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Businessmen and Turkey's Foreign Policy

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In his victory speech after Turkey's parliamentary elections on June 12, 2011, Prime Minister Recep Tayyip Erdoğan expressed an increasing confidence in his government's part to act as a peace broker in a troubled region. "Believe me" he said, "Sarajevo won today as much as Istanbul; Beirut won as much as Izmir; Damascus won as much as Ankara; Ramallah, Nablus, Jenin, the West Bank, Jerusalem won as much as Diyarbakır." While recent developments in the Middle East have cast doubts over Turkey's ability to turn its self-appointed role into actual results and there remains skepticism about what and how the places Erdoğan listed in his speech - all former Ottoman territories - are to 'win' during the Justice and Development Party's (AKP) third term in office, Turkey's recent foreign policy activism continues to draw significant attention from scholars and policymakers alike.

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While the transformation of Turkey's foreign policy into a more ambitious, multi-dimensional and proactive approach with a broader geographical scope by all means deserves greater inquiry, current discussions on the subject appear to be limited to a few themes, preventing a fuller understanding of the issue. To begin with, frequent references are made to a "shift of axis" in Turkey's foreign policy, suggesting a departure from its traditional pro-Western orientation towards closer relations with the non-Western world in general and with Islamic countries in particular. Moreover, debates are going full steam ahead on Turkey's capability to deliver, asking the question of whether Turkey can fulfill the role of a regional leader, or does what is called "a new paradigm" amount to little more than arrogant neo-Ottoman dreaming? These questions are important indeed, yet there is another field of inquiry that has so far remained understudied. It is the primacy of economics, which is increasingly gaining ground as a determinant of Turkey's 'new' foreign policy due to the mutually enforcing effects of an international context defined by growing economic interdependence between nations and the pragmatism of a government basing its realpolitik on the expansion of material interests overseas.

Economics has a dual function in Ankara's foreign policy calculations in the sense that stronger economic and commercial ties with the rest of the world is both an end and the means to an end for Turkish policy-makers. It is an end in itself as improving relations with the near neighborhood and hitherto neglected countries such as those in Asia and Africa is motivated by the desire to gain access to new markets for Turkish export products. Exports are one of the main pillars of the Turkish economy, and increasing export volumes is now crucial more than ever, because the Turkish economy, despite its astonishing growth rates over the past few years reaching a massive 8.2 percent in 2010, is chronically suffering from a current account deficit which jeopardizes stability. On the other hand, economics is also the means to an end with respect to foreign policy in the sense that Turkey's ambitions to become a regional power relies on the use of soft power, which is to a large extent derived by the growing economic influence of the country in its neighborhood. In sum, economic factors are shaping Turkey's foreign policy as never before, and it is, in the words Kemal Kirişçi, the 'rise of the trading state' that we are witnessing.

One of the defining characteristics of the trading state is the involvement of non-state actors in

foreign policy, and as commerce gains primacy as a determinant of policy, the business community emerges as one of the most influential actors entering the policy-making scene from the non-state realm. It has to be noted, however, that although its form and intensity have changed over time, business involvement in foreign policy is not a new phenomenon in Turkey. Its roots reach back to the post-coup period of the early 1980s, when Turkey embarked on a major economic liberalization program aiming at integration with the global economy. In those years, both the generals who had assumed power with the coup of September 12, 1980 and the civilian bureaucrats they were working with were aware that if Turkey was to participate in global economic processes, this could only be achieved through the empowerment of the business community. The words of the then foreign minister İltiz Türkmen from a speech in 1982 clearly illustrate how Ankara viewed the issue: “It is without doubt that a country can be opened to the outside world only through the joint efforts of its diplomatic missions and business community. It is our duty to meet the expectations of business circles, to contribute to their efforts of opening up to the world, and to search markets for their products... Our goal is to open up, to export and to earn money, yet we shall not forget that it is also about our country’s reputation, which is more important than short term profits.”

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The major proponent of greater business involvement in foreign affairs was Turgut Özal, who served in the interim government after the coup as the deputy prime minister in charge of economic affairs, and having won the elections with his Motherland Party (ANAP), became the prime minister of Turkey in 1983. In his efforts to integrate Turkey with the rest the world, Özal preferred to work with the business community rather than with the bureaucracy, which he considered to be a slow, obsolete and uncreative apparatus, an obstacle against rapid progress that had to be bypassed. In addition to the incentives provided for the private sector, Özal started the practice of holding regular meetings with the representatives of the private sector and taking business delegations to official state visits abroad. It was the dawn of an era for businessmen to communicate their interests relating to Turkey’s foreign affairs directly to the state and to take part in foreign policy events. While this participation was largely limited to economic issues, it has to be noted, that Özal’s confidence in businessmen was so great that in several cases businessmen were involved in ‘hard’ issues as well. For instance, in 1987 when the Turkish-Greek rift was at its worst, Özal preferred to bypass the Ministry of Foreign Affairs and employ a businessman for liaison with his Greek counterpart, Andreas Papandreou. This approach, while increasing the role of businessmen in foreign affairs, widened the chasm between Özal and the bureaucracy.

In this period, businessmen’s participation in foreign policy was of a particularistic rather than institutionalized nature. Özal was working with individual businessmen, and he was instructing rather than exchanging views with them. As Ayşe Buğra argues “the effective role that the (business) organizations could play in the foreign policy process was largely determined by the personalities of a few individuals who have maintained good relations with the government.” The business community then had no institutional channels through which they could collectively disseminate their interests to the state in regards to foreign policy. Neither public professional associations such as the Turkish Union of Chambers and Commodity Exchanges (TOBB) nor the voluntary associations such as the Turkish Industry and Business Association (TÜSİAD) had such a function as both were inward oriented. A new institutional framework was needed and

consequently the Foreign Economic Relations Board of Turkey (DEİK) was established in 1986, with the purpose of coordinating the business community's foreign economic relations and acting as a platform for communication between the state and the private sector.

Turgut Özal was elected president in 1989, a post he held until his untimely death in 1993. After his departure, the involvement of the business community in foreign policy issues receded into the background. The problem was not that Özal's successors renounced his perspective and vision, instead it was the changing domestic context, which blocked non-governmental actors' access to policy-making processes. During the 1990s, Turkish politics came to be characterized by serious instability with a series of fragile coalition governments taking office and the country struggling to deal with both armed violence and economic turmoil. Although all the center-right coalition governments formed between 1991 and 1999 embraced a pro-business stance to varying degrees, fragmentation in policy-making structures as well as political and economic instability in general caused the business actors to remain on the sidelines.

After the parliamentary elections in 2002, the political scene changed dramatically in Turkey, and foreign relations emerged as the field where the change was most significantly felt. As discussed earlier, the primacy of economics came to be strongly felt in Turkey's foreign policy paradigm under the AKP. The current government uses greater volumes of trade and investment as an instrument of foreign policy and collaborates with the business community, as was the case during the time of Özal. What has changed since the 1980s is however, that the number of actors from the business community has increased and the way the state interacts with the businessmen in foreign policy issues has transformed into more institutionalized patterns.

During the 1990s, DEİK had remained as the leading business association actively playing a role in Turkey's foreign economic policies. Other organizations active during this period, such as TÜSİAD and the Independent Industrialists and Businessmen's Association (MÜSİAD), a voluntary association established in 1990, were focused on domestic issues, whereas another organization with semi-public status, the Turkish Exporters' Council (TİM) founded in 1993 as the umbrella organization for all regional and sectoral exporter unions in Turkey, had an emphasis on the macroeconomic field, pressuring the government for monetary policies favorable for exporters. After the AKP took power, DEİK continued to pursue its mission, albeit under conditions of increasing competition for influence. The rise of political Islam on one hand and the evolution of new industrial centers in Anatolia on the other created a new business class which produced its own business associations, such as the Turkish Confederation of Businessmen and Industrialists (TUSKON), which, despite being founded in 2005, rapidly rose to affluence thanks to its close relations with the government derived from the organization's large local support base. In sum, Turkey's business interest groups scene is defined now by a large number of groups representing different entrepreneurial classes and competing against each other for influence.

The way the business community takes part in foreign policy processes is considerably more institutionalized compared to Özal's time and it is the representative associations and their elected executives rather than individual businessmen with strong connections that the state is officially

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dealing with in issues related to foreign policy. However, the institutionalization of the state-business collaboration has limits, imposed by the very existence of a strong central state tradition in Turkey. It is the state that sets the rules of the state-business collaboration, chooses which business associations to work with, and engages them in the policy making process without necessarily transferring part of its authority or administrative functions to the private sector. In other words, there are no formal organizations established and operated jointly by the state and the business community, there are no secondments of businessmen in Turkish diplomatic missions, and the actions of business associations in foreign policy related issues are always subject to an approval, explicit or implicit, by the state. There are only a few organic institutional linkages between the state and the business community in this respect, one example being the Joint Economic Commission meetings, which are held on a bilateral inter-governmental basis, where the Turkish delegation always has one seat reserved for the private sector representative. On another note, the recent tendency among business associations to employ former bureaucrats as senior officers points to a greater willingness on behalf of the business community to strengthen informal links with the state.

Business associations take part in Turkey's foreign policy by establishing semi-formal platforms of interaction with the state

Given the absence of joint organizational structures aiming at and authorized for decision-making, participation of the business community in Turkey's foreign policy takes place through channels of disseminating the opinion and preferences of the business community to public policy-makers. Two frequently utilized methods of pursuing this dialogue are direct correspondence with state officials and participation in state leaders' official overseas visits. Direct correspondence with the state does not only involve lobbying activities in Ankara, but it is more commonly undertaken within the setting of large-scale business events that bring together the business community with policy-makers, as the state is always represented at these meetings at both government and bureaucracy level and it is common for the president or the prime minister of Turkey to address the business community at these events. Such events have other functions as well in the sense that in many cases intergovernmental agreements are signed during these private-sponsored events and through these events business associations offer a platform for Turkish state officials and their visiting counterparts to discuss bilateral issues within a semi-formal setting.

As stated earlier, the practice of including trade missions to state leaders' official overseas visits started during Turgut Özal's time. After slowing down during the 1990s, this practice was reinvigorated with the AKP government. Now, scores of businessmen are accompanying both prime minister Erdoğan and president Gül on their overseas trips, taking part in meetings between the Turkish delegation and the hosts and expressing their opinion and positions related to bilateral issues.

In sum, business associations take part in Turkey's foreign policy by establishing semi-formal platforms of interaction with the state, participating in state leaders' official visits, establishing direct contacts with policy makers and by directly taking part in the formulation of policy by representing the business community in intergovernmental meetings. However, the question to ask is how effective and influential this participation is.

In order to understand the efficiency of business participation in Turkey's foreign policy, state-business interaction in this field needs to be conceptualized as a process of bargaining, because it is crucial to see how the two parties align their incentives to form a collaborative structure. The state and the business community are two separate entities with their own separate agendas and priorities, yet they need each other to pursue their own particular interests. Turkey's government wants to increase its influence in the region and for this it requires larger volumes of commerce. Since Turkey's liberal market economy does not possess the Chinese kind of large state economic enterprises, private sector money and involvement is needed for this. On the other side of the bargain, the private sector is motivated by profits, and in a region marked by an instable business environment, it needs favorable foreign policies and the state's assistance to overcome barriers. The state engages the business community in the foreign policy process under the condition that the latter does not challenge the priorities of the government, and the private sector supports the government's foreign policy incentives by funding foreign policy events and increasing its trade and investment in the regions indicated by the state as long as it is allowed to have say in policy issues and its interests are protected. Recent remarks made by prime minister Erdoğan in a meeting with Turkey's commercial counselors abroad in April 2011 clearly show that the government's commitment in the bargain covers the protection of interests at the individual firm level as well: "As the prime minister of this country, I follow up Turkey's investments, Turkish businessmen's activities, wherever I go. When it is necessary, I personally intervene to solve the problem of even a truck driver. Your problem is my problem."

The discrepancy between Turkey's reactions to the uprisings in Egypt and Libya cannot be understood without considering the involvement of the business community in the formulation of the crisis response policies

For a good example of the state-business interaction in practice, one needs to look no further back than the early stages of the Arab Spring, when Turkey's divergent responses to the events unfolding in Egypt and Libya created confusion in the minds of many. In the Egyptian case, Ankara immediately demanded that president Mubarak heed the desires of the people and step down. In Libya, however, Turkey hesitated to take a clear stance against Qaddafi, prompting him to undertake reforms instead of pushing him to step down, thus casting doubts on Ankara's sincerity to promote democracy in the region. It was only after two months that Ankara decided to provide support for the opposition and turn its back on Qaddafi.

The discrepancy between Turkey's reactions to the uprisings in Egypt and Libya cannot be understood without considering the involvement of the business community in the formulation of the crisis response policies. The two countries have different meanings with respect to the global outreach of Turkish business. Whereas Egypt is a trading partner for Turkey with modest volumes, Libya is the second largest market for Turkish construction companies where they have been active for four decades. During this time Turkish companies completed more than 500 projects with a total value of 26 billion dollars, of which nearly half has been done over the last five years. At the time when the uprisings broke out, 25 thousand Turkish citizens were living in Libya, mostly workers and engineers employed by Turkish companies. In other words, while in Libya long-term business interests were at stake, this was less the case in Egypt. The crisis forced Turkish

construction companies to evacuate the country, leaving their semi-finished projects and equipment inventory worth 15 billion dollars behind, thereby making the involvement of the business community in Turkey's Libya policy imperative.

The first step taken by the Turkish government was to establish the 'Libya Monitoring Committee', chaired by the minister of economy, with representatives from the Ministry of Foreign Affairs and four major business associations, with the purpose of "establishing an action plan in light of the opinions of business organizations." The Turkish-Libyan Business Council operating under the auspices of DEİK held 12 meetings, reporting their conclusions to related government agencies. Extensive consultations were undertaken between public authorities and business associations, and as a result, the Turkish government decided to take some time waiting for different options for the post-Qaddafi period to develop so that it could make its choice. The alternatives included two democratic options: democracy from within through the pro-democracy opposition or democracy from outside through Western intervention. Ankara preferred the first option, since the second was likely to create a post-Qaddafi Libya in which business opportunities, particularly in the construction sector, would be distributed to contractors from Western countries, as has been the case in Iraq and Afghanistan. This would be a bitter experience, not only for the construction companies that would lose business in Libya, but also for the government for which Libya has traditionally been the focal point of Turkish economic influence in Northern Africa. At the end of the day, Turkey opposed the NATO intervention and decided instead to provide financial support for the opposition groups in Libya. It was a foreign policy decision taken by the state with participation from the business community and while it cannot be asserted that Turkey's Libya policy is formulated on an economic level only, it is true, nevertheless, that the business factor has been a key determinant.

In conclusion this policy brief proposes 'bringing the economic in' to the studies of Turkish foreign policy. The debate on a possible "shift of axis" in Turkish foreign policy has its own merits to some extent, but limiting the inquiry to an ideational spectrum between the West and the East without adequately studying the material underpinnings of Turkey's foreign policy would prevent the students of Turkish foreign policy from seeing the larger picture. Turkey builds its foreign policy not on ideological axes, but on axes of commerce connecting the industrial centers of Turkey with its partners in the region. It is the business community fuelling these axes with their exports, imports and investments as representatives of this community, i.e. the business associations, emerge as new actors in the policy formulation process. In short, a fuller understanding of the dynamics behind Turkey's foreign policy can only be possible through a detailed investigation of how the mutual dependence between the state and business is reflected into policy choices and how the cooperation and/or competition between groups representing different entrepreneurial classes affects this process.

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