

# BUSINESS ASSOCIATIONS AND TURKEY'S FOREIGN ECONOMIC POLICY: FROM THE 'ÖZAL MODEL' TO THE AKP PERIOD

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## ABSTRACT

*Turgut Özal, former Prime Minister and President of Turkey, has without doubt left a lasting heritage on Turkish politics. His pragmatic and dynamic approach to administrating the country's affairs has been embraced by several later statesmen and politicians, giving rise to the notion of an "Özal model" that found application with respect to several issues in the political and economic realm. Focusing on foreign economic policy as one such issue area, and emphasizing the increasing participation of business actors in policy making process, this paper examines the main tenets of the Özal model, and deals with the question of to what extent Turkey's foreign policy under the current government can be explained with this model. To that end, the paper compares the Özal period with the AKP period using an analytical framework that evaluates the foreign policy participation of business actors at different levels, i.e. structural level, domestic level, and the individual level. The framework proposed in the paper incorporates the factors of state capability, business power and issue salience as determinants of policy influence at the domestic level, and within this context, a typology of roles assumed by business associations is referred to in order to identify the different policy areas where business is active. As a result, the paper finds that while there are similarities between the two periods in the sense that in both cases business actors are actively taking part in foreign policy issues, there are also significant divergences.*

**Key words:** *Özal model, foreign economic policy, business associations, interest groups, policy participation.*

## **İŞADAMI ÖRGÜTLERİ VE TÜRKİYE'NİN DIŞ EKONOMİK POLİTİKASI: 'ÖZAL MODELİ'NDEN AKP DÖNEMİNE**

### ÖZET

*Türkiye'nin eski Başbakan ve Cumhurbaşkanı Turgut Özal'ın Türk siyaseti üzerinde şüphesiz kalıcı bir etkisi olmuştur. Birçok devlet adamı ve siyasetçi, Özal'ın devlet yönetimi konusundaki pragmatik ve dinamik yaklaşımını benimsemiş ve böylelikle ortaya siyasi ve ekonomik konularla ilgili birçok alanda uygulama bulan bir "Özal modeli" olgusu çıkmıştır. Bu alanlardan birisi olarak dış ekonomik politikaya odaklanan ve iş dünyasından aktörlerin politika yapım süreçlerine artan katılımını ön*

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*plana çıkartan bu çalışmada öncelikle Özal modelinin temel unsurları değerlendirilmekte ve daha sonra mevcut hükümetin uygulamakta olduğu dış politikanın bu açılardan Özal modeli ile ne ölçüde örtüştüğü tartışılmaktadır. Bu amaç doğrultusunda Özal dönemi ile AKP dönemi, iş dünyasından aktörlerin dış politikaya katılımlarını yapısal düzey, yerel düzey ve bireysel düzey olmak üzere üç farklı kademede ele alan bir analitik çerçeve içerisinde karşılaştırılmaktadır. Söz konusu çerçeve dahilinde devlet kapasitesi, iş dünyası gücü ve konu bilinirliği faktörleri yerel düzeydeki analizin temel unsurları olarak işlevleştirilmekte ve bu doğrultuda işadamları örgütlerinin üstlendikleri rolleri sınıflandıran bir tipoloji kullanılarak iş dünyasının aktif olarak yer aldığı farklı politika alanları tespit edilmektedir. Sonuç olarak çalışma, mercek altına alınan iki dönem arasında benzerlikler olduğunu, her iki dönemde de iş dünyasından aktörlerin dış politika yapım süreçlerine etkin bir şekilde katıldıklarını ortaya koymakta, ancak bununla birlikte söz konusu iki dönem arasında önemli farklılıkların da bulunduğunun altını çizmektedir.*

**Anahtar kelimeler: Özal modeli, dış ekonomik politika, işadamları örgütleri, çıkar grupları, politika katılımı.**

The practice of presidents and prime ministers being accompanied by business delegations on official state visits abroad is often associated with the foreign policy stance adopted by Turgut Özal, first as Prime Minister (1983-1989) and subsequently as the President (1989-1993) of Turkey. The so-called “Özal model” implied an emphasis on the economy-related dimension of bilateral relations, which required a diverse range of actors, including the business community’s involvement in the policy making process. In this respect, Turkey’s current foreign policy approach, with the Justice and Development Party (*Adalet ve Kalkınma Partisi* - AKP) government in office and with Abdullah Gül as the President, is observed to have similarities with the Özal model; yet given the changes in context within which foreign policy is formulated, one should expect divergences as well.

Associating one practice with an individual politician and the other with a governing party, this paper proceeds from the *a priori* assumption that the nature of the issue at hand that was initially defined by the individual preferences of a key decision maker evolved over time into a more institutionalized form. This transformation is precisely what this paper aims to demonstrate through systematic investigation. To this end, the study attempts to explain what the Özal model actually is, and deals with the question of to what extent Turkey’s current foreign policy can be explained with this model. The paper compares the Özal period with the AKP period, with an ontological focus on the role played by business associations in the policy making process. An analytical framework is proposed that evaluates the foreign policy participation of business actors at different levels, i.e. structural level, state level, and the individual level, by incorporating the factors of state capability, business power and issue salience as determinants of policy influence at the state level. This model will be used to evaluate the two cases, i.e. the Özal model and the AKP practice, in terms of to what extent and how effectively the business associations are participating in foreign economic policy processes. A typology of roles assumed by business associations, which distinguishes between limited quasi-public roles, policy formulation and policy implementation will be used to identify the different policy areas where the business is active.

## FOREIGN ECONOMIC POLICY AND THE BUSINESS ASSOCIATIONS

Foreign economic policy is not a new area of inquiry. It has evolved in tandem with studies on foreign policy in general, which gained momentum in the immediate post-war period. In his influential treatise published right after the war, Hirschman (1945: 16) considered foreign trade as a tool of power politics, arguing, “the power to interrupt commercial and financial relations with any country is the root cause of the influence which a country acquires in other countries.” In a similar vein, Cumes (1951) defined foreign economic policy as “the use of economic means to promote foreign-policy objectives.” In those early years, foreign economic policy *was* foreign policy, and economic means were studied to the extent they mattered for the pursuit of political and strategic goals. Deutsch (1966: 89) argued that when it comes to the national interests in foreign policy making, national security interests predominated in the foreign policy activities of any given nation, and second in importance to security were the economic interests. In a world where increasing concerns for survival and security coexisted with relative economic stability and welfare, economic tools of foreign policy mattered only in their capacity to influence larger foreign policy issues. There was a clear distinction between “high foreign policy” and “low foreign policy,” with the former concerning security issues and the latter involving secondary matters including international economic relations; up until the 1970s there has been a serious scholarly neglect of foreign economic policy (Strange, 1970: 308-309).

This picture began to change in the early 1970s when pressures mounted on the post-war order and the economic stability that had hitherto been taken for granted began to wither away. The international monetary system based on the US dollar backed by gold fell apart and came to be replaced by a new system of floating exchange rates with trade protectionism emerging to the surface as nations struggled to protect their industries. Subsequent oil price shocks made the situation worse. All these developments and the concerns caused thereby helped to push economic issues to the foreground of nations’ foreign policy agendas, not only as means to political and strategic ends but also as ends in themselves, blurring the distinction between “high” and “low” foreign policy. The distinction was a product of the early Cold War period when rising political and security concerns had pushed international economic issues to the margins. As Cooper (1972: 19) stated, “Historically trade issues frequently intruded into, and occasionally even dominated, high foreign policy among countries. But this intrusion was successfully suppressed during the past 25 years by the postwar agreements.” Now that the suppression referred to by Cooper exists no more, international economic relations and foreign economic policy analysis has returned to research agendas.

The study of foreign economic policy gained even more in importance given a greater desire by a larger number of nations to integrate with the rest of the world economy, reflected by subsequent waves of trade liberalization and privatization starting from the mid-1970s, which paved the way to unprecedented levels of international trade and investment. It was the birth of what Rosecrance (1986: 8) termed as the “trading world,” which, in contrast with the perception of a Hobbesian world of “war of all against all” that is shaped exclusively by states’ territorial ambitions and military conflicts, was characterized by economic interdependence as the main feature of inter-state relationships. This new world was inhabited by “trading states” which had to rely on cooperation and dialogue, instead of military capabilities and power struggles for survival, and in such a world, nation-states increasingly based their economic policies towards the rest of the world on rational cost-benefit analyses.

The dissolution of the Soviet Union and the demise of centrally planned economies in the early 1990s accelerated the shaping of this new world. These economies chose to integrate with the rest of the global economy, which meant that the economic interdependence that hitherto prevailed among the liberal economies of the West transformed into “globalization,” implying greater interdependence and interconnectedness encompassing the entire world. Accompanied by simultaneous progress in information, telecommunication and transportation technologies, this development led to a rapid increase in the flows of international finance, trade and investment that rose to levels unprecedented in history, thus leaving the state in a position where it was no more able to formulate policies and shape events on its own.

For a long time following the end of the Second World War and the establishment of the Bretton Woods order, not only had the world enjoyed substantial economic stability, but also the formulation and implementation of foreign economic policy remained under the monopoly of the state. Classical definitions of the term “foreign economic policy” from this period clearly point to the central position of the state. For instance, Cohen (1968: 10) defined it as the “sum of actions by the nation-state intended to affect the economic environment beyond the national jurisdiction.” Similarly, Destler (1980) defined the concept in terms of the actual impact of the government’s actions on external economic concerns, implying that any kind of policy that had an effect on foreign economic matters was to be considered as foreign economic policy. As evident in these definitions, foreign economic policy was exclusively traced to the state, leaving no room for non-state actors.

This picture had already begun to change in the 1970s with the growing economic interdependence among nation-states and the globalization wave of the 1990s accelerating the process in a rapid and substantial manner. The literature on foreign economic policies continued to develop in this period under the influence of globalization. The global triumph of capitalism meant that the state depended now on the owners of capital more than ever. As Strange (1995) observed, the authority of the state in society and over economic transactions within its territorial borders was now seriously impaired, and the state was coming to share its authority in economy with other entities that possessed the leverage to influence the policies of the state through what Strange called the “new diplomacy.” Globalization has not only increased the range and variety of foreign economic policy aims and tools, it has also brought to the foreground the domestic dimension of foreign economic policy, empowering new actors, both inside and outside the government. As governments witnessed the shrinking of their powers and resources, they needed to involve other stakeholders in sharing their burden and in taking part in the process. This was new diplomacy in the making.

One of the key actors in the “new diplomacy” is the business community. Scholarly literature on state-business relations has traditionally evolved around the group theory, which implied that groups get involved in collective action when necessary to further their common goals, and around its two major schools, pluralism and corporatism. Under the pluralist theory, interest politics is regarded as a “free competition among a variety of organizations in a market for political representation” where “organized interests are tamed by competition and the primacy of public legislation” (Streeck and Kenworthy, 2005: 448). This idea refers to the existence of groups as the basis of a democratic society, and the greater and deeper the competition among groups the more developed is the democracy.

Corporatism on the other hand is similar to pluralism in the sense that groups are central to the political process, yet the difference is that the state is not seen as a neutral player but rather is an arbiter of

group influence that decides which group will get favors and which groups will be excluded (Axford, 2002: 392). In his influential work on corporatism, Schmitter (1974: 93-94) defined the concept as follows: “Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed, if not created, by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.” Accordingly, in corporatist systems “selected organizations enjoy a representational autonomy” and “political incentives and sanctions make interest groups cooperate with public purposes” (Streeck and Kenworthy, 2005: 448).

A corporatist perspective of foreign economic policy asks the question of how various interests are represented during the policy making process, thus bringing to the foreground the role of business associations that translate common interests into collective action. In their study of state-business relations in developing countries, Haggard, Maxfield, and Schneider (1997) argue that the existence of business associations is necessary to ensure a smooth and effective functioning of state-business collaboration because these organizations promote collective self-governance of business and limit the individual firms’ pursuit of particularistic benefits. It is similarly important to note that the dynamics of globalization has influenced the way in which the scholars of state-business are viewing the business associations as well. Whereas the traditional view referred to business associations as agents transmitting information and expressing opinions in order to influence the policy makers’ decisions, the rapid economic and political transformation that the world is going through has changed perceptions in the sense that business associations, which have conventionally been studied within the larger context of interest or pressure groups, came to be taken as a unique form of organization with particular characteristics, and scholars’ focus began to shift from their functions of transmitting information and expressing the opinion and interests of their constituents to participation in public policy making.

There is a significant literature on the business associations in Turkey. Within the general framework of state-business relations, which is rigorously discussed in a number of studies (Bianchi, 1984; Heper, 1991; Buğra, 1994; Öniş, 1999), several scholars have studied Turkey’s business associations as institutions of collective action. However, these studies have so far exclusively focused on the associations’ roles either in the democratization process (Heper and Keyman, 1998; Bora, 2000; Öniş and Türem, 2001; Bayer and Öniş, 2010) or as agents of class representation (Buğra, 1998; Keyman and Koyuncu, 2005; Başkan, 2010; Hoşgör, 2011). Studies on their participation in foreign economic policy or foreign policy in general are rather few in number (Kirişci, 2009; Öniş, 2011) and this paper aims to contribute to the literature by comparing this role undertaken by business associations in two different periods through an analytical framework designed to assess the dynamics and effectiveness of the business actors’ involvement in foreign economic policy.

## ANALYTICAL FRAMEWORK

Any analysis of business associations’ foreign economic policy participation roles needs to start with an identification of the different mechanisms through which these organizations are taking part in the policy making process. While the specific field of business actors in foreign policy remains largely under-theorized, there is a significant body of scholarly work on how business actors are taking part in

public policy in general, and insights from this general field can be borrowed and adopted to foreign policy procedures. A useful tool in this sense would be Bell's typology of roles assumed by business associations in public policy. Incorporating the findings of earlier work on the subject and testing these findings in the case of Australia, Bell (1995) proposed a range of possible roles of organized business interests in relation to policy participation:

- i) *Limited quasi-public roles or state service functions: Associations collect information and transmit them to policy makers; express the opinions of the business community; offer business related advice; explain public policy decisions to their own constituents; help the policy makers to "sell" policy decisions to the business community.*
- ii) *Policy formulation: Associations are entitled to a public status; they play a formal role in the shaping of public policy in collaboration with the government and the bureaucracy.*
- iii) *Policy implementation: Associations assume a formal quasi-public role in implementing public policy.*

Bell's typology tells us what the business associations are doing in terms of policy participation in theory; however to what extent they are undertaking these roles, how they fulfill them, and what influence they have on the policy process in practice depend on the particular context. The model proposed in this paper examines the context at three different levels – structural level, domestic level and the individual level – inspired by Singer's (1961) seminal work on the levels of analysis in political science. It is argued that the dynamics at all of these three levels, separately and in combination, determine the contours of business participation in foreign policy processes.

At the systemic level, there is an emphasis on the importance of the structure of the international system, the place of the state in this system and its relative material capabilities as the primary determinants of state behavior. The state's position in the international system is determined by its capabilities and power relative to the other states, and this position creates opportunities and threats at any given moment. Foreign policy, in this sense, is driven by governments' responses to the opportunities and threats created by the system, which also determine to what extent non-state actors are to be involved in policy making processes. Facing economic opportunities and threats brought about by globalization, governments might need the assistance of the business community, i.e. the owners of capital, to benefit from the opportunities and protect the country against the threats. For instance, if globalization opens up opportunities of wealth accumulation through increasing exports, states would not only have a particular focus on the economic dimension of their foreign policy, but they would also involve the private sector in the process, since – at least in liberal market economies – it is the private businesses that do the exporting. In sum, it is the international system that sets up the context within which individual states determine their foreign policy. Analysis at this level can help us understand the framework within which the policy-makers operate and the set of policy options available to policy makers. However, due to its neglect of national variances, what actually happens inside the framework and how the policy-makers determined which policy option to choose remain unanswered. There are opportunities and threats brought about by globalization, but how the nations respond to them depends on their domestic context. We need to shift the ontological focus from the system to the state, and open up the "black box" of the state in order to obtain a richer in-depth description of the various actors and to investigate the processes through which foreign policies are made (Singer, 1961).

At the domestic level, policy behavior is explained as the outcome of domestic institutional relationships and bargaining, which covers not only the interplay of interests and priorities between different political institutions and bureaucracies, but also the pressures exerted on the state by domestic groups by directly participating in deliberative processes with policy makers in order to influence the policy process by framing issues in ways consistent with their own interests, agendas and preferences. The business community can be regarded as a domestic group interacting with the state in this way, and the nature of this interaction is determined by a series of constraints at the domestic level. In this respect, three factors are taken as the main determinants of the state-business interaction depending on what extent the business associations are involved in foreign economic policy and how influential their participation is:

- i) *State capacity: The more capacity the state has, the less is its need to engage non-state actors in policy processes. In this sense, a strong state with abundant resources and a Weberian bureaucracy would be well positioned to tackle policy issues on its own. According to Atkinson and Coleman (1989: 50-59), state capacity is measured as the concentration of authority and bureaucratic authority, and at lower levels of capacity the state relinquishes part of its authority to business actors.*
- ii) *Business power: In a similar manner, the more capacity the business has, the more influence it has in foreign policy related issues. Atkinson and Coleman (1989: 50-59) define the capacity of the business as the level of mobilization of business interests; however, to this definition we should add the resources possessed by the business as well. To sum, the extent of business participation in foreign economic policy depends on how well the business is mobilized as an interest group and undertakes collective action, what resources it has under its disposal and to what extent these resources can be transformed into policy influence.*
- iii) *Issue salience: There might be cases when a state with relatively low capabilities would prefer to monopolize certain foreign policy issues and keep the business community out of the game despite the latter's large resources and capabilities. These are likely to be the cases of high political salience, i.e. issues drawing high levels of public attention and concern, thus being of greater interest for vote-seeking politicians. In such cases, the government is likely to handle the policy issues on its own, whereas in low salience issues, bureaucracy and non-state actors have a greater say. Culpepper (2011: xv) explains the difference issue salience makes as follows: "The political dynamics of low salience issues actually differ dramatically from those of high salience issues. The latter are the stuff of which elections are won and lost, occasioning raucous debates in the media and on the floors of legislatures. The former give rise to what I call 'quiet politics,' in which highly organized interest groups dominate the policy process in arenas shielded from public view."*

The third level of analysis in the analytical model is the individual level. States are not real objects, neither is the international system. They are useful objects for understanding world politics, but they do not refer to real things themselves. Wendt (2010: 281) asks a question here: If the state and international system are not really real, then what are they, really? As Wendt states, social objects such as the state and the international system are nothing but the shared or collective intentions of biological

individuals. This is why individuals need to be taken into account, as individuals shape many of the drivers identified as determinants of foreign policy, such as the system, domestic politics and societal groups (Byman and Pollack, 2001: 109).

Studying the individuals' roles in the economic dimension of foreign policy, Woolcock (2007: 29) argues that in the past, individuals have played a more important role in economic diplomacy, but today one must expect them to remain on the margins because of the larger numbers of actors and the complexity of issues. Individuals, however, still have an impact, and when individuals have an ability to shape outcomes, their motivations must also be taken into consideration. In terms of business participation in foreign policy, attitudes and preferences of individuals in positions of public authority make a difference.

The extent of business participation in foreign policy is determined by dynamics at all the three levels of analysis discussed above. The next part of the paper will discuss these dynamics comparatively for two cases which are two different periods in recent Turkish history each with its own unique characteristics with respect to foreign policy.

### THE 'ÖZAL MODEL'

Turgut Özal was the architect of Turkey's economic liberalization wave during the early 1980s. In his capacity as the Undersecretary to the then Prime Minister Süleyman Demirel, he prepared the structural reform package aiming at empowering the private sector and liberalizing foreign trade in order to accelerate Turkey's integration with the globalizing economy. After the military takeover on September 12, 1980, the military regime appointed him State Minister and Deputy Prime Minister in charge of economic affairs enabling him to continue with the reforms launched before the coup. The party he founded in 1983, the Motherland Party (*Anavatan Partisi* - ANAP) won the first democratic elections after the military takeover, and Özal became the Prime Minister of Turkey, a post he would hold until 1989 when he was elected President.

Özal's approach to foreign policy involved a pro-active and dynamic stance in external affairs, emphasizing the economic dimension of bilateral and multilateral relations, with a significant reliance on non-state actors. Özal was a pragmatic leader who deemed bureaucracy a slow and inefficient apparatus. His preference was to work with the business community in his quest to open the Turkish economy to the outside world, and it was for this reason that he granted a series of what Bell (1995) calls "limited quasi-public roles" to the business. Özal took every opportunity to consult with businessmen in economy related issues, encouraged the institutionalization of the collective attempts of the business, and involved the businessmen in foreign policy events. It was Özal himself who started the practice of taking delegations of businessmen to official state visits abroad and personally leading trade missions.

In terms of the policy formulation role of business, Özal's era again represented a significant break with the past. When Özal took office, there were already several established business associations in operation such as the Turkish Union of Chambers and Commodity Exchanges (*Türkiye Odalar ve Borsalar Birliği* - TOBB) founded in 1950, Economic Development Foundation (*İktisadi Kalkınma Vakfı* - İKV) founded in 1965 and the Turkish Industry and Business Association (*Türk Sanayicileri ve İşadamları Derneği* - TÜSİAD) founded in 1971. However these organizations had neither the



outward oriented focus nor the necessary legal status to represent the private sector of Turkey in foreign economic policy related issues. Being aware of the lack of an institutional platform, Özal actively encouraged the business community to establish a new organization, and as a result the Foreign Economic Relations Board of Turkey (*Dış Ekonomik İlişkiler Kurulu - DEİK*) was founded in 1986 as a legal personality subject to private law, established with the purpose of “pursuing the foreign economic relations of the private sector and assisting the concrete business development activities of the business community.” Its status enabled DEİK to directly participate in the policy formulation process, and DEİK was eventually granted a seat in the bilateral joint economic commission meetings that are held on an intergovernmental basis.

Another important point regarding the Özal model is that the interaction between the state and the business community was of a personalized rather than institutionalized nature. Özal was dealing with individual businessmen rather than organized interest groups, and during the 1980s undertakings of the business associations were largely determined by the personalities of a few individuals who maintained good relations with the government and Özal himself, rather than reflecting the collective will of the business community. In other words, the business community was getting more involved in foreign economic policy and its involvement was needed by the state, although there was still no integrated, systematic and consistent framework for it to influence foreign economic policy.

## THE AKP PERIOD

After Özal’s departure, business participation in foreign economic policy issues was relegated to secondary importance. The process that was started in the early 1980s was “interrupted” in the 1990s (Kirişci, 2009: 33). Ögütçü (2002) regards this interruption as a “deficiency (that) reflected badly on the efforts to maintain and advance the nation’s commercial interests abroad.” Paraphrasing Ögütçü (2002: 5), Turkey seemed in this period to have failed to grasp the importance of economic diplomacy in the pursuit of political advantage. Accordingly, attempts to place a comparable emphasis on economic issues, as opposed to exclusively relying on the oft-mentioned “high politics,” are not coherent, well orchestrated and effectively translated from the glossy political statements to actual deeds. As a result, “vital economic interests have been compromised.” One positive development during the 1990s has been the establishment of new business associations such as the Independent Industrialists and Businessmen’s Association (*Müstakil Sanayici ve İşadamları Derneği – MÜSİAD*) founded in 1990 and the Turkish Exporters’ Assembly (*Türkiye İhracatçılar Meclisi - TİM*) founded in 1993.

With the AKP government taking office after the parliamentary elections in 2002, Turkey’s political scene began to change in a drastic manner and the foreign policy realm was not immune to change. Under the AKP government Turkey’s foreign policy began to be transformed towards a more assertive, proactive and multi-dimensional paradigm that involved “constructive engagement in its neighborhood and beyond” (Davutoğlu, 2009: 14). This “new” foreign policy approach has a significant economic dimension, not only in the sense that improving relations with the near neighborhood and regions hitherto neglected in Turkey’s foreign policy such as Africa and East Asia is motivated by the aim to access new markets for Turkish products, but also in the sense that economic statecraft, i.e. the use of economic policies to pursue non-economic goals, is increasingly utilized by foreign policy makers in their attempts to increase the influence and leverage of Turkey in global/regional affairs. Economic factors began to shape Turkey’s foreign policy more than ever before, and it is, in Kirişci’s (2009) words, the “rise of the trading state” that Turkey is witnessing.

As economic considerations are increasingly in the foreground as determinants of Turkey's foreign policy and as the government uses greater volumes of trade and investment as an instrument of its foreign policy, new actors from the economic sphere, including business associations, entered the scene as participants in the policy making process. Kirişci (2009: 33) states that a wider range of actors have come to participate in the foreign policy process and the interests and priorities of these actors were not necessarily the same as those of the traditional foreign policy-makers. After an interlude during the 1990s, the business community, through its institutional channels in the form of business associations, has re-emerged as one of the new actors in Turkey's foreign economic policy, and in contrast with their immediate predecessors, both President Abdullah Gül and Prime Minister Recep Tayyip Erdoğan adopted a model of active state-business partnership in foreign relations.

## COMPARING THE TWO CASES

The Özal model involved greater participation of the business community in the foreign economic policy process and the AKP appears to be adopting an expanded version of this model. There are, however, not only convergences but also divergences between these two versions. For a systematic analysis of the similarities and differences between the two, we need to ask the question of through what kind of mechanisms a structured pattern of interaction is established between the state and the business associations, and to employ Bell's typology of policy participation roles of business associations in order to establish an analytical basis for the comparison.

As discussed earlier in this article, Bell's first item was "limited quasi-public roles or state service functions," wherein business associations collect information and pass it on to the policy makers, express the opinion of the business community, serve on state advisory bodies, explain the public policy decisions to members, and propose new legislation. This is, in fact, the basis of the Özal model, which relies on the dialogue between the state and the business community. During Turgut Özal's time, the dialogue was carried out mainly through individual businessmen's direct communication with Özal himself and with other high-ranking state officials, as well as through the business associations' participation in political leaders' official visits to other countries.

Both channels, direct correspondence with state officials and participation in official overseas visits, are widely utilized by the AKP. Senior executives of business associations frequently visit high-ranking political leaders, i.e. the President, Prime Minister as well as relevant ministers, in order to brief them on the business community's opinions and suggestions related to Turkey's foreign economic policies. At such meetings, business executives can take the floor and convey opinions and suggestions both on general foreign economic policy issues and issues specific to certain countries. A relatively recent example is DEİK's meeting with President Abdullah Gül on February 15, 2008, where a total of 48 business representatives have taken the floor and general policies as well as specific issues related to Turkey's economic policies vis-à-vis 32 different countries were discussed (DEİK, 2008). It is also a common practice of high-ranking political leaders to visit business associations' general assembly meetings where they address the associations' constituents. On the other hand, both President Gül and Prime Minister Erdoğan continue the practice of taking businessmen to official state visits abroad. Those points that distinguish their visits from those made by Özal is that they are travelling more frequently and they are accompanied by much higher numbers of businessmen. For instance, President Gül alone has carried out 70 official state visits abroad during his first three years in office and these visits were attended by a total of 2,670 businessmen and created a business volume of around 20 billion dollars (Munyar, 2010). Erdoğan, on the other hand, made 243 official visits to 84 countries

during his eight years in the office (DHA, 2011) and these visits were most often accompanied by delegations of businessmen and trade missions.

The main difference in AKP's approach is that business associations now have greater resources at their disposal and therefore have the capability to create more efficient platforms to pursue the dialogue between themselves and the state. A good example is the large-scale international business events that bring together the executives of business associations, as well as representatives from member companies, together with policy makers, both from Turkey and abroad. Every year, business associations organize several business events which are supported by the official foreign economic policy-makers of Turkey in the sense that the state recognizes the business associations as partners and has their senior bureaucrats participate at these events. The government is almost always represented at these events and it is also often the case that intergovernmental agreements related to economic issues are signed during these events. This high-level participation by the state gives the business associations the opportunity to report problems experienced by the Turkish business community and to convey their policy suggestions directly to the statesmen and bureaucrats of Turkey. Additionally, through these events, business associations also provide the opportunity for the state officials and bureaucrats of both sides to exchange opinions and ideas with each other within a semi-formal and business-oriented setting, usually with senior business executives being present at meetings between representatives of the Turkish government and their counterparts.

The second item in Bell's typology is "policy formulation," wherein the business association is given public status and plays a formal role in shaping policy. Due to its legal status, this area was and still is monopolized by DEİK, and the main mechanism is the Joint Economic Commission (JEC) meetings which are held on a bilateral inter-governmental basis with other countries. These meetings offer a platform for the two countries to negotiate a blueprint for the future of their economic relations, formulate their policies, and find solutions for their common problems. As specified in related legislation, DEİK is always represented at JEC meetings, and in this respect there is no major difference between the Özal model and the AKP version. In both cases, the public status provided for business associations is limited. It must be noted, however, that Turgut Özal had intended to expand the scope of the public status given to business associations, and one way for doing so was to place JEC meetings under the sole responsibility of the associations. He had to give up the idea in the face of a strong negative reaction from the state bureaucracy. What Özal wanted was to transfer part of the state's administrative functions to a business association, but the foreign affairs and foreign trade bureaucracy resisted, and no transfer took place. As seen in this example, the bureaucracy recognizes the capacity of the business community, yet it is also determined to maintain control by limiting the public status given to business associations. As a result, instead of transferring its functions, the state subcontracts them to business associations in the expectation that they would perform these duties in a more efficient manner with the state determining the conditions of the contract itself. This had been the case under Özal, and is still the case under the AKP. Under this corporatist setting, the state chooses the associations to work with, and the answer to what extent they get involved depends on to what extent the state needs them to do so. For example, the DEİK regulation states that the organization is to represent the private sector in international or intergovernmental negotiations if and when it is invited to do so. This conditionality clearly illustrates the limits imposed on the involvement of the business associations.

Bell's third item, "policy implementation," remains the weakest link in the Turkish business associations' participation in foreign economic policy. Whereas they actively take part in the process

of formulating policy, implementation is undertaken by the relevant public institutions. The quasi-public status entitled to business associations does not cover the realm of implementation, and it is the state which puts the policy into effect and enforces the policy. In other words, Bell's third item is excluded to a great extent from both the Özal model and the AKP adaptation.

We can now turn to reasons behind the differences between the Özal model and the AKP version. As stated earlier, there can be no one single theory of state-business relations, as the way the two agents interact depends on the particular context, which, in turn, is shaped by the interplay of dynamics at three different levels, i.e. system level, domestic level and individual level. The question is then: How did the context change over time causing variations between the two cases?

At the systemic level, what distinguishes the AKP period from Özal's time is that the former is associated with greater interconnectedness and interdependence among nations, particularly in the economic realm. When Turgut Özal was at the helm, Turkey had only recently begun to liberalize its markets and open itself to the rest of the world. In contrast, the current period is marked by an intensive web of economic relations between nations, which makes the economic dimension of foreign policy one of the most, if not the most, important aspect of diplomacy. Furthermore, globalization has also accelerated the transnationalization of business, not only big conglomerates but also small and medium scale enterprises. The Özal model was centered on a small number of large companies and/or conglomerates that had an export capacity, and one single business association that was established for the purpose of coordinating their efforts to be open to world markets. The current period, in contrast, involves a much larger number of companies of any scale which produce, export, and take advantage of opportunities in markets that had hitherto been beyond the scope of Turkey's foreign economic relations. All of these companies have an interest in influencing Turkey's foreign economic policy through the business associations they join for this purpose.

At the domestic level, three different variables need to be consulted: state capabilities, business power, and issue salience. Turkey has traditionally been a strong and dominant state with a high level of authority. During the early 1980s, the state authority was perhaps at its peak, since the entire state apparatus was ruled by a military regime and there were strict constitutional limits on the activities of societal groups. Moreover, at the level of government, there was also a concentration of authority, considering that during both terms of Özal as the Prime Minister of Turkey, one starting in 1983 and the other in 1987, his party, ANAP, formed a single party government with a parliamentary majority. Over the past three decades, Turkey has taken profound steps towards democratization, which, together with the effects of globalization, has resulted in a diffusion of authority, albeit without undermining the central position of the state in Turkish political life. However, the AKP government is currently in its third term as a single-party government which provides a significant degree of capability for political action. In the meantime, Turkey's high economic performance over the last ten years means that state capability is also reinforced by material resources. In sum, it is possible to argue that in both the Özal and AKP cases, the state capability has been high.

There is, however, another story with respect to business power. The two periods under investigation are completely different in this respect. During the Özal period, business was poorly organized, relying on individual/particularistic connections rather than institutionalized collective action, and it lacked the ability to mobilize around common goals. Moreover, during the 1980s the Turkish business was at the infantile stages of export orientation; it was mainly inward oriented and therefore lacked

access to global sources of income, which meant that business power in terms of material resources was relatively low. This picture changed dramatically over time, and business power during the AKP period has been significantly greater than in the Özal period.

Buğra and Savaşkan (2010) provide a picture of the Turkish business community after thirty years of continuous transformation. The authors define the period starting with Özal's reforms until today with: i) transformation from an autarchic statist economic model into an open market economy; ii) spatial restructuring of economic activities and the rise of local capital; and iii) periodical overlap between the transformations in the business scene with increasing importance of religion in social and political life. All of these changes have served to expand the business power in Turkey. Globalization of the Turkish private sector meant greater resources and better organizational capabilities for business, whereas the simultaneous rise of new industrial centers in Anatolia and the increase in the importance of religion in social and political life gave rise to a new business class representing the conservative bourgeoisie which established its own business interest groups such as the Turkish Confederation of Businessmen and Industrialists (*Türkiye İşadamları ve Sanayiciler Konfederasyonu* - TUSKON) founded in 2005. The most evident difference between the two models is related to the number of actors involved. DEİK was the institutionalized offspring of the Özal model which emerged as a business association born through a public-private partnership with the purpose of providing an institutional platform for the business community to have its say in the policy making process. Under AKP, we see a wider range of business associations which, despite having the same purpose, exhibit a greater variety in terms of legal/institutional structure, membership base, and aims. To sum, the AKP period is marked by a larger number of business actors involved in the policy process, and the spaces of interaction are now larger in the sense that there are more communication channels between the state and the business, and the business associations are involved in a larger number of issues.

The third variable at the domestic level of our analysis, issue salience, offers a similar picture for each of the two cases simply because foreign policy is a high salience issue in Turkish politics. Voters are concerned about foreign policy issues, and this is why governments prefer to deal with these issues on their own instead of delegating them to the bureaucracy and/or non-state actors. This explains why in both the Özal and AKP cases, there are strict limits to the extent to which business is involved in foreign economic policy. Referring back to Bell's typology, in both cases business associations are active in limited public roles, but they have only minor stakes in terms of policy formulation and no involvement whatsoever in policy implementation. In both cases governments are keen to engage the businessmen in policy processes, yet neither Özal nor the AKP government would want to see businessmen actually implementing foreign policy as this would be political suicide.

At the individual level, Turgut Özal's personality played a crucial role in shaping the state-business relations in Turkey. He was a business-minded politician who could work with anyone regardless of ideology as long as the interests were served. Laçiner (2009: 158) details Özal's background as follows: "He was not only a successful businessman, and a religious person with good relations with religious sects; he was a successful bureaucrat and had very good relations with the IMF, the World Bank (between 1971-1973 Turgut Özal was adviser to the World Bank on special projects) and the US administration. He was a religious, nationalist, conservative, liberal politician, businessman, economist, and bureaucrat." While Laçiner's characterization might appear paradoxical in the sense that it juxtaposes incompatible ideologies like political liberalism and nationalism, it actually offers a clear description of Özal's personality, which can be summed up in one word: pragmatism. It is

beyond doubt that both Recep Tayyip Erdoğan as the Prime Minister, and Abdullah Gül, first as Foreign Minister and then as President share the same business-minded pragmatic approach. It is therefore possible to assert that in both cases, there has been a favourable environment for state-business relations to develop in terms of the approach of the individuals in positions of public authority.

## CONCLUSION

Referring to the transformation of the Turkish foreign policy during the AKP period, Ziya Öniş (2011: 56) argues that foreign policy in Turkey is no longer monopolized by diplomats and politicians, but it is increasingly being driven from below by economic and civil society actors. This is actually a process that started in the 1980s under Turgut Özal. It can be argued that the AKP has adopted the Özal model, albeit an expanded version of it. This expansion can be found in what Stephen Bell calls the “limited quasi-public roles or state service functions” assumed by business associations, while in other areas of policy participation the business associations’ role is still limited. According to Heper (1991: 6), each pattern of business-state interaction has a “particular logic behind it, which closely fits one type of state, or government, and not others.” Turkey has a strong and dominant state, which has led to a particular form of state-business relationship where the state maintains its central position, exercises its authority, determines the rules of cooperation, and effectively uses the business associations as instruments to advance the nation’s interests. This is the basis of both the Özal model and the AKP adaptation, and explains why in both cases the policy formulation role of business associations remains limited and the policy implementation role is almost non-existent.

Although the motivation for the state to enter into dialogue with the business community and allow the latter to play a role in the policy making process remains the same, what is different in the case of the AKP is that there are a larger number of business actors involved in the process and the spaces of interaction are now larger in the sense that there are a larger number of communication channels between the state and the business and the business associations are involved in a larger number of issues. The reason behind what we can call the “expansion of the Özal model” is related to the fact that the state-business relations during the AKP period are undertaken within international and domestic contexts that differ significantly from the Özal period.

At the systemic level, what distinguishes the current period from the 1980s is the increasing degree of interdependence among nation states which not only opens up channels for business actors to participate in their respective country’s foreign affairs by bringing the economic dimension of international relations to the foreground, but also increases the power and capabilities of the business. At the domestic level, on the other hand, two broad differences can be found between the Özal period and the AKP period. First, in a general sense, the transformation of the Turkish economy and the consolidation of Turkey’s democracy, both of which were facilitated by the EU accession process, changed the rules of the game, empowering non-state actors and opening the doors of policy-making to them. The second difference is directly related to the interlinkages between domestic and foreign policy. During the AKP period domestic politics have become significantly intertwined with foreign policy, and foreign policy has in turn emerged as a major instrument for gaining a competitive edge in domestic politics. The AKP government is using foreign policy initiatives as a strategic tool for consolidating and extending its domestic coalitional base. During the Özal period, the economic opening up to world markets was meant to be a tool for engaging Turkish economy with global markets and increasing exports to gain the export dollars much needed by the economy. Now during the AKP period these kinds of active foreign economic policies have become tools of domestic politics

as well. Özal was handpicking companies and deciding which products they were to export to which markets; today AKP is getting all the exporters of any size onto the bandwagon, strengthening its domestic support base.

On a final note, it should be remembered that whereas business associations have now a greater role in Turkey's foreign economic policy-making process compared to the Özal period, their role is to a large extent instrumental rather than executive because they remain within the policy framework set by the state and refrain from acting autonomously or challenging the policy objectives of the state. Foreign economic policy, and foreign policy in general, are high salience issues where the governments prefer to maintain control and act on their own as much as possible; they involve other actors in the process only to the extent that they are needed. This was the case in Özal's time and it still is. But it does not necessarily mean that the role of business in foreign economic policy is irrelevant. By establishing a platform of interaction between the state and the business community, business associations transmit the private sector's interests, demands, needs and preferences in different issue areas to the state as a crucial input for the formulation of policy. What distinguishes the AKP period from the Özal period in this respect is that there are more actors involved, more channels of interactions and more issue areas where business is actively taking part. However, the subject remains relatively understudied and we are still far from being able to see the full picture. Questions such as which business associations are using which channels of interaction to what degree of efficiency, and what determines the extent to which they are granted quasi-public roles all require more systematic research based on empirical investigation. As business associations have an increasingly greater influence in foreign policy related issues, the subject demands greater attention by students of both state-business relations and foreign policy.

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