotiations where COECE representatives had access to the drafts and the official negotiation team through a 'room next door' mechanism (Thacker, 2000; Schneider, 2004). COECE was closely linked to organizations representing internationally oriented firms and foreign capital, with the most important being the Mexican Business Council for International Affairs (CEMAI) and the National Association of Importers and Exporters (ANIERM), which had previously lobbied for a free trade agreement with USA. The organic link between CEMAI and COECE is important to note, as the latter's general coordinator and some staff members came from the former.<sup>22</sup>

Increasing leverage of organizations representing transnationalized businesses goes back to the 1980s, the beginning of a drastic market liberalization process in the aftermath of the debt crisis which struck in 1982 and helped launch a drastic market liberalization program triggering the transformation of state–society relations. Proactively lobbying for a free trade agreement in the U.S. and Mexico with state and business elites as well as academics and opinion leaders, these organizations played an increasingly more central role in policy-making. Contrasting the empowerment of organizations representing big and transnational businesses, organizations representing the SMEs, such as the CANACINTRA, weakened substantially after the 1980s, and NAFTA played a crucial role in tilting the power balance in favor of big businesses (Shadlen, 2004). It manifestly helped big businesses transnationalize and integrate into the North American economic sphere. It was especially these busi-

21 *Proceso*, No. 831 on October 5, 1992.

22 During NAFTA negotiations, CEMAI offered its personnel and resources, including its office in Washington D.C., for the use of COECE. Interview with a former president of CEMAI and coordinator of COECE, Mexico City on May 20, 2004.

nesses and their organizations that promoted the dismantling of corporatist institutions, semipublic chambers and confederations. These organizations had contested the key corporatist institutions for decades, campaigning for the abolition of compulsory membership in chambers. CEMAI and ANIERM played significant roles in this campaign, initiated by the Mexican Employers' Confederation (COPARMEX). In line with their 'protest and struggle against the authoritarian state',<sup>23</sup> these organizations perceived corporatism as a co-opting mechanism of the authoritarian state, and compulsory membership as a central apparatus of corporatism.<sup>24</sup> Although the new law did not abolish the legal status of the chambers and confederations as the 'organs of consultation', their capacity has dwindled.

Almost simultaneous with the loss of a PRI absolute majority in the Chamber of Deputies, an important institutional change took place reshaping business interests: the abolition of compulsory membership in chambers in 1996 (effective by 1997). The amendment of the 'Law of Business Chambers and their Confederations' became a milestone in state-business relations, as it abolished compulsory membership in the chambers, hence in confederations, a rule that had persisted since 1936.<sup>25</sup> Along with shifting executive-legislative power balance, this reform contributed to the transformation of business politics, weakening semipublic chambers, peak organizations and their presence in consultation platforms.

Prior to dismantling of compulsory membership, the *de facto* power of semipublic organizations like the CONCAMIN and CANACINTRA had already dwindled since the 1980s. Voluntary-membership-based organizations began to dominate semipublic ones with the launching of market liberalization programs in the 1980s, exemplified by the Pact of Economic Solidarity (PSE) in 1987. The CCE's founding in 1976 and ascent in the 1980s as the key interlocutor of business in the context of *apertura*, amassing semipublic and voluntary organizations, accentuated the big interests' lead in interest politics in general and consultation platforms in particular; and mostly undermining labor, giving rise to 'bilateral corporatism' or 'business corporatism' (Luna, 1992).

Most of the former pacts and other consultative platforms that incorporated peak business—and labor—organizations had faded away by the 2000s (Luna, 2010). Yet, governments still use 'pacts' instrumentally and/or rhetorically to enhance legitimacy. According to a CANACINTRA official, 'pacts have become outlets of showing off for media coverage, they are good for handsome photography of handshaking between the government and the organizations'.<sup>26</sup> Amongst other platforms, COECE also disappeared in the 2000s after the completion of trade negotiations with the EU. Although 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), claims to play an important role in international trade negotiations, it has failed to achieve those goals due to its capture by special interests, engendering legitimacy concerns.<sup>27</sup> According to

23 Interview with Lorenzo Servitje. '70 Años al Servicio de Mexico', *Historia Ultima Parte*, COPARMEX Publications, 1999, p. 7.

24 Interviews with officials of CCE and COPARMEX on August 15–17, 2012, Mexico City.

25 Published on December 20, 1996 and put into action on January 1, 1997, it amended the 'Law of Commercial and Industrial Chambers' which had been published on August 26, 1941. Obligatory membership had been established earlier, in 1936.

26 Interview with a CANACINTRA official, Mexico City on September 4, 2012.

27 COMCE accessed at [http://www.comce.org.mx/contenido1.php?id\\_contenido=1&con=contenidos](http://www.comce.org.mx/contenido1.php?id_contenido=1&con=contenidos) on September 3, 2015.

CONCAMIN and CCE representatives, COMCE ‘took hostage’ of the organization, ‘monopolizing’ the negotiations in their own interests.<sup>28</sup>

### 4.3 ‘Shooting for many targets’: the rise of legislative lobbying

The diminishing power of all-encompassing organizations and the rise of pluralistic forms mark a new era of interest intermediation in Mexico with a diversified organizational space. Increasingly fragmented business actors endeavor to access legislators in a fragmented Congress, unlike in the previous era where access to the state was focalized on the executive. Legislature’s empowerment helped shift the focus of business lobbying toward the former, as they began to move between various access points rather than maintaining direct access to the sole veto player, that is, the executive.

#### Old actors adapting to new ways: ‘legislative liaisons’

In the new institutional setup, new actors have been born while the old ones transformed the ways in which they aggregate interests, relate to their constituencies and interact with state actors. In a way, they carved new identities and strategies to access the state and their membership. All business organizations, independent of their age, representation and resources, shifted their focus onto the legislature. Most of them, semipublic and voluntary alike, as well as many big firms, established designated committees of ‘legislative liaisons’ (*enlace legislativo*) specializing in legislative lobbying. Therefore, business’s strategy for accessing the state has changed, as asserted by a CONCAMIN official: ‘the Congress has become a place where policies are shaped, therefore, we had to come up with a new strategy to get to that place’.<sup>29</sup> Likewise, Gabriel Aguirre Marín, the Coordinator of Lobbying, Legislative Liaison and Political Action of COPARMEX, states that ‘now the Congress has the word and for that reason we have to be close to it’.<sup>30</sup>

Challenged by the increasing rivalry in the organizational space and the dismantling of corporatism, semipublic organizations have adopted flexible forms to represent business, becoming service providers, lobbyists and consultancy offices; ‘they have become pragmatic in order to survive, playing by the rules of the new game to regain their power’.<sup>31</sup> Espousing a survival strategy, confederations and chambers—whose membership, resources and relative power had already dwindled after the amendment of the Chambers Law—have applied innovative instruments. According to a former consultant of CONCAMIN, organizations like CONCAMIN and CANACINTRA ‘became the ultimate lobbyists in the new era, providing precious data to one party and strategies for the other’.<sup>32</sup> They offer training, provide data and facilitate access to decision-makers, underlined as ‘the most important assets in the age of information’ (Barríos, 2004, p. 11). These strategies helped organizations partially maintain their membership following the initial drop after the abolition of compulsory membership.

28 Interviews with CCE and CONCAMIN officials, Mexico City on September 4, 2012, September 6, 2012.

29 Interview with a CONCAMIN official, Mexico City on September 6, 2012.

30 *La Jornada*, March 26, 2007. (accessed at <http://www.jornada.unam.mx/2007/03/26/index.php?section=politica&article=020n2pol> on October 17, 2012)

31 Interview with CANACINTRA officials, Mexico City on September 4, 2012.

32 Interview with a lobbying firm, Mexico City on August 29, 2012.

### Lobbying firms as new actors

An important actor born out of these transitions in Mexico is the professional lobbying firms. By 2014, 544 lobbying firms were registered in the House of Representatives (OECD, 2014). These firms are engaged in proactive and reactive lobbying, seeking to influence agenda setting, often collaborating with the legislative liaisons of semipublic and/or voluntary organizations. They claim to work as ‘information brokers’ to a diverse clientele who ‘choose their battles, depending on the issues at hand’.<sup>33</sup> These self-acclaimed ‘political operators’, some of whom had public sector careers earlier, ‘turn the demands of their clients into convincing arguments by framing them into an acceptable political jargon’ as the ‘public and private sector speak a different language and [they] translate it by means of generating a concrete and convincing argument’.<sup>34</sup> A lobbyist asserts: ‘We’re political operators. You give me the argument, I’ll give you the information as to who is going to make the decision and which actors would be influential in the decision-making’.<sup>35</sup> Another lobbyist underlines that they ‘inform the clients to influence public policies, that’s all ... [they] put together in-depth political analyses using the technical capacities of the clients and facilitate communication between the clients and the Congress’.<sup>36</sup>

Professional lobbyists in Mexico allege to have a ‘democratizing impact on the intermediation of business interests, as they argue that the former setting unavoidably privileged the big players, while punishing the others, because of the need to access the executive directly’.<sup>37</sup> As there are currently ‘too many dots’, they ‘bring together these scattered dots and give businesses (firms or organizations) access to them’.<sup>38</sup> In 2001, some lobbying firms established the National Association of Lobbying Professionals (PROCAB), which brings together over 30 members.<sup>39</sup> Seeking to correct the image of lobbyists tainted by certain corrupt practices in an environment of deficient regulation, they have embarked on establishing self-regulation.

These new actors and the transformation of the old ones indicate a major diversification process in the organizational space of Mexican business politics. Lobbying firms and legislative liaisons within business organizations and individual firms have become interlocutors to access the legislature, as well as the executive, at both federal and local levels. Dismantling of corporatism and the rise of elite-pluralism have transformed the ways in which business actors access the state, whereby lobbying has begun to substitute for the former broad-based *concertaciones*.

## 5. Conclusion

Since the 1980s, business politics has gone through major changes in a number of middle-income countries where integration into global and regional markets has intensified. Against this backdrop, organization and intermediation of business interests, along with the forms

33 Interview with a lobbying firm, Mexico City on August 30, 2012

34 Interview with a lobbying firm, Mexico City on August 28, 2012.

35 Interview with a lobbying firm, Mexico City on August 29, 2012.

36 Interview with a lobbying firm, Mexico City on September 3, 2012.

37 Interviews with lobbying firms, Mexico City on August 27, 2012.

38 Interview with a lobbying firm, Mexico City on August 3, 2012.

39 Accessed at <http://procab.mx/asociados/> on February 2, 2015.

and degrees of the incorporation of business into policy-making, have been transformed. Focusing on empirics drawn from two upper-middle-income countries, Mexico and Turkey, this article examined such changes in business politics in nearly opposite directions in the context of these countries' increasing exposure to global and regional integration. It discussed the ways in which changing political institutions have refracted the impact of the external forces, generating new opportunity structures and fostering noteworthy transformations (albeit in different directions) in business politics.

Particularly tackling the changes in executive–legislative relations in these polities, the article demonstrated the links between the strengthening legislature and dismantling of corporatism and the emergence of elite-pluralism in the Mexican case; and the association between increasing executive power and competitive corporatism in the Turkish case. In the former, business actors shifted their lobbying from the executive to the legislative branch and the peak organizations lost their former power, as a response to diminishing centralization of political authority. In the latter, however, political opportunity structures evolved in the opposite direction whereby incentives for accessing the executive and being involved in peak organizations increased. In a way, the Turkish case has adopted some of the former institutional constellations in Mexico, where the strong executive fostered by a dominant-party regime and hyper-presidentialism has given rise to a centralized political authority, shaping the organization and intermediation of business interests accordingly.

Although this article drew from two cases, its findings could have important implications for the larger group of middle-income countries which have been substantially affected by the global and regional integration processes within the last three decades. Throughout this process of integration, domestic institutional arrangements and redistributive matrices, along with the dynamic changes in these, have mediated the impact of the global and regional forces not only on domestic markets, as widely discussed in the respective scholarship, but also on state–society and economy–society relations. As a chief domestic institutional arrangement, executive–legislative relations and their changes could play a significant role in shifting interest politics in those countries. Potential avenues for further research may include analyses with respect to the impact of such shifts and their interaction with global forces on the organizational spectra and intermediation of societal interests (including those of business) in different cases; and the extension of comparative analysis to other middle-income countries. Another important research trajectory would be to study the implications of changing interest politics for the larger processes of democratization and corresponding backlashes, as well as authoritarian turns. After all, state–society and economy–society relations are constantly reshaped in the age of globalization, giving rise to new realignments, and their links to political institutions and processes may inspire new research agendas.

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