

ROLE OF THE STATE IN POLAND AND TURKEY IN TRANSITION PERIOD

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ABSTRACT

Poland and Turkey carried some similar economic and political features which have to be taken into consideration in terms of privatization attempts. In Poland, state properties were under socialism and in Turkey under the planned economy. When Poland had the first non-Communist government in 1989 Turkey already launched the privatization program like the major European countries and started privatizing of Telecom Turkey, energy sector which was mainly on the electricity sector but could not gain ground on the program.

This paper compares the transformation and precisely the privatization of Communist Polish economy with the centrally planned non-Communist Turkish economy. Both countries, Poland during the communist time and Turkey until 1980s, had private industrial sectors that were not able to compete in the international markets or against multinational companies, emerging financial market, almost primitive agricultural sector and undeveloped service sector. Turkey started the transformation both economic and social contents by the beginning of 1980s and Poland by the end of 1980s by introducing the free market principles in the economy.

The study covers the period 1980s and 1990s since during these two decades privatization was on the agenda of major European countries and world economy and later the years with the acceleration of privatization. The processes have not completed yet and might be still some improvements.

Keywords: *privatization, transition, deregulation, ownership, Poland, Turkey.*

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POLONYA VE TÜRKİYE ÖRNEKLERİYLE GEÇİŞ DÖNEMİNDE DEVLETİN ROLÜ

1980'li ve 1990'lı yıllarda, dünya ekonomik ve politik düzeyde daha önce benzeri görülmemiş değişiklik veya reformlar yaşadı. Büyük Avrupa ülkeleri ve bazı gelişmekte olan ülkeler de dâhil olmak üzere 1980'li yıllarda birçok ülke ekonomilerinde özelleştirme programı başlattı. Özelleştirme ekonominin ve piyasa güçlerine açılması için en etkili yöntem ve dönüşüm için anahtar faktör olarak anlaşılmıştır. Özel firmalara kamu işletmelerinin mülkiyet transferini sağlayarak makroekonomik istikrar, konvertibilite, özel sektörün gelişimini teşvik, fiyat liberalleşme ve ekonomide etkinlik amaçlanmıştır.

Özel sektöre devlet iktisadi teşebbüslerini devrederek verimliliğin artırılması ve piyasa ekonomisine geçiş özelleştirme sürecinin arkasındaki ana fikirdir ve Sovyet Bloğu yıkıldıktan sonra ilk demokratik hükümeti kuran Polonya dâhil olmak üzere Orta Avrupa ülkelerinde geçiş döneminin en önemli bileşeni olarak kabul edilmektedir. Öte yandan, komünist bir rejimin benimsenmediği ancak benzer özelleştirme programı yürütülen Türkiye'de bu program çerçevesinde büyük kamu işletmelerini özel girişimcilere satmaya başladı. Ülkelerin çoğunda, özelleştirme programı işletmelerin sahipliğini değiştirmeyi amaçlamaktadır. Türkiye de diğer ülkelerle aynı amacı taşımasının yanında aynı zamanda planlı ekonomiden piyasa ekonomisine doğru geçerek ekonominin yeniden yapılandırılması amaçlanmıştır. Bu şekilde, Türkiye ve Polonya'nın dönüşüm ve geçiş denilebilecek ve kamu hizmetlerinin sahipliğini değiştirme ile başlayan bazı ortak özellikleri vardır. Bu anlamda özelleştirme ekonomiyi piyasa güçlerine açmak konusunda çok önemli bir rol oynamaktadır. İki ülkenin özelleştirme programı ile amaçladıkları benzer şeylerdir ve ekonominin liberalleştirilmesi, kamu işletmelerinin özelleştirilmesi, devletin rolünün azaltılması ve özel girişimcinin teşvik edilmesi şeklinde özetlenebilir.

Bu çalışma merkezi planlı komünist olmayan Türk ekonomisi ile komünist Polonya ekonomisinin başlattıkları özelleştirme programlarını karşılaştırarak ele almaktadır. Her iki ülkede 1980'li yıllara kadar, özel girişimciler vardı ancak uluslararası pazarlarda veya çok uluslu şirketlere karşı rekabet edecek durumda değildiler ve yetersiz sanayi sektörü, gelişmekte olan finansal piyasa, neredeyse ilkel tarım sektörü ve gelişmemiş hizmet sektörü vardı. Türkiye 1980'li Polonya ise 1990'lı yıllarla birlikte ekonomide serbest piyasa ilkelerini oluşturmaya çalışarak dönüşümü

başlattılar. Bu çalışma özelleştirmenin ivme kazandığı ve Avrupa ülkeleri ve dünya ekonomisinin gündeminde olduğu 1980'li ve 1990'lı kapsamaktadır.

Anahtar Kelimeler: Özelleştirme, geçiş ekonomileri, mülkiyet, Polonya, Türkiye

Introduction

In 1980s and 1990s, the world has seen unprecedented changes or reforms both economic and political level. Starting from 1980s many countries including major European Countries and some developing countries launched privatization program in their national economy. Privatization was understood as the key factor for transforming the economy and as the most effective way of opening the economy to the market forces. It was aimed to transfer the ownership of state owned enterprises to the private firms, combine with the other steps of the reform such as macroeconomic stabilization, currency convertibility, encouraging the private sector development, price liberalization and achieving efficiency in the economy.

Increasing productivity and transition to the market economy by transferring the state owned enterprises to the private sector was the main idea behind the privatization process and it was also the most important component of the transition period in Central European countries including Poland that formed the first non-Communist government. On the other hand, Turkey as a non-Communist country, it carried out similar privatization program and started to sell the major public enterprises to the private owners. In most of the countries, the privatization program aimed to change the ownership of the enterprises. Although Turkey carried the same aim with the other countries, it was also aimed to restructure the economy from planned economy to the market economy. In this way, Turkey and Poland have some common features that is called transition or transformation started with changing the ownership of the public utilities. In this sense privatization played a very important role in transforming the economy to the market forces. The aim of the program of two countries is the same; liberalizing the economy, privatizing the public enterprises, reducing the role of the state and promoting the private entrepreneurs.

After the developed countries in Europe, the developing countries also tried to reduce the role of the state in the economy by accelerating privatization. It started in Europe by the beginning of the 1980s and spread to the other regions and 1990s have experienced ambitious privatization programs in the world. Countries tried to sell the major state entities to the private owners and the major reasons were the contributing the economic development and increasing the productivity. The very first privatization started in the UK by Thatcher government and spread to the continental Europe and the rest of the world such as Asia, South, North and Latin America and Africa. The very recent privatization was in the ex-Soviet countries and it appeared as a transformation from socialism to capitalism.

I aim to compare Turkey and Poland in terms of reforms they proposed, ability of two countries as reformer. Turkey aimed to carry out a comprehensive legislation and privatization program to dispose the state enterprises and it started with holding the right of toll collection of the Bosphorus Bridge and later on continued with the state owned enterprises. So, the privatization period in Turkey was the desire of promoting the public share ownership (means that offering shares to public, not only to private businesses owners) like the other countries in Europe. In Poland, on the other hand, the motivation was being transformed into the free market economy and having the contribution of the private sector. Both countries started the process with a very extensive plan in the beginning but slowed down in later years and the process took long years and much difficult than anticipated.

Both Poland and Turkey do not have success stories in terms of liberalization of the public sector and there are some lessons to be learnt. The study first focuses on the economic and political perspective of the countries and then the role of the state in privatization processes and country specific developments and obstacles of the process. There is no restriction in terms of industry and the role and implementation of the state is analyzed.

Historical Perspective

Role of state was dominant in Poland during the Communist period and role of the private sector was very limited. The countries in Eastern Europe have a socialist state ownership structure. Industrial production was

80% or more and owned by state; the service sector was also heavily state owned. Agriculture was generally state owned and controlled, except in Poland, where farmers retained their private land after World War II, though under highly restrictive and repressive conditions. The great number and high level of the state-owned enterprises require rapid progress in privatization. (Lipton and Sachs, 1990)

On the contrary in Turkey the share of private sector was relatively high but still the economy was far away of enjoying the free markets and high participation of the private enterprises and the state involved into some strategic sectors such as energy, steel industry, telecommunication, oil etc. or some other areas which private sector have no or very little interest for investment.

After the military coup in 1960, state planning organization was established in 1963 and Turkey started to prepare annual and 5 years long term plans as a state duty for social and economic planning and it was mainly provided guidance for economic development and focuses precisely on the economic sectors. The plan is prepared by the State Planning Organization which is controlled by the prime ministry directly and plans give policy directions for the state owned enterprises and advises and recommendations for the private sectors. They set macroeconomic targets for the country such as economic growth, regional development, exports, social goals etc.

Goals of Privatization

The goals or reasons of privatization may vary but here they are classified into four categories (Lis and Slay, 1993).

- 1) To increase the efficiency of the state owned enterprises by transferring ownership to private sector,
- 2) To increase the efficiency of the capital markets and ownership relations resulting from privatization,
- 3) To solve social justice issues related to privatization and/or ownership structure,
- 4) Using privatization to improve macroeconomic stability.

It is generally thought that privatization is the source of revenue for the government at first and later it decreases administrative responsibilities. On the other hand, the most important benefit is thought to be the efficiency. Privatizing national assets are thought to be beneficial to the country in many ways such as policymakers could not have important decisions on time quickly as their private counterparts in some industries and the decisions could be based on the best interest of the firm according to the market conditions, there could be positive contribution to budget deficit and also liberalization and privatization could accelerate economic growth and there could be more entrepreneurs in the free market system (Hanke, 1987).

For privatization; governments are expected to provide regulatory, legal environment for the private sector operations to guarantee property rights and this is considered as the most important operation of the government and can only be expected to be provided by the government.

Role of the Government in Privatization

Historically, governments have played an important role in the economy especially after World War II and the participation of government differs between developed and developing countries. Apart from the increasing role of the state in the economic activities, some sectors were thought to be natural monopoly and strategic as well which required certain control of the government. Keynesian economic policies and economic growth created by the socialist states contributed to the increased role of the state in the economy. After the 1980s there has been a worldwide interest on privatization which aimed to increase efficiency by reducing the role of the state and tendencies towards privatizing state-owned industries and services. In general, state owned enterprises are large in scale and not efficient in their operations. On the other hand, it was believed that private sector enterprises operate efficiently to maximize the profits and minimize the costs.

On the other hand, especially in developing countries the paradox of the process is that the state has been actively involved into the privatization process. Both in Poland and Turkey, the perception and understanding of developed economy was more participation of the private sector into economic activities and less state operations and controls over economy.

The governments are generally actively involved in privatization process until the selling process is completed. In some cases if there is no sale it remains under the state ownership. On the other hand, it may be difficult to substitute a regulatory body for the government to bear the control and privatization responsibilities, management and decision making process. Therefore, instead of the government involvement, the intermediaries can be responsible of selling and managing the state owned enterprises that is called ‘privatizing privatization’ (Boffito, 1993).

In many developing countries in Latin America, Eastern Europe and Asia, the role of the state is at the center of economic and political debates. It is accepted that the state’s involvement through regulation, production and redistribution, is the cause of problems as crises in the national economies. Therefore, reducing the role of the state is thought as a solution to many economic problems and privatization is the prescription to eliminate the negative consequences of the state intervention (Kochanowitz, 2006).

The state in less developed or in developing countries plays an important role and historically also played an important role for the economic and political development. Both in Poland and Turkey, the state had a clear role of industrialization and modernization of the country in the past. Governments have had a leading role again during the privatization in Turkey and Poland. They decide privatizing state enterprises, put the rules, decided and implemented privatization procedures. It is very clear that the state has been a strong player and ruler during the process to advance free market economy.

Some sectors are thought to be strategic for the national security and in some sectors it is thought that state involvement is needed for a certain period to influence the growth and development over time by seizing command of key industries or economic activities. Especially at earlier levels of development and in order to realize rapid economic transformation, development has been the rationale for nationalization or government ownership. Finally, equity and welfare considerations, or the desire on the part of government to prevent private sector monopoly after privatization has led some governments to assume production of certain goods or provision of certain services.

Countries chose some strategies in privatization process that could be listed as large or small scale, spontaneous and asset privatization (Lis and Slay, 1993). In large scale privatization the state transforms enterprises into joint stock companies and then distributes the stocks to the private sector firms or workers. In this form of privatization the government attempts to control the selling the assets directly and it is a type of privatization used by the most governments. It is the distribution the ownership shares in a rapid and controlled manner. In this type of privatization there is a high cost in administering the distribution of the shares of the state owned enterprises and there are valuation problems.

Poland and Turkey, like the most other countries, sold state owned enterprises in mass privatization. Poland tried to have a fast step to free market from a communist economy and Turkey wanted to benefit from efficiency and productivity of the private sector, tried to encourage the private ownership with the trend of world economy which many countries applied privatization programs in their national economy. Both countries experienced state controlled privatization which in another words the active role of government into the privatization process.

While the key rationale of privatization is the existence and the situation of the role of the state and state owned enterprises, without the proper institutions that enables the efficient and well-functioning private property system, the privatization takes longer time with the active role of the governments (Woo, Parker and Sachs, 1997).

Private entrepreneurs might be willing to invest in a particular sector but might not have enough financial sources to buy the state owned enterprises which make privatization difficult and longer than anticipated. In this case foreign investors have been expected to contribute to the privatization in the country. After selling the state owned enterprises or establishing joint venture with a foreign firm/investor, foreign investor is expected to bring up-to-date technology and know-how to the firm.

Although the global trend was towards privatization, Poland and Turkey did not aim to privatize all state enterprises or goods nor resources. Sectors such as mining, steel, railways and some others which are thought “natural monopolies” has not been included into the privatization program.

Poland

Poland experienced unprecedented and massive privatization program like the other post-Communist countries. During the first period it was difficult to estimate the consequences of the rapid transformation. And the main problem was with the large state enterprises. The beginning and the process of the privatization in Poland and Eastern European countries are different from the Western European countries since the scale of privatization is huge and the privatization process was aimed to be completed in a short period of time. Besides, the process took place in a highly distorted factor and product markets; there were no well-functioning capital markets, absence of entrepreneurial culture, and absolute physical infrastructures (Bonavoglia, 1993). The lack of sufficient private sector, capital markets, regulatory authorities, experience, infrastructure and economic conditions caused the process of privatization to be slower than it was planned. Privatization is understood as transferring the ownership of the state owned enterprises to private hands without paying attention to social problems such as unemployment, and it was thought that stabilization and market liberalization will follow the privatization automatically.

In August 1989, when Tadeusz Mazowiecki was Prime Minister, the communist system dismantled and a new political system, democracy and free market economy replaced it. The government began to privatize the state owned enterprises massively, the new government aimed to accelerate the transfer of state properties and enterprises and liberalize the market.

On 12 July 1990, Poland Parliament approved the Act on Privatization of state owned enterprises. This particular law would be a milestone of change in Poland's economic system. The privatization program of Poland covered so-called 'small-scale privatization', selective privatization of the best enterprises, mass-scale privatization of medium-sized and large enterprises, bankruptcy follow-up privatization and finally grass-roots development of the private sector, which resulted in its absolute growth and the growth of its share in the whole of the economy (Balcerowicz, 1989). The starting points were; to change the ownership of the market, to allow private firms to operate in the market, to encourage private business activities, to increase competition, to promote the mechanisms of free market economy by increasing the share of private sector in the economy.

The Polish privatization program envisaged three different ways of privatization; small scale privatization which covers local administrative activities, small and medium sized state enterprises; transformation of ownership structure of medium sized state enterprises and large scale transformation carried out by the Ministry of Ownership Transformation that covers transformation of the biggest enterprises that have strategic importance in the Polish economy and for the State Treasury (Wojtuna, 1992).

In Polish process there was no clear aim of privatization but there were some goals mentioned officially that are below (Kochanowicz, Kozarzewski and Woodward, 2005):

- To contribute to the change of economic system through creation of private entities.
- To solve the problem of microeconomic inefficiency of state owned enterprises and rise in productivity of the whole enterprise sector.
- To make the whole reform process smooth, stable and irreversible.
- Potential revenues from privatization to the budget were important and contribute to the budget deficit.
- Privatization aims also to solve some social problems.

The very first reform of Poland caused significant structural change in the economy. The fast rise of small and medium size private businesses, inflow of foreign investment in various forms, the restructuring of foreign trade, establishment of modern banking system, and starting the restructuring and privatizing the state owned enterprises were the main and the very first attempts to reform of Poland (Kochanowicz, Kozarzewski and Woodward, 2005).

In the first years of reformation, Poland was able to adopt into free market. The shortage of food was less, the privatization project was very fast and some new private firms were emerged. But privatization level was not the level they aimed. Poland was transformed from socialism to 'market socialism' (Sachs, 1992) The first year of reform in Poland was called an achievement when compared with the other post-Communist countries, the

growth rate increased and Poland's transition process was considered as a success story.

After a fast and successful beginning, Poland experienced a slowdown in the process of privatization and the successful economic transformation was replaced by a decline in later years. Some sectors such as trade, construction and service, even they are thought to be to be easy to privatize and industries and large state owned enterprises slowed the process. On the other hand, the political pressure on government or obstacles for privatization and especially privatizing large enterprises such as infrastructure, public utilities, energy and mining brought slowdown of privatization. Due to the economic crises and high inflation, Tadeusz Mazowiecki's government chose another strategy which is called "The Shock Therapy" or "The Balcerowicz Plan". The plan which is based on IMF policies was launched by the beginning of 1990.

Polish reform started with an extensive structural change and experienced the rise of private businesses, the size of private sector and foreign investment in different sectors of the economy increased. Some state owned enterprises sold out but the privatization process has not been completed as the privatization plan could not be finished on planned term. The last and current "Privatization Plan" of Poland for the years 2008-2011 envisages four year privatization acceleration program and sectors are electricity production and distribution, petroleum, chemical industries. The mission of the plan is to finish privatization process in the country. The priority is given to the legislation to be able to accelerate the privatization process. In the last privatization program includes selling the energy companies such as PGE, one of the largest energy group in Central and Eastern Europe, TAURAN, second largest electricity producer in Poland, some power plants, chemical and petroleum companies, mines, steel works, pharmaceutical companies, shipping companies such as Polish Baltic Shipping, printed media distribution companies etc. (Ministry of Treasury, 2011).

In 1990 about 516,000 new businesses were established, while 154,000 were liquidated, a net increase of 362,000. Another 100,000 small businesses formerly owned by local government agencies were sold to private investors in the initial rush for privatization. By September 1991, an additional 1.4 million one-person businesses and 41,450 new companies had

been registered since the beginning of the year. Overall, in 1990 and 1991 about 80% of Polish shops went into private hands, and over 40% of imports went through private traders (Curtis, 1992), In 1990 there were 8453 of state owned enterprises and 5975 of them privatized between 1990 and by the end of 2010 and there are 121 state owned enterprises as December 2010 (Ministry of Treasury, 2011).

Turkey

Turkey was one of the developing countries with a relatively large state intervention. The beginning of the 1980s brought a growth, dynamism and new privately owned companies into Turkish economy at the same time with many developed and developing countries. As there was privatization experience in many European countries, Turkey also started a long-term transformation and privatization program in trade, construction, production and restructuring of small and medium enterprises. The privatization process did not bring radical changes into the economy but the main aim of privatization was put to have more private enterprises in the economy. The existence of private business, having no political, physical and legal obstacles for operating in the market gave a bit different appearance to the Turkish privatization and reform process.

Privatization reducing the share of the state sector in the economy and increasing the share of private sector changed the structure and development steps of Turkish economy. The existence and operations of the state has a long history in Turkey as the existence of the private sector with capital accumulations and number of entrepreneurs resulted more and more operations and liberalization attempts started for a change.

Turkish economy started to be transformed in 1980s and the transformation was from an inward-looking attitude of heavy state intervention toward allowing greater play of market forces and increased liberalization of the economy. The new idea was that the economy cannot be managed through restrictions, protections, penalties and bureaucratic controls. It aimed to reduce government intervention in the economic activities, to remove price controls, to encourage export, to establish a reasonable interest rate, liberalizing foreign trade, and opening economy to the international competition (Bilgic, 1987).

Privatization didn't include all the sectors. For example infrastructure facilities remained under the state control. This is called as partial privatization as some areas such as bridges, dams, power stations, telecommunications, railways and highways, ports and airports, pure public goods and services such as security, justice and defense related sectors, health, education, electricity and water were not taken into consideration in the beginning of privatization.

The private sector was not restricted but has not interested in some areas which were considered as natural monopoly. Apart from some areas, by privatization program it was aimed to be expanding the role of private sector and benefit more from them.

When there was the growing tendency of privatization in many countries, Turkey launched the fifth five year development plan (1984-89) and some structural changes were aimed for privatization to have smaller state, bigger private sector. In reality, state heavily invested in infrastructure, energy, communication and transport.

The privatization accelerated in the second part of 2000s and giant enterprises such as telecommunication, petroleum and refineries, tobacco etc. were privatized and privatizing ports and energy companies are on the agenda of the privatization authorities. This is explained by the existing of single party government that the legal framework removes barriers to privatization. The current government came to power in 2002, and as it inherited high public debt, the necessity of fiscal adjustment provided strong incentives for privatization. Single-party majority governments are expected to be more efficient (Atiyas, 2009).

Privatization total revenues have been 38,7 million \$ since 1986 and 15,9 million \$ of this revenues have obtained from foreign investor. 59% of the privatization was to local investors and 41% of sale is to the foreign investors. When looked at the distribution of privatization implementations according to methods the highest proportion is 53% share block sales, 23% is asset sale, 19% of public offer, 3% sale at Istanbul Stock Exchange, and 2% of asset sale (Privatization Administration, 2010).

Privatization, liberalization and growth targets have always been in the agenda of the State Planning Organization. Liberalization did not mean to discontinue with the development plans. The State Planning Organization continues to prepare development plans for the state and private sector. The development plans and privatization is still one of the most important articles of the plan. In the last development plan which covers the period of 2007-2013 mentioned that the previous reform program was to eliminate the structural problems of the economy. Even the role and share of private sector in the economy increased in the course of time, it cannot be said Turkey's privatization plans has been successful. (Ninth Five Years Development Plan 2006).

Privatization program is still on in Turkey and there are some key sectors waiting to be privatized. The privatization of Turkish Telecom, Tupras, Turkish Petroleum Refineries Corporation that is the largest industrial enterprise and operates four oil refineries, Erdemir, the major iron and steel industry player, Petrol Ofisi, one of the leading fuel products distribution company, completed after heavy debates and opposition against privatization. Energy sector is still under state control and for the electricity, natural gas market there has been private enterprises but since states share is relatively high, more competition is needed. Government aim play a role only in controlling and regulating is responsible only for the security of supply and all the investment are aimed to be carried out by the private enterprises (Ninth Five Years Development Plan, 2006).

In Turkey, privatization took long and moved to giant sectors such as telecommunication, energy etc. These are the large politically sensitive industries that in the last wave of privatization the focus is on such sectors as there is a global trend towards promoting competition. Privatization in telecommunications took place in 2000s which was vertically integrated monopoly and public ownership. Selling of Turk Telecom was cancelled two times by the Constitutional Court that caused significant delay in selling and developing infrastructure.

The other important sector is the energy and particularly electricity sector. Electricity market Law issued in 2001 and for competition in the electricity market Electricity Market Regulatory Authority established. Earlier, before privatization there were some attempts to have the private sector ownership in electricity market and some firms existed by Built-

Operate (BO) or Built-Operate-Transfer (BOT), so in some regions private firms could operate in generation, distribution and transmission. The permission was cancelled by the Council of Ministers in 1996 and until 2001 uncertainty remained as in this year a new privatization program launched.

The principles of electricity sector reform and privatization in Turkey were laid out in the “Strategy Paper” dated 2004, with a primary objective to ensure adequate, high-quality, uninterrupted and low-cost supply of electricity to consumers. Privatization of distribution companies commenced in 2006 after the reorganization of TEDAS (Turkish Electricity Distributing Company) into 20 regional distribution companies in 2005. The tender process for 18 electricity distribution companies has been finalized in line with Law No. 4046 and the ownership transfer process for 9 companies has been concluded. The transfer process for the remaining 8 companies is still ongoing. Upon completion of the process for these regions, electricity distribution aimed to be entirely is undertaken by the private sector (Privatization Administration, 2010).

The share of the state owned enterprises in GDP has been decreasing but aimed to be 0.6 % in 2013 from 2% in 2006. Again by the end of the planned period, the state is aimed to be totally withdrawn from the sectors such as air and sea transportation, railways, tobacco and tea production, petrochemical industries, electricity distribution. Besides the share of the state in electricity production, natural gas market and mining is aimed to be reduced but the economic activities of the state will continue (Ninth Five Years Development Plan 2006).

Since 1985, state shares in 270 companies, 104 establishment, 22 incomplete plants, 8 toll motorways, 2 Bosphorus bridges, 1 service unit and 788 real estates and 6 ports have been taken into the privatization portfolio. Currently there are 25 companies in the privatization portfolio. State completely withdrew from cement, animal feed production, milk-dairy products, forest products, civil handling and catering services and petroleum distribution sectors. More than 50% of the state shares were privatized in tourism, iron and steel, textile, sea freight and meat processing sectors. State has withdrawn from most of the ports and petroleum refinery sector. Currently there are 31 enterprises in the portfolio and the share of the state is more than 50% of 21 of these enterprises (Privatization Administration, 2011).

Obstacles in the Privatization Process

Obstacle to the privatization causes more and continuous involvement of the government into economic activities and some sectors still remain as state monopolies.

Various countries experienced privatization with the different characteristics of the economies. In developing and underdeveloped countries the problems of state enterprises and the difficulties of legal framework and implementing privatization are more obvious. What is obvious from the public utilities that in both countries the privatization was necessary for some sectors while it was a trend in some other countries mainly the developed nations. In Poland it was the regime changed towards the liberal economy and private ownership was needed. Also, one needs to add the existence of the problems and difficulties of the management of the state owned enterprises.

The problems of the state enterprises are obvious and recognized by the policy makers and therefore many privatization programs launched. Some certain policies are required but also implementation for restructuring the economy and to benefit from the existence of the private owners decisions should be taken and applied. There are number of barriers to the privatization process that are valid for most of the countries aimed privatization. Poland and Turkey also have been facing some difficulties that are listed below and those obstacles cause some temporary or even permanent existing and active role of the state.

The most important obstacles are adequate legal environment, legal protection to new owners, efficient judicial system, legal restrictions for some sectors, fear of unemployment. Misconception of privatization, ideological and/or political opposition to privatization, different perceptions for strategic sectors or defense may be listed as other obstacles.

During the privatization process, the governments were willing to sell the state enterprises to the private firms. But buying state enterprises may bring some extra costs and risks to new private owners other than price. In other words, owners of the private firms would seek a well-functioning judicial system and legal protection for newly bought enterprises and/or

premises and removal of restrictions to invest in certain sectors like energy. This is very same for both national and international firms that are willing to buy state enterprises or penetrate in a sector which is newly opened to private investors.

Another obstacle to the privatization can be legal restrictions or prohibitions for some sectors like defense or communications. In this case a legislative reform is required for removal of those restrictions or prohibitions.

In Turkey, some political elites, media and majority of the population opposed to the liberalization in some sectors which are considered strategic and the governments have been accused of selling the national assets or even “homeland” which is believed to be in the hands of state. A very interesting example is the failure of the selling of Turk Telecom. When foreign investors were called to bid in tender, some academicians and political groups went to the administrative court and got a decision from the court to prevent the selling.

Turkish military is generally opposed to the privatization where it thinks strategic. Labor unions and bureaucrats are also opposed to the privatization since a possibility arises to lose their jobs. Because, many state enterprises have been overstaffed. Therefore, labor unions and bureaucrats may create a political obstacle to the process of privatization.

After the Second World War the idea of active involvement of state in economic activities was widely accepted since there were no enough capital and entrepreneurs. State monopoly in some sectors was also widely accepted. But some groups still keep the same idea today and oppose privatizations.

Another obstacle to the privatization comes from misconceptions about it. It is believed that, a natural monopoly should be operated by a state enterprise; it should remain under the state control. It is thought that private monopoly may only operate for profit and may not care of welfare of whole society. And some services are thought as not-for-profit activities such as health, education and the private firms run businesses for profit but the state provides services.

Polish liberal democracy was created by the formation of the government after the election in 1989. The success of the privatization process cannot be separated from the political situations in the country. Stability in politics affects the success of the privatization program. Even if all political parties agreed on the necessity of privatization, they may have different approaches to the process. When political actors change, the path and speed of privatization also change as each political party have their own approach to the process. In this sense Poland and Turkey experienced similar problems. Government changes in short periods and coalitions in 1990s caused privatization slowdown and even cancellation of some privatization due to corruption claims and distrust to ex-governors or administrators of state institutions and agencies.

In Poland we can talk about small, medium and large scales of privatization. As Poland was a centrally planned economy, even the ownership of small businesses, restaurants etc. were under the control of state enterprises. Privatization of small and medium size companies is relatively easy and the transfer of the ownership was much easier in the beginning of the transition procedure. But privatization of large scale enterprises has been the major problem of the process. This has been also the case in Turkish privatization. Since private firms have been actively operating in the Turkish economy well before the privatization there has not been much difficulties of small and medium size enterprises. But transferring the ownership of the large scale enterprises which are considered as national strategic assets political discussions and experiences have shown that privatization of large scale enterprises is crucial for the process and cannot be completed at once or in a short term.

In Turkey, there have been always different voices to criticize the process of privatization and economic reforms. Without considering the ideas of ruling political party, privatization has been perceived as selling the national properties. Some groups claimed that if the aim is to increase efficiency, only unprofitable state enterprises should be sold and profitable public enterprises should go on to be owned by state. Also some sectors which are thought strategic should also remain as state enterprises.

Other risk was unemployment during and especially after the privatization of state enterprises. Most of the state enterprises are overstaffed

since they hired more workers than they really need for political or social reasons.

The success and process of the privatization process cannot be separated from the political situations and fluctuations of the country. Stability in political life affects the success of the privatization program. Because even if all political parties are agreed on the need of privatization and transformation there are different ways of approaching to the process. A change in the current political actors changes the path and speed of privatization as each political party have their own way of approaching the process. In this sense Poland and Turkey experienced similar problems as the fast changing government and coalitions in 1990s caused some changes of the reform or even sale of some state owned enterprises had to be cancelled due to corruption, selling in the sector against the best interests of the country or mistrust to the earlier government agencies.

Conclusion

The starting point of the study is the similar economic features of these two countries even they had different political systems. Turkey has been trying to have benefits productivity, dynamism and faster decision making processes of private sector by selling the state monopolies and/or companies to private entrepreneurs. On the contrary, in Poland it was tried to shift from “Planned Economy” to free market economy by selling the state monopolies and other enterprises to private sector as well.

Both of these countries had faced some difficulties and failures which were not predicted. By trying to sell the state companies to private sector, it was aimed to benefit from the private capital and especially foreign investment and capital. But especially in sectors which needs more capital than others both countries experienced big failures such as not being able to sell the major state enterprises or selling them at relatively low prices or bearing huge privatization costs to the state.

However there is no best performance in privatization, since countries have different characteristics, economic policies, experiences and implementation of the privatization policies. The experience of a particular country or a successful model may not fit to other countries. There are things to be learnt from different implementations.

Poland and Turkey are less industrialized and also less liberalized countries when compared with well developed countries. These countries

have state enterprises and private enterprises operating in different sectors in the economy. There are also foreign investments in the economies of these countries. Some decisions are still centrally taken and therefore the economic systems of these countries may be called as a mixed system since state and private owned companies operate side by side.

Institutional reforms are needed in both countries to carry out efficient privatizations and having benefits of the private sector. One of the most important missing points is institutional reforms. Active involvement of the governments into economic activities continues even as market liberalization and transition processes go on. Even it has not been a transition country Turkey has almost the same economic features with Poland in terms of liberalization and privatization.

From the experiences of the former Soviet Union countries, it can be easily said that transition to the free market from state controlled economy is not as easy and fast as it was anticipated. In Turkey as well, the privatization process took long years and although it was one of the earliest countries to begin privatization, the process is still on the way.

Another common point about privatization is when countries aim to launch the privatization programs; they asked international financial institutions to guide them. Especially countries like Poland and Turkey applied the prescriptions of international financial institutions namely International Monetary Fund (IMF). But IMF's prescriptions were written according to well developed and free market countries experiences like Britain. Due to differences between developed and developing countries, IMF's prescriptions did not fit to Poland and Turkey well.

Poland and Turkey are similar with the position and the role of the government in the economic activities. This shows the main challenge is to reduce the role of the state.

Historically, the main difference between political systems of Poland and Turkey has been that, Poland had a tightly controlled economy in communist political system. Turkey has had private actors in the economy but state monopolies were very powerful. All infrastructure investments, roads, railways, natural monopolies were done by state enterprises or organs. State organs and institutions were very active in the economy as producers and distributors are able to affect resource allocations.

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