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1st Anniversary Special Paper

Humans of Machine Age: Management Strategies for Redundancy

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Abstract: The main premise of this paper is that digitalization would perish human skills and perpetuate inequality since it increases redundancy. The majority of future humans may turn into vagabond and aimless beings owing to the reality that machines will take over their jobs. Basic living stipend which is regarded as a solution for widespread unemployment would result in chronic redundancy. Moreover, it is also not a remedy for the inequality which stems from the dynamics of post-digital ecosystem. Abundance economy would not mean equal well-being as proposed optimistically by some scholars. Rising machine intelligence will bring about unexpected consequences. In the future, governments may have to consider how they manage redundancy and inequality. Widespread unemployment and inequality in the post-digital ecosystem would indirectly exert pressure on the profitability of enterprises; therefore, it falls within the scope of business management as well. In the light of such developments, this paper aims to spark discussions on the paradoxes of management in the post-digital ecosystem.

Keywords: Digital Economy, Management, Unemployment, Artificial Intelligence, Future

1. Introduction

Widespread automation and artificial intelligence technologies enable the business processes around the world to require less labour force (Ford, 2009). Especially with the advent of technologies such as the Internet of Things (IoT), business processes have begun to be integrated seamlessly (Uckelmann, Harrison, & Michahelles, 2011). Effective and efficient production processes are expected to bring abundance; on the other hand, it is also possible that they would lead to a crisis because people who demand products are losing their jobs. Enterprises are much more productive today but competition in the environment is higher than before. As a consequence, this phenomenon can be regarded as a vicious cycle (Civelek M., 2009). In the current

capitalist economic system, there is not a solution to this problem. This phenomenon, namely digital economy, can be defined as a new economic system in which increase in productivity and decrease in costs occur as a result of automation technologies (Civelek M., 2009). In digital economy, information has been transformed into the most important production factor; and in this context, the importance of other factors is gradually diminishing. For example, digital economy company Facebook that has achieved to reach a great market value had small initial capital compared to its current market value. It is also hiring small labour force compared to its revenues obtained. Capital and labour have gradually lost their importance (Ford, 2015). The digital economy has also exerted its impact on the habits, lifestyles, views and perceptions of individuals. Considering both the economic and social aspects, it would be apt to define it as a new ecosocial system. The term of new ecosocial system was firstly suggested by Civelek and Sözer in 2003 (Civelek & Sözer, 2003). However, beyond the new ecosocial system, humanity is awaiting a new system that can be called as the post-digital ecosystem. The term of post-digital ecosystem was discussed by Sözer, Civelek and Çemberci in 2018 (Sözer, Civelek, & Çemberci, 2018). The transition from the new ecosocial system to the post-digital ecosystem may be agonizing, with some dystopian scenarios having recently sparked debates on the future of the world economy.

At the end of the 18th century, technology-related unemployment was initially discussed by British handweavers who aimed to destroy textile machines because they had the fear of losing their jobs. This movement was called Luddism and the term Luddite came to be used to define a person who opposes technology (Van Der Wal, 2017). Accordingly, machines created new jobs; therefore, they fell into a fallacy. Hence, some scholars called this incident as Luddite fallacy. Technology-related unemployment was also mentioned by John Maynard Keynes in 1930. He discussed technological unemployment in his essay entitled *Economic Possibilities for our Grandchildren* (Keynes, 1931). Contrary to Schumpeter's creative destruction, he regarded technological unemployment as a disease which inflicts—humanity. Nevertheless, he was optimistic in that he suggested that there would be no need to work in the future abundance economy. He called the future as the age of leisure. However, Schumpeter argued that unemployment caused by innovation would recover over time (Schneider, 2017). Like Keynes, Rifkin also depicted future as abundance economy. According to Rifkin, production is gradually transforming into customized decentralized production in small units rather than Fordist central mass production performed in big plants. People will be able to produce some products in their own facilities. People can also produce free energy in their houses. Three-dimensional

printing technologies have also evolved and reached an affordable level. With this development, people have started to use this technology in their houses (Rifkin, 2014).

While considering the dynamics of the post-digital ecosystem, it is not possible to be optimistic about the future in the same way as in the views of Keynes and Rifkin. To some extent, they may be right because the obstacles against abundance economy which are explained hereunder can be cleared in the future; and collectivist approaches like sharing economy will also pave the way to abundance economy. These obstacles which are the factors that play a role in increasing costs of the production will be removed in the future. Yet, abundance economy per se would not suffice to reverse the dynamics of the post-digital ecosystem.

The obstacles mentioned above may be divided into four. The first obstacle is the human labour force – In the short run, to some extent, human power will be required for the production of goods. However, in the long-run, particularly in some sectors, the need for the human will disappear. The second obstacle is the energy – In order to produce products from natural resources, energy must be consumed. Today production of energy is repressed by the scarcity of the natural resources and this results in environmental problems. Today, renewable energy and nuclear energy technologies are continuously evolving and in the long run, energy needed for production would be supplied freely without causing environmental problems. In this regard, renewable energy facilities have evolved and attained a feasible level. Apart from obstacles related to human labour and energy, another obstacle, namely the third one, is the logistics – Transportation of the products from the place of production to the place of consumption increases the costs of the products. In the future, Internet of Things (IoT) applications, 3D printers, renewable energy and autonomous driving technologies would make logistics processes highly efficient. Following logistics, the fourth obstacle is the capital – Today, in the capitalist economic system, businesses should generate profits in order to return capital which is initially invested into the businesses. In the post-digital ecosystem of the future, governments may intervene in the production processes regarding some vital products, which will then cause the profit pressure to be removed from the price.

When these obstacles are removed, marginal costs of certain products would almost converge into zero, which is the start of abundance economy. Yet, it cannot be stated that it will bring the problems to an end. The problems that have arisen from the dynamics of the post-digital ecosystem may continue to exist. Under such circumstances, it is likely to encounter management problems that stem from

redundancy. The next section will provide an explanation as to the dynamics of the post-digital ecosystem.

2. The Dynamics of the Post-Digital Ecosystem

In the post-digital ecosystem, new technologies may eliminate many business lines and the remaining lines will, in turn, require less labour force compared to the classical ones. Therefore, innovations do not create the same amount of jobs as suggested by Schumpeter. Technological developments cause product life cycle to get shorter (Gupta & Wilemon, 1990). Besides these developments, competition and uncertainty in the business environment also increase. Unpredictable changes in demands and preferences of customers have taken place as well. In such a business environment fraught with chaos, customers have become more active than ever and demand for products and services are increasingly becoming ambiguous (Civelek, Çemberci, Kibritci Artar, & Uca, 2015).

At the very beginning of the 1990s, digital divide was started to be associated with the Internet penetration on the basis of technology diffusion theory (Zhou & Salvendy, 2015). Digital divide was recognized as a threat to the public with the advent of the internet (Norris, 2001). Today, digital divide essentially refers to the inequality between people who have and have not accessed to the internet (Danesi, 2013). It was anticipated that digital divide would decline as the internet use would increase globally. Yet, the divide has triggered other unbridgeable inequalities. There are three consecutive dynamics which accompany to the digital divide as shown in Figure 1. These dynamics constitute the basic mechanism behind the vicious cycle caused by automation technologies. These dynamics are the main drivers of the post-digital ecosystem. The dynamics of the post-digital ecosystem were initially defined by Civelek in 2009 as dynamics of the internet age. Increased productivity causes unemployment and it consequently causes demand uncertainty. This situation was described as a vicious cycle by Civelek in 2009 (Civelek M. E., 2009). The same phenomenon was also mentioned by Martin R. Ford in 2009. In his book, *The Lights in the Tunnel: Automation, Accelerating Technology and the Economy of the Future*, Ford suggested that the increase in unemployment causes decrease in the purchasing power of the consumers (Ford, 2009). Correspondingly, the dynamics of the post-digital ecosystem constitute the basis for this vicious cycle. Fundamental philosophy of current capitalist economy depends upon inequality (Jwa, 2017). Therefore, the vicious cycle will continue to loop until the collapse of capitalism.

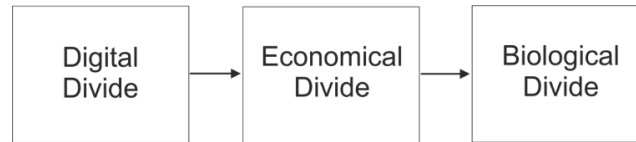


Figure 1. The dynamics of the post-digital ecosystem (Civelek M., 2009)

Digital divide results in imbalance with regard to access to information. In the post-digital ecosystem, information is the most important production factor. Therefore, the imbalance in access to information causes unequal income distribution. In the long-run, however, solving the unequal income problem will be much more difficult than closing the information gap. In addition, there is a strong relationship between the income level and internet access (Kramarae & Spender, 2000). Income is also related to broadband connections (Green, 2010). People on the negative side of the digital divide are mostly those who have lower income (Azari, 2003). Individuals who have good economic status can have access to information more effectively. Due to the fact that information is an essential production factor in post-digital ecosystem, the economic divide has widened. The wage gap between technology intensive industries and labour intensive industries is widening as well. All the routine and repetitive works have recently been taken over by machines. Therefore, demand for labour has decreased in labour intensive industries. Only individuals who have mastered information technology will have the opportunity to work, and all routine jobs will be left to the machines. Today, industrial workers are mostly responsible for the maintenance of machines. The same replacement is continuing in office works. In the future, however, most professionals such as those on the top management, or ones who are surgeons, engineers, and airline pilots can be replaced by machines (Fresco, 2007). The replacement unequivocally increases the surplus of human workers especially at the lower level of ability (Kaczynski & Skrbina, 2010). Concisely, individuals who use technology effectively become economically advantageous. As shown in Figure 1, the division between individuals begins with a digital divide resulting from the difference in technology use among individuals, and then turns into an economic divide. Individuals, who are economically strong, can attain a longer life opportunity in the future, owing to the progress in medical technologies. Economically strong individuals can thus lead a healthier life. This phenomenon has been named as the biological divide by Civelek in 2009 (Civelek M. E., 2009). By means of medical progress and invention of biotechnical applications, humanity is going towards immortality (Kurzweil, 2005). This phenomenon namely biological divide will eventually cause unpredictable social problems (Civelek M. E., 2009).

3. Revocation of Money

In the post-digital ecosystem, productivity increases due to the automation and artificial intelligence technologies. Subsequently, the increase in productivity leads to an increase in unemployment. Consequently, the purchasing power of the consumers decreases. This vicious cycle continues to loop until the collapse of the current economic system. As a palliative treatment, excess fiat money has been created and personal debt ratio of the consumers has been increased. The ratio of personal debt to disposable income has doubled in three decades (Foster & Magdoff, 2009). However, this monetary balloon only postpones the bitter end. Another remedy to make this collapse slowdown is the payment of basic living stipend to unemployed persons. Excessive debt creation of the current banking system has been argued and universal basic income has been proposed accordingly (Bheemaiah, 2017). Universal basic income refers to a stipend which is unconditionally paid to all individuals regardless of whether they have a job or not (Kaiden, 2016). The basic income idea was firstly suggested by Thomas Paine in 1797 in his book *Agrarian Justice* (Luzkow, 2018). Nobel laureate Milton Friedman suggested negative income tax in 1962. He proposed that all citizens with incomes below a certain level would be paid a basic guaranteed annual income by the government (Lang, 2007). There are some common objections to universal basic income. Increased burden on the budget of the government is the first argument. The second objection is its potential to cause inflation. Counter argument of these objections is that universal basic income causes Keynesian cross and increases the total national output. The subsequent objection stems from the main paradigm of the capitalist economy which is the poor people have to work to live. It is not fair because this paradigm is not valid for the rich people. But the spirit of capitalism depends upon this Weberian approach. Finally, the last objection asserts that it will make people lazy. However, none of these prove to be strong arguments (Standing, 2007).

Amount of the basic income should be determined in minimum level in order to prevent people from having lack of motivation for self-improvement and no aspiration for a better future. In this case, people will be willing to work to earn more. The government can use base income as a social control mechanism if it is to implement unequal payment according to the citizenship score. This score can differ depending on their contribution to the society and ethical behaviours. Until the unemployment rate reaches a certain level, the universal basic income will ensure the survival of the capitalist system. But when the number of unemployed people in the community exceeds the number of employees, it will accelerate the collapse of capitalism. With

this collapse, the main paradigm of the capitalist economy which maintains that poor people have to work to live will be removed.

Some scholars argue sharing economy as an alternative to the capitalist economy and use the name crowd-based capitalism for this new system (Sundararajan, 2016). After the collapse of capitalist system, classical money should be revoked and extracted from economic system. The excess fiat money created until the collapse of capitalist system will be null and void. Tax will also become a thing of the past in this post-digital ecosystem. Today some proponents of cashless economy offer blockchain technology as a decentralized alternative to banking system. As a disruptive technology, blockchain may radically change the money perception by eliminating third-party intermediaries and controllers such as banks and governments (Girasa, 2018). In this post-digital ecosystem, the definition of trade will also evolve. Trade in machine age refers to the exchange of the goods produced by machines in order to meet human needs. In this system, money will gradually be replaced by the importance of needs. Artificial intelligence trade matrix system will decide which products are exchanged. Determination of human needs will depend upon the intelligence of machines. If needed machines may change the needs of human, like manna mentioned in the Bible, our new gods may obligatorily provide us with the products that we require instead of the products we actually want. This means that machines will control our needs. But, machines will have to repeal our personal privacy right to ensure full control over humanity.

4. Extinction of Privacy

Privacy simply refers to “the right to be left alone, out of public view, and in control of information about oneself” (Bertsimas & et al., 2015). Privacy concept has already existed before the digital age and can be defined as a natural reaction of individuals. But according to some scientists it is not natural. Naturally we are social creatures and live together. Privacy concept was learned after setting up complex civilizations (Rifkin, 2014). Therefore, from this angle, the extinction of privacy in the digital age can be considered as a reversion to the original nature of the human. With the development of the Internet of Things technologies and decreasing cost of sensors, the majority of people’s personal belongings will become connected to the internet (Rifkin, 2014). Toothbrushes, coffee makers, cars, alarm clocks, watches, headphones, etc. will all be connected to the internet in a few years’ time (Morgan, 2014). The emergence of this phenomenon has posed a threat to privacy. Across the globe, as the use of social media sites has increased, people have become more visible. Through social media

applications, people enjoyed increased personal influence but they should eventually trade off their privacy. Security and traffic cameras, biometric identification devices (including cellular phones), mapping softwares continuously collect personal information of people. Today, individuals are under total surveillance. Owing to big data analysis techniques, software companies like Google know people better than they know about themselves personally. Avoiding this total surveillance is almost impossible for an ordinary person nowadays. Consequences of total extinction of the privacy may be harmful to human's mental health. But, humanity has no choice other than surrendering to this phenomenon. People must accept to live in an open world because almost every communication, transaction and movement is constantly being recorded (Houle, 2018).

5. Conclusion

In future sharing economy, ownership of production facilities shifts from capital owners to decentralized collective structures or directly to individuals. Renewable free energy, ultra-cheap and effective transportation facilities, 3D printers and unmanned production by artificial intelligence increase the productivity unprecedentedly. Yet, on the other side of the coin, unemployment will reach an unprecedented level too. Widespread unemployment and relentless inequality in the post-digital ecosystem would indirectly exert pressure on the profitability of enterprises. Universal basic income will ensure the survival of the capitalist system for a while, but, so as to convert the vicious cycle into a virtuous cycle, government intervention to production will be inevitable. From this moment onwards, we will have to abandon the capitalist system. Consequently, an economic model that is more collective and open to government intervention will be needed. By means of moderate government intervention, inequalities that stem from the dynamics of post-digital ecosystem (i.e. digital divide, economic divide and biological divide) will be stabilized. As governments increase their influence on economy, companies will have to change their ownership and capital structure. More collective structures should be implemented by means of token economy and crowd financing. In this post-digital ecosystem, humanity will face the redundancy problem. According to Keynes' optimistic suggestion, there will be no need to work in the future abundance economy. He called the future as the age of leisure; however, he also regarded technological unemployment as a disease which inflicts humanity (Keynes, 1931). Government intervention to economy and universal basic income would end up with chronic redundancy. The redundancy would perish human species since it deters natural selection mechanism because struggle for the sources will be needless. Due to the relentless progression of full automation,

cognitive burden on humans decreases. This decrease has negative impact on the ability of think (Ford, 2015) (Carr, 2011). The majority of the future humans may turn into vagabond and aimless due to the fact that machines take over their jobs. Moreover, universal basic income is not an exact solution for the inequality stemming from the dynamics of the post-digital ecosystem either, it only serves stabilising them. Abundance economy would not mean equal well-being as optimistically proposed by some scholars. Rising machine intelligence will bring about further unexpected consequences. In the future, governments may have to consider how they manage redundancy. Universal basic income will break the paradigm of people having to work to live. Rational and self-interested homo economicus will die and homo collectivus of sharing economy will be born instead. Yet, most of the developed countries will suffer from their aging population. Homo collectivus will only need to be cared. Elder-care robots technology will also be developed. In the redundancy age, the need for care will turn into need for controlling aimless crowds, and this technology will start to provide care for the entire population. In addition, care will transform into control. Social control will increase by means of citizen scoring technologies and extinction of privacy. Citizen scoring technologies can be used as a coercive power on the population. In the future, people will most probably renounce management in favour of robots. But maybe, after a while, this administration can be ruthless. Although the rise of artificial intelligence will have dangerous consequences for humanity, it will not be possible to prevent this. It will not be a solution to slow these developments either. Countries which cannot succeed in raising abundance economy will struggle against serious economic and political problems. Under these circumstances, the following five key strategies can be suggested so as to facilitate the transition to a sharing and abundance economy:

The first strategy- Need for the human intervention to the business processes should completely be eliminated. In order to implement this strategy, governments should encourage investments with regard to artificial intelligence.

The second strategy - Energy should be supplied to the production centres free of charge. In order to implement this strategy, governments should invest in renewable energy facilities and allow the firms to produce their own energy.

The third strategy- Bringing transportation charges to a minimum level. Besides, waste of time due to transportation should be eliminated from the supply chain. In order to implement this strategy, governments should encourage investments in the Internet of Things, 3D printers, autonomous driving technologies and robotic warehouses, etc.

The fourth strategy– The importance of the capital among other production factors should be reduced. In order to implement this strategy, governments should intervene in the production processes. Then, profit pressure will be removed on the price of the products.

The fifth strategy– Measures need to be taken against economical divide. In order to stabilize economical divide, all citizens with incomes below a certain level would be paid a basic guaranteed annual income by the government.

These five strategies are important factors that will pave the way to abundance economy. Otherwise, huge political and social unrest will be inevitable in the transition from capitalist economy to abundance economy. Besides this, some economies will encounter total collapse and chaos. Yet, achieving to set up abundance economy is a new start for new problems related to redundancy. To cope with these problems, governments can use the base income as a social control mechanism. Furthermore, citizenship score can be measured; and base income can be adjusted accordingly, based on this score. In this way, it will be possible to encourage citizens to contribute to their society.

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Precarious Work, Precariat and Excluded Personnel

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Abstract: With globalization and the end of cold war, the whole world adopted capitalist economy model with some differences. Within this period, capital owners started to slowly withdraw the rights of working class. Layoffs, unregistered employment are becoming widespread under the name of flexible labor market. Now, workers can easily be laid off; we almost never encounter strikes. Workers cannot defend their social rights as much as they could in the past. Precariat notion is used to describe these new workers class created by these indemnity losses. We call the process of suppressing a person to the point where the person becomes content with violations of his/her rights, trivializing of his/her qualifications and the person internalizes exploitation for fear of being pushed outside the system in brutal competition conditions of labor market precarization. There is a group of personnel, who are prevented from benefiting collective labor agreement because they are outside its extent even though they are union members and they are of course deprived of union indemnity; almost all of this group consists of white-collar employees. These personnel are pushed to the unprotected area of liberty of contract, they were characterized as "elites of the business" presented to them with dreams of being middle-class at first; however, as their numbers increased proportionally and with loss of rights and increasing precarity have been pushed to being "outcasts of the business". Today, middle-class myth is being demolished; white collars realized that their position is being workers within production relations; they are faced with the reality of precarity, uncertainty, and losing everything they dreamt of achieving in the future. Right at this point, they need a union embrace which understands what they feel and which is suitable to structural truths.

Keywords: Precariat, Precarization, White-Collar Employees, Excluded Personnel, Precarity, Middle-Class, Elites of the Business, Outcasts of the Business

1. Introduction

The word "proletariat", before being used by Karl Marx, was used to define the people of the lowest layers of society, and the class of these people, without any property that could be the subject of inheritance. In Karl Marx's works, the concept of proletariat gained sociological content, and was used to define the working class and the people who make up the working class. In Marxist theory, the working class is defined under

the common name of proletariat, which only sells its labor, sustains its life and does not possess the ownership of the means of production. The birth of the proletariat took place after the fall of feudalism. With the end of feudalism, it was possible for people who could no longer find the possibility to live their lives connected to the land or to their craft to continue their lives by selling their labor, and consequently the class we call the proletariat was born. The Marxist theory, which defines capitalism as a system based on the exploitation of the proletariat by the bourgeoisie, positions the bourgeois class which owns capital in the face of the proletariat. The capitalist wages the proletariat only as much as it can survive with and the rest remains to the capitalist. Even though the proletariat produces all the value of the goods in reality, the difference between the wage paid to the proletariat and the value obtained by the capitalist from the sale of the goods, which is named additional value, is taken by the capitalist.

The rapid expansion of the workers' efforts to organize has led to the trade unions being empowered and become a powerful institution that protects labour against capital in the 20th century. These developments have led to stronger guarantees for the rights of the workers. With the right to strike, the power of labor was fortified. The rise and progress of the working class started all over the world, especially in the Western world. The Cold War conjuncture also contributed to this rise. Due to the concern that Soviet socialism could spread among the peoples of the world, the Western world accepted the demands of trade unions, avoiding conflict. The minimum wage application has spread throughout the world as a result of these concerns.

With the spread of globalization following the end of the Cold War, the capitalist economy model was adopted with some differences in almost all over the world. After globalization, The Capital class turned the collapse of Soviet-type socialism into an opportunity, and gradually began to retake the gains of the working class with the thought that the danger had been reduced. During this process, beginning from the 1980s, the approach to the protection of labour and the progress of the working class slowed down began to decline. Today, workers' unions do not have the power of those in the 1960s and 70s. Dismissals, unregistered employment are becoming more and more widespread within the flexible labour market and trade unions are unable to take an active stance on this issue. The workers can now easily be dismissed from the employer compared to fifteen to twenty years ago, and it is not possible to come across the practice of strikes, and the workers cannot defend their social rights as vigorously as they used to.

In his book 'Precariat: The New Dangerous Class', the concept of precariat created by economist Guy Standing aims to define the new working class created by these security losses (Eğilmez, 2018).

2. Global Transformation and the Birth of Precariat

Industrial capitalism was founded at the expense of the physical and spiritual consumption of workers, who, following the evolution of the craftsmen and the agricultural workforce into factory workers, could attain minimum guarantees by uphill struggles. In the period following industrial capitalism, global capitalism is rising on the shoulders of a proletarianized white-collar class that has lost its middle-class attributes, insecure and de-platformed, fragmented enough to prevent a class conscience, and made classless. In this new capitalism, where the center of attention is no longer defined by production but by financial speculation, where industrial production is undertaken in third world countries where the workforce is heavily exploited; everything from job descriptions and aesthetic comprehension to the nature of labour are processed with an affinity for flexibility, causing uncertainty. As the motto of the modern world "The only thing that does not change is change itself" is being replaced by "the only thing that is certain is uncertainty" with throes that will crumble all perceptions and values of the past, the manifestations of this replacement lead to intense loss of control and insecurity in all areas (Vatansever, 2013: 6).

This exercise of flexibility, which aims to disorder all the institutions and functions of society, especially the production function, for the benefit of capital, has had a destructive and disruptive effect on the labor force and the main characteristic of the labor force. As a result, as Standing emphasized, "functional flexibility, at its core, is to allow companies to transfer workforce fast and without expenses; to transfer workers between tasks and workplaces without any limitations" (Standing, 2011a: 36). The reduction of labour to such a vulnerable position with the support of the neo-liberal state in the face of capital is the result of efforts to undo the gains achieved in the name of workers' rights over the last hundred and fifty years. This process is also arbitrated by regulations in the workplace. The basis of the flexibility regime lies in "radical change of institutions", "flexible specialization", "multi-skilled labor", "horizontal hierarchical business organization" and in particular "a specific organization of time"(Sennett, 2012: 57). Hiring with a part-time, flexible period or for a certain period of time, based on a loan business relationship agreement, is supported by the flexibility of working time and conditions with the widespread practices such as hiring trainees instead of staff. It becomes possible to avoid legal

and time-sensitive barriers to exploitation under the cover of flexibility (Vatansever, 2013: 7).

Precariat appears as an "anti-class" which is increasing in numbers around the world, which, in the course of this systematic transformation, does not have even the minimum job security no matter what qualifications they may have, but is still in the process of forming the characteristic. The intimidation of individuals to the point of readily accepting exploitation, the devaluation of their qualifications, the loss of their rights with the worry and fear of being left out of the system due to the intense and sharp competition pressure in the labour markets is called "precarization". Precarization can be summed up in the most general sense as both the negation of an employee's personal qualifications and professional competencies, and the blurring of his future. In an environment where there is no regular income and sustainable employment security, a wider part of the workforce is precarized (Vatansever, 2013: 9). In this context, the scope of the concept of precariat consists more than just the employees in the service and such sectors that draw attention with flexible employment and working conditions, or the immigrants, women, etc. who are constantly conditioned on indefinite working conditions. Traditionally accepted as safe and prestigious professions, fields such as academics, etc. are now covered by an increasingly intensified uncertainty (Bora, et al., 2011; Grosser, 2011). Moving on from here, the question of who can be included in the "precariat" can be answered with such: "everybody who lives in constant anxiety and fear of losing control and respect, in the context of their position within production relations" (Standing, 2011a: 24).

It is a class that has met the conditions of a life with a higher educational level, which can be considered as good according to the bourgeois criteria, and does not define its position as contradictory with the capital sector in principle, and which is naturally separated by the sectors which are already impossible to integrate with the proletariat and the labour market and is separated from the classes making up the lowest layers of the society. Unlike the proletariat, it can easily be said that the precariat sincerely believed in the promises of liberalism. According to Guy Standing, "the real barriers to achieving these promises lead to learned helplessness in the face of the system, fear of class fall, or chronic insecurity and self-improvement that does not offer the ability to achieve life that he deserves, and the feeling of blindness caused by pragmatic work with no possibility of self-development causes anger, anomie, anxiety and alienation in precariat. In addition, the precariat does not have the class commitment and pride of the proletariat, because, as Standing pointed out, there is nothing to be proud of living in the way of being on the edge of the continuous cliff and living in the way of life

which corresponds to its professional qualities and educational background” (Standing, 2011a: 19–22). “As far as their economic situation is concerned, the precariat is not a class in the sense of Marxism; it is separated in itself and has united only out of fear, worry and insecurity.” (Standing, 2011b).

3. From Middle Class to Precariat

With the global uprisings in recent years, the middle classes have come up again. White collar workers, who have so far been loyal and obedient servants of the system and is thought to be the main component of the middle class, began to stand out unexpectedly as the actor of anti-system protests this time. The fact that those who took part in the white-collar platforms in social media both before and after the occupation movements and before and after the occupation defined themselves conflicted by insecurity, disappointment due to class decline and status contradictions drew attention. With all these features, the perpetrators of the global uprisings, young white collar and white collar candidates, were like the body of the precariat, which was used to describe layers of assurance in contemporary sociology. While everyone called them the “middle class”, they announced, with the unrest of not being a middle class anymore, in the streets and in the social media that the middle class dream and the promises of liberalism were at an end.

In spite of the sensational slogans which can be summarized as “Our families were middle class, we are proletarians”, these masses, which are not very similar to the proletariat in terms of educational and vocational backgrounds and in terms of forms of organization, have brought up proletarianization for discussion but not the industry proletariat that has lost their weight both demographically and politically (Vatansever, 2016: 1–2).

The sense of class decline and consequent frustration behind the white collar saying, “We are not workers, but labourers,” in a mixed way with anger and sobriety, are utterly true. In the post-industrial society, the evaluation of labour and the level of welfare was expected to increase relative to all levels in parallel with the increase in communication technologies and information possibilities, while thanks to neo-liberal policies, all defense that the working class had against the capital were eroded and all sorts of cognitive, mental, emotional, etc. labour was indexed to demand and thus, commodified. This means that during the real production process, Labor is subjected to extremely flexible working conditions and is condemned to insecurity in every field, from the continuity of employment to the assurance of work and the ability to find a

job suitable for the working conditions and qualifications (Bohle, et. al. 2009; Dörre, 2011). In this process of commodification, we call skilled labour precariat, who begins to face the fact of being a worker through insecurity while losing the middle class position and dream as a promised or fictitious position (Vatansever, 2016: 2).

If the concept of the middle class was an ideological project that brought together the promises of liberalism in itself and put into practice some segments of the working class in order to harmonize the masses, the precariat could also be counted as the first signs of the failure of this project. As a result, the masses who have defined themselves as middle class started to organize in social media and the streets, with the feeling of insecurity and class decline.

Although they come from different sectors, what brings people together on these platforms is not the fact that they produced paid labour in the economic sense; but their realization of the fact that they have been; brought up with the lies about the neo-liberal management ideology offering autonomy to labour, while being promised a "good" middle class life, kept ignorant with the new kinds of individualism preached by the neo-spiritualist personal development literature, exploited the same way as soon as they were included in production relations and assimilated by similar tactics of oppression (mobbing).

We cannot deny that global capitalism has undergone a significant change in the form of production, the relations of production and the spirit of time since the last quarter of the 20. century. Since the end of the 1970s, it is clear that the balance of capital-state-Labor has been clearly changed against Labor and that labor exploitation has gained a new momentum. With neo-liberalism, a project based on the restoration of the political power of the rich class, being implemented in the early 1980s (Harvey, 2006 13), ending the "social capitalism" era, which constitutes an atypical stage in the history of capitalism (Bora, et al., 2011: 14-15) has led to the termination of all agreements on social justice (Graber, 2011: 374 - 375). This transformation has evolved into the trivialization of labour and the precarious state of flexibility. The concept of precariat also emphasizes the security that the middle class has lost (Vatansever, 2006: 12).

The youth, that has been subject to pressure by the labour market and feeling the threat of unemployment at the ages of 15-16, observed that one can be unemployed even after obtaining two-three diplomas and master's or doctorate degrees, is aware of the fact that being retired at the same age as their fathers or that they will not

receive the same social security services as their mothers (Benlisoy, 2009), have uncovered the veil of the neo-liberal individualism that imposes the responsibility of failure and poverty to the individual.

As a matter of fact, when we look at the existing white-collar platforms in Turkey, we see that the sectors they all represent enter into a type of labor that we can call "intangible labor", but that the process of producing these intangible materials does not have a liberating effect on them, on the contrary, they act because they are treated as unskilled laborers. For example, in the first article published on the Web page of the white collar workers platform, "We thought we would make a 'man' of ourselves with education, we were wrong. We thought we'd be 'respected' with clean collars, and we were wrong again. We thought the brand of our mobile phone or the cafes we were sitting in would make us different, once again we were wrong. Our share is nothing but the modern state of slavery." is written, plainly stating the loss of trust by the middle class (Vatansever, 2006: 17).

Of course, at this point, it is impossible to ignore some factors that are stemming from the unique conditions and qualities of skilled labour and make it difficult to be organized. Skilled labour is intimidated by the fear of being out of the global wheel (Hartmann, 2014), leaving it vulnerable to capital by taking advantage of the organization facilities in the national employment markets plane under the name of deregulation; it is also distracted and divided by shifting between the positions without equivalence in the micro scale, living in the illusion of autonomy against the invisible authority, and is forced to a feeling of permanent inadequacy by exposure to constant training and examination (Harvey, 2005).

4. Concept and Definition of Excluded Personnel

Working in the production, management and inspection units of the enterprises, whether or not a member of the union, foreman, chief, assistant manager and manager, etc. and tasked with duties such as manager, assistant manager, chief, foreman, etc. in practice, workers who are employed as members of unions or who are prevented from benefiting from solidarity by paying membership in collective labor contract are called excluded staff (Aşçı, 2015: 31).

Excluded personnel are a group of personnel who do not benefit from the collective bargaining agreement even if they are union members because of their position, duties or adjectives (Ince, 1985: 41).

Although the collective bargaining law has been conceptually mentioned, there is no definition of excluded staff. The subject has been investigated in the context of whether excluded personnel can benefit from Collective Bargaining and the problem was approached in this direction (Reisoğlu, 1983: 3–7).

On the other hand, there is no law on the inclusion or exclusion of workers. Excluded personnel may be a member of the labor union which has signed the collective labor agreement as a principle, or may not be a member of a union.

After this brief explanation, the excluded personnel can be identified as follows: In a workplace, workplaces or enterprise, the exclusion of certain qualifications and status workers from the scope of the collective bargaining agreement, whether or not they are a member of the labor union party to the Collective Bargaining Agreement, and the excluded employees who do not have a collective bargaining agreement are also called excluded employees (Aşçı, 2015: 32).

In terms of collective bargaining law, according to the Law No. 6356 on unions and Collective Bargaining Agreements, employer representatives to be considered as employers can be determined as follows:

- 1) Managers of the whole workplace,
- 2) Participants who are delegates to the public meeting, even if they are not authorized to manage all.

No matter what the nature of the employers ' representatives other than those designated, these persons may become a member of the Union and benefit from The Collective Bargaining Agreement. This has created a heavily debated excluded staff problem.

Although the principle of the Collective Bargaining Agreement is to cover all workers in the workplace who are a member of the union (Esener, 1978: 481); in practice, it is observed that engineers, Chiefs, managers, and even some office workers who are members or members of the Union of workers in collective bargaining agreements are excluded from the scope of the agreement and thus abandoned to the area of freedom of the contracting (Çelik, Caniklioğlu, Canbolat, 2016: 798).

The situation of the excluded workers leads to discussions. The Supreme Court of Appeals has concluded that the persons excluded from the scope of collective labor

contract cannot benefit from collective labor contract even if they are members of the Union. As a result of the autonomy of collective agreement recognized to the parties, it is argued by those who share the opinion of the Supreme Court of Appeals in the legal debate, excluded personnel will not be able to benefit from the contract like those that are not members of the union, even if they are members of the union, and will only be bound by the provisions of law.

In contrast, it is argued that the implementation of excluded personnel is not in compliance with the Code of Trade Unions and Collective Bargaining Law No. 6356 stipulates that equality between the members of the Union's activities (m. 26/3) and 53rd article of the Constitution granting all workers the right to benefit from collective labor contract and that the decisions in this direction are null and void. According to the advocates of this view, the content and boundaries of autonomy granted to the parties of the collective agreement are stated in the Constitution and the laws. Otherwise, some workers shall not be entitled to the rights granted by the agreement of the parties (Aşçı, 2015: 173–174).

Workers 'and employers' unions also criticize or defend the practice of excluded personnel for their specific reasons.

5. Development of the Concept of Excluded Personnel In Turkish Law

The introduction of the collective labor contract under the name of the general agreement was realized by the law of Obligations dated 1926.

The Law of Obligations has, with a limited liberal understanding, established the Collective Bargaining Agreement as a contract in Clauses no. 316 and 317 related to its purviews. According to Clause no. 316 regarding the agreement; employers or employer associations may sign a "General Agreement" with subjects "regarding service" with the employees or employee associations. The validity of the contract is tied to the term of being written. The duration of the contract shall be determined by the parties. In Clause no. 317 which regulates the results of the Collective Bargaining Agreement, it is stated that the articles of an Individual Employment Contract that contradict with the Collective Bargaining Agreement will be invalid, and those would be replaced by collective labour contract articles (Gülmez, 1983: 31).

The concept of Collective Bargaining Agreement was introduced to Turkish business life a little early, hasn't found an area of application and has not shown any development (Ekin, 1979: 104).

There is no doubt that there may be many economic, social and cultural reasons for this. However, one of the main reasons is the lack of a trade union to transfer bargaining from the individual level to the collective level. Because in 1926, the Ottoman Strike Law is still in force. Accordingly, it is forbidden for workers working in public service establishments to form unions. Although there is no prohibition for strike, the absence of trade union rights, which is a mandatory complement for any results within the context of collective business relations; due to the regulation of a complex activity like collective bargaining being governed by just two articles, the Law of Obligations has failed to pioneer the birth of a common collective bargaining tradition, and the rules are wedged in the texts of the law (Işıklı, 1976:3-4; Gülmez, 1983: 320).

In the Constitution of 1961, Article no. 46 has granted the right for trade unions, Article no. 47 has granted the right of collective bargaining and strikes. With the Collective Bargaining Agreement and Strike-Lockout Code No. 275, effective since the year of 1963, collective bargaining was structured to be institutional. In this institutional structure, the autonomy of the collective agreement was first recognized by the 1961 Constitution, and it took its place in social life and legal structure by gaining its function with the laws of 1963.

In our country, with the transition to collective bargaining in 1960s, it has been observed that in collective labour agreements, there are provisions regarding which workers to apply these contracts and there are also duties and positions to be excluded from the scope. In this context, it can be considered as the date when the application area of the collective labour contracts of 1963 was narrowed by individuals and the application of excluded personnel was started (Can, 1995:14).

Since 1963, the employers have asked to exclude some of the personnel in collective bargaining negotiations, and workers ' unions have often opposed this request. However, despite these discussions, most of the collective labour agreements included provisions related to excluded staff (İnce, 1985: 41).

6. Excluded Personnel: From the Elite of Business to the Outcasts of Business

While in the first years of transition to collective bargaining, it is accepted that the practice of excluded personnel is limited in regards to position, and that wage and other social rights are not insufficient (Şahlanan, 1992: 149–150) in subsequent years, there has been a decline in the wages and social rights of excluded personnel compared to workers benefiting from collective bargaining agreements (Çelik, 1980: 16–17; Can, 2010: 409).

Initially, the number and quality of workers excluded from the contracts were limited, while this restriction was gradually expanded and the relative wage advantage they gained through the contracts were significantly reduced. The increases in the number of those excluded by collective agreements during each collective agreement period have created new conflicts in the individual and collective work area. Since the solutions adopted for the solution of these conflicts are not fully adopted in doctrine and practice, the excluded personnel practice has become one of the problematic areas of the collective bargaining scheme (Can, 2010: 412).

The default solution to the problem not only pushed excluded workers out of collective labour agreements into the unprotected area of the free movement of workers, but also was the source of new problems. Although the workers who were excluded due to their position in a workplace, workplaces or an enterprise were described as “the elite of the business” (Can, 1994: 9) in the period following 1963, the increase in their numbers in proportion (Urhan, 2005: 218), leading them to become “the outcasts of the business” (Can, 2010: 410).

The ratio of the number of employees in the collective labor contracts that are linked by employer unions within TİSK (Employers' Unions of Turkey) to the total number of total workers that are included in collective labor contracts has been followed by years as: 1979: %13,5, 1990: 17,2, 1995: 28,8, 1998: %33,11 (Urhan, 2005: 219). During the 1980 – 83 period when the contracts that expired were renewed by the Supreme Arbitration Board, the application of the excluded personnel was extended and this spread continued in the period after 1983 (Mahiroğulları, 2000:52). None of the 52.346 workers who were excluded from the collective labour agreements in 1998 are unionized. While 12.8% of the workers employed in the workplaces in which the Petrol-İş trade union was made up of excluded employees in 1994, this ratio increased to 21.2% in 1998. In this period, while this ratio increased from 8.6% to 20% in the public

sector, the number fell from 23.7% to 22% in the private sector (Urhan, 2005: 219; Petrol-İş Almanac 1993-1994, 1995: 355-356; Petrol-İş Almanac 1997-1999, 2000: 736).

Defined as “the elite of business” the beginning, especially in the period 1980-1983 and since the 1990s, “the outcasts of business”, excluded personnel have been deprived of the right to benefit from collective bargaining as an integral component of collective social rights and Trade Union guarantees (Mahiroğulları, 2000: 52).

In the collective bargaining organization, the excluded staff usually consists of white collar employees. The “middle class values” and individualist approaches of the white-collar workers are heavily influential (Koray, 1992: 123-124). The low organizational tendencies of these workers can be regarded as natural in a sense, but they cannot be regarded as an obstacle to unionization alone (Urhan, 2005: 219). In Turkey, the ratio of excluded personnel to total employees is 19.44%, an expression of the exclusion of qualified labour force from trade union guarantees.

7. Evaluation and Conclusion

Guy Standing's extensive work on precariat has been an eye-opener in this field. Standing uses precarianism to describe the masses that are not a class in Marxist sense, but united by experiencing the precariousness within the relations of production. In this respect, he refers to a precarization and class decline (Standing 2013; Standing 2011a; Standing 2011b; Standing 2009).

Because the middle classes that struggle to fulfill the conditions regarded as “basic characteristics” of the middle class; being able to go on a vacation once a year, owning a house and a car, paying debts, having savings for unforeseeable events and retirement (Searcey and Gebeloff, 2015; Rawes, 2014; Krapton; 2014; Kotkin, 2014; Carrol, 2012; Yılmaz, 2007) are still the productive elements and the ideological basis of the current system are, in a sense, being reduced to a nonentity (Collins Wallerstein et. al. 2014: 48-84).

The failure of capitalist liberalism, which gives everyone the hope of vertical mobility among classes, is obvious. Today's white-collar workers are experiencing and expressing the intense disappointment in achieving the lead promised by their white-collar status in the context of the expected class rise (<http://beyazyakaliisciler.org>).

Today, as the middle class myth is overthrown, the white collars, who realize that their positions defined within the relations of production are workers, based on the common experiences in the working life, realize that the propaganda of the middle class living consumption has only further indebted them and accelerated the process of proletarianization by dragging themselves into the illusion of bourgeois life. The conditions of being counted as middle class are increasingly becoming impossible targets for more and more people, and precarization in the sense of insecurity and devaluing of skilled labour is a special moment in the position of being a worker. In addition to the tensions arising from the status – income imbalance created by wage-labor by the idealized middle class position has led to the feeling of insecurity, uncertainty and the feeling of losing everything expected to be achieved in the future (Vatansever, 2016: 30).

The latest social reactions of the white collar workers are promising indicators of their tendency to become aware that they are only part of the working class, as they are not necessarily employers' deputies or not, from the position of "those fish who do not know the sea they are in" anymore.

Of course, at this point, it is impossible to ignore some factors that are stemming from the unique conditions and qualities of skilled labour and make it difficult to be organized. The contradictions and friction of the excluded white-collar staff resulting from administrative functions and requirements are not obscured, but there are many points between the workers and the excluded white-collar staff, and above all there is basically a rapprochement and partnership of interests. This requires a trade unionism taking into account what they are and how they feel (Krasucki, 1987: 56–58).

It would be an accomplishment if this tendency would result in a healthy organization that surpasses criticism such as "Unionism in Turkey has never developed freely or in accordance to structural requirements, it has always been manipulated (Tuncay, 1979). The two necessities of our age, filled with the image of dynamism, effective and high quality life (Sudreau, 1975) can only be achieved by fulfilling the first basic condition for everything, being the 'Just Society'.

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Digital Transformation in the Insurance Sector: The Case of Turkey

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Abstract: Insurance, is an important financial sector that enables people or institutions to feel safe and economically and socially. Insurance is secure and that funds the country's economy. As in all sectors, understanding of digital service provision is also important in the insurance industry. The insurance industry is digital important in marketing to start implementation of the insurer is emerging as. It's easier to get the service from the Internet, using social media and the increased use of the Internet as they are insurance sector leads to digital applications. Thanks to digital insurance insurance companies integrate the knowledge of all kinds of customers can use a compatible. Be made to cross-sell customers digital applications supporting, also offers its customers rapid and practical solutions. Company strategy is going to change in any, organise and instantly inform a denial message. Insurance companies using the important dates of the customers can provide countercyclical. customers may receive over the internet to the policy, customers can bid and policy reviews. insurance companies sizes makes instant Damage solutions. However, thanks to social media and the internet comparison sites, exploring customers ' products and services, developed comparison capabilities. The way to become a digital company is understanding their clients and their way of expectations. Turkey insurance sector have been told in the presentation, That aren't available in Turkey and also in terms of entrepreneurship high potential digital internet sites can be determined by insurance companies to meet customer expectations for working with applications that are to be explained how digital and digital insurance to determine the level at which they are in.

Keywords: Insurance, Insurance Industry in Turkey, Digital Applications

1. Introduction

Approximately 4000 years ago in Babylonians insurance started as a result of people's trust requirements In the 19th century, fire insurances and in the 20th century the development of social insurance have been the subject. The convergence of financial institutions with different functions in modern financial markets and consequently the movement of banks and insurance companies are becoming more widespread.

Changing economic conditions and increased competition, banks didn't help the former profits and market share of standings. It's not just the banking field, all have mastered the concept of customer-oriented marketing in the market and changes in the clients ' requests, banks have dragged them into a continuous and difficult race (Balsöz, 2004, s. 1)

In recent years, seen an increase in competition with that rapid change and developments happening in parallel, especially in the service sector influence heavily. Along with this change, an important actor in financial markets is continuing its activities in the insurance sector, intense competition and their presence in the environment, the marketing activities of companies who want to succeed according to customer-focused strategy must specify (Akpınar, 2017, s. 45)

2. World Insurance Sector Evaluation

People's future is full of uncertainties. What will happen in the future, what will happen to the people, it is not possible to determine in advance. Human beings may be subject to various hazards. This danger may be against accidents, illnesses, or belongings, such as fire, theft. These dangers compare people with risks, directing everyone to a search (Akay, 2001, s. 1).

In the face of many risks such as social, economic, and managerial risks, people wanted to take precautions and thus, they laid the ground for the formation of the concept of insurance. Insurance provides for the elimination of the losses due to the occurrence of risks in return for the determined premiums. In this way, it helps people to hold on to their future and life more firmly (Özüdoğru, 2017, s. 39).

According to the information provided by the Swiss Re, which has the most recent statistical figures of the world insurance sector, in the 2016 Sigma Report, 2016 was the year in which insurance developed in the world, but political risks were reflected in insurance again. In the world, real premium production in the insurance sector has increased by 3.1% to US \$ 4,732 trillion. 55% of the premiums come from life insurance and 45% from non-life branches. The life branch increased by 2.5% in real terms to \$2.62 trillion while the non-life branch increased by 3.7% to \$ 2.11 trillion.

The following table lists the Life and Non distribution of the total premium production branches across continents of the world and Turkey of 2016 are shown in the comparative size:

Table 1. Distribution of World Premium Production (2016/12)

Billion (USD)	Life	Non Life	Total
USA	678	937	1.615
EUROPA	859	611	1.470
Asia	1.000	493	1.494
Africa	41	20	61
Oceania	39	53	93
World	2.617	2.115	4.732
Turkey	1,6	11,4	13,0

Source: Swiss Re 2016 Sigma Report

The non-life premiums of the developed countries increased by 2.3% in 2016, while the life premiums contracted by 0.5%, resulting in a total premium production growth of 0,7%. Non-life premium growth of developing countries was 9.6%, life premium growth was 17%, and total premium production growth was 14%, maintaining steady rapid growth.

The following table shows the total premium production of life and non-life branches in 2016 and developed world and developing countries with growth rates shown comparatively Turkey:

Table 2. World Premium Production Development (2016/12)

Real Premium Increase	Life	Non-life	Total
Developed countries	-0.5%	2.3%	0.7%
Emerging markets	17%	9.6%	14%
World	2.5%	3.7%	3.1%
Turkey	23.4%	19.8%	20.2%

Source: Swiss Re 2016 Sigma Report

In world total insurance premium production, developed markets are 80% in 2016, while emerging markets have a 20% share. However, since premium increase rate is higher, the share of emerging markets in total production increases with years. The share of emerging markets in global premium production, which was 13% in 2009, reached 20% by the end of 2016.

Table 3. Advanced / Emerging Markets Premium Production (2016/12)

Distribution of World Premium Production in 2016			
Billion (USD)	Life	Non Life	Total
Dünya World	2.617	2.115	4.732
Advanced Markets	2.111	1.688	3.799
Emerging Markets	506	427	933

Source: Swiss Re 2016 Sigma Report

In 2016, per capita insurance premium production in the world was \$ 638. This includes \$ 353 in life and \$ 285 in Non-Life premiums. Turkey with total premiums of US \$ 164 per capita production ranks 60th in the world. Turkey has risen two places in the world ranking by 2015.

Table 4. Per Capita Premium Production

Per Capita Premium Production (USD)	Life	Non-Life	Total
Advanced Markets	1.954	1.550	3.505
Emerging Markets	69	80	149
Asia	229	114	343
USA	680	955	1635
Europa	962	658	1620
Turkey	21	143	164
World	353	285	638

Source: Swiss Re 2016 Sigma report

Last year, the ratio of insurance premiums to GDP in the world (insurance prevalence) was 6.3%. Of which 3.5% were life and 2.8% were non-life premiums. Turkey 1,55'lik insurance with participation percentage was ranked 73rd in the world. This ratio is considered to be one of the most important factors in the development of foreign capital in the insurance sector to my country. Turkey declined compared to the previous year, a step in this order.

Table 5. World Premium Production Prevalence Rate (2016/12)

GNP / Primary	Life	Nonlife	Total
Advanced Markets	3,6%	4,5%	8%
Emerging Markets	1,7%	1,5%	3,2%
Asia	2,7%	3,8%	6,5%
USA	3,7%	1,9%	5,6%
Europa	4%	2,7%	6,7%
Turkey	0,19%	1,36%	1,55%
World	3,47%	2,81%	6,28%

Source: Swiss Re 2016 Sigma Report

Investment incomes of insurance companies operating in non-life branches are decreasing due to falling interest rates. The net investment income of non-life insurance companies in the United States, which was 4.5% in 2007 and 3.6% in 2015, fell to 3.1% in 2016. Policy and pricing issues are becoming more important in an environment where interest rates are gradually falling.

The long-term low interest environment in developed economies continued to be one of the most important problems for life insurance companies in 2016. In addition to lower bond yields following Brexit, low interest rates reduce investment income, lowering capital value and most importantly reducing profitability.

Surveys and surveys among insurance companies show that the low interest rate as well as the most worrying risk factor in the sector is the legal regulations. The difficulties of adaptation to the new regulation and the extra costs to be incurred in the harmonization process concern the sector.

In this context; According to the Swiss Re report, a modest growth is expected in 2017 and 2018, excluding life. Growth outside life in the next two years will be the locomotives again developing countries and it is predicted that production in these countries will increase by around 7–8% and growth in non-life production in developed countries will slow down in the coming years due to increasing inflation rates and measured economic growth, In light of these predictions, the global non-life market is expected to grow by 2.2% in 2017 and by 3% in 2018.

3. World Life And Retirement Sector Evaluation

Insurance sector is one of the most important sectors that provide resources to national economies. It can be said that there is a relationship between the development of the insurance sector and the development of the national economy in order to provide long-term resources. Due to the attractive nature of the domestic investors and foreign investors in the insurance sector, the competition rate is increasing. (Akyüz & Kaya, s. 360).

Despite the tough conditions in the world, premium production in the life branch increased by 4.0%. In developed countries life premium production grew by 2.5%. In developing countries, this rate has grown by 11.7%, contributing to the successful performance of Asian countries.

The real world growth rates for the years 2014 and 2015 are given in the table below:

Table 6. Life Branch Real Growth Rate

Sector	2014	2015
	Total Production (Million TL)	Total Production (Million TL)
Advanced Markets	%3,8	%2,5
Emerging Markets	%6,8	%11,7
Grand Total	%4,3	%4,0

Source: Sigma Magazine, World Insurance, No: 3/2016

The table below shows the distribution of total premium production between life and non-life branches and continents in 2015:

Table 7. Life Branch Real Growth Rate

MİLYAR (\$) BILLION	Hayat Life
USA	668
USA	602
Latin America and Caribbean	66
Europa	872
West Europa	857
Middle and Eastern Europa	15
Asia	904
Advanced Asian Markets	579
Emerging Asian Markets	312
Middle and Eastern Europa	13
Africa	44
Oceania	45
World	2533
Advanced Markets	2090
Emerging Markets	444

Source: Sigma Magazine, World Insurance, No: 4/2015

In the years to come, life premium production will continue to grow both in developed and developing countries. Particularly in Indonesia and Malaysia, it is expected that the effect of monopoly insurance, which is growing rapidly, will contribute to the sector in life branch. On the other hand, growth in the life branch in Latin America has remained low in recent years due to intense price competition, low demand and economic fluctuations.

Interest rates and changes in macroeconomic and financial markets will continue in the future as they become factors that determine the likely course of life premium production in the world.

4. Turkish Insurance Sector Assessment

39 Non-life Insurance Sector in Turkey, 18 Life and Pensions, Insurance 4 Life and a total of 63, including two in the reinsurance field, Reinsurance and Pension company operates. In 2016, total premium production of TL 40.5 billion was realized in the sector. Premium production increased by 30.5% compared to 2015 and the sector grew by 20.2% in real terms. Real growth rate was 19.8% in non-life branches and 23.4% in life insurance group.

The insurance sector is generally in parallel to GDP in emerging markets. As the per capita income in the countries increases, the share allocated to insurance increases and the total premium production increases in the economy at a higher rate, while the sector is shrinking faster than it is in the economy. Insurance also shows a similar development in our country. Our country's insurance sector started to recover from 2009 with the decrease of the effects of the economic crisis experienced in 2008 and entered a high rate of real growth.

Table 8. Curve of Direct Premium Production for Years

Billions	2012	2013	2014	2015	2016
Non life Direct Premium	16.796,00	20.370,00	22.130,00	26.597,00	34.509,00
Life Direct Premium	2.678,00	3.350,00	3.228,00	3.700,00	4.963,00
Total Direct Premium	19.474	23.720	25.358	30.297	39.473
Nominal Change	15,98	21,8	6,91	19,48	30,29
Real Change	10,68	12,27	1,66	12,65	26,64
Non life Exchange (%) (Nominal)	18,66	21,28	8,64	20,18	29,75
Life change (%) (Nominal)	1,58	25,06	-3,62	14,62	34,13
Non life change (%) (Real)	13,24	11,79	3,3	13,32	26,12
Life change (%) (Real)	-3,06	15,28	-8,36	8,07	30,38
GDP	1.569.672	1.809.713	2.044.466	2.337.530	2.590.517
Nominal Change (%)	12,56	15,29	12,97	14,33	10,82
Real Change (%)	4,79	8,49	5,17	6,06	2,88
Consumer Price Index (%) (**)	6,16	7,4	8,17	8,81	8,53

(*) Real values are calculated based on the chain linked volume index.

(**) TÜFE (2003=100, Dönem Sonu, Yıllık Yüzde Değişim)– CPI(2003=100, End of Period, Annual Percentage Change)

Source: T.C. Başbakanlık Hazine Müsteşarlığı Sigorta Denetleme Kurulu Sigortacılık ve Bireysel Emeklilik Faaliyetleri Report, 2016

As seen in the table above, it is clear that the insurance sector has increased more than the GDP, when compared to the nominal and real increase rates of direct premium amounts in the last five years turnover Life and Life branch and GDP growth rates. GDP grew by 10.8% in 2016, while the insurance sector grew by 30.2% and the ratio of total premium production to GDP was 1.55%. Insurance sector in Turkey is one of the market is still growing. The fact that the share of premium production per capita and non-life premium production in GDP is lower than in EU countries indicates that there is a significant potential in the sector.

35.5 billion TL of the total premium production is in non-life insurances and 5 billion TL is in life insurances. The share of non-life branches in premium production is 88% while the share of life branch is 12%. The weight of non-life insurers traditionally undergoing total premium production in our country has not changed in 2016 as well. The companies have secured a total of TL 89.9 trillion in guarantee for the insured during the year in exchange for the policies issued and premiums received. Total amount of collateral increased by 4.4% compared to the year 2015 and is equivalent to 35 times of GDP. These figures show the importance of the insurance sector for economic stability and growth.

In the face of the undertakings undertaken, corporations paid a net compensation of 18.1 billion TL to those who were harmed by the insured during the year. 15.2 billion TL of compensation payments were made in non-life insurances and 3 billion TL in life insurances.

Turkey Insurance Sector Non-life premium production is realized when looking at the total premium production of TL 35.5 billion in premiums in 2016 compared to 2015 increased by 30% and the sector grew in real terms by 20%. The non-life sector growth rate of traffic (including Green Card) premiums has increased by 79%. As of the end of September 2017, a growth rate of 10% was recorded in non-life branches, which indicates a contraction of about 1% in real terms. The decrease in premium production by 3.6% in the traffic sector with the highest production rate due to the introduction of the ceiling price in traffic premiums caused the sector to shrink in the first 9 months.

When we look at the financial results of the sector, it is a year in which the profitability ratio of equity closed by profit of 1,140 million TL was realized as 12,42% after 2015 loss. According to the latest balance sheet results, Non-Life Sector earned a profit of TL 1,219 million in the third quarter of 2017 while the return on equity was 10,42%.

In terms of Technical Profit Loss, the sector has written a loss at a significant level despite the increase in premiums it has provided in the last 5 years, and the sector's loss reached its maximum level in 2012. Despite technical profit of TL 436 million in the life branch in 2012, the sector incurred a technical loss of TL 123 million due to technical losses of TL 658 million in non-life branches. As of the end of 2016, in the life branch, technical profit of 888.5 million TL was obtained while in the non-life branch, the sector achieved technical profit of 1.8 billion TL in total. Technical profitability has the largest share in the branch with 27%, followed by the road sector with 25% share, while 50% of the technical profitability consists of two branches. However, according to the data of the third quarter of 2017, 952.2 million TL in life branch and 1.6 billion TL technical profit were obtained outside life.

After 2016, which is very difficult in terms of profitability, it can be said that the sector has been benefiting by strengthening its self- Especially in the traffic branch which increased exponentially in 2017, although the steps to compensate the inadequacy of the price level have been taken, the continuation of the restructuring of the reserves that have not yet reached the required level and the negative effect of the increase of the minimum wage on the damage costs, the positive return of the technical profitability of the branch, more delay. As of the end of the third quarter of 2016, the company wrote a loss of TL 211 million while it wrote a technical loss of TL 240.8 million according to the data of the third quarter of the year 2017. The increasing price level of the company brought anticipation to reduce the loss in the future. It also faces the risk of avoiding having insurance.

Price-driven competition in recent years, Turkey does not happen again the damage caused by the insurance industry and insurance companies are required to turn their focus from the price competition and customer service for the development of the sector in the coming years. It is important that the insurance companies, which are expected to serve the development of the sector, should set their priorities in order to better understand the needs of the customers and to develop innovative products and services.

4. General Overview Of Insurance Companies

In the insurance and private pension sectors in our country, 57 of the 61 insurers, reinsurance and pension companies operating at the end of 2016 are organized as branches of corporations, two of which are cooperative companies and two of which are established abroad. Of the 61 companies operating, 37 are in non-life insurance, 4

are in life insurance, 18 in life and retirement, and 2 in reinsurance. As of the end of 2016, a total of 19.511 people are employed in 61 insurance, reinsurance and pension companies operating in this framework. On the other hand, established to mediate the insurance operations and Turkey Chambers and Commodity Exchanges held in the Union before the number of agents registered with the sheet 15 575, while the number of authorized private pension intermediaries registered sales EGM 36,000 to mediate in the private pension system. Of the 1,265 real person insurance experts available in the sector, 503 are solely employed and 762 are legal persons working for insurance experts. There are also 2,356 agricultural experts in the sector. Of the 123 actors registered in the actuaries registry, there are 40 actuaries operating in agreement with the companies).

Unchanged for many years a structural feature of Turkey's insurance sector, approximately 67% of non-life premium volume, while life premium production is carried out by a very important part of the top ten companies as approximately 85%. In the third quarter of 2017, total premium production of 38 companies operating in the non-life insurance branch was TL 27.3 billion. 70% of non-life premiums produced by 38 companies are produced by the top 10 companies. The remaining 1.1% market share is falling to 28 players who have 30% of the market.

This leads to the fact that the insurance market is largely dominated by powerful corporations and, consequently, the life cycle of small and medium-sized companies is shrinking. In addition, regulations that have recently been put into practice, especially regarding capital adequacy, make the situation of such companies even more difficult. On the other hand, Turkey insurance industry is in a serious but not to the inflow of foreign capital markets, the current low insurance rate, whereas the high potential insurable continues to attract the attention of foreign investors.

Table 9. Insurance Sector Foreign Direct Investment

USD DOLAR	2004	2017
Number of domestic companies	40	10
Number of Total Companies	53	61
market share of domestic capital companies	71,50%	29,10%
Number of domestic companies in the top 20 Companies	15	4

5. Customer / Product And Service / Channel

"The In marketing, distribution channels are the process followed by the access of the products and services from the producer to the consumer. Another definition is the

system, which brings together the institutions and institutions that bring the goods to the place where they are consumed and communicate with each other. There are great benefits for distribution channels, service or manufacturing companies. Companies can have a broad knowledge of the target markets and consumers through distribution channels and have more opportunities to market their products (Murtatoğlu, 2012, s. 30).

The growth of the insurance sector is a sector that depends on the public's awareness of insurance and the level of prosperity. It is a rapidly growing and developing sector globally due to providing resources and employment to the national economy. Premium production in the sector is realized through insurance companies, agencies, banks and brokers (Çakar & Yıldırım, 2015, s. 53).

In the insurance industry today, consumer expectations are rising and technological access is becoming widespread, which means that there is a more conscious customer profile. In this environment, insurance companies that do not switch to a "customer focused" business model face the risk of lagging behind their competitors. Companies have adopted approaches that focus on new customer acquisition, customer retention and customer value to achieve sustainable profitability that has accelerated to provide fast, practical and creative solutions that are compatible with the digital world in accordance with changing consumer profiles.

In particular, it is observed that the companies are in the development of products, services and channels based on customer needs and expectations that best meet customer needs and customer loyalty. Companies provide services to every customer from a wide range of products, ensuring that they have a lot of assets, from their own to their health, from work to residence, from wallet to house, taking into account the needs of their customers. In particular, the companies that prefer bancassurance as the main distribution channel analyze the portfolio used jointly with the bank in the context of customer segmentation, offering different alternatives for customers to meet all their needs under one roof.

Companies, however, offer products and services according to customer life-time values as a result of analysis of customers' needs and expectations closely in order to provide insurance support depending on the life stages of customers.

It has been observed that new channels have been experiencing a new life by creating new strategic experiences with customer needs analyzes that are compatible with the

digital world and that they are working towards providing customers with access to the digital channels and councils and offering insurance products to the right customer portfolio with new technologies that will measure customer habits. Digital developments are emerging as a factor in determining the new course in the insurance industry when opening new doors for customer access and service provision to insurance companies. In particular, segmentation studies are carried out by analyzing the management, customer lifetime value, attitudes and behaviors of customer relations in the acquisition of new customers.

In terms of evaluating customer satisfaction, using digital techniques provides more accurate testing. With digital techniques, customer interaction can be organized to identify target customers, manage policies, and make sales.

6. Conclusion

The aim of this study was to evaluate the development of the world and in Turkey evaluating the development of the insurance sector. It has been mentioned that it has become an important market for foreign investors. It has been mentioned that the insurance sector is an alternative to other distribution channels with digital transformation in our country.

New marketing techniques are introduced with increasing insurance volume. In the world and Turkey as a result of the growth of the insurance industry increasingly digital conversion with the technological infrastructure was more widespread. Digital transformation and insurance companies increased their premium production. Insurance companies have turned to digital distribution channels to find customers and provide more effective services.

With the digital transformation, more accurate marketing opportunities have emerged. Insurance companies provide better quality services to the insurance sector by doing customer analysis. The increase in premium production may be due to many reasons, but the contribution to premium production using today's technologies cannot be excluded.

More investment in digital transformation will contribute to the development of the insurance sector. Nowadays, with the technology available in every field, more contributions can be made to insurance premium production. G It is evaluated that

foreign investors will be more interested in the developing insurance sector and that they will grow in the finance sector with the progressive digital transformation.

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Conceptual Background of Success Factors of Sustainable Family Businesses

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Abstract: One of the essential sources of prosperity and stability on behalf of the global economy and society is undoubtedly family businesses. However, the most important problem when it comes to family businesses is the sustainability, which is very limited either in our country or globally as well. For this purpose, when successful 2nd or 3rd generation family businesses are observed, it has been recognized that these businesses have some commonalities. When the literature is reviewed accordingly, it is emphasized that succession planning process, institutionalization process or HRM practices are crucially important for family businesses. Particularly in recent studies, the women in leadership, the brand value of family business, or cybersecurity investments have been observed under several different headings. In this respect, the target of this study is to analyze the success factors related to large and successful family businesses that have been sustainable for generations by the literature review of the studies since 2000 till today. In this context, the studies related to success factors of the family businesses will be analyzed, the common success criteria will be determined from the studies examined and the results will be supported by the recent reports and the questionnaires. Based on this comparative literature analysis, it is expected to shed light on both the researchers for their family business studies and the professional family businesses as well.

Keywords: Family Businesses, Sustainability, Success Factors

1. Introduction

It is stated that the operations of family businesses in the world, the volume of their businesses, their economic magnitudes and their importance for the global economy are crucially important that cannot be ignored for the world economy. As it is the case in many studies in this context, one of the most recent studies that summarizes this situation is a research conducted by the cooperation of the University of St. Gallen and EY in Switzerland. According to this research, as of 2015, the world's 500 largest family enterprises provide employment opportunities to approximately 24.1 million people and generate a total income of 6.81 trillion dollars.

Therefore, the presence of successful family businesses are vitally important for the global economy. However, the main issue is the sustainability of these enterprises. Unfortunately, when it comes to the issue of sustainability, there is not any optimistic outlook. As it is mentioned in the literature, the life span of family businesses is usually limited to an average of 24 years when the founders are actively involved in the family business (Welles, 1995; Lambrecht, 2005). Even if considerable number of enterprises continue to perform after the death of the founder, many of them are able to survive by losing their character of being a family business.

In this respect, the target of this study is to determine the factors that make the sustainable and successful family businesses different from other enterprises and the factors underlying the success of these businesses in the light of the analysis of the previous studies in the literature. It is aimed to reach a conclusion based on success factors of big and successful family businesses, also by considering the sustainable family business report conducted by the cooperation of Kennesaw State University and EY.

2. General Conceptual Framework of Family Businesses

In general, family businesses represent the most common type of businesses in all enterprises. In other words, the number of family businesses, which are under the control and/or ownership of a family, is much more than other ownership structures. For example, the rate of registered family businesses is 90% in US, 75% in Britain, 80% in Spain, 95% in Italy, 85% in Switzerland and 95% in Turkey (Karpuzoglu, 2002; Günver, 2004; Semerciöz and Ayrancı, 2008).

The fact that family businesses have such a large share on the global scale has led to an increase in the number of family business studies. However, the biggest dilemma for the family business studies is the lack of any common definition of family businesses. This situation is defined as the “family business definition dilemma” in the literature (Klein et al., 2005).

In general, family businesses can be defined as organizations where the same family members gather ownership and management (Jauch and Glueck, 1988; Degadt, 2002). Any enterprise significantly under the control or effect of families are often described as a family business (Jauch and Glueck, 1988; Habbershon et al., 2003; Kalkan, 2006).

According to the definition of London Business School dealing with family businesses in the context of ownership, family businesses, in which a family owns more than 50% of the shares of a family business, and particularly family members have the majority of control and management within the enterprise, and a significant portion of the board of members is the family members are called as family businesses (Hulshoff, 2001, p. 30; Kalkan, 2013).

According to Barnes & Hershon (1976) and Shanker & Astrachan, the main criteria of defining the family business are the family ownership of the enterprise, the control of the current management of the family business by the family itself and the voting control. Additionally, if the founder or founders of the family business to be the family members and different generations to take part in the active management of the family business, they are called family businesses.

According to Koçel (2012), family businesses are family-owned by family members with entrepreneurial characteristics, managed by the members of this family and whose management is passed down from generation to generation within the family. In such a family business, the family members give strategic decisions and the management is controlled by the family business as well.

When the family member relations are examined in terms of organizational behavior, it is assumed that the concept of family is composed of spouses and children living in the same house and communicating with each other. However, in terms of family business studies, in addition to spouses and the children family businesses are considered as all family members regardless of the generation of family members working in the same family business or its shareholders. Therefore, it is possible to define family businesses as a concept composed of people who come together through blood ties, marriage or adoption and who have rights in the decision process of the enterprise (Berent and Uhlener, 2012; Perl, 2014).

Therefore, many enterprises, from family affiliates to multinational enterprises, are called as family businesses. The important point is that in any stage of control, ownership or management, a certain family member is in a dominant position. Nevertheless, it does not mean that this is the equivalent of a generally accepted common definition of family businesses in the literature. This problem has still existed since Handler has introduced in 1989s that the main problem of family business studies is the lack of a clear definition of family businesses (Littunen and Hyrsky, 2000).

In family business studies, the characteristics of family businesses are defined in different ways. For example, Kachaner, Stalk and Bloch (2012) classified the characteristics of family businesses as follows:

- 1) Family businesses are frugal both in bad times and in good times.
- 2) They put the bar too high at the point of capital expenditure.
- 3) They are cautious about loans.
- 4) They include a little number of enterprise and particularly the smaller ones.
- 5) They are surprisingly different from each other.
- 6) They are more extroverted and international.
- 7) They are more talented than their competitors.

To sum up, no one can deny the essence of family businesses for the world economy. Nevertheless, the problem is that very few of these enterprises can be transferred to the next generations by successfully ensuring their sustainability. According to the researches, 30% of those family businesses are successfully transferred to the second generation and only 10% of this amount is being transferred to the third generation (Tarhan, 2010). Therefore, it is the sustainability of the family businesses that need to be addressed as a primary issue.

3. Sustainability in Family Businesses

As mentioned above, when the sustainability of family businesses is examined, it is observed that the life span of family businesses are very short and a very limited number of enterprises can be transferred to the second, third and even to the next generations. The enterprises that can manage this process successfully are the ones that have based on efficient communication between the family and the enterprise and have been able to build an effective management system and have taken a significant path in terms of institutionalization.

Particularly in the literature, there is an emphasis on different system models. As the systematic studies of family businesses were initiated during 1960s and 1970s with Donnelly in 1964, Levinson in 1971, Barry in 1975, Danco in 1975 and Barnes & Hershon in 1975 (Gersick et al., 1997; Erdirençelebi, 2012), the below mentioned system models are revealed respectively:

- 1) Family-System Theory (Two Circle Model),
- 2) Three Circle Model,
- 3) Four Circle Model,

4) Sustainability Model.

Among these models, the most prominent and the advanced one is the sustainable family business model which belongs to Stafford et al. (1999). According to this model, family business success depends on the success of family and the business systems separately. However, the family and the business systems need to be in such a harmony that both systems do not affect each other's success in case of any conflict or disagreement.

As seen in the sustainable family business model (Olson et al., 2003), the components of both systems affect each other and the components of the counterparty as well as all their interactions (Danes et al., 2008). In this model, family and business systems are handled separately and it is argued that family businesses will ensure the sustainability of the family enterprises by the cohesion of those two systems (Stafford et al., 1999; Erdirençelebi, 2012).

The sustainability of family businesses is also related with the institutionalization level of the enterprise. In a general sense, the sign of institutionalization in any enterprises is to use special organizational forms and to create an organizational field, which is accepted as the separate special area of the business system (Melin & Nordqvist, 2007). In this context, the first step of institutionalization of any family business is the preparation of the family constitution. This constitution implies the regularization of the functioning of the family business and the meeting of all its stakeholders on the same, common ground (Özkaya and Şengül, 2006). The core principal of institutionalization is to put forward the legal personality of the institution instead of individuals, and to settle a modern business system, which will dominate completely the organizational structure, business policies and its culture (Yazıcıoğlu and Koç, 2009).

However, the problems faced by family businesses make it difficult to complete this process successfully. There are various internal and external factors that affect the sustainability of family businesses. These external factors are parameters related to environmental conditions such as market conditions, the state of the economy, political decisions and foreign markets (Fındıkçı, 2014). As stated by Alacaklıoğlu (2009), the reasons for the problems in the family business are the conflicts between the siblings (43%), problems regarding succession (19%), intra family conflicts (19%), conflicts between the brothers and cousins (14%), and conflicts between the families (5%) (Ilkoğlu and Acuner, 2015).

Actually, conflict is an inevitable issue both within the business and within the family systems. This is particularly the reality for family businesses because of their complicated relationship dynamics. Lack of trust between the family members may lead to serious problems, which in turn lead to debilitating conflicts. Therefore building and maintaining good relationship should be one of the prior issues for the family businesses (Ernst & Young LLP, 2014). Nevertheless, a certain degree of conflict can be an advantage as well, if those families are addressing and resolving the roots of those conflicts. By the way, those family businesses are considered healthier and more successful than those that either ignore or simply do not recognize their conflicts (Ernst & Young LLP, 2014).

In consequence, sustainability, accordingly the family and the business success are based on the initiatives taken in the name of institutionalization and also the resolution and management of conflicts (Stafford and Duncan, 1999). In this sense family constitutions, family councils and strategic development plans for the purpose of institutionalization of family and business relations are essential for the sustainability of the family businesses. However, the scientific studies show that solely the rational measures in managing these problems in the family businesses cannot lead the enterprise to a sustainable success. It is also important to have a more detailed analysis of the sub-factors that will enable all these processes to be carried out successfully.

4. Success Factors in Sustainable Family Businesses

One of the most comprehensive recent studies considering the common characteristics of successful family businesses providing sustainability is revealed by the cooperation of Kennesaw State University and EY. The study was realized in 21 different countries including USA, Canada, UAE, the UK, including Turkey in 2400 large and successful family businesses work has been to demonstrate the common features. The survey and the face-to-face interviews with 2400 large and successful family businesses demonstrates the following features (Ernst & Young LLP, 2014):

- 1) 87% have explicitly specify who is in charge of succession process.
- 2) 70% are considering a woman for their next CEO.
- 3) 90% have a board of directors.
- 4) 90% regularly organize family or shareholder meetings to discuss business issues.

- 5) 76% of the family businesses refer to themselves as a family business in their branding.
- 6) 81% are philanthropic and give importance to social responsibility projects.
- 7) 83% expect spending on cybersecurity to increase

Among all those factors succession process is the generally accepted one as the most important success factor for family businesses. When the literature is reviewed, the majority of the articles on this issue is the main indicator of this situation. Sustainable family businesses are the ones who consider succession as a long-term process. Those family businesses explicitly specify who is in charge of succession process and accordingly they work steadily to prepare the next generation for the leadership.

One another important factor is the effective communication between the family members. It is vitally important for the sustainability for the family businesses, so that it is the common practice among the world's successful and sustainable family businesses. As it is mentioned by one another survey related the importance of communication, %90 of large and sustainable family businesses have regular family or shareholder meetings to discuss business issues and %64 have a family council that comes together regularly (Pieper and Astrachan, 2008).

Additionally, another important topic for the companies that successfully maintain their sustainability are the founders and the business values. Founders are the most important building blocks that underlie the internal dynamics of family businesses. The vision of the organization, organizational culture, values and responsibilities that constitute the essence of family businesses takes place under the leadership of the founders. Therefore, the founders have a critical role for family businesses and have an important role in terms of sustainability (Birincioğlu and Acuner, 2015). In addition to the founders, the values and culture of the family business are crucially important for the success and sustainability of the family business. Each generation in the family business is responsible for raising the successors, transferring important family values to the next generations, and preparing them for the future and providing the sustainability of the family business in the long run.

Finally, it is also important to emphasize the role of philanthropic activities as success factor for the sustainability of family businesses. Many studies show the positive effect of corporate philanthropy on financial performance as the philanthropic activities bring competitive advantage, better reputation, and higher customer satisfaction (Wang et al. 2017). Corporate philanthropy includes charities and different social responsibility

activities in which an enterprise or any corporation donates a part of their profits or any of their resources to non-profit organizations. Moreover, those social responsibility projects can also attract talent to the firm and increase employee morale by improving its reputation. An enhanced reputation attracts applicants that are more qualified, prompt higher employee productivity, leads to better credit ratings and further helps firms to gain an advantage over competitors (Wang et al. 2017).

5. Conclusion and Recommendation

Based on the literature review of the family business studies regarding the success factors of those enterprises who have successfully achieved their sustainability, it has been observed that many of the researches emphasize the importance of institutionalization, resolution and management of the conflicts and the importance of succession planning.

However, according to the results of the research conducted internationally recently, seven main factors related to large and successful family businesses have been identified as mentioned below (Ernst & Young LLP, 2014):

- Succession planning
- Women in leadership
- Governance
- Communication and resolving conflicts
- Branding
- Corporate social responsibility, philanthropy and sustainability
- Cybersecurity

As a recommendation for future studies, those factors can be analyzed deeply and separately particularly in relation with “long-lasting family businesses” mentioned by Koçel (2006), and those success factors can be analyzed particularly in case of Turkey. Moreover, this study is taught to contribute to the family businesses in the professional life. Considering that the success factors highlighted above are the common characteristics of large and successful family businesses on the global scale, today's family businesses should consider themselves in terms of those success factors whether they are good at those factors and in which level they are.

Finally, the concept of organizational ambidexterity is also relatively a new term used for successful and long-lasting enterprises. Ambidextrous organizations are good at achieving sustainable competitive advantage as it considers not only short-term

activity but also long-term innovation as well. From another point of view, organizational ambidexterity refers to the ability of simultaneously engaging in exploration activities to enable the organization to grow in the future, while at the same time providing the sustainability of maximizing profits.

In conclusion, considering that the success factors highlighted above are the common characteristics of large and successful family businesses on a global scale, the sustainability of the family business by the subsequent generations will require the presence of women in the senior management, social responsibility projects, cyber security expenditures, the organizational ambidexterity level or institutionalization process. Therefore, getting professional support on all of these issues, or building a team that will focus on these issues specifically is vitally important for the sustainability of family businesses.

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The Status of BRIC Countries in Terms of International Relations and Their Potentials to Become a Global Power

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Abstract: The “BRIC” term consisting of the first letters of Brazil, Russia, India, and China was first coined in 2001 by Jim O’Neill, the chief economist at the international investment company Goldman Sachs. These countries encompassing over 25% of the world’s land coverage and 40% of the world’s population and holding a combined GDP of 25% and assuming the leader role in terms of the developing countries have important differences apart from their similarities in their economies. The significant reason for their taking part in this group is that these countries have achieved rapid economic growth along with the economic reforms and transformation and take place near the top among the countries with the highest national income. The significant reason behind the becoming of these countries one of the major economies of the world after the 1980s is that the rapid growth in China and India and high incomes based on the natural resources wealth in Brazil and Russia. It is discussed that BRIC countries, which differ in many respects from their political regimes, development models and economic policies, leave their mark on the 21st century. In this study, the potentials of BRIC countries to become a global power in the future will be evaluated.

Keywords: BRIC Countries, Global Economy, Economic Growth

1. New Actors in the Global Economy: BRIC (Brazil–Russia–India–China)

The 21st century bears the traces of many innovations and different formations will be experienced in the global economy. Along with the new century, the significant changes are experienced in the structure, organization, and distribution of manufacturing alongside the developments in the political sphere (such as the end of the cold war). The countries dominating the world economy strive to adapt to changing conditions by establishing new groups and organizations or integrating with existing ones in order to solve problems which may arise in the challenging competitive environment in the global world and to protect their interests. The economies, which

grew rapidly in the 2000s, attracted a significant portion of foreign direct investment (FDI) and whose power to influence the global economy rapidly increased, were categorized in different groups.

The four countries creating growth opportunities for producers thanks to low labor and manufacturing costs, attracting FDI and increasing its exports rapidly, raising its foreign exchange reserves and national income rapidly, relatively less affected despite crises have attracted attention in these different formations. These four countries are defined as BRIC countries. The main characteristics of these countries are their high population, their natural resources wealth, their rank in the second stage (India is in the first stage) in terms of their level of development, their rapidly increasing income and the number of consumers. The growth dynamics of these economies are similar in general terms.

BRIC is an acronym developed to define the economies of Brazil, Russia, India, and China. This acronym was first coined in 2001 by Jim O'Neill, chief economist of Goldman Sachs. According to Goldman Sachs, these four countries will be the richest countries in the world by 2050 thanks to their rapid development (O'Neill, 2001: 66). According to the BRIC thesis, it is claimed that they may become significant actors in the global economy by creating a powerful economic bloc, in case China and India, which are the major producers of industrial products, and Russia and Brazil among these countries, which are the suppliers of raw materials and energy, join forces (Dolgikh and Kokin, 2009:885–890). These countries, which are among the first five fast-growing economies today, dominate the global trade and encompass over 28,7% of the world's land coverage and 40% of the world's population and hold a GDP of 25%. Goldman Sachs does not claim that these four countries may establish an official economic or trade bloc. However, Goldman Sachs indicates that these countries are able to become a political club or union. The leaders of these four countries held their first meeting in Ekaterinburg on 16 June 2009. At this first summit, they have given the first signals that they may act collectively by coming together in certain periods in the direction of common interests.

These four countries are among the largest economies in the world and one of the fastest growing countries in developing countries. Following the early estimates in 2001, it has been determined that China has kept up with the other countries among the six most developed countries this very day in the evaluations performed by Goldman Sachs in 2010. The estimates are in the direction that China will catch the US

in 2027. Apparently, there will be BRIC countries among the countries which will lead the global economy in the first half of the 21st century.

The growth of these economies, which are estimated to shape the future of the global economy within the framework of the new world order, cannot be stopped despite all the problems and global crises and problems experienced may only decelerate the growth of these countries. BRIC countries have attracted attention not only in terms of population, income and rapidly progressing technological infrastructure but also as being a human capital resource pool with many scientists, technically qualified engineers, and experienced managers.

Brazil, Russia, India, and China (BRIC), which have undergone significant changes in the historical process, have many similarities and commonalities, although their historical background and economic growth strategies are different. The reasons for remaining on the agenda in the global economy and the historical and economic characteristics of these countries, which have left their mark on the global economy and the claims that they will have much greater power in the 2050s, make a sensation.

The implementation of policies for import substitution in the historical backgrounds of these countries constitutes the common aspects of the development plan implementation and the implementations of economic reform were performed within the close period of times as well.

There were significant historical years of beginning for these countries such as in 1979–China, in 1979–India, in 1980–Brazil and in 1990–Russia. China and India have adopted the approach of step-by-step, and Russia and Brazil have adopted the approach of shock therapy and these countries have tried to make the transition to the market economy and to perform the transformation. The radical change, covering a process of approximately 25–30 years, brought these countries into a significant position in the first half of the 21st century.

In this study, the economic and political developments of Russia and China will be studied in order to evaluate their potentials to become a global power as they have close links with Turkey.

2. Russia

Russia, having natural resources wealth and applying shock strategy (Bing Bang) in the transition process, holds approximately 13% of the oil reserves and 33% of the natural gas reserves and 50% of the strategic raw material reserves such as aluminum, platinum, nickel, and uranium of the world.

Russia commenced its reform implementations in 1989 and performed a rapid transition from central planning to the market economy. At the first stage, Russia carried out the price liberalization and had to struggle with high inflation. The increased corruption arising as a result of the transition to the market economy has had adverse effects on the level of welfare. A small class at the top of the income pyramid is enriched by unlawful profit, especially by generating high profits in trade based on natural resources.

Russian economy went into a decline in the 1990s and the enormous strides have been made in regards to economic indicators. Among the BRIC countries, Russia is not a problematic country. Although the economic growth of Russia is the lowest among the other three countries, it is one of the ten highest income countries in the world (Alessandrini and Buccellato, 2008:97).

The Russian Federation is governed by a presidential system. The country is foreseen to be governed by the federal republic under a strong presidency as per the Constitution of the country adopted in 1993. The president, who is the leader and top director of Russia, is elected by the general public for a period of four years. The political system of Russia is called the "Powerful Presidency" or "Super Presidency" system where there is no deputy president (Erol, 2010).

Russia, which is in the first place among the countries of the world with 17.075.400 square kilometers regarding the territorial integrity and is in the eighth place among the countries of the world with 142,9 million people regarding the population, is a country with communities from different nationalities within its borders. Russia has the European continent about two times with its lands spread over Asia and Europe, covering approximately 11.5% of the world's land coverage (Çemrek, 2010).

There is a Slavic culture, an absolutely obedient society, and a leader with unlimited power at the top of this structure at every stage of the transformation of the Russian Federation from the small Grand Duchy to the world empire and superpower. In the

long course of time, the conditions changed and the Tsarist Regime and the Soviet Union collapsed. Although the Russian Federation was established and the regimes were become distinct, the class holding the government had the absolute power in every period. No leader in the world has been as effective in the decision-making mechanism as in Russia (Onay, 2007).

3. Period of the Union of Soviet Socialist Republics (USSR)

Tsarist Russia, namely the Russian Empire collapsed in 1917 because of two successive revolutions and this led to the creation of the Union of Soviet Socialist Republics (USSR). Firstly, the February Revolution, which took place in 1917, overthrew the monarchical structure. The second, the October Revolution, which also took place in 1917, the provisional government was overthrown and the Bolsheviks who are the under the leadership of Lenin came into power.

In 1917, one of the most important implementations of the Bolsheviks was the "Decree on Land". This decree stipulates the expropriation of lands and an equal distribution of these lands among the population. The large land ownership was granted to the villagers, who are decisive in determining the level of agricultural manufacturing and the number of agricultural products to be launched on the market, for the first time in the history of Russia. This decree led to an increase in support and number of supporters for the Bolsheviks. Expropriation was carried out in the field of industry and expropriation activities were undertaken in the fields of banking, grain purchase and stocking of it, transportation, oil and war industry. These implementations in the early stages of the revolution led the state to gain control over key sectors and to establish state capitalism in Russia (Lewin, 2008:21).

Following the abolition of private ownership, the state ownership in the sense of cooperative with collective farms in the agricultural sector, industry, railways, and trade was extended.

The actions have been taken in order to carry out radical transformations through the implementations of "Planned Economy", "Collectivization" and "Industrialization". 77.7% of the agricultural land was collectivized and at the same time the product range to be cultivated in the agricultural sector was determined and the manufacturing aims were determined through the implementation of collectivization especially in the agricultural sector in 1932. The manufacturing aims were determined for approximately 50 branches of industry and many factories and power plants were started to be built

through the collectivization. The significant portion of the resources was transferred to heavy industries, food and light industries within the framework of the plan. Foreign engineers and workers from abroad were invited to the country and huge investments such as automobile factory and hydroelectric power plant were carried out (Özsoylu and Algan, 2011:76).

The growth rate of the economy of USSR began to decline in the 1970s, and this decline accelerated after 1975. The USSR, which is the best producer of arms in the world and has the power to manufacture all of the heavy industrial products leadenly, failed to meet the basic requirements of the society because of the policies followed. This process led to the failure of the Soviet economy to compete with the West economy. The reform movements in the economic structure were strongly rejected and suppressed by the central government (Onay, 2007). Although the bureaucratic centralist structure in the Soviet system has been gradually corrupted and it was determined by some of the top executives that there should be a strict discipline implementation from the top to the bottom and opposing views should be struggled without deviating from the principles of socialism in the whole country, the solutions projected by these determinations was not successful as the Nomenclature, which represents the Soviet bureaucracy, values its personal interests above all and corruption is very common (Abdullayev and Elma, 2009).

The 1980s are a period of significant changes experienced all over the world. The new initiatives in terms of both political and economic fields have been brought in the periods of Reagan in the US, Thatcher in the United Kingdom, Kohl in West Germany. These transformations experienced in the world were declared in Russia in 1985 and continued until the 2000s.

Mikhail Gorbachev is one of the most significant names in the last period of Russia, which left its mark on the history of the world for 500 years. A series of radical economic reforms were put into effect on 7 November 1987 in order to reactivate the stagnant economy of the country, to recover the economy and to make new investments.

One of the factors leading to the dissolution of the USSR, which began with the reforms of Gorbachev, is the lack of human rights and freedoms in the country. Gorbachev made the following statement about the Soviet system: "The system established in our country was not socialism, it was a real state capitalism. Of course, there were elements of social justice and the domain of socialism. There were obtained values

through education and science. However, there were other social systems except for them. These social systems were not in a socialist manner. Therefore, it is not fair to make these acquisitions as if they belonged to socialism. Based on all this, we are led to the conclusion that: The model reached is totalitarian. This was a model, tying people and chaining them, imposed upon the country, and we had to break this chain. I do not stand for the collapse; I stand for solving the chains" (Cendeoğlu, 1997).

When Gorbachev came into power, he put into effect "Reconstruction-Perestroika" and "Openness-Glasnost" policies in order to re-establish the collapsing Soviet system (Abdullayev and Elma, 2009). These implementations comprised the name given to all reforms required to reach the stage of new manufacturing relations required by the new development stage of the productive forces and to overcome the stagnation of the Soviet economy and society and have gained a historical dimension under the name of "Glasnost and Perestroika". These policies have stipulated the canalizing the free market economy in the economy and supporting this with sociocultural steps and opening the economy to the foreign countries and carrying out them in openness to reach aimed democratic structure (Gros and Steinherr, 1991). The main aim of Gorbachev was to provide bureaucratic reorganization with "perestroika" and to democratize the functioning of the institutions of the country by providing openness and transparency with "glasnost" and to accelerate the growth by eliminating the *Uskoreniye*, namely cumbersome structure. In other words, it is aimed to canalizing the free market mechanism in the economy and opening the economy to the foreign countries would be carried out within the glasnost with the support of sociocultural changes (Skorov, 1987). Although it was stated that the reform implementations would not be rapid due to the cumbersome industrial structure and insufficient infrastructure of the USSR, this situation was highly criticized.

Gorbachev indicated the need to act within the slogan of "acceleration" and to reverse the decline in growth with the idea of increasing the manufacturing, destroying the bureaucratic understanding and providing the efficiency in the Soviet Union, which is constantly losing power and prestige in the eyes of the world. Governments before Gorbachev focused on technology in order to solve economic difficulties and searched the solution in the chemical industry, automation – computer and robots without questioning the system itself. Together with Gorbachev, the Soviet thought has taken into account the "human factor" in terms of the aims and means of development and focused on the moral dimensions of such problems. At the same time, the implementations such as quality of products, reduction of alcohol use, change of

persons in party and management levels for eliminating the restrictions on economic activities have gained importance (Fischer, 1992:18–19).

The administrative, economic and political reforms have been put into effect in the Soviet Union since the first half of the 1980s. However, the failure of reform implementations and the reluctance and resistance of the traditional structure against the implementation of reforms, the rapid decline in economic growth and foreign trade, the increase in foreign debt and deficit spending have accelerated the social and economic collapse in the country (Svejnar, 2002). This period was a difficult period in terms of politics and the Soviet Union, which was established in 1917 and became “superpower” after World War II, was dissolved.

4. Dissolution of the Soviet Union and Establishment of Russian Federation

The transition from the USSR to the Russian Federation started with Perestroika and continued with the collapse of the central planning economy and ended with the dissolution of the USSR. This period, which covers the second period of the transition to the market economy between 1991 and 1998, also covers the first years of establishment and economic collapse and the years of rapid economic reforms of Russia.

The Russian Federation was established in the place of the dissolved USSR in 1991. In the beginning, there were difficulties in the management level because of disagreements and the difficulties of a new formation. Economic reform seeking experienced between 1989 and 1991. “500 Days Program” report was prepared by Stanislav Shatalin regarding the transition to the market economy in August 1990. In the report, it was pointed out that the basic functions required for the establishment of the new economic system such as the formation of a competitive market economy, privatization, price formation in the market, integration with the world economic system (Dorn, 1991).

In the process of transition to the market mechanism, it was not deeply discussed that the transition to the implementation of China "gradualism" namely step-by-step or the implementation of Poland "shock therapy" and the shock therapy was decided upon. Accordingly, the period of the market economy began in Russia (Kinney and Kaler). Three key components of shock therapy in Russia are:

- Comprehensive price liberalization,

- Macroeconomic stabilization,
- Privatization.

The reforms implemented in 1991 were carried out thanks to the support of the IMF. Although the program aroused great curiosity and was supported in the West, a discomfort started in the country in a short time and there were great reactions to the results of the program.

Russia, which was present on the global stage at the end of 1991, implemented its transition strategies in accordance with the recommendations of the IMF and determined the outlines of the transition strategy as follows (Kotz, 2004):

- Decontrolling of the prices,
- Rapid privatization of public institutions,
- Elimination of the public impact on the decision-making mechanism of companies,
- Restriction of public expenditures,
- Tight monetary policy,
- Removal of obstacles against trade in goods and services.

It was believed that the risk of inflation as a result of the decontrolling of the fiscal and monetary policies and prices would be eliminated and the foreign capital would come to modernize the Russian industry with the removal of obstacles against trade and control over companies. In this way, it was thought that the economy would be restructured and a rapid growth would be achieved. However, the result was not as expected and the economy declined from 1991 to 1998. GDP decreased by 46% and investments decreased by 81% in these years. Compared to 1990, GDP decreased by 51% and investments decreased by 84% (Kotz, 2004). The inflation and budget deficits increased rapidly in the first two years in implementation of the shock therapy.

In the months following the price liberalization, a rapid and intensive privatization program was initiated and different methods were applied in different periods of privatization. In the first stage of privatization (1992–1994), the voucher method was applied in the privatization of large and medium-sized companies in Czechoslovakia and the sales were performed by auction in the privatization of small-sized companies. At the end of 1993, 70% of small companies were privatized and a significant portion of these companies was sold to directors (Baer and Bank). The companies in which national defense products are manufactured are excluded from privatization. In the second stage of privatization, some large and profitable companies under state control were sold to banks in return for loans taken in order to finance budget deficits. 5 oil

companies, 2 steel companies, 2 ship companies, and 1 oil trading business were sold and \$1 billion revenue was obtained (Kinney and Kaler). In the third stage, which started in 1997, state-controlled companies were put on sale, and 90% of industrial manufacturing and 80% of companies were privately owned (Brunat and Xavier, 2007). In Russia, privatization increased imbalances in income distribution, and unlawful profits led to significant increases in the revenues of rich bureaucrats and black marketeers. Income equality also increased gradually over time (Svejk, 2002). A study carried out in 1995 showed that the income distribution collapsed rapidly in a short time. The richest 20% had 46.6% of the income and the poorest 20% has a national income share of 5.7%. As a result of all these negativities, bribery, pickpocketing and theft incidents emerged in Russia. The increase in corruption and determination of the credit granted to persons, not to the economy was influential on the decision of the IMF not to grant the loan to Russia (Özsoylu and Algan, 2011).

The positive development recorded in economic indicators in 1997 reversed in 1998 and borrowing from the capital markets was at the top of the agenda. In a short period of time, the financial crisis known as the Russian Crisis emerged. Budget deficits, short-term and high-interest domestic debts increased rapidly and financial problems emerged. The problems regarding the sustainability of short-term debt, the deterrence on investors regarding the arbitrary tax implementations for foreign and domestic investors, the social and economic problems regarding the transformation and the South East Asian crisis in 1997, affected the Russian economy established on delicate balances and Russia experienced a crisis in 1998 (Aslund, 1999). In this period, the decrease in natural gas and oil prices in the global markets deeply affected the Russian economy depending upon the export of these products. At the same time, bank bankruptcies and the difficulties in debt supply on the one hand, and on the other hand, the withdrawal of funds of international investors from Russia accelerated the crisis.

The crisis in 1998 deeply affected the economy and the GDP decreased by 51% and gross investments decreased by 58% compared to 1990. The Ruble was devalued at the rate of 71% in 1999. In the process of transition to the free market economy, allowing the formation of prices in the free market led to an increase in prices on the one hand and on the other hand a serious poverty as wages could not keep up with these developments. According to World Bank data, 10.5% of the population had to subsist below 2 USD per day in 1999.

5. Russian Federation After the Crisis

The crisis deeply affected the Russian Federation in terms of economic, social and political aspects and Putin, who won the presidential elections with the statement of Russia would be in an "influential position" tried to rebuild the country during his presidency.

After 1999, the positive developments in the performance of the Russian economy began to take place. Economic growth remained stable until 2009 and the economy became narrow by 7.6% in 2009 due to the global crisis. In 1999, although the inflation rate is 85.7% because of the 1998 Russian crisis, the inflation continued to decline to single-digit levels until 2008 with a constant decline and started to tend to rise again in 2008 and thereafter. The Russian economy is dependent on energy products and derivatives and this might be considered as one of the main reasons for this negativity. As a result of the global crisis, energy demand decreased because of the declining manufacturing capacity in the world and this caused a significant shrinking in the Russian economy.

The high rate of devaluation and the policies implemented in order to expand the economy were effective in the post-crisis recovery (Kotz, 2004). Moreover, the developments in the world oil market were supportive of the recovery. The rising oil prices have increased the oil export revenues significantly since the beginning of the 2000s and this made significant contributions to economic growth. Seven companies were privatized in 1999 and eight companies were privatized in 2000. It has been stipulated that the privatization of small and medium-sized companies will be accelerated. The supports to increase the contribution of the private sector were focused (Vasiliev, 2000).

While the share of agricultural and industrial sectors in the sectoral distribution of GDP declined between 1991 and 2009, the share of the tertiary sector increased. While the share of the agricultural sector was 16,8% and the industrial sector was 50,2%, the share of the agricultural sector became 4,7% and industrial sector became 32,8% in 2009. While the share of the foreign debt in GDP was 90.3% in 1999 and this decreased to 28.8% in 2008. Current transactions yielded a continuous surplus, but its share in GDP declined from 18% in 2000 to 4.9% in 2009. Since 2001, the foreign debts have been started to be paid. Some of the credit tranches to be received from the IMF have been waived. Although Russia paid a large amount of debt, its economy could grow until 2009.

In the 1990s, high and floating inflation was brought under control and as of 2006, it was able to be reduced to single-digit (9.7%) level. Although Russia has experienced stable and relatively high economic growth in the 2000s, it was able to compensate the manufacturing losses in the first half of the 1990s for the last few years and its real GDP was able to catch the 1990 level only in 2006 and exceeded this level in 2007 and 2008, however, it remained at the level of 1989 in 2009.

Lack of population in the middle class and the group with high income and imbalances in income distribution prevent the Russian domestic market from having a broad market characteristic. On the other hand, the population tended towards decline and the population which was 148.7 million in 1992 decreased to 144.3 million in 2016. The population at the working age increases. However, the inadequacies of work creation led to an increase in unemployment and social problems. When considering the long-term, Russia may face the danger of losing young and dynamic nature of its population.

Putin has drawn attention to the problem of the decreasing population by taking into account that economic, social and demographic problems may be faced in the future because of the decrease in the young population. According to the predictions of the various organizations, it has been estimated that the population of Russia will be decreased to 111.8 million in 2050, in other words, the population will decrease by approximately 30 million if the measures are not taken. It is suggested that there are reasons behind this development such as low birth rate, high mortality rate, excessive alcohol consumption, the rapid spread of AIDS and similar diseases, and low living standards. Putin decided to implement a nationwide social reform package in 2005 to overcome this problem. In this framework, the incentive programs have been initiated to increase the birth rate and the importance of the fields such as health and education to increase public welfare has been mentioned. The developments such as increasing the budget allocated to the fields such as health and education and timely payment and increase in wages have been implemented during the Putin period. Decreasing the population living under the poverty threshold and increasing the population of the middle class by 2020 within the scope of "Strategic Development of Russia by 2020" announced during the Putin period were among the main objectives.

The rapid and radical reforms required by the shock therapy in the process of transformation have been remained slow and partial in Russia. The expected acceleration and deployment in the reforms were not achieved. While the energy sector

plays an active role in the GDP of Russia, 65% of the federal budget funds and more than 50% of the export revenues are obtained from oil and gas. Russia was able to recover its economy with the rise of energy prices in the world by benefiting from the advantages of income economy. The income obtained from the energy sector is estimated to be more than 25%. The profitability of bringing up oil and natural gas and selling it at the world prices creates a crowding out effect in both input import and export of other sectors (Brunat, 2007).

Putin initiated a program to create a powerful economy in Russia. Russia declared a moratorium during the crisis and could not pay its foreign debts and this caused a sensitivity on Putin. The rise in prices of energy resources, which constitutes the basis of the economy of Russian Federation, had a positive impact on the recovery of the economy and the continuation of the reform implementations in the Putin period. Russia, which is one of the countries with the biggest gas and oil reserves in the world, was able to pay its domestic and foreign debts thanks to its income from energy resources and increased its foreign exchange and gold reserves during this period. According to World Bank data, the Russian economy grew by approximately 5.5% and by 5.8% in terms of income per capita between 2000 and 2009 and national income per capita increased from \$1775 to \$8684.

The biggest contribution to the economy of the Russian Federation, which underwent structural change and transformation, was provided from the natural resources owned. Oil, natural gas and mines have an important place in the export of Russia. They are followed by chemical products, machinery–equipment. For the composition of imports, machinery–equipment, and transportation vehicles are in the first place; the food and unprocessed agricultural products are in the second place, and the chemical products are in the third place (Kar, 2010). The reasons for not being able to do product diversifications in its economy cause difficulties in forming the economic structure due to the fact that the economy is dependent on natural resources.

Russia, which experienced a very difficult period in the 1990s, and began to take serious steps regarding its economic decisions and foreign policy in the 2000s, became the newly rich and decisive country of the world in the 21st century.

Distinctive characteristics which distinguish Russia from the former period: (i) the foreign policy rapprochement with the West at the stage of reform beginning with Yeltsin, (ii) ending the competition with the United States in the nuclear sector, (iii) the improvement of relations with NATO and other regular members of the UN Security

Council and European allies. The significant initiatives have been brought in regards to membership to the international organizations such as the World Trade Organization (WTO) and G-7. The criticism of all the breakthroughs carried out in the country; the continued expansion of NATO and EU; adopted the Western model bringing Russia on the verge of dissolution have caused the foreign policy to be reconsidered.

Putin, who started a disciplined transformation program by considering the domestic and foreign problems as a threat to the state tradition, was a significant figure in the transformation program of Russia. First of all, the policies of Putin, which can be summarized as powerful and efficient centralized government, a strong economy, strong army, and active foreign policy, are the decisive breakthroughs for Russia to regain its power in the former days.

Developments are promising for Russia in terms of the future. The impact of the severe global crisis at the end of 2008 was significantly tolerated and the economy continued to grow again. Oil prices, which increased again in 2010, brought vitality to the Russian economy, and this increasing demand resulted in improvements in the domestic and foreign trade volume of Russia (Özsoylu and Algan, 2011).

6. China

China is located in the east of Asia and on the west coast of the Pacific Ocean; China also the fourth largest country in the world after Russia, Canada, and the United States, and it is the largest country in Asia. China is the most populous country in the world with a population of 1.379 billion. China has a coastal border of 32.000 kilometers beside a land border of 22.800 kilometers and 5400 islands are located in its inland waters.

70% of China, which has a surface area of 9.6 million square kilometers, encompasses the mountains and deserts. The arable land covers only 30%. The size of the arable land is relatively small compared to the population. After all, 7% of the world's arable land has to feed 20% of the world's population. For this reason, the agricultural sector has traditionally been very much concerned, in fact, China has been described as a peasant society for many years.

China is losing the characteristic of being a peasant society, which has also left its mark on the political system and is rapidly urbanizing. Although it is a developing country, according to the estimations made by various institutions, especially OECD, it

will be on the first rank in the GDP ranking in 2050 and will realize 12% of the world GDP and 20% of the world trade.

China, which has become a rising force with rapid economic growth as a result of successful reform implementations, is called “New Tigers of Asia” together with India (Ahya and Andy, 2004). 1978 was a turning point for the Chinese economy. Deng Xiaoping initiated the restructuring program as per the rules of the market economy, and China, today’s world-giant, has emerged through Chinese market-based reforms and has changed the world balances. The reform and liberalization initiatives initiated in the foreign trade, capital and sector reforms have been highly influential on the present and future of the country.

China (the People's Republic of China-PRC), which has the most different developmental course among BRIC countries, initiated reform implementations in 1979 and carried out the transition from central planning to socialist market economy step by step (gradualism). Along with this transition, the adaptation of companies, state, and society to the market has occurred in the course of time. The increase in domestic demand caused by the increase in household income has created an expansion in the market along with the external demand for the goods manufactured. The state supported these fields by being selective in the manufacturing sectors and accelerated the economic growth. The reforms in the foreign trade after 1990 have provided significant increases in the export. In a period of 10 years, the exports have doubled and reached 30% of GDP and FDIs also increased approximately 10 times and reached \$38 billion. The regulations for foreign investors initiated in 1982 and the established Exclusive Economic Zones (EEZ) played an active role in this increase.

At the stage of reform implementation, non-complex reforms were implemented primarily and, later on, relatively complex reforms became a part of this implementation. In 2001, China participated in the World Trade Organization (WTO) and passed to liberalization in the foreign trade and in connection with this, passed to liberalization in the financial sector. As a result, a legal system has been established in accordance with directives of the World Trade Organization. The efforts have been made to solve the complex problems such as unemployment in urban areas and inefficiency in the public sector and migration from rural to urban areas.

Until the 2000s, China has been negligent in high-tech investments, as in other developing countries, and has benefited from its range of products with comparative superiority due to low technology and high cost. Recently, it has moved away from this

policy and canalized the high-tech investments and thus has attempted to maintain the achieved momentum.

Although the reform implementations haven't provided positive developments in the quality of life and standard of rural areas, the positive developments have been observed in the urban areas at this stage. The effort of China to become a global economic force rather than becoming a big economy has made China a powerful economy. In this development, the foreign exchange rate policy, Exclusive Economic Zones (EEZ), transparent legal regulations, the approach of increasing income inequality, the approach of rights and freedoms and WTO membership have been influential. All these developments led China to the top in terms of GDP among the countries of the world.

Russia, one of the BRIC countries, is among the 10 largest economies of the world in the 1980s. While Russia ranked 11th, China ranked 2nd in 2010. However, China has not performed a similar progress in terms of per capita GDP for reasons such as overpopulation and low productivity. In the context of both consumption and investment needs, China has such a great population that it is impossible to meet all its needs (Piketty, 2015). Although China has a large domestic market, the imbalances in income distribution incur negativities on the growth of the domestic market. China has made the growth of its economy significantly dependent on foreign trade.

China became the main actor of the international politics and economic discussions with an open development strategy and the industrialization movement initiated by itself in the last twenty years of the 20th century. Once a poor country, China has become the most important economic force along with the USA, Japan, Germany, France, England, and Italy since the beginning of the 2000s (Özsoylu, 2006).

China, the economy of which has gained dynamism and has shown a growth rapidly with its unique market reform implementations started in 1978, has rapidly increased its exports and has become the world leader in terms of foreign exchange reserves. The attraction of the country as an important market and export platform has made China the country attracting the foreign capital at most since 1993 and has become the "factory of the world" with the developments in recent years (Shenker, 2007).

Behind this success of China, which shows a very difficult growth performance after the initiation of the transformation program, the implemented reforms and strategies have a great importance. The efforts of the country under the leadership of the Communist

Party of China (CPC) since 1949 to become an industrial society and the misgovernment caused millions of Chinese to starve between 1959 and 1962. China was governed by "Maoist Communism" until Mao, who was the favorite of the Chinese people and the founder of this system, died. After 1978, China has grown at a steady and record level and has continued to grow. After the 1960s, China has kept up with the rapid growth, which has been experienced by the newly industrializing countries in Asia, in the last 20 years of the 20th century and has realized the "Chinese Miracle".

Having a significant proportion of the population of the world and its economic force and implementation of a unique economic model and the economic performance which has been displayed by China, have been a factor for conducting studies and interest in the Chinese economy.

China has been growing rapidly with an annual growth rate of 10% among the world countries for 30 years. Since 1949, China has been structuring its fully self-contained economy within the framework of its own self-sufficiency policy. As of 1979, China has been globalized to the outside world with the economic reforms implemented by Deng Xiaoping single-mindedly and the transition from the central planning economy to the Chinese market economy has been achieved and the country reached its current level with a big breakthrough.

China, which has managed to become the second largest economy in the world, has reached a prosperous position for the economic investments and has become a country which raises the GDP growth rate in the world with its manufacturing increase. The major dynamics of the current success of the Chinese economy may be listed as follows (Lardy, 2007):

- Capital formation and accumulation,
- Young and workable population,
- Consumption expenses,
- Investment and savings,
- Foreign capital investments,
- Labor productivity and wages,
- the share of exports of goods and services in GDP,
- Openness to the outside world.

Manufacturing development in all economies consists of the total increase in consumption, investment, net assets, and service exports. Investments and exports are the most powerful factors which provide China to grow. While the share of capital

accumulation in GDP was 28.4% at the beginning of the reform implementations, it became 44.5% after a significant transformation in 1992 and then it became 47.7% in 2009. The high level of capital accumulation, which is a significant manufacturing input, has significantly influenced the growth. The capital accumulation is also a significant indicator in terms of industrialization level and the high capital accumulation in China increases the level of industrialization (Lardy, 2007). The capital accumulation increases with new investments, and domestic and foreign savings constitute the source of new investments.

China has an advantageous position in terms of young and workable population. 1.4 billion people live in China possessing approximately a quarter of the world's population. This crowded population, on the one hand, constitutes one of the significant problems for China, and on the other hand, it constitutes the potential to become a source of the economic force. "One Child Policy" was implemented in 1980 to prevent the increase in the population of China and this policy tried to prevent the rapid population growth. However, 72% of the population is between the ages of 15–64. In other words, approximately one billion people can work. It has been set out that the advantage of the demographic opportunity behind the rapid breakthrough in the Chinese economy will begin to close in the coming years and the old population will increase and in the case of insisting on the implementation of the "one child policy" in the 1980s, the young population potential will be lost in the studies carried out by various organizations (Özsoylu and Algan, 2011).

The labor costs per hour in the manufacturing industry in China are approximately 30 times cheaper than France and 20 times cheaper than US and 5.5 times cheaper than Brazil. The abundant labor force and labor cost advantage are important factors indicating why manufacturers in the manufacturing industry in other regions of the world are considering the transfer of their manufacturing to China.

The labor cost advantage has enabled China to become an attraction center in the eyes of the whole world. China attracts quite significant foreign capital investments particularly from the industrialized and newly industrialized countries where the wages are very high. China has experienced another significant development in the last 25 years as well as the low labor cost. 7,500 students were sent to study at Soviet universities during the Mao period and 320,000 students had the opportunity to complete their education in the world's different countries between 1978 and 1999. Most of these students went abroad with a state scholarship and some of them received scholarships from other countries. A large number of Chinese students, who

are sent abroad in order to study engineering, science and business administration, are studying in the United States. In this regard, the US is followed by Japan, Canada, Australia, United Kingdom, France, and Germany.

Most of the students studied abroad returned to China and participated in bureaucracy and universities. 9 Chinese universities (Beijing and Tsinghua at the top 100) ranked in the top 500 universities in 2010. It is known that the persons who have returned to their country after studying abroad have established a number of advanced technological research companies and those who have not returned to their country after studying abroad eventually have returned to China and put investments. For this reason, Chinese persons, who have not returned to their country after studying abroad, are called “brain bank” instead of “human capital flight” (Seitz, 2006).

China has experienced another significant development in the field of education after the reform. At the reform stage, the university gates have been opened to those who fulfilled certain conditions and wanted to receive higher education. In the pre-reform period, while the prior condition for higher education is party membership, this has been replaced by the entrance examination. While the only 4% of the population aged 18–22 could benefit from higher education opportunities in the 1990s, this rate increased to 22% in 2005 and the number of Chinese students rapidly increased (Zhu, 2007).

While all these developments have caused to the quality of the labor force, the abundant labor force suppresses the potential wage increases.

China, which had a marginal role in the foreign trade before 1978, became the world leader in terms of exports after 30 years. The exports and imports of the country have shown a continued increase until 1990 thanks to the opening to the outside world. The exports of the country grew rapidly in the post-1990 period, and the share of exports in the world trade reached 10% and the share of exports in its GDP reached approximately 50% by the 2000s.

The foreign trade plays an important role in the following: to meet the resource deficit of the country, to provide the market for the products manufactured, to catch up with the scale economy and to provide economic development by taking advantage of the manufacturing, technology, information and management skills in other countries. China, which increased its exports rapidly, supported domestic investments with its

obtained foreign exchange income and increased its import oriented manufacturing and accelerated its economic growth.

China ranked the first place in terms of exports and second place in terms of imports among the leading countries in the global trade. China has shown this success by increasing its imports and exports approximately 9 times in terms of value between 1995 and 2009 and China has continuously provided a foreign trade surplus. The exports of China, which significantly meets the raw materials, investments, intermediate goods, and new technology with imports, has surpassed its imports and provided foreign trade surplus. At the same time, foreign trade performance was effective in increasing reserves. After the change in the balances in the world trade, some countries have become the winning party and some countries have become the losing party. China is one of the winning parties.

The foreign capital investments are the most significant power source providing the industrial sector has become the main sector for the growth of China in the course of time and the developments in the foreign trade structure. As a significant part of the “Open Door” policy of Deng, the Exclusive Economic Zones (EEZ), which attracts the foreign capital, have been established and the number of these zones have rapidly been tried to increase. This movement, which has been initiated in order to attract foreign capitals, has influenced the exports of China positively. In regards to the location selection of EEZs, Guandong and Fujian EEZ bases, located on the shoreline and close to Hong Kong and Macao, have been selected on the purposes of capitalist growth and modern management experiences. 59,8% (Shenzhen 50,6% by oneself) of the foreign capital investments to China has been attracted by Shenzhen, Zhuhai, and Shantou in Guandong and Xiamen in Fujian established in 1980 (Yeung, et al. 2009).

EEZ of Shenzhen ranked in the first place regarding the number of patents (the number of patents is 2480 in 2008). This EEZ is one of the most important EEZs in which the companies, which manufacture high value-added products with high technology, operate. Another feature of this zone is that it is considered as a model for the characteristics in the manner that the companies have a big share in the international markets regarding the Chinese patented products and the convenient investment climate has been established for the foreign investors and 14% of the exports of China have been carried out.

The multinational companies (MNC) have established a large number of R&D centers in Shanghai, Beijing, Guandong, Jiangsu, and Zhejiang. The locations where R&D centers

are established are located in the EEZs where success examples are experienced in terms of foreign investments. EEZ of Shenzhen is a privileged zone where products with high technology have been manufactured and privileges and the freedom in the labor market have been allowed due to the increase in labor productivity in the 1990s.

China was seen as the market for manufacturing with old technology by the foreign investors in the 1980s, and now it has become a market where products with advanced technology are manufactured. The number of patents increased rapidly, and the number of patents manufactured by the Chinese increased to 80115 in 2008 as per the World Bank data.

The success of economic reforms has caused significant changes in the social structure of China. The new rich people emerged in the late 1990s, and more importantly, China began to influence a middle-class social life which did not exist at all for different reasons in the 20th century. In accordance with a study conducted by the Chinese Academy of Social Sciences (CASS), the social structure in China has been transformed into an onion-shaped social structure in the hierarchical structure in which the middle class is dominated by the rich and the poor at the two extremes (Quinglian, 2005). Apart from Chinese traditions and family system, the growing class consisting of both the rich and the middle class is creating a new way of life with western understanding. According to the report of "Social Structure of China", which was published by conducting face-to-face interviews with 11,000 questionnaires and 1000 people and lasting 3 years, the social structure has undergone changes in both lifestyle and traditions in China (Li, 2003).

While the formation of the middle class has been structured in the West for a century, this stage has just begun in China. It has been known that the middle class comprises the younger generation and they aspire the western lifestyle. This new class has a low tendency to practice economy and has high consumption, specifically, brand consumption tendency. Another significant problem incurred by the new social structure is the breakdown of the income distribution. The income distribution in China is among the worst in Asian countries. Most of the Chinese have been influenced by the innovations experienced in the early years of the reforms after 1978. As of the second half of the 1990s, one class has become more prosperous, and the other one has become impoverished. The significance of the struggle with this negative development and the policies to be developed in order to fight against poverty have been emphasized in the strategy in which the objectives to be determined until 2025 and called "China's Grand Strategy".

China, which is one of the poorest countries of the 20th century, entered into the 21st century with a new identity through the program initiated and the policies implemented slowly but surely in 30 years. China also has affected the global economy and continues to influence it. China, demonstrating a structure which will change the balances of the world, is also in a very significant position in terms of planning the future of world countries.

However, we should emphasize that the current concerns that growing China will possess the whole world are flights of imagination. The rich countries are richer than they are considered and this fact cannot be ignored. The sum of the real estates and financial assets of the European households is currently €70 trillion after deduction of the debts. When compared, the sum of the different Chinese state funds and the reserves of the Central Bank of China correspond to approximately €3 trillion and is less than one-twentieth of assets of Europe. Poor countries cannot acquire developed countries. Because this requires these countries to be richer than the developed countries, and reaching such a level takes a long time (Piketty, 2015).

7. China, the World, and Turkey

It is seemed possible that the change in the economic balances of the world, rising populist political movements and possible wars in the world cause a large number of successive problems to be faced and solved by Turkey.

Turkey's geographical and cultural closeness to European and Middle Eastern markets, which are the most significant markets of the world, constitute the fundamental ground of the Turkish economy in the international markets. The passing of the global economy's center of gravity to China means that one of the two grounds is significantly weakened. China, which is already the world's largest market for many products and is expected to be ranked in this position by a long way, is not a close country to Turkey in terms of geography and culture. The second ground of the Turkish economy for the future in terms of foreign markets also does not seem secure. In the next decades, it seems that the Middle East markets will shrink and lose its significance due to the fact that oil revenues are significantly decreased because of the precautions to be taken against global warming. Currently, approximately two-thirds of the world's oil is consumed by transport vehicles. As a result of the efforts of the leading actors of the world in order to limit the global warming and to become prominent in this new sector, a significant decrease in oil consumption in the world in the next decades will be

experienced with the spread of hybrid transport vehicles and the getting fossil fuels from the electricity manufacturing (Gomez, et al. 2013). This also means shrinking of the market economy depends on the oil revenues and weakening of the ground which provides a competitive advantage to Turkey (Oktay, 2017).

Coming to the power of the populist parties in the West or increasing their impact on the policies of the parties who are in power, may accelerate the shrinking of the foreign markets of Turkey by leading to protectionist and exclusionary policies.

On the other hand, it seems inevitable that climate change will be an increasing problem for Turkey in the next years. In light of the most optimistic prediction, global warming will continue to increase until the end of the century, even if the world countries are in compliance with the objectives of the Paris Convention. This means a decrease in agricultural manufacturing, water shortages, and extreme climate events for Turkey located in one of the most fragile regions in terms of climate. More importantly, this situation increases the possibility of disagreements due to social instability in the neighboring countries and water resources between these countries and the vulnerability of Turkey to these situations (Türkeş, et al. 2013).

Although the probability is low, we may include unpredictable problems the extents of which cannot be estimated to the above such as getting out of control of world climate as a result of the failure to limit global warming and acquiring global extent of the frictions between China and US.

In the case of negative developments, is Turkey ready enough to deal with them effectively? It is hard to give a positive response. We may address the economic magnitude, investment capacity, scientific and technological productivity of a country as indicators regarding its capacity to face problems. Considering these indicators, Turkey does not seem to evaluate the rapidly developing economies and technological know-how of the East Asian countries and China.

The Chinese economy reached 25 times its magnitude in 1977 at the end of 2011 with an average annual growth of 10%. The economy magnitude of Turkey only reached 3,7 times its magnitude with an average annual growth of 4% in the same period. The share of China and the peripheral countries, which are not growth miracles, in the world's total manufacturing reached from 25% to 37%, in other words, it increased by 50%. The share of Turkey in the same years have been released within a narrow cycle of just over 1% and it is essentially unchanged.

The magnitude of the economy and the national saving rate determine a country's capacity to make investments. In the past decade, while the Turkish economy is growing at an average rate, there is also an extraordinary breakdown in the rate of national savings. The national savings rate of Turkey, which at around 15% until the mid-1980s exceeded 25% in 1988 by increasing rapidly on these dates. Then it decreased to 20% and it reached 25% again in 1998. However, after this date, the rate of savings, which decreased rapidly in the 2000s specifically, decreased to 13% in 2013. In the same year, the worldwide national savings rate was 22% and the average of rich countries, which are lack of practicing economy, was 20% and even in the US, which is known its low practicing economy, was 17%. When compared, the rate of savings of Turkey may be considered as extraordinary low. The combination of ordinary growth and extraordinary low level of national savings means that Turkey is out of sufficient capacity to make investments in order to face major challenges.

It seems that the significance of the manufacturing industry in the Turkish economy has gradually decreased during this period. It is known that the significance of the manufacturing industry in the economy decreases after a certain stage of development in today's developed countries. However, starting from the 1980s, it is observed that there have been similar developments in the developing countries even when the manufacturing industry has not fully developed and the share of the manufacturing industry has not increased in the economy. It is further observed that the manufacturing industry has run out without developing. Several studies indicate that this stage described as "premature deindustrialization" may be seen in the economies of all the developing countries except for the economies of East Asian countries, which are described as the growth miracles (Tregenna, 2015). We see that the share of manufacturing industry in the Turkish economy in its GDP was 20% in 1970 and then increased to 30% in 1989 with a continuous increase. We also see that it decreased to 15% in 2013 after the rises and falls at these levels in 1995. The starting to decrease before the full development of the weight of the manufacturing industry in the economy, which we can evaluate as a reflection of the capacity of structuring the world may be considered as a development which negatively influences the country's ability to manufacture and implement solutions to potential problems that we have mentioned.

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