

BUSINESS ASSOCIATIONS AND FOREIGN POLICY: REVISITING STATE-
BUSINESS RELATIONS IN TURKEY

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BUSINESS ASSOCIATIONS AND FOREIGN POLICY: REVISITING STATE-
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Dissertation Abstract

Altay Atlı, “Business Associations and Foreign Policy: Revisiting State-Business Relations in Turkey”

Economic considerations are increasingly playing a role in defining Turkey’s foreign policy, and as a result, non-state actors from the economic realm like the business associations as the institutional representatives of the private sector are emerging as key actors in the formulation and implementation of policy. This study deals with the question of whether the increasing activism of business associations in foreign policy issues represents a transformation of state-business relations in Turkey from a state corporatist mode with clientelistic tendencies and patronage relations towards more formal, institutionalized and participatory forms such as liberal corporatism. In order to illuminate this issue, the experience of three business associations (Foreign Economic Relations Board of Turkey, Turkish Contractors’ Union, and Turkish Exporters’ Assembly) over the past three decades is analyzed by employing using a two-tiered principal-agent model, which positions the state as the principal and the business associations as the agents performing certain tasks on the state’s behalf and receiving incentives in return, within a historical institutional framework. The model has the dimensions of the interaction between the government and bureaucracy; the contract between the state and the business associations; autonomy of business associations; interaction between the administration and the constituency of business associations; and cooperation and competition between the business associations. Investigating the changes in these dimensions over time, this study discusses the development and limitations of state-business relations in Turkey. In this way, the study hopes to make a contribution to the literature on Turkish political economy and foreign policy.

Tez Özeti

Altay Atlı, “İşadamları Örgütleri ve Dış Politika: Türkiye’de Devlet-İş Dünyası İlişkilerini Yeniden Değerlendirmek”

Türkiye’nin dış politikasının tanımlanmasında ekonomik konuların rolü giderek artmakta ve bu durumun bir sonucu olarak ekonomi dünyasından özel sektörün kurumsal temsilcileri işadamları örgütleri gibi devlet-dışı aktörler politikaların belirlenmesi ve uygulanmasında önemli birer oyuncu olarak ön plana çıkmaktadır. Bu çalışmada işadamları örgütlerinin dış politikada artan etkinliklerinin, Türkiye’deki devlet-iş dünyası ilişkilerinde patronaj ilişkileri ağırlıklı devlet korporatizmine dayalı bir yapıdan liberal korporatizm gibi daha biçimsel, kurumsallaşmış ve katılımcı yapılara doğru bir dönüşüme işaret edip etmediği sorgulanmaktadır. Bu konuyu aydınlatmak için üç işadamları örgütünün (Dış Ekonomik İlişkiler Kurulu, Türkiye Mühendisler Birliği ve Türkiye İhracatçıları Meclisi) son otuz yıl içerisindeki deneyimleri, devleti asıl, işadamları örgütlerini de devlet namına bir takım işlevleri yerine getiren ve bunun karşılığında belirli teşvikler edinen vekil olarak konumlandıran iki katmanlı bir asil-vekil modelinin tarihsel-kurumsalcı bir çerçeve içerisinde uygulanması suretiyle incelenmektedir. Geliştirilen modelin farklı boyutları hükümet ve bürokrasi arasındaki etkileşim; devlet ve işadamları örgütleri arasındaki mukavele; işadamları örgütlerinin özerkliği; işadamları örgütlerinin yönetim ve üyeleri arasındaki etkileşim; ve işadamları örgütleri arasındaki işbirliği ve rekabettir. Çalışmada Zaman içerisinde bu beş farklı boyutta yaşanan değişimlerin incelenmesi vasıtasıyla Türkiye’deki devlet-iş dünyası ilişkilerinin gelişimi ve kısıtlamaları tartışılmaktadır. Bu suretle çalışma Türkiye’nin siyasi iktisadı ve dış politikası konusunda literatüre katkıda bulunabilmeyi ümit etmektedir.

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In loving memory of

Mahinur Dengili

(1921- 2009)

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CHAPTER 1

INTRODUCTION

Foreign policy is a field of political endeavor where symbolism and rhetoric matter, as meanings loaded on words, gestures, and symbols—both actual and metaphoric—signify patterns of action in a country's behavior towards other actors in the world. This is why the makers of foreign policy choose the words they use and the way they use them carefully and within context. It is these words that provide information not only on *what* action is to be taken, but also on *how* it is going to be taken, supplying us with first-hand knowledge on the dynamics of the formulation as well as the implementation of foreign policy.

When Ahmet Davutoğlu, one of the principal personalities shaping Turkey's foreign policy discourse under the Justice and Development Party (*Adalet ve Kalkınma Partisi* – AKP) government said in an interview at the time when he was the chief advisor on foreign policy to Prime Minister Recep Tayyip Erdoğan, that “the business world spearheads foreign policy” (Davutoğlu, 2004, p.70), and “the leading companies of the private sector are actually vanguards of our foreign policy and strategic vision” (ibid, p.75), one could have been forgiven for believing that his words were only stating the obvious. Ever since Turkey embarked upon a series of reforms opening up its economy in the 1980s, and the global structure came to be defined by economic interconnectedness and interdependence between nations, influential business actors had been more and more visible in Turkey's foreign policy arena, in some cases even acting directly as mediators or facilitators of Turkey's relations with other countries. Davutoğlu's words pointed to the role of the business

community as a foreign policy actor, yet by the time he made these statements representatives of the business community had already been involved in foreign policy related issues for a long time.

For more careful ears, however, there was something new in Davutoğlu's words. He had chosen to use remarkably strong words, such as the business community "spearheading" and becoming "vanguards" of foreign policy, ordaining the business community not only as a participant in Turkey's foreign policy process, but positioning it as a major influential actor. After Davutoğlu made this statement, the AKP government emerged victorious from two successive parliamentary elections, Davutoğlu himself became the minister of foreign affairs, and the record appears to have lent credence to his choice of words. Over the past years, there has been a significant rise in the collective activity of the business community, and an increasing number of business actors have become involved in an increasing number of issue areas of foreign policy, through an increasing number of channels of communication and collaboration. "The leading companies of the private sector", referred to by Davutoğlu, have indeed shown greater activism in foreign policy related issues, doing so not individually, but through institutions of collective action, i.e. business associations, in which not only large enterprises, but also small and medium scaled companies can and do take part. It is now more common than before to see representatives and members of these associations accompanying state leaders in official overseas visits, taking part in intergovernmental meetings, signing international cooperation agreements, and more importantly, communicating their opinion and positions with respect to foreign policy issues more effectively to the policy makers.

The picture of the business community “spearheading” and becoming “vanguards” of foreign policy is the inevitable outcome of the growing hegemony of neoliberal discourse and practices at the global and domestic level, and it is not a coincidence that business involvement in Turkey’s foreign policy developed parallel to the implementation of neoliberal policies guiding the country’s opening up to the world in a process that commenced in early 1980s.¹ With the primacy of the market becoming conventional wisdom and domestic economies merging into one single global marketplace, relations between nations are increasingly defined by commerce. Businessmen² as the practitioners of economic exchange with other countries—be it through their exports and imports, overseas investment projects or cross-border capital transactions—are rising to prominence as non-state actors in foreign policy. In a time when a country’s leverage in international relations is essentially defined through its capability to project economic power beyond its borders, it is natural for the source of that power to have a greater say in the way their nation is organizing and executing its relations with the rest of the world.

This state of affairs, however, gives rise to certain questions. How does the picture of a business community “spearheading” foreign policy fit the patterns of Turkey’s state-business relations traditionally based on patronage relations between a strong state and a dependent business community? Business associations are today clearly more involved, more visible in foreign policy issues; but are they genuinely allowed to take part in the policy process? After all, these associations are the products of a particular societal environment where the state has a significant “economy and society shaping role” (Buğra, 1998, p.523). In a surrounding where the business is being “shaped” by the state, can one expect them to act as

¹ See Appendix A for statistical data on the globalization of Turkey’s economy.

² The term “businessmen” is used in this dissertation to denote business executives in general, regardless of gender.

autonomous actors “shaping” policy themselves? Can they make a difference in the formulation of foreign policy and contribute to national goals, or is what they do little more than justifying, financing and executing policies formulated elsewhere (i.e. by the state) beyond their reach while at the same time pursuing their own particularistic goals? These are crucial questions, and they need to be answered so that we can understand not only the changing dynamics of Turkey’s foreign policy, but also, and maybe more importantly, if these changes triggered by the neoliberal turn at global and domestic levels are leading to a transformation of state-business relations in Turkey from their traditional top-down hierarchy towards more pluralist and participatory forms implying bottom-up policy making principles.

The role of business associations in foreign policy is not one of the most written-on subjects by the students of Turkish political economy. There is a small yet extremely insightful literature on the relevance of economic considerations in Turkish foreign policy (Hale, 2000; Ögütçü, 2002; Kirişci, 2009, 2012; Öniş & Yılmaz, 2009; Ünay, 2010; Kirişci & Kaptanoğlu, 2011; Kutlay, 2011; Öniş, 2011, 2012a; Tür, 2011; Vallée, 2011; Straubhaar, 2012) but these studies approach the issue from a macro perspective and provide only few details on the involvement of non-state actors. On the other hand, there is a growing body of literature studying Turkey’s business associations exclusively within a foreign policy context (Akyüz, 2006; Gürpınar, 2006), however, although these studies provide an insight on how the recently increasing involvement of business associations in the process influences Turkey’s foreign policy, they do not explore into the nature of state-business relations in Turkey and how foreign policy participation is shaped within this particular framework. In that regard, the literature on the transformation of state-business relations in Turkey (Buğra, 1994a, 1994b, 1998; Öniş, 1999; Pamuk, 2007;

Buğra & Savaşkan, 2010, 2012) provides valuable guidance for us to formulate our questions, but although studies in this genre discuss the business associations thoroughly, their foreign policy involvement as a potential factor structurally transforming the dynamics of state-business relations is not emphasized on. This gap in the literature is particularly important given the dialectical nature of state-business relations. While participation in foreign policy impacts the nature of business associations and their relations with the state, it has also consequences for the state itself. As Christopher Hill (2003) wrote, “Foreign policy-making is a complex process of interaction between many actors, differentially embedded in a wide range of different structures. Their interaction is a dynamic process, leading to the constant evolution of both actors and structures” (p.28). This is why the subject has to be studied with rigor, not only to understand the workings of business associations and new trends in foreign policy making, but also to understand the transformation of the state in Turkey.

This introductory chapter commences with a brief discussion of the transformation of Turkey’s foreign policy under the AKP government and the significance of economic considerations in this respect. The role of business associations as non-state actors within this framework is acknowledged, and the limitations against the policy participation of these actors are briefly discussed. Subsequently, the empirical puzzle arising from the concurrence of a strong state tradition with increasingly active non-state actors in foreign policy is framed into a research question, followed by the suggestion of a model and methodology to approach the problem.

Transformation of Turkey's Foreign Policy under the AKP Government

In the aftermath of the Cold War, when the world system departed from its bipolar trajectory and came to be defined by the currents of increasing interconnectedness between nations, peoples and economies; countries and the individuals leading them faced the tasks of aligning themselves with the new global order, participating effectively in global markets, and formulating their foreign policy accordingly. Turkey has been no exception in this regard, and beginning with the 1980s, there have been bouts of foreign policy activism aiming to engage more actively with various regions of the world in order to capitalize on the opportunities brought about by globalization in general, and the dissolution of the Soviet Union in particular. While in this period Turkey maintained its traditional alliance with the West and its institutions, overtures were made to the newly independent republics of Central Asia and the Caucasus, and the neighboring regions such as the Middle East and the Balkans. Despite this activism, however, Turkey's foreign policy during the 1980s and the 1990s retained an "isolationist, suspicious strain and a decidedly zero-sum approach to security issues" and remained "piecemeal and lacking in coherence or clear direction" (Park, 2012, p.106-107). Under a domestic conjuncture defined by the combination of political instability resulting from a succession of weak coalition governments, economic crises, and armed violence in the southeastern regions of the country, it was not possible to convert the political intention into practical action that produced results.

The political scene has dramatically changed following the general elections in 2002, which brought the AKP to the government. With a single-party government that has parliamentary majority bringing about the much sought after political

stability, and the economy returning to a growth trajectory after the crises of 2000 and 2001, makers of Turkey's foreign policy found a fertile ground to adopt a more active approach to policy making. Particularly after the AKP government commenced its second term in the office in 2007, Turkey has launched several initiatives aiming to foster ties with the neighborhood and regions hitherto neglected in Turkey's foreign policy such as Africa and East Asia—towards what can be called a “novel geographic imagination” (Aras, 2009)—including frequent visits made by Turkish leaders abroad in the company of not only politicians and bureaucrats but also business executives and academics; new diplomatic missions opened all around the globe; direct flights to new destinations launched by the national flag carrier Turkish Airlines; mutual lifting of visa requirements with different countries; and Turkish schools and cultural centers promoting Turkish language and culture in different geographies.

The degree of success of these initiatives and to what extent “greater activism” translates into more desirable policy outcomes is another question, an important one, albeit beyond the scope of this study. It should be noted that the foreign policy approach of the AKP government often comes under criticism for representing a shift of axis in Turkey's worldview from the West towards the Islamic world (Çandar, 2009; Transatlantic Academy, 2010; Manisalı, 2011), for harboring neo-imperialist ambitions (Taşpınar, 2008; Strauss, 2009; Walker, 2012), and even for exhibiting tendencies of adventurism particularly in the aftermath of the uprisings and the resulting political changes in the Arab world (Uzgel, 2012). Critiques of Turkey's foreign policy under AKP often argue that increasing activism is the natural outcome of integration with global structures—an inevitable process—and not a success story on behalf of the government in the sense that Turkish foreign policy

has neither adopted a multidimensional approach nor gained strategic depth, and its geographical scope remains limited with the Middle East anyway (Uzgel, 2009, p.379). Regardless whether it has been successful or not, however, it is clear that Turkey is now more active and assertive in its foreign policy endeavors, and this transformation should be analyzed rigorously.

Several scholars have offered explanations for the transformation of Turkey's foreign policy under the AKP government, and while it is beyond the purpose of this study to discuss the factors influencing Turkish foreign policy in detail, a brief outline would be useful to understand the dynamics behind the change. To start with, it is possible to distinguish between factors at the international level and those at the domestic level. At the international level, structural changes in the global system defined by economic globalization and the requirements, opportunities and threats thereof constituted a determinant of how Turkey shapes its relations with the rest of the world, whereas Turkey's disappointment with the European Union (EU) accession process (Öniş, 2009) and the transformation of the political scene in the country's neighborhood (Kardaş, 2012; Öniş, 2012b) are discussed as factors shaping Turkey's regional preferences. At the domestic level while the parliamentary majority and the strong political support enjoyed by the AKP is commonly deemed as the most important factor defining the government's capability to translate its foreign policy priorities into actual policies, scholars discuss in detail how changes in the domestic sphere, such as the rise of a conservative ideology based on a Islamic worldview (Altunışık & Martin, 2011; Güner, 2012), structural changes in Turkey's economy (Ünay, 2010; Altunışık & Martin, 2011; Öniş, 2011, 2012a) and the personality of state leaders (Görener & Ucal, 2011) had an impact on foreign policy.

It is crucial to understand that when all of these international and domestic factors are considered together, Turkey's foreign policy activism under the AKP government can be regarded as the product of, referring to the approach Philip Robins (2007), both "push" and "pull" factors (p.4). The new foreign policy stance has not only been an initiative by the government, it was also a response to the structural developments at the global and regional level. In other words, under the AKP government Turkey is increasingly active in its foreign policy endeavors, not only because the government has made this decision and possessed the capability to translate the will into actual results, but also because changing global and regional conjunctures required Turkey to be more active in this respect. In this respect, stalled negotiations in the EU accessions process and the growing disillusionment with the European project among both the policy makers and the public general, together with shifting balances in domestic politics and the emphasis on Turkey's Muslim identity can be thought of as "push" factors driving Turkey's foreign policy attention away from Europe towards the Middle East and North Africa. In the meantime, changes in the global system and the shift from polar structures and hegemonic stability to participatory global governance as the key to the political and economic well-being of the world have been a "pull" factor drawing Turkey into multilateral coalitions and requiring it to act at a global level. These factors do not function in isolation, in every policy issue push and pull factors combine to determine Turkey's foreign policy stance.

The economic dimension of Turkey's foreign policy merits greater attention here, as it incorporates both push and pull factors. Economics is a pull factor for Turkey's foreign policy, because in an economically interconnected and interdependent world, countries need to base their foreign policy on economic

rationality since autarky is no more an option and their well-being depends on others. This is why economic considerations are increasingly in the foreground in Turkey's foreign policy; it has not been a choice of the government only, it is a requirement of the global world we are living in.

In the meantime, economics is also a push factor for Turkey's foreign policy. First of all, economic structure and conditions of the country at a given time can "push" foreign policy emphasis more to some particular countries than others. To give a few examples, the fact that Turkey does not possess significant oil and gas resources is a factor facilitating the country's relations with producer countries such as Russia and Iran. On the other hand, given Turkey's chronic current account deficit, it is not unexpected for the country to establish closer ties with the capital-rich Gulf countries, while motivation for the EU procession is mainly fuelled by the fact that Europe is by far the largest market for Turkey's export industries. Secondly, it should also be noted that within the greater realm of foreign policy, economics has spillover effects on political relations. Stronger commercial ties can mend what are otherwise weak or damaged political ties, and strong economic presence in a country normally translates into greater political influence on the particular country as well. This is another way through which the economic dimension functions as a push factor in Turkey's foreign policy.

Considering these dynamics that are at play, one can legitimately argue that economics has a dual function in Ankara's foreign policy calculations as stronger economic ties with the rest of the world constitute both an end and the means to an end for Turkish policy makers. It is an end in itself as improving economic and commercial relations with a diverse range of regions is motivated by the desire to gain access to new markets for Turkish export products, and to attract foreign capital

for investment projects inside Turkey. At the same time economics is also the means to an end with respect to foreign policy since Turkey's ambitions to increase its global and regional influence relies on the ability to project her power abroad, which can only be the case through a growing economic presence in the neighborhood and beyond. In other words, economic has to be in the foreground in Turkey's foreign policy, not only because new markets are needed for Turkey's growing economy, but also because economic leverage abroad translates into political influence. At the end of the day, economic factors are shaping Turkey's foreign policy as never before, and it is, in the words Kemal Kirişçi (2009), the "rise of the trading state" that we are witnessing.

One of the defining characteristics of the trading state is that "a wider range of actors come to participate in foreign policy making" (ibid, p.33) and as economics gains primacy as a determinant of foreign policy, the business community emerges as one of the most influential actors entering the policy-making scene from the non-state realm. It is the efforts of integration with the global markets that have resulted in the intertwining of foreign policy with foreign trade policy and turned the business community into key foreign policy actors (Doğan & Cerit-Mazlum, 2006, p.13). As Ziya Öniş (2011) argues, Turkey's foreign policy is no longer monopolized by politicians and diplomats, rather it is increasingly "driven from below" by key economic and civil society actors as economy and trade turn out to be the "practical hand of Turkish foreign policy" (p.56). Not surprisingly, businessmen enter the scene as key actors in this respect, because it is their trade volumes, their capital and their cross-border projects, in short their money, which increase Turkey's economic power and hence the leverage it has in its dealings with other countries. The business community involves in the policy-making processes through its institutional

representatives, the business associations.

Two notes of caution should be made at this point. First, as briefly discussed above, involvement of the business associations is not a new phenomenon initiated by the AKP government. It is the demands placed by the neoliberal order that necessitated the creation of public-private networks in policy making and catapulted business actors as the owners of capital to influence in the first place (Doğan, 2006, p.50) and these actors have been active in Turkey's foreign policy since the early 1980s when Turkey embarked on a series of economic reforms through what can be called a neoliberal transformation. There is a consensus among both scholars and practitioners that the idea of a proactive foreign policy engaging the business community in the process originated under Turgut Özal during the 1980s, and after a pause during the turbulent 1990s, it was crystallized by the AKP government (Kirişçi, 2009, p.53; Keyman, 2012; pp.21-22; Öktem, 2012, p.91; Karlı, 2012, p.110). The important question is then how the AKP period differs in this respect from the earlier periods and whether the activism of business actors during the AKP period represents a transformation of the state-business relations in Turkey.

In a second note, it needs to be acknowledged that the phenomenon of increasing business involvement in foreign policy is not unique to Turkey, and practices in other countries offer a wealth of material for the purposes of comparison. As the primacy of the state in foreign policy making was undermined by the currents of neoliberal globalization, non-state actors gained influence as “the ‘new diplomats’ who have displayed impressive skill at shaping policy through means that foreign ministries fail to grasp” (Kelley, 2010, p.286) and as Gencer Özcan (2006) argues, it is common to see businessmen acting as diplomats and diplomats working like businessmen in today's globalizing world economy (p.9). In countries practicing

state-centered variations of capitalism, such as China, Russia and India, one can naturally see extreme examples of this trend where the distinction between the public and the private is blurred; however it is also the countries adhering to liberal capitalism with clear boundaries between the state and the non-state spheres, which are increasingly using economics as a foreign policy instrument and assign roles to their business community in this respect. For instance, in the Anglo-Saxon system, ambassadorial posts are open to businessmen, and in several cases successful business executives are appointed for a certain term as the ambassador to the country where they had been doing business (Chapman, 2010). In many countries of Europe, it is now common for CEOs to accompany statesmen and diplomats in intergovernmental meetings and negotiations. As Alexander Benard (2012) argues, “business promotion becomes a strong pillar of foreign policy, although not the sole focus” (p.96) and it should be remembered that business promotion does not only mean serving the private sector’s interests but also increasing the country’s economic power projected abroad. In the meantime, business associations all around the world actively take part in Track II diplomacy wherein non-state actors engage in bilateral and multilateral dialogue and discuss serious issues with their counterparts free from the political obstacles that hinder progress towards results in official state-to-state platforms.

This kind of diplomacy has, however, its limits too. Under the AKP government, Turkey is adopting a “mercantile approach” (Park, 2012, p.111) to foreign policy, yet there are structural limits defining to what extent business actors do or can get involved in the foreign policy process. Foreign policy is at the end of the day public policy, and the extent to which non-state actors can get involved depends on how much the state actors need and want them to get involved. State

capacity and business power matter in the sense that the more capacity the state has, the less is its need to engage non-state actors in policy processes and the more capacity the business has, the more influence it has in foreign policy related issues). Issue salience is another crucial factor because in cases drawing high levels of public attention, hence being of greater interest for vote seeking politicians, the government is likely to handle the issue on its own and leave the non-state actors outside the process (ibid; see also Culpepper, 2011, p.xv).

In addition to these material factors, we need to take the political culture into consideration as well. Some political cultures are more conducive to participatory policy-making, while others place greater value on the monopoly of the state as policy maker thus discouraging, and in most cases precluding, the involvement of non-state actors. Turkey clearly belongs to the latter. As Büşra Ersanlı (2006) writes, in Turkey the influence of non-state organizations at the political decision stage cannot be felt widespread because these actors are facing the “resistance of our political culture” (p.28). Under the strong state tradition of Turkey, policy makers are not totally open to collaboration with non-state actors and opening the channels of policy making to them, and while the global neoliberal currents and the post-Cold War dynamics at the international level opened the realm of foreign policy to non-state actors in general, Turkey’s policy makers have usually been hesitant towards allowing a greater role to these unconventional players (Doğan, 2006, p.35). Turkey “does not have a historical tradition of economic diplomacy and a comprehensive diplomatic apparatus” (Ünay, 2010, p.41), and given the insufficiency of the ideational and institutional platform on which the collaboration between the public and the private is to be built, non-state actors such as the business associations can exert influence on the policy making process only to a certain extent.

These limitations faced by the business community in their efforts to have an influence in the foreign policy process are all related to the nature of state-business relations in Turkey. If we are talking about an environment, where the state engages the business actors in the policy process only when it needs them, only when they can come up with enough resources, and only when the issue at hand is of low salience; and even when it does so, there lacks the ideational and institutional platform on which collaboration can be built, can we still talk about the business community “spearheading” and becoming “vanguards” of foreign policy?

Statement of the Problem

Within the state-dominated politico-economic environment of Turkey, state-business relations has been conventionally defined by a strong state that provides, within a clientelistic exchange, business actors with access to resources obtaining their support in return, and remains as the ultimate policy maker. It is true that business actors have been involved in the foreign policy process since the early 1980s, but in these earlier stages, for instance under Turgut Özal, their involvement has perfectly fit a clientelistic pattern. As will be discussed in detail, the state formulated the policies, the business did what it was told, received access to resources in return; and a few individuals who had close relations with the government maintained the interaction. Robert Bianchi (1984) wrote that in Turkey, “pluralist and corporatist structures have coexisted and competed for predominance in each historical period and in all major interest sectors” (p.355). With respect to business representation, the early 1980s were marked by a domination of the state centered version of corporatism over pluralistic tendencies. In this study we are asking if there is a

reversal of this trend over the past decade, in other words a change during the AKP period in the sense that the business associations are not only more involved, but this involvement also represents a consequential influence within an integrated, systematic, consistent and participatory framework.

At this point we are faced with a puzzle. This kind of institutionalized policy participation on behalf of business associations that we are envisaging for the AKP period would not be possible within a state corporatist framework, where the state is the patron and the corporations, including the business associations, are dependents, which are subordinated to the state, with policy being imposed from above. There would be two options then. There can be a departure from this towards more pluralistic, participatory and formalized forms, such as a liberal corporatist mode of state-business relations, where business actors have greater autonomy, are central to the policy making process, there is competition between different groups and the state is either a neutral player or an arbiter of group influence. On the other hand, the second option would be that the business associations' policy participation is not on a consequential and institutionalized basis, it is merely a replication of the patterns during Özal's time, perhaps with a larger number of associations and issues areas. The limitations against business actors' participation in the foreign policy process as discussed above are the outcomes of the clientelistic mentality, and the less effective they are the more one can expect state-business relations to develop towards pluralist and liberal conceptions.

The puzzle becomes more complicated due to the empirical observations that, first, greater involvement of business associations in public policy is to a large extent limited to the foreign policy realm, they are not involved to the same degree in domestic issues; and second, there is a significant degree of volatility concerning the

business associations' involvement; some associations are more influential than others, and balances shift rapidly.

Aiming to clarify these puzzlements, this study considers what the increasing foreign policy participation of business associations implies for the state-business relations in Turkey, and poses the following research question: *Does the increasing activism of business associations in Turkey's foreign policy under the AKP government represent a systematical and institutionalized influence on foreign policy, and hence a transformation of Turkey's state-business relations model that has been overwhelmingly based on state corporatism with its political patronage and clientelistic relations into a more pluralist and liberal form of corporatism?*

A number of scholars of Turkey's political economy have asked the question of whether interest group politics in Turkey is taking a turn toward pluralism or liberal corporatism, albeit without reference to the business associations' recently growing role in foreign policy. According to Metin Heper (1991), statements made by businessmen could lead us to think that they prefer a pluralistic pattern. They want the government to consult them, but for them the most important thing is that the government pays attention to their specific and often individual problems (pp.175-176). In other words, they actually prefer the clientelist status quo and want to remain under a state corporatist roof, which hinders progress towards pluralism in policy-making. Ayşe Buğra (1994), on the other hand, draws our attention to the fact that while certain associations have an effective role in public policy, their nature remains in conformity with the particularism that traditionally pervades state-business relations in Turkey, which makes the emergence of a liberal version of corporatist mode unlikely (pp. 260-261). This is a point agreed upon by Karin Vorhoff (2000), who argued that Turkey's business associations had the capability to

transform the clientelistic patterns of state-business relations into formalized ones, but the strong state posed an obstacle: “(W)hich power in the world likes to be reduced in its range? Up to today the clientelist pattern of state-citizen relations in Turkey has fitted well with the model of a strong state, under which particularistic lobbying and pressure has been much more easily neutralized in the absence of a broad civil movement” (p.192).

Heper, Buğra and Vorhoff would answer our research question in the negative, considering the time period when they have undertaken their studies, changing conditions and context since then justify a renewed look at the issue. More recently, Erhan Doğan (2006) repeated the negative answer, stating that “it is too early to say that the participation of non-state organizations in policy processes has taken up an institutional structure through a neo-corporatist logic as is the case in the European Union” (p.47). The question, however, still merits a detailed analysis, because developments after Doğan has published his article, particularly the rapidly increasing activism of the business associations in foreign policy after the AKP’s second term in the office, require a renewed look at the issue under changing circumstances.

Before discussing how to approach the research question, a methodological caveat is in order, related to the issue of operationalization. How do we measure foreign policy activism? We can use the number of events, agreements, and other foreign policy related activities undertaken by business associations as a rough guide, but the more complicated problem is, how do we measure its effects? Büşra Ersanlı (2006) says that their effectiveness is “not in a measurable form” (p.33) while Abdullah Akyüz (2006) makes a crucial point stating “it is impossible to measure what kind of an effect messages to the public opinion (given by the business

associations) have on policy makers... [I]t is extremely difficult to identify instances where policy makers have considered the position of a certain non-state organization on a concrete issue and consequently decided to choose the policy alternative B rather than the policy alternative A” (p.227).³

While it might not be possible to prove that the business influence has led the government to shift from A to B in a certain issue area, by adopting the right focus and asking the right questions, it can still be possible to identify how effectively business associations are taking part in the foreign policy process. In this regard, instead of focusing on participation outcomes, and asking questions like “how effective the business association X has been in participating in foreign policy issue Y and leading the state to prefer policy option A over policy option B?” this study will focus on participation processes and investigate how effectively, institutionally and systematically taking part in the formulation and implementation of foreign policy processes and ask questions like “regardless of whether the state chooses A or B, what are the channels that the business association X has been using for participating in foreign policy issue Y, and how effectively is this channel used?” In this way, the study hopes to be epistemologically better positioned to detect changes in the state pattern of state-business relations in Turkey.

Approaching the Problem

The interaction between the state and the business community represents a hierarchical relationship, and this study proposes to envisage the relations between the two in the foreign policy realm as a principal-agent (P-A) relationship where the

³ For the original excerpt see Appendix D.

principal—in this case the state—enters into a contractual agreement with an agent, in this case the business associations, wherein the agent performs on the principal’s behalf to realize the objectives set by the principal, and compensated in return for its performance. The P-A model originates from the discipline of microeconomics, however it has found widespread application in political science as well.

In contrast with other scholars applying the P-A model in political economy issues—such as William J. Norris (2009, 2010), who studied firms’ role in economic statecraft and the security implications of economic transactions—this study acknowledges that neither the state nor the business associations are monolithic entities and when illustrating the P-A relationship between the two, we need to be aware that their behavior is defined by two other sets of P-A relationships within each of these actors, namely the relationship between the government as the principal and the bureaucracy as the agent determining the behavior of the state, and the relationship between the constituency of a business association as the principal and the leadership of the association as the agent determining the behavior of business association in its relations with the state. In other words, this study utilizes a “two-tiered P-A model”, and while the specifics of the model are discussed in detail in Chapter 2, it should be noted at this point that its dimensions of the model provide us with the key dimensions of the interaction between the state and the business associations in the foreign policy realm and offer guidance towards the analysis of whether this interaction leads to a transformation of state-business relations. These dimensions are as follows:

- i) The interaction between the government and the bureaucracy in foreign policy making.
- ii) The contract between the state and the business associations.

- iii) Autonomy of business associations.
- iv) The interaction between the administration and the constituency of business associations.
- v) Competition and cooperation between the business associations.

Changes in these dimensions are expected to indicate a paradigmatic shift in state-business relations from state corporatism towards pluralist liberal corporatist forms. The P-A relationship is by definition a hierarchical one and while it suits a clientelistic exchange or a state corporatist model, there can be reservations whether it could accommodate more pluralist or liberal corporatist forms. These reservations are, however, unfounded because, first, neither the pluralist nor the liberal corporatist conception of state-business relations places the state and the business community on an equal standing thus rendering the P-A relationship irrelevant; the hierarchy still exists. Secondly, the P-A model does not necessarily envisage a principal as the absolute rule maker and an agent as the absolute rule taker. As will be discussed in the relevant chapter, depending on the leverage they have agents can have varying degrees of autonomy, bend the rules of the contract in their own favor and even include certain items in the contract in a way that would suit their own interests. For the purposes of this study, the relationship we are investigating is not one between the state who sets the guidelines and objectives of foreign policy, and business associations only obeying and doing what they are told in return for certain incentives. They can influence the policy formulation process, promote their own positions and induce the state to incorporate them in the policy. Moreover, there can be more than one agent, competing against each other for greater influence. By investigating such trends within the model itself, our P-A approach will help to

identify whether there is a transformation of state-business relations in Turkey.

Another important note needs to be made at this point. Our research question is whether the increasing activism on of business associations in Turkey's foreign policy represents a transformation of state-business relations in Turkey from its state corporatist form to more participatory and organized forms like liberal corporatism. This does not mean that we are looking for an abrupt switch from a purely state corporatist structure to an absolute liberal corporatist one, because these exist in theory only. Moreover, claiming that state-business relations in Turkey are state corporatist runs the risk of missing the point, because while this statement might have some value as a rough generalization, be true in the general sense, there can be areas where state-business relations exhibit rather liberal and pluralist trends. This study does not only aim to achieve general conclusions for Turkish political economy, rather its purpose is to identify such trends, if they exist, in foreign policy, where they are thought to be most likely to be the case. In other words, what we are trying to find out is not necessarily whether state-business relations are transforming as a whole, but whether developments in the foreign policy realm have a transformative effect by increasing the liberal corporatist aspects of state-business relations in Turkey and leading to a certain degree of departure from state corporatist features.

At the heart of our inquiry is the concept of change since what we are looking for is transformation in the way state-business relations materialize in Turkey. There is, however, a serious limitation of the P-A model, in the sense that it is static rather than dynamic, in other words it offers a historical snapshot of the phenomenon under investigation. In order to be able to capture the change and investigate a possible transformation, the methodology of this study will use the P-A model within a

historical institutional framework, as will be discussed in detail in the relevant chapter. In this way, changes in the institutional form of the relationship will be investigated through the entire “neoliberal period” of Turkey’s political economy, since the early 1980s until the current day. For the purposes of analysis, a periodization dividing this time span into three periods with distinguishing characteristics will be used, and the inquiry will search for changes in the five dimensions of the P-A model over these three periods, which are as follows:

- i) The Özal period (1980-1993): Starts with the neoliberal reforms (and the military coup) of 1980, a period marked by Turgut Özal’s personality and his proactive approach to foreign policy, ending with his death.
- ii) The coalitions period (1993-2002): A period of political and economic instability, with a series of coalition governments, ending in 2002 with the rise of the AKP.
- iii) The AKP period (2002-today): Starts with the entry into office by the AKP government as a single-party government with parliamentary majority, a period of relative stability, currently ongoing as of the time of writing.

These five dimensions will be investigated in three chapters of this study through the periodization given above. Four of the five dimensions of the P-A model, all but the one about the interaction between the government and the bureaucracy, involve the agent side, and since it is not possible to examine every single business association in Turkey, representative cases are selected for the purposes of analysis. Business associations vary in institutional structure, organizational form, membership base, and objectives, and cases on which the parameters of the model will be tested are chosen with the idea of covering the widest possible range in these features and to

ensure that the entire spectrum of business associations is represented. More on the selection of the cases can be found in the relevant chapter, for now suffice to provide a list of the three business associations to be focused on in this study.

- i) Foreign Economic Relations Board (*Dış Ekonomik İlişkiler Kurulu – DEİK*): Founded during the liberalization wave of the 1980s with the aim of coordinating the foreign economic relations of the country, has semi-public status, but at the same time based on voluntary membership.
- ii) Turkish Exporters' Assembly (*Türkiye İhracatçıları Meclisi – TİM*): Peak association of regional exporter unions, an organization run by businessmen but fully subject to public institutions' regulations.
- iii) Turkish Contractors' Association (*Türkiye Mühendisler Birliği – TMB*): Active since the 1950s, a fully private organization representing the leading construction companies in Turkey.

For the four of five dimensions of the model dealing with the agent, these cases will be subjected to structured comparison, between themselves and within each of them over time, and the analysis will take place within a qualitative framework. Other major business associations will also enter discussion, for purposes of comparison or when discussing interaction between different organizations. The fifth parameter, the one about the relationship between the government and bureaucracy in foreign policy making will be studied on the basis of temporal comparison.

In brief, this dissertation will study the role of business associations in foreign Turkey's foreign policy, to find out to what extent they can have a systematic and consequential influence in the process, in order to help understand whether this phenomenon has a transformative effect of the relations between the state and the

business community. As should be clear by now, this study defines the concept of “foreign policy” as the conduct of the nation’s external relations taking a predominantly economic view of the concept. For sure, foreign policy is a much more complicated process, with several internal and external factors defining the policy outcome. While acknowledging this complexity, for its own purposes, this study adopts a rather externally oriented and economistic view of foreign policy.

Empirical evidence suggests there is a radical increase in the activism of the business associations in foreign policy related issues. But does that necessarily mean that we are in a position to assert that the business community is “spearheading” and becoming “vanguards” of a realm of public policy? Or, despite changes in the appearance, is it still the “father state” (*devlet baba*) who is leading the policy process, with his sons and daughters, including the businessmen, are following in his footsteps in an obedient manner. Answering these questions, we will be in a better position to understand how economic interests shape the dynamics of Turkey’s foreign policy, how the business actors are positioned in the process and what difference their involvement makes, and if this process transforms the state-business relationship in Turkey along a trajectory of transition from a patriarchal state to a neo-liberal one. In this sense, the study hopes to contribute to the academic literature in the fields of Turkish political economy and foreign policy, but it is believed that the methodological novelty proposed in this study, the two-tiered P-A model employed within a historical institutionalist setting, can find application in inquiries on other areas of public-private relations and partnerships as well. Every academic inquiry engages the scholarly literature, refers to what has been written by others, and aims to contribute what has not been written so far. What other scholars in the same field with us have studied and written before inspires our work, guiding it

towards the destination we are seeking to achieve. This is why, before starting our analysis of business associations in Turkey's foreign policy, we need to review what literature has to offer for the study we are embarking on.

CHAPTER 2

LITERATURE REVIEW AND METHODOLOGY

“For all the talk and all the public curiosity about the relations between business and politics, there is a remarkable dearth of studies on the subject. What is written is more likely to come from the pen of a sociologist, an historian, a lawyer, or an economist than from a political scientist” (Dahl, 1959, p.1). When Robert A. Dahl wrote these lines more than half a century ago, he was dismayed by the lack of the political dimension in studies on the interaction between the state and the business community. Although it was the era of post-war capitalistic development—at least in one part of the bipolar world—with big business assuming a profound role in shaping the patterns of development in partnership with the state, there was a serious deficit of studies into the interaction between the state and the business and how the business community got involved in political processes. As Graham K. Wilson (2003) asserted, the study of state-business relations remained “the Cinderella of the political science; the literature was comparatively small and of limited quality” (pp.167-168). The lack of scientific attention on state-business relations was not only disappointing for scholars like Dahl and his like-minded contemporaries, it was also inhibitive in the sense that the absence of a political perspective on the subject prevented a comprehensive understanding of an issue of utmost importance for a rapidly changing world.

Over the following decades, while the subject continued to be investigated in a multi-disciplinary manner with valuable insights from fields such as economics, law, history, sociology and management studies, political scientists entered the scene

dedicating greater efforts in inquiring about the nature and dynamics of state-business relations. Fifty years after Dahl, what we observe in the discipline is that while the study of state-business relations has not achieved a primary status and “the field has long been a stepchild within the discipline” (Coen, Grant, & Wilson, 2010, p.9), the relatively small number of scholars working on this subject has nevertheless produced a considerable range of literature discussing various aspects of the interaction between the two actors.

The question is then to what extent this literature is helpful for us in dealing with the research question formulated in the previous chapter. What does the literature tell us about business participation in foreign policy? To what extent does it help us understanding transformations in state-business relations? This chapter will engage the scholarly literature along these lines, and it will offer a methodology that will guide this study towards an answer for the research question by using the conceptual framework established to illuminate the Turkish case.

Literature Review

An adequate way for starting a review of the scholarly work on the relations between the state and the business would be to ask what “business” actually is. There can surely be a large number of definitions depending on from which perspective the concept is viewed. To begin with, the concept can be used to denote an activity of economic nature. For instance, *The American Heritage Dictionary of the English Language* states that business “pertains broadly to commercial, financial, and industrial activity.” Business can in this sense refer to the occupation of an individual, to a commercial dealing, or to an enterprise. In the meantime, business also refers to

one's rightful interest or concern, as used in the title of James Keller's (1951) treatise calling citizens to get actively involved in politics: "Government is your business." It is common for the term to be used in homonymic forms, as uttered by former U.S. President Calvin Coolidge in his famous quote "The business of the American people is business."⁴ For the purpose of this study, however, business is conceptualized as a system rather than an individual undertaking. In this respect, the definition provided by Arthur M. Johnson (1965) in his influential study on the relations between the government and the private sector provides a good point of departure: "Business is a form of private-decision making for the allocation of economic resources of the nation" (p.3). This definition implies that business, either as an individual firm or an agent of collective action, is a key player in not only the economic, but also the political and social life of the industrial society, as its decisions have wide ranging impact on the lives of the citizenry.

Since the state possesses the tools of public-decision making for the same purpose as stated in Johnson's definition, i.e. the allocation of economic resources of the nation, an interaction between the state and the business is inevitable. This interaction is characterized by mutual dependence between the two actors, a relation that has been long studied by political scientists and business scholars alike. As early as in 1936, Pendleton Herring wrote that in liberal democracies there had to be a special relationship between the state and special interests so that the state could carry out its purposes and business could realize its own ends (quoted in Eising, 2009). Over the decades past since Herring wrote these lines the relationship between the state and business has undergone a profound transformation, yet the

⁴ From a speech titled "The Press Under a Free Government" delivered by Coolidge before the American Society of Newspaper Editors in Washington, D.C. on January 17, 1925. http://www.calvin-coolidge.org/html/the_business_of_america_is_bus.html (accessed on September 4, 2011).

main tenets of Herring's dictum remained unchanged. Accordingly, whereas the business needs the state to ensure a favorable environment to conduct economic activities, to guarantee its own survival, and to maintain its competitive position, it exerts influence on public decision-making by utilizing its knowledge, expertise and resources. At the same time, public authorities depend on these assets offered by the business in order to reach optimal decisions and ensure the legitimacy of these decisions. The state relies on the business to ensure the flow of information for policy design, consent for policy clearance, and cooperation for the implementation of policy that are needed to formulate policies that are both effective and legitimate (Rueschemeyer & Evans, 1985, p.62; Grant & Sargent, 1987, pp.37-40). Arguing that the relationship between the state and the business is of a multifaceted nature, Graham K. Wilson (2003) elucidates on the forms that this relationship can take:

- i) The state establishes the legal framework within which commercial activities are conducted. It sets the rules of the game, which are likely to favor some societal actors and interests over others instead of being neutral.
- ii) The state imposes limits on market relationships. It limits and constrains market forces through laws and regulations.
- iii) The state can be a customer for the goods and services produced by the business community.
- iv) Business relies on the state to protect and defend their interests in other countries. It needs the state's assistance to obtain favorable terms in trading arrangements and to have its property protected in overseas markets.

- v) Business depends on the state to maintain sound economic conditions, such as acceptable levels of inflation and unemployment.
- vi) Business supplies resources to the state, mainly through tax payments (pp.2-6).

Referring back to Johnson's definition of business as a decision-maker for the allocation of economic resources, it has to be noted that as both the state and the business are willing to allocate the same resources, but in line with their own aims, interests and priorities, the interaction between the state and the business does not necessarily have to develop in a collaborative manner. It can be conflictual as well, and even if there is collaboration there is no guarantee that this would enforce the public good. The key to efficient maintenance of relations between the state and the business community is, in Johnson's (1965) words, the development of "processes by which private and public interest are adjusted to one another" (p.vii). Accordingly, the investigation of how these processes are created and how the relations between the state and the business community are maintained in a mutually beneficial manner constitutes the core of the scholarly work on state-business relations. The question this inquiry focuses on is not whether the state and the business are to have more or less close relations, but how best to manage these relations (Schneider & Maxfield, 1997, p.5).

Major Debates on State-Business Relations

The quest for understanding the nature and dynamics of state-business relations and devising ways for managing the relations in the optimal manner has given rise to

three major debates within the academic literature, which are as follows:

- i) The debate on the compatibility of the growing power of business with democratic government and on the power relations between the state and the business community.
- ii) The debate on whether business has certain advantages over other interest groups.
- iii) The debate on why the business engages in collective action and whether the interaction between the state and the business ensures the attainment of public good in all cases.

The first debate takes notice of the growing power of business, derived from its control of economic resources, and its political implications; asking the question of to what extent the influence of business is compatible with democratic government. Here, while some scholars see a threat in the sense that the uncontrolled growth of the effect of business interests on policy procedures can undermine democratic ideals, others find a liberal free market economy with a powerful private sector at its core as a precondition for the flourishing of not only the economy, but also democracy.

The second major debate in the literature on state-business relations to the question of, in the words of David Coen, Wyn Grant and Graham Wilson (2010), “whether or not business has enjoyed unfair advantages in politics” (p.10). Graham K. Wilson (2003) identifies three major positions in this respect. He starts by distinguishing between orthodox and revisionist pluralists. Accordingly, the orthodox version believes that there is nothing special about business as an interest group because it is fragmented into several sub-groups with their own interests and priorities that are often in conflict with each other. The revisionists, while agreeing

with orthodox pluralists that there is nothing special about business as an interest group in principle, argue that in practice business has a special place in the interest group scene due to its resources and its advantage of not having to persuade individual firms to join collective action. The third position discussed by Wilson refers to Charles Lindblom's (1977) idea of the privileged position of the business, which implies that business has a distinctive place among interest groups, not only because of the resources and capabilities that others do not possess, but mainly because it is entrusted with the task of investing for economic growth, prosperity and employment (pp.10-15).

The third major debate in the literature is related to the question of whether the interaction between the state and the business is always organized in a way that would ensure the attainment of the common good. Here, too, there are contesting views. One line of reasoning suggests that in order to ensure economic development and growth, harmony and cooperation between the state and the business community needs to be established and sustained within market dynamics. In this view, the less the state intervenes in the dynamics of the market and the business, the more effective and conducive for economic growth is the relations between the state and the private sector. In contrast, another line of thought that follows Karl Polanyi's (1957) dictum that the free market needs a regulatory state in order to function efficiently suggests that effectiveness cannot always be achieved through market dynamics. Accordingly, state intervention is necessary, first in the sense that it is the state that sets the laws and rules in which the market is to function; and, second, since market on its own will lead to disequilibria that would undermine growth, state intervention is needed to prevent and/or correct such failures that might have fatal consequences not only on business but also on individuals' lives as we have

witnessed recently during the global financial crisis of 2008-09.

The question of whether the interaction between the state and the business community leads in all cases to the attainment of the public good is related to another question, that of why individual businesses which together make up what we call the business community enter into collective action in the pursuit of the public good. At the end of the day, individual firms are rational, self-interest seeking entities and it would not be realistic to expect them to prioritize public good over their own profits. Two notes of caution need to be sounded here. First, acting collectively does not necessarily transform individual firms into political actors seeking public good, since their motivation in engaging in collective action may be, and usually is, fostering their own economic ends, ensuring their own commercial survival (Epstein, 1969). Second, even in cases when acting collectively would serve their own benefits, firms are observed to hesitate to engage in collective action with competitors in their field. As Michael Moran (2009) states, there is “a tension between the desire of business to maximize its political impact by organizing and the pressure felt by individual enterprises to compete with business rivals” (p.40)

There is a considerable amount of literature analyzing the prospects and possibilities of collective action by self-interest seeking actors. In one of the seminal works in this field, Mancur Olson (1965) stated that “unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, rational, self-interested individuals will not act to achieve their common or group interest” (p.2.) While Olson agreed that common economic position dictated interests, he argued that this would not lead to an effective organization among individual firms or coordinated political action, because of the free rider problem. In such cases, individual firms

would believe that their contribution was unlikely to make a difference to the outcome and they would not be punished for not contributing while they could still enjoy the provision of public goods even if they have not contributed. Olson's critics, however, pointed out that this does not necessarily have to be the case. Accordingly, if the cost of providing the common interests did not increase but remained constant or even decreased with group size, individual actors would be willing to contribute and this would support rather than hinder collective action (Traxler, 2007).

The weak link in Olson's argument was that the state was neglected as a determinant of the patterns of collective action by business. Later studies examined how the state's intervention motivated or discouraged the firms with regard to their motivation of engaging in collective action with others in the pursuit of public goods. In her classic article on rent seeking, for instance, Anne O. Krueger (1974) argued that government intervention and the existence of rents triggered rent seeking behavior among firms. Accordingly, the more the state intervened in the economy, the greater was the incentive of firms to mobilize politically to influence the intervention in a way to suit their own self-interest. Supporting Krueger's thesis in a more pessimistic manner, Ben R. Schneider and Sylvia Maxfield (1997) suggested that "when business and the state have close congenial relations, democratic ideals, economic efficiency, and social welfare will suffer" (p.3).

Why self-interest seeking business enters into collective action and whether this action really promotes the public good remain as highly contested issues in political science. There are a number of valuable studies showing how rent seeking by firms result in the exploitation of the public sector by business, which, while maximizing the particularistic benefits of the business, leads to suboptimal public policy. In the meantime, scholars are divided on the question why individual firms

get engaged in political action. While for some observers business political action is irrational and therefore paradoxical, others are reluctant to reach this conclusion because they believe that there can be motives other than the pursuit of the public good. For instance, Wendy L. Hansen, Neil J. Mitchell and Jeffrey M. Drope (2005) found that much business participation is aimed not only at public goods but also at private goods, and firms can extract individual benefits from collective action “perhaps in the form of information concerning government or rivals’ strategies, or more directly in the form of soliciting the aid of the association in influencing government on the firm's behalf” (p.163).

Embedded in all the three major debates discussed above, there are three implicit assumptions, which are, despite being challenged recently by a number of scholars, still shaping the way we are thinking on the interaction between the state and the business. These assumptions are as follows: i) The state and the society (which the business community is a part of) are two separate entities, autonomous from each other yet in constant interaction; ii) business is a monolithic entity; and, iii) state-business relations under capitalism are uniform across (and also within) nation states.

If all the three assumptions were universally valid, scholars could have come up with a single theory of the relationship between the state and the business. But this is far from being the case. The type of the state; its legal, cultural and historical bases; its internal structures and practices are important factors determining the framework of state-business relations (Haggard, Maxfield, & Schneider, 1997, p.60) and so are the institutional arrangements through which the state and business interact with each other. As Bob Hancké (2010) discusses in detail, the state plays an important role everywhere, but in different ways. In some forms of capitalism, it

provides both a framework for business activities and a means for pursuing them, while in others it compensates for coordination deficits and provides political consensus and legitimacy (p.140). The nature of the role assumed by the state is a determinant of how state-business relations are conducted in the particular setting. In the meantime, the way in which the interaction between the state and the business is established and maintained depends on the nature of not only the state, but also the business which is a heterogeneous entity with multiple interests as is the state. In short, there can be no single theory of the relationship between the two, since “both business and state differ too much and can be understood as variables, not constants” (Coen, Grant, & Wilson, 2010, p.26).

It is important to note that the state-business interaction is a dynamic process, which is dialectical in nature. When the state changes, it has implications for the business community, which needs to transform itself in order to adapt to the changing environment. This, in turn has consequences for the state itself. Peter Evans (1997) offers four propositions to explain this ongoing process of transformation:

- i) The internal structure of the state determines the shape of state-business relations. States with internal coherence, such as those with Weberian bureaucracies, can bind the behavior of individual actors to the pursuit of common goals, which can be reached through joint public-private sector projects brought to life thanks to the dense ties between the two sides. In the case of an internally incoherent state, ties between the state and the business community would be weak, and all the actors would be pursuing their own individual goals.
- ii) The character of the business community can be reshaped through the policies of the state. The way the business community behaves depends to a

large extent to the policies employed by the state. If the state were well organized and predictable, the business community would take a longer-term stance. Otherwise, unpredictability would lead the business community to embrace short term and low risk positions.

- iii) When state policies reshape the business community, they will be likely to undercut the patterns of state-business relations that made the policies effective in the first place. When the business community changes, the state has a new partner to deal with, and the framework of the state-business relations change accordingly.
- iv) As state-business relations evolve, a more encompassing set of networks between the state and other social groups, including institutionalized ties and channels of interaction, begins to develop. Stronger ties with social groups outside the business community can be seen as a means of establishing a counterweight against the business community in order to keep public-private networks mobilized around common goals (pp.65-68).

Undertaking a detailed empirical investigation of the dialectical nature of state-business relations in the Western hemisphere, Cornelia Woll (2008) found that while business may influence policy outcomes, policies and politics of the state influence business demands as well. Woll's analysis demonstrates that business does not simply dictate its policy solutions to governments willing to take these demands to international trade negotiations. On the contrary, business adapts its demands over time in order to make them compatible with the overall objectives of the state.

On the business side of the equation, while the nature of the business within a particular context, its size, capabilities, homogeneity, organization, etc., influences

the way the business interacts with the state, the way business is conceptualized is also a key factor for understanding this interaction. There can be different approaches to this issue, each of which would provide insights into the dynamics of state-business relations. Stephan Haggard, Sylvia Maxfield and Ben R. Schneider (1997) provide a typology of five theoretical approaches, which differ on how they view business:

- i) Business as capital: The fact that in capitalist economies factors of production and capital are owned by private business actors places structural constraints on government action.
- ii) Business as sector: The distribution of economic activity and different sectoral interests affect government policies. In contrast with the business-as-capital approach, states are deemed to be constrained not by the private ownership of factors of production but by the contending interests of different sectors.
- iii) Business as firm: Characteristics of corporate structure, including size, internal organization, ownership patterns and financing methods determine the leverage that the firms have against the state, hence placing constraints on the policies of the government.
- iv) Business as association: Organized interest groups represent and intermediate business interests, and they influence policy formulation and implementation as well, mainly through private-interest governance wherein business associations partially assume governmental functions.
- v) Business as network: Business is conceived as individual managers and firm owners. In this respect, state-business relations occur not through institutionalized channels like the business associations, but through

particularistic networks of personal relationships (pp.36-60).

The first three conceptions take a structural view of business and pay little attention, if any at all, to the mechanisms of interaction between the state and the business. For this reason, they are only of minimal interest for the purpose of this study and will not be discussed here. However the last two, business as associations and networks, offer valuable insights for the conceptual framework of this study in the sense that they demonstrate the different ways in which the interaction between the state and the individual business actors is organized. The question is then, how do associations (and the networks they help to establish) interact with the state in formulating policy, and what role do they play in the making of foreign policy?

Business Associations and their Policy Participation Roles

One of the most important sub-fields of the scholarly inquiry on state-business relations is the role of “business associations” that translate the common interests of the private sector into collective action. As Haggard, Maxfield, & Schneider (1997) have stated, business associations can “maximize the positive effects of government-business collaboration by limiting the pursuit of particularistic benefits” and “promote collective self-governance of business, or private interest governance, that can be equally if not more efficient and effective than direct state intervention” (p.49).

Business associations have their origins in late nineteenth and early twentieth century, however it was with the 1960s that they entered the academic literature. In those early years, Arthur M. Johnson (1965) wrote that business associations had two

major functions, which were the transmittal of information and expression of opinions in order to affect legislation (p.25). Johnson examined American associations in the post-war period, and came to the conclusion that these organizations present their opinions not only through formal channels, but also make personal contacts with state officials to influence their decisions. It was, however, Mancur Olson's (1965) work on collective action, which made the most significant contribution to the literature on business associations in this early period. As a public choice theorist Olson argued that a common economic position dictated interests, but in order for such a common position to lead to collective action there had to be either a small number of individual actors inside the group or some form of coercion or another special device, otherwise the individual actors, who are rational and self-interested individuals, would not act in a collective manner in the pursuit of the common good. Olson's arguments and the theory of collective action in general, provided the initial guidelines for understanding how business associations function and, more importantly, why they exist in the first place. To what Olson called "some other special device", James Q. Wilson (1973) responded by arguing that associations must find and distribute incentives so as to induce their members to perform certain acts and to maintain themselves as systems of collective activity (pp.32-34).

The theory of collective action regarded business associations as an interest group, one among many others in the society. While it is true that business associations were and still are functioning as groups representing the interests of the private sector. However, rapid waves of transformation associated with globalization, the hegemony of neoliberal ideas, the increasing shrinkage of the public realm, and the resulting reconfiguration of societal actors placed business associations in a

position where their function went beyond the representation of interests. Business associations still fit the definition of interest groups, which regards them as groups that articulate demands that the political authorities should make an authorities allocation without themselves seeking to occupy the position of authority (Richardson, 1994, p.1), however, scholars increasingly began to emphasize that the collective action logic of business associations is quite different from those of other interest groups (Coleman & Jacek, 1983, p.258). With the rise of the neo-corporatist literature, business associations, which have been hitherto studied within the larger context of “interest groups” or “pressure groups”, came to be taken as separate entities with particular characteristics. This meant a move from the traditional focus on the lobbying activities of business associations in the pluralist literature and the rise of the argument that business associations were now playing other roles than lobbying, in the sense that they were participating in the formulation and implementation of public policy as well.

Business participation in public policy related issues is a phenomenon that had gained momentum during the 1970s. When Murray L. Weidenbaum (1980) asserted that public policy was “no longer a spectator sport” for the business community, he was referring to the increasing political activity on behalf of the large corporations. What has changed during the 1980s is that organized business associations joined large corporations came as the leading policy actors on the business side. The rise of the neo-corporatist literature, on the other hand, provided a fertile ground for the study of how business associations interact with the state and participate in public policy related issues.

Over the past three decades, business associations have been in the foreground as important actors taking part in public policy related issues and

providing political and economic coordination between the state and their constituents, the private sector, for the purposes of formulating and in some cases implementing public policies. This observation, however, leads to two important questions. First, exactly how, through which mechanisms and channels of interaction do the business associations take part in policy issues? Second, does their participation make a difference, or does it only serve to add legitimacy to policy decisions already taken by the state?

Regarding the first question, a useful categorization of the mechanisms through which business associations take part in policy process is offered by Stephen Bell (1995) who discussed a range of roles in this respect, which are:

- i) Limited quasi-public roles or state service functions: Collecting information and passing it on to the policy makers, expressing the opinion of the business community, servicing on state advisory bodies, explaining the public policy decisions to members, trialing proposed new legislation.
- ii) Policy formulation: The association is given a public status and in collaboration with public officials and politicians, it plays a formal role in the shaping of public policy.
- iii) Policy implementation: A formal quasi-public role in implementing public policy (p. 27).

Parallel to Bell's typology, Rainer Eising (2009) discusses the various ways through which business associations influence policy, framing them within a behavioral framework within which the associations are operating. Accordingly, business associations are self-interested actors aiming to serve the material benefits of their own or those of their members; their rationality is bounded in the sense that they

were making decisions based not on perfect information, but on imperfect perceptions of an objective situation with limitations on the information and skills they possess; and they are seeking survival by ensuring a sufficient flow resources from their environment and particularly from their members. Within this framework, according to Eising, business associations are taking part in public policy through the following ways:

- i) Business associations supply government officials with information about the possible consequences of public policies that are to be implemented. In this sense, business support may allow some government officials to implement their preferences with respect to policy against the preferences of others.
- ii) Business associations give legitimacy to the policies they approve.
- iii) Business associations help to “implement public policies and enhance the governance capacities of the state or simply reduce its workload” (pp.21-22).

In another insightful study on this subject, Bart Slob and Francis Weyzig (2010) focused on the traditional role that is commonly associated with business associations, i.e. lobbying, and discussed how lobbying activities evolved over time. They distinguish between information-oriented and pressure-oriented lobbying, with the former focusing on the provision of technical knowledge and support, and the latter influencing public policy-makers through advocacy campaigns, linking policy choices to investment decisions and pushing for self-regulation. Slob and Weyzig’s unit of analysis is the firm, however their inquiry still has explanatory value for the

study of business associations, which do get involved in both forms of lobbying activities, in this way participating in public policy processes.

There have been a number of empirical studies that investigated the public policy participation roles assumed by business associations as studied by Bell, Eising, Slob and Weyzig in action. In an influential survey-based study carried out in Britain, for instance, Neil J. Mitchell (1997) found that an overwhelming majority of business associations expected to be involved in discussions with public authorities with regard to proposed policies and adopted a proactive stance in this respect, whereas the most commonly used channels for this purpose are meeting with civil servants, making written submissions, lobbying, meeting ministers and staging public relations campaigns.

All of these roles assumed by business associations form different patterns of interaction, i.e. policy networks, between the state and business. According to Michael Atkinson and William D. Coleman (1989), the mobilization level of business interests on the one hand and the state capacity (measured as the concentration of authority and bureaucratic authority) on the other are the two factors conditioning the policy networks and depending on the degrees of both, the state relinquishes part of its authority to business actors (pp.50-59). Similarly, Wolfgang Streeck and Philippe C. Schmitter (1985) contended that even in places where state corporatism is adopted, the state is “sometimes transferring administrative functions to business associations”, mainly due to the fact that business associations may administer certain state functions more efficiently than the bureaucrats can. In short, what we are witnessing is the partial privatization of the public realm. Under this light, Ayşe Buğra (1994) points out that the nature of interest representation takes place under certain domestic constraints and when state officials and business leaders

are aware of these constraints, they tend to act in cooperation and eventually business associations acquire a quasi-public role extending beyond the simple pursuit of material gain. When this happens, business associations appear both as state servants and advocates of business interests. An important observation made by Buğra is that when business leaders feel that they do not have a sufficient say in policy matters, they do not ask for a more limited state, rather they volunteer to take part in the policy process, confirming the theory that an increased role for the state was needed in the face of the vulnerabilities caused by greater reliance on international trade and global financial capital (pp.9-11 and p.229).

At this point, it is important to note that the notion of integration of business associations, or interest groups in general, gave rise to the idea of “private interest government,” which is an extreme form of non-state involvement in the public sphere. Private interest government goes beyond the integration of non-state groups in public policy processes in the sense that the state does not simply open space for non-state groups in the policy making process, but also provides them with monopolistic political authority over relevant issues reducing its own role to formally rubber-stamping decisions. In this way non-state groups perform self-regulation, albeit still subject to the checks and balances of economic and political market forces and the possibility of state intervention (Streeck & Schmitter, 1985; Cawson, 1985).

To sum, business actors, who were used to act on their behalf, began to assume direct responsibility in policy making, within a framework determined by the interaction between the state and the private sector. The question remains, however, whether business participation in public policy makes a genuine difference, or put in another way, whether business participation in the process results in policy outcomes different than what they would be otherwise? The fact that the state maintains and in

most cases extends its central role in determining the rules of the state-business interaction would entice one to answer this question in the negative, and a plausible response would be that the business can make a difference to the extent the state needs and allows it to so. Needless to say, the business is not an autonomous actor acting freely and determining policy the way it suits its interests. At the end of the day, public policy is made by the state, with or without the participation of the business community. However, this does not necessarily mean that the question of whether business makes a difference can be dismissed as irrelevant. There are demarcation lines on the field of policy making, which draw the boundaries of the extent to which business can take part in policy making and influence the process.

Where the lines are drawn depends on the particular context, as in some cases there can be greater space for the business, while in others policy making is mainly undertaken by the state with minimal if any at all participation from the business. There are several factors associated with defining the context within which state-business relations, but two approaches that provide strong tools for understanding the extent to which business can have real influence and make a difference with regard to public policy are worth mentioning here. The first approach looks at the issue from the business side arguing that it is up to the business to determine its efficiency in influencing the policy process. Accordingly business can make a difference in terms of how public policy is formulated if it presents a united front pressing for the common cause, and if it manages to enlist a considerable group of voters in their cause (Preston, 1986, p.262). In the case of business associations, establishing a united front and enlisting voters for the cause starts within the association itself, and the ability to control the constituents' behavior, in other words "governance capacity" is a key determinant in determining the role of business associations and

the effectiveness of this role in public policy (Streeck & Kenworthy, 2005; Traxler, 2007). Accordingly, business associations that perform policy roles must govern their members' interests for the sake of the common goal since individual members' interests do not necessarily have to be identical with the aims pursued by the association.

On the state side of the equation, the idea of "resource dependency" can be helpful in explaining where the lines are drawn. We have already discussed that the state and business are dependent on the resources owned by each other. In this respect, it can be argued that the state is receptive to business interests in policy making and hence business can make a difference in the policy process to the extent the state needs the resources possessed by the business. The more the state needs the business, the greater is the policy making space allowed for the business. While this is a plausible proposition, it fails to capture the whole picture on its own. "Policy making" is not a single monolithic field, there are a variety of different public policy issues and while in some of them the state could be more dependent on the resources of the business, in other this might not be the case. At this point the notion of "policy salience" can be useful. Pepper D. Culpepper (2011) distinguishes between issues of high salience and low salience, whereby the former are those drawing high levels of public attention thus being of greater interest for vote seeking politicians, and the latter are those issues people are less concerned about. The argument is that the government is likely to handle high salience policy issues on its own, whereas in low salience issues, bureaucracy and non-state actors have greater say. Accordingly, business associations are more likely to have greater influence and make a difference in low salience issues, because as the issue increases in importance for the voters, the state would allow less say for the business community.

While business in general or business associations in particular can make a difference with respect to public policy, it is also important to understand that this can lead to certain problems. Kate McDonald and Stephen Woolcock (2007) contend that the delegation of responsibility to business actors raises questions regarding efficiency and accountability. The authors agree that delegating such a role to business actors is justified in the sense that they possess superior expertise with regard to complex and rapidly changing policy questions (p.88). However, business actors are unaccountable to the public and transfer of authority to them creates problems in connection with the criteria of transparency and democratic accountability (see also Haufler, 2001; Cutler, 2003).

In a final note, it has to be pointed out that the study of the role of the business associations in their relation with the state developed in tandem with a burgeoning literature in the field of comparative politics. Several case studies were undertaken and by analyzing different context in different countries, they enabled a comparative insight on the issue. Following the classical texts such as those on Western Europe (Berger, 1981), Canada (Coleman & Jacek, 1983), Britain (Grant, 1989), more recent studies, such as those on Australia (Bell, 1995), China (Pearson, 1994; Mcbeath, 1998; Foster, 2002; Zhang, 2007), Latin America (Schneider, 1998; Schneider, 2002; Rettberg, 2005), Middle East (Shambayati, 1994; Baroudi, 2000; Moore, 2001; Pesaran, 2007), Africa (Heilbrunn, 1997; Kraus, 2002; Bräutigam, Rakner, & Taylor, 2002) and Russian Federation (Hanson & Teague, 2005; Pyle, 2006) provided a greater geographical coverage and contributed significantly to the literature by examining business associations operating within different configurations of social organization.

While the growing literature on state-business relations offers various

perspectives on business associations and their public policy participation role, one particular sub-field of public policy, foreign policy, remains uncovered by scholars of state-business relations thus far. This is surprising, because globalization has not only led to an empowerment of business as an actor in policy making, but it has also internationalized business, associations and individual firms alike, which is observed to have an increasingly greater say in its respective country's relations with the rest of the world. The next section of this chapter will turn to foreign policy literature, investigate to what extent business is recognized and studied as an actor in this field, and explore how business associations can be positioned within this context.

Business Actors in Foreign Policy

Business involvement in foreign policy making is not a new phenomenon. Beginning with the 1960s, there has already been a widespread agreement that the most influential interest groups in the field of foreign policy making were the business groups representing economic interests (Frankel, 1963, pp.81-82; Wallace, 1971, pp.39-52). The following decades that were marked by the increasing effects of globalization, marketization, interdependence and the resulting internationalization of state-business relations only served to increase the role of business actors in foreign policy making. Private actors began to act as foreign policy actors as the state began to delegate some of its key functions to them; and the private and public realms became partners in managing complex issues.

Business actors emerged as frontrunners in the private side of this partnership and this was not unexpected, because foreign policy, defined as the “set of decisions made by national leaders which are intended to serve as broad guidelines for

choosing among various courses of action in specific situations in international affairs” (Pearson & Rochester, 1988, p.103) has a strong economic component, where business actors have both the expertise and the resources. As a part of their interaction with the rest of the world, countries establish and maintain trade relations with other countries, promote inward and outward foreign direct investment, create and join regional economic integration schemes, direct financial and monetary flows, determine exchange rates, impose economic sanctions, and work with international economic and financial institutions. In a world characterized by the hegemony of liberal market capitalism, it is the private business firms that undertake economic and commercial transactions abroad, hence it is only natural for a mutual dependence to exist between the state and the business community in foreign policy related issues, providing the latter with the opportunity to have a say in policy making.

In the 1970s, Jeffrey M. Brookstone (1976) discussed the different roles assumed by business actors in foreign policy. Focusing exclusively on the executives of U.S. multinationals and U.S. foreign, Brookstone identified the following roles: i) A direct role as private foreign policy makers; ii) an unintended direct role as instruments of influence; iii) an indirect role as agenda formulators of the nation’s foreign policy priorities (p.146).

The decades past since Brookstone’s discussion have significantly complicated not only the foreign policy making environment but also the nature of state-business relations. While his classification is still useful as a basic guideline for the investigation of the roles assumed by business actors in foreign policy, one should consider the fact that their contents and dynamics have changed drastically.

In order to understand the role of the business actors in foreign policy, an adequate starting point would be to discuss the different factors through which

foreign policy is shaped. Determinants of factors that influence nations' foreign policy are discussed in detail in the edited volumes by Nicholas Bayne and Stephen Woolcock (2007), and Jeffrey A. Frieden, David A. Lake and J. Lawrence Broz (2010), both of which draw attention to three dichotomies: i) International vs. domestic factors influencing policy; ii) State actors vs. non-state actors; iii) Political factors vs. economic factors. Every decision taken with respect to the nations' foreign affairs is determined by the positioning of the issue on these three explanatory spectra and how the tension between the two poles of each spectrum is reconciled by the government.

With respect to the interaction between the international factors influencing foreign policy and the domestic ones, one can envisage an explanatory spectrum; at one extreme of which policies are determined purely by the global environment and to the other extreme they are shaped by domestic-level political and economic processes (Frieden et al., 2010, p.5). In this respect, foreign policies of nations can be explained by investigating how the international or domestic environments influence the specific issue in consideration. It was James N. Rosenau (1971), who first offered a systematic investigation of what he termed as "national-international linkages" and identified three basic types of linkage processes, i.e. penetrative, reactive and emulative processes.⁵ Pointing to the links between the two levels, Peter A. Gourevitch (1978) argued that the international system is not only a consequence of domestic politics and structures, but also a cause of them, as economic relations and military pressures constrain an entire range of domestic behaviors. Michael

⁵ In Rosenau's (1971) linkage framework, there are seven actors making up the "polity" participating in the foreign policy process: executive officials, legislative officials, civilian bureaucrats, military bureaucrats, political parties, interest groups and elite groups. The polity is "linked" to six types of international environments: the contiguous environment, the regional environment, the Cold War environment, the racial environment, the resource environment and the organizational environment (pp.324-338).

Mastanduno, David A. Lake and G. John Ikenberry (1989) discussed the interplay between the two levels arguing that the ability of states to effectively pursue domestic policies is constrained by developments in the international system (see also Risse-Kappen, 1991; Skidmore, 1994).

This period witnessed a rapid growth in the literature dealing with the relationship between domestic and international political activity. Kurt T. Gaubatz (2000) divided this literature under two main approaches. In the first approach, international outcomes were seen to be dependent on a domestic ratification process. Robert D. Putnam's (1988) "two-level game theory", for instance, viewed negotiations between liberal democracies as consisting of simultaneous negotiations at both the domestic and the international level. In this view, at the domestic level, groups pursue their interests by pressuring the government to adopt favorable policies, and politicians seek power by constructing coalitions among those groups. At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments. With a concern for both levels, negotiators seek to find an outcome that would satisfy both their international partners and their domestic constituencies, or as Putnam put it, "each national political leader appears at both game boards" (p. 434). The second approach discussed by Gaubatz focused on the domestic competition for power. Bruno de Mesquita and Randolph M. Siverson (1998) argued that since all politics is competitive and politicians are intent on maintaining power, there would be contestation over foreign policy whenever the actors perceive domestic advantage to be gained (p.258).⁶ Pointing to the problems of both of these

⁶ De Mesquita and Siverson (1998) concluded their article with a memorable line: "[W]e can no longer afford to treat domestic politics as ending at the water's edge, as neorealism is inclined to do. Foreign policy, instead is better seen as intimately connected with the desire of leaders to maintain themselves in power" (p.280).

approaches, Gaubatz offered to combine them since “the sharing of foreign policy powers is motivated by the intersection of domestic and international politics” and suggested a three-actor model in which the foreign policy making process involves the government, the domestic opposition and the foreign country in question (p. 17).

The second dichotomy under discussion is between politicians and political institutions on the one hand and the private societal actors on the other. One can think of a spectrum again; at one extreme the state is completely autonomous from the pressures and demands of the society, and at the other, politicians and institutions have no other function than transmitting the underlying societal demands (Frieden et al., 2010, pp.7-8). Foreign policies of nations can thus be explained by assessing the relative weights of the state and the society in the process of policy making.

Several scholars point to the need of integrating state and society centered analyses together in a meaningful manner in order to achieve the full picture. Eric A. Nordlinger (1987), one of the leading proponents of this integrated approach, argues that this is a must since the state itself is more or less embedded in the society. Similarly, Timothy Mitchell (1991) contends that the boundary between the state and the society is “elusive, porous, and mobile” and the distinction must be taken “not as the boundary between two discrete entities, but as a line drawn internally within the network of institutional mechanisms” (p. 78). These ideas, when adapted to the study of foreign policy, inform us that neither societal nor statist explanations on their own are sufficient to explain policy choices. In his study of American trade strategies, David A. Lake (1988) finds that “the state is not an empty shell in which social forces compete” and “trade policy does not simply result from interest group pressures” (p. 57.) His point is that societal interests are not predetermined and state officials can have an important impact by shaping the array of interest groups

involved in the process. In a similar vein, Judith L. Goldstein (1988) argues that societal groups' ability to gain access to foreign policy making processes are shaped by state institutions.

The third dichotomy is between politics and economics. As Bayne and Woolcock (2007) argue, in an ideal world states would be able to keep politics and economic apart, but since states are primarily political entities rather than economic ones, "politics constantly encroaches on economics in pursuit of international objectives" (p. 7). Both political and economic concerns are involved when making a decision on particular issues; yet their relative weights vary, and foreign policies of nations can be investigated by how the political and economic factors interact in determining the contours of the policy.

The question of whether political forces can dominate economic ones or are subordinated to them is a long standing debate that can be traced back to the ancient times, however the interrelationship between the political and the economic in determining policy outcomes became a subject of systematic scholarly inquiry only after the Second World War. One of the pioneers in this field, Albert O. Hirschman (1945) 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" (p. 16). In those early years, economic means were studied to the extent they mattered for the pursuit of political and strategic goals. As Karl W. Deutsch (1966) argued, when it came 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 (p.89). Hans J. Morgenthau (1967), on the other hand, contended that it was necessary to distinguish between "economic policies that are

undertaken for their own sake and economic policies that are the instruments of a political policy – a policy, that is, whose economic purpose is but the means to the end of controlling the policies of another nation” (pp.28-29).⁷ 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 (Cooper, 1972) and up until the 1970s there has been a serious scholarly neglect of the economic content of international relations (Strange, 1970, pp.308-309).

This picture began to change in the early 1970s when pressures mounted on the post-war order and the post-war economic stability that had hitherto been taken for granted began to wither away. The international monetary system based on the gold backed dollar fell apart and came to be replaced by a new system of floating exchange rates, trade protectionism emerged to the surface as nations struggled to protect their industries, and 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 agenda, not only as means to political and strategic ends but also as ends in themselves, blurring the distinction between “high” and “low” foreign policy. As discussed by Edward L. Morse (1970), the process of modernization was changing the contents, formation processes and control of foreign policy, in the sense that growing interdependence was breaking down the

⁷ Morgenthau (1967) illustrated this distinction with examples from his own contemporary context. Accordingly, as an economic policy undertaken for solely economic purposes, the export policy of Switzerland with regard to the United States fell into the first category. On the other hand, Morgenthau saw the economic policies of the Soviet Union with regard to the countries of Eastern Europe as instruments of an overall political policy aimed at controlling the policies of these nations (p.29).

distinction between foreign and domestic policy, the balance between “high” and “low” policy was changing in the favor of the latter and interest groups assume a greater importance in foreign policy, and the level of control that any state can exercise in the domestic or the international arena was significantly reduced.

The distinction between “high” and “low” policies was a product of the Cold War period when rising political and security concerns had pushed international economic issues to the margins. As Richard N. Cooper (1972) 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” (p. 19). Now that the suppression referred to by Cooper existed no more, international economic relations returned to research agendas.

The study of international economic relations 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 mid-1970s, which paved the way to unprecedented levels of international trade and investment. It was the birth of what Richard Rosecrance (1986) termed as the “trading world”, which was, in contrast with the perception of a Hobbesian world of war of all against all shaped exclusively by states' territorial ambitions and military conflicts, characterized by economic interdependence as the main feature of inter-state relationships (p. 8). This new world consisted of “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 what came to be called as “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 international finance, trade and investment flows 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 by its own, which, in turn, opened the door to non-state actors in policy-making related to international economic issues. These developments have drastically transformed the way in which “diplomacy” is shaped, conducted and also studied.

A concept as old as the mankind itself, “diplomacy” has a myriad of definitions. Discussing the modern usage of the term, William B. Macomber (1975) pointed to two major senses in which the term is generally employed. First is the policy sense, wherein a nation’s diplomacy can be thought of as the set of its foreign policies through which relations with other nations are governed. The second refers to the carrying out of foreign policy, in other words the actual conduct of these relations (p.14.) As seen in Macomber’s discussion, diplomacy and foreign policy are concepts that are directly intertwined. In the meantime, it is also important to note that diplomacy can be pursued in different ways. In his classical study of diplomatic history, Harold Nicolson (1939) argued that throughout the history there have been two tendencies towards the pursuit of diplomacy. The first is the feudal

tendency, the “warrior or heroic theory of diplomacy” as Nicolson calls it, which regards the concept as war by other means. In this purely realist perception of the concept, diplomacy is undertaken within a zero-sum setting for the purpose of victory, and tools of negotiation resemble tactics on the battlefield. Second, there is the bourgeois tendency, the “mercantile or shopkeeper” theory, which assumes that compromises between rivalries would lead to mutual benefits particularly in the economic sphere. In this sense, diplomacy is conceived as an aid to peaceful commerce. Nicolson’s work dates from pre-world war times, but if we consider the current state of world affairs, we can see that both tendencies are still at work, albeit with the second one, the liberal approach with its emphasis on cooperation and mutual gains in the economic sphere, increasingly overshadowing the first one due to the growing economic interdependence among nations in a globalizing world.

In this world, “economic diplomacy” emerges a crucial component of nations’ overall diplomatic efforts. The concept is defined by Christopher M. Dent (2002) as the “means and parameters within which international economic relations are conducted between different foreign economic policy agents” (p. 29). In a similar vein, Nicholas Bayne and Stephen Woolcock (2007) take the concept as the way the states conduct their international economic relations by making decisions domestically and negotiating with each other internationally. Bayne and Woolcock coined the term “the new economic diplomacy” in order to emphasize how much the activity changed over the past two decades. Economic diplomacy is indeed being transformed through developments in the international economic sphere that led to a broadening of the actors involved in diplomacy, which in turn resulted in a number of newly emerged diplomatic roles and functions, both inside and outside the state. The traditional view of diplomacy, where the state was at the center and the roles and

responsibilities of actors in international affairs were clearly delineated does not hold anymore in the drastically complicated world of our times. The state remains to be assumed as the primary actor of diplomacy, but it is not deemed as the only actor anymore. As Jan Melissen (2007) correctly remarks, successful diplomacy requires openness and cooperation, and this can be brought about only through pursuit of more collaborative diplomatic relations with various types of actors (p.5).

Economic diplomacy involves the participation of both state and non-state actors and requires the deployment of political and economic policy instruments. In this regard, Maaike Okano-Heijmans (2011) offers a useful conceptual framework where she envisages economic diplomacy involving a “business end” and a “power-play end” with all instruments of economic diplomacy placed between these two extremes. At the “business end”, one finds the cooperative efforts between the state and the non-state actors (mainly the business associations and large corporations) to achieve common commercial objectives of the nation, such as maximizing business opportunities abroad and increasing trade and investment volumes. As one moves towards the “power-play end”, the balance of influence between the state and non-state actors tilts to the former, as political and strategic goals of the government begin to dominate economic goals, and the instruments used become more political in nature.⁸ A good example for the instruments used at the “power-play end” of economic diplomacy is the economic sanctions that mainly follow a political rather than economic logic. It is important to note that while this explanatory spectrum helps us to understand the goals and tools of economic diplomacy in different

⁸ In this sense, the “power-play end” of economic diplomacy may refer to the conduct of “economic statecraft”, which is defined as the state’s attempts to increase influence by “relying primarily on resources which have a reasonable semblance of a market price in terms of money” (Baldwin, 1985, pp.13-14). The two terms “economic statecraft” and “economic diplomacy” are often confused and used interchangeably, however it is important to remember that “economic statecraft” is, unlike “economic diplomacy”, a state-centric concept referring to the utilization of economic policies to pursue non-economic goals. In contrast, “economic diplomacy” opens up a greater conceptual space, which covers a wider range of non-state actors and instruments.

contexts, the boundaries between economic and political goals and instruments are rather fluid. For instance, while trade negotiations primarily serve economic goals in the sense of maximizing market shares abroad, they have a political dimension as well; and similarly economic sanctions, while they are political in nature, they have economic implications too.

Another important study that focuses on the multidimensional nature of economic diplomacy comes from Peter A.G. van Bergeijk (2009) who contends that economic diplomacy at the state level consists of three elements:

- i) The use of political tools and influence in order to promote trade and investment, to improve the market conditions and/or deal with market failures. This element of economic diplomacy refers to commercial policy, which covers instruments like export promotion schemes, trade missions, etc.
- ii) The use of economic tools and relationships in order to increase the cost of conflict and to promote the mutual benefits of cooperation and political stability. In other words, it is about ensuring economic security through structural policies and bilateral trade and investment agreements.
- iii) Consolidating a favorable political climate and international economic environment in order to facilitate and sustain these objectives (pp.14-15).

In any case, economic diplomacy involves multiple goals and multiple tools; both economic and political tools can be and are used in the pursuit of any kind of goals, and there are significant spillover effects from economic diplomacy in non-economic policy issues. If the effectiveness of economic diplomacy is measured in terms of increases in power, economic diplomacy affects both “power in trade,” i.e. the

capacity to defend one's interests in international trade and investment issues, and "power through trade," i.e. the ability to employ trade and investment issues as tools of establishing political influence and leverage over others (Meunier & Nicolaïdis, 2005). Under this light, Okano-Heijmans' (2011) definition carefully captures the concept in its entirety: "[E]conomic diplomacy is understood as the use of political means as leverage in international negotiations, with the aim of enhancing national economic prosperity, and the use of economic leverage to increase the political stability of the nation" (p.17). Economic diplomacy brings back the duality of "high" and "low" politics to the agenda, yet this time not as a distinction of two mutually exclusive fields, but instead as two dynamics that complement each other. Economic and political interests reinforce one another and therefore they should be studied in tandem.

Studies of economic diplomacy make notice of the increase in the number of the actors and issue areas involved in the process, which in turn leads to the formulation of new strands of economic diplomacy, each with their own sets of actors and activities. Offering a detailed typology in this respect, Raymond Saner and Lichia Yiu (2003) prefer to limit the concept of "economic diplomacy" to the interaction between governments in economic issues and use the term "commercial diplomacy" to refer to a government's actions aimed at promoting trade and investment relations vis-à-vis other states' business communities. The authors also discuss the different strands of economic diplomacy with greater involvement by non-state actors. In this realm, they distinguish between corporate diplomacy, business diplomacy, national NGOs and transnational NGOs. The first two kinds of diplomacy are conducted by large corporations, particularly multinational companies. "Corporate diplomacy" is about interfacing between the headquarters of the

corporation and the subsidiaries in other countries. In other words, it is about the interaction between private actors located in different countries, without the interference of the state (see also Lee & Hudson, 2004; Kostecki & Naray, 2007; Naray, 2011). “Business diplomacy”, on the hand, is about interfacing between the corporation and external non-business constituencies such as governments, NGOs, international organizations, labor unions, etc. The other two types of diplomacy conducted in the international economic realm are related to the activities of national and transnational NGOs. In their political advocacy roles, both kinds of NGOs lobby governments and transnational companies with the purpose of influencing opinion and negotiations related to issues of global concern.

With respect to their influence on economic diplomacy, the non-state groups that have been studied most extensively are the business actors such as business associations.⁹ Large corporations and particularly the multinationals are also taking part in economic diplomacy and they are in fact important actors because of their sophisticated hierarchical structure and vast political and economic resources that allow them to be influential vis-à-vis the state (Cox, 1996, p.2). However, it is the business associations as institutions of collective interest representation and political action that are of greater concern for the purpose of studying business role in diplomacy. The question is, if business is one of the key actors, if not *the* key actor,

⁹ Other influential stakeholders in economic diplomacy are organized labor, lobbies, consumer organizations, transnational civil society and non-state actors in policy and regulatory networks. These actors do not only operate at the domestic level, they increasingly mobilize beyond their national boundaries in order to exert direct pressure on policy makers at the international level (MacDonald & Woolcock, 2007, p. 78). In the meantime, while all the groups mentioned above can be categorized as interest groups, there is also growing interest on “epistemic communities” as actors taking part in economic diplomacy. An epistemic community is “a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue area” (Haas, 1992, p.3). In the face of the increasing complexity and uncertainty of issues faced by states, policy makers tend to turn to such networks of professionals in order to articulate the objective causes of international problems and the real interests of states affected by those problems. In this way, policy makers are provided with objective information independent from the pressures of organized groups, and they can base their decisions on this unbiased information (Jacobs & Page, 2005, pp.107-108).

in economic diplomacy, is it then possible to talk about businessmen as diplomats?

Brian Hocking (2004) saw the diplomatic milieu as inhabited by a growing diversity of actors and concluded that “everyone –or no one- is a diplomat now” (p.149).

Other scholars point to the fact that while the state is no more the only actor, it remains as the principal actor in foreign policy processes, and, therefore, while the title of the “diplomat” still belongs to its traditional owners such as the Foreign Ministry bureaucrats, these are working in close cooperation with “relevant others” (Neumann, 2008) as the nature of diplomacy transforms from its traditional “club model” where “diplomats meet only with government officials, among themselves and with the occasional businessman or woman, and give an interview or speech here or there” into a “network model” where “diplomats engage a vastly larger number of players” (Heine, 2008, pp.272-3). Within this framework, while businessmen cannot be designated as “diplomats” they are among the “relevant others” and studies show that they are the most relevant ones. Focusing on five key diplomatic functions, i.e. information, negotiation, communication, smoothing, and representation¹⁰, Iver B. Neumann (2008) found that in addition to diplomats and politicians, the only group that encapsulates all of these five functions are the business actors, while all the other groups under study, i.e. developmentalists, academicians, military, activists, and “spin doctors”, perform only some of these functions. The circle of the diplomats’ relevant others is widening, yet business actors continue to maintain their top

¹⁰ Neumann (2008) borrowed three diplomatic functions, i.e. information, negotiation, communication from Martin Wight (1977) and added to these the two functions discussed by Hedley Bull (1977), which are “minimization of the effects of friction” (smoothing) and “symbolizing the existence of the society of states” (representation). For reference, the Vienna Convention on Diplomatic Relations signed in 1961 (Article 3), lists the functions of a diplomatic relations as: i) representing the sending State in the receiving State; ii) protecting in the receiving State the interests of the sending State and of its nationals, within the limits permitted by international law; iii) negotiating with the Government of the receiving State; iv) Ascertaining by all lawful means conditions and developments in the receiving State, and reporting thereon to the Government of the sending State; v) promoting friendly relations between the sending State and the receiving State, and developing their economic, cultural and scientific relations.

position within this circle, particularly with respect to economic diplomacy.

There is a substantial amount of literature dealing with various aspects of economic diplomacy, however there also exists a handicap in the academic sense, which results from the lack of communication between two fields, i.e. the study of state-business relations and diplomacy/foreign policy studies. The former recognizes the public policy role of business, whereas latter incorporates business actors, and particularly the organized business associations, as important stakeholders in the decision making process. The problem is that due to the lack of cooperative work between the two fields, certain question of importance remain unanswered: How does the increasing participation of business actors in economic diplomacy and foreign policy affect the framework of state-business relations in a given context? Does the participation of business actors in economic diplomacy and foreign policy take different forms under different configurations of social organization such as clientelism, pluralism or different forms of corporatism? Aiming to contribute to the efforts of mending this gap in the academic literature, this dissertation will propose a methodology to study the foreign policy participation of business actors within a state-business relations perspective.

Methodology

As the goal of scientific inquiry is “to make descriptive or explanatory inferences on the basis of empirical information about the world” and “to infer beyond the immediate data to something broader that is not directly observed” (King, Keohane, & Verba, 1994, pp.7-8), this study will observe the empirical data from Turkey, analyze it using a set of instruments and techniques, and reach conclusions with the

hope of drawing broader inferences about the changing (or to that matter unchanging) nature of state-business relations in general. To that end, in this section an analytical model explaining the contractual relationship between the state and business associations will be developed, and a methodology having its analytical model at its core and employing it within a historical institutionalist framework, so as to identify changes in the institutional form of the relationship over the time period covered by this study will be developed.

The Analytical Model

A model as a simplification of a part of the real world (Lave & March, 1975; King, Keohane, & Verba, 1994) is useful in the sense that it abstracts certain aspects of the reality it represents or tries to explain, and offers a simplified description that isolates the key elements for the purpose at hand, as well as a set of interrelated guesses about the reality represented, in this way enabling the researcher to make logical inferences from the phenomena observed. Models provide a description of the phenomenon (but not a comprehensive representation), offer a guide to deduction in the sense that they function as a device to keep track of all the important features of a problem and the relations among them in this way enabling the researcher to verify the internal consistency of his or her assumptions and the inferences made on their basis, and enable the testing of the empirical validity of arguments (Duncan, 2004, pp.230-240).

The analytical model to be employed for the study of a political phenomenon as well as the choice of the features of the phenomenon to be covered by the model are determined by the research question of the study. Since a model exhibits only

some of the features of reality, there are normally several different models of the same thing; and therefore, given the same phenomenon under observation, different models can illuminate different aspects and provide answers for different research questions related to the same phenomenon. Considering the subject of this study and its research question, we can begin to construct the analytical model on the basis of a basic abstraction of state-business relations. Because the model cannot cover every aspect of state-business relations, the model should represent only a certain aspect of it, in this case state-business relations in the foreign policy realm. This model will describe how the state and the business associations engage and interact with each other in foreign policy-related issues.

In order to enhance its descriptive capacity and calibrate it with the purpose of the study as defined in the research question, the model should be flexible enough to allow for variations in the pattern of state-business relations. The question we are asking is whether the increasing activism of business associations in foreign policy related issues does represent a transformation of Turkey's state-business relations from state corporatism towards more organized and pluralistic forms such as the liberal version of corporatism. For this reason, the model should be able to illustrate different configurations of state-business relations and have the capacity to describe how foreign policy interaction between the state and business relations would materialize under different modes of social organization. The model can then be used for testing the empirical evidence to find out to what extent the state-business relations in foreign policy related issues in a given context fit the different configurations of the model, or in other words, if the change in empirical evidence defined in terms of the increasing role of business actors in foreign policy

corresponds to a shift of the nature of state-business relations from one configuration of the model to another, and if so, in what direction.

The first step is then to establish a basic model representing the dynamics governing the interaction between the state and the business actors in the foreign policy realm. Public policy is formulated and implemented by the institutions of the state, and from the discussion of the relevant literature and the historical record of state-business relations in Turkey as narrated in previous chapters, we are in a position to make the *a priori* assumption that the interaction between the state and the business actors represents a hierarchical relation as the state remains the major actor having the final word in foreign policy related issues. Moving from this assumption, this study will employ a tool borrowed from the discipline of microeconomics, namely the principal-agent theory.

The principal-agent (P-A) theory is, as described by Terry M. Moe (1984), “an analytical expression of the agency relationship, in which one party, the principal, considers entering into a contractual agreement with another, the agent, in the expectation that the agent will subsequently choose actions that produce outcomes desired by the principal” (p.756). In brief, it is about principals who have one set goals and must rely on agents to act and perform on their behalf to realize these goals, thus, in a sense, working through a proxy. The agents are compensated in return for their performance. Both the principal and the agents are autonomous actors, assumed to be rationally behaving in the pursuit of their self-interest. They enter into contract, which does not only result in the realization of the goals determined by the principal thus serving his or her self interest, but also brings benefits for the agents. There is a state of interdependence between the principals and the agents, as the principal needs the agents for the realization of his or her goals, and the agents need the principals to

benefit from the incentives to be provided as remuneration for their services. Jan-

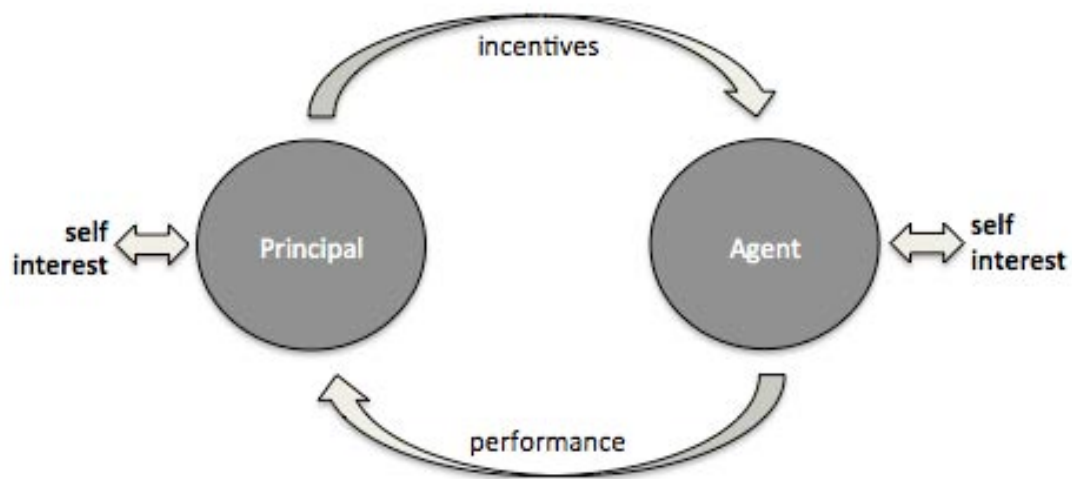
Erik Lane (2005) explains the dynamics of the P-A interaction as follows:

The agent is assumed to maximize his/her utility, which depends upon the remuneration and the disutility of his/her effort in connection with the production of the output that the principal wants the agent to provide. The principal is maximizing his/her utility in relation to the value of the output minus the remuneration of the agent. The agent is risk-averse, whereas the principal is risk-neutral. These assumptions set up a game of long duration under which there is both cooperation and conflict (p.258).

It is important to note that although the two parties are dependent on each other, the initiative always lies with the principal, who enforces what Gary J. Miller (2005) calls an “ultimatum bargaining” whereby the principal is endowed with absolute bargaining power and therefore able to make a take-or-leave offer to the agent. This does not necessarily mean that the agent is a passive rule taker. The fact that the principal is dependent on the agent provides the latter with a certain degree of leverage and autonomy, which he/she can use to renegotiate the contract according to his/her own priorities.

The contractual interaction between the principal and the agent does not run smoothly and free of frictions in every case. The central concern is, as stated in a classical study on P-A relationships, “how the principal can best motivate the agent to perform as the principal would prefer, taking into account the difficulties in monitoring the agent’s activities” (Sappington, 1991, p.45). Taking Sappington’s argument one step further we can summarize the challenges faced during the process under three different yet inextricably intertwined headings: problems related to incentives, problems of information, and problems of enforcing the contract.

Figure 1. The P-A Theory



Incentive problems are related to the fact that the agents do not necessarily share the same goals and objectives with the principals. The challenge here is to align the agents' incentive in a way to further the principal's goals, because in the case of misalignment the agent would not have any reason to perform on behalf of the principal which would lead to the prioritization of self-interest over the principal's goals and objectives (Laffont & Martimort, 2002). Incentives have been one of the major subjects of the economics literature since Adam Smith's (1776) work on sharecropping in agriculture, and it was Chester Barnard (1938) who made the first attempt to define a general theory of incentives pointing out to the importance of providing adequate incentives in order to ensure the "willingness of persons to contribute their individual efforts to the cooperative system" (p.139). After Barnard's study, several scholars have contributed to the theory of incentives, and pointed not only to conflicting objectives, but also to asymmetrical information between the principal and the agent, as a factor making the delegation of a task to the agent problematic by leading to situations where one of the parties possesses information

that the other does not have (Arrow, 1963; Holmström, 1979; Grossman & Hart, 1983; Mirrlees, 1999; Laffont & Martimort, 2002); to adverse selection, wherein the agent has some private knowledge about his or her cost and valuation that is ignored by the principal who is unable to identify the true nature of the agent (Baron & Myerson, 1982; Lewis & Sappington, 1989; Laffont & Martimort, 2002); and to non-verifiability, i.e. cases when the principal and the agent share *ex post* the same information, but no third party does; for instance no court of law can observe this information (Laffont & Martimort, 2002, p.3). Different types of informational problems imply different responses to prevent them from discrediting the contract, for instance moral hazard problems can be overcome through adequate incentive schemes, and adverse selection can be dealt with through signaling and screening devices (Huber & Shipan, 2002, p.27). However, there can still be cases when the principal finds it difficult to design and/or enforce the contract with the agent.

Problems of enforcement refer to cases when principals have difficulties in enforcing the contract and ensuring credible commitment on behalf of the agents, even when the incentives of the principal and the agent are perfectly aligned and there exist minimal informational asymmetry. Institutions structure the principal-agent relations, and in the ideal case, frictions between the principal and the agents would be solved “by respecting the restrictions derived from the rule of law framework” (Lane, 2005, p.124). However, if the legal framework available is insufficient for this purpose, the principal can face difficulties in enforcing the contract against an agent that benefits from these limitations and engages in opportunistic behavior. Such behavior can also arise when there is only one agent, which means no alternatives for the principal. In such a case, the agent can move outside the contract knowing that he or she is indispensable. In general, the principal

has under his or her disposal certain mechanisms through which the agent can be controlled and the contract can be enforced, some of which are: i) setting rules versus discretion; ii) monitoring and reporting requirements; iii) screening and selection procedures; iv) institutional checks and balances (such as empowering more than one agent or hiring agents with overlapping mandates); v) sanctions (Hawkins et al., 2006, p.26).

Various applications of the P-A theory in political settings will be helpful in establishing the contours of the analytical model that will be used for the purposes of this study. According to Jan-Erik Lane (2008), the P-A model can offer a new perspective upon politics, first by modeling the interaction between the government and its bureau and agencies; and second, by illuminating the interaction between the government and the population whereby public office holders are the agents of the principal of the body politic, i.e. the people (p.31). In other words, in democratic polities, the people are the principals and the government is the agent serving on the people's behalf, whereas the office holders contract tasks to bureaucrats, turning them into principals and the latter into their agents. In this sense, democracy can be regarded to as a "double set of principle-agent relationships" (Lane, 2005, p.30) or as a "chain of principle-agent relationships, from citizen to politician to bureaucratic superior to bureaucratic subordinate and on down the hierarchy of government to the lowest-level bureaucrats who actually deliver services directly to citizens" (Moe, 1984, p.765).¹¹

¹¹ The P-A model can also be applied on non-democratic polities. The difference is, as pointed out by Jan-Erik Lane (2008), that while the contract between the principal and the agent is explicit in democracies and it is made on the election day, in non-democracies it is implicit; "but even in an autocracy the implicit understanding of ruling is that agents will promote certain objectives, such as the common good and citizen well being, meaning that they can be evaluated with outcomes. All political contracts are incomplete, however, as the hiatus between contracts *ex ante* and contracts *ex post* is unbridgeable" (p.27).

The P-A model can be applied in any setting where there is some form of hierarchical control, and as David E. M. Sappington (1991) argued, “an actor may simultaneously be an agent of some principals, and the principal to some other agents” (p.63), as is clearly seen in the relations between the state and the people, as well as between the government and bureaucracy in the figure above. The relation between the government and the bureaucracy is the basic example of public management and public policy making process. Jan-Erik Lane (2008) argues that in modern polities, political parties and political entrepreneurs can also be agents depending upon the discipline in the party system of the country. More important is Lane’s prophecy that “political agents will also be forthcoming in civil society, where associations seek to influence political power, such as organized labor, producer pressure groups and NGOs” (p.18). At this stage, it would not be an aberration to say that Lane’s prophecy is already accomplished and there is already a hierarchical relation between the state as the principal and the non-state actors as its agents. Economic globalization and rapidly increasing interdependence among nations have empowered business actors and turned them into one of the key non-state agents in this respect. Moreover, the areas of interaction between the government as the principal and its agents, both public and private, are expanding as well. Traditionally, P-A relationships were found in the following areas: governance of the bureau, governance of social security, governance of the public enterprises, and the making of monetary policy (Lane, 2005, p.3). It is possible to say that P-A relations are now diffusing rapidly into other areas of public policy, and foreign policy is only one of them.

In short, we can safely apply the P-A theory on the relations between the state and the business associations within a foreign policy context. For this task, however, we need to start by asking the following questions:

- i) What is the subject of the contract? In other words, what is to be maximized?
- ii) Who exactly are the principal and the agent? How does the principal choose the agents?
- iii) What kind of performance is to be provided by the agents and what kind of incentives is to be offered by the principal?
- iv) How are the agents as rule-taking self-interest maximizers expected to behave in order to increase their autonomy without breaking the contract?

Subject of the contract

The subject of the contract is foreign policy. We have discussed in previous chapters that in the current era of globalization and increasing interdependence among nations, foreign policy is undergoing rapid transformation, the number of actors taking part is increasing and so are its issue areas, as foreign policy has become an important issue in people's daily lives. Foreign policy has been once the concern of the ruling elite, far from the ordinary citizens; but it affects now the entire population, because sound foreign policy is crucial for sustaining peace and stability, increasing welfare and opening up new opportunities for individuals. Jan-Erik Lane (2005) argued that in well-ordered societies incentives of the government as the public principal include the well-being of the nation, economic growth, community development, peace and prosperity; adding that to those ends the government would want to allocate i)

security or law and order; ii) infrastructure; iii) welfare services such as education, health and social care (pp.52-53). To this list, we can and we should add foreign policy as well, because in today's interconnected and heavily interdependent world, public goods such as growth, peace and prosperity cannot be achieved without a carefully crafted foreign policy. In sum, the contract between the state as the principal and the business associations as the agents is about the latter delivering contributions to Turkey's foreign policy making process in return for certain incentives. It should also be noted that principals and agents do not act and interact in an isolated setting, they exist in a broader political context, both in international and domestic sense, and it is evident in the Turkish record that the relations between the state and business associations are substantially influenced by the domestic political context and the international political and economic conjuncture of the time.

Principal and the Agent

Regarding the second question, we have already positioned the state as the principal and the business association as the agent. The fact is, however, that there are almost in all cases more than one business association involved in process, each of which may have divergent goals and objectives, and there can be competition or cooperation or both at the same time between them depending on the circumstances and the particular issues.

The principal delegates certain tasks to agents in order to reduce transaction costs, to have jobs done for which he or she does not have the capacity himself or herself, and to gain credibility and legitimacy. When doing this he or she naturally chooses to work with agents who correspond to his or her preferences and objectives

and are both willing and capable to carry out the assigned tasks. To that end, the principal can either “create one of its own, thereby constructing from scratch an organization of her design” or “choose from among a pool of existing entities willing to serve as an agent” (Hawkins et al., 2006, p.25; see also Moe, 1984, p.759). In other words, the state can be expected to delegate foreign policy tasks to business associations (either to associations of its own design or to purely private initiatives) which not only agree, explicitly or implicitly, to pursue the state’s preferences, but also have the capabilities, e.g. financial resources, skilled human resources, international reach etc., to do so.

Choosing more than one agent is always advantageous for the principal, and therefore the state can be expected to collaborate with more than one business association, under the condition they all fulfill the criteria stated above. Contracting with more than one agent triggers competition among agents, which strengthens the enforcement of the contract, because under conditions of competition agents would be compelled to strictly follow the contract for the fear of being excluded (Lane, 2008, p.286). It should be noted that the broader context in which the P-A interaction takes place can also add further momentum in this respect, as institutions that increase competition among agents minimize the problem of enforcement.

One of the areas that is relatively less covered by the P-A theory is the behavior of agents towards each other when there are more than one of them interacting with the principal. From what has been discussed so far we can infer that whether agents cooperate with or compete against each other depends on the contract with the principal and to what extent it is enforced effectively. If a task is contracted to several agents, the principal is likely to expect the agents (and to express this explicitly in the contract) to cooperate with each other in the pursuit of the common

task. However, in cases when the agents can afford to involve in opportunistic behavior in pursuit of their self-interest, competition between the agents would be likely to escalate. In other words, as a rule of thumb one can argue that the better the contract is enforced the greater is the cooperation among the agents.

Another form of P-A relation can be found within associations, where the administration of the business association is responsible towards the association's constituency, making the members of the association a principal, and the administration its agent. At the same time, the state apparatus itself operates through a certain form of P-A relationship, between the government as the principal and the bureaucracy as its agent. These second-tier P-A relationships are important in defining the main P-A interaction between the state and the business associations, because the state's behavior is determined by the interaction between the government and the bureaucracy, and similarly, policies and actions of a business association are defined by the dynamics of the relationship between the constituency of the organization and its administration.

Since our model represents state-business relations within a foreign policy framework, the multi-tiered P-A relationship explained above can be summarized as follows:

- i) In the making of the nation's foreign policy, the state is the principal, and the business associations are one of its agents. Business associations contribute to policy making by acting in compliance with the preferences of the state and in return they are provided with incentives by the state.
- ii) The fact that business associations adhere to the preferences of the state does not necessarily mean that they have no influence on policy outcomes. In certain policy areas, the state can leave the initiative to the

business associations and/or the business associations can negotiate to have more influence.

- iii) It is the administration of the business associations that have the face-to-face contact with the state and pursue their interaction. However, the administration is not an autonomous actor, it represents the preferences of its constituency, i.e. the members of the business association, and interact with the state on their behalf.
- iv) In its interaction with the business associations, and in the making of foreign policy in general, the government delegates certain tasks to the bureaucracy, such as the diplomatic bureaucracy and the foreign trade bureaucracy, which act in compliance with the preferences of the elected government.
- v) Empirical evidence shows that the enforcement of the P-A relations within both the state and the business association depends on the broader political context. In certain cases the government may prefer to bypass the bureaucracy and undertake certain tasks on its own (principal minimally delegating or not delegating at all to the agent), or, on the other side, the agents within the business association, i.e. the administration, can have the tendency to act autonomously from its principal, i.e. the constituency.

Performance and incentives

In a foreign policy framework, what kind of performance is provided by the business associations; and what kind of incentives is offered by the state? These are the most

crucial components of the contract between the principal and its agents, and the literature review provides us with clues in this respect. Scholarly work on how business associations contribute to the making of policy (such as Bell, 2005; Eising, 2009; Slob & Weyzig, 2010) show us that they can offer services such as collecting information related to foreign policy issues (e.g. information on the possible consequences of certain foreign policy options), servicing on state advisory bodies and passing on this information to the state, explaining the public policy decisions to members and in this way ensuring the legitimacy of the policies, contributing to the implementation of foreign policy, lobbying overseas on behalf of the government, undertaking practical tasks for which the state does not have the necessary capacity and/or to reduce the government's workload, such as organizing foreign policy dialogue platforms, overseas delegations, etc. In return, business associations are offered incentives by the state, such as greater influence within the business community derived from participation in foreign policy issues, privileged access to the state leaders and senior bureaucrats, incentives related to doing business abroad such as facilitated access to new markets and problem-solving mechanisms.

Autonomy of the Agent

It is worth remembering once again that the business associations as agents are actors pursuing their self-interest and serving their principals, i.e. the state, not only for the common good or to further the state's aims, but also and mainly for their own benefit in the form of the incentives they receive. In any case it is natural to expect the agents to shirk from the contract if the incentives are misaligned, and it is also normal in cases when the contract holds and both sides act accordingly that the

agents want to increase their autonomy vis-à-vis the principal as much as possible without jeopardizing the contract and their status as agents, which brings us to the last question posed above related to agent behavior.

Increasing its autonomy without breaking the contract and being excluded serves the self-interest of the agent. Agents with greater autonomy can not only bend the officially stated goals of the contract in their favor but also add new objectives that suit their interests (Lane, 2005, p.104), which implies a renegotiation of the contract. This means that agents are not merely passive actors doing only what they are told, i.e. taking the contract as given, but they can influence the contents of the contract as well.

The autonomy of the agents are determined in the first place by their institutional structure and the legal constraints they are subject to, however, *ceteris paribus*, a business association can attain greater autonomy by employing agent strategies crafted to that end. For their strategies to matter, agents need leverage. The literature on the P-A theory provides an illustration of the basic dynamics of the process: “When the agent pool is small or agents possess significant expertise, agents can lobby principals for more authority and resources, negotiate with principals the terms of their contracts, and even utilize their resources and knowledge to influence principals’ preferences or strategies” (Hawkins et al., 2006, p.31). Moreover, agent strategies can be summarized under the following headings: i) agent interpretation of potential mandates prior to delegation; ii) agent reinterpretation of their mandates once delegation has occurred; iii) agent efforts to increase their permeability to third parties; iv) agent efforts to buffer principal monitoring (Hawkins & Jacoby, 2006, p.205)

It does not necessarily mean that agent strategies are always resisted by the principals. For sure, the principal wants to control the agent's behavior, and grant the agent the least amount of autonomy possible that would suffice for the sustainability of the contract. But there are also cases when principals do not react against agent strategies that intend to produce greater autonomy. For instance, principals can come to the conclusion that the cost of reacting against the agent's strategies are higher than the cost of not reacting; they can believe that even though the agent is employing strategies designed aimed at greater autonomy, it is also accomplishing something of real value for the common good; or there can be divisions within the principal that would prevent a reaction (ibid, p.212). In any case, agent strategies can succeed, provide greater autonomy for the agent within a contract that is not broken but renegotiated.

The P-A relation between the state and business associations within a foreign policy setting clearly bears evidence of agent strategies intended to improve agent autonomy. It can be safely assumed that those business associations that are contracted by the state within a P-A framework have enough leverage to employ agent strategies, otherwise they would not have been contracted in the first place. This leverage is derived not only from the fact that the low number of capable and willing agents means that the state has no alternative but to work with these associations for tasks for which it does not have the capacity itself; but also from these associations' wide constituencies, financial resources, as well as domestic and international networks. The main reason for business associations to demand greater autonomy is the desire to have greater leverage for including their own constituencies' objectives and priorities in the nation's foreign policy agenda and to be able to influence foreign policy by modifying the state's objectives and/or adding

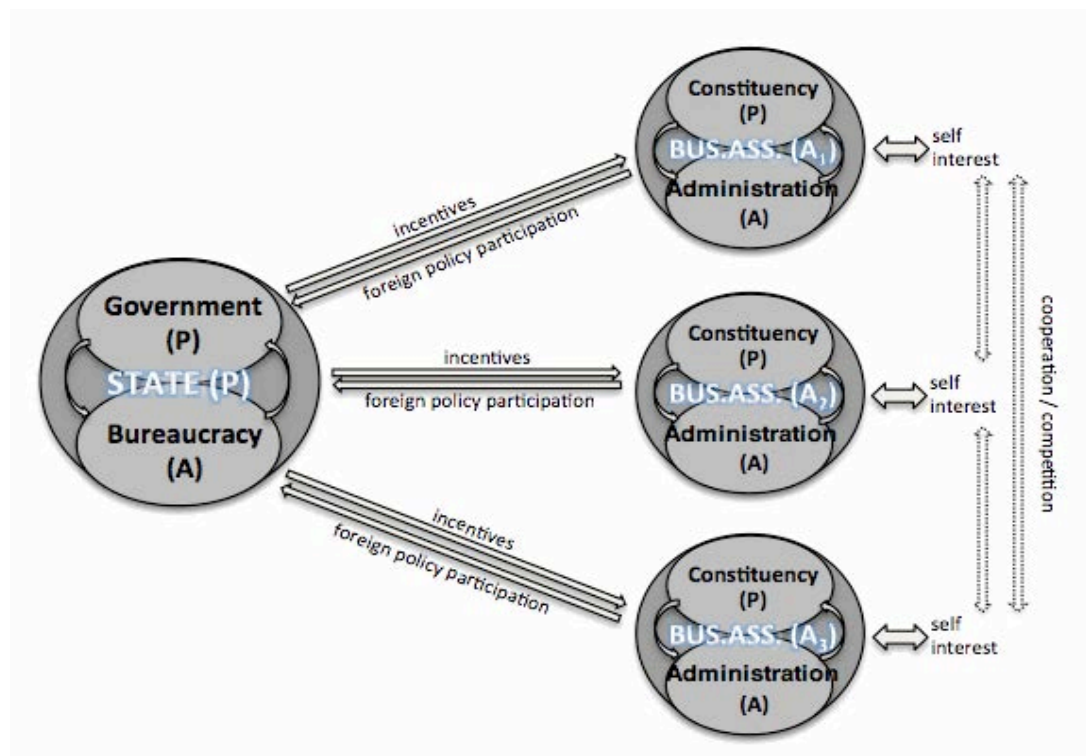
new ones in accordance with their own positions. In the meantime, empirical evidence suggests that the more foreign policy success depends on increasing economic influence abroad, the greater leverage the business associations have as representatives of the exporting and investing business community, and hence the greater becomes their agent autonomy vis-à-vis the state.

In a final note, it has to be taken into consideration that each business association acts within its given institutional contexts. The P-A model is based on the implicit assumption of rational choice, where agents interact with the principal (and each other) in the pursuit of their self-interest by making rational decisions. However, with its assumption of actors' preferences being formed exogenously, the rational choice paradigm (thus the P-A model as well) has difficulties in explaining processes through which one equilibrium rather than another is reached. In order to gain greater explanatory power, the P-A model needs to focus on how preferences are structured endogenously and emphasize on how institutions are shaped and embedded in concrete temporal processes (Thelen, 1999). While business associations can be expected to behave rationally at all times in their dealings with the state, the institutional settings of a business association determines the set of policy options available for this business association in any given case, and this is why the P-A model needs to be capable of dealing with the effects of institutional variations. In an environment where there are more than one business association interacting with the state, all of the business associations would be acting rationally, but given their different institutional configurations, they will reach different equilibria.

Relations between the state and the business associations as stakeholders in the making of the nation's foreign policy can be thoroughly explained through a P-A model, where the state is the principal setting the rules of the interaction,

delegating certain tasks to agents, i.e. business associations, who perform these tasks in return for certain incentives, and do so by simultaneously increasing their autonomy, as long as the incentives of both parties are well aligned, i.e. their self interest converges with the public good as defined through an effective foreign policy outcome. The institutional structure and the leverage that a particular business possesses determines whether it can become an agent in the foreign policy making process and to what extent it can increase its autonomy; and if there can be cooperation, competition or both among agents of which there are more than one. Figure 2 illustrates this model in a simplified setting where the state interacts with three business associations (solid arrows), which are also interacting with each other (dashed arrows).

Figure 2. P-A Model for State-Business Relations in Foreign Policy Making



A crucial point with regard to this model is that the relations visualized through arrows in Figure 2 can have varying degrees of density and effectiveness. Some relationships can be stronger, denser, and more effective than others, while others can be weaker or almost non-existent. A business association can be more active in foreign policy issues and its contribution can have more influence compared to others, when at the same time other business associations would exhibit a nominal degree of activism with minimum influence on the policy making process. It is about the density of the P-A interaction, some agents can contribute more, both in terms of quantity and quality, to the process, and receive greater incentives in return, whereas in relations of lower substantiality, both performance and incentive would be low. The combination of these relationships of varying density determines the configuration of state-business relations in the foreign policy realm within a given context.

Different Configurations of the Model

For the purposes of this study, it is important to examine how the P-A model is configured, i.e. how the incentives of both parties are aligned and what the density and effectiveness of each arrow as shown in Figure 2 is, under different modes of state-business relations. A different configuration can be expected under each mode, and it is the purpose of this study to illuminate whether the relations between the state and the business associations in the making of Turkey's foreign policy represents a move from one particular configuration to another.

At this point, we are faced by a limitation of the P-A model. While the model offers substantial demonstrative effect, it is of a static nature, in other words, it offers

a historical snapshot, a picture of the phenomenon as it is at a given time. The aim of this study is to identify and analyze change, in other words how the institutional setting has changed over time. Empirical evidence suggests that at any given time, under the same structural conditions, different business associations can and do have a different form of relationship with the state. It is therefore important, to comparatively investigate the relationship for each association, which the P-A model is able to do, but also how each form of relationship evolved over time, which requires the methodology to incorporate a historical institutionalist framework within which the P-A model will be applied.

Historical institutionalism is not a theory, rather an approach to the inquiry of social phenomena; an approach which has an attention on real-world empirical questions and the to the ways in which institutions structure and shape their behavior over time (Steinmo, 2008; Immergut & Anderson, 2008). This approach implies an application of the P-A model comparatively through different cases as well as through different time periods, in order to detect changes in the institutional form that the relationship between the state and business associations take.

Since our purpose is to trace a possible transformation from state corporatism towards a liberal form of corporatism, it is necessary to illustrate how the P-A model would appear under different configurations, for which it is necessary to discuss the idea and varieties of corporatism.

As a concept envisaging social organization based on the division of the society into corporate groups on the basis of their occupations, economic roles and common interests, corporatism relates to a wide range of contexts in which it can apply. It is a system of economic, political, or social organization where a strong state tries to structure, license, control and even monopolize the group structure,

which is established on the basis of common interests, in order to maintain control over the competition among the groups, and to better integrate and organize state policy (Wiarda, 1997, pp.23-24). In corporatist systems “selected organizations enjoy a representational autonomy” and “political incentives and sanctions make interest groups cooperate with public purposes” (Streeck & Kenworthy, 2005, p.448). In his influential work on corporatism, Philippe C. Schmitter (1974) 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” (pp. 93-94). Accordingly, the basic features of corporatism are as follows:

- i) Corporatism implies a movement from the state towards the society in the sense that the former subordinates the latter.
- ii) At the same time, corporatism also envisages an advance of the society towards the state, in this sense that some areas of the state are opened to the societal interests and civil society actors.
- iii) Organized interests tend towards a position of monopoly.
- iv) Certain associations are granted privileged access to the state’s authoritative decision-making processes as long as they adhere to certain norms.
- v) Membership to such associations can be on a voluntary basis, but the associations’ privileged monopoly position deprives the members of

alternative channels of interaction.

- vi) Associations do not only perform a representative function, they also perform regulatory function over their members on behalf of the state.
- vii) Associations and state agencies show increasing bureaucratic tendencies so sectors in the society tend to be regulated through hierarchical structures.
- viii) Associations and state agencies enter into a bargaining process over public policy whereby associations do not fully pursue their immediate benefits but act in a system regarding manner (O'Donnell, 1979, p.74; Schmitter, 1982, pp.260-261; Williamson, 1989, p.68).

Corporatism can be present in a variety of forms in different countries and cultural areas. There is no uniform concept of corporatism; rather there are different regional variants under different social, political, economic and cultural contexts (Wiarda, 1997, Ch.4).

During the 1970s the corporatist perspective was widely utilized to explain the social organization and political processes in the non-democratic regimes of Latin America and Iberia, and to some extent East Asia. However, global developments in the following period showed that corporatism was not only observed in non-democratic regimes, but also in liberal ones, such as those in West Europe. In other words, different models of corporatism were to be found under different contexts in various parts of the world. Accordingly, Philippe C. Schmitter (1974) distinguished between “societal corporatism” and “state corporatism” as two different versions in different parts of the world. Building his analysis on Mihail Manoilescu’s (1936) work, which distinguished between pure and subordinated

corporatism, Schmitter argued that in societal corporatism, the “legitimacy and functioning of the state were primarily or exclusively dependent on the activity of singular, non-competitive, hierarchically ordered representative corporations”, whereas in state corporatism the corporations were “created by and kept as auxiliary and dependent organs of the state which founded its legitimacy and effective functioning on other bases” (pp.102-3), thus subject to clientelistic exchanges and patronage relations with a strong state.

The idea of liberal and democratic version of corporatism gave rise to the emergence of a new school, “neo-corporatism”, in which social groups based on voluntary basis and entitled to various forms of collective participation shared the public space with the state and are given major opportunities to participate in policy-making processes under the condition that they accepted responsibilities to assist the state in the governance of the society and recognized the primacy of parliamentary democracy (Wilson, 2003, pp.102-3; Streeck & Kenworthy, 2005, p.441). The liberal version of corporatism incorporates societal groups and associations directly into the decision making process (Wiarda, 1997, p.21), implying an institutionalized pattern of policy formation whereby organized groups collaborate with the state in shaping and implementing public policy (Lehmbruch, 1982, p.150)..

Turning to the P-A model, one can see clear differences between how the relations are shaped under a state corporatist setting and a more plural, participatory and formalized version of corporatism, liberal or neo-corporatism, although both of them allow for the participation of business associations in the foreign policy making process. The main difference is that in a liberal framework, business associations with an interest in foreign policy bargain with each and with the state, make compromises and determine the policy together, instead of the state making the

policy and the business associations only legitimizing what has already been decided, as is the case under state corporatism. Under a perfectly liberal corporatist model, hierarchy between the state and business associations would be minimal; and while the state would still be the principal because it is where the power of the legislature rests, policy would be formulated through consultation; built from below in a collaborative manner, instead of being imposed from above.

Another difference is related to the mutual exchange of incentives. In state corporatism, there is no or severely limited free competition among the associations and the state chooses which agents to work with or to delegate tasks to, therefore access to the foreign policy making process is the main incentive granted by the state to selected business associations, which means that for a business association to be included in the process, having the leverage or resources is not enough to be granted this privilege. In return for this privilege, business associations contribute their constituencies' ideas, interests and preferences to the process together with their complementary services as is also the case under the liberal setting, as well as their economic power. There are, however, differences between state and liberal corporatism in this respect. In state corporatism, being included in the process requires absolute conformity with the norms determined by the state on behalf of the business associations; in other words, what the business associations are expected to provide first and foremost is political loyalty.

In both versions, associations do not only represent their members, but also perform a regulatory function over them on behalf of the state, thus undertaking a quasi-public task delegated by the state. In other words, business associations as agents can play a role not only in policy formulation but also in policy implementation as long as they have the relevant knowledge for implementing a

policy. The difference is that under liberal corporatism, business associations provide more than loyalty, they offer resources, capabilities and knowledge. While under state corporatism, loyalty can bring benefits to a business association, under liberal corporatism incentives are based on merit, thus providing a much healthier and result oriented form of relationship. Under this setting, the P-A interaction has a considerable degree of density, as business associations can contribute significantly to the foreign policy process, and earn incentives in return.

What is important here is that the state is absolutely neutral towards the diversity of interests. It regulates the competition between different interests, but does not impose its own interests or choose those associations who defend positions close to the government's. Policy outcome results from a bargaining process where each actor has its voice, although some can be louder than others depending on the leverage that the actor has.

There is a mixed picture in corporatism with regard to the P-A relations at intra-principal and intra-agent levels. Starting with the latter, the relations between the constituency of a business association as the principal and the administration of the organization as their agents are strong in both versions. Businessmen in charge of the associations are representing their members' will, not their own. The greater the constituency of a business association, the greater is the leverage of the business association in question, because the government tends to listen more to organizations representing larger masses. For this reason, a nation-wide business association can have more leverage than a provincial one, and an economy-wide organization can have more say in foreign policy compared to a sectoral one, but that does not mean that the others are excluded from the process. In the meantime, it needs to be added however, state corporatism is more prone to a clientelistic exchange between

businessmen and the government or the bureaucracy, which can seriously undermine the contract between the state and the associations.

With respect to the relations between the government as principal and the bureaucracy as its agents, the difference is more straightforward. Under state corporatism there is still a close-knit relationship between the two, but it is not as strong as is the case in a liberal environment, where the state's own position is determined by a process of bargaining and compromise, this time among different bureaucracies as well as between the government and the bureaucratic apparatus. Politicians cannot have their preferences fully realized in the foreign policy decision making process, they need to achieve a consensus with the bureaucratic opinion, which is in turn shaped by a consultation between the interests of different public agencies. Moreover, in order to systematically engage the non-state actors in the policy process, the government needs an effectively working bureaucratic apparatus as an intermediary.

Corporatism envisages competition between the agents and includes the principal in the picture as an arbiter. Under this structure, the potential for cooperation between the agents depends again on the state's involvement and interference. The main tenet of state corporatism is that the groups, i.e. the agents, are state-sanctioned entities, and in some cases they are even founded by the state, and therefore cooperation among them depends on the state's preferences. Favored agents, those who are given what Graham K. Wilson (2003) calls the "insider status", tend to monopolize their respective field of activity as the state generally promotes the presence of a single group in each field with which it can cooperate. However, the state can also overturn this tendency and choose to work with a multitude of associations in order to prevent the concentration of influence in one single group.

Under the liberal version of corporatism, there is greater and free competition among agents for political representation, however although all business associations are promoting their own interests, the final outcome of the process is still the national foreign policy, and the competition between the business associations is undertaken under the legislative and institutional constraints imposed by the state not for the purpose of interfering on behalf of certain associations, but to ensure that competition serves the public good. Under such a structure, while business associations that are defending contrasting positions with regard to a certain issue area are unlikely to cooperate in that particular area, they have much to gain from cooperating in other areas and/or engage third parties in areas of non-conflict. This kind of cooperation does not only produce economies of scale, but also increase the leverage of the associations involved, and enhance their reputation as champions of the public good.

There is a clear and absolute subordination of the agents to the principal in state corporatism, which does not necessarily mean that there is no space for agent autonomy. The business associations compete with each other for being included in the policy making process, and having achieved this, they can contribute their own ideas and positions on the issue to the process, as long as they do not deviate from the norms set by the state. Influence is not equally dispersed, all the associations are under the state's control, but some of them have greater leverage, while others have less. Therefore business associations can be expected to take steps to increase their leverage in order to attain greater autonomy and to influence foreign policy more towards their own direction. The only issue for them is that the extent to which they can increase their autonomy is determined not by themselves, but by the state. This is a restriction, which is not usually the case under liberal corporatism where business

associations are profoundly autonomous agents and agent autonomy can be further improved through appropriate strategies aimed at increasing their leverage.

In a final note, it has to be reminded that different versions of corporatism can share similar tenets with each other, and carry different degrees of both clientelistic and pluralistic notions at the same time. It is not possible to talk about the absolute validity of one of these configurations in any P-A model or in any issue area. What we have is rather mixed evidence, where one of these configurations is dominant and has greater weight compared to others. When discussing the state-business relations in foreign policy making through a P-A model, one has to be aware that not only can it be possible that different aspects of the relationship can bear evidence of different configurations despite the existence of a dominant one characterizing the relationship, it can also be possible that the principal's relations with different agents can point to different modes of social organization.

These reservations, however, do not necessarily undermine the task of this study. The question posed is whether the increasing activism on behalf of business associations in Turkey's foreign policy is representing a transformation of state-business relations in Turkey from a state corporatist form with clientelistic tendencies to more participatory, pluralistic and organized forms like liberal corporatism. This does not mean that we are looking to identify an abrupt switch from a purely clientelistic structure to an absolute pluralist or corporatist one. The task is rather to identify whether the business associations' increasing role in the making of foreign policy has led to a remarkable increase in the liberal aspects of state-business relations in Turkey and a departure from clientelistic features. Pure clientelism, pure pluralism, pure state corporatism and pure liberal corporatism or neo-corporatism exist only in theory; every historical case is a mixture of these, yet

the weight of each varies. The task of this study is to identify a shift in the balance of their weights.

For this, we will need a set of tools through which the analytical model based on P-A theory can be applied on the Turkish case.

Method

The analytical model constructed in this chapter with the P-A theory as its epistemological lynchpin demonstrates how the interaction between the state and the business associations in the realm of foreign policy making can be expected to materialize under different configurations of social organization. This model can now be applied on the empirical evidence to illuminate the research question. At the heart of the research question is the concept of change since what we are investigating is whether the increasing foreign policy activism of the business community represents a transformation in the way that state-business relations are undertaken in Turkey.

This task requires a qualitative comparative strategy to be pursued through structured, focused comparison of the empirical evidence available. In contrast with quantitative approaches that provide a strong analytical edge at the expense of isolating the phenomena under investigation from their context, qualitative approaches take the phenomena within their context and examine the phenomena as a whole, i.e. a combination of several variables, instead of abstracting variables from each other. This holistic approach is more suitable than the quantitative method for the purposes of this study. Moreover, on a more practical note, since the empirical data relevant for this study is hardly amenable to statistical processing, qualitative

methods need to be preferred over quantitative ones. It is beyond the aim of this chapter to enter a methodological debate along the qualitative-quantitative spectrum, yet for the sake of outlining the methods to be employed, it should be noted at this point that within a qualitative approach, the method to be applied will be structured, focused comparison, and it will proceed through case studies.

The method is structured, because it is centered on a set of general questions that reflect the research question itself enabling a systematic comparison and the accumulation of findings. Moreover the method is focused in the sense that the study deals only with some aspects of the cases investigated, which reflect the specific aim of the research (George & Bennett, 2004). This method will be used to apply the analytical model on the empirical evidence, and the model's function is precisely the generation of the generalized set of questions through each of which the cases will be compared. As the model demonstrates the various aspects of the P-A relation between the state and the business associations in the making of foreign policy, these aspects can be translated into the question form so that they help to identify possible changes in relations between the principal and the agent. The basic set of general questions derived from the P-A model—which can eventually be enriched through detailed questions for particular contexts taking into consideration the domestic, regional and international environment that the country is in—is then as follows:

- i) Is it possible to say that the interaction between the state and the business associations in the foreign policy realm is increasingly more substantial?
- ii) Has the autonomy of business associations increased over time?
- iii) Is there greater cooperation or competition among the business associations?

- iv) Are the administrations of business associations fully reflecting the interests of their respective organizations' constituency?
- v) Is there increased collaboration and consensus between the government and the bureaucracy in foreign policy related issues?

These questions that are generated from the analytical model employed will be used to answer the research question in two ways. First, each of these questions will help to identify and analyze changes over time in state-business relations with regard to their respective issue areas. In other words, these questions will be asked of the Turkish case in order to detect overall trends in state-business relations within the framework of the foreign policy process. Second, these questions will also help to identify the effects of different institutional settings as represented by different business associations on the interaction between the state and the business community.

The questions will be asked of different cases, and since the study focuses on the relations between the state and the business associations, and the latter's increasing activism in the foreign policy realm, for the first four questions listed above, cases can be chosen from among the business associations, which will offer, as the definition above implies, spatially delimited units that are observed over time comprise the sort of phenomena that we aim to explain. Each case will refer to a particular business association, and this will be a useful approach also in the sense that it will enable an investigation of the effect of institutional differences between business associations.

In brief, the comparison of cases will be undertaken in two directions; first temporally, looking for changes over time, and second spatially, looking for changes

that might be caused by divergent institutional characteristics of different business associations at any given point in time. The same set of questions will be asked of each case, and since each of the cases will be observed over a period of time, this approach will illuminate not only how each business association's activism over time and how it reflected on state-business relations in Turkey, but also on whether and how different institutional characteristics led to different outcomes.

Given the purpose and the research question of this study and the rather limited size of the sample universe, there will be a small number of cases. Small-N case studies can offer several advantages, such as control for certain variables while identifying variation in others, in-depth analysis within context, integration of multiple sources of evidence, stronger empirical grounding for the hypotheses, among others (Odell, 2001; Hopkin, 2002; Yin, 2009; Gerring, 2009). The study can benefit from these advantages only on the condition that the cases are selected appropriately.

Selection of Cases

Case selection is integral to the research design, and although practical considerations are always part of the selection process,¹² the main requirement is ultimately relevance to the objective of the research. Cases cannot be selected only because they can be easily researched or because they are interesting; they must reflect the purpose of the study and provide a path for the acquisition of knowledge.

¹² Discussing the importance of practical issues in case study design, Robert K. Yin (2009) argues that if no access to data can be ensured, the researcher will have no option left but to change the research question: "You need sufficient access to the potential data, whether to interview people, review documents or records, or make observations in the 'field.' Given such access to more than a single candidate case, you should choose the case(s) that will most likely illuminate your research questions. Absent such access, you should consider changing your research questions, hopefully leading to new candidates to which you do have access" (p.26).

In their insightful work on case study research, Alexander L. George and Andrew Bennett (2004) explain the principal criterion for selecting the cases to be studied: “Cases should be selected to provide the kind of control and variation required by the research problem. This requires that the universe or subclass of events be clearly defined so that appropriate cases can be selected. In one type of comparative study, for example, all the cases must be instances of the same subclass. In another type of comparative study that has a different research objective, cases from different subclasses are needed” (p.83).

The universe and the subclass of units that can be chosen as cases are already determined. The cases will comprise of Turkish business associations that have the potential and the leverage to act as stakeholders in Turkey’s foreign policy process. Business associations vary in historical-institutional structure, organizational form, composition of membership, geographical spread, objectives, and ways of attaining these objectives (Öniş and Türem, 2001, p.98; Buğra, 1998, p.523) and case selection needs to ensure that the sample does not only include business associations that fulfill certain criteria for them to count as actors with the potential and the leverage to act as stakeholders in Turkey’s foreign policy, but also that these associations exhibit the variation in the institutional characteristics of which the effect on state-business relations is studied. This is why the sample will consist of business associations all of which have an operational focus on foreign economic relations, a nation-wide coverage, and a large membership base; but at the same also representing variations in legal status (semi-public and private) and autonomy from the state, coverage (economy-wide and sectoral) and membership base (big business and SMEs).

While the last two of the three variations are pretty straightforward in the sense that, first, an association can cover business from the entire economy or represent the interest of a single industry, and second, there are benchmarks for defining the scale of a business and it can be easily calculated to what extent an associations' constituency is composed of big business or SMEs, the question of the associations' legal status and autonomy needs to be elaborated on briefly. The dichotomy of business associations with quasi-public status such as chambers and their peak associations on one hand and the private initiatives such as voluntary organizations on the other provides a useful measure, but falls short of providing the full picture. In practice, there can be variations within each camp, and while some quasi-public associations have greater private autonomy than others, it can be the case that certain voluntary associations find themselves under greater public influence than others as well.

The degree of autonomy enjoyed by a business association is the sum of its formal and informal autonomy. Formal autonomy is defined by the *de jure* legal status of an association, which is determined through relevant by-laws and regulations. It is without any doubt very important, however the position of the associations cannot be understood without taking the degree of informal autonomy of the association in question into account, which is in turn determined by the *de facto* state influence on them. The relative weights of formal and informal autonomy and the extent to which reinforce or crowd out each other determine the degree to which the business association in question can act autonomously from the state. The best way to distinguish between associations in this respect is therefore to visualize them on a spectrum between two theoretical extremes, complete public ownership and

zero private autonomy one end, and complete private initiative without any state influence, i.e. full private autonomy, whatsoever on the other.

Figure 3. Legal Status and the Degrees of Public Influence versus Private Autonomy for Turkey's Business Associations

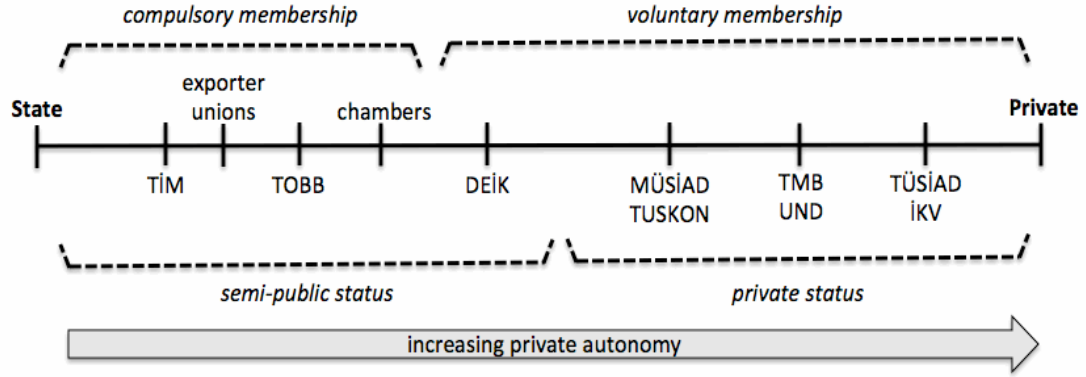


Figure 3 is a rough illustration showing the approximate positions of selected Turkish business associations on a spectrum spanning between the two extremes as discussed above. These positions are determined by both the formal autonomy of the associations, which is fixed albeit with variations as determined through respective regulations; and the degree of their informal autonomy, which is fluid and can easily change depending on the context and the prevailing circumstances at a given time, meaning that positions of business associations along this spectrum are also subject to change.¹³ Naturally, the figure reflects the situation at the time of the writing.

Some examples from the figure above can be helpful for illustrating this idea. For instance, TİM and DEİK have both semi-public statuses as determined by their

¹³ Some business associations positioned around the middle of the spectrum apparently feel the uneasiness of being equidistant to the state and the private sector. A most vivid expression of this situation was made by Mehmet Aslan, secretary general of Diyarbakır Chamber of Industry and Commerce, who said “Businesses think that we are representing the state, while the public authorities feel hesitant towards us because we represent the interests of the private sector. We can satisfy no one, we are liked by no one, we are truly the organizations in the purgatory” (Aslan, personal communication, April 21, 2011). Original quotation: “Şirketler bizi devletin temsilcisi olarak görüyorlar, kamu kurumları ise özel sektörün çıkarlarını temsil ettiğimiz için bize mesafeli davranıyor. Kimseyi memnun edemiyoruz, kimseye kendimizi beğendiremiyoruz, tam anlamıyla araftaki örgütleriz.”

legislation, but there is a wide gap between their positions on the spectrum. On one hand, the state influence on TİM is much larger because it is the peak association of exporter associations to which all exporting companies have to subscribe, while DEİK brings together only business who are interested in being involved. This means that the informal autonomy of TİM is less than that of DEİK. On the other hand, levels of formal autonomy also vary for these two institutions due to differences in regulations and bylaws. This is most evident in these organizations' human resources regulations; while recruitment by TİM requires the candidates to pass the civil service examination, there is no such requirement for individuals who apply for a job at DEİK. Again, we can detect here less autonomy for TİM.

As another example, while TÜSİAD and MÜSİAD have identical *de jure* statuses as private voluntary organizations, closer institutional links of the latter with the government results in lower informal autonomy, and locates MÜSİAD farther to the left on the spectrum.

Figure 3 will be helpful for selecting the cases to be included in this study. First of all, it is clear that all of the business associations in the figure fulfill the criteria for potentially being stakeholders in Turkey's foreign policy, i.e. they all have an operational focus on foreign economic relations, a nation-wide coverage, and a large membership base. With regard to the variations, different positions on the spectrum, different coverage in terms of entire economy or specific industries, and different compositions of the clientele in terms of the relative weight of big businesses and SMEs are sought to be included in the sample. The following is a list of the three business associations chosen as cases to be studied, together with justifications for being so:

- i) DEİK: It was founded during the liberalization wave of the 1980s with the aim of coordinating the foreign economic relations of the country, and it is still pursuing this mission, which positions the association at the center of the non-state actors' scene in the foreign policy realm. Its unique location in the spectrum in Figure 3 as the only association, which has semi-public status, but at the same time based on voluntary membership is also an important feature justifying DEİK's selection as a case. Members of DEİK are involved in various industries, and while the bulk of them can be classified as SMEs there is recently a growing interest by big business in the association's activities as well.
- ii) TİM: It represents the entire exporter base of the Turkish economy, and its legal status is unique in the sense that it is a business association run by businessmen but fully subject to public institutions' regulations. Since it is the peak association of exporter unions, it covers all exporting industries and businesses of all sizes. In contrast with DEİK, which caters for the needs of exporters, importers, and overseas investors alike, TİM defines its position in foreign policy related issues through the prism of exporters' benefits. It has to be noted that TOBB has not been selected as a case, first, because there are already two associations with semi-public status included, and second, because with recent changes in the legislation DEİK functions to a large extent as TOBB's subsidiary in foreign economic relations.
- iii) TMB: It is a private business association, thus completing the full range of different legal statuses together with the previous two cases. Moreover, it represents the big business, and a specific industry, i.e. the construction industry. Construction industry is preferred as a case over other industries,

because it was the constructors who opened up to the world and began to integrate with the global markets, even before the rest of the Turkish economy began to do so in the 1980s. Moreover, in contrast with exports, construction business is a long-term undertaking that vitally requires sustained long-term presence in overseas markets, which also define this industry's interests with respect to Turkey's foreign policy. Other associations on the right hand side of Figure 3 have not been selected as a case, because İKV is only involved in one particular aspect of foreign relations, TÜSİAD and MÜSİAD are more of representatives of their respective entrepreneurial classes rather than foreign relations actors, and while TUSKON is increasingly active and assertive in foreign policy issues it is only a recently founded association which is nurtured through the networks of an existing ideological movement.

A structured comparison within and between these cases will help us illuminate the first four questions listed above. Each question will be dealt with separately and for each of them these three cases will be analyzed comparatively with respect to the particular issue area. The fifth question, which refers to relations within the state, hence excluding the business associations from its scope, will be dealt separately, meaning that the relations between the government and the bureaucracy in foreign policy related issues will be dealt with as a separate single case to be compared in itself along a temporal trajectory.

Having selected the cases for the study, we should now identify the sources from which can obtain knowledge (and answers for our set of questions) by employing our methodological tools on the cases within a qualitative framework.

Sources of Evidence

Qualitative methodology enables the researcher to draw on a wide range of sources to obtain data from the cases studied in accordance with the purpose of the study.

The most commonly used sources in case studies are, in no particular order of importance as their relevance depends on the research objective and the particular context, documentation, archival records, interviews, direct observation, participant observation, and physical artifacts (Yin, 2009, pp.101-114). These sources will be consulted in this study as well, and while the set of general questions outlined above will be asked of each of the three business associations under investigation, their answers will be sought through these sources of evidence. A brief discussion of each of the particular source of evidence and their relevance for this study is discussed below:

- i) Documentation: Documents play a crucial and explicit role in the collection of data in all kinds of case studies. There is a vast quantity of legal, administrative and economic documents related to the business associations' activities in general, and their role in foreign policy making as well as their interaction with the state in this field in particular. Analysis of the evidence published in internal documents of the associations (to the extent they are available), publicly available reports of both the associations and the relevant public institutions, press bulletins, texts of speeches by business leaders and senior public authorities, announcements and minutes of meetings, previous studies on related aspects of the cases, as well as news clippings, interviews and articles appearing in media offer useful sources of evidence in this respect.

- ii) Archival records: Archival evidence is crucial for tracing processes over time, however researchers are usually faced with problems of access, which limit their ability to make effective use of archives. Both public institutions and business associations maintain archives of internal reports, correspondence and other organizational data, which are of great use for the purpose of these studies, while third party archives such as those of newspapers and periodicals offer a great wealth of information as well.
- iii) Interviews: Interviews allow the researcher to ask key respondents not only about facts of a matter which can be hardly found in written documentation, but also and more importantly about their own opinions about issues. Insights on events from their key participants is a very important source that contribute significantly to the understanding of processes, and interviews are also crucial in these sense that they can be played against information available in written documents for verification and for completing the picture. This study will extensively make use of focused in-depth interviews with key figures, current and former, from business associations as well as with bureaucrats from public institutions that are in constant interaction with the business community within the foreign policy context. The interviews will be carried out through the useful guidance of Steinar Kvale and Svend Brinkmann's (2009) "seven stages of an interview inquiry": Thematizing (the purpose of the interview and the conception of its theme is formulated); designing (the study is designed by taking the research objective, moral and ethical issues into consideration); interviewing (the interview is scheduled and conducted); transcribing (recorded interview is transcribed into written text); analyzing (distillation of answers from the interview text for the

generalized set of question constructed through our analytical model); verifying (ascertaining the validity, reliability and generalizability of the interview findings); reporting (communicating the findings of the interviews within the context of the study).

- iv) Direct observation: Although the interaction between the state and business associations has an historical dimension, it is an ongoing process, which takes shape in physical forms such as meetings, conferences, etc. and therefore available for directly observation. Direct observation can be a useful tool for data collection, it can allow the researcher to ask questions directly and also help to prepare the background for subsequent interviews with key participants. Moreover, data that is not available in written form can be obtained through direct observation.
- v) Participant observation: It is a special form of observation where the researcher is not an external observer but a participant in the studied issue him- or herself.
- vi) Physical artifacts: Physical tools, instruments, devices, works of craftsmanship, or physical “things” in general can offer valuable insight depending on the subject studied. For the purposes of this study, however, they are, of minimal relevance.

All of these sources of evidence have inherent weaknesses and strengths, which can be reinforced or undermined depending on the subject of the study as well as their availability and accessibility. The table at the end of this chapter summarizes these weaknesses and strengths, by borrowing them from Robert K. Yin’s (2009)

influential work on case studies and adding a third column on each item's relevance for the cases to be investigated in this study.

The methodology of this study implies the application of the P-A model on the Turkish case within historical institutional framework in order to detect and analyze change across different institutional settings and over time. In this way, the study will aim to identify a transformation of state-business relations from a state corporatist mode into a more liberal version of corporatism. Before dealing with the cases, however, it is necessary to set the historical record straight in order to establish a contextual base for the study that will be undertaken.

Table 1. Strengths and Weaknesses of the Sources of Evidence and Their Relevance for the Business Associations Studied

	Strengths	Weaknesses	Relevance for the business associations studied
Documentation	<ul style="list-style-type: none"> • Stable – can be reviewed repeatedly. • Unobtrusive – not created as a result of the case study. • Exact – contains exact names, references, and details of an event. • Broad coverage – long span of time, many events, and many settings. 	<ul style="list-style-type: none"> • Retrievability – can be difficult to find. • Biased selectivity, if collection is incomplete. • Reporting bias – reflects (unknown) bias of author. • Access – may be deliberately withheld. 	<ul style="list-style-type: none"> • Business associations offer several publications that are available for the public. • Speeches and remarks made by the leaders of business associations as well as statesmen and senior bureaucrats are most often published in respective institution's web site and/or in daily newspapers. • Business associations and public authorities such as the Ministry of Foreign Affairs and Undersecretariat of Foreign trade issue strategy papers. • Brief reports on foreign policy events organized by business associations are, not always, but frequently, made available in these associations' web site and/or in newspapers.
Archival records	<ul style="list-style-type: none"> • <i>[Same as those for documentation]</i> • Precise and usually quantitative. 	<ul style="list-style-type: none"> • <i>[Same as those for documentation]</i> • Accessibility due to privacy reasons. 	<ul style="list-style-type: none"> • All the three business associations to be studied keep archival records of their organizational documents such as incoming and outgoing correspondence, in-service reports, meeting minutes, as well as legal documents. Access is limited, however partial availability is issued for researchers upon request. • Archives of the Ministry of Foreign Affairs and the Undersecretariat of Foreign Trade are yet to be opened for researcher access. • Third party archives (including newspapers and periodicals, as well as personal archives) will be made use of.

Interviews	<ul style="list-style-type: none"> • Targeted – focuses directly on case study topics. • Insightful – provides perceived causal inferences and explanations. 	<ul style="list-style-type: none"> • Bias due to poorly articulated questions. • Response bias. • Inaccuracies due to poor recall. • Reflexivity – interviewee gives what interviewer wants to hear. 	<ul style="list-style-type: none"> • Interviews are to be held with senior businessmen active in business associations, with the professional managers of the business associations, as well as senior bureaucrats (current and retired) from the Ministry of Foreign Affairs and the Undersecretariat of Foreign Trade. • Since the study requires elite interviewing, a major difficulty is obtaining access to the interviewees, which can be overcome through efficient networking. • See Appendix E for the guiding questions to be used in interviews.
Direct observations	<ul style="list-style-type: none"> • Reality – covers events in real time. • Contextual – covers context of “case”. 	<ul style="list-style-type: none"> • Time-consuming. • Selectivity – broad coverage difficult without a team of observers. • Reflexivity – event may proceed differently because it is being observed. • Cost-hours needed by human observers. 	<ul style="list-style-type: none"> • Foreign policy related events organized by business associations, such as DEİK’s business council meetings, TMB’s sectoral meetings and TİM’s business forums are open for scholars, and these events provide significant opportunities for direct observations. * Under certain circumstances and upon invitation, direct observation can be possible in economic diplomacy related events by public authorities.
Participant observation	<ul style="list-style-type: none"> • <i>[Same as above for direct observations]</i> • Insightful into interpersonal behavior and motives. 	<ul style="list-style-type: none"> • <i>[Same as above for direct observations]</i> • Bias due to participant-observer’s manipulation of events. 	<ul style="list-style-type: none"> • Public authorities are increasingly working with scholars in the formulation of economic diplomacy and scholars attend events in their capacity as academicians, which also allows opportunities for participant observation. A good example is the bilateral economic working groups organized by the Undersecretariat of Foreign Trade. • The author of this study has accumulated a significant amount of knowledge through participant observation as an officer of a business association (see disclaimer in Chapter 1).
Physical artifacts	<ul style="list-style-type: none"> • Insightful into cultural features. • Insightful into technical operations. 	<ul style="list-style-type: none"> • Selectivity. • Availability. 	<ul style="list-style-type: none"> • Not relevant for the purposes of this study.

Source: Adapted from Robert K. Yin (2009, p.102). The columns for strengths and weaknesses are taken from the original; the third column about the relevance of each item for Turkish business associations studied is added to provide greater clarity for the purpose of this study.

CHAPTER 3

BUSINESS ASSOCIATIONS AND FOREIGN POLICY: THE TURKISH CONTEXT IN HISTORICAL PERSPECTIVE

In the wide range of scholarly literature on Turkish political economy, Ayşe Buğra's *State and Business in Modern Turkey: A Comparative Study* (1994) remains to this day the seminal work on state-business relations in Turkey. While this work offers a rich and insightful perspective into the relations between the state and the business actors on a solid theoretical base, thus providing the students of the subject with a valuable reference point for further studies, one of the strongest messages it conveys is actually found on the cover photo of the book's Turkish edition (Buğra, 2007).

Here we see a businessman, bowing in front of President Turgut Özal and kissing his hand as a display of respect, while others, a military officer in uniform and a person in suit, most probably a senior bureaucrat, are watching the scene.¹⁴ Reminiscent of a feast day scene from a Turkish home where youngsters kiss the hand of family elders, not only to show respect but also with the expectation of receiving a small amount of pocket money in return, this gesture visually reveals the paternalistic nature of the relations between the state and the businessmen in Turkey.

The Turkish state is referred to as *devlet baba (father state)* for a reason, and the state is a father especially to the business community, which has traditionally depended on public authorities for its survival and growth (Buğra, 1994). As discussed in the introductory chapter of this study, Turkish business has evolved in an environment defined by the presence of a strong state as the key actor, which has

¹⁴ The book's credits state that the picture was taken during a visit of a business delegation from the province of Malatya to the Presidential Office in Ankara. The picture was taken by Hasan Aydın, but the date is not mentioned.

the ability to distribute economic sources and direct business activities. The paternalistic-clientelistic character of state-business relations is by no means limited to Özal era, it has defined Turkey's political economy since the early days of the Republic, yet within this general framework there have been variations in the degree of state centrality and business autonomy.

This study aims to investigate whether the recently increasing involvement of business associations in Turkey's foreign policy over the past decade represents a variation of this kind by opening up a greater and more autonomous area of policy making for business actors. In order to detect variations, however, we need to start by setting up the context and discussing how state-business relations have evolved in Turkey over time and how the business associations were positioned in this process as institutions of collective interest representation and policy participation, with a particular emphasis on their involvement in foreign policy related issues. This chapter will undertake this task and discuss the evolution of state-business relations in Turkey from a business associations and foreign policy involvement perspective through a four-stage periodization: i) Ottoman heritage: Business associations as extensions of the state (1876-1950); ii) post-war period: Autonomous business associations and first steps outward (1950-1980); iii) neoliberal period: Increasing business participation in foreign affairs (1980-2002); iv) the 'trading state' period: Institutionalization of business participation in foreign affairs (2002-present).

Tracing back the origins of Turkey's business associations to the late Ottoman period and emphasizing the continuities in patterns of state-business relations that ran through the early Republican era, the first period under discussion will examine the origins of associational activity in Turkey within the framework of the overall efforts to create a national economy. Although the commencement of this

period cannot be associated with a certain event or a particular date in history, for the purposes of periodization, 1876 is taken as a starting point, as this year refers to both the beginning of the Ottoman constitutional era and the establishment of the first ever business association in the modern sense. As will be discussed below, during this period business associations acted as subordinate institutions to the state, or as extensions of the state, financed, supervised and used by the government as a tool for nationalizing the economy. At the other end of this temporal spectrum, 1950 is taken as a turning point, not only because it marks the beginnings of Turkey's post-war attempts to integrate with the world economy, but also because legislation issued that year significantly liberalized the business interest representation scene and provided greater autonomy for the chambers of commerce and industry.

The second period dealt with in this chapter covers the post-Second World War period from 1950 until 1980. This period is marked by the increasing diversity in the associational life and the emergence of associations autonomous from the state as the constitution of 1961 provided a liberal environment for civil society organizations to flourish. It was in this period that business associations based on voluntary membership (as opposed to those with obligatory membership such as the chambers of industry and commerce) entered the scene. At the international level, the period was defined by the currents of the Cold War, which emerged as the main determinant of Turkey's foreign policy orientation at the structural level. With respect to the economy, on the other hand, this period witnessed initial attempts to integrate with the world economy during the 1950s, which were soon followed by inward orientation and import substitution policies.

After 1980, as the international system became increasingly dominated by neo-liberal ideas characterized by growing interdependence and interconnectedness

among nation states, Turkey embarked upon a major program of economic liberalization focused on increasing export volumes and empowering the private enterprise. The dissolution of the Soviet Union further opened opportunities of new markets, and with the end of the bipolarity of the Cold War, globalization came to define the international structure within which Turkey devised its foreign policy and economic relations. The third period dealt with in this chapter discusses the 1980s and the 1990s, during which business associations have not only increased in number, size and scope, but also emerged as one of the key actors of Turkey's foreign policy, although the great activism of 1980s faded down to a certain extent within the less stable political and economic environment of the 1990s.

The last period to be discussed in this chapter refers to, borrowing the terminology of Richard Rosecrance (1986) and Kemal Kirişçi's (2009) adaption to the Turkish context, the rise of the "trading state." This period, which coincides to a great extent with the single-party government of AKP after 2002, contrasts with the preceding one, in the sense that under the current government, and particularly with its second term in office after 2007, Turkey has begun to pursue a more assertive, proactive and multi-dimensional foreign policy, while at the same time the country's share in global exports and investment flows began to increase. Economics became both an end in itself in the sense that access to new markets for Turkish products became one of the primary concerns of foreign policy, and the means to an end in the sense that stronger economic relations with other countries were sought after for their spillover effects in the political realm, and greater trade and investment brought with itself greater political influence. Within this context, business associations have reemerged as key participants of the foreign policy making process. In this respect, there are similarities with the AKP period and the 1980s under Turgut Özal, however,

as will be discussed later in this chapter and over the case studies in the following chapters, there are important divergences as well. It is this study's purpose to find out whether these divergences represent a transformation of state-business relations from its paternalistic and clientelistic form to patterns that allow less hierarchy and greater autonomy for the business actors. On the surface, there do not seem to exist businessmen kissing the hands of the president or the prime minister anymore. Yet whether this is only a change in appearance or a real transformation in essence is another question, a major one that will be tackled throughout this study. Before analytically dealing with this question, however, the historical record needs to be set straight.

Ottoman Heritage: Business Associations as Extensions of the State (1876-1950)

Socio-economic life in the early decades of modern Turkey was defined by the country's two-fold inheritance from its predecessor the Ottoman Empire. One aspect of the Ottoman heritage was the semi-colonized societal structure (Tezel, 1982; Kazgan, 1999; Boratav, 2008). The Ottoman economy was primarily based on agriculture, lacking an industry in the modern sense, while at the same time certain service sectors such as trade, transportation and banking had undergone through a phase of relative progress over the last few decades of the empire. This economic structure defined the position of the Ottoman Empire in the world economy during the nineteenth century. The Industrial Revolution, which was bypassed by the Ottomans, had turned the Western European nations into mass producers of industrial products, who not only needed markets where they could sell their products, but also required a continuous flow of raw materials and resources to feed

their industrial apparatus. The Ottoman Empire provided therefore a perfect match for the growing needs of the Western powers, and as an exporter of raw materials and importer of final products, the Ottoman economy was integrated into the structure of the center-periphery trade, with a series of free trade treaties signed between the Empire and the European powers during the 1830s and 1840s opening the Ottoman markets to trade with European countries (Pamuk, 1987, pp.19-21). The semi-colonization of the Empire was completed when increasing flows of capital from the center to the periphery in the form of foreign debt or foreign direct investment placed the Ottoman economy in a position where it was totally dependent on the center (Tezel, 1982; Pamuk, 1987; Kazgan, 1999; Kepenek & Yentürk, 2005; Boratav, 2008).

The second aspect of the Ottoman heritage in modern Turkey's socio-economic life has been the central position of the bureaucracy (Keyder, 1987; Heper, 1991). The center of the Ottoman/Turkish polity was occupied by the bureaucratic apparatus of a strong and highly centrist state, which enjoyed absolute political hegemony, did not face countervailing powers, and therefore did not feel the need to mobilize societal groups, cooperate with them or obtain their consent in policy related issues. As the Ottoman economy was incorporated in the center-periphery structure of the world economy, it was the central bureaucracy that directed this process by curbing the power of the societal groups, and creating a space for itself in the international scene by playing the European powers against each other. As a result, at every stage of the integration the European capital had to deal and reach an accommodation with the Ottoman central bureaucracy (Pamuk, 1987, p.10). Societal groups had a minimal, if any at all, part in this process. However, this does not mean that these groups remained weak under the Ottoman regime. In fact, they have grown

both in number and influence over time, although they remained as instruments of the state, rather than autonomous bodies with their own voice.

Economic groups such as guilds, which are one of the earliest forms of professional organization, were no exception in this respect. In his detailed study of these craftsmen associations, Gabriel Baer (1970) found that in the Ottoman Empire the guild system was closely connected with the government and “[o]ne of its principal *raisons d'être* was to serve as an administrative link between the ruling institution and the town population and as a means of supervision and control of this population by the rulers” (p.49). In other words, despite their economic strength and influence, guilds as professional organizations were not channels of transmitting societal interests to the state; they were rather channels for the state to exercise control over the society.

During the second half of the nineteenth century, traditional guilds began to transform into business associations organized in the form of chambers, while the nature of the relationship between the state and the organizations remained unchanged. Attempts of modernization that characterized the Reorganization Period (*Tanzimat*) included efforts to modernize and reform the economy and led to the creation of the Assembly of Commerce and Agriculture (*Meclis-i Ticaret ve Ziraat*) in 1876 as a subsidiary of the Ministry of Commerce (Koraltürk, 2002, pp.14-18). The assembly, which consisted of merchants from various parts of the empire, was entrusted with the task of supervising and coordinating commercial, industrial and agricultural affairs, and for this purpose chapters were decided to be opened in the capital and the provinces under the title of Commerce and Agriculture Associations (*Ticaret ve Ziraat Cemiyetleri*). After three years in operation, the Assembly of Commerce and Agriculture was replaced by Directorates of Industry, Commerce and

Agriculture (*Sanayi, Ticaret ve Ziraat Müdürlükleri*), and as the organizational form and title, “association” (*cemiyet*) was replaced by “chamber” (*oda*) (Öncü, 1985, p.1568). The first chamber to be opened was the Dersaadet Chamber of Commerce (*Dersaadet Ticaret Odası*) in Istanbul, officially founded in January 1880 and commenced operations with its inaugural meeting on January 14, 1882 (Koraltürk, 2002, pp.27-30).^{15, 16} This chamber’s purpose was to report to the Ministry of Commerce, *ex officio* or when requested, about measures to be taken for the development of commerce and industry; amendments to be made in issues related to trade; custom tariffs, construction of ports; operation of boats on rivers; postal services and telegraph; construction of railroads; maintenance of roads and bridges; establishment of commodity exchanges; publication of a trade gazette; and other issues that would enable the progress of commerce.¹⁷ In other words, the chamber’s principal task was to inform the state about matters related to commerce and industry, and act as its agent.

It has to be noted that during the late Ottoman period, foreign trade and finance relations were under the monopoly of the non-Muslim merchants of the

¹⁵ In addition to Istanbul, chambers were to be opened in Konya, Salonika, Izmir, Beirut, Adana, Ankara, Edirne, Bursa, Rhodes, Mytilene, Chios, Limnos, Ioannina and Erzurum. The first province after Istanbul to have its own chamber was Konya in 1882 (Konya Chamber of Commerce, 2007).

¹⁶ There have been chambers that were founded before the Dersaadet Chamber of Commerce, however they were either foreign or fully private initiatives designed to serve particular purposes. For instance, the first ever chamber to be established in Turkey was founded in 1870 in Inebolu by a French firm that was exporting to its home country. In the same year, the Austro-Hungarian Chamber of Commerce and Industry was opened in Istanbul to protect the interests of the merchants of the dual monarchy active in the Ottoman Empire. Similarly, the Tarsus Chamber of Commerce and Industry that was founded in 1879 served exclusively the purpose of carrying out the procedures of cotton exported from the Çukurova region to Europe. It needs to be noted that foreign countries continued to open their own chambers of commerce on Ottoman territory. The example set by Austro-Hungary was followed by Italian (1883), French (1884), British (1887), Greek (1891), American (1911) and Russian (1913) chambers of commerce in Istanbul. Additionally there was also a Flemish Chamber of Commerce established in Izmir (1903) (Toprak, 1993, pp.269-270; Koraltürk, 2002, pp.21-27). In the meantime, there have been attempt to establish Ottoman chambers of commerce in other countries as well, although these remained small in number and failed to operate in an efficient manner. Two notable examples have been the chambers established in Galatz, Romania (1889) and Paris (1907) (Koraltürk, 2002, p.39).

¹⁷ Duties of the chamber are stated in Article 9 of the draft regulation of Istanbul Chamber of Commerce submitted by the Ministry of Commerce to the government on December 13, 1879 (reprinted in Zeytinoglu & Pur, 1982, pp.6-8).

Empire (Issawi, 1980; Tezel, 1982; Pamuk, 1987; Quataert, 2004). Muslims were occupying posts in state administration and bureaucracy, and in terms of economy they were involved in primary activities such as agriculture, while it was the non-Muslim subjects of the empire, and particularly the Greeks, Jews and Armenians, who had mastered the skills of entrepreneurship and international trade thus having a great influence on the foreign relations of the empire. In their commercial activities abroad they were aided by their direct contacts with coreligionists in European industrial centers and, in several cases, by their affiliation with the foreign embassies in Istanbul (Issawi, 1980, p.54).

The bourgeois ideology that spread throughout the Ottoman polity after the constitutional restoration in 1908 had a wide-ranging influence and it affected the economic realm as well by giving rise to the idea of a “national economy” wherein nationalistic development was to be supported by protecting the local industry and supporting the growth of a Muslim-Turkish economic bourgeoisie through state intervention (Buğra, 1994, pp.98-101). In this period continuous wars that ravaged the entire Ottoman land as well as the deportations and population exchanges that led to the departure of the non-Muslim entrepreneurial class served to increase the need for a national economic bourgeoisie to flourish.

Chambers were to have a part in the process of creating a Muslim-Turkish entrepreneurial class, as the Ottoman government pursued a dual strategy for strengthening the private enterprise and nationalizing the economy through business associations. On one hand, the 1910 Law of Chambers of Commerce and Industry (*Ticaret ve Sanayi Odaları Kanunu*), which defined chambers as both the representatives of professional groups vis-à-vis the state and instruments of the state to be used for the supervision and coordination of professional affairs, did not imply

obligatory membership and did not even require Ottoman citizenship as a condition of eligibility for chamber membership. On the other hand, the government continued to support the artisanal associations (*esnaf cemiyetleri*) that were composed predominantly of Muslim-Turkish small business owners as well (Öncü, 1985, p.1569). It is therefore possible to conclude that during the Ottoman constitutional period, associational life progressed in two branches; while the chambers and particularly the Dersaadet Chamber of Commerce brought together the large business owners and merchants who were involved in foreign trade, the artisanal associations served as groups of small business owners who represented the infantile Muslim-Turkish economic bourgeoisie. What was common for both kinds of associations was that they were functioning not only as professional business associations but also, and mainly, as “consultative bodies to and extensions of government” (Heper, 1991, p.15).

Years of continuous hostilities, starting with the Turco-Italian War (1911-12), continuing with the Balkan War (1912-13) and the First World War (1914-18), to conclude with the Turkish War of Liberation (1919-22) devastated the already ailing Turkish economy. Yet it was also the war conditions and the structural changes caused thereby that accelerated the transformation from the semi-colonized structure to a national economy. The Ottoman Empire had gone through years of total war, wherein all the external economic linkages were cut and the country was left on her own for survival (Toprak, 2003). All the resources that the empire had were mobilized, and the rural parts of the country were opened to urban markets. The increase in demand caused by the requirements of war efforts militarized the economy, a major proportion of the labor force was recruited to the armed forces whereas those who were not under arms had to sacrifice continually and reduce

civilian consumption as much as possible so that the war machine could go on. The economy and the market were under the absolute control of the state in general and the army in particular. When hostilities ended, it was evident that a major transformation was a vital necessity. The nationalists under the leadership of Mustafa Kemal were aware of the fact that while the road towards an independent republic was being paved in military and political sense, it was the economic field where progress was needed most.

The Izmir Economic Congress (*İzmir İktisat Kongresi*) held shortly after the conclusion of the Turkish War of Liberation, between February 17 and March 4, 1923, recognized the importance of economic development. Different professional groups representing agriculture, commerce, industry, landowners and labor were present at the congress, which provided a platform for the exchange of ideas between these different groups, as well as between the Muslim-Turkish economic bourgeoisie and the new military-political establishment in Ankara. One key participant of the congress was the recently established National Turkish Trade Union (*Milli Türk Ticaret Birliği*) that represented the interests of the growing national trade capital in Istanbul and throughout Anatolia. The Izmir Economic Congress concluded by setting up a roadmap for the development of the Turkish economy based on two main pillars, i.e. the improvement of free enterprise, and the further nationalization of the economy, both of which were to be accomplished through the state's contribution to and supervision of private capital accumulation.

With respect to the chambers of commerce and industry, delegates at the Izmir Economic Congress recognized their importance, pointed to the need for opening new chambers all around the country, and even demanded greater autonomy

from the state.¹⁸ While the last demand fell on deaf ears, the need for restructuring chambers in a way that would serve the principles of improving free enterprise and the nationalization of the economy found concrete reflection in the form of the 11925 Law of Chambers of Commerce and Industry (Nr. 655). This law provided the chambers with legal personality, and brought the principle of obligatory membership meaning that all businesses had to get enrolled in their respective chambers. Moreover, the requirement of being a Turkish citizen was brought in as a condition of eligibility for voting in chamber elections and being elected to chamber boards.

The law of 1925 defined chambers as associations serving the public interest by facilitating trade and industry without changing the hierarchical relationship between the state and the chambers as its instruments. In addition to trade and industry facilitation, the chambers were entrusted with administrative tasks such as registering businesses, approving invoices, etc. The board of the chamber was to be composed of notable merchants that would be elected for this post for certain periods, however, the secretary general of the chamber, who would run the daily business and coordinate the activities of the chamber was to be a bureaucrat of the Ministry of Commerce who would be appointed for this job (Öncü, 1985, p.1569). This clearly show the state's intention to keep the chambers at an arm's length, control their operations and use them as instruments for supervising the private sector, representing a continuation of the practice in the late Ottoman period.

An interesting development in this period has been the establishment of the Sublime Economic Council (*Âli İktisat Meclisi*) in 1927 with the purpose of

¹⁸ The final declaration of Izmir Economic Congress stated under the title "Chambers of Commerce" Article B, the following: "Since the elections for the chambers of commerce remain under the influence of the senior officers of the government, merchants do not consider them as institutions that originate from their own soul, therefore the election committees that distinguish the members to appointed to the chamber council should be directly elected by the merchants themselves" (Afetinan, 1989, p.42). For the original excerpt in Appendix D.

contributing to the formulation of policies and transmitting the opinion and suggestions of the business community to the government (Tekeli & İlkin, 1977, pp.59-62; Koraltürk, 1999) The council, which was composed of bureaucrats and representatives of chambers in equal numbers, was supposed to provide a platform of consultation between the state and the chambers, however as the chambers themselves were instruments of the state, the council could go little further than rubber-stamping the priorities of the government. It was disbanded in 1935.¹⁹

Another legislation, the 1927 Law for Encouragement of Industry (*Teşvik-i Sanayi Kanunu*), provided a set of concrete measures and incentives for the state-led development of industry. However, it is not possible to argue that Turkish industry managed to make a head start in this period. During the 1920s, Turkish industry remained unprotected against foreign competition for two reasons. In the first place, the Lausanne Treaty signed on July 24, 1923 included provisions constraining Turkey's ability to change customs tariffs and to place restrictions on imports for a period until 1929. The second reason was related to the positions of economic interest groups with respect to protectionism. Mustafa Sönmez (2010) argues that in the early Republican period, groups representing trade capital favored a liberal trade regime since their profits depended on the integration of the Turkish economy with the rest of the world, while the newly flourishing industrialists demanded protection against competition from overseas. Sönmez's point, which should be assessed in conjunction with the developments in the international conjuncture and the restrictions of Lausanne, is that business groups representing the trade capital were stronger than the industrialists, and consequently it was their preferences that found

¹⁹ The council was mainly working on domestic issues such as the cost of living, payments, credits and production. However, it dealt with foreign economic relations as well. The council held a total on ten meetings, each continuing for a fortnight, over its short period of life, and one of them, held on December 1-15, 1930, was entirely devoted to "measures of developing foreign trade" (Koraltürk, 1999, p.64).

greater currency with the state, leading to a liberal foreign trade environment during the early Republican Period (pp.14-15). It can be argued that the leverage exerted by the business groups representing the trade capital on Turkey's policies with regard to its foreign economic relations in this period was one of the earliest examples of business associations' involvement in foreign policy. However, their effect should not be overstated, as in this period Turkey maintained its autarkic approach to a large extent, with only few exceptions such as the barter deals with the corporatist policies of Europe and the readiness to receive aid from the Soviet Union (Park, 2012, p.33). Although they did not have a major influence on policy outcomes, it is important to note that in this period the business community had begun to inform the state about its preferences.

During the 1920s, the Turkish economy witnessed a rapid increase in agricultural output, which in turn led to high growth rates.²⁰ Although the industry was still at its infantile stage and still failing to make a breakthrough under the competitive environment of an open economy, Turkey enjoyed a radical increase in its national income, which was evenly distributed among different societal groups. In 1929, with the restrictions imposed by Lausanne being phased out, open economy came to an end, as average tariffs were increased from 12.9 percent to a massive 45.7 percent. However, it would be wrong to assert that the intention to develop the industry has been the only reason for the commencement of this wave of protectionism. By the end of the 1920s, Turkey was experiencing a severe crisis in the balance of payments, caused by an increasing trade deficit that led to a sharp decline in the value of the lira. The Great Depression that engulfed the entire world economy in 1929 made the situation worse by adversely affecting Turkey's export

²⁰ Turkey's GDP increased from its 1923 figure of TL 952.6 million to TL 2.07 billion in 1929. The main engine of this growth was agricultural production, which over the same period expanded by almost three-fold from TL 377.3 million to TL 1.07 billion (TÜİK data).

markets of agricultural products overseas and led to increased control of the economy by the central economy (Keyder, 1987). In the meantime, the fact that the first installment of the Ottoman debt, which according to the provisions of the Paris Conference of 1925 the Republic of Turkey was obliged to pay, was due, further increased the pressure on Turkey's finances. Under these circumstances, Turkey opted for an etatist-protectionist model of industrial development.

The Turkish economy of the 1930s was marked by inward oriented, state-led efforts of industrial development. In this period, local industry was protected from foreign competition through high customs barriers, and in the meantime, the state took the role of the major investor and producer in the industrial realm (Pamuk, 2007). Large manufacturing enterprises were established by the state, and the state's role in industry was defined through Soviet-style Five-Year Plans, of which the first one was entered into effect in 1933. As a result, there has been a slow but sustained growth in industrial production that led to an increasing share of the manufacturing industry in Turkey's GDP.

Etatist development of the industry did not necessarily mean that the private sector was sidelined. In fact, while the state remained as the major industrialist, private capital was supported and protected. The 1927 Law for Encouragement of Industry remained in force until 1942, and over this period the wealth accumulated through industrial progress was distributed between the state and the private sector industrialists, as the state and the private sector found themselves not in conflict but in a position where they complemented each other. The private sector provided raw materials for the state's industrial enterprises, purchased the goods produced by the state-owned corporations, provided contracting and other intermediary services as a response to the opportunities created by the increase in the industrial capacity

(Sönmez, 2010, pp.18-19). In the meantime the burden of industrialization fell on the agriculture sector, labor and foreign trade capital, which had to suffer from declining incomes and increasing taxes.

The outbreak of the Second World War forced the Turkish government to shelve away the five-year plans and adopt measures to deal with the extraordinary conditions Turkey found itself, although Ankara maintained its neutrality until the very end of the war. Rapid decline in production and imports led to shortages and hence an upward pressure on the prices. During this period, the Republican People's Party (*Cumhuriyet Halk Partisi* - CHP) government attempted to deal with these problems through a series of drastic measures. The 1940 Law of National Protection (*Milli Koruma Kanunu*) implied strict price controls, low-priced procurement of agricultural output, as well as restrictions on foreign trade. Under this law, while the entrepreneurial class and the industrialists were protected at least to some extent, it was the labor and peasants who had to bear the burden of the war. In 1942, the Wealth Tax (*Varlık Vergisi*) was levied in order generate a source of revenues for the country's defense in case of an eventual entry of Turkey into the war. While this *ad hoc* tax was imposed on the entire citizenry, non-Muslims were charged with higher rates mostly in arbitrary and unrealistic ways, as the tax was not only a financial tool *per se*, but also an instrument for the execution of the "Turkification" policies of the single-party era (Aktar, 2000). The Wealth Tax did not generate the resources the government was hoping for; while those who could pay increased the prices they were charging from their customers causing higher inflation and/or got engaged in the black markets, those who could not ended up in labor camps. The law was abolished in 1944. Another draconian practice was the 1944 Soil Products Tax (*Toprak Mahsulleri Vergisi*) levied on agricultural producers, which was "as

arbitrary and fabricated as was the Wealth Tax”²¹ (Ökte, 1951, p.201). While their financial return remained far below the expectations of the government,²² the damage of these taxes, which “bore the seals of chauvinist nationalism and racism” (ibid, p.211) was much greater and to a large extent irrevocable.

Both the 1940 Law of National Protection and the infamous taxes implemented afterwards have been efforts by the state to increase its control and influence on the economic life within a context defined by the requirements and limitations of the ongoing war. Another initiative taken for this purpose was the 1943 Law of Chambers of Commerce and Industry, Artisanal Chambers and Commodity Exchanges (Nr.4355), which aimed to strengthen the state’s control over economic interest groups. The preamble of the law clearly indicates the state’s intention to discipline the business interest and exercise absolute control over the private sector: “The years of depression that we have been going through made it apparent that there is an absence of professional morality and discipline needed to ensure that merchants, industrialists and artisans pursue their activities in accordance with the common interests of the nation” (Öncü, 1985, p.1570).²³ In order to establish what was stated as “professional morality and discipline,” the law increased the tutelage of the state over the chambers, and the Ministry of Commerce was authorized to open new chambers; expand, narrow down or change the jurisdiction of existing ones; or close them altogether. Moreover, the secretary of the general, who is appointed by the Ministry of Commerce, was given the authority to change or annul the decisions taken by the administrative boards of chambers. According to Ayşe Öncü (1985), the state’s primary concern when tightening the strings on the chambers was to fight

²¹ Original quotation: “Toprak Mahsulleri Vergisi de, Varlık Vergisi kadar, arbitrer ve uydurmadır.”

²² While the Wealth Tax generated 221.3 million liras in two years, the Soil Products Tax brought in 229.1 million liras in four years (Ökte, 1951, p.201).

²³ For the original quotation see Appendix D.

with the black market in a time of spiraling inflation and wartime scarcity (p.1570).

Whatever the motivation behind the 1943 Law was or whatever the conditions under which the law was formulated were, at the end of the day, the law consolidated the state's authority over the chambers, turning them instruments of the state rather than non-state actors pursuing their own interests.

At the end of the Second World War, Turkey was under the single-party rule of the CHP and its economy was highly state-dominated and autarkic with only minimal integration with the world markets. The immediate aftermath of the war, however, witnessed the beginnings of a radical transformation in Turkey in every sense. In the political realm, this period was marked with the transition from a single-party polity to multi-party democracy. The Democratic Party (*Demokrat Parti* – DP), a moderately right wing political party founded in 1946, posed a serious opposition to the CHP government, eventually replacing the latter at the elections of 1950. As Turkey progressed towards multi-party democracy, the bureaucracy began to lose its hold over political power (Keyder, 1987). In this period, Turkey gradually relaxed its protectionist economic policies and began to integrate with the post-war world economy. In the Five Year Plan issued in 1946, the state maintained its role but there was a significant focus on foreign economic relations in the sense that one of the priorities of the plan was to improve external trade and integrate with the rest of the world economically without compromising sovereignty. Etatism came to be reinterpreted as a principle emphasizing the state's role as a facilitator of the private sector. In the same year, the first major devaluation in the republican period was carried out, decreasing the value of the lira from 1.28 to the dollar to 2.80, which provided an impetus for Turkish exports. The 1947 Turkish Development Plan (*Türkiye Kalkınma Planı*) placed the private sector at the center of Turkey's efforts

to develop economically by adopting the principles of ensuring the progress of private enterprises with absolute freedom and security in the fields they are active or planning to be active, and transferring all kinds of economic activities that can be undertaken by individuals to private entrepreneurs (Tekeli & İlkin, 1974, p.51).

The post-war focus on empowering the private sector had reflections in the associational field as well. The first ever non-chamber business association based on voluntary membership, Istanbul Merchants' Association (*İstanbul Tüccarlar Derneği*), was established in 1947 with the following stated purpose: "An organization named Istanbul Merchants' Association has been founded with the purpose of developing and strengthening our economic life, protecting the professional dignity and benefits of the trade and enterprise community, and raising a professional consciousness and feeling of solidarity among them. The association is not involved in commerce or politics" (Sever, 2009, p.66).²⁴ Founders of the association saw themselves as the true representatives of the merchant class, and they were to complement rather than contest the functions of the chambers of commerce and the commodity exchanges, which were established by law. Istanbul Merchants' Association focused on three areas, which were the interpretation of etatism, liberalization of the tax regime, and foreign economic relations, and in terms of the latter it supported the idea that foreign market relations had to be the cornerstone of Turkey's foreign policy, and criticizing the government for not having a clear foreign policy and for refraining from cooperating with the business community in this field. The association's proposal was a Foreign Trade Coordination Agency (*Dış Ticareti Tanzim Organı*) to be established as a private sector initiative with the purpose of "continuously monitoring foreign trade movements, following the movements in

²⁴ For the original quotation in Appendix D.

other countries, searching for new customers for Turkish products, exploring opportunities for expanding foreign trade, bringing proposals to the government in these issues, informing the government about measures to be taken, preparing the trade agreements to be signed on the government's request, and participating in (international) negotiations in the capacity of advisor" (ibid, p.164).²⁵

Although the Foreign Trade Coordination Agency failed to materialize, it marked the first time for the idea of an institutional channel through which business actors would have an influence in foreign policy related issues was debated. Istanbul Merchants' Association has been a significant first experiment with a voluntary business association, one that would communicate the interests of the private sector to the state, instead of serving as the latter's instrument to control the former. However, this association could only be effective to the extent it was allowed by the legislation in force then, which allowed only minimal autonomous space for business to organize and pursue associational activities. Willing to have a greater influence on Turkey's economic affairs and foreign trade, the flourishing economic bourgeoisie began to demand a reduction in the state's formal control over business associations' activities. At the 1948 Turkish Economic Congress, the first ever event of its kind organized as a private sector initiative, Istanbul Merchants' Association proposed a new system where the business associations would be based on voluntary membership, have greater autonomy and administer themselves instead of being run by public servants appointed by the Ministry of Commerce, and the state would transfer certain functions of relevance to them (Başar, 1948). In terms of foreign economic relations, the final declaration of the congress recognized the need for the state to benefit from the practical knowledge and experience of businessmen

²⁵ For the original quotation see Appendix D.

(Kılıçdaroğlu, 1997, pp.392-393). At the end of the day, demands of the newly growing business found resonance with the political elite that had already embarked upon efforts of economic liberalization, and two years after the mentioned congress, a new legislation drastically changed the nature of business associations and their activities in Turkey.

Post-War Period: Autonomous Business Associations and First Steps Outward (1950-1980)

The parliamentary elections of 1950 brought a landslide victory for DP, thus ending Turkey's one-party era and giving rise to a competitive multiparty political system in the country. While the ideology of the DP differed from that of its predecessor, CHP, in several aspects, it was in their approach to economic development where the two parties diverged most. The 1950s with DP in power marked a liberal turn in Turkish economy, wherein the etatism and protectionism of the previous decades came to be replaced by a more liberal approach with an emphasis on individual enterprise and the private sector, as well as a particular focus on the modernization of agricultural production and investment in infrastructure, such as highways, energy and water networks (Kepenek & Yentürk, 2005; Öniş, 2010). Paraphrasing Oktay Yenal (2003), the DP period marked the first time in the history of the republic that economic development was brought to the masses (p.84). There was a departure from the state-market dichotomy of the previous decades, and while the state still maintained a key position in the economy, public investment and entrepreneurship was deemed a vital prerequisite for the flourishing of the private sector and the accumulation of capital in private hands. In this respect, organized business was to

play an important role as the mediator of interests between the state and the private sector.

It is important to note, however, that the law that has radically transformed the associational scene in Turkey, 1950 Law on Chambers of Commerce and Industry (Nr. 5590), was passed not by DP, but during the last months of the CHP government.²⁶ It is therefore possible to suggest that the post-war liberalization of the Turkish economy in general and the empowerment of organized business in particular had begun while the CHP was in power, but significantly gained momentum with the DP in office. The 1950 Law defined chambers as occupational establishments having the nature of public legal entities established in order to fulfill the common needs of their members, lifted the tutelage of the Ministry of Commerce and Economy, and enabled the chambers to designate their secretary-generals themselves. The law has allowed not only for greater autonomy for the chambers, but also brought them under one single roof by establishing the Turkish Union of Chambers and Commodity Exchanges (*Türkiye Odalar ve Borsalar Birliği* – TOBB) as “a public entity having the nature of superior professional organization that has a legal entity.”²⁷ TOBB was superior in the sense that individual chambers did not have the authority to make changes in its functions or organization, which were defined by law. It entered the scene as a profoundly centralized organization with powers and authority that extended beyond its constituent members (Öncü, 1980, p.458; Öncü, 1985, p.1572).²⁸ In the meantime, the 1950 Law also opened the way

²⁶ The full name of the legislation in question is the Law on Chambers of Commerce and Industry, Chambers of Commerce, Chambers of Industry, Chamber of Maritime Commerce, Commodity Exchanges and The Union of Chambers of Commerce, Industry, Maritime Commerce and Commodity Exchanges of Turkey. It was passed on March 8, 1950, and published in the Official Gazette on March 15, 1950. The parliamentary elections that brought DP to power were held two months later, on May 14, 1950.

²⁷ After a preparatory period, TOBB commenced operations in April 1952.

²⁸ Ayşe Öncü (1980) argues that although the Law 1950 was issued by the CHP government, TOBB was “instituted and grew in significance with during the DP rule and became identified with it,”

for the establishment of sectoral associations, one of them being the Turkish Contractors' Union (*Türkiye Müteahhitler Birliği* – TMB) founded in 1952.

In this period, Turkey's foreign relations were defined both by the principle of Westernization, which took the form of integrating with the post-war institutions of the American-led Western camp of a polarized world order in the early Cold War context,²⁹ and by the country's economic concerns. With respect to the latter, the immediate post-war period was one of "uncontrolled opening to the world economy," whereby liberalization of foreign trade and an emphasis on the agricultural sector had left Turkey with a growing trade deficit.³⁰ By the time TOBB was founded, Turkey's government had realized that the integration with the world economy had to be taken under control and foreign trade had to be built on certain principles. For this purpose, the government sought the opinion of the business community, and as one of the first instances of TOBB getting involved in foreign economic policy related issues, Turkey's new foreign trade regime that was issued in 1953 was prepared through negotiations between the Ministry of Commerce and Industry and TOBB, which in turn consulted the chambers of commerce in Turkey's major centers such as Istanbul, Ankara and Izmir in order to compile the opinions and establish the position of the business community with respect to Turkey's foreign trade principles (*Yeni Dış Ticaret*, 1953).

quoting a commentator who stated "until 1958, there was no difference between the government and the union. They were one and the same thing" (p.465).

²⁹ Although its belligerence in the Second World War was limited with a symbolic declaration of war against the Axis powers near the end of the war, Turkey has been one of the first countries to join the Bretton Woods institutions. Turkey joined the International Monetary Fund (IMF) and the World Bank on March 11, 1947. One day later, the Truman Doctrine which implied American support for Turkey and Greece in the form of economic and military aid to prevent these countries from falling into the Soviet orbit was issued. Turkish troops fought alongside the UN forces during the Korean War of 1950-53, and on February 18, 1952, Turkey became a member of the North Atlantic Treaty Organization (NATO).

³⁰ Turkey's foreign trade balance was in the positive for each year after 1930, with the sole exception of 1938. In 1947, there was a trade deficit of 21.3 billion dollars, which continued to widen over the following years, rising to 22.2 billion dollars in 1950 and 184.3 billion dollars in 1955 (TÜİK data).

In addition to its role in policy formulation in this period, TOBB was also playing a role in policy implementation, as authorized by the 1950 Law. With the growing weight of industry in Turkey's and the progress in the manufacturing sector that was heavily dependent on imported inputs, foreign currency had become a scarce resource of vital importance and it was for this reason that the allocation of foreign currency emerged as a key distributive domain and control over its resources became a major base for generating power (Öncü, 1980, p.456). Imports were subject to a series of controls and approval, and within this context TOBB was tasked with the investigation and registration of import prices and the distribution of foreign exchange quotas to merchants and industrialists. In order to be permitted to import a certain product, a company had first to have the approval of TOBB, which checked if there existed a difference between the product's market price and import price. Moreover, the foreign exchange needed to pay for the imported products was also subject to TOBB's approval, because the amount of foreign exchange allocated by the state for the private sector's use was distributed by TOBB through chambers to individual businesses. In other words, TOBB was granted quasi-public authority, which in turn provided the organization with greater influence over the business community.

During this early period, TOBB also took its first steps towards establishing direct institutional links with other countries' private sectors. From 1954 onwards, it represented Turkey at the congress of the International Chamber of Commerce (ICC), and in the same year it has decided to organize individual chambers and businesses for participation in exhibitions and fairs overseas. In 1955, TOBB undertook a series of attempts to establish a joint chamber of commerce for Balkan countries, however, due to differences of opinion between the prospective member

countries, this idea did not materialize.³¹

Greater autonomy attained by business associations through the 1950 Law was further reinforced with the 1961 Constitution, which expanded the scope of basic rights and liberties in general, thus increasing the freedom to form associations and opening up greater operational space for interest group organizations. This period was also marked by the rise of large-scaled capitalists in Turkey. It was a time for powerful holding companies and large family-owned business groups to flourish and expand their activities both in Turkey and overseas, with an emphasis on industrial projects (Çolpan, 2010). During the two decades after the entry into effect of the 1950 Law, TOBB remained as the sole representative of the business community, and while it served efficiently as a bridge between the state and the private enterprise, relations between the state and the chambers (both TOBB and the individual chambers) maintained a particularistic nature. From the state's point of view, greater autonomy for business associations was to a certain extent "compensated" through informal controls. For instance, as Metin Heper (1991) explains, the DP governments of the 1950s "rewarded" the members of the chambers, which supported the party and "harassed" those who opposed it (p.15), as the business community was made to understand that they were to conform with government policy, if they wanted to enjoy the state's support; and they were not to expect to be allowed to independently engage in interest articulation and representation (Buğra, 1994, p.242). Consequently, TOBB strictly refrained from challenging the government's positions on policy related issues. For instance, in 1954 when the organization prepared a report on Turkey's foreign economic relations and presented it to Prime Minister Adnan Menderes, the Turkish press

³¹ The idea would eventually materialize, but not earlier than 1994, when the Association of Balkan Chambers (ABC) was founded.

wrote that the report was in perfect conformity with the principles stated in the government's program (Ticaret Odaları Birliğinin, 1954). In this period, TOBB and the business community in general were given a clear signal that they had to refrain from challenging or criticizing the government's policy.

Neither the removal of the DP government with the coup of 1960 nor the liberal 1961 Constitution led to a significant change in the attitude of the state towards organized business. The Justice Party (*Adalet Partisi* – AP) government that took the office in 1965 was, as Robert Bianchi (1985) puts it, “alarmed by the growing tendency of private associations to engage in interest group politics,” because it perceived this tendency as a challenge to the authority of the state and a precursor to anarchy.

At this point it is important to note that the social and political pluralisation enabled by the 1961 Constitution led to a trend of politicization among professional associations, which took a confrontational form within the turbulent political milieu of the 1970s that bore the imprint of a strong left-right polarization. In his study of this politicization process, Tanıl Bora (2000) distinguishes between left-wing professional associations (such as chambers of engineers and architects, physicians and bar associations) and professional associations relying on capital that maintained strong clientelistic ties with the government and right-wing parties, identifying TOBB as the “dominant right-wing professional union” with the “function as a front for ideological and career/cliقة oriented struggles in right-wing politics” (p.104). It is argued that this is why TOBB gained a certain degree of autonomy from the state, albeit limited and conditional. While AP governments avoided direct repression of associations, they adopted a cautious approach and engaged chambers (and TOBB) only when they were certain that they would not face opposition and the associations

remained within the boundaries of the system. The government consulted them only when it had to, and when the latter's view did not clash with the official line of the government. The words of Sırrı Enver Batur, chairman of TOBB, reveals how organized business felt in the face of their informal subordination in policy related issues: "The private enterprise is not asking for privileges, it is asking for equality in front of the state. When this is granted, the private enterprise will work harder and earn the privileges itself" (Odalar Birliği Başkanı, 1965).³²

During the 1960s and well into the second half of the 1970s, Turkey adhered to national developmentalism and import substitution-based protectionism of the domestic market (Kepenek & Yentürk, 2005; Öniş, 2010). With the establishment of the State Planning Organization (*Devlet Planlama Teşkilatı* – DPT), economic policies came to be based on long-term plans. In the meantime, as a result of inward orientation, the share of exports in Turkey's GDP began to decline, and dependence on imports of intermediary goods and inputs required for the production of final goods increased. The Turkish economy nevertheless to maintain its growth rates for some time thanks to the external funding injected into the economy in the form of foreign debt, aid and remittances sent from Turkish workers in Europe.

In this period, there has been greater multidimensionality with respect to Turkish foreign policy. Although Turkey never left its alliance with the United States, differences in foreign policy objectives between the two countries increased and relations can even be said to have soured due to incidents like the withdrawal of Jupiter missiles and the Johnson Letter. As a result Turkey began to seek greater diversity in foreign policy, and while one aspect of this tendency was a

³² Original quotation: "Batur, özel teşebbüsün bir rüçhaniyet değil, devlet sektörü karşısında eşitlik istediğini, bu olduktan sonra özel teşebbüsün daha iyi çalışarak zaten üstün duruma geleceğini söylemiştir."

rapprochement with the Soviet Union³³ and the eastern bloc in general, on the other side integration with Europe emerged as one of the top items in Turkey's foreign policy agenda.

As one of the first countries to become a member of the Council of Europe, in 1949, Turkey applied for associate membership in the European Economic Community (EEC) in 1959. On September 12, 1963, Turkey signed the Ankara Agreement,³⁴ which came into effect on December 12, 1964. The purpose of the Ankara Agreement was to gradually integrate Turkey into a customs union with the EEC, with the ultimate goal being full membership. The business community, which saw substantial benefits in Turkey's economic integration, launched an initiative for institutionalized participation in Turkey's European integration process. In 1965, the Economic Development Foundation (*İktisadi Kalkınma Vakfı* - İKV) was founded as a joint enterprise of Istanbul Chamber of Commerce (*İstanbul Ticaret Odası* - İTO) and Istanbul Chamber of Industry (*İstanbul Sanayi Odası* - İSO) with the aim of informing the Turkish business community and the public about developments related to the European integration process and communicating the business community's positions and opinion in related issues to the government. İKV has been the first voluntary business association in Turkey that had an exclusive focus on foreign relations.

The fragility of the Turkish economy and its over-dependence on external sources inevitably led to an economic recession that engulfed the country during the late 1960s. Economic troubles led to social unrest and coupled with the escalating ideological polarization of the society, violent conflict began to plague the country.

³³ Closer relations with the Soviet Union had a significant economic component. Soviet aid in this period has been an important stimulus for the ailing Turkish economy. By the end of the 1970s, Turkey was the largest recipient of Soviet aid (Hale, 2000, p.151).

³⁴ The full name of the agreement is "Agreement Creating An Association Between The Republic of Turkey and the European Economic Community."

As the country spiraled down into chaos, the AP government came into trouble as well, and the legislative process was deadlocked. On March 12, 1971, the Turkish Armed Forces issued a memorandum demanding the formation of a strong and credible government and putting an end to the "anarchy, fratricidal strife, and social and economic unrest." The AP government resigned and a non-partisan government was formed in its stead. This interim regime, which was neither a democratically elected government nor a direct military dictatorship, functioned with the idea of generals giving directives to the civilian politicians behind the curtains. This period went on for more than two years, until the parliamentary elections held on October 14, 1973, during which there have been two developments that had a profound influence on associational life in Turkey.

These two developments during the interim period after the 1971 memorandum affected business associations in Turkey in opposite directions. Firstly, affecting the autonomous character of the business associations in a negative sense, the new regime took a series measures to control and limit the activities of associations. Constitutional amendments strengthened the state against the civil society, repealing some of the liberal fragments of the 1961 Constitution and curbing the rights and freedoms of associations. Furthermore, the 1972 Law of Associations (*Dernekler Kanunu*) restricted the activities of associations and granted a broad authority to the government for the monitoring and inspection of the associations' internal organization and operations. It is also worth noting that within the framework of these measures, TOBB was stripped of its quasi-public authority of distributing foreign exchange quotas to merchants and industrialists, constituting a significant setback with regard to this association's influence on the business community.

The other development in this period, which ran the opposite direction, i.e. counter to the efforts of the state to curb down the autonomy of associations, was the rise of voluntary business associations. Until the early 1970s, Turkish business community had their interests represented only through their obligatory membership in chambers and through the parent organization of the chambers, TOBB, which were not effective in channeling the demands of the growing private sector to the state authorities. As Ayşe Buğra (1994) discusses in detail, the 1950s and the 1960s had brought along a group of big businessmen who were enjoying large social power derived from their contribution to the national economy and becoming increasingly visible and influential in social life. In the meantime, unfavorable social and political conditions of Turkey during the late 1960s and the early 1970s was forcing this group to organize itself towards the “achievement of political and economic stability in a society in which the business class would not feel threatened” (pp.237-238). As a result, Turkey’s largest industrialists opted for establishing their own institutional platform for interest representation and collective action as “the best means of assuring a solid status for the business community in a stable environment.” (p.248). The Turkish Industry and Business Association (*Türk Sanayicileri ve İşadamları Derneği* - TÜSİAD) was founded on April 2, 1971 with the purpose of “contributing to Turkey’s democratic and planned development and its ascent to the level of Western civilizations in conformity with the rules of mixed economy as implied by the constitution and the principles of Atatürk.”³⁵ Until then, Turkish business community had their interests represented only through their obligatory membership

³⁵ This purpose is stated in the founders’ protocol issued on April 2, 1971 with the signatures of 12 leading industrialists of Turkey (for an exact reprint of the protocol see: http://www.tusiad.org.tr/__rsc/shared/image/protokolbuyuk.jpg). TÜSİAD has also made a public announcement with regard to its establishment on August 2, 1971, with a declaration published in all major Turkish newspapers. The declaration, which bore the signatures of 45 businessmen from various sectors, listed the nine principles TÜSİAD was to follow, and concluded with the motto “Freedom is sacred.”

in chambers and through the parent organization of the chambers, TOBB. TÜSİAD came to existence as a result of the need of Turkey's rapidly advancing private sector to have greater autonomy from the state and to express its opinions in a collective manner.³⁶

Unlike the TOBB, which had a quasi-public status, was based on obligatory membership and represented the entire business community at the grassroots level, TÜSİAD was founded as a voluntary association of the large scaled business owners in the major industrial centers of Turkey, mainly in Istanbul. As the founding chairman of TÜSİAD, Feyyaz Berker, stated in an interview held shortly after the establishment of the association, the primary aim of TÜSİAD was to devise the strategy of the private enterprise within the balance of a mixed economy, and report about current issues, problems and suggestions for solutions to the public, parliament and the government. According to Berker, such a voluntary association was necessary because unlike the public professional organizations such as chambers, they could proceed faster and offer more practical solutions (Berker, 1971).

One of the factors that contributed to the establishment of TÜSİAD was the perceived inadequacy of TOBB in representing the interests of the private sector in general and that of the industrial capital in particular (Arat, 1991, p.136; Gülfidan, 1993, pp.30-34). The idea behind TÜSİAD was indeed to have an autonomous structure through which the business community would be able to freely express their opinion and defend their positions on policy related issues vis-à-vis the state. As an association with quasi-public status, which had further lost maneuver space first

³⁶ In this period, an alternative organization had also emerged among Turkey's industrialists. In 1967, the chambers of industry of six leading industrial towns (Istanbul, Ankara, Izmir, Adana, Eskişehir and Kayseri) signed a memorandum to establish a Union of Chambers of Industry (*Sanayi Odaları Birliği*) that would be independent from the TOBB. The idea of officially establishing this organization was shelved away in 1971, however the union was nevertheless established in a *de facto* manner, with one of Turkey's most prominent businessmen of the time, Sakıp Sabancı, leading the initiative. Although it was never officially recognized by the state or TOBB, the union had considerable influence during the 1970s, which faded away in the following decade.

with the informal practices during the AP period and then formally with the changes in the legislation made after the 1971 memorandum, TOBB was from being responsive to the business community's needs. Furthermore, TOBB had a significantly heterogeneous structure covering a variety of different sectors, businesses of different scales and hence different interests and priorities. For the big industrialists of Turkey, an association of their own was absolutely vital in a time when Turkey was sliding further down into deeper economic and political instability.³⁷ TÜSİAD did not present itself as a rival to TOBB, as the two organizations had different structures and priorities. While TÜSİAD was a voluntary association representing the business elite in the major industrial centers of Turkey and it was a "class organization par excellence" (Buğra, 1994, 248), TOBB was a semi-public organization with obligatory membership and covering the entire national economy. Moreover, unlike TOBB, TÜSİAD was focusing on the problems of the economy in a macro scale, and not on the daily needs of its members (Altun, 2009, p.98). While these two associations refrained from direct confrontation, competition for influence has defined their relationship from the very first day onward.

In the realm of foreign relations, TÜSİAD was a strong proponent of Turkey's integration with the international economic system, which could be attained through strengthening relations with the western bloc and particularly with Europe. In November 1970, Turkey had signed a further protocol establishing a timetable for the abolition of tariffs and quotas on goods traded between Turkey and the EEC, and as a major stakeholder in the process the business community was closely following

³⁷ It is important to note that political considerations were involved in the establishment of TÜSİAD as well. According to Ayşe Öncü (1980), during the political turmoil of the early 1970s, large scaled industrialists and businessmen felt the need for an organization that would be "active against the upsurge of the 'left' in Turkey" (p.474).

the process and pressuring the government in support of their interests. Although they had minor differences with regard to details, the representative institutions of the business community were in consensus that EEC membership was of vital importance for the future of the Turkish economy. There was, at the same time a *de facto* division of labor between the business associations, and İKV was accepted as the representative of the Turkish private sector in issues related to the EEC.

TÜSİAD, on the other hand, promoted the idea that a stronger private sector was required if Turkey was to integrate with Europe, and adopted as a priority the empowerment of the Turkish commercial and industrial enterprises so that they would have a competitive edge within the European market (İpekçi, 1971). In the meantime, during the 1970s, as an association where Turkey's small and medium scaled enterprises was in majority, TOBB had a rather hesitant stance towards integration with Europe and preferred a national development line (Bianchi, 1985, p.26).

Two years after the establishment of TÜSİAD, Turkey found itself in renewed economic slump originating from external factors. The global oil crisis had a hefty toll on the Turkish economy, not only because it had to pay almost four times more for imported oil, but also because workers' remittances from European countries that were likewise affected by the crisis declined sharply. An additional burden on the economy was placed by the military intervention in Cyprus in 1974, and the subsequent embargo placed by the United States on Turkey made the situation only worse. It was not only Turkey's economy but also its image on the international scene that was damaged, since what was perceived by Turkey as a peace operation in response to a Greek junta backed coup in Cyprus that jeopardized the lives of the Turkish Cypriots, was regarded to by the international community as

an invasion in breach of international law.

It was in this period that business associations engaged in international lobbying activities as a response to the problems faced by Turkey on the international arena. TÜSİAD adopted an active stance with regard to the Cyprus issue, releasing reports on the importance of “a peaceful solution to the Cyprus problem” for Turkey’s foreign economic relations, and engaging in intensive lobbying activities in Western capitals in order to restore Turkey’s image that was tarnished due to the military intervention. TÜSİAD delegations visiting European countries in September 1974 and the United States in September 1975 have been important in the sense that they have not only explained the Turkish thesis on the Cyprus issue to Western audiences, but also increased the “visibility of the Turkish private sector” in these countries (Altun, 2009, pp.220-221). On the other hand, beginning with 1977, TOBB launched a series of trade missions to Greece in order to repair the damaged relations between Turkey and its Western neighbor. Business associations assumed a crucial role in Turkey’s relations with the newly established Turkish Federative State of Cyprus as well.³⁸ With respect to the oil crisis, the Turkish-Arab Joint Chamber of Commerce (*Türk-Arap Ortak Ticaret Odası*) has actively worked with its counterpart and lobbied the governments of oil producing countries in the Middle East in order to ensure a preferential treatment for Turkey in oil sales,³⁹ while TÜSİAD’s visit to Iran in 1975 has been an important initiative in this respect.

During the second half of the 1970s, Turkey’s economic conditions

³⁸ Turkish business associations had established strong links with Turkish Cypriots before the military intervention of 1974. One good example is that Cyprus Turkish Joint Chamber of Commerce (*Kıbrıs Türk Ortak Ticaret Odası*) established in December 1973 as a joint venture of TOBB and the Cyprus Turkish Chamber of Commerce in Lefkoşa (Nicosia).

³⁹ The Turkish-Arab Joint Chamber of Commerce is one of the earliest examples of a bilateral business association established by a Turkish institution with a counterpart organization in the respective country. This chamber was established in 1969 as a joint venture of TOBB and the Arab Union of Chambers of Commerce, Industry and Agriculture, with headquarters located in Beirut.

worsened, culminating in a severe balance of payments severe crisis by the end of the decade. It was primarily a crisis of the import substitution strategy that was in effect, postponed due to the favorable conditions in the world economy in earlier periods, but eventually occurred as the world markets themselves slid into recession (Keyder, 1987; Kepenek & Yentürk, 2005; Pamuk, 2007). As exports remained low in volume, imports benefited from the fixed exchange rate regime, and eventually Turkey was stuck in an economic structure where intermediary products were imported and transformed into final products, which were not sold in export markets but rather remained in the domestic market. As a result, the export-to-import ratio fell down significantly,⁴⁰ and since imports could not be paid for through exports and other inflows of foreign exchange, there emerged an increasing reliance on external borrowing. As debts accumulated, increasing political instability as marked by a series of fragile coalition governments reduced possibilities for economic recovery.

During this period, business associations continued with their activities in the foreign relations realm, with European integration remaining as a priority for the business community in general. But given the circumstances, they increasingly began to show dissatisfaction with the conditions Turkey for which they held the crises of import substitution and the political turmoil caused by unstable governments responsible. The most vocal critic has been TÜSİAD, which in 1979 has launched a campaign against the Prime Minister Bülent Ecevit, accusing him of being an obstacle to the transition to a free market economy, which was deemed to be the key to economic recovery. Ecevit responded to the businessmen's campaign against him by claiming that it was the large capital holders themselves who were to be held accountable for the economic slump that Turkey was in (Ecevit: Bazı İşadamlarının,

⁴⁰ The export-to-import ratio went down from 81.1 percent in 1965 and 62.1 percent in 1970 to 30.2 percent in 1977 (TÜİK data).

1979). What is more interesting is that TÜSİAD's campaign found support among other business associations, including TOBB, which had traditionally refrained from criticizing the government. The chairman of the association, Sezai Dıblan, stated that TOBB approves the declarations made by TÜSİAD because "the free enterprise, which has an important place in our economy and the development of our country, and finds legal assurance in our constitution, has every right to voice its concerns and wishes" and "instead of blaming and speaking ill of the private sector, the state and the citizen, the public and the private sector, they should face problems together, shoulder to shoulder and in absolute cooperation" (Dıblan: Hür Teşebbüsün, 1979). As Turkey's economic and political crisis worsened, the rift between the government and the business community widened.

The business community was reacting to Ecevit's statist policies and demanding greater freedom, however it would be unfair to label Ecevit as being anti-business. In fact it was in this period that closer relations and cooperation began to take root between the diplomatic bureaucracy and the business community in issues related to foreign economic relations. For instance, in 1979, Ecevit issued a circular implying that career opportunities of diplomatic representatives was to be decided on the basis of economic and trade relations they could mediate (Aşula, 2000, pp.66-67). However, the economic and political conditions Turkey was in prevented the government from practicing economic diplomacy in the real sense. In December 1979, having lost the senate elections, Ecevit resigned, and Süleyman Demirel formed the new government, for the fourth time in his political career. Turkey was then on the verge of bankruptcy due to the heavy external debt burden it had to shoulder as well as poor administration, both of which increased social tension and led to deepening instability and social unrest.

Neoliberal Period: Increasing Business Participation in Foreign Affairs
(1980-2002)

Turkey's response to the economic turmoil of the late 1970s came in the form of a major structural transformation of the economy in line with the currents of neoliberalism that were strongly influencing the global economy at the time. The first step of this process was taken with the reform package issued on January 24, 1980, which brought greater liberalization to the Turkish economy, and marked a move from inward-oriented import-substitution towards export-oriented industrialization. The package included a substantial devaluation that brought the value of the currency from 47 liras to the dollar to 70 liras, a series of measures to shrink the role of the state in the economy, privatization, deregulation, removal of subsidies in a number of sectors, and additional measures to liberalize foreign trade (Yenal, 2003; Kepenek & Yentürk, 2005; Boratav, 2008; Sönmez, 2009; Öniş, 2010).

While certain segments of the society such as the private sector wholeheartedly supported the January 24 package, the measures that were intended to be taken placed the burden of the change on the masses, and for this reason from the first day on the package faced public discontent, which jeopardized its effective implementation. The military coup of September 12, 1980, however, changed the entire picture. After the military takeover, Turkey was ruled by the National Security Council (*Milli Güvenlik Konseyi* - MGK) for more than three years, during which economic policies were carried out by team of bureaucrats/technocrats under the supervision of the military rulers, and chief among them was Turgut Özal, who had been the architect of the January 24 reforms in his capacity as the undersecretary to

the Prime Minister Süleyman Demirel. While the restrictions placed on rights and freedoms by the military regime seriously damaged Turkey's democratization process, they nevertheless provided a ground for the unpopular neoliberal policies to be implemented efficiently without requiring public consent. Several authors argued that the successful implementation of the January 24 decisions was possible due to the military regime (Ulagay, 1984; Atay, 1998; Kaya, 2009) and this view was also evident in the remarks of policy makers of the time; for instance Turgut Özal once said that there should be no politics, because otherwise the economic program would not achieve its targets (Ulagay, 1984). In the meantime, as Turkey integrated with the world markets, the importance of economic and commercial issues in the formulation and implementation of foreign policy increased, which gave rise to the emergence of non-state actors from the economic sphere as a special interest and pressure group in foreign policy related issues, and new channels of policy participation were opened for these actors (Kirişçi, 2009; Kut G., 2010). First and foremost among them came the organized business interest groups, in other words the business associations.

The development of business associations and their roles in Turkey's foreign relation in the post-1980 context should be evaluated in a context defined by economic liberalism on one hand and political authoritarianism on the other. The 1982 Constitution imposed severe restrictions on interest group associations, both voluntary associations⁴¹ and public professional organizations.⁴² For instance, public professional organizations were not allowed to engage in political activities of any

⁴¹ Voluntary associations are private corporate bodies (legal personalities) of non-profit orientation and governed by private law, such as associations proper (*dernekler*) and foundations (*vakıflar*) (Özbudun, 1991, p.43).

⁴² Article 135 Paragraph H of the 1982 Constitution defines public professional organizations (*kamu kurumu niteliğinde meslek kuruluşları*) as "public corporate bodies established by law, with the objectives of meeting the common needs of the members of a given profession, to facilitate their professional activities, to ensure the development of the profession in keeping with common interests, to safeguard professional discipline and ethics in order to ensure integrity and trust in relations among its members and with the public." This definition includes, among others, chambers of commerce and industry, as well as their peak organization TOBB.

kind; they had to remain within their legally prescribed areas of activity and they were subject to the administrative and financial supervision of the state. Moreover, a series of ordinances issued by the MGK on August 5, 1983 specified and significantly expanded the tutelary powers of the relevant ministries over professional organizations, thus further restricting their autonomy (Özbudun, 1991, p.49). In the post-1980 period even criticizing the government's economic policies could be regarded to as a political activity and therefore would lead to the closure of a business association (Kalaycıoğlu, 1991, p.80).

Ironically, whereas organized interests remained under severe restrictions imposed by the state and business was subjected to political decisions, 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, and this is why although the state was still skeptical towards organized action in the pursuit of class interests, its reluctance to collaborate with the private sector was diminishing in the area of international relations (Buğra, 1994, p.238). A statement made by President Kenan Evren during his official visit to East and South Asian countries in 1982 clearly illustrates how the mentality was changing at the upper echelons of the state: "So far the public authorities in Turkey have unfortunately regarded the private sector as demons, and refrained from contacting them for the fear of being tainted. If we can't change this, if the two sectors do not work hand in hand, we can't raise our economy to the level we want" (Evren: Uzakdoğu'ya, 1982). Similarly, the words of foreign minister İltiz Türkmen in 1982 show the pragmatic lens through which the state bureaucracy 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" (Türkmen, 1982). In other words, the efforts of opening up Turkey to the world markets required the collaboration of the policy makers with the owners of the capital. Both sides were aware of this fact, and both of them saw benefits in this deal. The move towards economic liberalism and the pro-business stance gained momentum after parliamentary democracy was restored in 1983. In this period, the major proponent of greater business involvement in foreign relations was Turgut Özal, who had 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 (*Anavatan Partisi* - ANAP), became the prime minister of Turkey in 1983. ANAP maintained a majority in the parliament until 1991 and Turgut Özal held the position of prime minister from 1983 to 1989, after which he was elected as the president, a post that he would keep until his passing away in 1993. During this period, the ANAP governments continued with the neoliberal reforms that were initiated with the January 24 decisions, transforming the Turkish economy through free-market reforms. If Turkey was to integrate with the global markets, it needed a strong, productive and outward-oriented economic infrastructure for which a competitive private sector was a *sine qua non* condition.

The post-1980 transformation in Turkey's political economy originated as a response to the changes in the international conjuncture and the rise of a neoliberal world order as well as the unsustainability of the import-substitution model within

this changing international structure. However, Turgut Özal's personality played a crucial role in shaping the political economy and state-business relations in Turkey as well. He was a business-minded politician, who could work with anyone regardless of ideology as long as the nation's interests were catered for. Sedat Laçiner (2009) 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" (p.158).

The reflection of Özal's pragmatism in the foreign policy realm was the idea of an active and multi-dimensional foreign policy that placed economics rather than politics and ideology at the center. Özal believed that in international relations, political problems could be solved through economic interaction and personal relationships (Gürbey, 2003; Uzgel, 2004; Yaraç-Laçinok, 2007). In his efforts of integrating Turkey with the rest the world, Özal preferred to work with the business community rather than the bureaucracy, which he considered as a slow, obsolete and uncreative apparatus, a hindrance against rapid progress. In turn, he was backed by the business community, which, as İlhan Uzgel (2001) stated, "wanted to integrate Turkey with the international economic system as soon as possible and to eliminate the bureaucracy, which it deemed as an obstacle against its growth"⁴³ (p.83). As Turkey integrated with global markets, not only had the business community an increasing interest in the country's foreign affairs, but the state had a growing interest in engaging the business actors in foreign relations as well. In addition to

⁴³ Original excerpt: "[Özal]'ın bütün bu uygulamalarının arkasında,] Türkiye'yi bir an önce uluslararası ekonomik sistemle bütünleştirmek isteyen ve gelişip güçlendiği bu dönemde önünde engel olarak gördüğü bürokrasiyi devre dışı bırakmaya çalışan iş çevreleri bulunuyordu."

reforming the business environment and providing incentives for the private sector, Özal started the practice of holding regular meetings with the representatives of the private sector, including them in intergovernmental negotiations and bilateral processes, and taking business delegations to official state visits abroad.⁴⁴ His aim was to motivate the business circles of Turkey for trade, investment and contracting abroad, and to ensure they profited from the new relations Turkey was establishing and nurturing with other countries. For him, foreign policy was “a branch of international trade relations” (Mango, 1990, p.4) rather than *vice versa*. In time, Turkey’s private sector established extensive commercial linkages abroad and the country experienced a remarkable increase in participation in global economic flows,⁴⁵ which had two consequences. First, as their commercial activities overseas depended heavily on the Turkey’s bilateral relations with other countries, Turkish businessmen began to develop a tangible interest in foreign policy issues, with the foremost among them being an interest that political problems with neighbors should not negatively affect commercial relations (Robins, 2003, p.85). Secondly, with growing awareness about the vital role of economics in the country’s foreign relations, Turkish bureaucracy and particularly the Ministry of Foreign Affairs began

⁴⁴ The practice of Turkish state leaders to embark on official state visits with groups of businessmen began with the interim government established after the coup of September 12, 1980. The first instance of a business representative attending a presidential visit was in December 1982, when the chairman of TOBB, Mehmet Yazar, took part in President Kenan Evren’s trip to East and South Asian countries. By that time other leaders were already allowing a certain number of business representatives in their delegations. For instance, in March 1982, Prime Minister Bülend Ulusu went to Iraq with a small number of business executives while around the same time the Deputy Minister of Public Works Tahsin Önalp went to Indonesia with a group of contractors. The practice of taking “business delegations” rather than a certain number of business representatives on official state visits was initiated by Turgut Özal, even before he became the Prime Minister. For instance, in March 1982, when he travelled to Iran in his capacity as the Deputy Prime Minister, he was accompanied by 400 businessmen, who, as a Turkish journalist reported then, rented a private plane from Turkish Airlines, took the land routes if they could not secure seat in the plane, and invaded Tehran (Acar, 1982).

⁴⁵ This increase was most evident in Turkey’s trade relations. The foreign trade volume, which was \$1.1 billion in 1980 went up to \$1.9 billion in 1985 and \$3.5 billion in 1990. The increase in the volume was accompanied by a momentum in exports. The export-to-import ratio, which was as low as 36.8 percent in 1980, climbed to 70.2 percent in 1985, however going back to 58.1 percent in 1990 (TÜİK).

to devote greater energy in economic issues and to value the contributions of the private sector in this respect.⁴⁶

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. However, two notes of caution should be sounded here. First, that the businessmen were more extensively involved in foreign relations did not necessarily mean that they influenced how foreign policy was formulated. As Ersin Kalaycıoğlu (1991) remarked, "the role of commercial interest groups in the economic policy-making process of the government was either minimal or non-existent" (p.83). In other words, in this period businessmen were active in foreign relations, however Özal was instructing rather than exchanging views with them. Second, businessmen's participation in foreign policy was of a particularistic rather than institutionalized nature. Özal had a circle of favored businessmen, mainly exporters, contractors and international financiers, and he was working with them instead of using the institutional channels of associations (Uzgel, 2004, p.153).⁴⁷ This particularistic approach had three consequences. First, it led to a competition among businessmen to be included since taking part in foreign policy related issues meant greater access to the prime minister himself and substantial advantages for doing business abroad. Second, those businessmen who were aware of the opportunities

⁴⁶ In his memoirs, former Turkish ambassador Tanşuğ Bleda tells how through the overtures by Özal, and by accompanying and assisting businessmen, the foreign affairs bureaucracy has gained an in-depth insight into commercial activities. Underlining the importance of the Middle East region in this context, Bleda states "At the end of the day, I believe, having learned the construction business in Libya, we have learned trade in Iran" (Bleda, 2000, pp.128-129). Original excerpt: "Sonuçta galiba biz müteahhitliği Libya'da öğrendikten sonra ticareti de İran'da öğrenmiş olduk."

⁴⁷ An important point regarding Özal's collaboration with individual businessmen is that while the latter's participation in foreign relations was largely limited to economic issues, 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, he 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 influence of the businessmen in foreign affairs, widened the chasm between Özal and the bureaucracy.

have in turn mobilized to defend Özal's policies, establishing a mutually beneficial relationship between the government and certain parts of the business community. For instance, during the early 1980s, those business executives who were frequently taking part in foreign policy events and official visits abroad have actively lobbied European critics of Özal about the positive substance of his policies (Robins, 2003, p.85). Third, the particularist nature of Özal's relations with the private sector meant that the linkages between organized business interests and Özal or the government in general were shaped through individual contacts. As Ayşe Buğra (1994) 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" (p.260). As a result, those who have failed to maintain good relations with the government or with Özal in person were left out of the picture.

Mustafa Sönmez (2010) draws attention to how TÜSİAD was sidelined in this period. Although the association supported Özal's neoliberal policies from the very beginning, it was rather unsympathetic towards Özal's idea of having his own party and entering into elections in 1983. After ANAP formed the government, Özal preferred to keep the business elite then in charge of TÜSİAD at bay, i.e. outside his close circle of favored businessmen, while at the same time leaning towards TOBB as a counter-weight against TÜSİAD, which in time increased its opposition to the government and began to focus more on political issues rather than economic ones (Bora, 2000, p.106). It has to be noted that Özal's preference for TOBB was based among other factors also on an individual linkage, as the chairman of TOBB during the period 1986-1990 was Ali Coşkun, a co-founder of ANAP.

In time, as Turkey's foreign economic relations expanded both in volume and

scope with increasing numbers of private sector companies of any scale establishing commercial links abroad, the need for transforming the particularistic networks between the government and the business community with a formal structure for the latter's participation in issues related to Turkey's foreign relations began to be felt more deeply. The business community had then no institutional channels through which they could collectively disseminate their interests with respect to foreign policy to the state. All the business associations had a stake in foreign relations, and they were all active in this field to varying degrees, however at the end of the day they were all inward-oriented structures, and neither public professional associations such as TOBB nor the voluntary associations such as TÜSİAD had the necessary institutional structure to act as a platform of communication between the state and the business community in issues related to foreign economic relations. At a more practical level, the rapid expansion of Turkey's foreign economic relations had drastically increased the volume of business exchanges between the Turkish business community and overseas, and as the number of business delegations arriving in Turkey increased there emerged the uncertainty of which business organization was to receive which incoming delegation, which led to significant inefficiency in managing the bilateral relations. In short, a new institutional framework was required.

In mid-1980's, foreign policy making was under the responsibility of the Ministry of Foreign Affairs, with the State Planning Organization and the Undersecretariat of Treasury and Foreign Trade having authority in the economic aspects of Turkey's relations with the rest of the world. These institutions were responsible for making the negotiations with the relevant institutions of other countries and formulating policies, however they could not impose the policies on the private sector; they could only make recommendations, which the private sector

had the freedom to follow or to ignore. Since the private sector is by its nature motivated by profit maximization rather than the state's concerns, this was a problem since there was usually a mismatch between the two. There was the market, however there was a lack of state involvement in the Keynesian sense, such as the role of the US Department of Commerce or the relevant agencies in East Asian models, such as the Japanese MITI. This was the reason why Turgut Özal intended to establish a novel institutional setting, through which the state would maintain its role, but at the same time the private sector could proactively play a role in foreign policy.

The first step towards the model that Özal had in mind was taken in a bilateral context when the Turkish-American Business Council was established in 1985, followed by the Turkish-Japanese Business Council in 1986 and the Turkish-French Business Council in 1987. These councils were mainly operating through the personal efforts of the businessmen involved, however in time they came to be seen as a waste of time and resources. A consensus emerged among the business community that a larger and deeper institutional setting was needed in order to provide a stronger initiative (Tüzün, personal communication, May 24, 2008). At this point TÜSİAD came up with the idea of establishing a "Private Sector Foreign Economic Relations Council" (*Özel Sektör Dış Ekonomik İlişkiler Konseyi*) through the participation (and cost sharing) of Turkey's major peak business organization (Altun, 2009, pp.82-83). This idea was endorsed by Özal, and consequently, in November 1986, the decision was taken for the establishment of the Foreign Economic Relations Board (*Dış Ekonomik İlişkiler Kurulu – DEİK*) as a business association responsible for compiling information on opportunities of commercial and economic cooperation and presenting it to entrepreneurs; providing coordination at international level for various forms of commercial and economic cooperation;

ensuring the appropriate political environment for the realization of the existing potential (DEİK, 1988).

In 1989, the final step of the neoliberal reforms started earlier in the decade was taken when Turkey liberalized its capital account. As a result, capital inflows and trade deficits increased significantly and the cycles that the economy was going through became closely associated with international capital flows. In the same year, Turgut Özal was elected as the president. During the 1980s and the early 1990s, the primacy of economic considerations in the formulation of foreign policy was significantly felt. Three areas of primary importance for Turkish foreign policy in this period, i.e. relations with the Middle East, former Soviet Union, and Europe, provide good examples illustrating how economic interests dominated the agenda and what roles were assumed by the business community in this respect.

During the 1970s both the international and the domestic conjuncture exerted a significant pressure on Turkish policy makers to improve their relations with the Arab countries of the Middle East. On the one hand, due to the oil crises in this period that led to deteriorating terms of trade for Turkey with its oil suppliers forced Turkey to expand commercial relations with the oil-producing Arab countries of the region. On the other hand, while Turkey's isolation in the international scene due to the Cyprus issue obliged Ankara to find support among Islamic countries, domestic developments that gave rise to the Islamic oriented National Salvation Party (*Milli Selamet Partisi* – MSP) led to a tendency of gradually improving relations with the Middle East countries (Kirişçi, 2001, p.99). During this period, Turkey took the first steps of establishing long-term economic relations with the region. Business associations such as TOBB and TÜSİAD have been significantly active in the sense that they have undertaken several field trips and meetings with counterparts in order

to explore the existing economic potential in the countries of the region.⁴⁸ In this period Turkish construction companies made their entry into the region, with significant business volumes in Libya, as well as important attempts to enter the markets of Saudi Arabia, Iraq and Kuwait and Oman.

It was under during Turgut Özal's time that the Turkey's intention to have a more active policy toward the Middle East began to produce concrete results. Particularly during the first half of the 1980s, Turkey managed to significantly improve bilateral relations with the Middle East countries, and economics has been the basis of this progress, as over the first five years of the decade Turkey's exports to the region increased by five-fold⁴⁹ mainly thanks to the bilateral agreements concluded with the countries of the region, export promotion schemes, favorable trends in oil prices and the opportunities provided by the ongoing war between Iraq and Iran (Akder, 1987). In the meantime construction projects went on full steam ahead, reaching a business volume of 3 billion dollars in Libya and 1 billion dollars in Iraq by 1990 (Robins, 2003, pp.210-211). In this period, economic tools were also used to strengthen political relations, and a good example has been the "peace pipeline" project proposed by Özal that was to carry fresh water from Turkey to Syria. In any case, political issues were not allowed to interfere with economic transactions. In 1984, a journalist following Turgut Özal's visit to Iraq wrote, "economics is beating politics." This statement was perhaps one of the best descriptions of the 1980s under Özal that found explicit reflection in diplomacy. In

⁴⁸ For instance, after a study trip to Iran organized by TÜSİAD in 1975, executives of the association announced that while the Turkish state could invest in the logistics infrastructure of Iran so that the imports required for Iran's industrialization can be sourced from Turkey, Turkish private sector could have good prospects in Iranian food markets (Berker, 1975). Similarly in a report published by TOBB in the same year, Libya was pointed to as a potential entry point for Turkish business into African markets. Moreover, the report underlined construction and defense industries as important areas of cooperation between the two countries (Odalar Birliği: Libya, 1975).

⁴⁹ In 1980, Turkey's exports to the Middle East totaled 630 million dollars, which made up 21.6 percent of Turkey's total exports. In 1985, these figures were 3.2 billion dollars and 40.0 percent respectively (TÜİK data).

1986, for instance, when the ANAP government's rapprochement with Iran came under criticism and the Khomeini regime was accused of being involved in activities targeting the secular order of Turkey and the Kemalist ideology, Özal famously said, "We are trading with Iran. Do not criticize them" (Lütfü, 1986). Both TÜSİAD and TOBB promoted greater trade with the countries of the Middle East and the senior figures of these two associations took every opportunity that it has been Turkey's loss not to have entered these markets earlier and the private sector has to do its utmost in order to make up for the lost business (TÜSİAD, 1985, p.21; 'Çehreler Gülümsesin', 1987).

The outward orientation of the Turkish economy influenced Turkey's European process as well. Although the Turkish private sector was actively engaged in business with European countries since the early 1960s and there was even a certain amount of European investment in Turkey, it was after 1980 that Turkish business volumes with Europe have taken off. The role of economics in Turkey's relations with Europe in this period is particularly important in the sense that it had a positive spillover effect into the political realm. From mid-1970s onwards, political relations between Turkey and Europe were in serious deterioration. Turkey's intervention to Cyprus in 1974 had been an important turning point in this respect, and in 1978 the Ecevit government suspended the institutional arrangements under the Association Agreement.⁵⁰ The coup of September 12, 1980 only worsened the already ailing relations and led to the suspension of the Joint Parliamentary Committee, which would not convene again until 1989. In 1987, Turkey made an

⁵⁰ These developments during the 1970s show that foreign policy decisions of the time were mainly motivated by political considerations whereas the economic dimension was of minimal concern although it was a time when Turkey was on dire straits in economic terms. William Hale's (2000) counterfactual argument that Turkey would not have intervened in Cyprus in 1974 in the first place and would have settled its differences with Greece long ago if economic considerations were the primary determinant of policy is meaningful in this respect.

application for full membership into the European Community, to which Brussels responded by deferring the issue to a future stage on the grounds that Turkey's economic and political conditions were for the time being in poor shape. During all this time it was the economic relations that remained strong and kept Turkey's pursuit of European accession going, and within this context business associations played an important role in the sense that they promoted Turkey's integration with Europe by, first, informing the government, the public and the business community about the possible benefits of European accession through their studies and reports; and second, by visiting European capitals and undertaking well-planned lobbying activities. While problems remained in the political realm, business associations' efforts helped to persuade both the Europeans and the Turks that Turkey's becoming a member of the European Community would be beneficial for both sides.

It is important to note that it was also in this period that divergences within the business community became apparent. It is true that the business community has never been a monolithic entity and never spoke as a single voice. However, until the late 1980s, its position related to foreign relations was to a large extent a common one in the sense that the entire business community supported Turkey's opening to the rest of the world and establishing stronger relations with new markets. This began to change and foreign policy interests began to divide the business community along sectoral, organizational and ideological lines in this period (Robins, 2003, p.86). This division was nowhere more evident than in Turkey's relationship with Europe. From a sectoral perspective, when the Turkish government was negotiating the customs union agreement the Turkish business community did not share the same enthusiasm about this project. While some sectors (such as the textile industry) and their representative associations were wholeheartedly supporting Turkey's entry into

a customs union with Europe because they saw benefits in greater integration, others (such as the automotive industry) were rather hesitant due to concerns of increasing foreign competition and preferred to keep protectionist barriers against European producers. Against this reaction, business associations such as İKV tried to convince the different sectors that the competition would not harm the Turkish economy.

From an organizational perspective, as Turkey prepared to and eventually did apply for full membership at the European Community, associations other than İKV to get involved in Europe-related issues as well. Although there was a *de facto* division of labor among business associations and İKV was entitled to represent the business interests with regard to the European process,⁵¹ development of the relations between Turkey and EU had developed to a point where it was no more possible for other business associations to refrain from having a greater say in Europe-related issues. After a long period of passive stance towards the European project, TÜSİAD launched several initiatives promoting the customs union and Turkey's European accession in general, trying to influence public opinion in favor of European integration and releasing reports on economy and current issues. In the meantime, a new association established in 1986 by a younger generation of businessmen, the Young Businessmen Association of Turkey (*Türkiye Genç İşadamları Derneği* – TÜGİAD) similarly began to advocate Turkey's integration with Europe employing similar methods to those of TÜSİAD.⁵² In April 1987, TOBB stepped forward with Özal's backing to represent Turkey's private sector in Europe on the grounds that according to the relevant law it was TOBB with its quasi-public status that had officially the authority to do so, while İKV had only the status of a foundation and

⁵¹ An unpublished strategy paper prepared by DEİK in 1990 explicitly defines the roles to be assumed by TOBB, DEİK, TÜSİAD, İKV, TURKTRADE, TMB, YASED and the chambers of commerce and industry in Istanbul, Ankara and Izmir in Turkey's foreign economic relations (DEİK, 1990).

⁵² In 1994, TÜGİAD became an associate of the European Confederation of Young Entrepreneurs.

others such as TÜSİAD and TUGİAD were voluntary associations. During the second half of the 1980s, TOBB assumed a leading role in Turkey's economic diplomacy towards Europe, however, although it supported Turkey's full membership in the European Community, its line differed from those of İKV and TÜSİAD in the sense that TOBB's support for European integration came together with a dose of a "nationalist reactionary response to the conflicts over political issues and the delay in Turkey's membership" (Bora, 2000, p.130). The idea was that Turkey had benefits in greater integration with Europe, but this should not mean total submission to Europe, and at the same time while pursuing European accession Turkey should look for other alternatives as well.

These developments pointed to two tendencies with respect to state-business collaboration in foreign policy in the post-1980 period. First, there had emerged a greater competition among different business associations for influence in foreign policy related issues, and second, intending to maintain its control over the business community's participation in the process, the government preferred to work with quasi-public organizations rather than fully private ones.

In this period it was not only Turkey's relations with Europe, but also its whole socio-economic life that was transforming rapidly. Discussing the evolution of the Turkish economy since the reforms of 1980, Ayşe Buğra and Osman Savaşkan (2010) draw our attention to three key components of the transformation that the economy has been going through: 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 (pp.92-93). The economic dynamism that was fostered by

liberalization and the opening up of the Turkish economy to the world led to a greater differentiation of economic activity outside the conventional economic centers of the country like Istanbul and to the expansion of the industrial base further to the regional centers of Anatolia where a large number of small and medium scaled enterprises, the so-called “Anatolian tigers” that are mainly active in the labor-intensive manufacturing sector, rose to prominence by channeling their production toward exports (Pamuk, 2007; Tok, 2009; Buğra & Savaşkan, 2010; Hoşgör, 2011; Kirişci & Kaptanoğlu, 2011; Özcan & Turunç, 2011). The emergence of a new class of local businessmen and industrialists resulted in increasing demands for voluntary business associations to be founded at a provincial level and eventually a number of organizations (SİADs) were founded in every part of Turkey during the 1990s.⁵³

It is important to note, with reference to Buğra and Savaşkan (2010), that the emergence of this new entrepreneurial class paralleled a simultaneous increase in the importance of Islam in Turkey’s economic, social and political life. In her discussion of the rise of the Islamic capital in Turkey, Evren Hoşgör (2011) points to an “Islamification process” of the economy through which religious networks functioned to support their own clientele in establishing business deals and having access to capital and markets. This process led to the emergence of a particular entrepreneurial class within its own socio-cultural environment and brought to the surface the ideological cleavages among the business community. For instance, as Karin Vorhoff (2000) observed, cooperation between different SİADs tended to fall only in two directions: a set of pronounced Kemalist secularists on the one side, and

⁵³ SİAD stands for *Sanayici ve İşadamları Derneği*, that can be translated as “association of industrialists and businessmen.” The naming of these associations imitated TÜSİAD, in the sense that in almost all cases the provincial associations replaced TÜSİAD’s “TÜ” which stands for Turkey, with the first few letters of their respective province’s name.

those who refer to their cultural roots in Islam and construct this as an important category in business on the other (pp.190-191).

With respect to ideological cleavages among Turkey's business community, perhaps the most important development in this period has been the foundation of a new nation-wide voluntary business association in 1990, the Association of Independent Industrialists and Businessmen (*Müstakil Sanayiciler ve İşadamları Derneği* – MÜSİAD). This association brought together mostly small and medium scaled enterprises whose owners had a background in the conservative and rural environment of small town Turkey and were practicing Muslims. Like TÜSİAD, MÜSİAD championed the idea of a developed and globally influential Turkey, however it saw the path leading to this target elsewhere. MÜSİAD challenged the existing socio-economic order in Turkey on the basis that it was both morally and materially deficient. In MÜSİAD's view Turkey had been encouraging short-term profit seeking and speculative investment instead of qualitative industrial production, and supporting big capitalists and holding companies instead of the small and medium scaled enterprises. The association did not oppose capitalism *per se*, but it condemned the excessive nature of western-style capitalism where man was alienated and devoid of moral and spiritual values, proposing the reconciliation of capitalism and modernization with Islamic values as a binding factor for fostering the spirit of solidarity within the society (Buğra, 1998; Vorhoff, 2000; Keyman & Koyuncu, 2005; Hoşgör, 2011). In Ayşe Buğra's (1998) words, TÜSİAD and MÜSİAD came to appear as "agents of class solidarity and hegemony that advocate different models of economic and social development" (p.522). Against the European model of development emphasizing a balance of power between the state and the business community as well as equal institutionalized rights for both

individuals and organized groups that defined TÜSİAD's approach, MÜSİAD proposed the East Asian model where the individual's place in society was defined by traditional relations of authority and hierarchy. While these two organizations never entered into direct and open confrontation with each other, they represented two different classes and supported different perspectives in matters related to Turkey's economic and political issues.^{54, 55}

During the early 1990s, one of the most important developments that affected Turkey's foreign relations was the collapse of the Soviet Union, and business associations were to play an important role in Turkey's response to the emergence of the newly independent republics.⁵⁶ At the time of the dissolution of the Soviet Union,

⁵⁴ One should note, however, that ideological cleavages among Turkey's business community at the nation-wide organizational level had already become apparent before MÜSİAD was established, and one of their strongest examples can be found in a particular discussion about İKV. When in 1987 delegates of the İKV went to the ballot to elect a new chairman, there emerged a heated debate between the large industrialists in Istanbul and the smaller entrepreneurs in Anatolia. The candidate of Istanbul capital was Jak Kamhi, a Jewish businessman who owned Profilo Holding, who was supported on the grounds that "having a non-Muslim chairman for İKV would have great propaganda value vis-à-vis Europe and could make it possible to deal with Europe's prejudices that originate from the fact that Turkey is a predominantly Muslim country". Anatolian capital was, however, opposed to Kamhi's candidacy. The chairman of TOBB, Ali Coşkun, who was known to be close to Anatolian entrepreneurs and was said to be sympathetic toward the idea of "Turkish-Islamic synthesis" (the approach of the ANAP government to accommodate Kemalist nationalism with conservative ideology) voiced concerns with reference to Kamhi's religious origins: "How can I make one thousand TOBB delegates from Anatolia accept the name Jak Kamhi?" (Ballı, 1987). At the end of the day, Kamhi won the elections and became the new chairman of İKV.

⁵⁵ Several ideology-based voluntary business associations were established during the 1990s. Most of them were, however, either stillborn or short-lived due to their failure to establish a membership base and a functioning mechanism. Some examples are: Republican Industrialists and Businessmen Association (*Cumhuriyetçi Sanayici ve İşadamları Derneği* – CUMSİAD) and the Democratic Industrialists and Businessmen Association (*Demokrat Sanayici ve İşadamları Derneği* – DEMSİAD) both of which were founded by Alevi businessmen; Nationalist Industrialists and Businessmen Association (*Milliyetçi Sanayici ve İşadamları Derneği* - MİSİAD) founded by businessmen supporting the rightist line of the Nationalist Action Party (*Milliyetçi Hareket Partisi* – MHP); and the National Industrialists and Businessmen Association (*Ulusal Sanayici ve İşadamları Derneği* – USİAD) founded by left-leaning nationalist businessmen.

⁵⁶ Turkish business associations had already established links with the Soviet Union by the late 1980s. The most active organization in this sense was DEİK, which on June 10, 1988, signed a Protocol Agreement with the Chamber of Commerce and Industry of the USSR to launch the Turkish-Soviet Business Council. At the time of its inception, the Turkish-Soviet Business Council had 35 Turkish companies and 42 Soviet state owned enterprises as its members (DEİK, 1991, p.10). The fact that the state owned enterprises of the socialist Soviet Union entered into such an institutional cooperation structure with Turkey's private capital should be seen as a result of the perestroika (economic restructuring) period in the Soviet Union that was launched in 1985. In the mean time, TÜSİAD had begun to exhibit greater interest in the Soviet Union as well until the late 1980s, TÜSİAD's main area of interest with respect to foreign relations were the United States and Europe. In important turning

Turkish business already had a strong existence there. Trade was flourishing under the coverage of the Natural Gas Agreement of 1984 and more importantly, Turkish construction companies were awarded the projects of residential buildings for Soviet troops returning from East Germany, thus marking the first step of a well-established long-term presence of Turkish contractors in this region. After the dissolution of the Soviet Union in 1991, Turkey was the first to recognize the newly independent republics and to open embassies there. As Gareth Winrow (1998) noted, “there was a great euphoria in Turkey” and the republics, being unsure of their post-communist future and lacking experience in international affairs, were “immensely grateful for Turkish offers for political and economic support” that began to flood in (p.96).⁵⁷

The most important aspect of Turkey’s relations with the region was that “with regard to concrete measures taken, the bilateral approach clearly dominated the relationship” (Tsardanidis, 2001, p.170) and Turkish business associations, most notably DEİK, have undertaken several projects with each of the individual republics. Business associations’ operations in the region were built on the idea of “personal diplomacy”. Initiated by president Turgut Özal and later continued by president Süleyman Demirel, Turkish leaders maintained close personal contacts with the leaders of the former Soviet republics. By taking part in Turkish leaders’ visits to the region, business representatives could both capitalize on the high-level personal relationships and build their own networks. In the meantime, the first half of the 1990’s saw also DEİK’s attempts to strengthen economic relations in the region through the participation of third parties as well. With the idea of combining Turkish

point in this respect came in 1988, when TÜSİAD broke its tradition of having the ambassador of a Western country to deliver the keynote speech in the annual general assembly meeting, and invited the Ambassador of the Soviet Union in Ankara, Albert Chernishev, in 1988. Some pundits regarded this decision as “an indicator of Turkish businessmen’s search for alternative horizons” (Sovyetler’den Övgü, 1988).

⁵⁷ Winrow quotes the president of Uzbekistan, Islam Karimov, who declared “he looked up to Turkey as an *ağabey* (elder brother)” (Winrow, 1998, p.96).

business' expertise in the region with the technology and finance to be provided by developed countries in order to utilize them for projects in the former Soviet Union, several joint missions were organized, including, among others, the Turkish-American joint mission to Central Asia in 1992, and the Turkish-Japanese joint mission to Azerbaijan and Central Asia in 1993 and 1997. The most important aspect of these missions is that they were commissioned by the Turkish prime minister and in every country they visited the delegations were personally received by the president of the respective country.

Another important foreign policy initiative in this period the establishment of the Black Sea Economic Cooperation Organization (BSEC) that was founded in June 1992 with the purpose of achieving the integration of the Black Sea region into the world economy within the principles of market economy and democracy (DEİK, 1993). This purpose required the mobilization of business communities, since 9 of the 11 member countries of the BSEC were post-communist transitional economies.⁵⁸ The Turkish Ministry of Foreign Affairs collaborated with the business community, and eventually, the BSEC Business Council was founded under the auspices of DEİK with the purpose of “improving the business environment in the BSEC region and promoting individual and collective initiatives of the private sector in the member countries”. It was founded as a non-governmental, non-profit organization, but at the same time given an observer status at the BSEC Organization with the right to attend all its official meetings (BSECBC, n.d). In other words, through this institutional link established with the BSEC Organization, DEİK as a

⁵⁸ At the time it was established BSEC had 11 member countries, which were Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine. Serbia and Montenegro joined BSEC in 2004, however after the country dissolved in 2006, BSEC membership was inherited only by Serbia. Montenegro applied for membership separately, however Greece opposed all BSEC membership applications in protest, including Montenegro's, in retaliation to Turkey's move to veto the application filed by the Greek Cypriot Administration (Kurt, 2006).

Turkish business association gained another instrument in foreign economic policy participation, this time on a multilateral level.

Turkey's foreign policy stance towards the newly independent republics of the former Soviet Union during the early 1990s is a good illustration of Turkey's foreign activism in the post-Cold War period. This activism, however, did not mean a change in Turkey's foreign policy principles, it was rather a continuation of the dynamic stance adopted in the early 1980s under a changing international context that was defined by globalization and opened new windows of opportunities for Turkey to increase its influence globally in both political and economic realms. As Şule Kut (2001) argued, Turkey did not change its foreign policy principle of maintaining the status quo, but it had to adopt its policies to changing status quos in its neighborhood, and in this sense it embraced a "pragmatic policy that supports the international community's consensus positions, advocates multilateral cooperation, and remains cautious" (p.10). The pragmatism of the policy to be formulated and implemented meant not only a greater emphasis on the economic dimension of foreign relations but also the inclusion of non-state actors in the process such as business associations.

After the passing away of Turgut Özal in 1993, the involvement of the business community in foreign policy issues slowed down. Paraphrasing Kemal Kirişci (2009), the process that was started in the early 1980s was "interrupted" in the 1990s (p.33). Mehmet Ögütçü (2002) regards this interruption as a "deficiency" and argues: "This deficiency reflected badly on the efforts to maintain and advance the nation's commercial interests abroad. From what we have observed in the international economic fora over the past decade, Turkey seems to have failed to fully grasp the importance of economic diplomacy and the need to employ

economics for its political advantages. Attempts to place a comparable emphasis on economic issues as opposed to 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” (p.5). The problem was not that Özal’s successors renounced his perspective and vision; instead it was the changing domestic context, which blocked non-state 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,⁵⁹ 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 and although the formation of the customs union between Turkey and the European Union in 1996 helped to create an environment that could have allowed for greater plurality in the making of foreign economic policies, fragmentation in policy-making structures as well as political and economic instability in general caused the business actors to remain on the sidelines. Paraphrasing Gün Kut (2010), during the 1990s it has been seriously difficult for Ankara to pursue effective foreign policy, because all the coalition governments formed in this period were short lived and it took great efforts for the political parties to reach some degree of consensus (p.11). The most remarkable evidence for foreign policy ineffectively implemented under a global conjuncture defined by rapidly growing economic interdependence among states was the weak presence or the complete absence of business interest groups in foreign policy making process.

The ideal model of state-business collaboration envisaged by the

⁵⁹ A total of ten coalition governments were formed between 1991 and 2002.

governments of this period was one where the state maintained its central position, exercised its authority, determined the rules of cooperation, and effectively used the business associations as an instrument to advance the nation's interests. However, the political and economic conditions of the time did not allow the government to loosen the state's hold on policymaking and allow for greater involvement for the civil society in general and the business associations in particular.

An important attempt of involving the business association in foreign policy formulation process was the establishment of the Economic and Social Council (*Ekonomik ve Sosyal Konsey*) that brought together within a collaborative institutional structure under the supervision of the state. The council was founded with a circular from the Prime Minister's Office dated March 17, 1995, and in its first shape it included representatives of public institutions as well as business associations. The council's structure was eventually changed with subsequent circulars and finally with a law issued in 2001. However, the council did not provide a platform where the business community would come together with the state and formulate policies in a collaborative manner, and failed to function as anything more than a talking club. There have been two reasons for this; first, divergences of opinion and competition among business associations as well as the increasingly apparent ideological cleavages between them prevented the business community from efficiently taking part in the council and representing their constituents interests there. Second, and maybe more importantly, the way the governments of the time perceived and tried to use the council turned the council into a stillborn project. The critique by M. Emin Ruhi (2003) clearly illustrates this point: "In Turkey, the Economic and Social Council has been used by governments not to limit their own power or to receive information, but to legitimize their position or decisions. It is a

council that has no solid legal background and is used arbitrarily”⁶⁰ (p.7).

Individual attempts by statesmen and institutions in authority to establish collaborative networks between the state and the business community for foreign policy relations have been small in number and failed to transform into established practices under the circumstances of the 1990s, yet were still meaningful and proved to be the early implementations of an approach that would take hold over the following decade under a different government. For instance, Foreign Minister İsmail Cem who served between 1997 and 2002 has been a strong proponent of prioritizing economic diplomacy and broadening Turkey’s foreign policy horizon by actively engaging with regions that were hitherto ignored by giving a key role to business associations (Cem'den Ekonomi, 1997). His approach reflected a tendency that had begun to influence the entire diplomatic bureaucracy, as the Ministry of Foreign Affairs has, particularly during the latter part of the 1990s, paid special importance for communication with business representatives in foreign policy related matters. An invitation letter for a meeting sent by the ministry to a number of business associations on March 22, 1996 clearly shows the idea: “For the employment of certain economic instruments that will enable the implementation of the optimal policies to serve national benefits, our Ministry deems it useful to refer to the ideas and opinion of our businessmen who have various linkages overseas” (letter reproduced in Sabuncu, 1996). During the 1990s, Turkish foreign policy making remained dominated by the Ministry of Affairs and the military establishment (Kirişci, 2009, p.31).

The fact that, for reasons discussed above, the state-business interaction in foreign policy making remained relatively weak during the 1990s, does not

⁶⁰ For the original excerpt see Appendix D.

necessarily mean that Turkey's business associations have slowed down their activities related to foreign economic relations. In fact, compared with the previous decade, this period has witnessed an increase in the establishment of business associations' institutional linkages with overseas. The main reason for this tendency was that in a globalizing and increasingly competitive world economy, success in exporting did not only depend on economic factors such as the quality of the product or the demand in the target market, but it was also related to the image of the home country of the company in question and its relations with other countries. This is why in the 1990s, business associations had an increasing stake in Turkey's foreign policy and a greater interest in establishing and maintaining institutional relations with their counterparts abroad.

Europe has been at the center of the business associations' attention in foreign relations, which gained impetus with the entry into effect of the custom union between the EU and Turkey, and the Helsinki Summit of 1999 where the EU officially accepted Turkey's candidacy and commenced a pre-accession strategy in order to prepare Turkey for EU accession. With its "unconditional commitment to the West, to secularism, and liberalism, in economy, society and politics" (Vorhoff, 2000, p.154) TÜSİAD remained a staunch supporter of integration with Europe. After Turkey's entry into a customs union with the EU, TÜSİAD increased its focus on the European process and opened an office in Brussels in 1996 in order to represent the interests of Turkish big business in European institutions and business communities. As a member of the Union of Industrial and Employers' Confederations of Europe (UNICE),⁶¹ TÜSİAD also used this platform for its

⁶¹ TÜSİAD is a member of UNICE since 1987. In 2007, UNICE changed its name as the Confederation of European Business (BUSINESSEUROPE). As of 2011, the membership base of the organization includes 41 central industrial and employers' federations from 35 countries. In addition to TÜSİAD, Turkey is represented at BUSINESSEUROPE by the Turkish Confederation of

lobbying activities vis-à-vis its counterpart organizations in Europe. In 2001, TÜSİAD took a further step with its foreign relations related activities, by establishing a foreign relations unit under the title TÜSİAD International. This unit served to coordinate the associations' activities overseas in cooperation with overseas offices and other relevant units. TOBB adopted a similarly active stance towards Turkey's integration with Europe and opened an agency in Brussels in 1996, whereas MÜSİAD established representation in European countries with large numbers of Turkish migrants such as Germany and France.

MÜSİAD's line with respect to Turkey's foreign relations, however, differed from those of TÜSİAD and TOBB. The association pressed for a renegotiation of the terms and conditions of the customs union, and suggested that while Turkey has benefits in increasing commercial ties with European markets this should not require entering into a political union with an entity that presented itself as a "Christian club." Skepticism of Europe was accompanied by an eastward-oriented outlook in MÜSİAD's vision of foreign relations. In this sense, the association had a particular focus on the Muslim world and against the perception of a global economy dominated by western powers it championed the idea of Third World solidarity among Islamic countries.⁶² MÜSİAD saw East Asia as a rising global powerhouse and in its efforts to establish linkages with this region it regarded Islamic solidarity with the predominantly Muslim countries of Southeast Asia such as Indonesia and Malaysia, as a bridge or a catalyst for building economic linkages. In time, it became the flag bearer of the Turkish business community in these countries and even

Employers' Unions (*Türkiye İşveren Sendikaları Konfederasyonu* – TİSK), an association with quasi-public status.

⁶² During the 1990s, MÜSİAD developed several concrete projects for greater economic interaction with the Muslim world, including the idea of a Cotton Union between Turkey, Uzbekistan, Pakistan and Turkmenistan (eventually to include Egypt and Sudan as well) which would in time evolve into a larger Silk Road Union that would balance the EU as a global power (MÜSİAD, 1996).

assumed a *de facto* quasi-public role in this respect in the sense it established strong linkages with not only the business communities but also the governments and bureaucrats of these countries.⁶³ This role was further reinforced during the coalition government established in 1996 by the Islamist Welfare Party (*Refah Partisi* – RP) and the conservative center-right True Path Party (*Doğru Yol Partisi* – DYP). This was an extraordinary period in terms of foreign policy, as, masterminded by Prime Minister Necmettin Erbakan,⁶⁴ the government adopted a “synthetic” foreign policy approach based on the concept of “fundamental change” (i.e. divergence from the Kemalist and Western-centric principles of Turkish foreign policy) to be established in compliance with a new world order that was supposed to be based on the rules of Islam (Özcan, 1998, p.267). During his short tenure in the office, Erbakan visited several Islamic countries and initiated transnational projects such as the Developing-Eight (D8), which he intended a Muslim counterweight against the industrialized Group of Seven (G7) and a first step towards a larger “Islamic Union” (Koçer, 2003; Aral, 2005). Erbakan’s Islamic overtures in foreign policy were reinforced by business support, mainly by MÜSİAD, as other organizations found it difficult to be included in official delegations (Tüzün, 2008). MÜSİAD increased its influence in this period to a significant extent, and one year after the collapse of the RP-DYP government following the February 28 ultimatum of the military, another business association with Islamic orientation was established under the title Anatolian Tigers Businessmen Association (*Anadolu Aslanları İşadamları Derneği* – ASKON).

⁶³ This role was clearly evident during a MÜSİAD trip to Indonesia, Malaysia and Singapore in March 1996. A 37-person delegation led by the chairman of MÜSİAD, Erol Yerar, had several meetings with ministers and senior bureaucrats and signed agreements with national chambers of industry and commerce. While such practices have already been common for TOBB and TUSİAD, the fact that MÜSİAD had joined their ranks as a foreign policy actor has drawn the interest of pundits, who argued that MÜSİAD’s delegates are greeted as if they were state officials, and they are signing international agreements as if they were state officials (Çakıroğlu, 1996).

⁶⁴ Necmettin Erbakan was a former chairman of TOBB, albeit only for a few months during 1969.

Turkey's relations with the United States have also remained as one of the prioritized issue areas for business associations. TÜSİAD and TOBB have been involved in lobbying activities vis-à-vis American decision makers as early as the 1970s, however it was with the late 1980s and the 1990s that they switched a long-term and proactive strategy instead of a reactive approach aimed at solving short-term problems. TOBB effectively utilized its relations with the counterpart organization the US Chamber of Commerce in order to communicate the interests and positions of the Turkish business community to American businessmen and politicians. TÜSİAD on the other hand opened a representative office in Washington D.C. in 1998 as a permanent platform of communication. The Turkish-American Business Council (*Türk-Amerikan İş Konseyi* – TAİK) which was founded in 1985 and eventually entered into the auspices of DEİK has been increasingly active and its flagship event, the annual meeting, provided an efficient platform for bringing the politicians, bureaucrats and businessmen of the two countries together. Finally, the Turkish - American Business Association (*Türk-Amerikan İşadamları Derneği* - TABA) founded in 1987 has also actively contributed to the relations between Turkey and the United States.

During the 1990s, there was also a significant organizational activity among business associations with semi-public status. DEİK increased the number of its bilateral business councils, thus covering an increasingly larger part of the world. In the meantime, the exporter unions to which all exporting companies are obliged to register were organized under the umbrella of a new business association, Turkish Exporters' Assembly (*Türkiye İhracatçılar Meclisi* – TİM) founded in 1993. There was also significant organizational activity at the local level. As the number of SİADs increased dramatically, they felt the need to establish synergy among them.

To that end, beginning with 1997, SİAD summits were held, and in 2000, they established the Turkish SİAD Platform to coordinate their activities.

Turkey's economic policies had changed dramatically since 1980 and the initial attempts to integrate with the neoliberal world order during the Özal period was reinforced during the 1990s through a second wave of neoliberal reforms, however the public sector and the state apparatus remained a large extent unchanged, thus posing a weakness for the functioning of the Turkish economy in a globalizing world economy defined by the currents of neoliberalism. Turkey was fully exposed to global capital flows, yet it did not have acquired the resilience and state competence to protect itself from the vulnerabilities brought about by increasing interdependence in global sense. As a result, high public debt, a chronic current deficit and high interests increased the fragility of the economy, while the ongoing problems of corruption and nepotism blocked the channels for recovery. More importantly, Turkey failed to couple its liberalization strategies launched in the early 1980s with investment and productivity growth so that the growth of the economy could be built on a solid and sustainable base (Eder, 2001, p.206). With inflation rates reaching triple-digit figures, the crisis of 1994 hit the Turkish economy very strongly, and another crisis in 1998 this time affecting one of Turkey's main trading partners, Russia, dealt another blow. During this period, Turkey resorted to IMF and other international financial institutions, but as the political stability and discipline required for undertaking the necessary structural reforms was absent, this external assistance was of little help beyond saving the day. The crises of 2000 and 2001, which erupted shortly after the signing of an IMF program in December 1999, caused an economic meltdown affecting all sectors of the society and proved that Turkey's dysfunctional economic policies were no more adequate to deal with the

situation. Together with renewed IMF assistance, the coalition government then in power appointed a senior World Bank officer, Kemal Derviş, as a non-partisan Minister of Economic Affairs, and with the support of the civil society, including the business associations, Derviş launched a stabilization program with extensive structural changes, with emphasis on strengthening regulatory institutions, revitalizing the banking sector and increasing social protection (Öniş, 2010). The program was continued after Derviş and his government left the office and replaced by a new government.

The ‘Trading State’ Period: Institutionalization of Business Participation in Foreign Affairs (2002-present)

In November 2002, Turks went to the ballot for parliamentary elections, which turned out to be a remarkable turning point in the country’s recent history. Suffering from the negative repercussions of the economic crisis and dissatisfied with the coalition government’s performance in dealing with the country’s problems, Turkish voters have turned their back to the parties that made up the coalition government, which consequently failed to achieve the ten percent threshold required by Turkey’s election law to enter the parliament, while the newly founded AKP trumpeted a landslide electoral success and established a single-party government with parliamentary majority, for the first time since Özal’s ANAP in the 1980s.⁶⁵

After a decade of inefficient and in most cases outright paralyzed coalition governments, the single-party government of the AKP made a promising start in terms of increasing the efficiency of policy making in Turkey and bringing back the

⁶⁵ AKP won the parliamentary elections in 2002 with 34.3 percent of the valid vote, and consolidated its political power as the single-party government with two further electoral victories in 2007 and 2011, with 46.7 percent and 49.8 percent of votes respectively.

economic and political stability that had been absent during the 1990s. As Ziya Öniş (2006) argues, the AKP government “displayed a far greater degree of unity and commitment to the reform process, both on the economic and the political fronts, compared to the preceding coalition government, which was largely swimming against the tide in this process” (p.218). In other words, AKP utilized the effectiveness brought about by its parliamentary majority, capitalizing on the important initiatives introduced by the previous government, pursuing the reforms with greater efficiency, while at the same time benefiting from its predecessor’s loss of popularity and from the people’s disillusionment with the coalitions. The AKP government remained committed to the structural adjustments and fiscal stabilization, whereas institutional reforms were undertaken with success. As a result, the economy gained resilience against both domestic and external shocks, and steered back to a sound growth trajectory. In time, the business environment improved, investor confidence was regained, and Turkey’s position in global economy was consolidated through increasing foreign trade and investment flows.⁶⁶

In the realm of foreign policy, the dawn of the AKP period marked the commencement of a new wave of foreign policy activism, similar to those experienced in the immediate post-1980 period and after the end of the Cold War. What differed this new wave of activism from those earlier ones is that in the AKP period foreign policy initiatives were undertaken against a background of a stronger economy and greater emphasis on democratic consolidation. These factors, foreign policy activism, democratization, and economic growth have reinforced each other, and become a determining factor in Turkey’s international relations and the country’s position in the global order, which is itself defined by the strong currents

⁶⁶ See Appendix A for statistical data on Turkey’s foreign economic relations.

of neoliberalism and growing economic interdependence.

The foreign policy style of the AKP government can be seen as characterized by a multidimensional approach of maintaining relations with Turkey's traditional partners such as the EU and the United States while at the same time making overtures to hitherto ignored regions; the use of soft power as an instrument for increasing influence and leverage in both global and regional affairs; a greater weight for economic considerations in the formulation of foreign policy; and a shift towards greater involvement by societal groups, including business associations, in policy making. Two notes of caution should be sounded here. First, these characteristics of Turkey's foreign policy should not be seen as an option that was chosen by the government in office, rather they are a reflection of the forces of globalization on the policy making process at the nation-state level. Second, in the Turkish context they have not emerged out of thin air, in fact they can be seen as a continuation of a process started in the 1980s under Turgut Özal, stalled under the chaotic economic and political conditions of the 1990s, and eventually found fertile soil and hence renewed impetus due to the changing domestic context under the AKP's single-party government. These points will be discussed throughout the remainder of this chapter.

There are surely several factors that define the change of context during the AKP period, such as the very fact of a single-party with parliamentary majority, the process of democratic consolidation, institutional change as well as identity-related issues. However, the most important change for the purpose of this study, and one of the most understudied factors of the change in Turkey, is the increasing role of economic considerations in a process that started in the post-1980 period, gained momentum in mid-1990s, particularly with the establishment of a customs union between Turkey and the EU, and eventually galvanized as a major factor in policy

formulation under the AKP government. Borrowing a term coined by Richard Rosecrance (1986), Kemal Kirişci (2009) identifies the transformation of the Turkish polity in general and its foreign policy in particular as the “rise of the trading state.” Increasing volumes of foreign trade and investment flows inevitably bring economic issues to the foreground in the nation’s agenda, and economics is increasingly coming into prominence as a determinant of Turkey’s 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.

At this point it is important to note that economics has a dual function in Turkey’s foreign policy calculations as stronger 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 developing economies of the near neighborhood and beyond 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 crucial more than ever, because the Turkish economy, despite its relatively high growth rates over the past few years, 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 foreign policy increasingly 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 and beyond. In sum, economic factors are shaping Turkey’s foreign policy as never before, and it is indeed the rise of the trading state that Turkey is witnessing.

In a trading state, economic diplomacy takes on significance, and non-state

actors from the economic sphere, such as the business associations, enter the scene as stakeholders in the policy making process:

The nature of a trading state is such that a wider range of actors come to participate in foreign-policy making or diplomatic games and that the interests and priorities of these actors are quite different from those of traditional foreign-policy makers of Turkey. Furthermore, the rise of the trading state has transformed and is transforming traditional foreign policy-makers, too. They are increasingly coming to recognize that Turkey's national interest cannot be solely determined in terms of a narrowly defined national security, and that economic considerations such as the need to trade, expand export markets, and attract and export foreign investment are just as important (Kirişci, 2009, pp.33-34).

The two developments mentioned in the quotation from Kirişci are interrelated and mutually reinforcing in the sense that while non-state actors, in our case the business associations, have a greater say in foreign policy related issues, the traditional policy makers such as the government and the diplomatic bureaucracy recognize benefits in collaborating with them as well, which in turn opens up greater operational space for the business associations. These tendencies, which have their roots in early 1980s but came to fruition in the real sense during the AKP period, are not only identified in academic analyses, but they are evident in policy makers' remarks as well. For instance, State Minister Kürşad Tüzmen, who has been one of the strongest advocates of economic diplomacy in the AKP government, stated that foreign economic policies are successfully implemented, and this success is not only related to the economy or trade, it has implications for Turkey's overall foreign policy profile as well (Tüzmen, n.d.). On the other hand, Ahmet Davutoğlu (2007) does not only refer to the "growing significance of economic interdependence in shaping Turkey's foreign relations" in his book, but also states that "activities of the civil society, business organizations and other organizations" are playing a crucial role in foreign policy (p.83). In fact, in an interview held in 2004, he explicitly remarked

that “the business community has become one the primary drivers of foreign policy”.

Recognition of the primacy of economics in foreign policy and the need for engaging business associations in the policy making process among Turkey’s ruling elite is not limited to the cabinet members, in fact both President Abdullah Gül and Prime Minister Recep Tayyip Erdoğan are business-minded statesmen, proponents of economic diplomacy who adopt a pragmatic, constructive and dynamic collaborative approach with the business community. For instance, unlike their immediate predecessor, President Ahmet Necdet Sezer⁶⁷ and Prime Minister Bülent Ecevit, both Gül and Erdoğan have frequent and direct communication with the representatives of business associations and they embark on official state visits abroad in the company of trade missions consisting of large numbers of businessmen.⁶⁸ This is a practice often associated with Turgut Özal—and to some extent with Süleyman Demirel—yet what differs the AKP period from the earlier times is Turkey’s economy is much stronger, more outward oriented, has greater export and investment capacity, with the private sector occupying a much greater place in Turkey’s economy and external economic relations, and therefore economics and the business community have a more significant place in foreign policy calculus.

Turkey’s foreign policy during the AKP period cannot be understood without reference to the Europeanization process that started during the 1990s, gaining momentum with the Customs Union and the Helsinki Summit. Turkey’s relations with the EU have strong capacity of system transformation in areas such as

⁶⁷ During his tenure as the president, Ahmet Necdet Sezer was rather unsympathetic towards the participation of businessmen in the official matters of the state and did not allow business delegations to join him in official visits. Consequently, some businessmen even regarded the Sezer period as the “lost years” (Sezer’in 7 Yılı, 2007).

⁶⁸ 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.

democratization, economy, security and identity, and in this respect, the pursuit of EU accession profoundly shaped Turkey's both domestic and foreign policy, and EU conditionality, i.e. the need to meet certain criteria set by Brussels in order to commence accession negotiations and eventually join the EU has been an important transformative factor for Turkey (Kirişci, 2006, 2009; Öniş, 2006; Aydın & Açıkmeye, 2007; Keyman, 2009; Terzi, 2010). After taking the office, the AKP government pursued the EU process with great commitment, as the EU-anchor was instrumental in the implementation of democratic and economic reforms in Turkey. Democratic reforms were facilitated by EU conditionality, whereas commitment to the EU process also helped the government to overcome concerns with respect to the party's Islamic credentials, concerns that were fairly legitimate as in the post-February 28 period the memory of the Refahyol government and its foreign policy preferences that signified a deviation from Europe towards the Islamic world were fresh in the minds of many, particularly those of the secular Kemalist elite and the military establishment. In the economic realm, the government's commitment to the EU process served the idea that the sustainability of Turkish economic growth was in the long term related to EU membership and therefore EU accession had to be pursued as "the permanent or long-term anchor needed for the stable development of the Turkish economy given that the role that the IMF could provide was necessarily a temporary one." (Öniş, 2006, p.219).

Business associations supported AKP's policies towards the EU, and it would be fair to say that in this sense there has been a consensus among organizations of different backgrounds. TÜSİAD and MÜSİAD provide a good example in this respect. In contrast with the secular Kemalist orientation of the former, the latter was closely associated with Islamist politics during the 1990s and even though it

refrained from associating itself closely with any political party, the association's constituents made up a large portion of AKP's support base, which is why, as some writers have argued, MÜSİAD acquired a somewhat privileged status under the AKP government (Park, 2012, p.80). TÜSİAD has been skeptical towards the Islamic credentials of AKP, and MÜSİAD has been skeptical towards European integration; yet the Europeanization process and particularly its economic dimension that promised an anchor for economic reforms, a better economy and greater opportunities for the business community, has influenced both associations, and both of them adopted a supportive stance towards AKP's promotion of EU membership, albeit with different priorities in this context.

After a brief wait-and-see period, TÜSİAD made clear its approval for the AKP government's policies, which was evident when in his speech to the general assembly of the association in on January 22, 2004, chairman Tuncay Özilhan stated that the AKP government has provided the political stability that the markets have been expecting for long and that it is pursuing the EU process with great success (Özilhan, 2004). In this period TÜSİAD supported Turkey's EU process through multiple channels. The Committee of Compliance with the EU that was initiated in May 2000, has undertaken the monitoring of Turkey's progress in the entire set of the EU's negotiation chapters, reporting its findings to the state authorities and the public. The office in Brussels was reinforced with further representative offices opened in Berlin on March 1, 2003, and Paris on December 1, 2003. These offices were entrusted with the task of supporting Turkey's EU accession process particularly by informing the European public opinion and institutions about the potential benefits of Turkish membership for Europe. In addition to frequent visits to European capitals and lobbying activities, TÜSİAD contributed to Turkey's EU

process in the form of research, knowledge and information accumulation through its academic ventures with Turkish universities.⁶⁹

While MÜSİAD adopted a pro-EU stance as well, its position was more cautious and less active compared to TÜSİAD. MÜSİAD argued that EU accession was important for Turkey, yet it should not mean that Turkey turns it back to other regions of the world including the Islamic countries, and while EU membership would definitely bring about economic benefits, its political and cultural aspects should be considered carefully. In this respect, while MÜSİAD supported increased trade with European countries, it refrained from wider scale activities such as those of TÜSİAD, in other words its support for EU remained at micro rather than macro level, and always accompanied by a note of caution. The statements published in the association's official journal in 2003, clearly show MÜSİAD's approach: "Turkey is deep into efforts for securing membership, however under the current circumstances, if it does not consider a revolutionary turn in Turkish foreign policy, Turkey would better adopt the principle of 'think twice, drive nice' so that it would reap benefits in terms of medium to long term foreign policy plans"⁷⁰ (Mengüç, 2003).

TOBB, as the umbrella organization of all the chambers of commerce in Turkey, showed an increasing interest in EU affairs, setting forth its legal status as the legitimate representative of the Turkish business community.⁷¹ Within this framework, TOBB opened a Directorate of EU Affairs in 2002, followed by a Committee of Compliance with the EU (similar to that established earlier by

⁶⁹ TÜSİAD has a Competitiveness Forum established with Sabancı University in 2003, the Foreign Policy Forum established with Boğaziçi University in 2004, and the Economic Research Forum established with Koç University established likewise in 2004.

⁷⁰ For the original excerpt see Appendix D.

⁷¹ Article 56 paragraph E of the Law of the Turkish Union of Chambers and Commodity Exchanges (Nr. 5174) that entered into effect on May 18, 2004, stated that it was TOBB's duty to engage in activities for the development of national trade, industry and service sectors; to protect the benefits of these sectors in relations with the European Union and other international institutions; to prepare studies on European Union legislation; and to inform the chambers and commodity exchanges with regard to these issues.

TÜSİAD) founded in 2005, and a permanent representation opened in Brussels the same year. As TÜSİAD utilized its membership at UNICE for the promotion of Turkey's EU accession, TOBB did likewise as a founding member of the Association of European Chambers of Commerce and Industry (EUROCHAMBRES).⁷² Further to its extensive lobbying activities resembling those of TÜSİAD, TOBB prioritized capacity improvement and training for EU readiness and compliance of its constituents. DEİK, meanwhile, focused on joint investments, industrial and technological cooperation with European countries, as well as joint participation in EU-funded projects. While other business associations have taken the EU process as a whole, DEİK's preference was to focus on Turkey's involvement in particular industries.

From the state's perspective, the involvement of business associations in EU affairs was a welcome phenomenon, one that supported the process in the sense that greater plurality in Turkey's interaction with Europe, and the dedicated engagement of the civil society in the process was a great advantage on the road to eventual membership. In this respect, the state has initiated institutional platforms in order to ensure its cooperation with business associations produced concrete results. One significant example in this respect is the European Union Communication Group (*Avrupa Birliği İletişim Grubu – AGİB*) that was established in 2003 as an initiative of the Ministry of Foreign Affairs, and included the Ministry of Tourism and Culture, the Directorate General of Press and Information, Secretariat General of the European Union, as well as TOBB, TÜSİAD and İKV as members (AB İletişim Grubu İş Başında, 2003).

The decision of the European Council in December 2004 to open accession

⁷² Created in 1958, EUROCHAMBRES represents over 19 million member enterprises in Europe through 46 members organizations including TOBB, and a European network of around two thousand regional and local chambers.

negotiations with Turkey the following year was greeted with an initial euphoria in the country, which, however, soon faded away. Negotiations started on October 3, 2005, but the Turkish public became increasingly skeptical of the process as talks were delayed or even suspended, and leaders of European countries began to give negative signals questioning the basis of Turkey's membership and its European credentials. As public support for the EU project declined, so did the enthusiasm of the AKP government, which has also affected Turkey's foreign policy.

Since the 1980s, Turkey's leaders were proposing a dynamic, proactive and multi-dimensional foreign policy and with the single-party government of the AKP conditions were ripe to bring these policy principles to life. From its first day in the office, the AKP government adhered to the idea of improving relations with all parts of the world, however, and ironically, it was after the negotiations that the EU has actually began to lose its priority in Turkey's foreign policy agenda and other regions gradually came to the foreground. Explaining this process in detail, Ziya Öniş and Şuhnaz Yılmaz (2009) argue that this transformation did not mean a shift of Turkey's foreign policy focus away from the European process or a reversal of the Western orientation, rather it signified a new period when foreign policy activism was to be pursued with respect to all neighboring countries as well as regions that have hitherto not loomed large in Turkey's foreign policy radar; however without the strong EU-anchor of the earlier period, and with a greater tendency to act independently on key foreign policy issues. In the words of the authors, Turkey's foreign policy departed from its all-out Europeanization drive of the earlier periods towards a looser form Europeanization and "soft Euro-Asianism," meaning that the Western orientation of Turkish policy was to continue, albeit in a looser and more flexible form that implied more energy to be devoted to relations with non-Western

parts of the world, including the developing countries such as the BRICs.

Within this context, while business associations continued promoting Turkey's EU process, they have also opened up to new regions, as the foreign policy activism of the state and the activism of the business associations, which represented a vibrant and increasingly outward oriented Turkish business community, mutually reinforced each other and developed in tandem. In the most basic sense, for instance, as Turkey's statesmen increased the frequency of their official visits abroad and traveled to an increasing number of countries in the company of business delegations, there has been rapidly increasing activity by business associations as well. Economic globalization and borderless capitalism obliged the business community to engage in all corners of the worlds, and what the AKP government was doing was to provide the private sector with a favorable foreign policy environment. On the other hand, while supporting the EU membership of Turkey was a reactive involvement for business associations in the sense that they reinforced a process that was already going on at the supranational level, greater foreign policy activism beyond EU required the business associations to adopt a proactive stance and to establish linkages with different regions. In this period, business associations increased in number, existing ones expanded their activities in the realm of foreign relations both in terms of regions covered and the content of their involvement in the sense that they were no more confined to trade missions and lobbying; established direct institutional linkages with their counterparts in other countries; invested more in research and knowledge with respect to new markets; all of which meant increasing interaction between the business associations, government and the bureaucracy.

An examination of Turkey's foreign policy overtures towards different (non-

EU) regions of the world will be helpful to illustrate the changing form of the business associations' involvement. It is beyond doubt that one of the main centers of attention in Turkey's foreign policy under the AKP government has been the Middle East. After Özal's attempts to establish a more constructive relationship with the region during the 1990s, mainly by increasing trade and investment, Turkish involvement in the region shifted to an exclusively security-oriented approach and was limited to Turkey's immediate neighbors. Efforts near the end of the decade to diversify relations, such as İsmail Cem's attempts or the Islamic overtures of the Refahiyol coalition did not produce any significant results. The transformation of the Turkish foreign policy under the AKP government, however, led to a profound change in engagement with the Middle East, in the sense that Turkey's activism in the region expanded beyond the immediate neighbors to the entire region, and departed from its focus on security issues towards a multi-dimensional paradigm through which Turkey aimed regional leadership (Hale, 2009; Nouredine, 2009; Kalın, 2009; Kardaş, 2011; Tür, 2011; Altunışık & Martin, 2011). Within this context, Turkey pursued a "zero problem with neighbours" policy, aimed to contribute to regional stability, established bilateral "High-Level Strategic Councils," advocated for Iraq's territorial integrity while at the same engaging directly with the regional government in Northern Iraq, defended Iran against international accusations of this country's nuclear program, and assumed mediation roles in the Lebanese conflict as well as the Palestinian issue. All this diplomatic activity was enforced through Turkey's growing influence in the region derived from the use of soft power, wherein increasing trade and investment volumes have been a major component (Tür, 2011).⁷³ In this process, business associations, whose members'

⁷³ Turkey's trade volume with the Middle East rose from \$5.8 billion in 2002 to \$24.2 billion in 2007, and to \$63.8 billion in 2012. During this period Turkey maintained a trade surplus with the region,

business in the region has been utilized by the state as a foreign policy instrument, have undertaken activities and worked in collaboration with the state in order to create a better business environment in the region and to facilitate their constituents' commercial activities. In the meantime, their foreign policy participation in the Middle East has extended beyond this purely business development dimension, to a much higher profile. For one, Turkish business associations have cooperated with their counterparts in the region to establish platforms of dialogue through which economic relations would be improved with positive spillover effects in the political realm as well. For instance, the Ankara Forum, which was initiated in 2005 by TOBB and business groups from Israel and the Palestinian Authority, launched the "Industry for Peace" initiative, through which industrial and private sector development in the region was aimed for its potential contribution to the Palestinian peace process (TEPAV, n.d.). Similarly, the Levant Business Council that was established by DEİK and its counterparts in Syria, Lebanon and Jordan aimed to promote regional economic integration by encouraging, networking within business sectors, harmonize trade and customs legislation in order to "replace conflict and social frustration with economy and wealth creation" and to improve the relations between the four member states and the EU by "easing the sectarian rift between North and South of the Mediterranean Sea" (Ghorayeb, 2011).

One of the most important factors that radically transformed the structure of regional politics in the Middle East during this period has been the U.S. invasion of Iraq in 2003. From Turkey's perspective, while this issue had a serious security dimension with respect to the Kurdish separatist activity, there were important

and its export-to-import ratio went up from 148.2 percent in 2002 to 198.3 percent in 2012 (TÜİK data). In the meantime, the total volume of Turkish investments in the Middle Eastern countries (as measured through officially exported capital) rose from \$123.7 million in 2002 to \$273.7 million in 2007 and to \$1.26 billion in 2012 (calculated using data from the Undersecretariat of Treasury).

economic implications as well, and business associations have been involved in matters related to Iraq from the very first day on. In early 2003, as the crisis between the U.S. administration and the Saddam Hussein regime escalated, the newly elected AKP government made efforts of intermediation in order to prevent a military intervention to Iraq, and within this framework one of the most significant attempts was the Prime Minister Abdullah Gül's letter to Hussein, which was presented to the Iraqi leader in person by the Turkish State Minister (in charge of foreign trade) Kürşad Tüzmen who travelled to Baghdad in the company of a business delegation. Not only have the businessmen concluded deals worth \$550 million (Her Konuda İşbirliği, 2003), but also the visit was of high symbolic value in the sense that the call for peace was made by a minister in charge of foreign trade and a delegation of businessmen.

A few days after Tüzmen's visit to Baghdad, the Turkish parliament did not give sufficient support for the government motion allowing the U.S. forces across Turkish territory into northern Iraq for the upcoming invasion, which increased Turkey's popularity in the Middle East at the expense of straining relations with the United States. Turkish business associations were significantly involved in this process, although they were far from being in consensus with respect to Turkey's approach to the crisis across its southern borders. The contrast between the positions of TÜSİAD and MÜSİAD provide a good example in this respect. Before the parliament's vote, TÜSİAD adopted a pro-US stance and pressured for allowing U.S. troops on Turkish territory,⁷⁴ while MÜSİAD was strictly against any kind of Turkish involvement in a military intervention against Iraq. In time, however, both

⁷⁴ At a meeting on January 13, 2003, the chairman of TÜSİAD, Tuncay Özilhan, said that although war is undesirable and peaceful solutions should be prioritized, Turkey must side with her allies, providing realistic support and taking the measures to maximize the compensation for possible losses (İş Dünyası Hükümetin, 2003). It is important to note that for this approach TÜSİAD was heavily criticized by the civil society and academia for opportunistic warmongering (Parla, 2007, p.152).

associations adjusted their positions as the United States went ahead with the invasion. TÜSİAD objected to the deployment of Turkish troops in Iraq, and at the same time focused on lobbying activities in order to repair the strained relations with the United States (Yetkin, 2004, pp.216-217). On the other hand, MÜSİAD softened its anti-military stance and argued that since Turkey was in a decisive position with regard to Iraq's future, "Turkish troops could be deployed in Iraq under the condition that they are accompanied with economic and social packages, without interfering in Iraq's domestic affairs" (MÜSİAD'dan Askeri, 2003). During this whole process TOBB and the Turkish-American Business Council operating under DEİK refrained from approving any kind of military involvement on Turkey's behalf (İş Dünyası Savaş, 2003).⁷⁵

In the first few years following the start of the U.S. invasion in Iraq, Turkey was rather hesitant to maintain and improve economic relations with this country, and tried to keep equal distance to the diverse range of actors making up Iraq's political scene. In time, as the U.S. military presence was scaled down, reconstruction of Iraq gained momentum and the Kurdish administration in the northern part of the country gained considerable autonomy, Turkey's approach to Iraq began to change in a constructive manner, with economic considerations being at the center of attention. Northern Iraq emerged as a major market for Turkish exporters and construction companies, and the cooperation between the Turkish government and the Kurdish regional government encouraged this economic relationship still further (Kirişci, 2006, p.47). During this process it was the Turkish businessmen and the efforts of the Turkish business associations that kept the

⁷⁵ For instance, on January 30, 2003, at the general assembly meeting of DEİK, board member Zeynel Abidin Erdem said that entering into war should be out of question, since being allied with the US does not mean that an escalation in Iraq, which would lead to political and geographical problems in Turkey, can be permitted (İş Dünyası Savaş, 2003).

relations between Turkey and Iraq going, and during a visit to Northern Iraq held on September 30-31, 2010 by the Minister of Foreign Affairs Ahmet Davutoğlu and State Minister Zafer Çağlayan in the company of a business delegation proved that relations between Turkey and Northern Iraq was to be developed on an economic basis (Özdemirkıran, 2011). Moreover, in 2009 Turkey began directly importing oil from northern Iraq (Park, 2012, p.99), and in October 2010, responding to the increasing demand by Turkish businessmen active in the region, Turkey opened a consulate general in the northern Iraqi town of Arbil.

In the Middle East, the Turkish government aimed to follow an assertive strategy of regional leadership, to be supplemented by growing economic ties, mediation roles, as well as greater activism at the multilateral level. However, at the same time, Turkey's capacity to deliver as an aspiring leader came to be questioned as well, particularly in the aftermath of the Arab Spring of 2011, with Syria descending into violent civil war and Egypt suffering from military coup and severe instability.

A key focal point of Turkey's foreign policy activism under the AKP government has been the former Soviet Union. Beginning with the mid-1990s there had been a slowing down in Turkey's relations with this region, because the active diplomacy of Turgut Özal and Süleyman Demirel was not continued by subsequent governments; and due to their rapid economic growth based on exports of raw materials, the countries in the region did not need Turkey's involvement as much as they did in their early days after independence.^{76, 77} In time, however, as an in

⁷⁶ An anecdote from the Turkish-Kazakh Business Council (DEİK) meeting held on May 21, 2003 illustrates this point. At this meeting after Prime Minister Erdoğan stated that Turkish entrepreneurs are willing to invest more in Kazakhstan, President Nursultan Nazarbayev said that Kazakhstan has achieved the point where it could become an overseas investor itself and would be interested in investing in Turkey (DEİK, 2003).

⁷⁷ Charalambos Tsardanidis (2001) discusses the following as the reasons for the failure of Turkish

interest in gaining access to the energy resources in the region overlapped with Turkey's wider economic, political, and cultural interests, the AKP period brought renewed focus on relations with Russia, Central Asia and the Caucasus (Park, 2012, pp.104-105).

One of the most important characteristics of Turkey's foreign policy under the AKP has been its geographically multidimensional nature. Particularly with the government's second term in the office after 2007, there has been greater engagement with regions that had hitherto remained on the sidelines of Turkey's foreign policy agenda, such as East Asia, Africa and Latin America. In this endeavor, economics has again a dual function in the sense that the business community saw benefits in having access new markets, whereas their increasing economic presence meant greater policy influence for the state in these regions.

All of Turkey's business associations have been enthusiastic for opening up to these far away regions and establishing relationships there, since these regions included high performing developing markets, such as Brazil, China, India and Indonesia, which offered great long-term market potential for the business associations' constituents. It should also be noted that expansion of Turkish commerce in these regions is also motivated by growing dissatisfaction with the customs union between Turkey and the EU, although the EU is still the largest trading partner of Turkey (Kirişçi & Kaptanoğlu, 2011, p.706). Important steps have been taken by business associations to establish themselves in these regions. For instance, TÜSİAD, despite its Western-centric worldview, made a head start in

policy in Central Asia: i) the Turkish government's failure to provide aid to the Central Asian countries in the quantities hoped for; ii) the Turkish companies' failure to capitalize quickly on the initial opening up and their over-emphasis on the Russian Federation in terms of investing; iii) the refusal of the Central Asian republics to replace a Russian "elder brother" with a Turkish one (pp.174-177).

China by opening an office in Beijing in 2007. DEİK established new bilateral business councils with African, East Asian and Latin American countries. Both TOBB and TİM frequently organized trade missions in various parts of the world, and the former has also undertaken humanitarian work (which can be said to be contributing to Turkey's soft power in the region) by raising a total of around TL 10 million in aid for the fight against hunger and poverty in Africa (Somali Talimatı, 2011).

There are two important points that need to be sounded with respect to the business associations' involvement in relations with the developing world. First of all, working in these regions required a more proactive stance, because in contrast with places like the Middle East and Central Asia, Turkey's involvement in these regions had to be built on a very low base. In order to establish the necessary infrastructure for improving economic relations, the Ministry of Foreign Affairs opened diplomatic representations in countries where they did not exist before, visa requirements were lifted with several countries, and Turkey's national air carrier Turkish Airlines launched flights to several destinations in these regions.⁷⁸ In the meantime, the "trade development strategies" prepared by foreign trade bureaucracy, i.e. the Undersecretariat of Foreign Trade⁷⁹, provided a roadmap for the overall direction of Turkey's economic and commercial relations with the developing markets. These facilities are playing a crucial role in facilitating the activities of business associations and individual businessmen.

⁷⁸ As of September 2011, Turkish Airlines was operating flights to 146 destinations overseas. 76 of them were in Europe, 24 in the Middle East, 23 in East and South Asia, 17 in Africa, and 6 in the Americas (Turkish Airlines, 2011).

⁷⁹ The Undersecretariat of Foreign Trade has developed four such strategies: i) Strategy for Developing Commercial and Economic Relations with Neighboring Countries (entered into effect in 2000); ii) Strategy for Developing Commercial and Economic Relations with African Countries (2003); iii) Strategy for Developing Commercial and Economic Relations with the Countries of the Asia-Pacific (2005); iv) Strategy for Developing Commercial and Economic Relations with the Countries of the Americas (2006) (Boğa, 2006).

The second issue is similarly related to the low base from which the business associations' had to build up their presence in the developing markets. Lacking the benefits of Turkish diaspora and/or pre-established networks in these parts of the world, the associations had to build their networks from scratch. However, one particular business association is an exception in this sense, and requires closer examination. Despite being founded only in 2005, the Turkish Confederation of Businessmen and Industrialists (*Türkiye İşadamları ve Sanayiciler Konfederasyonu* - TUSKON), a business association representing the rising conservative bourgeoisie in Turkey, has in a short time become one of the leading actors in Turkey's relations with Asian, African and Latin American countries. The "trade bridge" events organized every year for each of these regions bring together thousands of businessmen from different countries with their Turkish counterparts as well as policy makers. Various factors have contributed to TUSKON's efficiency. On one hand, TUSKON has close relations with the government that it owes to its large local support base; and none of the other business organizations that have emerged with the rise of the new conservative bourgeoisie in Turkey has closer relations with the AKP government.⁸⁰ But this is not the main advantage of TUSKON in establishing links with the developing countries that are geographically located far away from

⁸⁰ TUSKON is the parent organization of seven regional federations (corresponding to Turkey's seven geographical regions), which in turn cover a total of 151 voluntary businessmen associations and around 15,000 entrepreneurs. TUSKON's members are the regional federations, not the associations or individual companies. In this pyramid structure, any individual company or entrepreneur who joins a local business association, which is in turn linked to one of the seven regional federations, is regarded as a member of TUSKON. Thanks to this organizational structure, TUSKON has a large membership base mainly consisting of SMEs from the conservative camp, i.e. members of the newly emerging conservative bourgeoisie, which is at the same time the main component of the government's electoral support base at the grassroots level. (Buğra & Savaşkan, 2010, p.105). TUSKON is frequently compared with another confederation bringing together regional and sectoral confederations, Turkish Enterprise and Business Confederation (*Türk Girişim ve İş Dünyası Konfederasyonu* - TÜRKONFED), which was established in 2005 as an initiative of TÜSİAD. Although they have similar organizational structures, TUSKON and TÜRKONFED represent different entrepreneurial classes, and the latter's emphasis on foreign relations is much weaker compared to that of TUSKON. As Ayşe Buğra and Osman Savaşkan (2010) point out, "it is doubtful that membership in TÜRKONFED can provide local businessmen with important networks or access to overseas markets" (p.107).

Turkey. Although the organization does not disclose this explicitly, it is commonly argued that TUSKON is the business organization of the Gülen movement⁸¹ and it benefits from the movement's network of educational institutions established in various parts of the world in establishing contacts and making business deals abroad (Buğra & Savaşkan, 2010; Sönmez M., 2010). In other words, when TUSKON was founded, it already had a global network through which it could develop its activities.

Concluding Remarks

As discussed in the narrative above, Turkey's business community has increasingly become an active player in their country's foreign policy through their institutional representative channels of business associations. As Ziya Öniş (2011) wrote: "[Business associations] have emerged as central actors in Turkey's foreign policy initiatives. Foreign policy making in Turkey is no longer dominated by politicians and diplomats. It has been increasingly driven from below by key economic and civil society actors. In other words, economy and trade has turned out to be the practical hand of Turkish foreign policy" (Öniş, 2011, p.56). Moreover, during this process, the participation of the business community in foreign policy related issues has transformed from its *ad hoc* nature of the 1980s to more systematic and institutionalized forms.

This has been a process that is determined by the inter-functioning of political dynamics at three levels, i.e. international structure, domestic conjuncture, and the individuals. As more favorable conditions emerged at all these three levels, business

⁸¹ The Gülen movement is a transnational social movement with religious motives. The movement is led by the Turkish Islamic preacher Fethullah Gülen, who lives in self-imposed exile in the United States, and it has attracted a large number of supporters in Turkey and increasingly in other parts of the world.

associations found more space for themselves in the policy-making structure. For instance, the period before 1980 was marked with the polarization of the Cold War and a weakly integrated global economy at the international level, a strong central state accompanied by political polarization and instability at the domestic level, and conservatively bureaucratic rather than business minded individuals occupying policy making positions at the individual level. Under these circumstances, business association or societal actors in general could not be expected to have much of a role in policy-making process.

The post-1980 period marked a drastic change at all three levels. As the world witnessed the dawn of neoliberal policies, economics became an increasingly important component of relations between nation-states, a process which gained further momentum with the end of the Cold War and the dynamics of globalization that brought about increasing economic interdependence. At the domestic level, Turkey took steps for compliance with the changing world order, and launched a series of liberal reforms under Özal. Finally, at the individual level, the business-minded worldview of leaders like Özal and Demirel have been an important factor in opening greater windows of opportunity for the business community to take part in the policy making process.

It would be fair to argue that the emergence of business associations as foreign policy actors have its roots back in the 1950s, but it was only with the post-1980 period that they have actually entered the scene. Business actors became more visible in foreign policy issues during the 1980s, and there was growing interest in creating a multidimensional foreign policy perspective for Turkey. However, although steps were taken towards this end, materialization in real sense, in other words the move from rhetoric to actualization occurred only with the AKP

government particularly after its second term in the office. Therefore, as several authors have correctly pointed out, it is wrong to equate foreign policy activism exclusively with the AKP government (Kut G., 2010; Özel, 2011; Öniş, 2011) and a better approach would be to examine continuities and ruptures throughout the past three decades.

The reason why the move from rhetorical to actual policy outcome did not occur before the AKP government can be found at the change in one of the three levels discussed above, the domestic level. During the Özal period, there have been attempts to achieve multi-dimensionality in foreign policy and to provide a greater role for the business community in the process. However, these attempts were backfired due to the domestic constraints defined by an illiberal environment for the activity of societal groups and the objections of the strong bureaucracy and security establishment who were skeptical of collaborating with non-state actors. As Kemal Kirişci (2009) wrote: “Özal faced a security and foreign policy establishment very much steeped in a world of military-political and territorial considerations, rather than those of a trading state” (p.44). During the AKP period, however, progress in democratic consolidation has provided a more fertile ground for the foreign policy related activities of business associations, as in the same time greater integration of its economy with global markets turned Turkey into a “trading state,” which is nurtured by the virtuous cycle whereby foreign policy activism leads to greater market access and opportunities for Turkish exporters and investors, whose commercial activities and rising business volumes in turn result in greater economic presence and hence greater influence for Turkey in its immediate region and beyond. The sustainability of this cycle depends on the quality of cooperation between the state and the business community.

The question remains if the greater role assumed by business associations in foreign policy issues under the current government is also leading to a transformation of state-business relations from state corporatism to liberal corporatism. This question requires an in-depth analysis of the dynamics underlying the interaction of the two actors in the foreign policy realm. Having constructed the analytical model, outlined the methodology, selected the cases, discussed the tools to examine these cases with, and set the historical context we can now proceed to the discussions and analysis on questions generated through the analytical model. As discussed in the previous chapter, each of these questions refer to one particular issue area, i.e. i) density of the interaction between the state and the business associations; ii) autonomy of business associations; iii) cooperation and competition between business associations; iv) management and the constituency of the business associations; v) interaction between the government and the bureaucracy. In the following parts of this study, each of these issue areas will be discussed through an examination of changes in overall trends over time since the early 1980s when Turkey liberalized its economy and embarked upon integration with the rest of the globe. The issue areas will be grouped under three headings to offer a more coherent discussion of issues that are of complementary nature. The density of the interaction between the state and business associations will be grouped with cooperation and competition between business associations, because these two items together define the contract between contract between the state and the business associations. Agent autonomy is grouped with the interaction between the management and constituency of business associations, because the intra-agent relationship is a key determinant of the autonomy of business associations. For both of these two groups comparison between the three business associations within the context determined by the

particular issue will help to illustrate the changes along both temporal and institutional trajectories. The fifth issue, i.e. interaction between the government and the bureaucracy, is a group of its own as it focuses on the principal part of the equation.

It is important for setting down the foreign policy actors in the state and outlining how foreign policy is made in Turkey. For this reason, the analysis will start with a chapter on government and bureaucracy in foreign policy making, with subsequent chapters dealing with each of the issue groups listed above.

CHAPTER 4

GOVERNMENT AND BUREAUCRACY IN FOREIGN POLICY MAKING

This chapter deals the questions of how the relationship between the government and bureaucracy has developed over time, whether it has moved from an executive-centric form to a more pluralist and participatory form engaging substantially the bureaucracy. A number of preliminary assumptions are made to place the inquiry on a clear path. First, the government is assumed as a monolithic entity. Inside the executive, there are several layers of power and authority, and while this chapter discusses the roles of different ministries etc., the government is nevertheless taken as a single body acting in unison. As a second assumption, the interaction between the government and bureaucracy is only examined through its foreign policy related dimension. It is acknowledged that the interaction is more complex with one dimension influencing the other, however for the purposes of this study, focus will be only on how the government and bureaucracy interact in foreign policy related issues, and how this interaction impacts business participation in foreign policy.

In the global system of nation states, every country has its own distinctive way of structuring its foreign policy making procedures, through which relations with the outside world are framed and policy is formulated on the basis of the respective country's priorities, expectations, threat perceptions, and several other factors such as history and the level of economic and social development. These formulations are structured on the basis of a legal framework defined by the constitution and the relevant legislation through which the country's foreign policy making apparatus is designed, and its actors, structures and processes are defined.

While these definitions can vary from one country to another and each country can have distinct features with respect to the policy-making system, the interaction between the government and the public bureaucracy constitutes the backbone of the foreign policy making system in every case, and this interaction takes the form of a P-A relationship.

As discussed in Chapter 2, the analytical model employed for this study envisages a two-tiered P-A interaction, with the state as the principal delegating foreign policy tasks to the business associations at the first tier, and within the state apparatus the elected government as the principal entrusting the bureaucracy with certain tasks at the second tier. Although the research question posed in this study focuses on the relationship between the state and the business associations, i.e. the first tier in the model, the second tier is not less important because how the principal at the first tier of the model behaves is determined to a large extent by the intra-principal interaction in the second tier. In other words, the way the government interacts with the bureaucracy in the foreign policy realm, and the content and dynamics of the contract between the two is a key determinant of the behavior of the state as a whole in its interaction with the business associations.

Looking at the issue from this perspective, it is possible to reformulate the research question of the study as the following: Since the 1980s, have the dynamics of the relationship between the government and the bureaucracy in the field of foreign policy evolved in a way to provide a more fertile ground for state-business relations in Turkey to transform from its state corporatist structure towards more pluralist liberal corporatist patterns? This is the question to be dealt with in this chapter, but before tackling the question it would be useful to broadly overview the foreign policy making process in Turkey.

As is the case with any subfield of public policy, foreign policy making processes are defined by institutional, political and ideological variables; and while the policy making process is basically a mechanism running between the executive and the bureaucracy, depending on the configuration of the three variables mentioned above, other institutions and groups can take part in and/or influence the process. For instance, with regard to the participation of business associations, it is possible to expect the combination of a participatory institutional structure, a neo-liberally oriented ideological stance emphasizing economic rationality over political issues, and a political body capable of effectively implementing its policy preferences to produce an environment where the associations can actively take part in the policy-making process. In contrast, a mixture of a rigidly bureaucratic institutional structure, a national security ideology prioritizing the so-called hard issues over economic pragmatism, and a weak and ineffective political body in government would leave the doors of the policy-making process closed to the business community.

Figure 4. Foreign Policy Making Process in Turkey

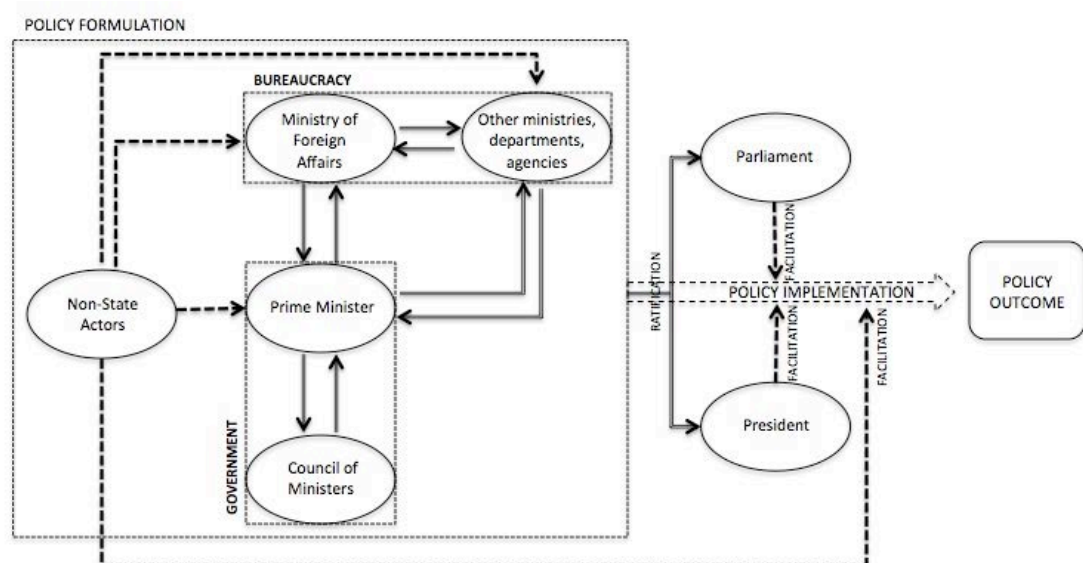


Figure 4 illustrates how foreign policy is formulated through the interaction between the government and the bureaucracy, ratified (in certain issue areas, such as international agreements and overseas deployment of the army) by the parliament and the president, and eventually implemented to achieve a certain policy outcome. Solid arrows in the diagram are depicting the formal policy-making mechanism whereas the dashed arrows are referring to informal exchanges. It should be noted that the figure above represents the Turkish case with its major distinct features, such as the insignificance of the parliament in the formulation process, the key position of the Prime Minister within the executive, the centrality of the Ministry of Foreign Affairs (MFA) within the bureaucratic apparatus, and the interference of the president as a facilitator during the implementation process. Details of the procedure depicted in the figure will be discussed shortly, however, for now suffice to say that non-state actors, including, and especially, the business associations, are a crucial component of the whole system, although they are not part of the formal official policy making structure (hence no solid arrows).

At this point, it needs to be remarked that the Turkish tradition of public bureaucracy represents a legal-patrimonial approach to policy making,⁸² meaning that while the policy-making apparatus is based on a solid legal framework, rules and procedures are implemented to a great extent through patrimonial practices (Heper, 1977, p.145-146). There are hierarchical power relations between the government and bureaucracy wherein the former is the decision-maker and the latter is the decision-taker; and while there is a formalized system of rules, process outcomes are determined by its coalescence with external factors such as political patronage

⁸² Referring to the Weberian ideal types of bureaucracy, i.e. patrimonial, legal-rational and rational-productive types, Heper's empirical research found that Turkish bureaucracy has strong legal foundation, yet its practice is close to being patrimonial than rational. Although Heper has undertaken his research more than three decades ago, his prepositions represent a clear image of the bureaucratic tradition, which continues to dominate the Turkish political apparatus up to the current day.

(Barchard, 2002, p.200). Such an environment provides not only an adequate environment for the establishment and maintenance of informal exchanges between the state and non-state actors, but it also implies that it is the government as the sole constitutional authority setting the policy who determines with whom and how these exchanges are established and to what extent and in what forms they are pursued.

Figure 4 shows that non-state actors can interact directly with the government and the bureaucracy during the policy formulation process, and they can influence the policy implementation as well. For each of the dashed arrows departing from the non-state actors in the diagram, it is the government who decides the contents, dynamics and intensity of the interaction represented by that particular arrow.

Considering the fact that the government is not running the foreign policy apparatus in isolation, and approaching the issue from a P-A perspective, it is possible to take this point one step further and argue that the extent to which non-state actors can interact with the state and get involved in the policy-making process is determined by the interaction within the state itself, i.e. between the government and the bureaucracy. It is all about the contract between the two parties, and the contract between the government and the bureaucracy can influence the contents, dynamics and intensity of the participation of non-state actors in three ways:

- i) The contract between the government and the bureaucracy can require the latter to further delegate certain tasks to the business associations within the limits set by law. A business association cannot replace the MFA or any segment of the foreign policy bureaucracy, yet some tasks that are deemed to be better and more efficiently undertaken by private actors can be assigned to business associations. This can be the case within the

framework of both policy formulation and policy implementation processes.

- ii) The contract between the government and the bureaucracy can require the latter to collaborate with the business community in certain issue areas within the larger realm of foreign policy making. Again this can be the case in both policy formulation and policy implementation processes.
- iii) By regulating the coordinating the relations within the bureaucracy, i.e. between different ministries, department and agencies, the government can open new channels of participation for business associations.

At one theoretical extreme, the contract between the government and the bureaucracy would require the civil service to delegate all of its tasks to business associations and/or collaborate with them in every single issue. Referring to the two-tiered analytical model employed in this study, this would mean that the agent at the second tier is eliminated and at the first tier, the principal would be the government, rather than the state, with the whole foreign policy process then undertaken through the interaction between the government and the non-state actors. At the other extreme, the entire process would run at the second-tier as the contract between the government and the bureaucracy would leave no task to be delegated to the business associations and there would be no collaboration between the business actors and the bureaucracy, which would mean that the first-tier of the model is irrelevant. Every historical case is located at a certain point between the two theoretical extremes, of course with legislation determining up to which point one can approach the extremes, and for the purposes of this study it is important to find out how and towards which direction the position of Turkish foreign policy making has changed along the

spectrum. Before embarking on this task, the black box of the state needs to be opened and actors within identified, their functions and responsibilities should be discussed, and the interactions in Figure 4 examined, in order to map out the dynamics of foreign policy making in Turkey.

Government and Bureaucracy in Foreign Policy

Government

Turkey's constitution grants the authority to determine the objectives and principles of foreign policy to the executive branch of the government. It is the government that has the power to formulate and implement Turkey's foreign policy, bearing the responsibility for the outcome and consequences of policies enacted. As inscribed in the constitution, the prime minister's duty is to coordinate the different ministries of the government and "supervise the implementation of the government's general policy" (Article 112 of the Constitution). The prime minister undertakes this task in his/her capacity as the head of the government and the chair of the council of ministers, which is empowered to determine, formulate and implement Turkey's foreign policy.

Different governments can have not only different ideologies, but also different structures such as single party governments and coalition governments, and government structure can pose serious problems for the formulation and implementation of the policy. Single party governments with parliamentary majority have a record of working efficiently in terms of formulating policies and making laws. With all the members of the council of ministers from the same party, and with

a majority enabling legislation to be passed in the parliament without facing partisan resistance, single party governments find it easy to formulate their policies and to implement them. Fragmented government structures, on the other hand, bring greater pluralism, albeit at the expense of efficiency. Turkey's coalition system explicitly distributes ministries and agencies to political parties, which means that the government program, which sets up the foreign policy stance of the government, requires a consensus among different parties with varying world views and interests to materialize into actual policy, a quest which grows even more difficult considering Turkey's antagonistic political culture. At the end of the day, coalition partners need to meet at their lowest common denominator, which is usually far from being the optimal outcome.⁸³

The president of the republic as the head of the state is one of the key actors in Turkey's foreign policy. The constitution entrusts the president with the tasks of "ratifying and promulgating international treaties", "deciding on the mobilization of the Turkish Armed Forces", and "accrediting representatives of the Turkish state to foreign states" (Article 104). While these formal functions of the president are by all means important, it is his/her representative function that is of greater significance for Turkey's external relations. The president's visits to other countries, his/her reception of counterparts, and participation in multilateral platforms are important in facilitating Turkey's foreign policy, reinforcing the policy guidelines determined by the state under the assumption that there is no serious conflict between the president and the government in office.

Conflicts, however, can occur. Gün Kut (2010) presents the president, the prime minister and the minister of foreign affairs as the three key individuals in the

⁸³ Gün Kut (2010) points out that an important feature of the Turkish coalition system is that the leader of the major partner is appointed prime minister, whereas the leader of the minor partner assumes the Office of the minister of foreign affairs (p.10).

foreign policy making process, noting that that their interaction is vital in shaping the policy but that does not necessarily mean that the three are always in concordance (p.6). According to Kut, it is not also the internal and external conjunctures, but also the three individuals' preferences and their personalities, which determines who has greater weight in the policy-making process. As Ertan Efeğil (2001) writes that "success can rest largely on the agreement between the president and the prime minister, and a strong president overwhelm all opposition and criticism" (pp.157-158), turning him/her into the most influential actor in the foreign policy making process. It can also be the other way round, and a weak president can have minimal influence against a strong prime minister.

Personal traits of the individuals occupying the top posts of the executive are indeed of great significance with respect to how policy is made. Historical record as discussed in Chapter 3 has shown that while some presidents and prime ministers in the past have embraced a more proactive and dynamic stance towards foreign policy issues, others remained rather passive in this field instead concentrating more on domestic questions. Some have prioritized the security aspects of foreign relations, while others focused more on economic ones. Some of them preferred to rely solely on the bureaucratic apparatus, while others have welcomed the involvement of non-state actors in policy-making process. In other words, the personality of the individuals occupying these posts is an important variable shaping the P-A contract between the government and the bureaucracy.

Going back to the president's formal tasks, an important point is that for the president to perform the tasks stated in Article 104 of the constitution, the parliament is required pass a law of ratification on the particular issue first. It is the parliament as the legislative organ of the state, which is authorized to ratify international

agreements and decide on sending Turkish troops abroad,⁸⁴ and upon receiving the parliament's draft law, the president can decide whether to ratify or veto. The parliament has also the power to approve or reject legislation, and to activate its supervision mechanisms such as parliamentary hearings, general debates and votes of confidence in foreign policy related issues. In theory, the parliament appears as a key actor in the foreign policy making process as it has the power to approve or reject legislation. However, in practice this is far from being the case, and in terms of its formal functions the parliament is little more than a rubber stamp of the executive. Almost half a century ago, Mümtaz Soysal (1964) wrote that rules and principles related to the executive-legislative relations in the field of foreign policy making are only mechanisms of supervision that are activated after the whole policy formulation and implementation processes are completed and an actual policy outcome has materialized (p.258). In today's Turkey, what Soysal has pointed out is still valid, and this is not only because the executive has greater powers than the legislative, but also because foreign policy is a field that requires specialist expertise and the ability to act quickly (Tanör, 2001, p.509).

The parliamentary Foreign Affairs Commission can be considered a foreign policy actor, yet its functions and influence are limited too. Other parliamentary committees such as the European Union Harmonization Commission, the National Defense Commission and the Industry, Trade, Energy, Natural Resources, IT Commission are involved in foreign relations to varying degrees, however it is the Planning and Budgetary Commission that has the greatest significance with respect

⁸⁴ Article 90 of the constitution states that "The ratification of treaties concluded with foreign states and international organizations on behalf of the Republic of Turkey, shall be subject to adoption by the Turkish Grand National Assembly by a law approving the ratification." The issue of sending troops abroad is dealt with in Article 92, which reads "The Power to authorize the declaration of a state of war in cases deemed legitimate by international law and except where required by international treaties to which Turkey is a party or by the rules of international courtesy to send Turkish Armed Forces to foreign countries and to allow foreign armed forces to be stationed in Turkey, is vested in the Turkish Grand National Assembly."

to foreign policy, because it is where the budget of the MFA is discussed and determined. Moreover, international parliamentary commissions and bilateral friendship groups offer channels of communication between Turkish parliamentarians and their counterparts in other countries thus helping to facilitate Turkey's foreign policy.

Bureaucracy

Foreign ministries are the key institutions in the execution of foreign policy, regardless of the political system of the country in question, and they almost always have a privileged place in within their country's bureaucratic apparatus. Turkey is in this sense no exception, and the functions and responsibilities of Turkey's MFA, which are explicitly stated in detail by relevant legislation⁸⁵, can be summarized under three headings: i) implementing foreign policy within the guidelines and principles determined by the government; ii) managing Turkey's relations with other countries and international organizations; and iii) coordinating foreign policy.

⁸⁵ The Law on the Execution and Coordination of International Relations (*Milletlerarası Münasababların Yürütülmesi ve Koordinasyonu Hakkında Kanun*) Nr.1173 dated May 5, 1969, states: "In accordance with international law and the Constitution, and with the authorities of the President and the Prime Minister remaining reserved, relations and negotiations of the Republic of Turkey with foreign countries, and their representations and representatives; with international councils, and their representations and representatives, are executed, in conformity with the following clauses and articles, by the MFA, in cooperation with relevant ministries; and international agreements with foreign countries and international councils as described in article 65 of the Constitution are executed by the same Ministry in cooperation with other ministries." (Article 1) According to the Law on the Establishment and Duties of the Ministry of Foreign Affairs (*Dışışleri Bakanlıđı'nın Kuruluş ve Görevleri Hakkında Kanun*) Nr.6004 dated July 7, 2010, the tasks and powers of the MFA are as follows (in summarized form): Making the preparations for the formulation of the foreign policy of the Republic of Turkey, putting forward proposals, executing and coordinating foreign policy in line objectives and principles determined and employed by the government; representing the Republic of Turkey and its government as the competent authority before foreign states and international organizations, and executing, managing, directing and developing the foreign relations of Turkey in cooperation with relevant institution, and safeguarding the interests of the country; assisting state organs with their pursuit of international contacts; supervising, coordinating and participating in the foreign policy related activities of other public institutions; protecting and promoting the rights of Turkish citizens living abroad; managing the processes related to international agreements signed with other countries and international organizations in cooperation with other public institutions (various clauses of Article 2).

Looking at the issue from a P-A perspective it is evident that the government is the principal and the MFA is the agent entrusted with the task of executing foreign policy within the principles determined and employed by the government, which is constitutionally the sole authority to formulate the policy. It has to be noted, however, that the ministry is an agent with a substantial degree of autonomy, derived from its accumulated experience and knowledge in foreign affairs. This is why the ministry cannot be considered as a passive agent doing only what it is told; on the contrary, it exerts significant influence on the government and provides the necessary inputs during the policy formulation process. As Temel İskit (2007) clearly states, the MFA is in practice the major actor in both the formulation and the execution of policy, and the degree of the autonomy it enjoys allows the ministry to make changes and adjustments in the policy that is already formulated by the government. What is usually the case is that the ministry prepares a number of policy alternatives, which are approved either as they are or with changes by the government, and then executes the policy (pp.455-456).

The government and the ministry are, however, not always acting in concordance. İskit (2007) argues that the ministry embraces the guidelines set forth by the government only if they comply with its own principles, and if this is not the case, then either the ministry persuades the government towards its own line, or the government chooses to bypass the diplomatic bureaucracy as much as its possible (p.439). In practice, it is the government who usually has the final word with regard to issues subject to government-bureaucracy conflict, and if there needs to be persuasion, it is the bureaucracy, which stands at the lower platform of the hierarchy, that is persuaded. Ambassador Sumru Noyan points out that the ministry always

stands firm behind its principles, although it is the minister him or herself who is the ultimate decision maker:

There is this system at the Ministry of Foreign Affairs, everybody is entitled to speak out his or her ideas openly... Everybody defends his or her own opinion, but at the end of the day it is the minister who is at the top. Let me give you an example from the establishment of the Black Sea Economic Cooperation Organization. When it was founded, we suggested that countries not littoral to the Black Sea should not be permitted into the organization. However, the minister then travelled to one of those countries we did not want to take in, then came back and told me ‘do not utter a word Sumru, this is going to happen’. He meant that it was already decided and we should not talk about this anymore. We had to say okay. But I must say that in every issue we defended our own position (Noyan, personal communication, May 3, 2012).⁸⁶

The MFA manages Turkey’s relations with other countries and international organizations through its headquarters in Ankara and an extensive overseas network. The top bureaucrat at the ministry is the undersecretary, who, “as the embodiment of the continuity of the state, institutional memory and professional expertise, has the function of presenting the policy alternatives prepared by the Ministry to the policy-makers and executing the decisions taken, therefore having significant power and authority in critical issues like setting the agenda and deciding the methods towards the desired goals” (Kut, 2010, p.6).

One of the defining aspects of the ministry’s organizational structure is that it is based on the distinction between bilateral and multilateral issues. Out of the five deputy undersecretariats of the ministry, one is dedicated to bilateral political issues, another on multilateral political issues, whereas the three remaining offices, i.e. general political issues, European issues and economic issues, have the same distinction within themselves. While the merits of this distinction can be questioned in the current state of international relations where any kind of relationship deemed

⁸⁶ For the original quotation see Appendix D.

to be bilateral has now a multilateral dimension given the involvement of multiple actors in the relations between countries, the ministry continues to operate through this structure. It is also observed that bilateralism has been dominating the institutional mindset of the ministry, given the deeply entrenched skepticism about the benefits of multilateralism (İskit, 2007, p.461).

In an increasingly interconnected world, there remains only a few, if any, issues which can be deemed to be totally domestic, and almost every policy area has a an international dimension. This means that while the MFA has the authority to execute Turkey's foreign policy, other ministries and public departments are pursuing their own external relations, in several cases different institutions can be working at cross-purposes, and since these institutions also represent the Turkish state, their involvement is of crucial significance for foreign policy in general. It is the responsibility of the MFA to coordinate the foreign policy related activities of different ministries, agencies and departments, so as to ensure that the unity of representation is adhered to and policy cacophony is avoided.

Table 2. Degree of Foreign Policy Involvement of Different Ministries

Institution	Legal base of responsibilities and duties	Duties with relevance to Turkey's foreign policy	Foreign policy involvement*
Ministry of Culture and Tourism	Law on the Organization and Duties of the Ministry of Culture and Tourism, Nr.4848, dated April 16, 2003	Promoting Turkey's cultural and tourism related assets.	LOW
Ministry of Customs and Trade	Legislative decree on the Organization and Duties of the Ministry of Customs and Trade, Nr.640, dated June 3, 2011	Preparing and implementing customs policies. Enforcing the customs law, other legislation related to customs procedures and related international agreements. Preparing customs tariffs. Monitoring the activities of international organizations and the European Union in customs related issues and managing European Union compliance work.	MEDIUM

Ministry of Development	Legislative decree on the Organization and Duties of the Ministry of Development, Nr.641, dated June 3, 2011	Developing long-term strategies in collaboration with international organizations. Advising the government on the compliance of financial, monetary, foreign exchange and foreign trade policies with development plans. Developing relations with international organizations, and coordinating contacts and negotiations with them in accordance with the principles laid out in development plans.	MEDIUM
Ministry of Economy	Legislative decree on the Organization and Duties of the Ministry of Economy, Nr.637, dated June 8, 2011	Various duties related to the coordination and execution of Turkey's economic and commercial relations with the rest of the world.	HIGH
Ministry of Energy and Natural Resources	Law on the Organization and Duties of the Ministry of Energy and Natural Resources, Nr.3154, dated February 19, 1985	Identifying Turkey's short and long-term need for energy and natural resources, and planning policies for the procurement of sources. Granting rights for the exploration of resources; building, operation and usage of facilities.	MEDIUM
Ministry of Environment and Urban Planning	Legislative decree on the Organization and Duties of the Ministry of Environment and Urban Planning, Nr.644 dated June 29, 2011	Identifying the plans and policies related to global climate change and necessary measures. Monitoring and contributing to international activities in issues related to environment and urban planning.	LOW
Ministry of European Union Affairs	Legislative decree on the Organization and Duties of the Ministry of European Union Affairs, Nr.634, dated June 3, 2011	Directing, supervising and coordinating activities related Turkey's preparation for EU accession, and coordinating related activities in the post-accession period.	HIGH
Ministry of Family and Social Policy	Legislative decree on the Organization and Duties of the Ministry of Family and Social Policy, Nr.633, dated June 3, 2011	Monitoring and contributing to international development and activities related to family and social policy.	LOW
Ministry of Finance	Legislative decree on the Organization and Duties of the Ministry of Finance, Nr.178, dated December 13, 1983.	Monitoring international organizations' activities relevant to the Ministry's services and undertaking related tasks both at home and overseas.	LOW
Ministry of Food, Agriculture and Animal Husbandry	Legislative decree on the Organization and Duties of the Ministry of Food, Agriculture and Animal Husbandry, Nr.639, dated June 3, 2011	None	LOW
Ministry of Foreign Affairs	Law on the Establishment and Duties of the MFA, Nr.6004, dated July 7, 2010	Various duties related to the coordination and execution of Turkey's relations with the rest of the world.	HIGH
Ministry of Forestry and Water Resources	Legislative decree on the Organization and Duties of the Ministry of Forestry and	Monitoring and contributing to international activities in issues related to forests and water	LOW

	Water Resources, Nr.645 dated June 29, 2011	resources.	
Ministry of Health	Legislative decree on the Organization and Duties of the Ministry of Health, Nr.181, dated December 13, 1983	None.	LOW
Ministry of Justice	Legislative decree on the Organization and Duties of the Ministry of Justice, Nr.175, dated February 14, 1983	Undertaking transactions related to foreign countries in issues related to judiciary services.	LOW
Ministry of Labor and Social Security	Law on the Organization and Duties of the Ministry of Labor and Social Security, Nr.3146, dated January 9, 1985	Protecting and developing the rights and benefits of Turkish workers working overseas in issues related to work life and social security	LOW
Ministry of National Defense	Law on the Organization and Duties of the Ministry of National Defense, Nr.1325, dated July 31, 1970	Undertaking political, legal, financial and budgetary services related to national defense.	MEDIUM
Ministry of National Education	Law on the Organization and Duties of the Ministry of National Education, Nr.652, dated August 25, 2011	Taking measures to meet the education related needs of Turkish citizens who are residing or working overseas.	LOW
Ministry of Science, Industry and Technology	Legislative decree on the Organization and Duties of the Ministry of Science, Industry and Technology, Nr.635, dated June 3, 2011	Managing relations with international organizations, the European Union and foreign countries in relevant issue areas.	LOW
Ministry of the Interior	Law on the Organization and Duties of the Ministry of Interior, Nr.3152, dated February 14, 1985	Ensuring the safety of Turkey's borders, coasts and territorial waters.	LOW
Ministry of Transport and Communication	Legislative decree on the Organization and Duties of the Ministry of Transport and Communication, Nr.655, dated September 26, 2011	Managing international relations and negotiating international agreements as required by activities and services in transportation, maritime affairs, communication, postal services, aviation and space technologies.	LOW
Ministry of Youth and Sports	Legislative decree on the Organization and Duties of the Ministry of Youth and Sports, Nr.638 dated June 3, 2011	None	LOW

* The degree of foreign policy involvement has been determined by taking relevant duties of the ministries as stated in their legislation into consideration. For each ministry, the law (or legislative decree) on its organization and duties provides a list of duties and responsibilities. In this table, the degree of foreign policy involvement has been determined by calculating the percentage of foreign policy related duties in the total number of duties and responsibilities as stated by the law. Accordingly, for ministries of which this percentage is higher than 50 percent, the foreign policy involvement is determined to be HIGH, between 20 and 50 percent it is MEDIUM, and lower than 20 percent it is LOW.

Table 2 shows the different ministries of the executive branch in alphabetical order, the duties they are undertaking with relevance to Turkey's foreign policy, and the degree of the foreign policy involvement. As can be clearly seen in this table, there are two ministries other than the MFA with a high level of involvement in foreign policy issues. The Ministry of European Union Affairs is by all means an important institution coordinating Turkey's efforts in one of its major foreign policy goals, i.e. EU accession. However, this ministry is involved only in one particular area of Turkey's foreign policy, and has only a certain level of influence on foreign policy in general. In contrast, the other ministry with an high degree of foreign policy involvement, the Ministry of Economy (MoE) as the institution responsible for developing and implementing Turkey's foreign trade policy, merits greater attention here, because as countries are increasingly interdependent in the economic sense, foreign trade becomes a major component of foreign policy, and this ministry's activities have an impact on the foreign policy making process, in both bilateral and multilateral affairs, at each stage.

The MoE is entrusted with the task of organizing and executing Turkey's bilateral, regional, and multilateral economic and commercial relations with foreign countries and international organizations.⁸⁷ As is the case with the MFA or any public institution, the MoE performs these tasks within guidelines and principles determined by the government. The top bureaucrat of the ministry is the

⁸⁷ The legislative decree on the Organization and Duties of the Ministry of Economy (*Ekonomi Bakanlığının Teşkilat ve Görevleri Hakkında Kanun Hükmünde Kararname*) Nr.637 dated June 8, 2011 details the tasks of the ministry as follows (in summarized form): Assisting with the formulation of major objectives and policies related to foreign trade services, developing and implementing the foreign trade policy; taking the necessary measures for the outward oriented structuring of economic activities; organizing and executing Turkey's bilateral, regional, and multilateral economic and commercial relations with foreign countries and international organizations; taking measures to diversify export markets and products in order to increase Turkey's share in world trade and ensure sustainable export growth; ensuring that imports are carried out in a way that benefits national economy and local industries are protected; ensuring that national development benefits from foreign investment inflows; supervising exports and imports.

undersecretary, under whom there are eight directors general for each of the key operational areas of the ministry, i.e. exports; imports; international agreements; the European Union; incentives and foreign investment; free zones, outward investment and services; product security and inspection; economic research and evaluations. In addition to its headquarters in Ankara and regional offices throughout Turkey, the ministry operates through an overseas network.

As economic and commercial relations with the rest of the world are taking on a new significance within Turkey's foreign policy making process, the influence of the MoE is increasing. This institution does not only represent one of the most rapidly expanding bureaucracies in Turkey's state apparatus, but also its recent upgrading from its predecessor, the Undersecretariat of Foreign Trade (UFT), into a full fledged ministry in 2011 bears evidence for its growing role in the making of Turkey's foreign policy. Moreover, with regard to the business community's participation in the policy making process, it has to be noted that in contrast with other public institutions, the foreign trade bureaucracy has always been open to collaboration with business representatives. As Ömer Berki, former director general of exports at the UFT, recalls: "This is a tradition since the 1950s and the 1960s, something we have learned from our superiors. The bureaucrat needs to be arm in arm with the exporter. When everybody was demonizing the businessmen and trying to keep aloof, we were working together with them" (Berki, personal communication, April 18, 2012).⁸⁸

There is a clear P-A relationship between the government and the foreign trade bureaucracy, as there is one between the government and the diplomatic bureaucracy as well. It is important to note however that these are not isolated dyadic

⁸⁸ For the original quotation see Appendix D.

relationships. Rather, they are pieces of a whole; components of a multilateral interaction between the government and the bureaucratic apparatus. It can be envisaged as a one single complex relationship between the government and the bureaucracy, wherein the intra-bureaucratic relations are coordinated by the MFA which is by law entrusted with the task of organizing public institutions' foreign policy related activities.

In brief, what we are examining is the P-A interaction taking place within the foreign policy making process between a government dominated by a strong executive and the foreign relations bureaucracy with the MFA at the center and the MoE as a major, if not *the* major actor with respect to the economic aspects of foreign policy. We can now discuss how this interaction has developed since the early 1980s and whether it has evolved in a manner enabling non-state actors to play a greater role in the policy making process.

Development of Government-Bureaucracy Relations in the Foreign Policy Making Process

The relationship between the government and the bureaucracy in the foreign policy making process involves the former delegating certain tasks to the latter, and as has been discussed above, it is the government that is constitutionally given the task to formulate the policy, and the bureaucracy provides a support mechanism that prepares policy alternatives, uses its expertise and accumulated knowledge to provide inputs and oversees the implementation. On the other side of the equation, the government grants the bureaucracy certain incentives in return for the services it provides. These incentives come in the form of greater autonomy, as the government

can choose to provide the foreign policy bureaucracy, or only particular institutions within, with a greater role in the policy making process and/or with greater institutional capabilities, such as new areas of authority or expansion of staff which lead to an increased autonomy for the institution of question. Both dimensions of this relationship affect the extent to which the non-state actors like business associations can have a say in the policy making process. On one hand, the delegation of tasks and duties by the government to the bureaucracy can choose to bypass certain tasks and forward them to business associations instead or it can require the bureaucracy to undertake these tasks in collaboration with the business actors. On the other hand, having greater autonomy can enable the bureaucracy to choose to what degree and through which channels it is going to involve business actors in the policy making process.

The relationship between the government and bureaucracy is not fixed and it is defined by a set of political, ideological and institutional variables. The contents and dynamics of this relationship and hence the operational space allowed for business associations within the foreign policy making realm are determined by the configuration of these variables. In this part of the study, we will discuss how this configuration has changed over time, referring to the periodization given in the introductory chapter of the study.

An examination of the political, ideological, and institutional variables determining the contents and dynamics of the P-A relationship between the government and bureaucracy in Turkey during the 1980s has to start with a discussion of the conditions of earlier decades and examine the transformation brought about by a major turning point in Turkish history, the coup of September 12, 1980. As has been discussed in an earlier chapter of this study, the constitution of

1961 had brought about a relatively liberal democratic regime in Turkey. This liberal environment, when coupled with a rapidly increasing rate of social mobilization and rural immigration led to a drastic tendency of fragmentation along socioeconomic, ideological, sectarian and ethnic lines, as “(t)he fragile Turkish democratic system came under the stresses and strains of illiberal groups often propagating against democratic principles, procedures and institutions” and consequently “the established political parties were compelled to seek the support of such groups, which polarized the party system further.” (Kalaycıoğlu, 2005, p.123)

This fragmentation had an impact on the interaction between the government and the bureaucracy as well. The bureaucratic ruling tradition originating from the Ottoman period had been kept alive by the Republican bureaucracy, and in the early decades of modern Turkey the bureaucracy had a well entrenched position in policy making processes, in other words a significant amount of autonomy from a P-A perspective. However, with the liberal environment flourishing after 1960, the bureaucracy began to feel that its position was threatened, and engaged, in the words of Metin Heper (1977), in “negative politics”, resulting in polarization and even outright hostility between the bureaucracy on the one side and the government on the other (pp.80-82). In the fragmented and polarized environment of the 1970s, which was accompanied by liberal economic ideas, the bureaucracy “could not keep their ground” (Heper & Berkman, 2009, p.75) and failed to prevent the penetration of political parties into the ranks of civil bureaucracy through patronage and explicit nepotism (ibid, p.75; Karpas, 2004). This meant, from a P-A perspective, as Turkey approached the fateful day of September 12, 1980, the government-bureaucracy interaction was not only defined by eroding autonomy for the latter, but also, and mainly, by near paralysis of the whole structure.

After the military intervention, Turkey entered into a period wherein an increasingly illiberal political regime with severe restrictions on civil rights coincided with an increasingly liberal economic environment aimed at integrating the ailing Turkish economy with global markets. For the military rulers of Turkey, corrupt bureaucracy (along with political parties) was accountable for the turmoil Turkey was in, and Turkey needed a more efficient and non-corrupt bureaucratic apparatus to achieve the objective of integrating with the rest of the world. This is why during the transition period between 1980 and 1983 there have been efforts “to streamline the bureaucracy structurally as to make it more efficient and effective, that is, turn it into a legal-rational bureaucracy” (Heper & Berkman, 2009, p.75).⁸⁹

With the general elections held on November 6, 1983, the interim period has come to an end, and Turkey returned to the path of democratization albeit under the heavy tutelage of the military. It was the Motherland Party (ANAP), which emerged victorious from the ballot box, and its leader Turgut Özal, who became the prime minister, embarked on a series of drastic measures with regard to the interaction between the government and the bureaucracy.

During the ANAP period, characterized by the dominant personality of Turgut Özal, political, ideological, and institutional variables aligned in a way that resulted in a specific configuration of the P-A relationship, wherein the agent’s (i.e. the bureaucracy’s) autonomy was severely restricted, non-state actors such as businessmen and their associations replaced or complemented the bureaucracy in certain issue areas, and the principal (i.e. the government) had an absolutely dominant position controlling the entire set of interaction.

⁸⁹ The objective of “ensuring a fully functioning bureaucratic mechanism” was one of the priority items in the program of the interim government led by Bülend Ulusu. This program set the tasks of “ensuring nonpartisan administration”, “distribution of tasks, authority and responsibilities” and “preventing over-centralization in public administration” (Yine Bürokratlar, 1980). The government has implemented, with considerable success, a series of measures to achieve these objectives.

Starting with the political variables, it should be stated that ANAP came to the office as a single party government and had absolute majority in the parliament. The absence of opposition gave Özal's ANAP a free hand in determining the principles of policy formulation and implementation. From the institutional point of view, on the other hand, it can be argued that the ANAP government carried out with the previous period's efforts to reform the bureaucratic apparatus. After winning the elections in 1983, one of the first statements Özal had made was that the bureaucracy had to be reformed: "We have important the basis of our bureaucracy from France and we have been practicing it for the last 150 years. There will be difficulties on the way but it is already time for reforming the bureaucracy" (Bürokraside Reform, 1983). What Özal meant with bureaucratic reform was primarily rendering the bureaucracy more efficient and decreasing the amount of paperwork that citizens had to go through, but he had also in mind to reduce the scope of the involvement of the bureaucracy in politics and policy making processes. Özal was a pragmatic and result-oriented statesman who deemed the bureaucracy as a slow and inefficient apparatus. In his view, if Turkey was to integrate with the world and increase its welfare, it could not be done by relying solely on this obsolete machinery; there had to be dynamism instead of paperwork.

Metin Heper and Ümit Berkman (2009) make a crucial point with regard to Özal's preferred method of ensuring this dynamism. In contrast with the preceding period under the transition government, where Özal himself was state minister and deputy prime minister in charge of economic affairs, the ANAP government did not try transform the public bureaucracy into a legal-rational one, instead attempted, with considerable success, "to turn the bureaucracy into a virtually subordinate arm of the government" (p.76). Several methods were employed to this end, including nepotism

in the sense of placing the party's followers to key bureaucratic positions, posting those civil servants who were not sympathetic towards the government to irrelevant and inactive positions, creating new agencies as well as autonomous units within already existing ones, transferring functions between agencies, and employing officials from outside the bureaucracy to key posts (pp.76-77).

It will be remembered that similar practices have been common in the pre-1980 period when there had been a significant level of politicization within the bureaucracy, and political parties in coalition governments attempted to turn public institutions into their own backyards. What distinguishes the ANAP period from those earlier practices is that in this period attempts aiming at shaping the bureaucracy was motivated not by partisan conflicts but by the neoliberal economic ideology that shaped the mindset of Özal and the ANAP government in general, and the desire to turn the bureaucracy into well functioning machinery that would smoothly implement the government's policy preferences oriented towards the neoliberal paradigm.

In brief, during the Özal period in the 1980s, the political scene was defined by a strong single party government with parliamentary majority and an extremely dominant executive, from the institutional perspective there was a reshaping of the bureaucracy intended to subordinating it to the government, and as far as ideology was concerned the government's policies were motivated by further liberalizing the economy and integrating the country with the rest of the world. This specific configuration of political, institutional and ideological variables had a series of implications with respect to the P-A relationship between the government and the bureaucracy in foreign policy making:

- i.) The principal undertakes certain tasks on its own, bypassing the agent, meaning that certain foreign policy related tasks are excluded from the contract between the government as the principal and the foreign policy bureaucracy as the agent.
- ii.) With the mindset of the principal being dominated by the neoliberal economic paradigm and the desire to integrate with world markets, certain parts of the contract between the principal and the agent are subcontracted to other actors that have capability to perform related tasks more efficiently than the bureaucracy can, which opens the way for the involvement of economically influential non-state actors such as the business community in the foreign policy making process.
- iii.) The agent is transformed in way that it would be more suited for performing the tasks contracted by the principal.
- iv.) The agent suffers from a loss of autonomy as the foreign policy bureaucracy is fractionated and the MFA has to transfer certain functions and duties to newly established agencies directly under the government's control.
- v.) With a strong executive at the helm, the parliament is bypassed as well, meaning that the principal can direct the agent without facing external influence.

The first two implications as listed above are interrelated and pointing to the tendency of the ANAP government and Özal himself to bypass the MFA in foreign policy related issues. As discussed above, it is the ministry's duty to prepare foreign policy alternatives and make suggestions for the government. In this period, however, there have been several instances when policies were formulated without the

ministry's knowledge within Özal's circle of close associates and the fact "that foreign policy practices and decisions were determined by ANAP executives, advisors and businessmen caused the Ministry to be totally sidelined in these issues" (Yavuz, 1987). For instance, in 1987 when the Turkish-Greek rift was at its worst, Özal preferred to bypass the MFA and employ a businessman, Şarik Tara, for liaison with his Greek counterpart, Andreas Papandreou. This and similar initiatives by Özal has not only widened the chasm between the government and the foreign policy bureaucracy, but has also caused eyebrows to raise among opinion leaders and the general public as well. For instance, Ali Sirmen (1987) wrote that the MFA had been gradually sidelined since the military intervention of 1980, first by the military who did not like to be advised, then by Özal whose policy depended on agility, rapid practicality and the trial-error method, and it was transformed into a non-functional institution through Özal's arbitrary decisions (p.3).

A striking aspect regarding Özal's approach of sidelining the MFA and formulating foreign policy within his close circle is the extent of the businessmen's involvement. As discussed earlier, Özal's ideology dictated Turkey had to integrate with global market at all costs, and neither the bureaucracy that he considered as a slow, obsolete and uncreative apparatus, an obstacle against rapid progress, nor its political considerations could be allowed to stand in the way. Özal has not only emphasized on the economic dimension of foreign policy, but within his pragmatic and business-oriented approach to policy making he found it useful to enlist businessmen to further the goals of his government. This is why, in almost all cases where businessmen have played a vital role in foreign policy issues of the Özal period, the economics of the issue in question and Özal bypassed the bureaucracy, not only because he thought it was slow and inefficient, but also because it would be

likely to erect political barriers against what he saw economically rational initiatives. This is why, for example, he used businessmen to broker a trade deal with South Africa against the ministry's objections of entering into this kind of relations with the Apartheid regime (Doğan, 1987), or when he decided to expand commercial ties with the Greek administration in Cyprus (Yavuz, 1987).⁹⁰

In November 1989, when Turgut Özal was elected the President, government-bureaucracy relations in foreign policy making have taken a curious turn with Özal as the president directly assuming a leading role in foreign policy formulation sidelining both the MFA and the ANAP government in office.⁹¹ While this practice seriously contradicted the principles of a parliamentary democracy, criticism escalated among various circles within the government, the state apparatus in general and the larger public claiming that foreign policy has increasingly become a tool of domestic political considerations and at its current stage Turkey's foreign policy was not in a position to deliver results (Çongar & İdiz, 1990) in a rapidly changing world with its opportunities and threats after the dissolution of the Soviet Union. As a reaction to Özal's arbitrary conduct of foreign policy, which reached its zenith during the Gulf War when Özal tried to manage the crisis by himself, two

⁹⁰ It should be noted that during the Özal period, not only were economic relations prioritized in foreign policy issues, but whenever it was deemed necessary economic tools were used to further political objectives as well. In a statement made in September 1987, he said "In large public tenders, we always consider if we can use it for political advantage. To some countries, we say 'This tender is yours, but in return, you better be careful in this and that issue'". As a concrete reflection of this thinking, Özal responded to a controversial decision made by the European Parliament about Turkey and France's decision to sell armaments to the Greek administration in Cyprus by cancelling 65 million dollar defense industry tender awarded to a French company (İhaleler Savaşı Kızıştı, 1987)

⁹¹ Özal's successor in the presidential office, Süleyman Demirel, adopted a similar approach to foreign policy issues. Erhan Doğan (2006) argues that both Özal and Demirel have used their political past and the experience they have accumulated as prime minister in order to interpret and implement their authority in foreign policy issues in the most comprehensive way possible, by bypassing the parliament and the government and using their own expert advisors (p.38).

ministers of foreign affairs and one chief of general staff have resigned in protest, all three doing so within the single year of 1990.⁹²

During the Özal period of the 1980s, the P-A relationship between the government and the foreign policy bureaucracy was also shaped by attempts of the principal to restructure the agent with the aim of enhancing its adequacy for performing the tasks necessitated by the goal of integrating Turkey with the world markets, while at the same time further diminishing the autonomy of the agent and thus consolidating the principal's position in the P-A hierarchy. This restructuring opened the way for greater involvement of the business community in foreign policy process for two reasons. On the one hand, the eradication of the agent's autonomy opened up greater operational space for the business community to engage directly with the government in policy related issues, and secondly, as the agent was restructured in way more conducive to the economic aspects of foreign policy, it tended to be more sympathetic towards collaboration with the business community in economy related issues. Once again, we can see here the evolution of the P-A contract, through changes imposed by the principal on the agent, having an impact on the non-state actors involvement in the policy making process.

The institutional changes during the Özal period targeted primarily the MFA. As soon as it took office in 1983, the ANAP government issued a series of legislative decrees reducing the autonomy of the ministry,⁹³ and transferring certain functions,

⁹² Mesut Yılmaz, then Minister of Foreign Affairs in the ANAP government, resigned on February 10, 1990 on the grounds that minimal necessary conditions for him to continue to perform duties have ceased to exist (Yalçın, 1990), his successor Ali Bozer resigned on October 11, 1990 after an official visit to the United States as a result of his disagreement with Özal on the Iraqi embargo issue (Bozer'den İmalı İstifa, 1990), and the chief of general staff Necip Torumtay resigned on December 3, 1990 as a result of personal interventions staged against his realm of authority during the Gulf War (Özcan, 2001, pp.531-532).

⁹³ There have been two legislative decrees, one dated December 13, 1983 Nr.177, and the other dated June 8, 1984, Nr.206, reorganizing the structure and functions of the MFA. The latter decree explicitly stated that the Ministry's task was to implement foreign policy within the principles set forth by the government. According to Gencer Özcan (2001), the most significant aspect of this

particular those related to foreign economic affairs, to newel established institutions, such as the Undersecretariat of the Treasury and Foreign Trade.⁹⁴ These developments pointed to a willingness of the government to establish a realm of direct authority in foreign economic relations difficult to be supervised legally (Özcan, 2001, p.528), and left the foreign policy bureaucracy fractioned and weakened against the dominant executive.

It is interesting however, that the institutional restructuring which reduced the autonomy of the MFA and stripped it of certain functions were accompanied by efforts on behalf of the government, and particularly by Turgut Özal himself, to impose a business-oriented mentality to the ministry, which has dramatically reduced the gap between the diplomats and the businessmen. While Özal preferred not to rely on the Ministry as an institution, he had senior diplomats as advisors, and through them he managed to influence the inner workings of the Ministry. One of these senior diplomats who worked closely with Özal, Özdem Sanberk, a former

decree is that it allocated only a supervision function in matters like the economic aspects of foreign policy, as it stated that foreign contacts and negotiations in fiscal, economic and technical issues are undertaken by relevant institutions, and the Ministry's task is to supervise them in terms of their conformity with Turkey's foreign policy and attend these contacts and negotiations if deemed necessary (pp.527-528).

⁹⁴ The Undersecretariat of the Treasury and Foreign Trade was established with a legislative decree dated December 13, 1983 Nr. 188, which joined the Secretariat General of Foreign Trade and the Office of Standardization under the Ministry of Trade together with the Directorate General of the Treasury and the Secretariat General of International Economic Cooperation under the Ministry of Finance, and more importantly, with the Foreign Economic Affairs department of the MFA, which at the time had an exclusive focus on the economic relations with the European Economic Community (EEC). Moreover, Turkey's permanent representations to international organizations such as the EEC, OECD, IMF and World Bank were transferred from the MFA to the Undersecretariat of the Treasury and Foreign Trade. Turgut Özal referred to the establishment of this new institution, as an "unprecedented operation" that would enable the public bureaucracy to "work rationally and practically" (Özal: Görülmemiş, 1983). The Undersecretariat of the Treasury and Foreign Trade was given a status above the ministries, it was under the direct control of the prime minister, and soon after its established it came under charges claiming that certain authorizations such as those related to foreign exchange and export/import transactions could only be assumed at the ministerial level. Moreover, as Kenan Mortan (1984) wrote, this newly established institution was excessively involved in subjective practices, it was disregarding acquired rights of the companies, and certain fundamental principles that required continuity were frequently being changed through undisclosed notices. In response to a case filed by a private company, the Supreme Court decommissioned the Undersecretariat of the Treasury and Foreign Trade in June 1984. Functions of the institution were reorganized with the Law on the Organization and the Duties of the Undersecretariat of the Treasury and Foreign Trade dated April 16, 1986, Nr. 3274, which placed the institution under the authority of the state minister in charge of the treasury and foreign trade.

undersecretary of the MFA, says that Özal had actually worked in close cooperation with the diplomatic bureaucracy, albeit in his own ways, and the change of mentality in the 1980s was revolutionary:

We have witnessed the ministry holding the hand of the businessmen, taking him abroad, introducing him to others, talking on his behalf with the foreign ministry or the minister or even the prime minister of the country in question, providing him with information and intervening whenever necessary to solve his problems. And this was not left to the personal initiative of the ambassadors; they were told that it was their primary duty... The ambassadors were then told to do their daily job and at the same time to search for new markets for businessmen. A large majority, almost all of them, embraced this as their duty and fulfilled it effectively. After 1980, embassies' gates were wide open" (Sanberk, personal communication, May 18, 2012).⁹⁵

While diplomats, or at least some of them, welcomed this new approach of conducting economic relations, the business community was definitely much more pleased with it. The experience of Yaşar Özkan, doyen of Turkey's construction industry, shows how the mentality has changed among the foreign policy bureaucracy:

In 1973, I went to the Turkish consulate general in Hamburg for my preparations for a major investment project. I presented my project; the commercial attaché examined it and said 'I get my salary from the state, I do not get paid so that the private sector has its work done. But your project is interesting, I will try to help you.' That was the mentality back then. A businessmen could not even dream of entering through the gates of the Ministry of Foreign Affairs. This has changed" (Özkan, personal communication, April 17, 2012).⁹⁶

Both the MFA and the newly established Undersecretariat of the Treasury and Foreign Trade entered into close contact with the business community, which was deemed an absolute necessity in a time when Turkey urgently needed to expand its export drive and integrate with the world markets. The business community received greater support from the bureaucracy, and it was also allowed to engage in foreign

⁹⁵ For the original quotation see Appendix D.

⁹⁶ For the original quotation see Appendix D.

policy making process through its direct interaction with the government, or with Özal in person. It is important to note that the interaction between the government 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, business was getting more involved in foreign policy and their involvement was needed by the state, although there was still no integrated, systematic and consistent framework for the business community to influence foreign economic policy.

A final note about the P-A interaction between the government and the bureaucracy during the Özal period is that this interaction was executed out of the parliament's reach. As we have shown in Figure 6, the parliament has traditionally a minor role in the foreign policy making process of Turkey, however it would not be an aberration to say that it was rendered totally irrelevant during the 1980s. The government formulated and implemented the foreign policy itself, used the bureaucracy as its instrument, did not involve the parliament in the process, bypassed the legislative process by using legislative decrees⁹⁷, and in most cases it has not

⁹⁷ Legislative decrees (*kanun hükmünde kararname*) are an instrument of policy making frequently resorted to by the executive in post-1980 Turkey. With an amendment to the constitution of 1961 made in 1971, the Cabinet of Ministers was authorized to issue legislative decrees, and the scope of this authorization was widened with the constitution of 1982. Legislative decrees are of a temporary status, they are supposed to be issued in cases that require rapid response, and they need to be presented to the parliament, i.e. the legislative organ of the state, in the earliest possible instance and turned into a law. In practice however, legislative decrees remain in effect without being presented to the parliament, thus undermining the legislative power of the parliament and transferring this power in a *de facto* way to the executive. As can be seen in Table 2, the majority of Turkey's public institutions are operating on the basis of their respective founding legislative decrees. As it provided a tool of direct policy and law making by sidelining the parliament, this practice was often resorted to during the Özal period (Doğan Y., 1984) although it was strongly criticized for cheating the constitution (Mumcu, 2003, p.79).

even bothered to inform the deputies about the developments and decisions in foreign policy. During this period there have been several instances when the opposition complained about not being informed about foreign policy decisions and suggested that foreign policy issues should be discussed at the parliament so that a national stance can be determined and the government's bargaining position vis-à-vis foreign countries can be strengthened, mostly to no avail (Muhalefet Dış Politikayı, 1984).

To summarize, the P-A relationship between the government and the bureaucracy in foreign policy making during the Özal period of the 1980s and early 1990s was marked by a strong principal diminishing the autonomy of the agent by restructuring it and at the same time taking certain measures to make it more adequate for the objectives it has determined, and with the contract between the two leaving certain tasks solely to the government (or to the very person of the head of the government) which subcontracts certain non-state actors who enter the processes on a personal and *ad hoc* basis rather than through institutional and systematized channels. The government-bureaucracy relationship is the second-tier interaction in our two-tiered P-A model and it has an impact on the first-tier interaction, that between the state and the business community, by forcing the bureaucracy to get closer with the business community and opening up greater operational space for the latter in the policy making albeit on an arbitrary rather than systematic basis.

Turgut Özal passed away while in the office as the president, on April 17, 1993, one and a half years after the elections in 1991 dethroned the ANAP government and opened up a period of coalition governments in Turkish politics that would last for the next eleven years. Turbulence in domestic politics and significant changes in the international conjuncture led by the end of the Cold War and the dawn

of the current wave of globalization shaped the dynamics of policy making in Turkey and the P-A interaction between the government and the bureaucracy in foreign policy making was significantly influenced by the particular alignment of the structural changes at domestic and international levels.

During the 1990s, profound changes in both Turkey's domestic political structure and the international conjuncture have altered the configuration of political, ideological and institutional variables defining the P-A relationship between the government and the bureaucracy in foreign policy making. Unlike the single party rule of ANAP throughout the 1980s, the political scene in Turkey during the 1990s was characterized by successive coalition governments, a fact which has seriously undermined political stability in a time when Turkey was struggling with economic turmoil and armed violence at home and trying to keep up with the rapid transformation of the global structure in the post-Cold War period. Over the period of eleven years after the single-party ANAP government left the office in 1991 until another single-party government, this time by AKP, took the office in 2002, there have been seven coalition governments and two minority governments.

The political instability brought about by weak coalition governments influenced the government-bureaucracy interaction in foreign policy in three ways. First, fragmented government structure caused inefficiency, which slowed down and in most cases even choked off the policy-making processes. In coalition governments, ministries and agencies are distributed to political parties, and policy making requires consensus among the different coalition partners.⁹⁸ During the 1990s, Turkey's governments faced extreme difficulties with regard to this task and policy making processes often ended up in paralysis, not only because of Turkey's antagonistic

⁹⁸ Gün Kut (2010) points out that an important feature of the Turkish coalition system is that the leader of the major partner is appointed prime minister, whereas the leader of the minor partner assumes the office of the minister of foreign affairs (p.10).

political culture, but also the unfavorable conditions surrounding the body politic such as economic crises and increasingly violent conflict in the shape of the Kurdish separatist movement in the southeastern part of the country. In most cases what the coalition partners did accounted to nothing more than agreeing to disagree. Ömer Berki remembers the difficulties of being a foreign trade bureaucrat under these conditions:

Since the last ten years we have a single-party government, and this is a significant advantage. My senior level appointments, however, have all taken place during the period of coalitions. You can prepare a very rational policy draft, but at the end of the day, a minister would come and bargain with another minister from another party saying ‘I will sign this only if you sign that other document’. What he refers to can be something of minor importance, maybe something of interest for only ten or hundred people; but what we have prepared is critical for the nation’s economy. In other words, they were coming up with unproportional demands. Still many ministers would never compromise this attitude of theirs” (Berki, personal communication, April 18, 2012).⁹⁹

Second, during the 1990s the fragmented government structure in the form of a multi-party government influenced the P-A contract between the government and the bureaucracy, again in a negative and obstructing way, as it led to fragmented bureaucracy and increased intra-bureaucratic conflict, because newly appointed ministers always had a tendency for setting up their own cadres in the office. In the meantime, as David Barchard (2002) notes, a change of government, which is frequently the case under coalitions, can bring about “quite wide-ranging changes to the personnel of a particular ministry or agency as old appointees are replaced at all levels” (p.211). Under these circumstances, the P-A relation interaction between the government and bureaucracy cannot be expected to run as smooth and efficiently as it is the case under a single party government.

⁹⁹ For the original quotation see Appendix D.

Finally, fragmented government and fragmented bureaucratic structures, coupled with economic and political instability as well armed violence resulted in the third impact on the interaction between the government and the bureaucracy, that of empowering the military bureaucracy against the civilian bureaucracy as an influential actor in foreign policy. As Gencer Özcan (2010) wrote, the escalation of the Kurdish insurgency and its regionalization after the Gulf War of 1990 led to a consolidation of the military's position as a foreign policy actor and "(s)ince the matters at stake were military in nature, the military naturally came to the forefront as the key player." (p.26)

From an ideological perspective, the decade was marked by the increasing domination of neoliberal economic thinking in shaping the post-Cold War world, which heavily influenced the mindsets of policy-makers. Turkey had embarked upon a liberalization process in the 1980s and it was the priority of the ANAP governments and Turgut Özal himself to transform the Turkish economy towards an export oriented structure and integrate with the world markets. The end of the Cold War and rapid developments in information and communication technologies during the 1990s accelerated the global economic integration process, which meant that for Turkey's ailing economy in this period opening up to new export markets was not a choice but an absolute requirement. While all the coalition governments led by center-right parties between 1991 and 1997 had a business-oriented approach to foreign policy and emphasized the economic aspects of Turkey's bilateral relations, this approach was also not interrupted during the coalition led by the DSP (Democratic Left Party) between 1999 and 2002, and the same economy-focused foreign policy approach was maintained. Remarks by İsmail Cem, foreign minister between 1997 and 2002, reveal how economic issues had entered the priorities of the

policy makers in this period. Cem (1999) said that while the primary objective of foreign policy was to ensure Turkey's security, right after that came the objective of contributing to Turkey's economic development and its economic and commercial relations with the rest of the world. Accordingly, it was the task of the MFA to establish a foreign policy platform on which the Turkish economy can easily grow" (Yücebıyık, 1997).

There have also been attempts to institutionally reorganize the foreign policy process in a way it would be better equipped to implement this neoliberal-oriented and economy-focused approach and to face the challenges of the rapidly changing international environment. Two developments are of crucial importance in this respect. First, in the MFA upgraded the status of economic affairs in its organizational structure, allowing the institution to devote more resources to economy related issues. A currently active senior bureaucrat at the Directorate General of Multilateral Economic Affairs of the MFA, explains the changes during the 1990s as follows:

Previously there had been only an organization under the title of 'economic affairs'. This was divided into two units one focusing on bilateral economic affairs and the other on multilateral affairs. Previously, the deputy undersecretary in charge of economic affairs was also responsible for cultural issues. This position was devoted solely devoted to economic issues, which enabled us to work in close cooperation and coordination with other ministries, such as the Ministry of Development, Ministry of Economy, the Treasury, Ministry of Industry and Commerce, and the Ministry of Science and Technology" (anonymous, private communication, April 17, 2012).¹⁰⁰

The foreign trade bureaucracy has undergone institutional changes as well. With the Law on the Organization and Duties and of the Undersecretariat of the Treasury and the Undersecretariat of Foreign Trade, dated December 9, 1994, Nr. 4059, what was

¹⁰⁰ For the original quotation see Appendix D.

the Undersecretariat of the Treasury and the Foreign Trade was divided into two separate institutions and the UFT emerged as the organization responsible for “helping the government with the identification of foreign trade policies; organizing, implementing, supervising and developing exports, export subsidies, imports, overseas construction services, bilateral and multilateral commercial and economic relations.” The establishment of the UFT as a separate entity has by all means increased the influence of the foreign trade bureaucracy on the economic aspects of Turkey’s foreign policy.

To summarize, during the 1990s, the P-A interaction between the government and the bureaucracy in foreign policy making was influenced positively by the expansion of the liberal ideology and the resulting emphasis on economic issues in foreign relations. From an institutional perspective, while it is not possible to talk about progress in bureaucratic reform in general, one can still argue that the structural reorganization of the foreign policy bureaucracy has been effective in the sense that it enabled a more efficient dealing of foreign economic issues. These positive developments at the second tier of our P-A model could be expected to have a positive impact on the first tier, i.e. the relationship between the state and the business community, in the sense a business-oriented governments together a bureaucracy more capable in dealing with economic issues and more conducive to working with the business community would pave the way to greater policy involvement on behalf of the business community and their associations as non-state actors in the policy making process. This, however, has not been the case. During the 1990s, positive developments in the relationship between the government and the bureaucracy have been more than offset by the fragmented political scene that prevented much needed stability and continuity at the state level. Despite a more

capable bureaucracy, frequent changes in the government and the lack of stability prevented the contract between the government and the bureaucracy from having enough flexibility to open up an operational space for non-state actors, while the rise of the military bureaucracy as an influential foreign policy actor in this period, further diminished the opportunities for non-state actors to get involved in the foreign policy making process. As a result, the business community had to maintain a low profile, it could not effectively join the policy making process through institutionalized and systematic channels, yet it continued to work to have a greater weight in policy decision and offered policy suggestions against those of the military (Oran, 2001, p.88).

With the general elections held on November 3, 2002, the period of coalition governments in Turkey was over. The center-right Justice and Development Party (*Adalet ve Kalkınma Partisi* - AKP) received enough votes to form a single-party government, and having emerged victorious from two consecutive general elections, in 2007 and 2011, it has consolidated its position as the ruling power in Turkey.

It would not be an aberration to say that the during the AKP period, which started in 2002 and continued up to the present day with the next general elections to be held in 2015, political and economic instabilities that have plagued Turkey during the 1990s have been reversed to a great extent. With the advantage of having a majority in the parliament, the AKP government could implement its policy preferences without facing a serious opposition, and in this way it managed to bring back Turkey to an economic growth track after the crises of the previous period, in 2000 and 2001. In the meantime, from an ideological perspective, the AKP administration proved to be a devout follower of the neoliberal economic paradigm, championing a smaller state and greater participation by non-state actors in economic

and foreign policy related affairs, and emphasized the economic aspects of Turkey's relations with the rest of the world, developing commercial linkages not only with the near neighbor but with virtually all regions in the world.

This ideology has been a key factor defining AKP's government approach to the public bureaucracy, and while bureaucratic reform has topped the government's agenda from the very first day in office onwards, the advantage of being a single-party government facilitated its efforts to that end. The program of the 59th government of the Republic of Turkey presented by Prime Minister Recep Tayyip Erdoğan to the Parliament on March 18, 2003, provides explicit clues on how the AKP viewed the bureaucracy when it took the office. In this document, the word "bureaucracy" appears four times, in three of which the emphasis is on the need for lifting the bureaucratic barriers against economic development and the private enterprise, whereas in the fourth the program points to the need of establishing a bureaucracy with moral values as a priority of the government. In other words, one can safely argue that the AKP government, which deemed the civil bureaucracy as a structure that was "closed, elitist, ineffective, and inefficient, and therefore in need of reform" (Heper & Berkman, 2009, p.78; see also Öniş & Keyman, 2003, p.97), aimed not only to transform it into a more efficient and dynamic apparatus; but also, as evident in the reference to a bureaucracy with "moral values", it aimed to ensure that the public administration converged to its own ideological line. The AKP government believed that the bureaucratic cadres would not be sympathetic towards a conservative party with Islamist origins and therefore tried to appoint bureaucrats who would not oppose its policy preferences to critical bureaucratic posts. During the first term of the AKP government in office this situation gave rise to a tension between the government and what Metin Heper and Ümit Berkman (2009) call the

“self-appointed guardians of secularism in Turkey” such as the then president Ahmet Necdet Sezer, intellectuals, and the military:

The president often blocked the appointment of the bureaucrats favored by the AKP governments, to civil service. In order to get around the opposition the AKP governments appointed their men to the higher echelons of the civil service as the ‘acting’ heads of the bureaus for which they were going to be responsible. This in turn has led to legal battles over the bureaucracy between the president and the government... This ongoing tension in the Turkish polity has interfered with the efficient and effective functioning of the civil bureaucracy (p.78).

In other words, efforts of the AKP government to reshape the bureaucracy in accordance with its own preferences faced significant resistance from certain circles within the state. However, with the election of Abdullah Gül, former prime minister and foreign minister in consecutive AKP governments, as president in 2007; and with the influence of the military bureaucracy on politics gradually eroding and the military “bowing to the politicians” (Çağaptay & Akıner, 2011), the AKP government found a greater maneuver space for restructuring the bureaucratic apparatus. During its second term in the office after 2007 and the currently ongoing third term after 2011, the government took several important steps towards decentralizing the public administration and increasing the bureaucracy’s capability and adaptability for implementing the government’s neoliberal policies. The AKP government considered bureaucratic transformation as a long-term process where dramatic overnight changes are unlikely, and adopts a gradual approach. As late as 2011, as the AKP government started its third term in office, Prime Minister Recep Tayyip Erdoğan suggested that his biggest struggle was against the bureaucratic oligarchy and Turkey still had a long way to go in order to rid herself from the inefficiencies caused by its system of public administration (Türkiye Bölgesinde, 2011).

The foreign policy bureaucracy has been one of the major targets of the bureaucratic transformation under the AKP government. As discussed in the introductory chapter of this study, Turkey's foreign policy during the AKP period and particularly its second and third terms in office was defined by an evolution towards more proactive, energetic and assertive forms of policy making with an emphasis on the economic aspects of the relations with other nations. Implementation of this policy necessitated a similarly dynamic foreign policy bureaucracy oriented towards the neoliberal paradigm. While ideological priorities defined the way towards which the bureaucracy was intended to progress, political conditions under the single-party AKP government ensured that there was a sufficient level of stability to undertake the institutional changes towards the objectives determined. Özdem Sanberk's remarks on how the environment within the MFA has changed, in a positive manner, clearly show how political stability mattered:

The AKP period is exceptionally harmonious. First of all, the ministers are at ease; they can work in close quarters with the prime minister. This is a harmonious team working well within a favorable international conjuncture. The current period is remarkably well, that is what we need to accept. In this period the Ministry is also finding opportunities for progress. Coalition governments, in contrast, have been more complicated. It was then very difficult for the MFA to operate properly, I mean, this was the case during the 1990s. There used to be fierce struggles within coalition governments, strong disputes, which caused problems to remain unsolved (Sanberk, personal communication, May 18, 2012).¹⁰¹

With respect to the MFA, the most important change came with the Law on the Organization and Duties of the MFA dated July 7, 2012, Nr. 6004, which paved the way for the "most radical structural transformation of the ministry, in both quantitative and qualitative terms, since the time it was established" (Kut, 2010,

¹⁰¹ For the original quotation see Appendix D.

p.16). The new law defined the duties of the ministry in a way complying with the broadening scope of Turkey's "new" foreign policy, and was accompanied by an expansion of the organizational structure through the initiation of new general directorates at the headquarters and new diplomatic missions around the world. In other words, recent transformations at the MFA aimed to increase the capabilities of the institution for implementing Turkey's increasingly more dynamics foreign policy, which is now devoting greater energy in regions and issue areas that have hitherto been neglected.

The transformation that the foreign trade bureaucracy has gone through has been more radical. With the Legislative Decree on the Organization and Duties of the Ministry of Economy dated June 8, 2011, Nr. 637, the UFT was merged in its entirety with the general directorates of Incentives Implementation and Foreign Investment of the Undersecretariat of the Treasury, into a newly founded Ministry of Economy. This rearrangement has not only upgraded the foreign trade bureaucracy to the status of a ministry, but it has also enlarged the institution's functional scope and expanded its global reaching by the establishment of new commercial counselors offices around the world, hence increasing the leverage of the institution in foreign economic relations. As a medium-rank bureaucrat at the MoE explained:

Our institution was recently renamed as the 'Ministry of Economy'. Some people found this odd and questioned whether what one understands of economy is only foreign trade. In fact, the change of the name has been an accurate one. As we were the Undersecretariat of Foreign Trade, we were only dealing with exports, imports and overseas construction services. Now, in addition to this, we are also covering foreign investment, trade in services, export finance and logistics. As a ministry, we are occupied with the real dimension of the economy and this is what becomes increasingly important in the entire world" (anonymous, personal communication, April 18, 2012).¹⁰²

¹⁰² For the original quotation see Appendix D.

It is important to see that the institutional arrangements initiated during the 1990s and continued throughout the AKP period have placed the development of bilateral and multilateral economic and commercial relations and hence the management of the economic aspects of Turkey's foreign policy under the responsibility of the MFA and the UFT/MoE simultaneously. While this transformation have intended to increase cooperation and coordination between different institutions, it has also inevitably led to competition between the two, which gained momentum during the decades and continued up to the present day. Çiğdem Tüzün, a former secretary general of DEİK, has been a long time observer of the relations between the two public offices:

There is something I have been observing in Turkey since 1975. In foreign policy, there has always been a competition between the foreign trade bureaucracy—be it named the Undersecretariat of Foreign Trade or the old Ministry of Commerce or the Ministry of Economy—and the Ministry of Foreign Affairs. For a long time this competition was thought to be originating from the fact that Turkey was governed through coalition governments. However, at the end of the day we have realized that under single-party governments this competition goes on exactly as it is used to (Tüzün, personal communication, March 20, 2012).¹⁰³

The extent of competition and/or cooperation between the MFA and the MoE becomes more evident in the relations between the overseas organizations of the two. Turkey has embassies and consulate generals abroad, which are operated by the MFA. "In terms of overseas organization, the Ministry of Foreign Affairs is much more effective. The ambassadors are representatives of the state of the Republic of Turkey, and for this reason they are in the foreground in activities, initiatives and organizations carried out abroad" (Berki, personal communication, April 18, 2012).¹⁰⁴ Representatives of the MoE have their offices under the roof of Turkish

¹⁰³ For the original quotation see Appendix D.

¹⁰⁴ For the original quotation see Appendix D.

embassies or consulate generals, and this is why, although they have no official ties with the MFA, there emerges the *de facto* situation that commercial counselors and attachés appear to be subordinated to the ambassador. Ömer Berki believes that it is natural that the MFA is more visible, and what foreign trade bureaucrats need to be doing is to engage the ambassadors in economic issues and benefit from their leverage for the common good (ibid). Some foreign trade bureaucrats, however, see more competition than cooperation between the two institutions. As a senior bureaucrat at the MoE explains:

Most of the bureaucrats of the Ministry of Foreign Affairs do not have sufficient experience with commercial and economic affairs, and this is why the daily business is run by foreign trade bureaucrats. However, when there is a success, others can easily lay claims on it. The personnel of the Ministry of Foreign Affairs should work in better cooperation with all the units under the embassy, refrain from seeing the as second-class employees, and there should be good coordination with the units of the embassy... There are times when we are ostracized (anonymous, personal communication, July 24, 2012).¹⁰⁵

Two important aspects regarding the AKP government's attempts to restructure the foreign policy bureaucracy are worth discussing at this point. The first aspect is related to the choice of ministers. Appointing individuals with hands-on experience and/or theoretical knowledge in the field to ministerial posts rather than purely politicians, the AKP sought to strengthen the links between the government and the bureaucracy. The appointment of Ahmet Davutoğlu, a professor of international relations, as the minister of foreign affairs in 2009 has been an important step to that end, however it is possible to argue that this approach produced the most significant results with respect to the foreign trade bureaucracy. Kürşad Tüzmen, who was the state minister in charge of foreign trade between 2003 and 2011 used to be a bureaucrat who had climbed the ladders all the way up to the position of the

¹⁰⁵ For the original quotation see Appendix D.

undersecretary of foreign trade. His successor, Zafer Çağlayan, who took the post in May 2009, and became the Minister of Economy, was an industrialist who chaired the Ankara Chamber of Industry for fourteen years between 1995 and 2009 and also acted as the deputy chairman of TOBB during different periods. Tüzmen and Çağlayan, a career bureaucrat and a seasoned industrialist respectively, established links between the government and the bureaucracy in a way that would significantly contributed to the government's attempts to reshape the bureaucracy in accordance with the objectives of its neoliberal policies. As a mid-level bureaucrat at the MoE iterates:

First of all, Kürşad Tüzmen explained to Turkey why foreign trade was important, and brought renewed dynamism. Zafer Çağlayan added to this the importance of investments, he placed an emphasis on investing abroad. On the other hand, it is also possible to say that Zafer Çağlayan brought an analytical approach to our institution's work. We are now questioning everything, and we base everything we do on concrete justification (anonymous, personal communication, April 18, 2012).¹⁰⁶

The second aspect of the AKP's approach to restructuring the foreign policy bureaucracy is related to the government's efforts to expand both the MFA and the MoE in terms of functions, authority and organizational structure. We have already seen that during the AKP period duties and functions of the MFA were expanded in a way that the ministry could cover economic issues more efficiently, and the transition from the UFT to the MoE placed the entire range of foreign economic relations under the responsibility of a single organization at the ministerial level. The most striking aspect regarding the changes that these two organizations have been going through is related to the expansion of their missions abroad. As necessitated by its assertive foreign policy approach aiming to reach regions that have hitherto been excluded from Turkey's foreign policy vision, the AKP government has placed

¹⁰⁶ For the original quotation see Appendix D.

special emphasis on opening new embassies, consulate generals and foreign trade offices in countries where the Turkey had no official presence before. As a result, the MFA currently operates through an extensive overseas network of 196 diplomatic missions,¹⁰⁷ while the MoE has 134 offices all around the world.¹⁰⁸ These networks do not only increase their respective institution's global reach, but also, in doing so, they increase the foreign policy bureaucracy's influence on policy related issues.

In sum, the P-A interaction between the government and the bureaucracy during the AKP period is characterized by an agent that is almost perfectly aligned with the principal's preferences (due to the single-party government and its efforts of establishing its own cadres within the bureaucracy)¹⁰⁹ and thus with minimal autonomy, the principal effectively shaping the agent towards its own goals, and providing the agent with greater incentives such as upgraded status, greater budgetary allocations, and expansion of functions, authority and structure. The impact of this second-tier P-A relationship in our analytical model to the first-tier relationship between the state as the principal and the business community as the agent is that it enables the agent to execute its role in a more coherent and institutionalized way, with the boundaries of the agent's involvement clearly delineated by the principal. In an environment where there is a multiplicity of policy tasks and the government restructures the bureaucracy into a more capable and

¹⁰⁷ As of July 2012, Turkey had 114 embassies and 71 consulates general in various countries, as well as 11 permanent representatives accredited to international organizations. Out of a total of 196 diplomatic missions, 91 are located in Europe, 52 in Asia, 29 in Africa, 19 in the Americas, and four in Oceania. (T.C. Dışişleri Bakanlığı, 2012, pp.6-7).

¹⁰⁸ As of August 2012, the MoE had three permanent representations to international organizations, and a total of 131 commercial counselor and commercial attaché offices in different countries (T.C. Ekonomi Bakanlığı, 2012). Commercial counselors are accredited to Turkish embassies, whereas the commercial attachés are accredited to Turkish consulates general.

¹⁰⁹ At this point, it should be noted that some authors have claimed that the transformation of Turkey's foreign policy towards more dynamic and multi-dimensional patterns has actually exacerbated the rift between the government and the bureaucracy (Arıboğan, 2012). While this proposition implies a certain degree of truth, it relates to only one aspect of the relations between the two, the ideological, referring to the dissensus between the conservative government and the secular segments within the bureaucratic elite, which is more than offset by the power of a single-party government over the bureaucracy.

efficient form, non-state actors can expected to have more, not less, influence in the policy making process. This is particularly the case under a single-party government that subscribes to the neoliberal paradigm, not only because the economic influence offered by the business community is in greater demand, but also because the rules of the game are clearly set leaving no ambiguity with respect to the details of the contract. There occurs the simultaneous empowerment of the non-state actors by the government, which opens up new channels of policy participation, and the engagement of the non-state actors by the bureaucracy that is now more conducive to collaboration. Under these circumstances, the government considers businessmen as the most important flag-bearers of our foreign policy vision (Davutoğlu, Batum'da, 2011), and bureaucrats embrace the principle that “the state is only a facilitator, and foreign economic relations are in practice undertaken by businessmen” (anonymous, personal communication, April 18, 2012)¹¹⁰ and “bureaucrats cannot do without the businessmen, while the businessmen cannot do without the bureaucrats” (Arslan, personal communication, April 11, 2012).^{111.112}

One crucial point needs to be made at this point with regard to the AKP government’s interaction with the foreign policy bureaucracy. The P-A model implies that the principal does not only choose which agents to work with, but also creates its own agents. In our two-tiered model, this would refer to the state establishing its own affiliated business associations (such as the TİM) at the first tier, but the AKP period witnessed the same tendency in the second tier, i.e the

¹¹⁰ Original quotation: “Devlet altyapıyı hazırlar, ekonomik ilişkilerin pratiğini ise işadamları yapar.”

¹¹¹ Original quotation: “Bürokratlar işadamları olmadan, işadamları da bürokratlar olmadan yapamaz.”

¹¹² An important note of caution regarding this point is offered by Abdullah Akyüz (2006), former Washington D.C. representative of TÜSİAD. Akyüz argues that individual bureaucrats are increasingly more conducive to dialogue with non-state actors, however the MFA as an institution is still far from being open to opinions and influences forwarded by non-state actors (p.229). Legislative changes undertaken in 2010, i.e. after Akyüz wrote those lines, have led to a certain degree of improvement in this respect, however his argument still appears to be valid. Interviews held with active foreign policy bureaucrats for this study have shown that, from the institutional perspective, MoE is much more open to collaboration with the business community compared to the MFA.

relationship between the government and the bureaucracy, as well. In this period, a number of foreign policy oriented public institutions were established and/or reorganized, independent from the MFA or the MoE, and directly attached to the Prime Minister's Office. Examples of these institutions include the Turkish International Cooperation and Development Agency (*Türk İşbirliği ve Koordinasyon Ajansı – TİKA*)¹¹³ and Yunus Emre Turkish Cultural Centers.¹¹⁴ As Kerem Öktem (2012) pointed out, their existence created “a duality of actors as well as a loss of synergy between the diplomatic service and the Prime Ministry's agencies” (p.102). By creating its own agents, the principal (i.e. the government) further consolidates its own position in the hierarchy; and limits the autonomy and leverage of existing agents by dispersing duties and incentives. In AKP's case this theoretical proposition perfectly fits the practice, with new state actors under the direct control of the Prime Ministry assuming foreign policy functions in line with Turkey's new foreign policy objectives such as increasing the country's soft power. Their presence opens new channels of state-business interaction wherein business actors get involved in the initiatives of these organizations in return for certain incentives.

In a final note, we should review how the AKP period different from the previous periods in terms of government-bureaucracy relations and discuss what this has meant for the state-business relations in the realm of foreign policy. The AKP period has similarities with the 1990s in the sense that business-oriented and to

¹¹³ TİKA was founded in 1992 as an instrument to increase Turkey's influence in the post-Soviet region. In 1999, it was attached to the Prime Minister's Office, and in 2001 its functions, duties and structure were reorganized by a new law. It is however, with the AKP's coming to power, that TİKA came to be deployed as an active foreign policy tool by the government. The web site of the organization states that it was particularly after 2002 and with the momentum gained through the government's new foreign policy overtures that TİKA increased its efficiency and influence (TİKA web site).

¹¹⁴ Yunus Emre Turkish Cultural Centers were launched in 2007 with the aim of “promoting Turkish language, culture, arts and history”, “contributing to the promotion of Turkey through scientific projects, cultural activities and courses”, and “strengthening friendship ties and increase the cultural exchange with other countries.” As of September 2012, there were 24 centers in 18 countries (Yunus Emre Institute).

varying extents neoliberal-minded governments were in office and there has been the will to transform the bureaucracy into an apparatus more capable of implementing policies towards this end. It was the political stability of the single-party government of the AKP that allowed this willingness to turn into actual policies and concrete results. With respect to the political conditions, the AKP period has similarities with the Özal's single-party government period, but not only were the neoliberal approach under Özal as matured and globally connected as it is the case under the AKP, but also the bureaucracy under Özal was far from having the capabilities that it currently possesses.

Concluding Remarks

Relations between the government-bureaucracy have been one of the factors shaping the state-business interaction in foreign policy, one with profound importance. Over the last three decades, the way how the government sees and interacts with the bureaucracy changed within the parameters set by domestic and global conditions, and while the during the Özal period, the bureaucracy was in most cases sidelined and business actors entered the scene on a personal and *ad hoc* basis, the coalition period in the 1990s lacked the necessary political and economic stability to realign the government-bureaucracy relations and enable the business community to enter the process in a more systematic and institutionalized way. This has happened, or started happening, under the single-party government of the AKP. It is important to note that the bureaucracy's autonomy from the government has remained minimal over the three decades in discussion, and as long as the bureaucracy did not have enough autonomy, it could resist the changes imposed by the government only to a

certain extent, and when it was required to collaborate or share certain functions with the non-state actors it rarely had the option to refuse.

At this stage, by only looking at the evolution of the relationship between the government and the bureaucracy, we are not in a position to tell if these changes represent a shift from Özal's clientelistic approach to bypassing the bureaucracy and engaging individual businessmen in foreign policy related issues towards more pluralist or neo-corporatist forms under the AKP. How the state interacts with the business community in foreign policy matters under the AKP government and how the bureaucracy acts as a facilitator between the two is clearly more institutionalized and systematic than it was in the 1980s or the 1990s. However, in order to decide whether we can talk about a fundamental transformation in state-business relations in Turkey, we have to examine the P-A dynamics at the first-tier of our analytical model, and the most appropriate way for doing so is to start by examining the contract between the state and the business associations.

CHAPTER 5

THE CONTRACT BETWEEN THE STATE AND BUSINESS ASSOCIATIONS

The analytical backbone of the P-A model is the contract between the principal and the agent, which implies a relationship wherein the principal has a set of goals, and relies on the agent—or a plurality of agents—to perform on his or her behalf towards the realization of these goals, while at the same time the agents are offered certain benefits and incentives in return for the services they have provided. The contents of the contract depend on the structural framework of the relationship between the principal and the agents, and this is why under different modes of state-business relations—such as state corporatism and liberal corporatism—one can expect the contract between the state and the business associations to take on different shapes, with variations in the tasks contracted by the state to the business actors as well as the incentives offered by the former to the latter in return.

For the purpose of this study, three interlinked questions related to the contract between the state and the business associations are of crucial importance. First, what exactly are the contents of the contract; in other words, what are the tasks and services demanded by the state and provided by the business associations in the foreign policy realm; and also, what are the incentives that the business associations are receiving in return? Second, how do we expect them to differ under different corporatist frameworks, and in this respect, what forms do they take in the Turkish case throughout the period under examination in this study? Third, how are the patterns of competition and cooperation on the agent side of the contract, i.e. between business associations, shaped? These questions will be dealt with in this

chapter, and it is important to clarify once again that we are not undertaking the task of detecting an absolute switch from one form of state-business relationship to another. Instead we will be investigating the changes in the contract between the state and the business associations and discuss whether there is a transformation in the sense that over the past three decades the contents of the contract are increasingly carrying features that can be associated with liberal, participatory and formalized forms of state-business relationship.

Policy Participation of Business Associations

The scholarly literature on business associations provide us with insight on their public policy participation roles in general, which can be adapted to their activities in foreign policy realm. As a starting point, however, it is useful to refer to the basic classification of the roles undertaken by business associations as offered by two practitioners. According to Mustafa Mente, secretary general of TİM, business associations get involved in the foreign policy process in two ways: i) by representing the business community and expressing opinions and providing knowledge for policy makers on its behalf; and ii) by directly performing certain professional activities with relevance to foreign policy (Mente, personal communication, April 12, 2012). In other words, business associations communicate their constituencies' opinion and position with respect to foreign policy issues to policy makers, and provide relevant information, which are both crucial inputs for the policy making process. In the meantime through their activities like bilateral meetings, summits, conferences and delegation visits, they provide platforms through

which foreign policy can be facilitated, also assuming formal roles on these platforms themselves.

Another practitioner, Çiğdem Tüzün, a former secretary general of DEİK, argues that organizations like DEİK perform three coordinating functions: i) coordination between the businessmen; ii) coordination between businessmen and their counterparts overseas, and iii) coordination between the businessmen and the state (personal communication, March 20, 2012). Mente and Tüzün's propositions complement each other to inform us that business associations represent the business community, perform professional activities and services with relevance to foreign policy, and for both of these functions they coordinate between various sectors of the business community, between the business community and its counterparts overseas, and most importantly for our purposes, between the business community and the state.

Public policy roles of business associations, as discussed in the literature, can be examined within a foreign policy setting, using Mente and Tüzün's classifications as a starting point. According to the literature, business associations perform their representation role by collecting information to submit to the policy makers, expressing the opinion of the business community, and informing the policy makers about the possible consequences of policies. All of the functions are implemented through a variety of channels such as active lobbying, making written submissions, organizing meetings with policy makers, and undertaking public relations campaigns (Bell, 1995; Mitchell, 1997; Wilson, 2003; Eising, 2009; Slob & Weyzig, 2010). Business associations coordinate the business community in order to achieve collective positions, they open up channels of communications with the business communities of other countries, and they maintain dialogue with various organs of

the state. At the same time, business associations also contribute to the foreign policy process by directly performing certain professional services, and the literature informs us that within this framework business associations can service on state advisory bodies; they can be given a semi-public status and perform tasks related to the formulation of foreign policy in this capacity; they can also be active in the implementation of policy; they can directly address the target audience of foreign policy such as the business communities of other countries; and they can cooperate with and/or actively take part in international organizations (Bell, 1995; Doğan & Cerit-Mazlum, 2006).

It is important to see that the business associations are undertaking these roles, not only because they want to or because it would serve these benefits, but also—and mainly—because their services are demanded by the state. Under a P-A setting, agents perform tasks because they are contracted by the principal to do so, and the particular relationship we are investigating in this study is no exception. As the literature indicates, the state needs the participation of business associations in the foreign policy process, not only because the latter can offer precise information and knowledge as an input which would otherwise be either too costly or impossible to be obtained, but also because the state depends on other actors to be active in fields where it does not have not sufficient and/or adequate resources or capabilities itself and because the engagement of business associations as representatives of the private sector adds legitimacy to decisions taken by policy makers (Streeck & Schmitter, 1985; Doğan & Cerit-Mazlum, 2006; Eising, 2009).¹¹⁵ As Mustafa Mente indicated,

¹¹⁵ Acknowledging that in today's globalized world international relations have a strong economics dimension, and agreeing with the remarks of Oğuz Satici, former chairman of TIM, that an effective foreign policy requires politicians and businessmen to conjugate their actions (Satici, personal communication, May 4, 2012), several senior bureaucrats interviewed for this study have mentioned that the state needs the business associations, because it does not possess enough resources to engage directly with individual businessmen and companies, and the business associations provide an

business associations have both the expertise and knowledge, and the financial resources, which legitimately turn them into foreign policy actors sharing roles with the state (Mente, personal communication, April 12, 2012), by engaging them in the process the state increases its own governance capacities, reduces its workload and gains legitimacy for the policy decisions it makes.

One can expect a combination of different roles discussed above to be undertaken by any business association at any given time, however while some of these roles are more in line with a clientelistic paradigm of state-business relations, others are more likely to be the case within pluralist and liberal frameworks. Under clientelism, for instance, business associations' role can be expected to be limited to representing their members and engaging in lobbying activities without a formal participation in the foreign policy process, while under liberal corporatist forms they can be expected to assume formal roles in the process and take part in the making of foreign policy in a more decisive manner, and it can even be possible for the state to transfer some of its administrative functions to business associations.

There is a similar story related to the other side of the contract between the state and the business associations. It is not only about the services provided by the business associations for the state, but also about the incentives and benefits they receive in return. The scholarly literature is less generous about the incentives the business associations receive by assuming public policy roles, however from sheer observation it is possible to argue that having a say in matters that impact their business and their industry's future is a sufficient motivation for businessmen and

collective institutional structure through which the state can collaborate with the business community. For instance, according to Ambassador Ender Arat, it is not possible for the Ministry of Foreign Affairs (MFA) to be in close contact with various economic sectors and neither is it its duty; the MFA works with business associations that represent these sectors, and while doing this the MFA is not transferring its authority and/or duties to these associations, rather what the latter do is to perfectly complement the ministry's duties (Arat, personal communication, May 29, 2008).

their associations to get involved. In the meantime, interviews held with businessmen and associations' representatives for this study revealed the link between the public good and the self interest, implying that businessmen who come together under the roof of business associations put in significant efforts and resources in the pursuit of public good, not only because they consider this as requisite of their public responsibility (Arslan, personal communication, April 11, 2012), but also—and mainly—because their participation will provide them with greater political leverage vis-à-vis the government and the bureaucracy, and also because everybody benefits from the public good, including the business associations' members and particularly those members who actively take part in the daily work of their respective association. As a part of the contract, business associations receive incentives in the form of increased institutional leverage and reputation by being close to Ankara where decisions are taken (Yılmaz, personal communication, May 9, 2012) as well as greater opportunities and benefits for their member companies, while for the businessmen active in these associations carrying the business card of an association opens doors for them (Tüzün, personal communication, March 20, 2012; also Çınar, personal communication, April 18, 2012), and there exist valuable networking and knowledge sharing opportunities to be obtained through the institutional channels offered by the association they are involved in (Arslan, personal communication, April 11, 2012).¹¹⁶

¹¹⁶ For businessmen who occupy the top positions of business associations active in foreign policy, incentives in return for their services come in the form of the satisfaction derived by serving the public good, and also in the form of greater personal. Oğuz Satıcı has been very frank about the incentives a businessman has when serving for a business association, which can and does absorb a significant portion of a businessman's resources, in terms of both time and money: "This is the ultimate goal of every entrepreneur: gaining power and achieving self satisfaction! After some point, people do what they are doing not only to meet their own needs but also to meet the society's needs through which one's ego is satisfied... As the chairman of TİM, I believe that I have truly satisfied myself; it has of course taken a lot from me, but at the end of the day I have such a story. When it was 26 billion dollars, I took Turkey's exports and brought it up to 132 billion; from 23 thousand exporters I enlarged the base to 52 thousand exporters. In this world there is nothing left that I haven't seen,

Here again we can expect different incentives to have priority under different modes of state business relations. In a clientelistic environment business associations are likely to prioritize self-interest and enter the contract only for the leadership of the association to receive benefits for their own in return for the services provided. Under more participatory and formalized forms like pluralism and liberal corporatism, not only would self-interest be overshadowed by the pursuit of public good, but also direct material benefits would be less the case than indirect benefits obtained through policy participation in the form of reputation and policy leverage.

The question is then, whether over the three decades of neo-liberal transformation in Turkey we have been witnessing an increasing share of policy participation roles and incentives associated with pluralist and liberal corporatist forms of state-business relationship as the determinants of the contract between the state and the business associations in foreign policy making. In order to answer this question, we will investigate the contracts between the state and the three cases of business associations, and analyze how their contracts have evolved over time and how the contract differs under different institutional settings.

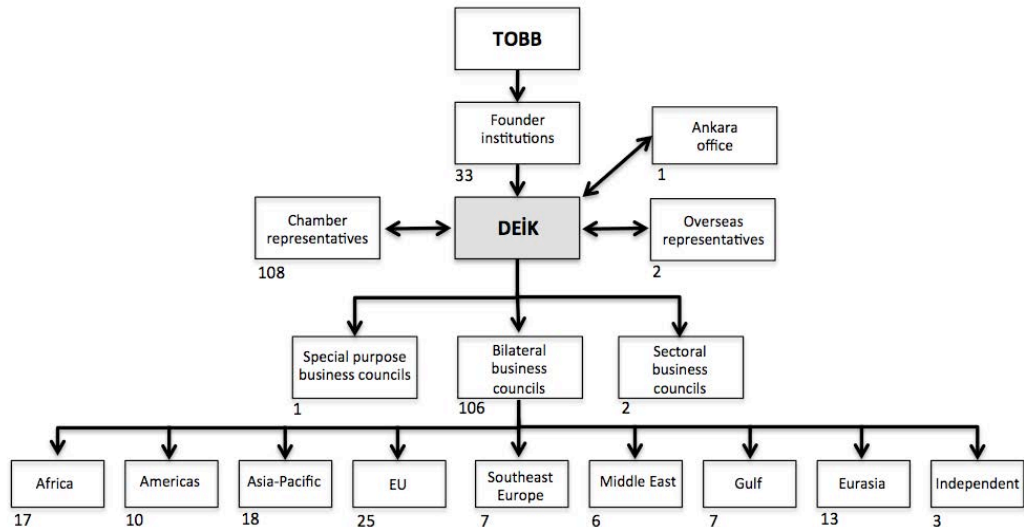
Foreign Economic Relations Board

Before examining the contract between the state and DEİK, it is necessary to have a clear understanding of the institutional structure of and the basic idea behind this organization. DEİK is a business association founded during Turkey's economic liberalization wave of the 1980s as an attempt to determine the common policies of

haven't gone to, haven't touched. I have set my foot in every corner of this country at least once! Wherever I go, I am recognized; I have sat together with kings, presidents, ministers, prime ministers; I have lived everything one can do, one can satisfy his ego with" (Satıcı, personal communication, May 4, 2012). For the original quotation see Appendix D.

the free enterprise community in the realm of foreign relations and to provide a more efficient working environment (Coşkun, 1988). It is an affiliate of TOBB, which is the umbrella organization for public professional associations (with mandatory membership) in Turkey, yet DEİK is itself a voluntary association. DEİK operates through bilateral business councils established with counterpart organizations in respective countries, which are usually a representative body of the corresponding country's private sector. DEİK has a holistic approach to foreign economic relations in the sense that it aims to foster Turkey's position in all different segments of external economic exchange, and in this respect its field of activities covers both exports and imports; foreign direct investment into Turkey as well as the outward direct investment of Turkish corporations; international constructing, infrastructure and energy projects; and the entire range of services provided across borders. The institutional structure of DEİK is illustrated in the diagram below.

Figure 5. The Institutional Structure of DEİK



Note: The number at the left-bottom corner of each box indicates the number of institutions that can be categorized under the respective heading. Numbers actual as of May 2013.

As can be seen in this diagram, the main channel through which DEİK's activities are undertaken are the bilateral business councils, and as of May 2013, there were

bilateral business councils established with a total of 106 countries, under nine regional groupings. While these councils are all under the umbrella of DEİK, thus subject to the decisions made by DEİK's executive board, there is a certain level of intra-institutional decentralization as well. Each business council has its own chairman and its own board of managers formed by businessmen active—or willing to be active—in the respective country, own membership base and budget; and sets its priorities and plans its activities itself, albeit subject to the approval of the DEİK board. This structure has its roots back in the 1980s when DEİK was established, and it reflects the nature of the contract between the state and this particular business association as well.

As briefly discussed in Chapter 3, DEİK was founded as a measure to meet the requirement for greater institutional involvement of the business community in Turkey's foreign relations in a period defined by greater economic liberalization and integration with world markets. Prime Minister Turgut Özal, the mastermind behind the Turkish liberalization program, was a strong proponent of the decisive role of economics in the nation's foreign relations and believed that the business community had to play a more active role in this realm. The neoliberal transformation Turkey had embarked on necessitated greater activism by business circles in the country's foreign exchanges, and Özal's perspective resonated well with the private sector which supported the idea of bringing together peak associations in the form of a council tasked with coordinating the foreign oriented activities of the business community. After a series of consultations between the government and the leading figures of the private sector led to the establishment of DEİK in November 1986.¹¹⁷

In brief, DEİK was founded as a loose form of partnership between the state and the

¹¹⁷ A series of meetings held during 1986, chaired by the then Undersecretary of the State Planning Organization Yusuf Bozkurt Özal and attended by the leading figures of the business community, played a crucial role in forming the idea of DEİK.

private sector, where the business community sought to coordinate its efforts to deal with the neoliberal challenges brought about by integration with world markets and to have a greater say in the country's foreign affairs, while the state (in this case, mainly the executive) recruited private sector participation in foreign relations while at the same time maintaining the control of the process.

It is important to note that during the 1980s, with the dynamics of Cold War still dominating the international political arena, Turkey's foreign policy was dominated by a bilateral perception of world politics. Instead of a holistic approach to global affairs and Turkey's position in the world as a whole, Turkey's foreign policy paradigm during the 1980s implied efforts to improve relations with individual countries as dictated by Turkey's membership in the Western camp of the bipolar world as well as its needs to have access to new markets for export products and mend its international image that was deteriorated due to the military coup of September 12, 1980. Within this framework, maintaining strong ties with the United States remained a high priority for Turkey, while at the same time Turkey increased its efforts to join an integrating Europe and to repair its ties with Greece that were broken after the Turkish military intervention to Cyprus in 1974. The 1980s have also witnessed closer encounters with neighboring countries in the Middle East.

In other words, Turkey's foreign policy makers had to fight at several different fronts, and in each of them the economic dimension was of crucial importance. This is why the newly founded business association, DEİK, started with an institutional structure that would enable the involvement of businessmen through bilateral channels. As decided upon by the state in consultation with the business community, DEİK was to consist of bilateral business councils with different countries, and business councils with the United States and Japan that were already

in place when DEİK was founded, together with those with France and Pakistan established soon thereafter functioned as the backbone of the organization's activities during the 1980s.

DEİK was launched with the aim to “help Turkish companies to open up to the world and coordinate private sector activities in the realm of foreign relations”, “to offer guidance to the private sector in terms of mentality”, and “to establish business delegations and organize meetings within the framework of official state visits” (DEİK web site). But the question is, what exactly have DEİK and its business councils done during the 1980s? How did they engage in Turkey's foreign policy process, in other words, what kind of services did they provide as required by the contract? In order to answer these questions we will have a look at the two most active business councils of DEİK during this decade, those with the United States and Greece.

During the 1980s, and particularly the period between 1983 and 1989 when Turgut Özal was the prime minister, relations between Turkey and the United States have improved substantially, and as İhsan Uzgöl (2005) indicated, they entered a “golden age” because as a result of the turbulence in the Middle East and Turkey's neoliberal transformation the two countries needed each other more than ever before (p.50). In this period, Turkey's foreign policy towards the United States had a two-fold objective in the sense that while on one hand Turkey aimed at minimizing conflicts with the United States and preventing thorny issues (such as the draft bills on the Armenian genocide in the US senate, the post-1974 developments in Turkish-Greek relations and the Cyprus issue in particular) from negatively impacting the mutual understanding between Ankara and Washington D.C., on the other hand Turkish policy makers placed a special emphasis on developing economic and

commercial relations with the United States (ibid, p.50). With respect to both objectives, DEİK was to play a role.

The Turkish-American Business Council (TAİK) under DEİK was founded in 1985, thus predating the foundation of DEİK itself. After holding its first annual meeting in 1986 and the establishment of DEİK in the same year, the council has actively taken part in Turkey relations with the United States. Over the three years between 1987 and 1990, the council has organized a total of 25 events, and it is noteworthy that 15 of these events involvement meetings with American politicians visiting Turkey. In these three years, the council hosted several high ranking figures and delegations from both the U.S. Senate and the House of Representatives, discussing with them not only economic but also political issues of interest with respect to the relations between the two countries. In the meantime, the council organized a number of conferences and seminars aiming to introduce the potential of the Turkish economy to American business circles and informing the Turkish businessmen about ways of doing business with the United States. Sedat Aloğlu, the second chairman of the council who served between 1987 and 1993, remembers the work of TAİK in the 1980s:

I believe that we have been successful in our work on political issues and also in our efforts of promoting Turkey. Several US senators, members of the House of the Representatives and their advisors have come to our country, and our contributions have been crucial in the introduction of the various aspects of our country in a positive manner (Aloğlu, 2005, p.14).

Two important points need to be made with respect to the council's activities in this period. First, it was the most prominent businessmen of Turkey of the time that were active in TAİK. They were the owners and/or the CEOs of Turkey's largest holding companies, and the power they already had has been the driving force behind the

council's work in this early period. Second, and in a related way, these businessmen have undertaken the activities without much institutional backing from DEİK, which was at the time suffering from a shortage of adequate funding. It started with a limited budget, with businessmen working for the organization on a voluntary basis by covering their own costs, mobilizing their own companies' resources for the work of the business council. In this period, not only was the work of TAİK financed largely through the own coffers of the involved businessmen, but also even the meetings of the council were held in the premises of individual companies, as DEİK had neither the facilities nor the finance to book meeting rooms in hotels and convention centers.

There was a similar story with respect to the Turkish-Greek Business Council, which was founded in 1988 with an agreement signed between DEİK and Athens Chamber of Commerce and Industry. By the time the council was founded, Turkish-Greek relations had reached a serious impasse. There were already chronic disputes regarding the demarcation of territorial waters in the Aegean Sea, while the intervention of the Turkish armed forces in Cyprus had further poisoned the relations, which entered into a state of continuous tension. In 1987, when Greece announced that it would commence oil exploration in Northern Aegean, the two countries found themselves at the brink of war. Under these circumstances, Turkey's foreign policy elites, the MFA and the military, saw relations with Greece solely through the prism of security, as a threat that had to be contained. Turgut Özal, however, thought a rapprochement for the benefit of both sides was possible.

Özal's preferred method for paving the way towards the rapprochement was through acts of good will focusing on the economic rather than the troubled political dimension of the relations, and as it was evident that the MFA and the military

establishment had contrasting views with Özal on this issue, he partnered with the business community. Turkey unilaterally lifted visa requirements for Greek citizens and a series of economic initiatives were taken. Businessmen have played a significant role in this process. During 1987, prominent Turkish businessmen like Şarık Tara and Vehbi Koç had meetings with Greek politicians, and the milestone in bilateral relations with Greece came on January 30, 1988, when Özal met with his Greek counterpart Andreas Papandreou under the auspices of the World Economic Forum held in Davos, Switzerland, while it was again Şarık Tara who had arranged this meeting. The decision to institutionalize businessmen's activism in Turkish-Greek relations was also made in Davos. Şarık Tara recalls:

Turgut Bey and Papandreou arrived in the meeting room, they shook hands and took their seats. Turgut Bey knew that I had close relations with the Greeks. He said to me 'we discussed something with Papandreou, about establishing a Turkish-Greek Business Council. He gave the task to Theodoris Papaleksopoulos; they say he is a good guy. You are also experienced in these matters, why don't you establish the Turkish-Greek Business Council?' (Tara, quoted in Altun, 2009, p.222).^{118,119}

The council held its inaugural meeting on March 22, 1988, where eight industries were identified as potential areas of cooperation. Possibilities of collaboration were also discussed when Özal visited Athens on June 13, 1988 in the company of a delegation of 170 businessmen organized by the business council. However during the remainder of the 1980s and well into the 1990s, the idea of cooperation remained only in theory. The business council could not be active in the sense of producing

¹¹⁸ For the original quotation see Appendix D.

¹¹⁹ The top-down approach to establishing the business councils was also evident in the founding of the Turkish-Pakistani Business Council in 1987. Şerif Egeli, the founding chairman of the council, recalls how the council was founded: "When [the President of Pakistan] Zia-ul-Haq came to Turkey, he came together with Turgut Bey and said to me 'Tomorrow you will establish the business council.' In this way, the establishment of the business council took place not as a response to a demand from the business world, but as a decision made by the president and the prime minister of the two countries. This is how we started doing business with Pakistan" (Egeli quoted in Altun, 2009, p.162). For the original quotation see Appendix D.

concrete outcomes that would contribute to the improvement of relations, because despite all the attempts political issues continued to overshadow the economic dimension. The Turkish-Greek Business Council has nevertheless played an important role in this period as it opened a new channel of communication between the two sides, and managed to shift the language of Turkey's policy towards Greece from one of conflict and security threat towards reconciliatory tones. As it was declared during a meeting of the council in 1988, activities of the council were important in the sense that they provided an opportunity for both sides to shake hands and overcome their fears ("Kalimerhaba" Dediler, 1988).

The experience of DEİK's business councils with the United States and Greece indicates that during the 1980s—the early years of Turkey's neoliberal transformation that gave birth to DEİK as a business association emerging as an actor in Turkey's foreign policy—this organization was primarily involved in lobbying activities that aimed not only at promoting the economic interests of the private sector, but also and mainly at reducing the conflicts and tensions between Turkey and the respective countries through a non-governmental channel. In this sense, DEİK played a significant “political role” in this period. In the meantime, these councils have also undertaken a series of meetings, seminars and other events aimed at trade facilitation. Both kinds of activities were components of the contract between the Turkish government and DEİK as the representative of the business community. It was the government that commissioned DEİK to perform these tasks, and in return the pioneering businessmen active in DEİK have not benefited from the business contacts they have established but more importantly through the foreign policy role they have played they gained significant political power and leverage.

When we talk here about the government, we should remember that during

the 1980s it was almost synonymous with the person of Turgut Özal himself. He was the architect of the contract between the Turkish state and the business community, and in fact the contract he had envisaged much wider in scope than what was actually materialized. For Özal, DEİK was “the Foreign Ministry of the Turkish economy”¹²⁰, and he wanted the businessmen involved in DEİK to do more than lobbying or organizing trade facilitation events. One way to empower the businessmen was to provide them with a more formal role in policy formulation and Özal intended to place the intergovernmental joint economic commission meetings under the sole responsibility of DEİK (Tüzün, personal communication, May 24, 2008). These meetings offer a bilateral platform for Turkey and the respective country the two sides to negotiate a road map for the future of their economic relations and they are concluded with the signing of an official, intergovernmental memorandum of understanding. The public bureaucracy deemed these meetings to be purely state business, and Özal had to step back giving up the idea given the reaction of the state bureaucracy.¹²¹ Instead the meetings remained organized by the state, and DEİK was allowed to take part and to voice the business community’s opinion, thus still giving DEİK the quasi-public role of serving on an official policy formulation platform.¹²²

During the early 1990s, the world witnessed the onset of a transformation in

¹²⁰ Özal said this during a World Economic Forum meeting in Davos, in response to his Greek counterpart who asked what DEİK was (quoted in Altun, 2009, p.128).

¹²¹ The experience of DEİK executives during this period informs us that the bureaucracy was rather hesitant to share the commanding heights of the economy with the private sector. Çiğdem Tüzün recalls that in the earlier stages DEİK’s business council chairman attending a joint economic commission meeting had the same rank with in the protocol with the cabinet minister in charge of the meeting, “however the bureaucracy was increasingly uncomfortable with this... Some began to say ‘it is us who are calling the shots here; we take your opinion, but you are not allowed to speak up’” (Tüzün, personal communication, March 20, 2012). Original quotation: “Fakat, giderek bürokraside bundan duyulan rahatsızlık da arttı... Yani ‘burada bizim sözümüz geçer, biz sizden görüş alırız ama burada siz konuşamazsınız’ diyenler de oldu.”

¹²² A circular of the Prime Ministry General Directorate of Personnel and Principles, dated September 25, 1996, stated that the chairman of the respective business council of DEİK was to attend the joint economic commission meetings as the representative of the private sector.

the international structure as the dissolution of the Soviet Union brought the Cold War to an end and triggered a shift from the bipolar world structure towards the simultaneous occurrence of unipolarity with the United States as the single remaining superpower and greater interconnectedness and interdependence among the nation-states, in other words globalization. This transformation was to have a significant impact of Turkey's external relations in the long run, but in those earlier days the immediate effect of the dissolution of the Soviet Union on Turkey's foreign policy was a growing interest and activism in the post-Soviet geography. Turkey was the first country to recognize the newly independent republic—particularly the Turkic republics in Central Asia and the Caucasus with which Turkey shared a common ethnic and cultural heritage—and to open embassies there. As Gareth Winrow (1998) noted, “there was a great euphoria in Turkey” and the republics, being unsure of their post-communist future and lacking experience in international affairs, were “immensely grateful for Turkish offers for political and economic support” that began to flood in (p.96). Turkey's overture to the newly independent republics had a significant economic dimension, and DEİK was to play an important role in Turkey's policy towards the post-Soviet region.¹²³ The most important aspect of Turkey's relations with the region was that “with regard to concrete measures taken, the bilateral approach clearly dominate[d] the relationship” (Tsardanidis, 2001,

¹²³ DEİK's involvement in this region began before the dissolution of the Soviet Union, when, on June 10, 1988 a protocol agreement was signed with the Chamber of Commerce and Industry of the Union of Soviet Socialist Republics to launch the Turkish-Soviet Business Council. In this early period, trade between Turkey and the Soviet Union was realized through four different forms: i) exports under the coverage of the Natural Gas Agreement; ii) payment agreements signed in early 1970s for the construction of industrial plants in Turkey; iii) Turkish Eximbank credits; iv) export and import with hard currencies (DEİK, 1992, p.1). More importantly, Turkish construction companies were awarded the projects of residential buildings for Soviet troops returning from East Germany, thus marking the first step of a well-established long-term presence of Turkish contractors in this region. At the time of its inception, the Turkish-Soviet Business council had 35 Turkish companies and 42 Soviet state owned enterprises as its members (DEİK, 1991, p.10). The fact that the state owned enterprises of the socialist Soviet Union entered into such an institutional cooperation structure with Turkey's private capital should be seen as a result of the *perestroika* (economic restructuring) period in the Soviet Union that was launched in 1985.

p.170). DEİK's structure based on bilateral business council meant that it was well positioned to take part in Turkey's foreign policy openings with individual republics in Central Asia and the Caucasus.¹²⁴

During the 1990s, DEİK has undertaken several successful projects in the region, which complemented the official foreign policy formulated by the state. As Serdar Arıkan a former group coordinator at DEİK indicated, Turkey's foreign policy to this region was dominated by "personal diplomacy" and DEİK's activities like organizing business delegations that accompanied official state visits to the countries in the region or undertaking events that brought both the public and private sectors of Turkey and the respective country together have reinforced this diplomacy by establishing linkages between business circles that ran parallel to relations maintained through Turkish leaders' personal contacts with the leaders of the former Soviet republics (Arıkan, personal communication, March 21, 2012). The Turkish state needed the private sector's involvement because the target of foreign policy was a post-socialist realm targeting transition to market economy and Turkey's diplomatic foreign policy overtures to the region would be incomplete without the backing of and legitimization by the private sector. On the other side of the contract, DEİK's members saw opportunities in the region, but they needed the Turkish state's support because, as Serdar Arıkan remarked, i) these republics were ruled by authoritarian regimes where one single man had the say on almost everything; ii) the public sector had a great weight in these countries' economies and although the private sector had begun to expand now, the role of the state in the economy was still

¹²⁴ As a response to the dissolution of the Soviet Union, DEİK reorganized the Turkish-Soviet Business Council as the Turkish-CIS Business Council in 1992, and more importantly, individual business councils were also established with the newly independent republics, which were brought together under the umbrella of the Turkish-CIS Business Council. In 1999, the name of this group was changed as Turkish-Eurasian Business Council, due to the fact that other than business councils with former Soviet republics, the group also included the Turkish-Afghan and Turkish-Mongolian Business Councils.

remarkable, which meant that it was almost impossible to do business there without maintaining contacts within the public bureaucracy (ibid). As Serdar Arıkan stated, businessmen actively taking part in DEİK's activities region have benefited from the personal backing of Turkey's leaders:

We know that Turkish businessmen were presented to [President of the Chechen Republic Akhmad] Kadyrov, to [President of Kazakhstan Nursultan] Nazarbayev, to [President of Azerbaijan Heydar] Aliyev with personal reference letters. We know that businessmen were recommended personally by Turgut Özal and Süleyman Demirel; and this was the right thing to do under the circumstances (ibid).¹²⁵

The first half of the 1990s saw DEİK's attempts to strengthen economic relations in the region through the participation of third parties as well. With the idea of combining Turkish business' expertise in the region with the technology and finance to be provided by developed countries in order to utilize them for projects in the former Soviet Union, several joint missions were organized, including the Turkish-American joint mission to Central Asia in 1992; the Turkish- Japanese joint mission to Azerbaijan and Central Asia in 1993 and 1997. The most important aspect of these missions was that they were commissioned personally by the Turkish prime minister and in every country they visited the delegations met the president of the respective country in person. Here again, we can see the contours of the contract between the state and DEİK as a business association. The state needed DEİK to perform these services in order to strengthen its international alignment schemes in the region. In a time, when Turkey saw itself in competition against the Russian Federation for influence in Central Asia and the Caucasus, the preferred option was to enter into a balancing act by siding with the United States and Japan, and DEİK's business missions have perfectly contributed to this task by establishing the cooperation on

¹²⁵ For the original quotation see Appendix D.

the field. The Turkish state has fully endorsed these activities, for which the return for DEİK was state-sponsored access to American and Japanese capital and know-how as well as direct access to the policy makers in Central Asia and the Caucasus.

In the 1990s, the contract between the state and DEİK had also a multilateral dimension, in the sense that DEİK was asked to participate and perform in a new regional initiative, the Black Sea Economic Cooperation Organization (BSEC). BSEC was founded in June 1992 with the purpose of achieving the integration of the Black Sea region into the world economy within the principles of market economy and democracy (DEİK, 1993). This purpose required the mobilization of business communities, since nine of the eleven member countries of the BSEC were post-socialist transitional economies. Çelik Kurdoğlu, former director of DEİK, recalls the Turkish MFA contacting DEİK one month after the foundation of BSEC to inquire about possible forms of collaboration (Kurdoğlu, personal communication, May 29, 2008). Eventually, the BSEC Business Council was founded under the auspices of DEİK with the purpose of “improving the business environment in the BSEC region and promoting individual and collective initiatives of the private sector in the member countries”. It was founded as a nongovernmental, non-profit organization (such as DEİK itself), but at the same time given an observer status at the BSEC Organization with the right to attend all its official meetings. In other words, the state needed DEİK to get involved because without the private sector participation the BSEC project would not go further than simply being a talk shop, and through this institutionalized link it established with the BSEC Organization, DEİK gained another instrument in foreign economic policy participation, this time on a multilateral level.¹²⁶

¹²⁶ To what extent the BSEC Business Council can work efficiently and to what extent it serves DEİK’s benefits is, however, a different question. In this respect, the fact that the chambers

Beginning with the late 1990s, there has been a slowing down in Turkey's relations with the countries of the former Soviet Union. One reason for this has been the fact that the personal diplomacy faded down as subsequent Turkish leaders such as Prime Minister Bülent Ecevit and President Ahmet Necdet Sezer did not show the same interest as Özal and Demirel did and the political instability caused by a series of coalition governments reduced Turkey's energy dedicated for foreign affairs. Another reason was that due to their rapid economic growth based on exports of raw materials, the countries in the region did not need Turkey's involvement as much as they did before.¹²⁷ At this point it is also possible to add what Charalambos Tsardanidis (2001) sees as the reasons for the failure of Turkish policy in Central Asia: i) the Turkish government's failure to provide aid to the Central Asian countries in the quantities hoped for; ii) the Turkish companies' failure to capitalize quickly on the initial opening up and their over-emphasis on the Russian Federation in terms of investing; iii) the refusal of the Central Asian republics to replace a Russian "elder brother" with a Turkish one (pp.174-177). In this period, DEİK's activities in the region have also receded. By the second half of the decade, DEİK had reached a significant level of resources and reputation, which it could employ in its contract with the state. However, due to personal preferences of state leaders and the non-functional government structures prevailing in this period, the other side of the contract, i.e. the state, was unable and/or unwilling to fully make use of the

representing their respective counties do not act without obtaining the directives and/or the approval of their governments appears to be a major problem curbing the organization's efficiency. According to Volkan Yüzer, deputy secretary general of BSEC Business Council, it is for this reason that DEİK does not benefit much from the council, in the sense that the latter is seldom able to offer any significant returns beyond what DEİK can already accomplish through its bilateral councils with the countries in the region (Yüzer, personal communication, May 3, 2012).

¹²⁷ An anecdote from the Turkish-Kazakh Business Council meeting held on May 21, 2003 illustrates this point. At this meeting after Prime Minister Recep Tayyip Erdoğan stated that Turkish entrepreneurs are willing to invest more in Kazakhstan, President Nursultan Nazarbayev said that Kazakhstan has achieved a position to become an overseas investor itself and would be interested in investing in Turkey (DEİK, 2003).

contract and expand it.

In the post-Soviet region, the state needed DEİK to reinforce its overtures of personal diplomacy, and in return DEİK gained a significant degree of reputation through its activities in these countries, while DEİK's members benefited profoundly from the backing of the state in their efforts of establishing their own business contacts in markets in transition. This was the contract between the Turkish state and DEİK, and during the 1990s the organization's activities in other regions of the world reproduced the same pattern in the sense that DEİK served as the economics arm of Turkey's efforts in establishing and nurturing relations with post-socialist countries. For instance, while during the first half of the decade a number of business councils were established with Western European countries and eventually grouped under the roof of the Turkish-EU Business Councils, these councils remained far below the activism performance of the councils with the CIS countries, whereas DEİK has been much more active in the Balkans and Eastern Europe. In this respect, for instance, the Turkish-Bulgarian Business Council founded in 1991 has significantly contributed to the normalization of relations between the two countries after serious problems over the past decade, while in the same period the Turkish-Romanian Business Council has played a profound role in forming the ties between the two countries, thanks to the direct personal support of the presidents of the respective countries, Süleyman Demirel and Ion Iliescu, for the council's activities.

A closer look at DEİK's activities in the Balkans reveal that during the 1990s, DEİK's approach to reinforcing relations with the countries of the region had begun to transform from *ad hoc* overtures at the bilateral level towards more institutionalized and collective initiatives. While the establishment of business councils with these countries have certainly played a significant role in this sense, it

is also important to acknowledge to note that the contract between the state and DEİK began to shift its focus from personal diplomacy towards systematic efforts to involve the private sector in relation-building, reconciliation and peace-making processes with the countries in question. The international conference on the “The Role of the Private Sector and the Improvement of People’s Lives in Post-Conflict Balkans” held by DEİK on May 15, 1999, i.e. near the end of the armed conflict in Kosovo, brought together stakeholders from several countries and resulted in a roadmap for a public-private partnership through which capital could be channeled to the region in an optimal manner congruent for the development and reconstruction needs of the countries affected by years of armed conflict. Turkish policy-makers wanted to have an influential role in the post-conflict Balkans, and since the most effective way for achieving this objective was through helping the region to develop economically, DEİK contributed to Ankara’s foreign policy goals by coordinating the private capital’s flow to the region.

In a similar way, DEİK’s role in Turkey’s relations with Greece also transformed during the 1990 in the sense that while in the previous decade it was mainly based on personal brokerage roles played by individual businessmen, in this period there emerged a more institutionalized form of policy participation, through meetings that brought the businessmen of the two sides together, such as the conference on “Cooperation in the Aegean and Cyprus” held on May 25, 1997, followed by the “Turkish-Greek Economy Forum” one day later, where the main objective has been to discuss how the business communities’ initiatives and contacts can help to create an environment of cooperation and mutual trust. (Ege’de Barış, 1997). Here again we can clearly see the P-A interaction, with the business community reinforcing the state’s foreign policy objectives, and in return obtaining

state-sanctioned access to new markets and business deals.

The contract between the state and DEİK during the 1990s has, however, not produced the desired outcomes in every case. In 1992, a business council was formed with the Turkish Republic of Northern Cyprus (TRNC), and while there was no demand whatsoever from the Turkish business community for such an organization, it was the state's decision to have this business council that was intended to support Turkey's Cyprus policy in a time when negotiation between the Turkish and Greek sides were in a stalemate, and according to Şükrü Koçoğlu, founder chairman of the council, the purpose behind the council was not opening up trade and investment opportunities for Turkish businessmen, but to give a message to the Greek administration in Cyprus and there were expectations that the council's policies strictly complied with Turkey's Cyprus policy (Koçoğlu, quoted in Altun, 2009, pp.357-358). In this particular subfield of Turkey's foreign policy that was overly politicized and conflictual, the contract between the state and DEİK was rather stillborn, not only because the performance expected from the latter was excessively political and less economic in nature, but also because expected incentives were relatively low, as the TRNC did not offer a promising business environment and market for Turkish businessmen. The business council rendered obsolete in 1999 its activities were indefinitely suspended.¹²⁸

An important aspect of the contract between DEİK and the Turkish state during the 1990s is that the volatile political environment of the period—marked by a series of consecutive short-lived coalition governments—had a negative impact in the enforcement and implementation of the contracts. According to Serdar Arıkan,

¹²⁸ An action plan signed on April 14, 2009, between DEİK and the Cyprus Turkish Chamber of Commerce in the presence of a cabinet minister from Turkey and the prime minister of TRNC, stipulated the reactivation of the business council. However, as of the time of writing, the council was yet to produce concrete services and activities.

DEİK has consistently performed its services and undertaken its activities throughout this period, however certain governments were less sympathetic towards engaging DEİK as an actor in the foreign policy process:

We have always submitted our messages, but to what extent they were listened to, to what extent they were given attention to, this is the question that we need to discuss. Maybe we should put it this way: Every single government has valued the services of DEİK. But for some governments, in certain periods, this remained a little artificial, it was only given lip service; there could not be real interaction between the government and DEİK (Arıkan, personal communication, March 21, 2012).¹²⁹

The P-A contract is defined first and foremost by the principal's priorities, and during the 1990s, the contract between the state and DEİK was significantly affected by how the government approached foreign policy in general and non-state actors' role in the process in particular. A commonly cited example in the positive sense is İsmail Cem's tenure as the minister of foreign affairs between 1997 and 2002, a period when the willingness of Ankara, and particularly that of İsmail Cem, to employ businessmen as unofficial ambassadors overseas has provided a favorable environment for DEİK to work in close cooperation with the government (Tüzün, personal communication, March 20, 2012). On the other hand, it is also the case that different governments can be more interested in certain countries or regions than others (Çınar, personal communication, April 18, 2012) which impacts the way that DEİK with its structure of bilateral business councils engages in foreign policy process. As Çiğdem Tüzün argued, for instance, among all the governments DEİK has worked with, the one that was most problematic was the coalition government of the Welfare Party (RP) with the True Path Party (DYP), in office between June 1996 and June 1997, because it attempted to challenge Turkey's established foreign policy

¹²⁹ For the original quotation see Appendix D.

principles and focused on Islamic countries in terms of economic relations, which drew criticism from Turkey's main economic partners and negatively influenced DEİK's operations (personal communication, May 24, 2008). In short, the P-A relationship between the state and DEİK as a business association during the 1990s was influenced by changes at both sides. On the principal's side, there was relative instability and lack of continuity between short-lived coalition governments, which undermined the dynamics of the contract. On the agent's side, there was a growing association with members increasingly engaging in cross border economic relations, however increasing capacity on the agent's side could only bring the interaction up to a certain point and not more, given the weakness on the principal side.

This weakness on the principal side was soon to cease to be the case, as the general elections in 2002 brought the AKP to the office as a single-party government with parliamentary majority thus bringing about political stability after the turbulent 1990s, and returning the economy to a growth trajectory after severe economic crises. Policymaking broke the deadlock of the previous coalition governments and gained a significant degree of dynamism, which also energized the P-A interaction between the state and the business associations in the realm of foreign policy.

As discussed in earlier chapters, the most significant characteristic of Turkey's foreign policy activism under the AKP has been its expanded geographic perspective, a broadening of foreign policy vision from its traditional focus on the country's Western alliance towards active engagement with various parts of the world to increase Turkey's influence at both regional and global levels. This approach is materialized through concrete efforts by the Turkish state undertaken in partnership with non-state actors, and DEİK is playing a significant role in this respect.

As the Turkish government began to broaden its foreign policy vision to countries hitherto excluded from or only superficially subscribed to in Turkey's foreign policy, DEİK's structure of bilateral business councils proved a perfect instrument through which the business community's efforts could be channeled towards the government's foreign policy overtures. DEİK has not only launched several new business councils during the 2000s, but the scope and content of the councils' operations have also increased profoundly. The number of business councils under DEİK, which was 13 in 1990, 51 in 1995 and 68 in 2002 (the last whole year before the AKP government took office) increased to 78 by 2007, after which a increasing momentum in the government's foreign policy activism was matched by DEİK's offensive in launching new business councils, taking the total number of councils to 106 by early 2013.¹³⁰

Table 3. Number of DEİK's Business Councils under Regional Groupings

	1987	1992	1997	2002	2007	2012
Eurasia	0	9	12	13	13	13
EU	1	14	22	24	25	25
Southeastern Europe	0	1	4	6	6	7
Asia Pacific	2	4	8	8	10	18
Middle East	0	0	2	6	6	6
Gulf	0	0	0	1	6	7
Africa	0	4	5	5	6	17
Americas	1	1	1	2	3	10
Independent	0	1	2	3	3	3
Total	4	34	56	68	78	106

Source: Compiled using data obtained from the DEİK office.

The table above shows the number of business councils under each regional group of DEİK for five-year periods. As it is clearly evident here, there has been a significant drive of opening new councils during the 2000s, particularly with the second term of

¹³⁰ See Appendix B for a list of bilateral business councils under DEİK.

the AKP government in office after 2007. It can also be observed that DEİK's geographical expansion during this period mainly targeted the Americas, Africa and the Asia-Pacific, in other words the new horizons of Turkey's foreign policy. Turkey's foreign policy overtures towards these regions primarily involved relation building, and as economic exchanges formed the backbone of the relation building process, DEİK with its bilateral business councils played a major role in channeling the business community's contribution to this process. The contract between the state and DEİK involved the latter collecting information and submitting it to the policy makers on the economics of the newly established (and existing) relations and providing platforms through which foreign policy can be facilitated.

The main instrument DEİK uses to provide these platforms in order to facilitate the exchanges between Turkey and other countries is the large-scale business events, bringing together businessmen and state officials from both sides to plan the future of bilateral relations, make deals and also conclude formal agreements. Every year, DEİK organizes several business events, both in Turkey and abroad. Among these events, the "Joint Annual Meeting" is the flagship event of each business council that operates under DEİK. These meetings are organized in cooperation with the counterpart organization of the business council in the respective country. Although it is stated in DEİK regulations that the "joint annual meetings are held at least once every year", this is not the case in practice because only a certain portion of DEİK's business councils hold their joint annual meetings during the year. Although the joint annual meetings are the largest in scale among all the activities of DEİK, they only make up a certain percentage of the DEİK's annual calendar. Another event that resembles the joint annual meetings in terms of scale is the Business Forum, which is not organized jointly with the counterpart organization

in the respective country but with other Turkish stakeholders, whereas in the meantime events of smaller scale are organized frequently to enable joint work through focus groups.

DEİK's major events are attended by senior state officials of both countries and most often this participation is at the highest level, such as presidents, prime ministers, ministers, who are accompanied by their staff and bureaucrats.¹³¹ This high level participation gives DEİK the opportunity to: i) report the problems experienced by the Turkish business community and their policy suggestions directly to the state officials and bureaucrats of Turkey and the respective foreign country; ii) enable business communities of both sides to have direct contact with these state officials and bureaucrats; iii) execute matchmaking sessions between the businessmen of both sides. Additionally, through these events DEİK also provides 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, and it is also often the case that official intergovernmental agreements are signed during events organized by DEİK.

Large-scale business events are not the only platforms through which contact between the state and DEİK is established and the interaction is executed. Senior executives of DEİK frequently visit state 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 policy. At such meetings, DEİK's executives and business councils' chairmen take the floor and convey

¹³¹ In 2011, for example, DEİK organized 652 events of varying scale, and participated in 173 events organized by other institutions. President Gül participated in seven of DEİK's events, Prime Minister Erdoğan took part in ten events, and the total number of participation at the ministerial level was a massive 149. In the meantime, during the same year, fifteen heads of state from other countries as well as ten heads of government have taken part in events organized by DEİK's business councils (Data obtained from the DEİK office).

opinions and suggestions both on general foreign policy issues and issues specific for certain countries. A relatively recent example is DEİK's meeting with President Gül on February 15, 2008, where a total of 48 DEİK executives have taken the floor and besides general policies, issues related to Turkey's economic policies vis-à-vis 32 different countries were discussed. It is also a common practice to state leaders to visit DEİK's general assembly meetings where they address DEİK's executives and representatives of member companies.¹³² Furthermore, it is often the case for newly appointed Turkish ambassadors to have a meeting with DEİK before they leave for their country of duty.

These linkages established by DEİK between the state and the business community in cases of "relation building"—like those with Latin America, Africa and Asia-Pacific—serve the P-A interaction in the sense that the state receives vital feedback and information for making decisions, gains legitimacy for its decisions, while at the same time DEİK's members have access to formal and informal business facilitation mechanisms and DEİK as an association increases its leverage and influence. However, Turkey's foreign policy under the current government is not only about relation building through economic exchanges, but also about conflict resolution and high-politics in general. In such cases, we observe the P-A contract requiring DEİK as the agent to support the principal's position, regardless of the scale of the economic interests at stake.

Kosovo and Palestine offer good examples in this respect. In February 2008, when Kosovo declared its independence from the Republic of Serbia, Turkey was

¹³² President Gül, Prime Minister Erdoğan and ministers of the AKP cabinet do this regularly. But even in periods when the state leaders then in office were relatively unsympathetic towards close relations with the business community, this practice has continued without interruption. For example, president Ahmet Necdet Sezer, who did not allow business delegations on official state visits, attended DEİK's general assembly meetings, such as the one held on November 20, 2000 where he said that DEİK has important duties with regard to Turkey's foreign economic policies in the sense that it established an institutional framework within which Turkish businessmen can directly contact their counterparts in other countries.

one of the first countries to recognize this new country. Although the economic potential between Turkey and Kosovo was of minimal importance, DEİK immediately commenced preparations for the launch of the Turkish-Kosovar Business Council, and the agreement for the establishment of the council was signed in January 2009, under the patronage of the Minister of State Ali Babacan, who expressed “Ankara’s full support to Europe’s youngest republic” (Altun, 2010, p.303). Turkey’s foreign policy towards the Balkans implied a recognition of the new republic, and as “full support” was meant to have an economic dimension, DEİK undertook its task as the agent by establishing the council and bringing businessmen to Kosovo, despite what this country could offer to Turkish businessmen in an economically rational sense was questionable.

The Turkish-Palestinian Business Council, on the other hand, was established in 2000, but it was structured as a subsidiary to the Turkish-Jordanian Business Council due to political complications caused by the Status of the international recognition of the state of Palestine.¹³³ With the AKP government adopting a firmer stance with regard to the Palestinian issue after its second term in the office and being more vocal with respect to the economic, political, and cultural rights of the Palestinian people, DEİK upgraded the Turkish-Palestinian business Council to a fully-fledged, separate business council.

The Palestinian case is an illustration of the nature of DEİK’s involvement in Turkish foreign policy in general, and in the Middle East policy in particular. The government has a set of policy objectives and stronger economic interaction is a requisite for the fulfillment of these objectives. DEİK mobilizes the business economic community behind these objectives, and while doing so it strictly remains

¹³³ As of May 2013, 131 of the 193 member states of the United Nations have recognized the State of Palestine. Turkey is one of the first countries which has granted recognition to the State of Palestine, having done so on November 15, 1988, together with eleven other countries.

within the political framework drawn by the state. For instance, in Iraq, DEİK recognized the territorial integrity of Iraq and the administration in Baghdad as the sole sovereign authority of whole Iraq, in full compliance with the official Iraq policy of Turkey. Although it encouraged investment in Northern Iraq, DEİK did not recognize the Kurdish administration there and talks directly to Baghdad. This is the P-A contract in action, the agent reinforces the policy overtures of the principal—aligning with both economic and political contours drawn by the state—and undertakes certain tasks to that end, and in return it obtains not only influence, but also market access.

An important development with regard to the nature of the contract between the state and DEİK during the 2000s has been the latter's increasing activism at the multilateral level, in addition to its operations through the bilateral business council structure. Turkey's foreign policy approach in this period evolved from the bilateral approach of the 1980s and the 1990s towards greater activism at the multilateral level, as a precondition of increasing the country's influence as a regional and global player. One example for this new functionality of DEİK can be observed in its overtures towards Africa as a region.

Turkey's foreign policy activism under the AKP government took an important turn in 2008 as Ankara declared its candidacy to join the UN Security Council as a non-permanent member for the period 2009-10. As required by its bid, Turkey focused its foreign policy attention to developing and lead developed countries of the world, eventually establishing a Africa Strategy, that was materialized in the "Turkish-African Cooperation Summit" held between August 18-21, 2008 with the participation of more than forty heads of state and heads of government from the entire African continent. DEİK took part in the process by

organizing the Turkish-African Economic Summit within the confines of the larger conference, bringing together around two hundred African business representatives with their Turkish parts. The simultaneous organization of two summits, one for statesmen organized by the MFA and the other for businessmen organized by DEİK has confirmed a holistic approach on Turkey's behalf in its overture towards Africa. During this summit, DEİK has also announced the launch of a Turkish-African Chamber to operate under its own auspices, and the fact that President Gül has overseen the signing of the respective agreement shows the how the state and DEİK have collaborated in producing an all-encompassing opening towards Africa.

Another key aspect of Turkey's foreign policy during the 2000s has been the aim of mobilizing the Turkish diaspora, i.e. the community of around 4.5 million Turkish living in Europe and the rest of the world, behind the country's quest for achieving a regional and global power status. The government sees great value in gathering the members of Turkish diaspora under one single roof in their respective countries or on a worldwide basis, mobilizing diaspora groups for a common goal, establishing the communication of the Turkish with the local communities in the regions they are residing (Erandaç, 2013) and DEİK performed a crucial task in this respect by bringing together the Turkish businessmen living and working overseas. In 2008, the World Turkish Business Council (*Dünya Türk İş Konseyi* – DTİK) was established as an initiative of TOBB and DEİK, with the purpose of “gathering all the small dispersed networks of Turkish entrepreneurs and successful Turkish professionals, who have gained authority in decision-making processes of big international companies abroad, under one big structure to waken and enhance the lobbying activities” (DTİK, n.d.). Considering the importance of diasporas in facilitating their host country's foreign policy and the high-caliber executive board of

DTİK,¹³⁴ it is fair to foresee that DTİK will in time emerge as one of the main non-state actors in Turkey's foreign policy.

In both the African case and DTİK, we can observe an evolution of the P-A contract between the state and DEİK. In both cases, the state required the efforts of DEİK to establish the economic basis of a multilateral project, one directed at Turkey's global expansion, the other at mobilizing the diaspora. In both cases, DEİK obtained incentives in return, in both cases there have been incentives in the form of market access and influence, and in the case of DTİK, DEİK has also obtained a new and highly effective networking facility, allowing the entire DEİK clientele to benefit from contact points and potential partners in the form of Turkish companies resident overseas.

To summarize, the nature of the contract between the state and DEİK in foreign policy making has been evolving since the 1980s when the association was first established. While in earlier phases DEİK was merely providing personal contacts, it moved on to performing certain professional activities providing platforms through which coordination between stakeholders was secured foreign policy was facilitated. More recently, during the 2000s, the scope and contents of the activities have increased, and so did DEİK's contribution to Turkey's foreign policy process. Whether this enlargement of the contract in size does also hint at a transformation of how the state interacts with the business community remain an open question, and before dealing with this question it is necessary to look at other cases of business associations, which—similar to DEİK—perform as agents within their own P-A contract with the state.

¹³⁴ As of May 2013, the executive board of DTİK included internationally renowned business figures such as Muhtar Kent (CEO of Coca-Cola International), Rahmi Koç (Honorary Chairman of Koç Holding), and Güler Sabancı (Chairman and Managing Director of Sabancı Holding).

Turkish Exporters' Assembly

TİM is the umbrella organization of 61 exporter unions (under 13 regional associations) representing more than 52 thousand companies in 26 exporting sectors, as of May 2013.¹³⁵ Although TİM was founded in 1993, the history of exporter unions date back to the early years of the republic, when efforts were undertaken to create institutional arrangements to organize and coordinate Turkey's newly growing exporting sector. The first exporter union was established in 1937 in Turkey's eastern provinces as a measure to regulate the price competition in exports of livestock made from this part of the country to the Soviet Union. A total of 42 exporter unions—almost all of them active in agricultural sectors—were established in this period, and they had the status of a joint stock company, meaning that they were profit-based organizations themselves involved in the trade of their respective products. These unions were followed by a number of others established directly through presidential decrees, and it would take the ordinance issued on March 19, 1940 (Nr. 2/13093) to finalize the definitive status of exporter unions in Turkey. Accordingly, all exporters were obliged to join the respective exporter union for the industry they were active in and non-members were not allowed to export the products that were included in the scope of the union; the unions were to report to the Ministry of Commerce; and they were tasked with ensuring that adequate levels of production and stocks are maintained, the government's priorities and policies related to foreign trade are adhered to, and cooperation between exporters is encouraged (Aydın, 2012, p.35).

Over the following decades, new exporter unions were established as a

¹³⁵ See Appendix C for a list of exporter unions and associations under TİM.

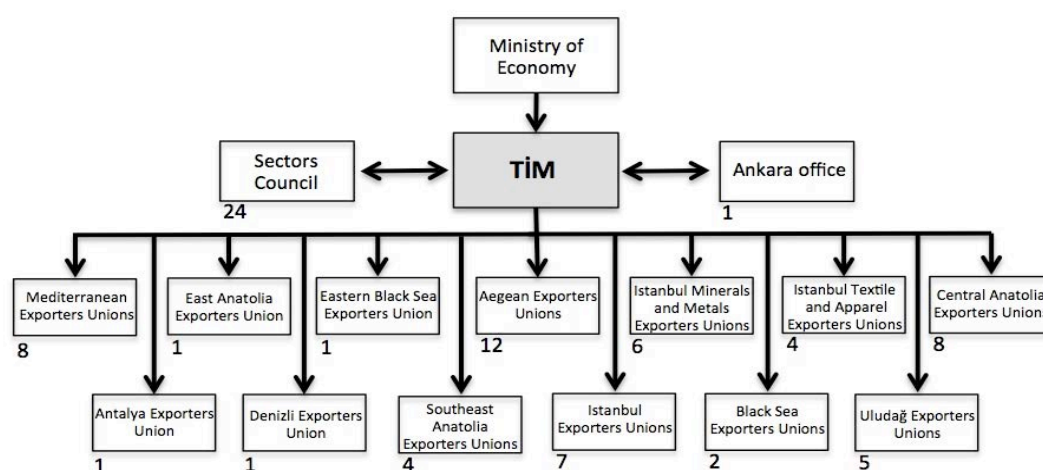
response to Turkey's diversifying exports portfolio. The liberalization wave in Turkey's economy following the decisions of January 24, 1980, brought a crucial impetus to Turkey's export drive, and as both global and domestic conjunctures were changing there arose the need to revise the status of exporter unions. This revision came with the ordinance issued on October 30, 1986 (Nr. 86/11159), which brought two important institutional changes. Accordingly, first, eligibility for being selected to the board of an exporter union was tied to the condition of a minimum annual export volume, meaning that exporter unions would be run by high-caliber exporters themselves instead of politically well-connected individuals from the business community. As a second important change, "joint boards of executives" were established to ensure coordination and eventually joint policy making between unions operating in the same industries and sectors. This coordination was supported through the creation of an "inter-union common fund" aimed at the pooling of resources of individual exporter unions (ibid, p.78).¹³⁶ In other words, the relationship between the state and the exporter unions during the 1980s can be viewed through the prism of a P-A relationship. In a period when economic exchanges with the rest of the world began to expand and turned into an important determinant of Turkey's foreign relations, the government took these steps in order to organize the exporter community into an institutional and coordinated body that would reinforce Turkey's efforts to open up to the world and integrate with world markets. In return, through exporter unions the individual companies could have access to the incentives provided by the state as well as support networks within the exporter community.

TİM's establishment in 1993 can be regarded to as a natural continuation of

¹³⁶ Another important institutional change in this period came in 1989, when the exporter unions were placed under the authority of the newly established Undersecretariat of Treasury and Foreign Trade.

this process, in the sense that, from a P-A perspective, it marks the principal's intervention to structure the agent from its fragmented state into a coherent, organized and coordinated institution, with which it could directly communicate. Following the organization of exporter unions into industry-specific groupings, the establishment of an upper organization that would cover all of the exporter unions brought not only an umbrella organization for the exporters, but also a single point of contact between the state and the exporter community. The ordinance on the "Establishment, Operation, Activities and Organs of Exporter Unions, and the Rights and Responsibilities of their Members" dated August 5, 1993 (Nr. 93/4614) detailed the tasks assigned to TİM as follows: i) representing the exporters both at home and overseas; ii) helping foreign trade to develop in line with the national interest and making suggestions to the Undersecretariat¹³⁷ for that purpose; iii) ensuring coordination between the unions; iv) determining the unions' fields of activity; v) establishing, in coordination with the Undersecretariat, councils, boards and trade centers with the purpose of developing foreign trade and investment opportunities.

Figure 6. The Institutional Structure of TİM



Note: The number at the left-bottom corner of each box indicates the number of institutions that can be categorized under the respective heading. Numbers actual as of May 2013.

¹³⁷ The term "Undersecretariat" referred to in this legislation to the Undersecretariat of Foreign Trade.

The diagram illustrates TİM's institutional structure, which brings together exporter unions from different regions Turkey under one single roof, at the same time offering—through its sectors' council—a sector-based specialization. There is no membership to TİM on an individual company basis, as all exporting companies are linked to the organization through their membership in the exporter union of their own particular industry and/or region. In this sense, while DEİK brings together interested companies on a country-based classification regardless of the company's sector or the kind of external economic interaction the company is involved in, TİM rightfully claims to be the representative of the exporters. According to a former chairman of the organization, Oğuz Satici, this is a vital strength:

DEİK does not represent the Turkish producer and exporter, neither do the chambers on their own. But if Turkey was to grow, develop and become richer through exports, the structure had to be strengthened, and that's what we have built... Exporter unions and TİM are the only sectoral and regional organization in Turkey. TİM's constituency consists of members who are actually in the sector or the region, who produce, who actively do exports, I mean, real live members; there is no virtual membership structure here... It's not like 'I have paid my fees and become a member of a chamber or a council, and now I am a part of it'. Here the first rule is, you have to be actually exporting (Satici, personal communication, May 4, 2012).¹³⁸

Satici's statement provide insight into why an organization like TİM was needed when DEİK and other business associations like chambers were already in operation, and by doing this it sheds light on the contract between the state and TİM as a business association. With its structure based on business councils, DEİK was a perfect instrument for the facilitation of bilateral relations with different countries, yet its representativeness was poor, because it was based on voluntary membership regardless of what kind of economic enterprise the member companies were involved in. Under the conditions of the 1990s marked by both political and

¹³⁸ For the original quotation see Appendix D.

economic instability, a single representative of exporters was needed so that not only the exporters themselves could be represented and their interests and demands voiced, but also the state would have an instrument through which it could mobilize the exporters around policy objectives.

According to Mustafa Mente, secretary general of TİM, exporters unions were originally established to provide services on the state's behalf, but with the companies and businessmen getting directly involved—and the formation of TİM—representation of interests rather than provision of services became a priority for the exporter community (Mente, personal communication, April 12, 2012). This is indeed an illustration how the P-A contract between the state and the exporters transformed between the 1980s and 1990s when individual exporter unions were grouped under a newly organized association, TİM. During the 1980s, exporter unions were given the task by the government to provide services on its behalf, services like coordination and payment incentives, monitoring of the trading regime, organization of trade events, etc (ibid). After 1993, TİM emerged as the representative of the exporter community, and through its status as a quasi-public institution—run by private businessmen but formally subordinated to the Undersecretariat of Foreign Trade—it assumed functions such as collecting information and submitting it to the policy makers, expressing the opinion of the exporter community and informing the policy makers about the possible consequences of planned policies. During the 1990s, as the state needed to increase export volumes in order to alleviate the adverse effects of economic crises and to strengthen Turkey's standing in the international arena, TİM was deemed by Ankara as an instrument through which to channelize the exporters' participation in the policy making process; a perfect agent for the principal, one which was created by

the principal itself and placed under its direct control. Remarks by Prime Minister Tansu Çiller clearly show the idea behind this relationship: “You go full steam ahead, until the very end; we are supporting you... We promised to reduce the bureaucracy, and now we are doing so. God willing it will be good. We are transferring the authority from the state to you. Make good use of this” (Son Gaz Basın, 1995).¹³⁹

During the 1990s, what TİM did as its part of the contract was the provision of exporters’ feedback to the state as an input for the policy formulation process. This period offers a clear illustration how the provision of services provided by the agent in a P-A contract are related to the incentives it receives in return, and how a mismatch between the two could—and did—lead to a paralysis of the contractual relationship. Under the dismal economic conditions of the 1990s, TİM’s service for the state was the direct and clear advice it provided on how Turkey could increase its export volumes. This feedback was certainly demanded by the state, which aimed to bring back the economic on a growth trajectory and to use growing export volumes as a tool of foreign policy. In return, policy prescriptions made by TİM would also benefit the exporters, and that was the incentive to be received by TİM in return. However, what we observe in this period is that the service provided by TİM either fell on deaf ears or was not reflected in policy outcomes due to the absence of the political will and stability to transform policy proposals into concrete outcomes, resulting also in a non-provision of the incentives that TİM and the exporters it represents were entitled to. This led to a poorly functional P-A contract in this period—despite TİM’s repeated calls to establish and maintain a systematic trilateral dialogue between the government, bureaucracy and the business community—and escalating tension between the principal and the agent (Özgentürk, 1994).

¹³⁹ For the original quotation see Appendix D.

The source of the dysfunctionality of the contract was on the principal's rather than the agent's side, as a series of weak coalition governments entangled in unproductive political struggles between coalition partners seriously reduced the governance capacity of Turkish governments in this period. In a time when Turkey was going through the most severe economic crises of its history, this incapacity prevented the principal of the contract from effectively receiving and processing the services of the agent and providing the incentives in return.

It is possible to argue that in its first ten years, TİM has continued to communicate the exporter community's feedback on policy issues to the state and made repeated calls for a better political environment more conducive for the implementation of suggested policies.¹⁴⁰ It has to be noted that while the contract between the state and TİM faced problems within the domestic realm, there has been grater harmony and a better functioning contract with slightly different contents with respect to Turkey's foreign relations, particularly in the early years of the 2000s under the DSP-ANAP-MHP coalition government led by Prime Minister Bülent Ecevit, which has brought about a relative degree of stability to Turkish politics. In this period, TİM supported the government's foreign policy initiatives dynamically through lobbying activities. For instance, in January 2002, when Ecevit made an official visit to the United States, TİM brought a business delegation along. Although TİM was not allowed to take part in intergovernmental meetings—and therefore had

¹⁴⁰ A report issued by TİM in December 1998 includes recommendations which clearly illustrate TİM's positions as an agent: i) instability is the biggest barrier, not only against economic and social development, but also against exports. This is why economic and political stability have to be ensured immediately; ii) the government has to abandon populist practices; iii) supra-political priorities have to be defined; iv) inflation, structural problems and informal economy have to be fought against; v) Eximbank credits should be directed to export financing; vi) the resource utilization support fund deduction should be lowered from three percent to zero; vii) real exchange rate policy has to be implemented; viii) world prices have to be ensured for inputs, pressures on employers such as insurance costs, mandatory savings etc. should be relieved; ix) the offset system should be implemented; x) legislation should be in compliance with the customs union; xi) new specialized customs points should be opened (Şener, 1998).

no formal policy participation role—its participation in the visit was an important contribution to the purpose of “ensuring that the alliance also carried positive implications on Turkey’s economy”, and what TİM did in this respect was active lobbying, or in the words of Oğuz Satici, “serving the prime minister as his soldiers.” (Türk, 2002). One month after this visit and before the meeting of the Turkish-US Economic Partnership Commission, TİM sent a letter to the U.S. Secretary of State, Colin Powell, stating that Turkey has always been an important political and military ally to the United States, and it demanded fair trading conditions between the two countries, i.e. Turkey having the same rights and conditions as Europe did in its trade with the United States (Askeri Destek Tamam, 2002). This lobbying activity has been a strong contribution to Turkey’s U.S. policy, in the sense that the demands were made not by politicians, but by the exporters on the field. In a similar lobbying initiative, before the Copenhagen Summit of 2002, TİM sent letters to thousands of European companies doing business with Turkey, explaining why Europe was to benefit economically from Turkey’s accession to the EU.¹⁴¹

Under the AKP government in office after November 2002, the P-A contract between the state and TİM continued to follow a similar pattern, with the crucial difference that the principal side of the equation was now more powerful. TİM went on with lobbying activities, supporting the government’s initiatives to a large extent through an economic rationale. TİM’s discourse on foreign relations in this period resembled that of the government, with, for example, Oğuz Satici stating that in the Middle East “Turkey must show its economic, military and commercial power” (Asker=Daha Fazla İhracat, 2003). In 2003, TİM supported the deployment of

¹⁴¹ There have also been cases when TİM’s lobbying crossed the boundaries of the P-A contract. In late 2002, for example, TİM brought forward the idea of a non-permanent membership for Turkey in the North American Free Trade Area (NAFTA). Not being supported by the state, this idea was soon shelved away.

Turkish troops in Iraq, on grounds that “sending troops can facilitate export to Iraq. For the exporter to feel safe, Turkish soldier has to be stationed there” (ibid). In a similar fashion, TİM has been a staunch supporter of Turkey’s bid for EU accession in this period, continuing with its lobbying activities towards this goal.

On the other side of the picture, TİM’s activities as the representative of the exporter community, and its execution of the contract in this capacity, exhibit continuities with the 1990s, except that with a stronger and more stable government in office, TİM as the agent found a coherent principal to interact with. In this period, TİM represented the exporter community’s interests by strongly advocating a devaluation of the Turkish Lira on the grounds that a strong currency was making exports costlier and reducing Turkey’s competitive advantage in global economic networks. The point made by TİM was that the economic program being implemented after the crises of 2000 and 2001 was exerting a serious pressure on the floating exchange rate system in effect, thus leading to an overvaluation of the currency, which, together with high interest rates, caused a serious burden for producers and exporters and led to structural distortions in Turkey’s economy by creating unfair advantages for importers.

This advocacy for a revised foreign exchange regime should not be seen as the exporter community’s efforts to secure certain advantages or a preferential treatment by the state at the expense of other sectors of the economy. Incentives received by the agent are certainly a part of the contract, but it should also be seen that advocacy for a stronger competitive edge for exports is a vital input for Turkey’s foreign policy in general. As Alison Watson (1997) correctly argues, the exchange rate engenders linkages between a domestic economy and the rest of the world through its impact on resource allocation and “when an exchange rate change makes

an economy more competitive, more goods become exportable and fewer goods are imported. On the other hand, when an exchange rate makes an economy less competitive, resources are primarily employed in the domestic market: more goods are imported and fewer goods are exported” (p.763-764). The more a country bases its foreign policy on external economic relations, i.e. the more it becomes a trading state, the more important are the exchange rates in determining the direction of foreign policy in the sense that a competitive exchange rate can help the country to increase exports and build up influence in destination markets. For countries that are dependent on imports of certain products and inputs, it can also cause complications in relations with countries where imports are made from.

Foreign exchange policy can be regarded to as a component of the greater framework of foreign policy, and with its feedback in this realm as well as the legitimacy it provides for policy makers as the representative of the exporter community, TİM performs its part of the contract with the state. It is also important to note that, that for a certain period, roughly between 2002 and 2007, TİM’s priority has been advocating for a revised foreign exchange regime, and during this time it has found itself in a struggle with the Central Bank—a bureaucratic entity independent from the executive—but not with the government, with which it had greater mutual understanding. TİM appears to have made this distinction clear, and the chairman of the association, Oğuz Satıcı has even accused the Central Bank of “fooling the government with temporary successes and attempting to move the agenda elsewhere” and argued that “producers and exporters want a Central Bank which works with national and independent policies for the nation’s best interests, but the current Central Bank appears to be far from this” (İhracatçılardan Merkez Bankası'na, 2006).

Following the second term of the AKP government in office after the elections of 2007, there has been a significant transformation of the contract between the state and TİM in the sense that the service provided by the association began to change. TİM moved from representation of the export community, particularly with respect to issues related to macroeconomic policy, towards professional activities and services aimed at trade facilitation. In this period, TİM has not refrained from expressing its opinion on monetary and foreign exchange policies, however its focus shifted to a proactive approach of exploring new markets, which was in perfect accordance with the government's foreign policy paradigm of opening up to new regions such as Africa and Latin America through economic ties. Starting with 2008, particularly after the election of Mehmet Büyükekşi as the new chairman of TİM, the association has increasingly been involved in the organization of large scale events, trade delegations, other commerce facilitating activities in various parts of the world. In this way, TİM as the agent began to execute a renewed P-A contract wherein it provided the state with services complementing the former's foreign policy overture by establishing economic and societal linkages. Mustafa Çıkrıkçıoğlu, deputy chairman of TİM, explains this new approach:

Think of African countries, they have been neglected for so long, or South America. Now we are establishing contacts with these regions, we are going to these countries... In these places our counterparts are non-governmental organizations, chambers of commerce, chambers of industry, other institutions under other names. What happens when we get in touch with them? We commence an interaction, as we visit each other more often, we begin to talk about investment issues, it is then more than just trade. Today, as Turkey, our main political objective is to become a global player. TİM's target of 500 billion dollars of exports by the year 2023 is a part of this (Çıkrıkçıoğlu, personal communication, April 12, 2012).¹⁴²

The tools utilized by TİM within this framework are reminiscent of those employed

¹⁴² For the original quotation see Appendix D.

by DEİK. Trade summits on a bilateral basis—called “Business Forums”—are conducted with different countries, and these vents bring together the businessmen of the two countries together with the senior bureaucrats and statesmen from Turkey and the respective country. Business forums are organized either in Turkey on the occasion of a high level state visit from abroad, or in another country, usually on the occasion of a high level visit from Turkey to that country. TİM’s senior executives frequently visit Turkey’s policy makers, or host them in their own events such as the general assembly meetings, in order to ensure the continuous flow of information and feedback from the exporters’ community to the policy making circles. Moreover, TİM has a quasi-public status, actually one that is more enunciated than that of DEİK as TİM is directly subordinated to a public institution. As DEİK participates in bilateral inter-governmental joint economic commission meetings, TİM is represented—on an occasional basis—in policy planning bodies, such as the Economic Coordination Council (*Ekonomik Koordinasyon Kurulu*) through which TİM directly takes part in the policy formulation process.¹⁴³ Maybe more importantly, TİM is a stakeholder and co-organizer of Turkey’s “2023 Export Strategy”, which aims to achieve an export volume of 500 billion dollars by the centenary of the republic, together with the Ministry of Economy. Several activities are organized within the framework of this strategy; these activities bring together the policy makers with exporters where they discuss export strategies on a country as well as an industry basis.

¹⁴³ On the meeting of the Economic Coordination Council held on January 5, 2011, for example, TİM’s chairman Mehmet Büyükekşi and the entire TİM Board was present, and the entire meeting was dedicated to the discussion of Turkey’s export strategy (TİM, 2011).

Turkish Contractors' Association

TMB is a non-profit professional organization bringing together the major construction companies of Turkey. As of May 2013, it has 152 member companies, all of which are medium to large scaled corporations undertaking operations both in Turkey and overseas.¹⁴⁴ Membership to TMB is on a voluntary basis, and the association has a simple institutional structure; it is totally private and autonomous, thus not reporting to a public institution (as TIM does) or a larger parent organization (as DEİK does).

The fact that TMB has emerged as an important player in Turkey's foreign policy performing a contract with the state stems mainly from the characteristics of the industry it is involved in. Construction (or contracting) business has unique features, and when undertaken overseas, it becomes an important factor in the relations between the host and the home country. Construction is in essence a form of services trade, but it also requires the establishment of a long-term presence in the host country. It is both capital and labor intensive. A construction project requires a substantial amount of equipment and physical material, as well as a large pool of skilled labor including both white and blue collars. The value added of construction projects for the home country economy is relatively high, it generates profits for the companies involved and also creates employment. When construction companies undertake a project in a country they import most of the construction materials they will use from their home country, which means that it has positive spillover effects on trade. In most cases the lack of skilled and experience labor requires the companies to import their own personnel to the host country, creating employment

¹⁴⁴ The business volume of its members encompasses nearly 70 percent of all domestic and 90 percent of all international contracting work done so far by Turkish construction companies (TMB web site).

and large volumes of workers remittances sent to the home country.¹⁴⁵ What makes the construction industry unique in terms of economy and foreign policy is clearly illustrated in the statements of the practitioners of the sector:

What does export do? It sells Turkey's products, produced with Turkey's added value, to overseas, and brings back the revenues... Construction, on the other hand, does not consume Turkey's added value, it creates its own added value overseas, and brings foreign exchange revenues to our country. Secondly, it makes the wheels of industry run and creates employment overseas. Thirdly, it imports products, again supporting Turkish industry (Özkan, personal communication, April 16, 2012).¹⁴⁶

Construction is not like exports. In construction, you produce in another country. You have your personnel there, your machinery, your investment. You go to that country yourself, and when you want to do business, you need to form relationships there, with their public offices, municipalities, ministries. Sometimes you need to get permissions from higher offices and you need to maintain good relations (Adiloğlu, personal communication, April 16, 2012).¹⁴⁷

The construction industry accounts for six percent of the Turkish GDP, however when its indirect contribution is taken into consideration this ratio goes up to 30 percent (TMB, 2012). Due to the economic presence it established in other countries by pouring in large amounts of capital and personnel, construction business establishes long-term relations between countries both at the level of economies and peoples. Therefore it is no surprise that its foreign policy impact is remarkably high. Sizeable volumes of construction business of one country in another creates a positive political effect between them thus functioning as a catalyst in foreign policy.

Construction business can open many doors, it can establish different relationships; and sometimes it can even help solving or at least mediating problems between two countries. There are several examples of this; it is a very important instrument of foreign policy. This is because construction business gives you power in that particular country. Even if that country has problems domestically, problems that can hinder your business there, if you are doing your job

¹⁴⁶ For the original quotation see Appendix D.

¹⁴⁷ For the original quotation see Appendix D.

well, they do not want to give you up and they provide solutions... Even when there are really serious problems, construction business can help softening them and creating new platforms for dialogue. For instance in Russia, our companies have entered there as constructors first, then one day they became investors themselves. They contribute substantially to Russia's development, and Russia is aware of this and would never give up on them (Çınar, personal communication, April 18, 2012).¹⁴⁸

Think about Kazakhstan for instance, it is the rising star of Central Asia, a different beauty. As Turks construct stores, schools, restaurants, airports, hotels there, we get to know each better, we connect with each other. As peoples connect with each other, policy-makers need to formulate their policies accordingly (Arslan, personal communication, April 11, 2012).¹⁴⁹

Overseas construction services have indeed a high impact on foreign policy, and TMB as the institutional representative of the Turkish construction industry, which has been actively undertaking and completing projects since the 1970s—even before Turkey began to liberalize its economy in 1980—emerges as a key player in this respect.¹⁵⁰ TMB was founded in the 1950s as a professional association of the contractors then doing business only in Turkey, however as contractors began to move abroad to do business after the 1970s, TMB's activities took on an international dimension, which inevitably led the association into a contract with the state. It is the above-discussed characteristics of the construction business, which define the contents of the contract. Construction projects build long-term economic relationships between the home and the host countries, which can—and often do—develop into mutual dependencies between the two, meaning that they turn into a

¹⁴⁸ For the original quotation see Appendix D.

¹⁴⁹ For the original quotation see Appendix D.

¹⁵⁰ Over the period between 1972 and January 2013, Turkish construction companies have undertaken a total of 7,005 projects in one hundred countries, which ranks the Turkish construction industry among the best and globally most influential in the world. The total volume of the projects undertaken in this period is 242.7 billion dollars (Ministry of Economy web site). In the most recent ranking of the 225 largest international construction companies, Turkey has 33 entries, ranking it in the second place after China with 52 companies (ENR, 2012).

foreign policy asset as well.

This is what the state gains [from construction business overseas]. International contracts have such a big impact on the economy of the countries they are working in that if tomorrow relations between the countries go sour and Turkish assets leave the country, it will be their economy that will be hurt. This is why these countries do not want it. In other words, when your economic weight increases, your bilateral relations are affected by this (Özkan, personal communication, April 16, 2012).¹⁵¹

TMB as the sole institutional representative of Turkey's construction industry can be regarded to as the agent in a P-A relationship with the state, as it provides the principal with services such as information and feedback submission using its knowledge and experience from the field, lobbying, business support and legitimacy provision for policy makers and a single contact point for the state in its relations with the sector as a whole. In return, TMB as the agent receives incentives from the state, not only greater influence as an institution, but also access to decision making channels, leverage when advocating its members' rights and privileged access to resources. TMB's objectives as stated in the association's web site provide clues on the contents of the P-A contract it has with the state: i) increasing the competitiveness of its members in the national and international markets; ii) contributing to the achievement of an economically productive, socially responsible and environmentally sound development in the construction industry; iii) providing counsel to government agencies on legal, economic, and technical issues related to the construction industry; iv) building and enhancing strategic alliances with public and private bodies both within and outside Turkey; v) defending and promoting the interests of its members (TMB web site).

An important aspect of the contract between the state and TMB is related to

¹⁵¹ For the original quotation see Appendix D.

the significant mutual dependence between the principal and the agent due to the complicated nature of the regions that the Turkish constructors are working in. In these regions, both making foreign policy and doing business are difficult, meaning the state needs the TMB more than it would be the case in other—less complicated—regions of the world, and the similarly TMB needs the state more to protect the interests of its constituency.

Table 4. County-Based Distribution of the Overseas Operations of Turkish Contractors (in %)

1972-1979		1980-1989		1990-1999		2000-2010	
Libya	72.5	Libya	55.2	Russia	34.5	Russia	15.5
Saudi Arabia	15.5	Saudi Arabia	23.4	Libya	13.7	Libya	12.4
Iraq	7.2	Iraq	11.5	Kazakhstan	7.8	Turkmenistan	11.4
Kuwait	4.7	Soviet Union	3.8	Turkmenistan	6.7	Kazakhstan	7.2
Greece	<0.1	Yemen	1.5	Pakistan	6.6	Iraq	6.0
Others (1 country)	<0.1	Others (11 countries)	4.6	Others (43 countries)	30.7	Others (70 countries)	47.5

Source: “International Activities of the Turkish Contractors and Turkish Contractors Association”, presentation held by TMB, March 2012.

As can be seen in the table, the major overseas markets of Turkish construction companies are countries with authoritarian regimes and/or transition countries, and also in some cases, post-conflict countries. In other words, Turkish companies are working mainly in regions where processes are complicated—and risk carrying—in terms of both doing business at the micro level and conducting foreign policy an the international level. There are certainly a number of reasons for this concentration of markets in “difficult” regions, and practitioners from the industry often referred to the protectionist tendencies in European markets (Özkan, personal communication, April 16, 2012), fierce competition in orderly, stable places (Adiloğlu, personal communication, April 16, 2012) and the ease of doing business with autocratic regimes in terms of paperwork and procedures (Toker, 1982). From a foreign policy

perspective, this situation implies that construction companies work and establish long term linkages with countries where their existence and activities are an important asset for the attainment of Turkey's foreign policy goals, whether it is about building relations with a newly established republic in transition (as it has been the case in the post-Soviet realm), or containing authoritarian regimes (as it has been the case in Libya), or rebuilding relations under post-conflict settings (as it has been the case in Iraq and Afghanistan).

The question is then how TMB has been performing its part of the contract over the past decades. Although the association was established in 1952, and its members began to move abroad in the 1970s, it would take until the 1980s for TMB to get systematically involved in international activities. In this period, TMB organized meeting with incoming delegations from other countries, in order to bring the latter with Turkish companies to discuss prospects for cooperation. During the 1980s, TMB hosted several delegations, mainly from the Middle East and North Africa, but also from Austria, France, Hungary, Germany and Belgium. These were the first attempts for establishing dialogue with counterparts at an international level, and TMB's efforts to that end were awarded with the International Golden Mercury Peace and Cooperation Prize in 1983 (Batmaz, Emiroğlu, & Ünsal, 2006, p.177).

These activities performed by TMB were by all means important in the sense of establishing linkages at an international relevance, however, from the P-A contract point of view, TMB's representative role mattered more, and two cases from the region where the Turks have been most active in this decade can be examined to illustrate this point.

The first case is Libya, the first overseas market for the Turkish contractors, and the most active one during the 1980s. During the 1970s as oil revenues poured

into Libya, the Libyan regime prioritized the improvement of the country's physical infrastructure, which provided the Turkish with lucrative opportunities, starting with the construction of the Port of Tripoli by a Turkish company in 1972. It was the first time that the Turkish companies were opening up to world markets and engaging in international business in a large-scale, systematic basis. As Mehmet Barlas (1981) wrote, it was "as if there was a new Turk now... He goes to faraway countries, of which language he does not speak, to contract projects. He brings his workers, he gets in touch with international banks... The result is, billions of dollars" (p.9); or as the Turkish daily *Milliyet* wrote—with an evident tone of pride—"towards the new world being created in the Middle East, the first economic step from Turkey was taken by our contractors" (Yurt Dışında Türk, 1982).

During the 1970s, Turkish-Libyan relations were at a peak, and construction companies were the major actors in this process. The rosy picture, however, began to fade away with the 1980s, because, as its oil revenues declined due to international embargoes imposed on the country, Libya was no more enthusiastic in construction projects to be built by Turks. By 1985, Libya was canceling semi-finished projects, failing to pay the company's receivables, hence forcing the Turkish contractors to endure hardships and make losses, to leave the country or even worse, to go bankrupt.¹⁵² New arrangements were made, such as the extension of guarantees by the Turkish government and the oil-for-construction schemes, through which Turkey bought oil from Libya, of which the revenues the latter was supposed to use for paying the Turkish companies. However, no lasting solution could be found as the international political atmosphere increasingly turned sour against Muammar

¹⁵² The problem with bankruptcies was so severe that in 1985, companies that went bankrupt failed to bring back their workers from Libya to Turkey, and the workers—650 of them— had to stay in this country on their own for more than one year, until the Turkish government decided for their evacuation.

Gaddafi's Libya.

During the 1980s, Turkish foreign policy towards Libya aimed at preserving friendly relations, and in an environment where this policy objective was undermined not only by the international political conjuncture, but also by the negative experiences of Turkish companies and individuals in Libya, the only solution was to restore economic relations that would in turn help to avoid a meltdown in political relations. TMB, as the representative of Turkish contractors played a significant role in this respect,¹⁵³ by actively lobbying on behalf of the contractors' interests, by serving on public advisory bodies such as the "Turkish Contractors Supreme Coordination Council" which offered a platform for the coordination and collaboration of the public sector with the private constructors; and also by communicating the opinions of the sector to policy makers, which was mainly done through a series of reports issued by the association during this period. As a result of these efforts, Turkish and Libyan governments signed the Ankara Agreement on September 24, 1985, which placed bilateral relations on a sounder legislative basis.¹⁵⁴ Turkish companies' problems were never fully solved in Libya, however

¹⁵³ It was not exactly TMB, but a parallel association established in 1981, the Union of Turkish Contractors Serving in Libya (*Libya'da Hizmet Veren Türk Müteahhitler Birliği*) that performed the tasks discussed here, however since the clientele of TMB and the new association overlapped to a great extent, it is possible to view this association as an arm of TMB. Focusing on one market—the biggest and the most problematic—was the idea behind the Union of Turkish Contractors Serving in Libya, however the real issue was that due to the Law of Associations (Nr. 2908), TMB was not allowed to be active on international platforms. Through a new organization, the same individuals and companies behind TMB could focus their energy on the Libyan case, and the organization was later disbanded in 1990s. For the same reason, the International Contractors' Association (*Uluslararası Müteahhitler Birliği* – UMB) was founded in 1991, and for a period of more than a decade TMB and UMB operated in tandem. What was on paper two different associations was in practice one single organization, with the same executives, same office, and same personnel. When the Law of Associations was amended in 2003 (Nr. 5231), there was no need for UMB anymore as TMB was now entitled to perform international activities itself. UMB was disbanded on December 19, 2003.

¹⁵⁴ After the agreement was signed, Turkish contractors published large size advertisements in Turkish newspapers, thanking "the Leader of the Revolution, Muammar Gaddafi" who "ordered and authorized" the said agreement. Gaddafi's name was written at the top in large fonts, whereas the name of the Turkish Prime Minister Turgut Özal, appeared below that of Gaddafi, in much smaller fonts (see for example, *Milliyet*, October 1, 1985, p.8). Doing business with an authoritarian regime apparently required this kind of appeasement, and the association did what it felt it was supposed to do in this respect.

these efforts helped to reduce the volatility, to ensure the continuation of business in Libya and to avoid an unwanted turn in Turkey's Libya policy.

Another interesting case illustrating the contractors' participation in Turkey's foreign policy, and receiving certain incentives in return—is related to the aftermath of the Iran-Iraq War of 1980-1988. Turkey's policy during and in the immediate aftermath of the war was, according to the then Turkish ambassador to Baghdad, Sönmez Köksal, maintaining the balance between two of its neighbors and preventing a possible one-sided distortion of this balance, by using economic initiatives (İnanç, 2008, p.58). As the end of the war approached in 1988 and negotiations for peace under the auspices of the UN were in progress, the Turkish government employed a cabinet minister, Işın Çelebi, to design the economic aspects of Turkish foreign policy towards Iran and Iraq in the post-war period, and Çelebi in turn employed the services of TMB, which through the feedback and information it has provided, acted as a stakeholder in shaping Turkey's policy. Again the contract was in action, the principal received the support it needed for formulating the policy, and the agent has in return received incentives in the form of access to post-conflict reconstruction deals, loans, as well as political support for their demands of compensation of losses from the Iraqi and Iranian governments.

In the 1990s, economic depression and political uncertainties in the countries of the Middle East and North Africa—particularly Libya— forced Turkish contractors to turn their attention to other countries in the nearby regions, and the dissolution of the Soviet Union in 1991 has opened up new windows of opportunity both for Turkey's foreign policy and its contractors. As Turkey aimed to increase its influence in the post-Soviet area, a rapid expansion of construction projects in Russia and the newly independent republics contributed significantly to this process.

Contractors found new markets, which were usually less risky than Libya or the Middle East in general. Old problems continued, such as the problem of receivables from Libya; and new ones emerged, with the Gulf War of 1990-91 seriously disturbing the business in Iraq and Kuwait. During this process, TMB continued to perform its part of the contract, and similar to the previous decades it has organized business events, and also performed representative roles between the state and the contractors. In the meantime, it has also continued to serve on public advisory bodies, such as the Council of Overseas Contracting Services at the Prime Ministry founded in 1992 and the Coordination Board for Overseas Contracting, Engineering and Consulting Services founded in 1999. Moreover, the functioning of the contact was facilitated by the establishment of new contact points on the principal's side, such as the Overseas Contracting Services Unit established under the Coordination Office of the State Planning Organization and the Overseas Contracting and Technical Consulting Services Department opened under the Directorate General of Agreement of the Undersecretariat of Foreign Trade, both of which aimed to strengthen the coordination between the public institutions, TMB and the individual contractors. In the meantime, a new approach during the 1990s on e TMB's behalf has been an increased attention on activism at the multilateral level. In order to increase its leverage on the global markets and expand its international networks, TMB led the establishment of the Islamic Countries Contractors Federation (ICCF) in 1991; joined the European Union of Developers and House Builders (UEPC) in 1992, the European Construction Industry Federation (ECIF) in 2000, and the European International Contractors (EIC) in 2002.

After the AKP government took office in 2002, changing domestic and international conditions led to a redefinition of the contract between the state and

TMB, as it has been the case for both DEİK and TİM. As Turkey's foreign policy paradigm evolved into a proactive and multi-dimensional approach to relations with the rest of the world aimed at establishing and nurturing relationships that were hitherto excluded from the country's foreign policy vision, and as economic linkages emerged as the backbone of this policy of opening up to the world, construction business found itself in a special position, because Turkey began to venture into developing markets with development needs and construction services provided in these countries proved to be a perfect instrument for Turkey to build long term and lasting relationship with these countries by helping to meet their needs such as those for new housing and infrastructure. Turkey's new foreign policy approach motivated the contractors to explore and expand into new markets— a trend further necessitated by the increasing competition at the international level, particularly from the rapidly growing Chinese construction companies. As a result, Turkish contractors have significantly diversified their markets during the 2000s, which is clearly visible in Table 4, which shows that the share of the top five destinations of Turkish construction services, which was almost 100 percent during the 1970s, went down slightly to 95.4 percent during the 1980s, to 69.3 percent during the 1990s, and with a significant decline to 52.5 percent during the 2000s; a time when, in addition to their traditional destinations such as those in the Middle East and North African region and the former Soviet Union republics, Turkish companies began to undertake and complete projects in a more diverse range of regions, including Sub-Saharan Africa.

This is the reason why in this period, TMB began to shift its focus to the search for new markets and building relationships in these new playing grounds. As Turkish companies moved in to new and untapped markets, TMB's activities began

to shape accordingly.

It is about contributing to Turkey's foreign policy overtures by directing the state towards places that can offer benefits, shedding a light there, providing the necessary data.... This is what the Contractors Association does; this is its duty. There are markets where the Turkish contractors are already working, but other than those, where could be the new potential markets? We work on this and of course we make use of the feedback that we receive from our contractors. The contractors are very entrepreneurial, they go to different countries, which you can't even imagine, and they provide us with information. Then we focus our work on these regions or countries... If a particular country gets more interesting than others, we draw their [the state's] attention to this country, we plan delegations, we join them, we direct them. Or we go to these countries ourselves, together with the minister or with other executives, we make sure that the directorate general and the Undersecretariat organizes delegations. This is how we operate (Çınar, personal communication, April 18, 2012).¹⁵⁵

First there is a contracting work... then the state follows. At this point, most of the pioneers are the members of TMB, large-scale corporations. As the ones who are taking the first steps [to the new countries], they have an experimental role in identifying the problems and showing what needs to be done (Adiloğlu, personal communication, April 16, 2012).¹⁵⁶

In brief, the contract between the state and TMB as the institutional representative of the Turkish construction industry took a form wherein the TMB as the agent provides information and feedback for the state about prospects and problems related to long term economic relationships to be built through construction projects. As Ahmet Davutoğlu (2011) wrote in an article about the contribution of the construction sector to Turkey's foreign policy, TMB "analyses the socio-political structures of these countries and provides timely projections about their future." (p.10). Also, in post-conflict regions, such as Iraq and Afghanistan, during the earlier parts of the 2000s, while construction work undertaken by Turkish companies have been an important component of Turkey's efforts to build influence in these

¹⁵⁵ For the original quotation see Appendix D.

¹⁵⁶ For the original quotation see Appendix D.

countries, TMB performed a crucial role by providing an institutional interlocutor for the state to maintain a dialogue with the contractors and for coordinating the companies efforts in an optimal way for maximizing both the interests of the companies and the positive impact of their activities on Turkey's foreign policy and efforts in these countries. On the other side of the P-A contract, TMB is observed to receive incentives in the form of support for its members doing business abroad derived from the power of the association, both before the Turkish government and before the states and governments of other countries (Çınar, personal communication, April 18, 2012). Due to the long-term nature of the construction business, this P-A contract also leads to a form of virtuous cycle through which both the principal and the agent benefits. TMB contributes its knowledge and experience to Turkey's foreign policy overtures and as Turkey opens up to new countries, construction projects undertaken by Turkish contractors and supported by the Turkish governments flourish in these regions. This leads to better political relations, because as Can Adiloğlu remarked "if you are doing business with a country, you have to have good relations with them" (Adiloğlu, personal communication, April 16, 2012); and good political relations in turn open the path for further projects and higher business volumes. Remarks by Emin Sazak, chairman of TMB, clearly illustrate how this cycle runs:

If our state's relations [with other countries] are good, we find it easier to contract new business. Our work is not like selling products, because every job we undertake abroad takes 2-3 years to complete... Fore sure we have benefited from the opening up new Turkish embassies in African countries. You feel safer in place if your state has a presence there. It makes one relaxed to know that there is a place you can ask help from or go and find shelter when you are in trouble (Sazak quoted in Munyar, 2012).¹⁵⁷

¹⁵⁷ For the original quotation see Appendix D.

This chapter has discussed the evolution of the policy participation roles of business associations and the exchange of incentives in their relationship between the state over the past three decades. Another important determinant of how the contract is formulated and undertaken between the state and business associations refers to the relationship between the agents, when there is more than one.

Cooperation and Competition Between Business Associations

A defining feature of Turkey's business community over the past three decades has been the increase in the number of voluntary business associations. As discussed empirically in Chapter 3, a number of business associations have been founded over time, representing various industries, regions, and societal groups. Regardless of whom they represent or which sectors they are involved in, all of them have a focus on foreign economic relations, because under conditions of rapidly increasing economic interconnectedness between national economies the boundary between the domestic and the global fades away, and as all business becomes global, so do all business associations. As a result, a larger number of business associations are now involved in Turkey's foreign policy processes.

It is necessary to acknowledge at this point that the number of business associations significantly impacts the relationship between the state and the business community in the realm of foreign policy. The P-A model deployed in this study implies more than one agent interacting with a single principal, and each agent has its own contract with the principal, as services and tasks provided by the agent and the incentives received in return vary from case to case. Under these conditions, while the public good is always a priority for all parties involved, agents can at the

same time have divergent goals and objectives, and consequently there can be competition or cooperation—or both simultaneously—between them depending on the issue involved and the prevailing circumstances, thus forming a crucial aspect of the P-A relationship, which will be studied in detail in this chapter.

Theory informs us that when a task is contracted to several agents, the principal would be likely to expect the agents to cooperate with each other and establish synergy that would help the attainment of the common objective (see Chapter 2). In some cases, when each actor benefits from progress towards a public good, cooperation between agents can even be possible without the principal having to define the tasks explicitly. However, the existence of common good and shared objectives does not necessarily rule out particularistic aims and self-interested behavior by the actors, who are, in our case, by definition rational and profit-maximizing entities. In cases when the agents are motivated to get involved in opportunistic behavior in pursuit of their self-interest and can afford to do so, greater competition can be expected between the agents. A divergence from the original contract would then be the case, and it is the principal's duty to enforce the contract and as it was, or modify it to accommodate the interests of the agent involved.

It is important to note while cooperation serves the P-A contract well, competition between the agents does not necessarily have to be an impediment against its effective enforcement either, if it also serves the purposes of the principal, and not only the self-interest of the agent in question. Before embarking on an in-depth analysis of the behavior of the three cases of business associations in this respect, it is worth having a look at different perspectives of the practitioners with respect to the merits of cooperation and competition between the business associations.

When a number of business associations are actively interacting with the state within the foreign policy realm, and doing so not only for the public good of developing Turkey's foreign relations but also for their own interests, both cooperation and competition between these associations are observed. A common argument is that a large number of business associations on the field is justified only if they cooperate and act in unison. This is because different associations have different strengths and experience in different areas, and their cooperation would serve the contract well if the efforts of the individual associations are adequately coordinated (Akyüz, personal communication, July 16, 2012). There is also the view widely shared by the representatives of business organizations, which implies that despite the fact that different agents have different contracts with the principal, Turkish foreign policy is better served if there is unity rather than fragmentation on the agent side. As Serdar Arıkan, former secretary general of Turkish-Eurasian Business Councils at DEİK, argues:

From certain viewpoints, one can say that competition is good and monopolies are bad. However, when you look at this from a different perspective, it is very important to stand against the foreigners as a unified body. We know that by acting in a coordinated way, managed from one single center, you can save on labor and money, and you can get results faster. This is maybe we should put it this way: depending on the context, one should enforce one or the other [cooperation or competition] (Arıkan, personal communication, March 21, 2012).¹⁵⁸

As pointed out by Arıkan, competition between the business associations can also be beneficial for the overall contract between the state and the business associations, depending on the circumstances. Competition can drive growth and help business associations to increase the quality of the services they are offering as long as strategies are designed through economic rationality rather than political concerns

¹⁵⁸ For the original quotation see Q34 in Appendix D.

(Yılmaz, personal communication, May 9, 2012). If this is not the case, competition between different business associations active in the same field can lead to repetitions (Çınar, personal communication, April 18, 2012) and—as a senior bureaucrat from the Ministry of Economy (MoE) argued—to cacophony, which would inevitably lead to a waste of resources and a deterioration of the image of Turkey overseas (anonymous, personal communication, July 24, 2012).

In other words, both cooperation and competition between the business associations can be beneficial for Turkey's foreign policy, depending on the context and the conditions. Therefore, for the purposes of this study, what matters is not if the associations are cooperating or competing, but what elicits them to do so. What are the determinants of whether the business associations cooperate with or compete against each other, or do both? What is the influence of the state on the relations between associations? These are the questions that need to be dealt with, as an insight into the dynamics behind the behavior of business associations towards each other, and the state's role in this process, is necessary for understanding whether state-business relations in Turkey are transforming from their traditionally clientelistic structures towards more formal and participatory forms. This chapter will discuss how the experience of the three business associations in cooperating with and competing against with others, and also how the state's role in this process, have evolved since the 1980s.

Foreign Economic Relations Board

When DEİK was founded in 1986 as the representative of the Turkish business community in issues related to foreign economic relations, the idea was from the P-A

perspective to create an agent for the principle to interact with, as there was none by the time. DEİK started its institutional life as the sole agent pursuing a contract with the state in the foreign policy realm, and this is why, in its earlier years, the association had a monopoly as a private actor in the foreign policy process. There was no competition, and although there were no other associations to directly cooperate with on a dyadic basis, the very idea behind DEİK was to establish a cooperative structure between business associations, which had a certain foreign relations function at the time, in order to coordinate their energies and enforce their cooperation within the DEİK framework, in order to gather the fragmented efforts of these institutions into a whole, in other words into a fully fledged agent that would interact with the state in all matters related to the economic dimension of Turkey's foreign relations.

This idea was materialized during the founding process of DEİK, when nine associations were incorporated in DEİK's structure as stakeholders, under the title of "founding institutions". These founding institutions were: TOBB, TÜSİAD, TMB, TİSK (Turkish Confederation of Employer Associations), İKV (Economic Development Foundation), YASED (Association for Coordinating Foreign Investment), TURKTRADE (Turkish Association of Foreign Trade), TZOB (Turkish Union of Agricultural Chambers) and the exporters' unions, despite the absence of a peak association for the unions at this period of time. All of these associations were involved in foreign activities to some extent, and by enrolling them as its stakeholders and positioning itself as an organization founded by them, DEİK ensured cooperation between these different associations towards common objectives. These nine associations were not in a foreign policy focused relationship with the

state themselves; what DEİK did was to mobilize their energies in order to act as an agent itself.

The picture began to change during the 1990s, when new associations were established, some with an exclusive focus on foreign economic relations, others with a significant interest on this field. These associations commenced their operations with the assertion of acting as an agent themselves and having their own contract with the state, instead of using the DEİK channel. One of the most important developments in this period was the establishment of MÜSİAD, an association that brought together mostly small and medium scaled enterprises whose owners had a background in the conservative and rural environment of small town Turkey and were practicing Muslims. From its first day onwards, MÜSİAD put significant efforts in establishing linkages with the rest of the world and facilitating the overseas expansion of its members.

We definitely had to establish foreign contacts if we wanted to carry those individuals we enlisted in MÜSİAD overseas, to explain MÜSİAD's activities to people out there, and to bring the outside developments to our country. This is why the Foreign Relations Commission continues to operate within the framework of MÜSİAD as a unit doing what needs to be done in foreign relations, like taking our members to foreign countries, hosting foreign delegations at MÜSİAD, introducing them to our members, organizing fairs and forums (Vardan, 2012, p.70).¹⁵⁹

As can be seen in the words of Ömer Cihad Vardan, former chairman of MÜSİAD, this association's objectives and activities were similar to those of DEİK. Also, MÜSİAD and DEİK were similar in the sense that they both championed the idea of a developed and globally influential Turkey, however they had not only different constituencies, but also different perspectives on how this goal should be accomplished. As discussed in Chapter 3, MÜSİAD believed that Turkey had been

¹⁵⁹ For the original excerpt see Appendix D.

encouraging short-term profit seeking and speculative investment instead of industrial production, which led to a preference for large capitalists and holding companies over the small and medium scaled enterprises. The association did not oppose capitalism, but advocated its reconciliation with conservative values as a binding factor for fostering the spirit of solidarity within the society.

Representing different membership bases and different worldviews, DEİK and MÜSİAD could not find common ground during the 1990s, on which they could establish cooperative structures. In fact, a cold distance remained between the two associations in this period, a formidable barrier against any prospects of collaboration between them.¹⁶⁰

TİM's founding in 1993 brought another influential actor into the scene. TİM has automatically become a founder institution to DEİK, a status it inherited from the exporter unions. What distinguished TİM from other founders of DEİK is that it was by definition involved in a separate P-A contract of its own, interacting with the state in issues related to Turkey's foreign relations as the sole legitimate representative of the exporter community. During the 1990s, however, there was not much competition between DEİK and TİM, not because the latter was a stakeholder in the former, but mainly because they operated in different areas, without crossing each other's path. TİM was overwhelmingly involved in representation related activities advocating exporter's interests related to Turkey's macroeconomic policies, while DEİK was operating through its bilateral structure with a focus on developing Turkey's foreign economic relations on a country-by-country basis. Cooperation

¹⁶⁰ It is often argued that ideology played an important role defining DEİK's attitude towards MÜSİAD and the conservative business bourgeoisie in general. Tayfun Kürşat Tayfur, director of a global investment consultancy, argues that especially in the first half of the 1990s, DEİK was refusing to include conservative businessmen in delegations going overseas, and this was one of the reasons why these businessmen decided to get together and establish their own business association (Dindar Nesilden, 2012).

between the two associations has been the case to some extent, usually taking the form of TIM's representatives participating in events and delegations organized by DEİK.

DEİK's experience in working with other associations during the 1990s—a turbulent period with significant economic and political instability—also shows that effective cooperation can be possible when its subject was an indisputable common good and there was no conflict of interest between the parties involved, and the synergy established between the agents in this way would profoundly strengthen the P-A contract and benefit the principal in this sense. A good example is the cooperative behavior between DEİK and other associations during the boycott declared against Italian products in 1998, and its aftermath.

In November 1998, the head of the Kurdish separatist organization PKK, Abdullah Öcalan, was arrested in Italy, but despite repeated attempts by the Turkish government, Italy refused to extradite Öcalan to Turkey, on the grounds that Turkish law allowed for capital punishment. This decision caused uproar in Turkey, and as official channels provided only limited means to express Turkey's disappointment with the decision, it was the business community's task to do this through a boycott. Again the P-A contract was in action, and under the circumstances, the contract required the agents to act in unison so that it could have any effect. The idea was to show the reaction of the Turkish public opinion through an economic boycott, which would reinforce Turkey's official policy with regard to the crisis with Italy, and the Turkish government made it clear that it had to be a purely public initiative, as government involvement in the process could have legal consequences.¹⁶¹

¹⁶¹ A classified decree issued by the government—and later leaked to the press—stated that behavior that could give the impression that the reaction was official government policy had to be refrained from, as this would have legal consequences: “Attempts of boycotting Italian products need to remain as actions through which the people and the professional associations outside public supervision

The boycott was organized by TOBB, the largest representative of Turkey's business community, which directly announced that efforts in this respect would be coordinated by DEİK (İtalyan Mallarına Boykot, 1998). DEİK organized the efforts of the business community, doing so in cooperation with other business associations including TİM, TÜSİAD, İKV and the individual chambers of commerce and industry. The boycott went on for three months; although Italy did not extradite Öcalan, it deported him to a third country. The boycott is estimated to have cost 1.2 billion euros in three months for the Italian economy,¹⁶² and what is more important is that under DEİK's organization various business associations have joined forces despite the fact that boycotting another country economically does not make sense from a rational business minded perspective. The Italy boycott of 1998 has also shown the Turkish state the power of concerted action by business associations, in other words how the principal can benefit if its agents act together. Soon after the boycott, the Ministry of Foreign Affairs (MFA) asked the business associations to join their forces and pressurize the countries that are supporting PKK, as "the business community and the civil society should be more effective with their support and services [for Turkey's foreign policy]... The business circles who are generating the nation's resources have important duties with respect to the formulation of the country's foreign relations... The efforts of the Ministry of the Foreign Affairs and the business circles need to be merged" (PKK'ya Karşı İşadamı, 1999).^{163,164}

reflect the emotions and indignation of the Turkish people. Here what is meant by professional associations outside public supervision is organizations where membership and payment of fees are not obliged by law" (Yılmaz İtalya Boykotu, 1998). For the original quotation see Appendix D.

¹⁶² This figure refers to the decline in Italy's exports to Turkey from 1998 to 1999.

¹⁶³ For the original excerpt see Appendix D.

¹⁶⁴ In May 2010, after the military operation by Israel against the civilian flotilla in the international waters of the Mediterranean Sea, during which eight Turkish nationals and a Turkish-American were shot to death, Turkish reaction was similarly strong, if not more. Again, the business associations have made coordinated efforts; however this time it was not about organizing a boycott, but calling the business community to responsible behavior. DEİK and TİM joined forces to tell the Turkish business community that boycotts do more harm than good, and political tension makes it difficult to enter a

With economic and political economy being restored in Turkey during the 2000s and the single-party government of AKP more actively engaging with the rest of the world, the ensuing dynamism led to greater activism by the business associations. In this period, DEİK has not only witnessed of the emergence of new associations as potential competitors, but also the already existing ones—including those listed as founding institutions of DEİK—becoming more interested in foreign economic relations, and wanted to have their own P-A contact with the state as actors in Turkey's foreign policy.

As the number of companies involved in cross border interactions increase in Turkey, so did the appetite of civil institutions, that is the business associations, in foreign policy relations; and they wanted to do their work themselves. They saw that it was not only about hosting [delegations from other countries], they saw the benefits in doing so. For example TÜSİAD; it had previously left foreign relations to DEİK; but later on it established TÜSİAD International do the job itself. TİM emerged in the foreground as an institution coordinating the private sector along Ankara's opinions. In time the number increased, the number of private sector associations involved in foreign relations, the number of companies. DEİK fell behind (Tüzün, personal communication, March 20, 2012).¹⁶⁵

Çiğdem Tüzün's testimony shows that as Turkey's foreign economic relations expanded in scope and depth, as they became more crucial in defining how Turkey interacted with the rest of the world, associations, which once contracted the task of coordinating the private sector's foreign policy related undertakings to DEİK, decided to do it themselves. New institutional structures were created—like TÜSİAD International and MÜSİAD Multi-National—through which these associations began to perform foreign policy relevant work. TİM began to shift its focus from representation and making macroeconomic policy suggestions to more DEİK-like

market once you leave. This, however, does not mean that the associations left the P-A contract in the pursuit of their self interest, as such a carefully calculated behavior aimed at bringing the tension under control rather than escalating it, was also demanded by the state, which cared—more than it did back in 1998—in the vitality of health economic relations as a source of leverage in foreign policy.

¹⁶⁵ For the original quotation see Appendix D.

market access events. Even TOBB, parent institution of DEİK, became more interested in having a direct involvement in foreign relations (Tüzün, personal communication, March 20, 2012). The P-A setting transformed into one with a single principal and a large number of agents, which meant that the behavior of the agents towards each other became increasingly important for the enforcement and performance of the contract.

Despite the increasingly competitive environment during the 2000s, DEİK managed to maintain its cooperative approach, which was reinforced after the DEİK Regulation entered into effect in 2006 and made it possible for DEİK to expand its portfolio of founder institutions. As of May 2013, DEİK has 40 founding institutions (DEİK web site), which—although creating a weird situation where most of these founders were not in scene when DEİK was founded and some of them has not even existed back then—supposedly enables DEİK to draw strength from a wider range of stakeholders representing all the industries of Turkey's growing economy. Whether this is the case in practice remains, however, a question, given escalating competition between DEİK and some of its founders, such as TİM. Moreover, for some observers, increasing the number of founder institutions did not make a difference in practice, because DEİK was already obliged to cooperate with other business associations depending on the issue at hand; and accordingly this move to increase the number of founders was nothing but a pretext for the discourse that DEİK represented the entire private sector, while in reality TOBB consolidated its power on the association (Tüzün, personal communication, March 20, 2012).

More open competition for DEİK in this period came from a newly established business association, which did not become a founder of DEİK. TUSKON was founded in 2005 as a business association representing the rising

conservative bourgeoisie in Turkey, and it has in a short time become one of the leading actors in Turkey's relations with Asian, African and Latin American countries. Its approach to the P-A contract established with the state resembled that of DEİK, with similar activities, such as the "Trade Bridge" events bring together thousands of businessmen from different countries with their Turkish counterparts as well as policy makers. TUSKON turned out to be very effective when performing its part of the contract, as explained briefly in Chapter 3, thanks to close relations with the government owed to its large local support base and its organic links with the Gülen movement through which the association has access to the movement's network of educational institutions established in various parts of the world, which are extremely useful for establishing contacts and making business deals abroad.

While MÜSİAD and TUSKON have similar origins and similar worldviews, the former has not been a direct competitor for DEİK, because fields of activity of DEİK and MÜSİAD were only slightly overlapping. Foreign relations were important for MÜSİAD, but they were not only the sole focus of the association, and while in some cases MÜSİAD took the job itself, in other it was more than happy to cooperate with DEİK. It was however, a different story with TUSKON, which was established with the purpose of facilitating Turkish business community's global expansion. Moreover, TUSKON also has the capability to compete against DEİK, thanks to its resources and its close connections with the government. In May 2010, when the Undersecretariat of Foreign Trade (UFT) excluded DEİK from the organization of the Turkish-Russian Business Forum event that was to be held with the participation of the Russian president Dmitry Medvedev, and gave the task to TUSKON, this was interpreted by many observers as TUSKON having reached the height of its influence on the state, forcing DEİK "to share its authority" (Özkan,

2010). Executives of DEİK and TUSKON never stated—explicitly or implicitly—that they were competing against each other, but the tension between the two associations, which reached a peak during the Russian event, continues to date.

For DEİK, another important platform of competition with other business associations in this period has been the operations in the United States. DEİK's Turkish-American Business Council (TAİK) was founded in 1985, and since then it has been extensively involved in two kinds of lobbying activities, i.e. economic and political lobbying. According to Başak Küsefoğlu Kızıldemir, former counselor of DEİK and coordinator of TAİK, economic lobbying involves efforts for the amelioration of impediments to trade and investment; whereas political lobbying is carried out on a systematic basis through frequent contacts of the business council with the U.S. Administration and the Congress, paving the way for the solution of problems in the commercial sphere and contributing to the political relations between Turkey and the United States (Kızıldemir, personal communication, May 20, 2008).¹⁶⁶ It is important to note that lobbying activities are collective enterprises and TAİK has been in this sense a platform for different associations to get together and coordinate their efforts for the common good. Also with the help of a significant overlap in their membership base,¹⁶⁷ TAİK has effectively cooperated with TÜSİAD for a long time.

¹⁶⁶ The latter is evident mostly during periods when relations between two countries are at a low, and one often cited example is the business council's attitude when claims about the Armenian genocide are brought to the agenda of the U.S. Senate. When this happens, TAİK actively and effectively contacts the senators and congressmen in order to explain Turkey's position. In some cases, TAİK has taken even more assertive steps to that end. For instance, in October 2007, it postponed the "Turkey in 2008 and Beyond" conference that was to be held in New York in the last minute, as a reaction against the decision of the U.S. Congress Foreign Relations Committee to recognize the Armenian genocide allegations (Soykırıma İlk Tepki, 2007). Needless to say, these initiatives provide crucial support for the Turkish government's policies regarding the issue.

¹⁶⁷ TAİK is unique among DEİK's business councils is that its membership base is composed of conglomerates and large corporations, in a way resembling TÜSİAD, without much participation from the SMEs. Although it might appear as an oddity, Başak Küsefoğlu Kızıldemir argues that it is a must, since when it is about dealing with the United States and its state and corporations, the Turkish side has to be made of big businesses, otherwise there will not be an even playing field and this would disturb the balance in relations (Kızıldemir, personal communication, May 20, 2008).

In time, as other business associations decided to be more active and directly involved in Turkish-American relations, as newly formed associations have energetically launched initiatives aimed at the American market, and as both TAİK and the other associations complemented their lobbying activities with proactive market access facilitation operations, TAİK came face to face with increasing competition, which jeopardized its long established influence in the United States. Since there was no clear distribution of responsibilities between different associations, operations undertaken by TAİK and TÜSİAD began to repeat each other, thus causing substantial inefficiency (Akyüz, personal communication, July 16, 2012). With other associations also launching operations in the United States, the situation got more complicated, resulting in an ineffective cacophony of agents each going their own way in their pursuit of the P-A contract, thus minimizing the efficiency of the contract from the principal's perspective. This is why in 2011, the MoE came up with the idea of establishing—or rather asking the business community to establish—a new “United States-Turkish Business Council” independent from DEİK, which was to include representatives from all the major business associations. This council was officially established later during the year, however as it does not have a legal identity and physical facilities, it serves rather as a platform of dialogue aimed at curbing the adverse effects of competition between associations, rather than a fully fledged business association undertaking its own operations.¹⁶⁸

These two cases of the Russian trade event and the business council with the United States show that while on the paper DEİK represents the entire Turkish

¹⁶⁸ The newly established United States-Turkish Business Council has a board comprising of eleven business representatives; three from TÜSİAD and TOBB/DEİK, two from TÜSİAD, one from TUSKON, MÜSİAD and TMB (Çağlayan: Onlar Mohikan, 2011). The main difference between this council and DEİK's TAİK is TUSKON's involvement in the former.

private sector, this is often not the case in practice, and with other associations vying for influence, DEİK finds its own influence undermined. In other cases, however, despite the large number of associations, the common good in question is so valuable that despite their own self interests and despite their own selfish pursuits of influence, business associations prefer to leave these aside and cooperate for the objective they have in common. An illustrative example for this situation refers to how DEİK and other associations have joined forces for supporting the government's policies aimed at visa liberalization. The AKP government has dynamically pursued a policy of visa liberalization, and a series of agreements were signed with several countries to that end over the past few years.¹⁶⁹ Businessmen, who travel frequently to pursue their business, are one of the main beneficiaries of visa liberalization, and this is why business associations are wholeheartedly supporting the process. The problem, however, remains with visas to Turkey's major trading partner, the European Union, as the Schengen Agreement imposes heavy visa requirements on Turkish citizens wishing to travel to European countries, which creates an unfair situation for Turkish businessmen. As Rifat Hisarcıklıoğlu, chairman of TOBB and DEİK rightfully argued:

Our businessmen are unjustly treated. While their products can freely enter the markets of EU member countries, our businessmen or their employees, they cannot freely travel on business. In order to get a visa, they need to complete several time consuming formalities and also face a serious cost... For Turkish entrepreneurs and their professional employees, this is a non-tariff barrier (DEİK, 2008).¹⁷⁰

Although progress is slow, business associations are cooperating with each other in their lobbying activities against the visa practices of the European Union, doing so actively since 1996 when Turkey entered into a customs union with Europe. DEİK,

¹⁶⁹ As of May 2013, Turkish passport holders (ordinary passport) can travel to 74 countries without having to obtain a visa prior to their visit.

¹⁷⁰ For the original quotation see Appendix D.

together with its parent institution TOBB, is spearheading the efforts in this respect. Some minor progress is already made, such as Bulgaria deciding in 2012 not to require Turkish businessmen who already have a Schengen visa to also have a separate Bulgarian visa, as a consequence of the coordinated efforts of the Turkish-Bulgarian Business Council under DEİK with the chambers of commerce and industry in the Thracian region (Bulgaristan Boykotu, 2012).

DEİK's experience with interacting other business associations shows that while a strong common good is a good incentive for cooperation, these actors are all aiming to have greater influence in the conduct of Turkey's foreign relations, which leads to competition, which, if not coordinated well, does more harm than good with respect to the P-A contract. On the other hand, we should keep in mind that DEİK is unique in the sense that it has a built-in cooperative structure in the form of its founder institutions network. This gives DEİK an incentive to be more conducive for cooperation, however, as we will see in TİM's case, cooperation between rational actors depends much on the existence or the expectation of mutual benefits, and this does not necessarily have to be the case in every instance.

Turkish Exporters' Assembly

TİM does not have an institutional structure, as DEİK does with its founding institutions, which requires the association to cooperate with others. Moreover, as long as TİM was involved solely in representing the exporter community's interests with respect to the macroeconomic policies formulated and implemented by the state—and this was the case during the 1990s and most of the 2000s before the association would shift its focus to market access facilitating activities rather than

monetary policy advocacy—TİM had neither the platform on which to build collaborative schemes nor a shared ground on which to compete for greater influence.

A closer look at TİM's behavior towards other associations during the 1990s and early 2000s shows that there has been an exceptional case of multi-association cooperation led by TİM in this period, which referred to an absolute common good benefiting all the parties involved. In early 2000, TİM partnered with TOBB to lead a nation-wide campaign against Turkey's chronic inflation problem aimed at raising awareness about the problem and encouraging the civil society to monitor the government's performance in implementing structural reforms (Türk, 2000).

Although it was not directly linked to foreign policy, this campaign, which went on for six months, has manifested TİM's capabilities of cooperating with other association in the pursuit of the common good. Despite the success of this campaign, however, TİM's escalating criticism of the Central Bank with respect to monetary policy and the toughening language used in this criticism, began to alienate the associations, which eventually developed a rather distanced stance towards TİM (TİM'e Mesafe Koydular, 2003).

This picture began to change after TİM moved from monetary policy advocacy to market access facilitating activities, thus entering an area, which was once under DEİK's monopoly but now shared by several associations. In this period, TİM is observed to have developed a collaborative relationship with TUSKON, while at the same time relatively keeping DEİK at a distance, although it is a founder institution of and hence a stakeholder in the latter.

Before investigating this preference of TİM, it is necessary to acknowledge that TİM represents the entire exporter community and therefore when it is about expanding Turkey's export volumes, TİM is expected to cooperate with all business

associations in the pursuit of the common good:

TİM works with a philosophy of cooperation. Why? All of the exporting companies in Turkey are TİM's members through their respective exporter unions; hence TİM is open to all of them. Now there is the TOBB, which was founded by law, and its arm DEİK, also founded by law, and TİM is its founding member; so no problem. Moreover, there is the business community organized through voluntary membership, such as TÜSİAD, MÜSİAD, TUSKON... TİM is equally distant to each of these [business associations], whenever needed; it also provides support, both moral and material... TİM's law, structure, its functioning, they all require TİM to be on the side of cooperation, and TİM is a strong actor, always cooperated with (Mente, personal communication, April 12, 2012).¹⁷¹

The question is then, why TİM prefers to be in cooperation with one association, while at the same time doing less so with—and even competing against—another. There are several instances of joint initiatives taken by TİM and TUSKON, which provide clues why TİM prefers to work with TUSKON and not DEİK. One illustrative example is the African overture conducted by these two associations. Within the framework of this initiative, TİM and TUSKON organized a delegation visit—parallel to the official visit of President Abdullah Gül—to Kenya and Tanzania in February 2009. During this visit, members of these two associations had meetings and match making sessions with around eight hundred African businessmen, Turkish schools affiliated with the Gülen movement in these countries facilitated the visit by providing local support,¹⁷² and as a result agreements with a total worth of five hundred million dollars was signed during the visit (İşadamları Gül'ün Afrika, 2009). Viewed from the P-A perspective, the visit and the cooperation between the two associations have not only served Turkish government's foreign

¹⁷¹ For the original quotation see Appendix D.

¹⁷² According to Hakan Taşçı, representative of TUSKON in Washington D.C., the Gülen-affiliated Turkish schools are the key to the impact created by TUSKON in its operations overseas. Citing the example of Africa, Taşçı argues that these schools have been Turkey's pioneers in the region, and they are now profoundly supporting the visits made there countries by providing personnel who can speak the local language and are familiar with the local culture (Taşçı, personal communication, August 22, 2012).

policy initiative of expanding ties with the African continent, but also they maximized the incentives obtained by the associations. It is therefore possible to argue that TİM cooperates with TUSKON for pragmatic reasons as both of these associations realize that they can maximize their utility by combining their capabilities.

Whenever we have done something with TUSKON, we have been very proud towards our members; and they were working like a beaver. The most important factor here is the schools there; the cultural activities being done there trigger your economy. Today in Africa, schools have been opened in almost every country, they work like our trade counselors, and we are very thankful because whenever we go there they devote close attention to us... This is why our relations with TUSKON are superb. Our mentality has been changing, now if someone is producing value, you should support him... We organize highly successful business delegations with TUSKON all the time... What happens on the field is important. In visits organized by DEİK, I am sorry but I don't see anything. They are only touristic trips. (Çıkırıçioğlu, personal communication, April 12, 2012).¹⁷³

The insight offered by Mustafa Çıkırıçioğlu, vice chairman of TİM, clearly shows that TİM prefers to work with TUSKON rather than with DEİK, because the former can provide greater capabilities than the latter. It is about doing business, and it does not matter much that TİM is actually one of DEİK's stakeholders.

Turkish Contractors' Association

TMB's identity as a sector-based business association defines its relationship with other business associations. It cooperates with other organizations in construction business related issues as long as and to the extent the partner organization has a stake in the respective issue. Competition with other business associations is seldom the case because as TMB is the sole representative of Turkey's contractors, its field

¹⁷³ For the original quotation see Appendix D.

of activity has minimal overlap with those of other associations, hence not leading to a conflict on interest and/or a struggle for influence between TMB and other associations. These patterns have prevailed since the 1980s without much change.

Among all the business associations, TMB is working most closely with DEİK, because, first, TMB is a founder institution—an original one which took part in the process when DEİK was established in 1986—and second, there is a significant overlap of membership base between the two associations in the sense that around one-quarter of DEİK's member companies are contractors, which are at the same time members of TMB as well.

With DEİK we have a different relationship. For instance, we announce [to our members] all the information we receive from DEİK, when there is an issue we can easily be in touch with them. We cooperate when there is a need to do so; we help each other, both at home and overseas. Frankly speaking, we have a very good and comfortable way of working with DEİK (Çınar, personal communication, April 18, 2012).¹⁷⁴

Çiğdem Çınar, deputy secretary general of TMB, informs that while DEİK is their natural partner, they have also have a good albeit not very intensive relationship with TİM; with TÜSİAD they are working too, but not very closely; and with TUSKON they have almost no relationship at all (ibid). What determines the extent to which TMB cooperates with other business associations is the degree of involvement of the respective association in contracting business. Again as Çiğdem Çınar states, TMB does not compete against other associations for influence, but what can happen is that in certain cases when TMB and another association is involved in the same issue there can be repetitions, like TMB and another association organizing a similar event around the same time, leading to inefficiency and confusion among participants (ibid).

¹⁷⁴ For the original quotation see Appendix D.

TMB's behavior towards other associations has remained largely unchanged since the 1980s, but from the perspective of the P-A contract between the state and business associations in foreign policy, it took on a new significance during the 2000s when economic interests became increasingly important determinants of Turkey's foreign policy. In this period, contracting services became one of the key pillars of Turkey's economic presence abroad, and in cases when the state as the principal required services from associations as its agents involving the contracting business, the way how TMB cooperated with other associations mattered significantly for the successful execution of the contract. A recent case related to the recent Arab uprisings will be useful to illustrate this point.

The popular upheavals that shook the Arab world in the spring of 2011 were a real challenge for Turkey's foreign policy's aims of strengthening relations with the region by fostering economic ties. Following the protests in Egypt, the Turkish government directly adopted a pro-democratic stance and demanded the Egyptian president Hosni Mubarak to step down. However when the uprisings spread to Libya, there emerged a completely different story for Turkey and its foreign policy. In stark contrast with its response to Egypt, and despite escalating violence in Libya, the government hesitated to issue a pro-democracy call as it did in Egypt. This cautionary approach to the events unfolding in Libya was attributed to the existence of thousands of Turkish citizens living in Libya—mostly workers and engineers employed by Turkish construction companies active in this country—as well as the economic interests related to the activities of the construction companies.¹⁷⁵

The Turkish government had to carefully formulate its policy, and as the

¹⁷⁵ The projects that the Turkish companies were working on in Libya when the uprisings began had a total value of 15.3 billion dollars. The state minister in charge of foreign trade, Zafer Çağlayan, announced that Turkish companies had incurred a loss of 1.4 billion dollars in the form of uncollected revenues and that another 97 million dollars of deposits remaining in Libyan banks (Libya Krizi İhracatı Vurdu, 2011).

people and the assets of the construction companies were defining the scale of the crisis, the government needed the support and inputs of TMB, which mobilized behind the government's efforts literally from the first day onwards, in cooperation with DEİK and its Turkish-Libyan Business Council. Under TMB's guidance, business associations provided the government with updated information about their latest situation, their losses, their needs and their proposals, which were all taken into consideration when Turkey formulated its response to the crisis. Their contribution was clearly evident in the words of a foreign trade bureaucrat:

Turkish Contractors' Association has played a key role and provided substantial assistance for us in our problems with Libya, such as problems with receivables, progress payments, damages and losses, by compiling the problems experienced by individual firms and helping us to formulate a main policy. It was us who were, as official negotiators, going to Libya and discussing these issues with Libyans; but we have prepared the basis of these negotiations, both technically and strategically, with the Contractors' Association. It was the same with the Foreign Economic Relations Board; they have been a major component of our efforts for formulating a country strategy (anonymous, personal communication, April 17, 2012).¹⁷⁶

The Libyan case shows that in foreign policy issues where economic interests generated through contracting services are involved, the way how TMB engages in the policy formulation and implementation process—in other words the way it performs its part in the contract—and how it cooperates with other associations to that end are crucial for the outcome.

Concluding Remarks

The investigation of the contract between the state and the business association in foreign policy reveals both similarities and differences along the three cases dealt

¹⁷⁶ For the original quotation see Appendix D.

with in this chapter. To start with, it should be noted that the fundamental idea behind the contract remains unchanged across the different cases and over the time period examined. With their identity as the legitimate representatives of the business community, together with the knowledge, experience and resources they have, business associations provide inputs for the policy making process—through a number of instruments such as lobbying, delegations, briefings and business events—that the state requires for the formulation and implementation of its policies under a setting where economic relations are increasingly a defining aspect of relations between countries. In return for the services they provide, business associations receive incentives, in the form of increased influence and leverage over policy related matters, access to resources, and political support for both the executives of associations and member companies.¹⁷⁷ Over the past three decades, however, there have been changes in the way this relationship was conducted, and how the business associations interacted with the state.

During the 1980s, the contract appears to be conducted mainly in an informal way and on an *ad hoc* basis, rather than in an institutional and systematic manner. In this period DEİK conducted its part of the contract through personal contacts of its leadership and as a consequence incentives received in return were also personal in nature. Exporter unions did not have a representative institution in this period yet,

¹⁷⁷ The incentives received by the agents cover the protection of interests at the individual firm level as well. Events organized by business associations often provide an environment for the members of associations to establish direct contacts with state leaders and bureaucrats in order to seek solutions for the problems of their own problems, often with significant degree of success. Recent remarks made by Prime Minister Erdoğan in a meeting with Turkey's commercial counselors abroad in April 2011 show that the government is committed to intervening when necessary to deal with problems at the individual firm basis: "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 intervene to solve the problem of a truck driver, a TIR driver" (Dış Ticaret Temsilci, 2011). Original quotation: "Ben bu ülkenin başbakanı olarak gittiğim her ülkede Türkiye'nin, Türk işadamlarının, oradaki yatırımlarımızın peşinde koşuyorum... Yeri geliyor bir kamyoncunun sorunuyla bir TIR'cının sorunuyla ilgileniyorum." It is, however, important to note that it is the business associations and the channels of communication they provide through which the individual companies can have access to this problem solving mechanism, unless they are one of the politically well connected and influential holding companies of the country.

their activities were limited to doing what was prescribed by law without coordinated efforts to actively take part in foreign policy. In the case of TMB, activities were more formal compared to those of DEİK, however the association itself was far from being having a strong institutional identity and it was suffering from a lack of adequate legal status that could enable it to directly get involved in international affairs, so its foreign policy impact in this period remained low.

In the following decade, the 1990s and the first few years of the 2000s, there was greater institutionalization on the agent side, but an opposite trend on the principal side. DEİK moved from personal contacts to institutional and formal activities providing platforms through which coordination between stakeholders was secured to facilitate foreign policy. TIM's establishment in 1993 was a key step in institutionalizing the collective efforts of the exporters, although its part of the contract remained weak due to the association's exclusive focus on monetary policy. TMB, on the other hand has again been ahead of other associations in providing formal platforms through which coordination between stakeholders was ensured to facilitate foreign policy was facilitated. Despite this move towards greater institutionalization by associations in the 1990s, the government remained fragmented and instable due to a series of weak coalition governments and unproductive political struggles, meaning that while the agent increased the quality and quantity of the services it provided or was willing to provide, the principal was less capable of receiving and processing these services within the framework of foreign policy making.

During the 2000s, under the single-party government of the AKP and particularly after its second term in office when Turkey's foreign policy evolved to a trading state model the scope and contents of the activities of all the three

associations have increased, both as a response to and as a component of Turkey's foreign policy activism at the global level. While on the agent side, business associations are now more institutionalized, acting more through formal channels and on a planned, systematic basis, on the principal side the government is much more capable—compared with the 1990s—to engage the agents in the process, to utilize their services and to produce results. As a result, it appears that this P-A contract is gradually evolving from its state corporatist nature with clientelistic features during the 1980 towards more participatory and formalized form of a state-business relationship. While the other dimensions of the P-A relationship will be discussed in the following chapters to reach conclusions about whether it is possible to talk about such a transformation, before concluding this chapter it is necessary to make a note of caution.

Business associations are more active, more institutionalized, participating more formally in foreign policy issues, but what is really the impact that their activities have? Do these activities always achieve their intended objectives? If, for example, a business association organizes a business summit and brings together the statesmen, bureaucrats and business executives from Turkey and another country, or if the prime minister takes a delegation of businessmen on an official visit abroad, does it always have a significant impact on Turkey's relations with the country in question? At this point, the question of quality enters the scene. Greater and more formalized participation in the policy process does not always mean that a necessary level of quality is achieved so that the activity creates a real impact. Quantifying and measuring the quality and the resulting impact is extremely difficult, but empirical observation and insights from practitioners provide clues in this respect.

Almost all parties, both public and private, agree that business delegations

accompanying Turkish state leaders's official visits abroad are an important asset. They can have a significant impact on Turkey's foreign policy issues, however if the agent does not perform its task here with quality, the desired results are not achieved. Journalist Serpil Yılmaz, a long time observer of Turkey's business associations, believes that these events are usually superficial due to a lack of in-depth preparation and follow-up:

You have to be well prepared when going to these places, the businessmen should be well prepared individually, the associations are not prepared and neither are the individual businessmen. He goes to a country, without having any idea where he is going; somebody is holding his hand, and he follows, with the hope that maybe something good can come out of this... In order for these events to be more effective you have to work on reports first and go there with feasibility studies... If not, who can really assert that an overseas trip of one and a half days, a trip with 500 businessmen can really be a visionary visit? There is no such thing (Yılmaz, personal communication, May 9, 2012).¹⁷⁸

Similarly, large business events organized in Turkey are frequently criticized for lacking the quality in the sense that they are not followed up and not capitalized upon. As a senior bureaucrat at the direct general level at the Ministry of Economy (MoE) argues:

The issues that are discussed in business council meetings and the commitments that are made are not monitored by the Turkish side. The follow-up should be conducted well, and one should immediately start working on the fields of cooperation proposed to the other side and progress should be made in this respect, without waiting for the next meeting. What [the association] does is nothing but beating the air (anonymous, personal communication, July 24, 2012).¹⁷⁹

If not adequately organized by associations, these events can—and do—lead to the cases of the businessmen's occasional divergence from the common goals and using these visits for other purposes. Ambassador Rafet Akgünay, a career diplomat who

¹⁷⁸ For the original quotation see Appendix D.

¹⁷⁹ For the original quotation see Appendix D.

served, among other posts, as the senior diplomatic adviser to the prime minister, reminds of Prime Minister Erdoğan's visit to China in 2003, during which a tourism seminar was organized for Turkish and Chinese companies, where “nobody discussed tourism” and most of the business representatives used the opportunity to communicate their personal problems to Erdoğan (Akgünay, personal communication, May 28, 2008). Businessmen are by definition self-interested, rational actors motivated by profit maximization, and a business event can only be of high quality and manage to achieve its goals if the organizing association makes sure that participants stay mobilized around common goals. As a medium-rank bureaucrat from the MoE remarked, when there are too many individuals at an event and these individuals are not brought together by a common goal—hence being there for their own particular objectives only—this can lower the quality to a level that the event gets paralyzed from a logistical sense meaning that the contract is not executed at all (anonymous, personal communication, April 17, 2012).

With respect to the relationship between the individual business associations, when their experience over the three decades since the 1980s is examined, one observes that cooperation and competition have always co-existed, with the context and the conditions prevailing at a given time determining which of them will weigh more. As a rule of thumb, it is possible to claim that associations cooperate when there is a common good and both parties will be better off combining their forces. On the other hand, competition is the case when there are conflicting interests at the level below the common objective pursued and/or the associations are operating more or less in the same field and they are vying to increase their influence in this field at the expense of the other party.

It is important to note that all these different kinds of behavior are produced

within the contract. They can influence the outcome of the contract in positive or negative ways; therefore how the agents interact with each other is of great concern for the principal. The question is then, does the state influence the interaction between the associations; and if yes, how?

The tension between DEİK and TUSKON at the Russian event discussed in this chapter is a clear illustration of the fact that in cases when the state chooses an association to contract a certain task, this can generate competition and seriously affect the relations between the associations. There are certain principles—both written and practical—such as the MFA choosing to work with DEİK or the MoE working with TİM, but at the same time there are observations that the government often chooses to work with those associations and businessmen it deems to be close to itself (Tüzün, personal communication, March 20, 2012). This situation creates competition, but as discussed above, the government can also demand the associations to cooperate with each other when it is deemed necessary. In cases when a task needs to be contracted to a certain business association, the government has also developed a tendency to let the associations take turns (*ibid*), or to contract more than one association for a single task, as long as the work distribution and job descriptions are defined clearly in order to avoid conflicts and unwanted competition that would lead to inefficiency. A recent example for this practice refers to the Turkish-Argentine Business Forum in January 2011, where a recurrence of the tension caused by the Turkish-Russian Business Forum the previous year was prevented by contracting the task to both DEİK and TUSKON, but also clearly specifying the responsibilities of each. During the meeting, DEİK signed a memorandum of understanding with the Union of Argentine Industrialists, while at the same time TUSKON inked a deal with the Argentine Chamber of Commerce

(Kirchner Türkiye-Arjantin, 2011).

In brief, business associations cooperate or compete depending on the context, but it is ultimately in the state's power to determine how they are supposed to interact with each other in order to maximize the outcome of the contract between the state and the business community. Ultimately it is about how well the P-A contract is performed by the agents, and this issue needs to be taken into consideration when discussing whether state-business relations are transforming in Turkey as represented by a formal participation of business associations in foreign policy processes. In the meantime, how the P-A relationship is conducted by the agents is also a question of the autonomy possessed by the associations, which is the subject of the next chapter.

CHAPTER 6

THE AUTONOMY OF BUSINESS ASSOCIATIONS

In the previous chapter we have seen that since the 1980s when they first emerged in Turkey's policy making mechanism as a stakeholder in the foreign policy process, activities of business associations within this framework have increased both in quantity and scope, a process which proceeded in tandem with the institutionalization of the business associations from loosely organized entities performing informal activities on an *ad hoc* basis towards more coherently and professionally structured organizations undertaking activities through formal channels on a systematic basis. This transition illustrates the evolution of the contract between the state and the business associations in foreign policy making over the past three decades, and gives the impression of a transformation of the state-business relationship in Turkey from its state corporatist form with clientelist tendencies towards more formal and participatory forms like liberal corporatism. However, at this point we are still far from reaching such a conclusion, because the question of to what extent the agent can execute its part of the contract still remains a question. In this chapter, a distinction will be made between formal and informal autonomy and the three cases will be discussed with respect to how their autonomy has evolved over time. The interaction between the administration of a business association and its members is also crucial in defining the behavior of the business association, and it will be discussed in the second part of this chapter.

A P-A interaction is not about a principal dictating the tasks to an agent, who is then performing these exactly as it is told without questioning or changing the

contents of the contract. Depending on the degree of the autonomy it has, the agent can bend the contract, renegotiate it, or change the contents in a way that would reflect its own interests. Within a foreign policy setting, with the state as the principal and the business associations as agents, one can expect those business associations with greater autonomy not only to do what is demanded from them by the state, but also push forward their own interests and positions, which can in many cases lead to a clash between the perspectives of the state and the business community. With less autonomy, on the hand, business associations have no option but to remain within the boundaries drawn by the state, and refrain from pressing with their own positions and interests. Moreover, under certain circumstances when there is a strong principal, they can also be expected to perform tasks that go against their own interests, simply because the contract requires them to do so.

As discussed in earlier chapters, under a state corporatist setting, business associations have minimal agent autonomy, and it is not possible for the business association as an agent to renegotiate its contract, which is informal anyhow, to secure a better deal, and/or modify the contract in a way to better reflect its own interests. Under a liberal setting, on the other hand, business associations have already a substantial degree of agent autonomy, because they do not take a policy preference given and act accordingly, but they pursue their own policy preferences. The task delegated by the state to them does not involve a supporting act to an already decided policy, on the contrary they are asked to make a contribution reflecting their own foreign policy interests. State corporatist modes of state-business interaction differ in the sense that they imply a clear subordination of the agents to the principal, but this subordination and the clear hierarchy it creates, do not necessarily imply the absence of agent autonomy. The business associations compete

with each other for access to the policy making process, and having achieved this, they can contribute their own ideas and positions on the issue to the process, as long as they do not deviate from the norms set by the state. Influence is not equally dispersed, all the associations are under the state's control, but some of them have greater autonomy than others.

Formal and Informal Autonomy of Business Associations

The question is then, to what extent the business associations have the autonomy when performing their part of the contract, and whether this extent has changed over the period that is under investigation in this study. Are the business associations doing only what they are told by the state in foreign policy related issues? Or can they have an influence shaping the policy formulation? In other words, can they act autonomously from the state, even if there are certain boundaries? How has this changed over the past three decades?

Before dealing with these questions through the three cases and discussing how autonomous they have been and they are, it is necessary to recall that the degree of autonomy enjoyed by a business association is the sum of its formal and informal autonomy, as explained in Chapter 2. Formal autonomy is derived from the *de jure* legal status of an association, which is determined through relevant by-laws and regulations defining explicitly how autonomous the association is from the state. An association that is by law subordinated to a public institution, such as a certain ministry, has less formal autonomy than a entirely private association. On the other hand, the informal autonomy is determined by the *de facto* state influence on the business association in question, and it can be defined by several factors, such as the

structure of the membership base, political leanings of the association's leadership, its ideology, its resources, etc. The relative weights of formal and informal autonomy and the extent to which reinforce or crowd out each other determine the degree to which the business association in question can act autonomously from the state. Under certain circumstances an association with low formal autonomy, such as one with a quasi-public status, can have greater autonomy in total compared to another association that has higher formal autonomy, depending on the degree of the implicit informal autonomy that they both possess. In this chapter, we will discuss how autonomous the three associations studied here are when performing the P-A contract, and how the extent of their autonomy has evolved through time since the 1980s.

Foreign Economic Relations Board

In order to explain the extent of DEİK's formal autonomy it is necessary to analyze the changes in its legal status since the time when the association was founded. As discussed before, DEİK was established as a loose form of partnership between the state and the business community where the latter sought to coordinate its efforts to deal with the challenges brought about by integration with world markets and to have greater influence on the country's foreign affairs, while the state enlisted private sector participation in foreign relations under its own supervision and control, meaning that the autonomy of DEİK was by definition restricted at its inception.

The interesting point about DEİK's formal autonomy is that it was restricted not through a legal status designed for this purpose, but rather by the absence of it. In

the early years after it was established in 1986 as an affiliated institution of TOBB,¹⁸⁰ and moved to its office in Istanbul the next year, the association simply did not exist on a *de jure* basis as it was still lacking the legal foundations. The Law of the Turkish Union of Chambers and Commodity Exchanges (TOBB Law) then in effect (Nr.5590, issued on March 8, 1950) did not offer any provisions in this respect, and from a legal point of view DEİK was nothing more than “working group” under the auspices of its parent organization (Altun, 2009, p.142). DEİK’s official inauguration could take place not earlier than February 26, 1988, when the Principles of Establishment, Duties and Working of Business Councils was ratified by the TOBB Board of Directors.¹⁸¹ It has to be noted, however, that since there was no law, this document provided only a *de facto* legal personality to DEİK, and the organization still lacked an appropriate legal basis.

Due this *de facto* legal personality, DEİK has for years had to perform certain official transactions, such as salary payments, trade registries, social security entries, etc through TOBB. Due to the difficulties caused by the absence of *de jure* legal personality, DEİK initiated certain attempts to find a solution. In 1991, for example, a well-known jurist, Hikmet Sami Türk, was commissioned to prepare the Preliminary Draft of the Law of DEİK and Business Councils, which stated that DEİK was to pursue its operations in cooperation with the government, relevant state

¹⁸⁰ The reason why TOBB (and not, for instance, TÜSİAD, which had originally came up with the idea) was selected for this task was not simply that it was the parent organization of all the chambers of commerce and industry in Turkey. There were also legal issues involved. Çelik Kurdoğlu argues that the idea was that DEİK’s membership was to be consisted of companies (legal personalities) rather than individuals (private personalities), and at least twenty-five member companies were to be required to form a business council so that a self-financing budget could be established. However, according to the legislation then in effect (Article 16 of the 1983 Law of Associations, Nr.2908), legal personalities could not become members of other legal personalities, only individuals could do so, and therefore the only institutional solution could be in the form of a chamber. TOBB offered the most adequate structure for the establishment of DEİK (Kurdoğlu, personal communication, May 29, 2008). It has also to be noted that Özal personally preferred TOBB over TÜSİAD on the grounds that the former’s semi-public would be an advantage for DEİK not only in its relations with the Turkish state, but also in its communication with countries with command economies (Altun, 2009, p.115).

¹⁸¹ This document was later amended with the resolutions of the TOBB Board of Directors on September 26, 1994 and on January 9, 1996.

agencies and private sector organizations, assuming, however, full responsibility and full autonomy. In 1994, there emerged the idea of establishing a “Foreign Economic Relations Institute” as a joint stock company in order to gain *de jure* legal personality. Both attempts during the early 1990s had to be shelved away due to the reluctance of TOBB to provide more autonomy for DEİK (Kurdoğlu, personal communication, May 29, 2008). Furthermore, from the legal perspective, a DEİK Regulation could not be issued, because the authority of issuing regulations belongs to the government (i.e. relevant ministries) and it is not possible to issue a regulation without a law that includes provisions to that end (in this case the TOBB Law).

In other words, DEİK remained stuck in a legal purgatory for a long time, and although this situation did not prevent the expansion of the association’s operations, it severely limited its autonomy. The absence of *de jure* legal personality for DEİK has become a greater concern for the organization as it has increased its capacity and range of activities, and the AKP government entering into office in 2002 (particularly its first Minister of Commerce and Industry, Ali Coşkun, who had served as the chairman of TOBB during the establishment phase of DEİK during the late 1980s) took this issue as a priority item in its agenda. The first step towards a solution was taken when new TOBB Law (Nr.5174) which entered into effect on June 1, 2004, defined DEİK defined as a legal personality subject to private law, which is established with the purpose of “pursuing the foreign economic relation of the private sector and assisting the concrete business development activities of the business community.” This new law paved the way for the Regulation on the Working Procedures and Principles of the Foreign Economic Relations Board and Business Councils (DEİK Regulation), which was eventually issued by the Ministry of Industry and Commerce and entered into affect upon its publication in the Official

Gazette on November 27, 2005.¹⁸² Almost two decades after it was founded, DEİK had at last a legal presence.

Whether this legal presence brought about greater private autonomy for DEİK is another question, and it requires a discussion of the association's informal autonomy—and how it has developed over time—so that it can be possible to grasp the large picture. The clientelistic nature of the institutional origins of DEİK as an association, one that was founded following a directive from the government and mainly relied on the work of individual businessmen rather than the association itself as an institutional entity hints at the fact that in this period DEİK had neither formal nor informal autonomy that could have enabled it to define—at least partially—the contents of the P-A contract. In the 1980s and the early 1990s, DEİK's work relied extensively on personal contacts with the government through individual businessmen, and under such a structure it was not possible to develop autonomy for the association. As a result, in this period DEİK followed the directives of the government, even in cases when its own interests and/or opinions conflicted by what it has been required to do.

A look at the first business councils established under DEİK in late 1980s provides interesting cases revealing the above mentioned patterns. These business councils were all established following by a request from the government for DEİK to do, and not as a result of an autonomous demand and a decision on behalf of the business community. Şarık Tara, the founding chairman of the Turkish-Japanese Business Council recalls how the council was founded back in 1986:

The Turkish-Japanese Business Council is DEİK's second council. It was Turgut Bey [Özal] who asked me to establish the council. Because I had good relations with the Japanese, he asked me "Will you do it?" and I said, "Yes, I will". This is how I accepted the chairmanship of the

¹⁸² DEİK Regulation of 2005 was replaced by a new regulation that entered into effect on June 23, 2008.

Turkish-Japanese Business Council, and I commenced working on it very seriously (Tara quoted in Altun, 2009, p.148).¹⁸³

As evident in this anecdote, it was not the autonomous decision making of DEİK, but the top-down submission of demand from the government to the business association through which the early business councils were founded. In this period, there have also been cases when these top-down directives from the government conflicted with the interests and principles of DEİK, which, however, had no option to comply given the lack of its autonomous decision making capacity. As discussed in the previous chapter, one such case was related to the establishment of the Turkish-Pakistani Business Council in 1987 when DEİK was opposed to this council on the ground that conditions for founding the council were not ripe yet. The business council was nevertheless established upon a direct request from the Prime Ministry, in the aftermath of the official visit to Turkey by the then president of Pakistan Muhammad Zia-ul-Haq.

In both cases, Japan and Pakistan, the same dynamics have been in action. The head of the government asking an individual businessman affiliated with DEİK to perform the task, and DEİK does so without challenging the decision made by the head of the government, even when it is against its interests. In other words, there has been no autonomous decision making on DEİK's behalf. While DEİK's initial structure of relying solely on efforts of individual businessmen rather than mobilizing institutional resources has been one of the main reasons of why DEİK had an absence of informal authority—in addition to its already lacking formal authority—another reason was related to the financial situation of the association. Although it was a private association DEİK was launched with financial backing

¹⁸³ For the original quotation see Appendix D.

from the state, with the Undersecretariat of the Treasury providing fifty percent of DEİK's starting budget. Although the contribution of public funds to DEİK's finances was gradually lowered and totally ceased by 1995, the state has played a vital role during DEİK's birth and eventual growth in a financial sense as well, which meant that in this period DEİK's autonomy was further restricted as it depended on the state to finance its operations.¹⁸⁴

During the 1990s, there has been a mixed picture with respect to the level of autonomy of DEİK vis-à-vis the state. On the one hand, the association developed its institutional capabilities and also significantly expanded its resources, which could have—and most certainly did—provide it with a greater degree of informal authority compared with its earlier situation during the 1980s. However, during this period, not only has its formal autonomy remained unchanged, but also there was a negative effect on its informal autonomy, because given the fragmented structure of policy making in Turkey during the 1990s, with a series of weak coalition governments and thus constantly changing counterparts in the state, DEİK had no option but to rely on the state and continue accepting top-down decision making. The infertile policy making environment of the period simply did not allow a pluralist approach to policy making and prevented DEİK from acting more autonomously from the state. In February 1999, for example, when the Turkish-Greek Business Council decided to indefinitely suspend its operations in protest to Greece's support to the Kurdish separatist organization PKK, it was certainly in compliance with the P-A contract in the sense that DEİK supported and provided legitimacy for the government's foreign policy decisions, but to what extent it was an autonomous

¹⁸⁴ Currently, DEİK's sources of income are: i) fees paid by founder organizations; ii) business council membership fees; iii) TOBB's contribution; iv) income from services and projects; v) interest income; vi) donations (DEİK Regulation of 2008). It is important to note that DEİK is still not financially self-sustaining, as it depends on budgetary contributions made by TOBB.

decision is a question, because the association would have preferred an approach of increasing rather than abandoning its work with the purpose of achieving conciliation through commerce, however given the political circumstances of the time, DEİK did not have the environment to act in this way.

Another example from this period is the idea of an economic partnership agreement with the United States, which was advocated by DEİK in 2000-2001. Turkey's customs union agreement with the EU makes it impossible for Turkey to sign free trade agreements with countries, which do not already have the same agreement with the EU. DEİK argued that an agreement could still be concluded with the United States, with a slightly different content and format in the shape of an economic partnership rather than free trade agreement. However the attitude of the Ministry of Foreign Affairs (MFA) was clearly negative towards DEİK's proposal given the government's sensibilities with respect to the pursuit of European accession, and what was an autonomously thought of and advocated idea by DEİK had to be shelved away.

It is important to note at this point is that a low level of autonomy for the agent in a P-A relationship—whether through a lack of formal autonomy or informal autonomy, or both—results in an inability, not of speaking up one's mind and making suggestions, but of changing the P-A contract in a way that would incorporate these suggestions. DEİK is making suggestions, even when they contradict with the government's priorities or preferences:

Until now, DEİK has always said what it believed in. There is no government whatsoever that would react to someone who tells the truth. I think what matters is that you get the language you are using right... DEİK's language is constructive; it is a value-adding language. It is not abrasive, critical or destructive. I mean, DEİK has an affirmative

approach, a positive approach (Arslan, personal communication, April 11, 2012).¹⁸⁵

A line is drawn here when it is about turning suggestions into actual foreign policy outcomes. In several instances during the 2000s, one can observe DEİK initiating policy proposals by taking the interests of the association and its constituency into consideration, only to be rejected by the state and therefore had to be shelved down or put on hold by DEİK. One such case refers to an idea developed by DEİK with respect to a possible “Eurasian Union”. Turkey’s business associations have been the biggest proponents of regional integration in the Eurasian geography, and they continue to pursue this agenda. The idea of a Eurasian Union was proposed first in October 2003 by the chairman of DEİK’s Turkish-Eurasian Business Councils, Tuğrul Erkin who argued that at a time when Turkey pursued EU accession, the Eurasian Union would not be an alternative for the European Union; on the contrary, Turkey’s cooperation with Eurasian countries in this way could be a real value to be presented to Europe, a factor that would strengthen Turkey’s hand in EU negotiations (Erkin, personal communication, April 9, 2012; DEİK, 2003, p.6). The AKP government did not embrace this idea as it has carefully refrained from using the term “union” in order to prevent possible misperception that Turkey is looking for alternatives to Europe and to avoid jeopardizing relations with Russia. It was later watered down and evolved around less assertive projects such as forming an umbrella organization to bring together the Turkish business associations operating in former Soviet republics, but DEİK’s discourse remained same, in the sense that it advocated greater integration in the region. As it did not have necessary degree of autonomy, however, DEİK failed to pursue the idea any further (Erkin, personal

¹⁸⁵ For the original quotation see Appendix D.

communication, April 9, 2012).

DEİK's relationship with Armenia provides perhaps the most insightful illustration of the association's limits of autonomy. Ever since the dissolution of the Soviet Union and the founding of the Republic of Armenia, Turkish business community had been interested in doing business with this newly independent country. In fact, back in 1991 it was one of the leading personalities of DEİK, İshak Alaton, who went to Yerevan to discuss the possibilities of a normalization of relations and recognition of Armenia by Turkey with the Armenian President Levon Ter-Petrosyan (Emiroğlu, 1991). This initial opening, however, did not bear further fruit as Turkey reacted to the war in Nagorno-Karabakh by closing its borders with Armenia, and the two countries failed to establish formal diplomatic relations. DEİK continued its interest in establishing the Turkish-Armenian Business Council, but this project never materialized, because, as Tuğrul Erkin argues, either the political situation has been a barrier or the project was obstructed by the Armenian diaspora (Kadak, 2009). The rapprochement between the two countries during the second term of the AKP government and the announcement of a provisional roadmap for normalizing diplomatic ties in 2009 opened up new windows of opportunity for DEİK, however this time Ankara gave the message that it was "still too early" (ibid). Although the diplomatic thaw was short lived, DEİK never lost its interest in Armenia. Every year the association asks the MFA whether it can establish the business council, and so far the response has always been negative. DEİK prepares regular reports on prospects of trade with Armenia, and it maintains its preparedness for the establishment of the council. However, it does not possess the required extent of autonomy for starting the council without asking the MFA for permission.

It looks like that the private sector remains behind, subservient to the state; and this is very political, we do it only if the state grants the

permission. Actually what people expect is the other way round, because the private sector is supposed to be autonomous, it is supposed to go out there to do trade, to establish its contacts; and the state would follow, or not, if that is what it prefers. But here we see, on one hand an obstructive, a loyal, state-oriented policy. On the other hand, it is not blind faith; it is not like “okay, the state doesn’t let us do it, so we abandon this”... When the permission is given, we are prepared to do what is needed. How correct is it that one needs the permission in the first place? This is another question (Arıkan, personal communication, March 21, 2012).¹⁸⁶

The case of the Turkish-Armenian Business Council, which is yet to be opened as of the time of writing, and the issue of “permission” as stated in the quotation above, clearly illustrate the limits on DEİK’s autonomy. The association sees benefits in something, makes the proposal, prepares all the work, yet it still needs a green light from the state, without which it cannot materialize the project.

Before concluding the discussion on DEİK’s autonomy, it is important to have a look at recent developments with regard to the association’s formal autonomy. As it was mentioned above DEİK gained its legal status only in 2006 when the DEİK Regulation entered into effect, and this legislation was amended two years later with a new regulation entering into effect as of June 23, 2008. Taken together these two sets of regulations are widely seen as attempts to increase TOBB’s authority on DEİK, which would consequently curb the latter’s autonomy. The earlier regulation had brought certain provisions to that end, such as allocating 13 out of the 25 seats (i.e. the voting majority) on DEİK’s board—including the chairmanship—to TOBB (Article 10); subjecting the establishment of business councils and their working principles (Art. 14), and the recruitment of personnel (Art. 27) to TOBB’s approval. The regulation of 2008, further increased TOBB’s authority in matters related to DEİK, by enabling TOBB to add new “founding institutions” to DEİK’s stakeholders

¹⁸⁶ For the original quotation see Appendix D.

(Art. 5),¹⁸⁷ subjecting DEİK's establishment or participation in companies or foundations (Art. 23) as well as the principles related to the association's daily work such as budgeting, work of the secretariat, organizing meetings etc (Art. 28) similarly to TOBB approval.¹⁸⁸ According to the former secretary general of DEİK, Çiğdem Tüzün, these two subsequent regulations have totally undermined DEİK's autonomy:

Business councils used to have an autonomous structure; they were devising policies, and the policy recommendations created by business councils were submitted by DEİK to Ankara, to the Ministry of Foreign Affairs, to the Undersecretariat of Foreign Trade, to the President's Office... With the change of legislation, first the regulation entering into effect in 2006 and then another one in 2008, DEİK has lost its autonomy. From its inception until 2006 when the Union of Chambers Law was issued DEİK did not have a legal personality, but it had autonomy. With new legislation relegating DEİK to a sub-unit of TOBB, to something like its foreign relations department, DEİK gained legal status, but lost autonomy. It has become an entity taking directives from TOBB and doing what is demanded by TOBB (Tüzün, personal communication, March 20, 2012).¹⁸⁹

DEİK's loss of autonomy to its parent institution TOBB inevitably results in a loss of autonomy in the conduct of the contract with the state as well, by limiting its capability to perform its foreign policy related tasks with a certain amount of independence and flexibility. In brief, it is possible to argue that since the 1980s, DEİK's autonomy as a private association has not increased in a significant way. For two decades after it established it did not have a legal status, which provided a

¹⁸⁷ See Chapter 5 on the issue of DEİK's founding organizations.

¹⁸⁸ The regulation also imposes restrictions on DEİK's capability to perform its part of the P-A contract with relative autonomy by constraining its quasi-public role of representing the Turkish private sector in intergovernmental meetings and negotiations, such as the joint economic commission meetings discussed earlier in this study. Article 6 of the regulation states that DEİK attends international and intergovernmental negotiations as the representative of the private sector *only if it is invited to do so* (my emphasis). A medium ranked bureaucrat from the MoE interviewed for this study confirmed how this article is implemented in practice, stating that when there are classified issues that will be discussed during the joint economic commission meetings, "we remind DEİK that it may be more appropriate for them not to attend the meeting" (anonymous, personal communication, April 17, 2012). Original quotation: "Görüşmelerde gizlilik gerektiren durumlar olduğunda biz zaten DEİK'e katılmamasının daha uygun olacağını hatırlatıyoruz."

¹⁸⁹ For the original quotation see Appendix D.

minimal amount of formal autonomy, which was, however, more than offset by the absence of a legal background for the association's activities and its very existence. With the regulations of 2006 and 2008, DEİK gained legal identity, at the expense of restricting its autonomy under the authority of its parent institution. In the meantime, over the past three decades, DEİK reinforced its institutional capabilities and resources, however the informal autonomy these were supposed to provide the association with was either rendered ineffective due to the unfavorable policy making environment of the 1990s or undermined by the restrictions imposed by the recent legal arrangements.

Turkish Exporters' Assembly

In a similar fashion with DEİK, TİM has for a long time operated without having an adequate legal basis. The associations was founded in 1993, however it was only in 2009 that a TİM Law entered into effect, providing the association with a proper legal identity. This situation has by all means had an impact on TİM's autonomy, as without a legal basis, the association was not entitled to any form of formal autonomy. As journalist Meliha Okur (2008) wrote, "[This] structure is problematic! It is not autonomous. It does not have a law of its own. It continues to operate through statutory decrees. It gets work done through communiqués. When the state raises its voice, TİM gives the salute like a soldier."^{190,191} In a sense, TİM's

¹⁹⁰ Original quotation: "Bu yapı sorunlu! Özerk değil. Kendine ait bir yasası yok. Kanun Hükümünde Kararname ile yola devam ediyor. Tebliğlerle iş bitiyor. Kamu 'höt' dediğinde TİM, 'asker' gibi selam duruyor."

¹⁹¹ Due to the absence of formal autonomy defined through level, TİM remained in a situation where it was in practice subordinated to the ministry in charge of foreign trade. For this reasons, despite its systematic criticism of the government's policies, TİM has also regularly faced the accusation of being merely a puppet of the government; and this was the case, for example, when in 2005, the chairman of TOBB, Rifat Hisarcıklioğlu famously asked if the chairman of TİM or any of the exporter unions can act against the will of the minister in charge of foreign trade (Munyar, 2005).

experience resembles that of DEİK, as both of the associations found it difficult to build up institutional capacities without having a legal status to do so, which in turn prevented these associations from defining their formal autonomy from the state and their parent institutions.

As discussed in the previous chapter, TİM has been a staunch critic of the government's monetary and exchange rate policies during the 1990s and it has taken every opportunity to advocate the exporters' interests in this respect. At the first sight, TİM appears to be acting in a totally autonomous way, making policy suggestions and actively lobbying for them instead of taking the government's policies as given. It is true that being the sole institutional representative of Turkey's flourishing exporter community gave TİM a certain degree of informal autonomy. At the end of the day, it was legitimately representing the exporters' interests and it had to be listened to by the government. However, in this period, TİM experienced the same problem like DEİK did when it came to performing the P-A contract with a certain degree of autonomy. The political instability of the period implied that the principal side of the equation was not capable of receiving and processing the agent's inputs in an optimal manner, and turn into foreign policy outcomes. The situation was more critical for TİM compared with DEİK, because it had an exclusive focus on exports, and in this period it was not even clearly designated which institution TİM's collocutor within the principal was, thus further straining the interaction that TİM was supposed to perform. This is why even though TİM had a certain level of informal autonomy from the state, it could not go beyond advocating interests and making recommendations directed at macroeconomic policy; the other side of the interaction was simply not receptive.

In one of the most turbulent years for both Turkish economy and politics, 1994, which also happens to be the first full year of TİM in existence, the association realized this structural shortcoming and following a legal impasse jeopardizing the functionality of the Undersecretariat of Foreign Trade (UFT), TİM began to lobby in Ankara demanding the establishment of a Ministry of Foreign Trade, which could have been TİM's collocutor, its parent institution, in other words its direct contact within the principal. TİM's demands to that end continued throughout the decade, and the association went on to request greater coordination on the principal's side so that the P-A contract could be implemented more efficiently. It is important to note that TİM's actions in this respect went hand in hand with a profound dissatisfaction of the association and the exporters it represents with the economic policies of the coalition governments. In other words, exporters were feeling let down by the economic policies of the state, and TİM was established to represent them and to advocate their interests, however despite the informal autonomy it could capitalize on, TİM was not able to do so because of the weakness on the state side. The structural shortcoming of the state in this sense was further worsened by the prevailing mentality among the statesmen and bureaucrats of the time who had rather a distanced approach to working with institutions like TİM. As Kürşad Tüzmen, then the undersecretary of foreign trade, stated in a note of self-criticism, public institutions had adopted a mentality of "sacred inquisition", which they had to abandon, and "applaud the exporters, carry them on their back and run together" (TİM'de İpi Satıcı Göğüsledi, 2001). The mood of the time as far as TİM concerned is reflected clearly in the words of Okan Oğuz, the founding chairman of TİM, who in 1995 stated that "despite all economic uncertainties, all the promises that were not kept [by the state], all the abolitions of incentives and all political unrest, exporters

have proven what they can do without the state” (Devletsiz de Yapabiliyormuşuz, 1995).¹⁹²

During the 2000s and particularly after the AKP government took office in 2002, the situation began to change. With a more capable principal at the other side of the contract—and the “sacred inquisition” mentality as mentioned by Tüzmen being replaced by a more business-friendly approach embraced by the AKP government, TİM found a more fertile ground to perform its tasks. The Oğuz Satıcı administration at TİM, which was elected in 2001, was more vocal than its predecessors, and it was more actively and dynamically engaged in advocating the interests of the exporter community and making policy suggestions to the government, which have not always coincided with the government’s own policy priorities and preferences. With still no legal basis for the association and therefore no defined formal authority, TİM found the opportunity to make better use of its informal autonomy as the legitimate representative of the exporters. However, it is important to understand that TİM has in period drawn a fine balance between an autonomous performance of the P-A contract by the agent and prevention of a breaking of the contract that might have resulted from an alienation of the principal. As Mustafa Mente, secretary general of TİM, puts it:

TİM’s purpose is developing exports, not by conflicting the government, but by working together. In other words, here is a mission of increasing exports through harmoniously working with the government. This is different than other representatives of the business community; there is a different mission: developing foreign trade, developing exports. So, [TİM] should not be expected to conflict with the government; due to its nature, it works with whatever government is in office (Mente, personal communication, April 12, 2012).¹⁹³

¹⁹² For the original quotation see Appendix D.

¹⁹³ For the original quotation see Appendix D.

TİM derives its informal autonomy from the common good it represents: exports. It represents the exporters; it is run by exporters;¹⁹⁴ it is financed by exporters;¹⁹⁵ it does not discriminate certain sectors or destination markets against others; it focuses on exports as a whole. This is why any kind of action it undertakes with the purpose of developing exports is justified from the principal's perspective. If TİM's autonomy in acting had crossed over to other areas, such as championing certain sectors and/or markets over others, or taking the critique beyond policy recommendations deemed beneficial for exports to other areas such as political issues, there would be a different picture. TİM's informal autonomy does not give the association the power to challenge the state in areas that are not related to the improvement of exports as a public good:

TİM [and the other associations as well], these are organizations that are outside politics. The criticism we have made, the opposition we are making, these have never been political; this is a crucial distinction that needs to be made. If you make sure that this distinction is made, then it is the major task of these organizations to show their critical and adversary face, because the most fundamental thing needed by a high-quality administration is a high-quality critical opposition face. These are inseparable parts of a whole; if this is not the case, if things are run without speaking up your mind and always obeying what you are told, you end up with a hormonal structure, one that expands horizontally, without gaining depth... Under my term after 2001, particularly after the AKP government has taken the office in 2002, we have established the basis like this, and ever since we have pursued this cultivated relationship, this is how we got the results (Satici, personal communication, May 4, 2012).¹⁹⁶

¹⁹⁴ Eligibility for election to TİM's board of directors requires the candidates to be active exporters, who have achieved a total exports volume of not less than 250 thousand dollars (in agriculture) or one million dollars (in other sectors), and not less than 0.01 percent of the respective industry's total exports, over the two calendar years before the elections (TİM Law, Article 19).

¹⁹⁵ TİM's major source of income is the regular contributions made by the exporter unions. Every exporter union under TİM (61 of them in total as of May 2013) is obliged by law to transfer eight percent of its annual net income to TİM. In 2011, 82.7 percent of TİM's total income was derived from the exporter unions' contribution, while the remainder came from interest revenues, revenues from sales of real estate and other sources (TİM, 2011). Exporter unions charge their members entry fees and annual fees, however their main source of income is a kind of stoppage tax imposed on the actual export revenues of member companies. Companies are obliged by law to transfer between 0.02 and 0.1 percent of the f.o.b. value of their annual export transactions (with the exact percentage determined by the general assembly of the union subject to the approval of the UFT) to their respective exporter union (TİM Law).

¹⁹⁶ For the original quotation see Appendix D.

TİM entered into a period of change with the transition of power at its administration. After the elections held in 2008, Oğuz Satıcı was replaced by Mehmet Büyükekşi at the helm of TİM. Under Büyükekşi, TİM has not only reshaped its activities by focusing on market access initiatives rather than advocacy of interests at a macroeconomic policy level as discussed in the previous chapter, but it has also refrained from openly criticizing the government's policies (or the Central Bank's decisions), even in matters related to the country's export performance. After 2008, TİM is observed to be acting in greater harmony with the government, giving the impression of an agent within a P-A interaction with the state as its principal without exerting autonomy and acting only within the contours drawn by the state, which is in stark contrast with the previous period under Oğuz Satıcı. According to Mustafa Çıkrıkçıoğlu, vice chairman of TİM, this was because the pursuit of the common good could not tolerate differences of opinion, particularly at a time when exports were threatened by the adverse effects of the global financial crisis:

If you look at TİM's declarations after the crisis of 2008, if you look at TİM's statements, you will see that it has never expressed an adverse opinion. This is because the economy is very fragile; it is extremely sensitive... Morale is very important, in everything, morale in economy. [During the crisis], we saw that the government was doing its best; we explained the shortcomings as we saw them, and in fact our demands were immediately met... We did not accuse, we only informed the public about what we saw... We never tried to curry favor with the government; we never attempted to go parallel to what the government says. You see, it might appear that we keep silent on certain issues, but the thing is, we tell them what we think in closed meetings. We are here not for showing off, but for the result (Çıkrıkçıoğlu, personal communication, April 12, 2012).¹⁹⁷

Çıkrıkçıoğlu definitely makes an important point here, because the extent to which the associations act in compliance with the government's policy priorities is not only

¹⁹⁷ For the original quotation see Appendix D.

a function of the association's autonomy through which it can propound its own interests and modify the contract accordingly. When it is about the pursuit of the common good, in other words when the interests of the principal and the agent largely overlap, the latter can choose to act within the confines of the principal's preferences, simply because it is in its own best interest too. This has been particularly the case for TİM, because compared with DEİK its interest are not spread over a wide range of different markets, forms of economic interaction, scales of business, etc. TİM has one single objective and this is to increase Turkey's export volume. For this reason, TİM has a strong incentive to work in harmony with the government, without truly challenging it, or without attempting to modify the contract in its own interest, since both the principal and agent are prioritizing the same objective. As Çıkrıkçıoğlu stated, "Its mission does not really require TİM to make pressure on the government" (ibid).

It is, however, important to note that autonomy is still playing a role. Two important developments have influenced TİM's autonomy after 2008, and both of them have to be considered along with the concept of the pursuit of the common good, when analyzing TİM's performing of the P-A contract in this period.

The first development is the above-mentioned change in the association's administration in 2008. Associations' informal autonomy vis-à-vis the state is determined, along with other factors, by the political and/or ideological closeness of the leadership with the government in office. This is especially the case for associations with smaller administrative organs such as TİM, which has only a board and a sectors' council, compared with others where the administration is spread wide along a multiplicity of boards and other structures, such as DEİK with its board of directors, executive board, and 106 bilateral councils all with their own chairman and

board of directors. Those associations, of which the administration have some form of close affiliation with the government can be expected to be more under the influence of the latter, and therefore have less informal autonomy. The current chairman of TİM, Mehmet Büyükekşi, is widely known as a conservative businessman who is “close to the government” (Gökçe, 2011).¹⁹⁸ It should therefore come as no surprise that under its current administration, TİM works more in compliance with the government’s preferences and exerts less autonomous decision-making.

Another development influencing TİM’s autonomy has been the issuance of the Law on the Establishment and Duties of Turkish Exporters’ Assembly and Exporter Unions Nr. 5910 (TİM Law), which entered into effect on July 3, 2009. TİM Law gave the association the long-awaited legal identity, however at the same time it has strictly—and formally—subordinated TİM to the UFT, thus turning what was a *de facto* condition into a legally binding *de jure* framework. The law subjected most of the activities of TİM, such as establishing exporter unions (Article 3), opening trade centers and councils (Art. 11d), organizing Turkish participation in trade fairs and exhibitions overseas (Art. 11g), buying real estate (Art. 11g), establishing or participating in companies or foundations (Art. 11g), employment of personnel (Art. 16 and 22), setting the participation fees of exporter unions (Art. 18), and making extra-budgetary expenditures (Art. 19), to the approval of the UFT.

The TİM Law curbed TİM’s autonomy by formalizing the authority of the state on the association, however an interesting development in 2011 blurred the formal dimension of TİM’s autonomy once again. TİM Law had placed the association under the authority of the UFT, however during the cabinet shuffle and

¹⁹⁸ Büyükekşi himself said that he has a conservative worldview, but he is not political, as doing exports is beyond politics (Muhafazakarım Ama, 2008).

restructuring that took place after the general elections of 2011, this institution was dissolved and the MoE was established in its stead. The point is, however, that neither did the statutory decree establishing the MoE define a relationship between the ministry and TİM, and nor was there an amendment made in TİM Law, which was interpreted by many as an act through which TİM gained formal autonomy. For instance, from the point of view of Hikmet Tanrıverdi, chairman of Istanbul Union of Apparel and Garment Exporters (İHKİB), the situation was like: “Some regulations were already in place. Now, TİM is turned from an affiliated entity into an autonomous one. I believe that within this new structure our institutions will be operating easier. Particularly with respect to producing projects, it will be much easier to move ahead” (İhracatçıya Bağımsızlık Sürprizi, 2011).¹⁹⁹

It might be too early to reach a conclusion about what the arrangement of 2011 will really mean for TİM and the exporter unions in practice. During the period from its inception in 1993 until the entry into effect of the law in 2009, TİM had a lack of *de jure* autonomy, because there was no legislation to define the autonomy. After 2011, with the public authority over TİM as defined in the law two years ago being no more in existence and a new one not defined its place, TİM finds itself in a situation of *de facto* autonomy. Whether this situation will evolve in the way Tanrıverdi foresees implying greater formal autonomy for TİM or if the loophole in the legislation which currently exists will be closed by a new legislation thus consolidating the authority established over TİM with the law of 2009 remained to be seen as of the time of writing.

In brief, since the very beginning of its existence as a business association in 1993, TİM had a low formal autonomy from the state and this shortcoming was

¹⁹⁹ For the original quotation see Appendix D.

further consolidated and formalized with the TİM Law of 2009. In the meantime, TİM possessed a certain amount of informal autonomy derived from the association's institutional identity of being the sole legitimate representative of Turkey's growing exporter community. It can be argued that after the change of administration in 2008, the informal autonomy relied on by TİM has diminished—albeit to a limited extent—as a more politically neutral administration was replaced by one that was relatively closer to the government in office. TİM's case also shows us that in a P-A interaction, the more the interests of the agent overlap with those of the principal, the less the agent feels the need to challenge the boundaries of the contract, even if it has the necessary level of autonomy that would enable it to do so. In other words, if an agent strictly remains within the contours drawn by the principal, this might—or might not—be caused by a lack of autonomy, but it can also be the case that the agent simply does not feel the need to bend the contract because its priority is the pursuit of the common good, which is, in TİM's case, the development of Turkish exports.

Turkish Contractors' Association

Compared to the two business associations discussed in this chapter so far, TMB offers a much more straightforward picture with respect to its autonomy. It is an independent, private association established by contractors for the representation of the contracting services industry of Turkey. It is not established by law or by a governmental decree; it is not subordinated to a public institution or a parent organization. In other words, TMB has absolute formal autonomy. In terms of informal autonomy, on the other hand, TMB finds itself on a similarly strong base.

TMB is the legitimate institutional representative of an industry, which forms a cornerstone of Turkey's foreign economic relations, established long term relationships with the government and business communities of other countries, and generates foreign exchange inflows into the Turkish economy. In the meantime, TMB administrations have refrained from adopting a political line, instead representing their constituency's interest by adopting a political neutral stance. It also needs to be mentioned that TMB's members are all large and medium scaled construction companies with significant assets and business volumes, TMB benefits from the leverage generated from the economic power of its members as well.

Having autonomy is, however, a double-edged sword. On the one hand, it provides the association with the ability to push forward with its interests and preferences, to be more vocal and assertive about them, and to modify the P-A contract in way that would suit its interests more. TMB clearly benefits from its autonomous status in this sense:

[Compared with associations with quasi-public characteristics, TMB's autonomous status] does not restrict its effectiveness; in fact, I can say that it makes everything easier. For TMB it is very easy to speak up its mind on what needs to be done. Or if other demands are made [by the government], TMB can explain that this and that can be done, but others are not possible due to this and that. As I said, we are trying to draw a balance; but at the end of the day, it is very useful to be autonomous. After all, the state does not contribute here, and because the contractors do whatever they do through their own fees, and because the association works like this, you can be free, you can relax, and pull back to observe and discuss the situation at hand from a distance in order to draw conclusions... I think it is also a blessing for the state that such an association exists, especially because it operates in such an important industry (Çınar, personal communication, April 18, 2012).²⁰⁰

On the other hand, however, not having the semi-public status of the less autonomous associations such as DEİK and TMB can also impose certain restriction

²⁰⁰ For the original quotation see Appendix D.

on the incentives that the agent receives from the principal in return for the services provides. As an agent in a P-A interaction with the state, TMB offers certain services (as discussed in the previous chapter) to the state and receives incentives like the government's political support in overseas projects, market access, etc. However, certain incentives remain off limits to TMB, simply because it does not have the status that would enable access to them.

If you look at formal power, TMB is not as strong as TİM, because it is not an official institution... Once there was a discussion about formalizing the contracting industry into an official institution like TİM; this never happened... If it had been the case, contractors could have more power. For example, today, there are meetings, and you see that TİM is sitting next to ministers, next to the prime minister; it is the favorite child of the meeting. But when it comes to TMB, it has a secondary place. This is a disadvantage, I do not see any good coming out of this (Özkan, personal communication, April 16, 2012).

Yaşar Özkan, a member of the advisory board of TMB, has certainly a point there, however it should not be forgotten that being structurally reliant on the state, as it is the case with DEİK and TİM can bring additional incentives, however what greater autonomy is stability and certainty, As Can Adiloğlu, contractor and TMB member, argues: "Those structures wherein the state is involved can have certain advantages in certain periods; but also disadvantages can occur depending on the political developments, and you cannot really benefit from the advantages" (Adiloğlu, personal communication, April 16, 2012).²⁰¹ In other words, for an association with relatively higher autonomy, the P-A contract has less room for uncertainties. The agent performs, and receives the designated incentives in return, without facing any volatility that can arise from the quasi-public status of agents that are more reliant and dependent on the state.

²⁰¹ Original quotation: "Devletin içinde bulunduğu yapıların bazı dönemlerde avantajları olabilir; ancak siyasi gelişmelere göre dezavantajlar da olabiliyor; ve avantajlardan yararlanamıyorsunuz."

Interaction Between the Administration and Constituency of Business Associations

The behavior of a business association as the agent in a P-A relationship with the state is determined not only by the nature and contents of the contract or the degree of the private autonomy. Another important factor is the relationship between the administration of the association, i.e. those who run the institution, and the constituency, i.e. the membership base. This brings us to the second-tier relationship at the intra-agent level in our two-tiered P-A model. Here, the member companies of the association constitute the principal, and they contract the administration to act on their behalf. Within this framework, the administration of the association is expected to act in a way reflecting the interests and demands of the members, instead of going their own way regardless of whether it the decisions they make reflects the constituency's will or not. This is why, from the perspective of the first-tier interaction between the state and the business association, the greatest threat is that at the second tier intra-agency interaction, which occurs when the agent exerts total or near total autonomy, thus neglecting the members' demands and following only their self-interest.

An analysis of the relationship between the administration and constituencies of business associations provides valuable insight for the research question dealt with in this study. If the business associations' greater activism in foreign policy is to represent a move from less formal clientelistic and/or state corporatist forms of relationship between the state and the business towards a more formal, participatory and systematic form like liberal corporatism, then the business association' behavior in its interaction with the state must be reflecting the members' will, and not the self-

interest of a few individuals managing the association. This part of the study will try to answer the question whether this has been the case in Turkey. It is a difficult observation to make, because relations within an association are not easily observable from outside, however perspectives of practitioners as well as details of certain institutional arrangements can provide important clues about how the relationship under inquiry has evolved over the past three decades.

Foreign Economic Relations Board

When it was founded in 1986—and over its first decade or so in existence—DEİK resembled a gentlemen's club in the sense, that only a handful yet extremely influential businessmen were involved in the organization's activities. These businessmen organized the events themselves, financed them through their own coffers, and without a membership base to talk about, it was also them who defined the priorities of DEİK in respective areas of foreign policy.

After the second half of the 1990s, DEİK witnessed a sharp increase in the number of both its business councils and member companies, and healthy, systematic and effective communication between the members of councils and the administration of DEİK became crucial for the well functioning of the organization. The business council system provided a suitable vessel for this task. Creating micro-cosmoses within the much larger macro-cosmos of DEİK, individual business councils created smaller and more manageable pockets of interaction. For members to express their opinion and make demands, the management of the particular business council—with its own chairman and board of directors—provided an accessible channel, which is considerably more effective than the DEİK general

assembly which meets once a year with a large audience which renders communication between members and the administration of DEİK simply impossible in practice.

There were two problems, however, which undermined the efficiency of the business council system as a means of communication between the administration and the constituency; and these problems appear to remain unsolved to this date. The first problem is that the communication between the member company and the particular business council it is enrolled in is largely pursued through personal and informal channels rather than through a formal institutionalized system. As of the time of writing, there are 106 business councils under DEİK and most of them do not even meet on an annual basis, and they also do not have other channels for communicating the members' interests to the council board except the very occasional questionnaire, which is not the norm but the exception, and provides extremely low turnover rendering it fruitless. Under these conditions, active members communicate with the business council through their own personal contacts on an *ad hoc* basis, and in this way a systematic participation of members in the affairs of the business council is not possible.

The second problem related to the business council structure is about the disconnection between the business councils and the upper administration of DEİK such the board of directors and the executive boards. Even if and when members can communicate with their respective business councils, there are no effective channels of carrying the information and feedback to the upper level. This is an important shortcoming because with the exception of minor daily issues, DEİK's decisions are taken by its board of directors and the executive board, and not the individual business councils. Serdar Arıkan, former secretary general of Turkish-Eurasian

Business Councils, argues that with respect to general issues concerning DEİK, the constituency and the administration are usually in a consensus, but this is not always the case when it comes to details that matter more; and when members are not adequately represented at the lower business council level, it is not possible to communicate their interests to policy makers at the higher level (Arıkan, personal communication, March 21, 2012). As a further problem in this respect, Arıkan observes the tendency of DEİK's administration to go on their own and make fewer efforts to engage the constituency in the process:

In recent periods, like over the past ten years or so, a mentality of “I did it, and that's all there is to it” has prevailed at the upper echelons. At the lower ranks, in the meantime, there is an alienation and distancing from the management, no real competition to get elected to the management, no real contestation and competition between business council chairmen; individuals not being interested anymore in taking part in DEİK's management (ibid).²⁰²

A recent attempt by DEİK's top management to engage the membership base in the association's policy making processes is the activation of “chamber representatives” in Turkey's provinces. These are DEİK representatives working under the auspices of chambers of commerce and industry in various parts of Turkey, and they are in direct contact with DEİK members in their respective localities. Having started in 2009 with 31 chambers in 25 provinces, the number of chamber representatives rose to 129 representatives as of May 2013 (DEİK web site). This practice has by all means strengthened the linkages between the constituency and the administration of DEİK, particularly in the remote parts of Anatolia, however it is not possible to argue that the communication between the chamber representatives and the top management is ensured in a systematic and effective manner.

²⁰² For the original quotation see Appendix D.

In sum, as DEİK grew in size and membership, its ability to ensure an effective flow of information and feedback from the members to the administration of the organization failed to develop at the same pace, resulting in an increasing tendency at the top management to take decisions autonomously.

Turkish Exporters' Assembly

TİM does not have member companies; however through the exporter unions, it represents the entire exporter community of Turkey. The institutional structure of TİM enables systematic communication between TİM and the 13 associations of exporter unions. Mustafa Çıkrıkçioğlu, vice chairman of TİM, explains how the flow of information functions in practice:

Take this 500 billion dollars by 2023 target; it was declared by the Turkish Exporters' Assembly, but we have not simply cooked the figure up randomly. There were twenty-four exporter sectors back then, and with these twenty-four sectors we held hundreds of meetings; with sector representatives, with the board members of exporter unions, with the doyens of the industry, with academicians... Then we went on to explain this to the policy makers, to different public institutions, and then one step further, to the prime minister and the president... This was something we had to do, and we did it (Çıkrıkçioğlu, personal communication, April 12, 2012).²⁰³

TİM maintains systematic communication with the exporter unions and sector representatives, however the extent to which the exporter unions themselves are communicating with member companies and reflecting their interests is another question. TİM deploys two different instruments for facilitating the direct flow of information between itself and the membership base. One of these instruments is the sectors' council mentioned by Çıkrıkçioğlu in the quotation above. Twenty-six

²⁰³ For the original quotation see Appendix D.

exporter sectors are represented at TİM, and member companies form clusters under each of them. The chairmen they elect represent the sector at TİM's sector's council. Duties and responsibilities of the sectors' council are determined by TİM Law (Articles 27, 28 and 29), which entrusts the council with the task of coordinating the sectors' efforts with respect to export facilitation and communicating their opinion and suggestions to TİM. It is also important to note that members of TİM's board of directors, i.e. the highest level of administration, is selected from the members of the sectors' council, ensuring that the council is adequately represented at the association's top decision making apparatus.

The board of directors receives the opinion of all the sectors, and also, the balance between different sectors and different regions is maintained. Decisions taken by TİM have to meet the benefits and expectations of the sectors. After all, all of the board members are the representatives of these sectors. If somehow decisions taken by TİM did not serve the sectors' interests, board members would face problems when they return to their own union. TİM is always on the side of export sectors; it has a mechanism, which reflects their opinions (Mente, personal communication, April 12, 2012).²⁰⁴

Another instrument, which established a more direct form of interaction between companies and TİM is the "exporter tendency survey", conducted since 2009 on a quarterly basis among the top one thousand exporters of Turkey. Through this survey, exporting companies do not only provide TİM with data about their operations in during the preceding period, and their expectations from the coming period; but they also provide their opinion and suggestions on current economic and political issues.²⁰⁵ Although turnout rate is around 25-26 percent, the survey provides an

²⁰⁴ For the original quotation see Appendix D.

²⁰⁵ For instance, in the Exporter Tendency Survey for the first quarter of 2013, participant companies were asked questions like what they think the biggest problems of the exporters in Turkey were; how satisfied they were with the services provided by different institutions; what they thought about the ongoing peace process in Turkey and whether it affects their work in the region; which factors they considered when deciding to, or not to, invest in the East and South East Anatolian regions (TİM, 2013).

effective means of communication between the members companies and the administration of TİM.

Turkish Contractors' Association

As a sector-based association TMB has a significant advantage in terms of ensuring a steady flow of information and feedback from the members to the administration of the association. This is why since the early 1980s, TMB has actively pursued to maintain this flow as a major component of its decision making process. Contractor and TMB member Can Adiloğlu explains how this process functions:

Compared with DEİK and TİM, the Contractors' Association has a much smaller number of members. This means that communication is easier; members are regularly asked for their opinion; surveys are held; also large scaled meetings; all making it possible for the opinion at the base to rise up to the surface. Of course, it is not possible for the association to reflect on the individual demands of every single company. The management needs to filter them; and in some cases although a certain opinion is widely accepted, it might be politically incorrect; after all this is a decision to be made by the management. In the final analysis, there is a [management] structure elected by the vote of all members. But of course, as a requirement of democracy, this small elected group cannot always reflect the opinion at the base as a whole; it can be a summary, a filter. In some cases it reflects on its own opinion (Adiloğlu, personal communication, April 16, 2012).²⁰⁶

Concluding Remarks

The question of how autonomous the business associations can be—and are—when performing their part of the contract with the state is a difficult one to answer, not only because the concept itself is difficult to quantify, but also because there are several factors influencing an association's private autonomy vis-à-vis the state. The

²⁰⁶ For the original quotation see Appendix D.

autonomy of a business association is the sum of its formal and informal autonomy, of which the relative weights and the extent to which they reinforce or crowd out each other determine the degree to which the business association in question can act autonomously from the state. Associations with greater autonomy can be more vocal when advocating their interests, and as agents within the P-A interaction they can demand changes in the content of the contract, they do not necessarily take the principal's directives as given, they can add their own interpretation, or negotiate for a redefinition of these directives. It is important to note, however, that the more the interests of the principal and the agent overlap, the less is there the need for such a definition, and in such cases even an agent with a substantial degree of autonomy would not find it necessary to challenge the tasks designated by the principal.

In order to understand how the contract between the state and the business associations in Turkey's foreign policy has developed since the 1980s it is crucial to investigate the evolution of the agent autonomy during this period. Starting with the formal autonomy, it is possible to argue that in the cases of DEİK and TİM, for a long time after the inception of both of these associations they did not have a explicitly defined formal autonomy, because they did not have a legal foundation, DEİK for twenty years, TİM for sixteen years. During this time, both of these associations were subordinated to other institutions in a *de facto* way—DEİK to TOBB, and TİM to the UFT—and when these associations' legal identity was defined through respective legislation, it served only to formalize their subordination, thus further curbing their formal autonomy. TMB, on other hand, has had a different experience. It was founded as an independent association during the 1950s and maintained its status of an autonomous association until today, with the exception of,

perhaps, the immediate post-1980 coup period when associations were closed down or taken under state supervision.

There is a more complicated picture with respect to the informal autonomy that these associations possess. Since the 1980s, DEİK has significantly increased its informal autonomy, a process that went in tandem with—and as a result of—the significant expansion of the association's institutional capabilities and resources over time. Moreover, the fact that the multilayered administration structure of DEİK with its multiplicity of decision making points helped to prevent the emergence of small leadership group, which would be susceptible to having close relations with the government in office, and this has helped to prevent a possible loss of informal autonomy due to being too close to the state. DEİK has increased its informal autonomy, however it did not bring significant advantages for the association with respect to its role as an agent in the P-A relationship, because this autonomy was either offset due to the instable policy making environment of the 1990s or undermined by the restrictions imposed by legal arrangements.

Similar to DEİK, TİM had a low formal autonomy from the state since the very first day onwards and this was further consolidated and formalized when the association gained legal identity. In the meantime, TİM had a certain amount of informal autonomy derived from the associations' institutional identity of being the sole legitimate representative of Turkey's growing exporter community. However, this informal autonomy can be said to have eroded to a certain extent, when a new administration that was close to the government took office in 2008. It is important to note that TİM differs from DEİK in the sense that the range of interests it represents is much narrower. TİM aims at the improvement of Turkey's export volumes, whereas DEİK represents different interests concentrated in different kind

of cross-border economic linkages, different sectors and with different geographical priorities. This is an important advantage for TİM in its capacity as an agent in a P-A relationship with the state, because the more the interests of the agent overlap with those of the principal, the less the agent has the need for greater autonomy that would empower it to push forward with its range of different interests.

Finally, over the past three decades, TMB preserved its degree of informal autonomy that it derives from being the legitimate representative of Turkey's construction industry, which is itself a major actor in Turkey's global economic drive, and also from the economic power and influence that its constituency has.

It is possible to conclude that the growth of business associations since the 1980s—in terms of size, scope, membership base, resources, etc—did not lead to an increasingly more autonomous business associations scene. TMB is for sure a special case as an entirely independent organization, however in the other two cases we cannot observe progress towards greater autonomy for the business associations. In fact, the opposite has been the case, as recent developments related to the legal formation of these associations have consolidated, and not relaxed, the restrictions on the associations' autonomy. This is partly a natural consequence of the P-A interaction, because despite the incentives earned, working with the state inevitably limits the autonomy of the associations (Mente, personal communication, April 12, 2012). However, it can also be due to the deeply entrenched mindsets that tend to perpetuate the clientelistic patterns of state-business relations in Turkey. To give an example, Abdullah Akyüz, former Washington D.C. representative of TÜSİAD, observes that the state uses the business associations whenever it needs to do so, but when the latter's participation does not serve its purposes, the state simply ignores them, regardless of what the associations have to say (Akyüz, personal

communication, July 16, 2012). Other observers have an even more pessimistic view regarding this statist mentality. For example, according to Yaşar Özkan, it used to be possible for business associations to criticize the government's decisions, however this is not the case anymore (Özkan, personal communication, April 16, 2012).

These views provide additional evidence that will help us dealing with the research question of the study, i.e. whether it is possible to talk about a transformation in state-business relations in Turkey from state-domination towards participatory forms. This task, however, requires an inquiry into other aspects of the P-A relationship, such as the relationship between the management of an association and its constituency, which is a defining factor of the behavior of agents towards the principal, and towards each other.

The experience of the three business associations with respect to the relationship between the administration and the constituency shows, first, that the larger the membership base the more difficult is to manage a systematic flow of information between the upper and lower echelons of the association; and second, even with a large membership base it is possible to improve the quality of the communication between the administration and the constituency by creating and systematically implementing certain instruments. In a general sense, there has been an improvement in the way the decision makers of associations are interacting with the members, but Turkish business associations are still far from having a participatory approach to their operations. Abdullah Akyüz, former Washington D.C. representative of TÜSİAD argues, the situation varies from one association to the other; however in general, members of associations are not participative in the decision making processes, as most people join associations for the sake of joining, to keep this channel open, without really putting efforts in it (Akyüz, personal

communication, July 16, 2012). Journalist Serpil Yılmaz, on the other hand, believes that it is related to culture:

In our business community there is no culture of accountability. When this is the case, the business associations do not question how democratic they are inside... I don't think business associations are transparent at all, and I say this for all of them, it is a general problem... Are the decisions really taken by boards of directors; are opinions expressed accordingly? We do not see this much. These are mainly structures that develop as the chairman's personal initiative (Yılmaz, personal communication, May 9, 2012).²⁰⁷

With respect to the P-A contract we are investigating, it is possible to argue that this situation has an adverse effect in the sense that lack of participation by the constituency reduces the legitimacy of the actions taken by the administration of the association, as their decisions become susceptible of not representing the common will of the business community—or the particular part of it represented by the association in question—instead reflecting more the self interest of the individuals or companies in administration positions. In this sense, it plays a strong note of caution about the possible transformation of state-business relations in Turkey towards a participatory form. Our discussion on this question needs to consider one more dimension of the P-A contract, the interaction between the agents when there are more than one of them, before reaching a conclusion.

The discussion of the autonomy the agents concludes the analysis of the interaction between the state and the business associations in formulating and implementing Turkey's foreign policy. Taken together all the different dimensions of the relations—and how they evolved, or failed to do so, over the past three decades—provide a picture of the extent and limitations of the transition of state-business relations in Turkey, which will be summarized in the concluding chapter of this study.

²⁰⁷ For the original quotation see Appendix D.

CHAPTER 7

CONCLUSION

Contemporary foreign policy is no more monopolized by a small circle of elites, it is a process with multiple actors. Involvement of new players in the formulation and implementation of policy, however, has not occurred because these elites somehow wanted to share their power with others. Systemic changes at the global level have created strong linkages between nation-states, which are now more interconnected with and interdependent to each other than ever. It is due to the diversity and density of these linkages that foreign policy is not only a political issue anymore, but rather a multifaceted enterprise, incorporating components other than the political, such as the economic, social, cultural and ideational dimensions. As foreign policy transformed into a holistic enterprise, new actors with experience and resources in their respective fields have entered the policy making process as stakeholders, because it was no more possible for the political elite to formulate and implement the policy on its own.

Turkey, too, has been witnessing this process, and as economic considerations become an increasingly important determinant of the nation's foreign policy, non-state actors from the economic realm—such as the business associations representing the business community—are emerging as stakeholders in the policy making process. Particularly over the past ten years, business associations are observed to be increasingly active in foreign policy related issues. This observation, however, has led to certain puzzles. Turkey's socio-political structure is defined by a strong state, its patronage relations with the civil society and top-down approach to

policymaking. If business associations are increasingly active as shapers of foreign policy, is this because this structure is changing towards more participatory, bottom-up patterns; or is it only a case of reproducing the same relations in which business associations are more active as instruments of the strong state, and not as self-determining actors?

In an attempt to shed light on these issues, this study has posed the question of whether the increasing activism of business associations represents a systematical and institutionalized influence on foreign policy, and hence a transformation of Turkey's state-business relations from a state corporatist model where associations are subordinated to the state and policy is imposed from above by authoritarian political forces into a more pluralist and participatory model such as liberal corporatism.

In order to hypothesize about the phenomenon under inquiry, the study has borrowed a model from the discipline of microeconomics, the principal-agent (P-A) model, which implies a principal—in this case the state—interacting with an agent or a multitude of agents—in this case the business associations—who perform certain tasks on behalf of the principal and provide certain services, and receive certain incentives in return for the services they have provided. The model has proved to be suitable for the purposes of this study, because: i) it provides the framework for a policy making based on rational decision making; the state needs the association's contributions, contracts them, and the associations receive incentives in return; ii) it reflects the hierarchical relationship between the state and non-state actors, as the final word in policy making always belongs to the principal; iii) it envisages the agent as an actors with the capability to change the contents of the contract, and this is very important for the present study because one of the questions that is at the

heart of the study is to what extent the business associations can make a change during the foreign policy process.

The P-A model has certain limitations, two of which had to be addressed in order to increase its analytical capacity to reflect on the dynamics of the relations between the state and the business community. First, the model takes the principal and the agent as monolithic entities. This is an important setback, because the behavior of both the principal and the agent are determined by the interaction, bargaining and negotiation process within the entities, which are in reality not monolithic. For the purposes of this study, a “two-tiered P-A model” was designed, wherein the behavior of both the principal and the agents was determined by another P-A interaction within each of them: the government as the principal and the bureaucracy as the agent within the state; the constituency as the principal and the administration as the agent within the business association.

Another limitation of the P-A model is that it is a static model, providing a historical snapshot, i.e. capturing the dynamics of the institutional relationship at a given time. Since the study focused on the concept on change, the model was employed within a historical institutional framework. In other words, the P-A model was deployed for different institutions and for different time periods, hence making it possible to identify changes and continuities, both across the cases and over time.

This two-tiered model generated a number of dimensions—relationship between the government and bureaucracy, contract between the state and the business associations, autonomy of business associations, interaction between the administration and constituency of business associations, cooperation and competition between business associations—through which the study hypothesized on whether the foreign policy activism represented a transformation in Turkey’s

state-business relations.

Accordingly, if there is such a transformation from a state-centered model towards a more liberal and pluralist one, then the following should have been the case: i) government distributing tasks between the bureaucracy and the business association, and encouraging the former to work more closely with the latter; ii) business associations enabled to be active in several areas within the foreign policy realm and to receive satisfactory incentives in return; iii) business associations increasing their autonomy enabling them to redefine the contract more in a way that reflected their interests; iv) the behavior of the business associations reflecting the will of the member companies, i.e. the business community as a whole, rather than the interests of the few at the administration; and v) business associations cooperating for the common good, or when they compete, doing so in a way that served the public interest. The findings of the study do not support the idea of an abrupt transformation towards participatory forms of state-business relations in Turkey. Rather, they illustrate the areas where progress has been made as well as the limits of the transformation.

Findings of the Research and Discussion

During the 1980s, the model as applied on state-business relations in foreign policy represented a clientelistic form of interaction in all of the above mentioned dimensions of the model, with a strong state at the helm, and corporations—in this case businessmen and business associations—being subordinated to the state and vying for influence in policy making, which could only take shape within the state's strict discretion. Investigating through a historical institutionalist approach how these

dimensions came to be shaped over the following decades, this study has found more progress towards a more liberal, more pluralist and more bottom-up rather than top-down form of corporatism in some areas compared to others.

With respect to government-bureaucracy relations, the study has found that the clientelistic approach of bypassing the bureaucracy and engaging individual businessmen in foreign policy related issues during the 1980s has gradually evolved towards an approach whereby the bureaucracy was reformed in a way that would be more conducive to working with the business community. Instead of bypassing the bureaucracy and handpicking businessmen to do the work, the government has ensured to have a bureaucracy, which was more business-minded and open to the non-state actors participation in foreign policy processes. In other words, over the past decades there has been significant progress in the sense that not only has the relationship between the government and the bureaucracy evolved into a more dynamic and constructive interaction, but also it has established a platform for the business actors to participate more efficiently in the policy making process.

This finding gives us an important insight about the transformation of state-business relations in Turkey. As discussed in the literature review section of the study the internal structure of the state determines the shape of state-business relations and states with internal coherence such as those with Weberian bureaucracies can bind the behavior of individual non-state actors to the pursuit of common goals, and the better the state is organized, the stronger is these actors' involvement in policy related issues (Evans, 1997). We have seen that while Turkey still cannot be considered to have a Weberian bureaucracy, an increase in bureaucratic quality and better communication between the government and the bureaucracy helps to bind business actors to policy processes targeting the common

good. During the 1980s only a few influential businessmen could reach the government figures and the bureaucracy was neither well functioning nor conducive to working with the business community. This has changed over time and a better functioning bureaucracy that is actively engaging the business community has enabled business participation in the policy process. In this way a crucial link between the state and the business community is formed ensuring a functioning mechanism of interaction between the two in foreign policy making. While the state needs the business associations as representative institutions because it cannot directly engage with individual companies, the business community needs a well functioning bureaucracy to interact with, because it is through them, and not through the government, that they can contribute to the policy process.

Turning to the contract between the state and the business associations in the foreign policy realm, there is similarly substantial progress albeit with limitations. During the 1980s, the contract was conducted mainly in an informal way and on an *ad hoc* basis, rather than in an institutional and systematic manner. In the following decade, there was greater institutionalization and capacity building on the agent side, with the business associations expanding their membership bases, consolidating their institutional identity, representing greater portions of the business community and also increasing their capabilities and the resources they have at disposal. However, a similar progress was not the case on the principal side, which suffered from instability, inefficiency and fragmentation under coalition governments. This began to change in the 2000s, under the single-party government of the AKP, and in this period not only has the government been more capable to engage the agents in the process, but also the agents, i.e. the business associations, were now even more institutionalized than the previous decade, acting more through formal channels and

on a planned, systematic basis. In their capacity as the legitimate representatives of the business community, and with the knowledge, field experience and resources they possess, business associations provided inputs for the policy making process, through a number of instruments such as lobbying, delegations, briefings and business events. These inputs are required by the state for the formulation and implementation of its foreign policy in a world where economic relations are increasingly a defining aspect of relations between countries. In return for the services they provide, business associations obtain incentives in the form of increased influence, leverage over policy related matters, access to resources, and various kinds of institutional support. Over the past three decades, as business associations and the business community in general have increased their power, it had more to contribute to the policy processes and the state's dependency on business in this respect increased as well.

As the power of the increases, so does its contribution to the policy process and so does its interaction with the state. There are, however, limitations as evident in our inquiry into the Turkish case. Under a perfectly liberal corporatist setting, not only would the business be able to increase its power, but also its policy role would grow accordingly. The Turkish case shows, that there are limits, and the state draws the boundaries up to which business can expand its influence regardless of the growth in its power. The state keeps the commanding heights and maintains its strictly hierarchical relation with the business actors. In this respect, while there is a progress towards a more liberal form of relationship, with the business associations increasingly active in the foreign policy realm, the idea of state corporatism is still in place, the influence of the associations in the policy realm are strictly subject to state discretion, thus reproducing the subordination of the associations to the state that is

the key feature of state corporatism.

The Turkish case also confirms Charles Lindblom's (1977) idea of the privileged position of business among all interest groups in the society. The business derives this privilege from the resources, knowledge and experience it has, and one can observe in the Turkish case that it is precisely this privileged position that has turned business associations into foreign policy actors. Over the past three decades, the only non-governmental group that has increased its influence in Turkey's foreign policy has been the business associations, while others have either lost their influence (such as the military) or resumed their modest participation (such as academia, think-tanks) or continued to find it difficult to enter the policy realm (such as activist NGOs and labor unions). In brief, business associations participate in foreign policy because the state needs their inputs, and they can only do so to the extent they are needed by the state, not more.

Our inquiry into the Turkish business associations' participation in foreign policy process has shown that these organizations both cooperate with and compete against each other depending on the context. In this sense, there has not been much difference since the 1990s, and during the 1980s there were not many associations to enable meaningful interaction in the first place. More importantly, with respect to the current period the study has found that instead of allowing free competition between the associations, the state has become an arbiter of competition. It is therefore not possible to argue that the business associations are freely cooperating with or competing against each other outside the state's influence and instruction. In other words, instead of a move from state corporatism to liberal corporatism, this is a development towards the opposite direction.

The study of the business associations' behavior towards each other provides

us with valuable insights into the question of the pursuit of the common good. As discussed in the literature review, a common line of reasoning dictates that unless the number of the actors is small and unless there is some form of coercion, rational and self-interested actors will not act to achieve common interests (Olson, 1965). This study has shown that foreign policy is a special kind of common good, in the sense that its pursuit opens up opportunities for particularistic benefits for the actors as well, both directly and indirectly. By contributing to the foreign policy process through the provision of certain inputs and resources to the state, businesses obtain incentives in return, like preferential treatment and access to contacts and resources. This is the direct benefit, but there are also indirect benefits in the sense that a successful foreign policy endeavor opens up new markets from which these actors are likely to benefit. While there inevitably exists the free rider problem, this promise of indirect benefits in the long run is a crucial source of motivation that bring different business associations together in collective action. As we have seen in the study it is increasingly common for business associations to cooperate in common projects, not only because they have been instructed by the state to do so, but also because they aim to maximize results by combining their resources.

With respect to the autonomy of the business associations there appears a bleak picture. This study has made a distinction between the formal and the informal autonomy of business associations, with the former being defined by legislation, the latter depending on the associations' *de facto* position with respect to the state and superior institutions, as well as the power they have at their disposal, which can make them "afford" to act autonomously.

Observing the business associations' evolution in Turkey over the past three decades one can argue that in terms of formal autonomy, with the exception of

totally private associations, there has been no progress. In fact, recent amendments in legislation have further curbed the associations' autonomy in some cases. Two of the three business associations dealt with in this study time did not have an explicitly defined formal autonomy for a long time after their inception, because they did not have a legal foundation, and when their legal identity was finally defined through respective legislation, it served only to formalize their subordination, thus further curbing their formal autonomy.

In terms of informal autonomy, on the other hand, business associations have had a limited degree of progress since the 1980s, because as they expanded their membership bases and increased their resources and capabilities, their ability to exert influence on the state has increased as well. However, this increase did not lead to an increasingly more autonomous associational scene. There are several reasons for this, one being the deeply entrenched mindsets that tend to perpetuate the clientelistic patterns of state-business relations in Turkey, and another the widely accepted fact that working with the state inevitably limits the autonomy of the associations, as a compromise of autonomy is the price business associations need to pay for making their way into the policy making realm. In brief, again instead of a move from state corporatism to liberal corporatism, there is a development towards the opposite direction.

Progress has been minimal with respect to the interaction between the constituencies of business associations and their administrations. Over the past three decades membership bases of associations have expanded significantly, which increased the associations' representative power at the cost of making it increasingly difficult to manage a systematic flow of information between the upper and lower strata of the association. As evident in the Turkish case, certain practices can drive

better communication between the two, however, as a general observation, member companies do not/cannot take part in decision-making processes of their associations. As a result the administration acts with a degree of personal autonomy, which undermines the functioning of the contract. What the business associations do, how they act or react, is then still far from reflecting the collective will of the membership.

These findings inform us that there are changes in the state-business relationship in Turkey, driven by the business community's increasing activism in foreign policy related issues. However this change is not only limited, but the very fact that it is formulated and controlled by the state, rather than being driven by systemic developments at both the domestic and the global level is the most serious limitation itself. The state engages the business associations in foreign policy formulation and implementation process, because it has to do so. In a globalizing world, where economy matters more than ever in the relations between states, it is no more possible to formulate the optimal foreign policy without the input provided by economic actors. In the meantime, it has to be noted that the incentives provided by the state for business associations in return for the latter's services—such as preferential treatment, access to resources, access to markets, etc.—indirectly provide benefits for the state as well. There is a virtuous cycle, the better business associations serve the state, the more incentives they get; and as these incentives help the business associations to increase their capabilities, the state receives even better services as a result. While this virtuous cycle continues to operate—and to satisfy both sides—the state continues to draw the lines elsewhere. It makes sure to limit the contents of the contract; business associations are supposed to provide what is needed and not more, because this would mean greater influence, which might undermine the state's own authority. In the meantime, the state also ensures that

autonomy of the business associations does not expand beyond a certain point; and by acting as an arbiter in the cooperation and competition between the association instead of enabling them to do so freely, the state consolidates its role of shaping the civil society.

In other words, with business associations increasingly active in foreign policy making, state-business relations in Turkey exhibits certain patterns that can be associated with a pluralist and liberal form of corporatism; however at its core, the strong state mentality still exists. The Turkish experience presents an eclectic hybrid of different forms of corporatist systems and practices. In this sense, the Turkish case is more liberal and participatory than, for example the case of Thailand defined by clientelist relations between state officials and influential entrepreneurs; the Korean case with a strong state, a business community that is incapable of collective action, and policy makers directly dealing with conglomerates rather than representative institutions; or the Taiwanese case where a similarly strong state keeps the private business at an arms length. But at the same time, Turkey still carries the characteristics of state-centered corporatism, and it is, at least for the time being, far from resembling, for instance, the Chilean system of concertation where public policy is formulated through a consultation between policy makers of a strong state and the peak associations; or the Brazilian and Mexican systems where business as capital has driven reform processes; let alone the Western European neo-corporatist system of peak-level bargaining between the actors (for the comparative country cases mentioned here see Maxfield & Schneider, 1997).

In Turkey, business involvement in foreign policy is more participatory, more formal and more institutionalized compared to the 1980s and the 1990s, however it is still far from embracing a bottom-up rather than top-down approach as the basis of

policy making. As long as the business actors are receiving their incentives, they appear to have minimal motivation—if any—to demand further transition, and remain subordinated to the state.

Clientelism and patronage relations continue to shape Turkey's state-business relations; not in its rough form of the 1980s, but in a form that suits better the conditions brought about by a globalizing world and is more capable to meet the requirements of making foreign policy in such a world. *Devlet baba*, the paternal state, lives on; the only difference is that its children are now more organized, more capable, more active, more dynamic; hence assisting their father much more efficiently compared with the previous decades.

At this point, it is worth remembering Robert Bianchi's (1984) dictum that "Turkey is a persistently heterogeneous system of representation, in which pluralist and corporatist structures have coexisted and competed for predominance in each historical period and in all major interest sectors" (p.355). Three decades ago, Bianchi wrote that attempts to promote a liberal variety of corporatism carried remarkable similarities with previous authoritarian experiments with state corporatism. Today, this proposition is still valid, because attempts to liberalize Turkey's corporatist environment of state-business relations are merely efforts designed and implemented by the state itself, imposed from above rather than developing from below. Increasing business activism in foreign policy, as we have seen, has brought certain relatively liberal practices in some areas; however in other areas the clientelistic tendencies of state corporatism remain, in some cases in the crude form of the 1980s, in other cases undertaken through institutional channels. Pluralist and state-centered corporatist structures still coexist and compete for predominance in Turkey, and so far what increased business activism by business

associations has brought is merely an increase in pluralist and liberal patterns, albeit far from having a crucially transformative impact on the nature of state-business relations in Turkey. What Ayşe Buğra (1994) wrote around twenty years ago still holds, business associations have an effective role in foreign policy, but their nature continues to remain in conformity with the particularism that pervades state-business relations in Turkey, making the emergence of a liberal version of corporatism, such as neo-corporatism unlikely.

Directions for Future Research

This study explored an important aspect of Turkey's political economy, which had hitherto received only little attention, and aimed to contribute to the understanding of both state-business relations in Turkey and the dynamics of Turkey's foreign policy. In both of these fields, while the study has found answers for certain questions, it is also pointing to others that need to be answered so that we can have fuller grasp of these continually changing and evolving phenomena.

In the field of state-business relations, the study has shown that changing conditions at the systemic level can empower certain non-state actors, thus leading the strong paternal state to loosen its grip on certain aspects of policy making, while keeping it in others. It has focused on the effects of a certain kind of empowerment, which is more evident and more powerful at the time being than others; business actors' increasing activism in foreign policy. However, state-business relations are a more complex field of inquiry, a myriad of different dynamics, and therefore other factors impacting the business community should be expected to have influence the state-business relationship as well. These factors include, but are not limited to, the

internationalization of companies, increasing industrialization in various parts of the country and the rise of new industrial centers, emergence of new business classes, changes in the culture of doing business, and the effects of foreign competition. Further research on these factors and their impact on state-business relations will help us to better understand Turkey's political economy.

Academic literature has so far had little to say about the impact of foreign policy activism of business actors in on the development of the state-business relationships. Comparative research on cases of countries with different political economy characteristics will be helpful in establishing a knowledge base on how under different settings and different circumstances business communities shape—or fail to do so—their relations with the state through their active involvement in the foreign policy realm. Further research along these lines can help us to come up with generalized conclusions about this issue.

Economic diplomacy is a burgeoning field in relevant literature, and there also exists a small but rapidly growing and very insightful literature on Turkey's economic diplomacy, albeit focusing on economic considerations in Turkey's foreign policy as a whole and not distinguishing between different economic actors, or different forms of economic interactions. This study has examined the role played by peak business associations in foreign policy, and certainly more research is needed to understand how different actors from the economic realm make a difference. For instance, what is the foreign policy role of Turkey's conglomerates? Do the overseas activities of small and medium scaled enterprises have an impact of Turkey's foreign relations? What kind of a foreign policy role can the provincial chambers and associations be expected to perform and what difference does it or can it make between organizations in inland provinces or in border provinces? How do the

increasingly influential Turkish businessmen based abroad and the Turkish diaspora in general affect Turkey's foreign policy through their economic activities? These would be some of the possible research questions for further research, and it is similarly important to explore the foreign policy effect of different forms of economic interaction as well. Effects of energy trade have been investigated thoroughly, but in other areas greater inquiry is needed. Does 100 million dollars of exports have the same foreign policy effect like 100 million dollars worth of construction projects undertaken abroad or 100 million dollars of cross border investment? What is the role of border trade in regional relations? As climate change brings about economic threats as well as opportunities, how are these likely to affect foreign policy?

It is often stated that Turkey's foreign policy is increasingly more assertive and dynamic, with new actors playing a role in the formulation and implementation of policy, and these new actors are coming not only from the economic realm. In order to better understand the dynamics of Turkey's foreign policy change, further research examining other such actors from the non-economic realm is needed. How do, for example, think tanks, NGOs, universities, sports clubs and associations, or artists and public intellectuals, play a role in shaping Turkey's foreign policy? We already said that they are not as relevant as the business actors, but it does not necessarily mean that they are out of the picture. For research in these areas, the two-tiered P-A model as developed in this study can provide a useful tool for modeling, hypothesizing and explaining the relationship between the state and these new actors.

In a final note, it should be noted that the way state-business relations develop and how business associations or economic actors in general influence the nation's foreign policy are issues of concern not only for specialists or practitioners

of the field, but for the entire population, as they affect our daily lives, even if we do not recognize it at once. For all of us who are making a living through some form of economic activity and our dependents, the form of the relationship between the state and business is a key factor influencing our work. Under a strong state, we tend to get jobs at public institutions in the belief that they would be secure. If we are running a business, we depend on the state for incentives, support and access to resources. We cannot compete freely, and the stronger the state, the more we are subject to regulations and restrictions. How economic actors and considerations influence foreign policy is also of concern for all of us. Economic diplomacy, which is only possible through business participation, can help to increase “power in trade”, i.e. capacity to defend one’s interest in cross border trade and investment, and “power through trade”, i.e. the ability to employ economic issues as tools of political influence (Meunier & Nicolaidis, 2005). Through this virtuous cycle, better opportunities can be obtained in overseas markets, and this affects not only big corporations, but all of us. Consumers can have access to more affordable and higher quality goods, producers can find better priced intermediate goods and lucrative markets for their final products, smaller companies can find it easier to go abroad and make business there. These all can be possible only through a foreign policy that is formulated and implemented by the state with the knowledge, resources and inputs contributed by the business community.

Turkey has a dynamic foreign policy and a dynamic business community. Understanding the relationship between the two requires dynamism on the scholars’ behalf. This study was undertaken with the hope of making a modest, yet meaningful contribution to this quest.

APPENDIX A

STATISTICAL DATA ON TURKEY'S FOREIGN ECONOMIC RELATIONS

Turkey's Foreign Trade (1970-2012)

Year	Exports (million dollars)	Imports (million dollars)	Trade balance (million dollars)	Trade volume (million dollars)	Export/ import ratio
1970	579	948	-368	1,527	0.61
1971	677	1,171	-494	1,848	0.58
1972	887	1,552	-665	2,439	0.57
1973	1,318	2,099	-781	3,417	0.63
1974	1,533	3,775	-2,242	5,308	0.41
1975	1,401	4,739	-3,338	6,140	0.30
1976	1,960	5,129	-3,168	7,089	0.38
1977	1,753	5,796	-4,043	7,549	0.30
1978	2,288	4,599	-2,311	6,887	0.50
1979	2,261	5,069	-2,808	7,330	0.45
1980	2,910	7,910	-5,000	10,820	0.37
1981	4,713	8,933	-4,220	13,646	0.53
1982	5,746	8,842	-3,096	14,588	0.65
1983	5,727	9,234	-3,507	14,961	0.62
1984	7,134	10,757	-3,623	17,891	0.66
1985	7,957	11,342	-3,385	19,299	0.70
1986	7,457	11,104	-3,647	18,561	0.67
1987	10,190	14,157	-3,967	24,347	0.72
1988	11,741	14,334	-2,593	26,075	0.82
1989	11,624	15,792	-4,168	27,416	0.74
1990	12,959	22,303	-9,344	35,262	0.58
1991	13,594	21,047	-7,453	34,641	0.65
1992	14,716	22,871	-8,155	37,587	0.64
1993	15,343	29,428	-14,085	44,771	0.52
1994	18,106	23,270	-5,164	41,376	0.78
1995	21,599	35,710	-14,111	57,309	0.60
1996	23,245	43,628	-20,383	66,873	0.53
1997	26,260	48,560	-22,300	74,820	0.54
1998	26,881	45,921	-19,040	72,802	0.59
1999	26,587	40,226	-13,639	66,813	0.66
2000	27,775	54,503	-26,728	82,278	0.51
2001	31,334	41,399	-10,065	72,733	0.76
2002	36,059	51,554	-15,495	87,613	0.70
2003	47,253	69,340	-22,087	116,593	0.68
2004	63,167	97,540	-34,373	160,707	0.65
2005	73,476	116,774	-43,298	190,250	0.63
2006	85,535	139,576	-54,041	225,111	0.61
2007	107,272	170,063	-62,791	277,335	0.63
2008	132,027	201,964	-69,937	333,991	0.65
2009	102,143	140,928	-38,785	243,071	0.72
2010	113,883	185,544	-71,661	299,427	0.61
2011	134,907	240,842	-105,935	375,749	0.56
2012	152,537	236,544	-84,007	389,081	0.64

Source: Compiled using IMF data.

Foreign Direct Investment Inflow and Outflows (1970-2011)

Year	FDI inflow to Turkey (million dollars)	FDI outflow from Turkey (million dollars)
1970	58	0
1971	45	0
1972	43	0
1973	79	0
1974	64	0
1975	114	0
1976	10	0
1977	27	0
1978	34	0
1979	75	0
1980	18	0
1981	95	0
1982	55	0
1983	46	0
1984	113	0.01
1985	99	0.01
1986	125	0.01
1987	115	9
1988	354	0.01
1989	663	0.01
1990	684	-16
1991	810	27
1992	844	65
1993	636	14
1994	608	49
1995	885	113
1996	722	110
1997	805	251
1998	940	367
1999	783	645
2000	982	870
2001	3,352	497
2002	1,082	143
2003	1,702	480
2004	2,785	780
2005	10,031	1,064
2006	20,185	924
2007	22,047	2,106
2008	19,504	2,549
2009	8,411	1,553
2010	9,038	1,464
2011	15,876	2,464

Source: Compiled using UNCTAD data.

International Contracting Services (2002-2012)

Year	Total project volume (billion dollars)
average for 1972-2001	1.6
2002	2.4
2003	4.2
2004	11.3
2005	11.2
2006	20.6
2007	25.0
2008	24.3
2009	22.6
2010	22.3
2011	19.3
2012	26.6

Source: Compiled using data obtained from TMB.

APPENDIX B

BUSINESS COUNCILS UNDER THE FOREIGN ECONOMIC RELATIONS BOARD

	Year founded
Turkish-African Business Councils	
Turkish-Algerian Business Council	1990
Turkish-Angola Business Council	2011
Turkish-Egyptian Business Council	1992
Turkish-Ethiopian Business Council	2008
Turkish-Gambian Business Council	2011
Turkish-Ghanaian Business Council	2011
Turkish-Kenyan Business Council	2010
Turkish-Libyan Business Council	2007
Turkish-Mauritanian Business Council	2011
Turkish-Moroccan Business Council	1990
Turkish-Nigerian Business Council	2011
Turkish-Rwandan Business Council	2011
Turkish-South African Business Council	1997
Turkish-Sudanese Business Council	2008
Turkish-Tanzanian Business Council	2011
Turkish-Tunisian Business Council	1990
Turkish-Ugandan Business Council	2011
Turkish-American Business Councils	
Turkish-American Business Council	1985
Turkish-Argentine Business Council	2012
Turkish-Brazilian Business Council	2007
Turkish-Canadian Business Council	2002
Turkish-Chilean Business Council	2012
Turkish-Colombian Business Council	2012
Turkish-Ecuadorian Business Council	2012
Turkish-Mexican Business Council	2008
Turkish-Peruvian Business Council	2012
Turkish-Venezuelan Business Council	2012
Turkish-Asia Pacific Business Councils	
Turkish-Australian Business Council	2011
Turkish-Bangladeshi Business Council	2011
Turkish-Cambodian Business Council	2011
Turkish-Chinese Business Council	1992
Turkish-Filipino Business Council	2011
Turkish-Hong Kong Business Council	2011

Turkish-Indian Business Council	1996
Turkish-Indonesian Business Council	1995
Turkish-Japanese Business Council	1986
Turkish-Korean Business Council	1989
Turkish-Malaysian Business Council	1995
Turkish-Nepalese Business Council	2011
Turkish-New Zealand Business Council	2011
Turkish-Pakistani Business Council	1986
Turkish-Singaporean Business Council	2004
Turkish-Taiwanese Business Council	1993
Turkish-Thai Business Council	2011
Turkish-Vietnamese Business Council	2005

Turkish-Eurasian Business Councils

Turkish-Afghan Business Council	2001
Turkish-Azeri Business Council	1991
Turkish-Belarus Business Council	1992
Turkish-Georgian Business Council	1992
Turkish-Kazakh Business Council	1992
Turkish-Kyrgyz Business Council	1991
Turkish-Mongolian Business Council	1993
Turkish-Moldovan Business Council	1993
Turkish-Uzbek Business Council	1991
Turkish-Russian Business Council	1993
Turkish-Tajik Business Council	1991
Turkish-Turkmen Business Council	1991
Turkish-Ukrainian Business Council	1991

Turkish-European Union Business Councils

Turkish-Austrian Business Council	1996
Turkish-Belgian Business Council	1990
Turkish-British Business Council	1988
Turkish-Bulgarian Business Council	1991
Turkish-Czech Business Council	1991
Turkish-Danish Business Council	1999
Turkish-Dutch Business Council	1993
Turkish-Estonian Business Council	2002
Turkish-Finnish Business Council	1991
Turkish-French Business Council	1987
Turkish-German Business Council	1995
Turkish-Greek Business Council	1988
Turkish-Hungarian Business Council	1991
Turkish-Irish Business Council	1994
Turkish-Italian Business Council	1990
Turkish-Latvian Business Council	1997

Turkish-Lithuanian Business Council	1993
Turkish-Maltese Business Council	2007
Turkish-Polish Business Council	1991
Turkish-Portuguese Business Council	1991
Turkish-Romanian Business Council	1991
Turkish-Slovakian Business Council	1995
Turkish-Slovene Business Council	1997
Turkish-Spanish Business Council	1989
Turkish-Swedish Business Council	1992
Turkish-Gulf Countries Business Councils	
Turkish-Bahrain Business Council	2006
Turkish-Kuwait Business Council	2006
Turkish-Oman Business Council	2006
Turkish-Qatar Business Council	2006
Turkish-Saudi Arabian Business Council	2003
Turkish-UAE Business Council	2000
Turkish-Yemen Business Council	2010
Turkish-Middle East Business Councils	
Turkish-Iranian Business Council	2001
Turkish-Iraqi Business Council	2001
Turkish-Jordanian Business Council	1994
Turkish-Lebanese Business Council	2002
Turkish-Palestinian Business Council	1994
Turkish-Syrian Business Council	2000
Turkish-Southeast European Business Councils	
Turkish-Albanian Business Council	1992
Turkish-Bosnian Business Council	1995
Turkish-Croatian Business Council	1995
Turkish-Kosovar Business Council	2008
Turkish-Macedonian Business Council	1995
Turkish-Montenegrin Business Council	2002
Turkish-Serbian Business Council	2002
Independent Business Councils	
Turkish-Israel Business Council	1993
Turkish-Northern Cyprus Business Council	1992
Turkish-Swiss Business Council	2000
Special Purpose Business Councils	
World Turkish Business Council (DTİK)	2008

Sectoral Business Councils

Education Economy Business Council	2011
Health Tourism Business Council	2010

Source: Data obtained from the DEİK office.

APPENDIX C

EXPORTER UNIONS UNDER TURKISH EXPORTERS' ASSEMBLY

	Year founded
Aegean Exporter Unions	
Aegean Union of Apparel and Garment Exporters	1978
Aegean Union of Aquaculture and Animal Product Exporters	1940
Aegean Union of Dry Fruit Exporters	1939
Aegean Union of Ferrous and Non-Ferrous Metal Exporters	1997
Aegean Union of Fresh Fruit and Vegetable Exporters	1966
Aegean Union of Grain, Legume, Oil Seed Exporters	1940
Aegean Union of Leather and Leather Product Exporters	1991
Aegean Union of Mineral Exporters	1991
Aegean Union of Olive and Olive Oil Exporters	1940
Aegean Union of Textile and Raw Material Exporters	1986
Aegean Union of Tobacco Exporters	1969
Aegean Union of Wood and Forest Product Exporters	1940
Antalya Exporter Unions	
Antalya Union of Cut Flower Exporters	1968
Antalya Union of Fresh Fruit and Vegetable Exporters	1968
Antalya Union of Textile and Raw Material Exporters	1968
Black Sea Exporter Unions	
Black Sea Union of Grain, Legume, Oil Seed Exporters	1998
Black Sea Union of Hazelnut Exporters	1940
Central Anatolian Exporter Unions	
Ankara Union of Ferrous and Non-Ferrous Metal Exporters	1993
Central Anatolian Union of Cement and Earth Product Exporters	1986
Central Anatolian Union of Decoration Plant Exporters	1999
Central Anatolian Union of Grain, Legume, Oil Seed Exporters	1991
Central Anatolian Union of Machinery Exporters	2002
Central Anatolian Union of Wood and Forest Product Exporters	1991
Union of Air-Conditioning Industry Exporters	2011
Union of Defense Industry Exporters	2011
Denizli Exporter Union	1993
Eastern Anatolian Exporter Union	1986
Eastern Black Sea Exporter Union	1998

Istanbul Exporter Unions

Istanbul Union of Aquaculture and Animal Product Exporters	1958
Istanbul Union of Dry Fruit Exporters	1986
Istanbul Union of Fresh Fruit and Vegetable Exporters	1963
Istanbul Union of Grain, Legume, Oil Seed Exporters	1940
Istanbul Union of Hazelnut Exporters	1991
Istanbul Union of Ship and Yacht Exporters	2010
Istanbul Union of Wood and Forest Product Exporters	1973

Istanbul Unions of Mineral and Metal Exporters

Istanbul Union of Chemical Product Exporters	1991
Istanbul Union of Electrics, Electronics and IT Product Exporters	1991
Istanbul Union of Ferrous and Non-Ferrous Metals	1986
Istanbul Union of Mineral Exporters	1976
Istanbul Union of Precious Metals and Jewelry	2003
Istanbul Union of Steel Exporters	2005

Istanbul Union of Textile and Apparel Exporters

Istanbul Union of Apparel and Garment Exporters	1978
Istanbul Union of Carpet Exporters	1988
Istanbul Union of Leather and Leather Product Exporters	1988
Istanbul Union of Textile and Raw Material Exporters	1986

Mediterranean Exporter Unions

Mediterranean Union of Apparel and Garment Exporters	1983
Mediterranean Union of Aquaculture and Animal Product Exporters	1986
Mediterranean Union of Chemical Product Exporters	1993
Mediterranean Union of Ferrous and Non-Ferrous Metals	1993
Mediterranean Union of Fresh Fruit and Vegetable Exporters	1957
Mediterranean Union of Grain, Legume, Oil Seed Exporters	1940
Mediterranean Union of Textile and Raw Material Exporters	1986
Mediterranean Union of Wood and Forest Product Exporters	1973

Southeast Anatolian Exporter Unions

Southeast Anatolian Union of Carpet Exporters	2009
Southeast Anatolian Union of Dry Fruit Exporters	1986
Southeast Anatolian Union of Grain, Legume, Oil Seed Exporters	1986
Southeast Anatolian Union of Textile and Raw Material Exporters	1989

Uludağ Exporter Unions

Uludağ Union of Apparel and Garment Exporters	1991
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Uludağ Union of Automotive Industry Exporters	1991
Uludağ Union of Fresh Fruit and Vegetable Exporters	1986
Uludağ Union of Fruit and Vegetable Product Exporters	1986
Uludağ Union of Textile Exporters	1986

Sources: TİM (2011, pp.10-11); Aydın (2012, pp.119-120).

APPENDIX D

QUOTATIONS AND EXCERPTS IN ORIGINAL LANGUAGE

Quotations and excerpts, which are originally in Turkish, have their English translations used in the main text. Short quotations and excerpts have their original version presented in the footnote section. For longer quotations and excerpts respective footnotes refer to the original texts presented in this appendix.

Footnote (Fn.) 3: “Kamuoyuna maledilen mesajlar kanalıyla yapılmaya çalışılan yönlendirmenin politika yapıcılar (karar vericiler) üzerinde nasıl bir etki yarattığını ölçebilmek mümkün değildir... [B]elirli bir sivil toplum kuruluşunun, belirli somut bir konudaki pozisyonunun karar vericiler tarafından dikkate alınması suretiyle A politikası yerine B politikasının yaşama geçirildiğine dair bir örneği bulmak son derece zor görünmektedir.”

Fn. 18: “Ticaret odaları intihabı rüesa-yı memurin-i hükümetin fazla müdahalatına maruz kaldığı cihetle tüccar bu teşkilatı kendi ruhundan kopmuş bir müessese addetmediğinden, Ticaret odaları Mecalis-i idaresine intihab edilecek azayı tefrik eden heyet-i intihabiye’nin doğrudan doğruya tüccarca intihabları.”

Fn. 23: “Filhakika tüccar, sanayici ve esnaf zümrelerinin memleketin umumi menfaatlerine uygun bir şekilde çalışmalarının temin edecek bir meslek ahlak ve disiplinin mevcut olmadığı içinde bulunduğumuz buhran senelerinin açıkça meydana çıkarttığı bir hakikattir.”

Fn. 24: “İktisadi hayatımızın gelişmesi ve kuvvetlenmesi, ticaret ve teşebbüs erbabının mesleki şeref ve menfaatlerinin korunması ve aralarında meslek şuurunun

ve tesanüt duygusunun gelişmesi amacı ile ve İstanbul Tüccar Derneği adı ile bir dernek kurulmuştur. Dernek ticaret ve siyasetle uğraşmaz.”

Fn. 25: “İstanbul Tüccar Derneği’ne göre dış ticaretin düzenlenmesi için, dış ticaret hareketlerini devamlı olarak inceleyen, diğer ülkelerdeki hareketleri takip eden, Türk ürünlerine yeni müşteriler bulan ve dış ticareti genişletmek imkanlarını araştıran, sayılan konularda hükümete teklifte bulunan ve alınması gereken tedbirleri zamanında bildirecek olan, yapılacak ticaret anlaşmalarını hükümetin talebiyle hazırlayan, görüşmelere danışman sıfatıyla katılacak bağımsız bir dış ticaret teşkilatı kurulmalıdır.”

Fn. 60: “Türkiye’de Ekonomik ve Sosyal Konsey, bugüne kadar, hükümetin zor duruma düştüğü zamanlarda başvurduğu ve iktidarı için adeta bir can simidi olarak gördüğü; kendi iktidarını sınırlamak ya da bilgi edinmek için değil de, kendi durumunu veya kararlarını meşrulaştırmak için, dilediği zaman başvurduğu, sağlam bir hukuksal temele dayanmayan, bir kurul olarak karşımıza çıkmaktadır.”

Fn. 70: “Üyelik gayretleri içindeki Türkiye’nin, bu şartlar altında Türk Dış Politikasında gerçekten devrimsel değişiklikler yapmayı düşünmüyorsa, ‘think twice, drive nice’ (iyi düşün, güzel politika yap) kuralını takip etmesi, Türkiye’ye en azından orta ve uzun vadeli dış politika planlarında büyük fayda sağlayacaktır.”

Fn. 86: “Dışişleri’nde böyle bir sistem vardır, herkes kendi fikrini açıkça söyler...

Yani herkes kendi fikrini savunur, ama sonunda en yukarıda olan bakandır.

Karadeniz Ekonomik İşbirliği Örgütü’nün kuruluşundan bir örnek vereyim. İşte biz

Karadeniz’de kıyısı olmayanlar olmasın diye tutturmuştuk bakanlıkta, ondan sonra

bakan gitti, işte o ülkelerden, olmasın dediğimiz ülkelerden birine, döndü geldi,

‘olacak, hiç sesini çıkarma Sumru’ dedi bana. Yani bu konuda konuşmayın artık dedi,

biz buna karar verdik, tamam dedi, biz de peki dedik! Ama şunu söylemeliyim ki kendi fikrimizi her zaman savunurduk!”

Fn. 88: “Bu bizim öğretimiz ki 50’lerden 60’lardan gelen bir şey bu, amirlerimizden aldığımız bir öğreti. Bürokrat ihracatçıyla kol kola olmalıdır. Herkes işadamından, ihracatçıdan öcü gibi korkar ve kaçarken, biz onlarla birlikte çalışırdık.”

Fn. 95: “İşadının elinden tutup ona, onu götüren, tanıştıran, sorusu olduğu vakit bizzat Dışişleri’ne bağlı, bulunduğu ülkenin dışişlerine yahut bakanıyla konuşan, başbakanıyla konuşan ve o ülkenin mevzuatı hakkında hem işadamına bilgi veren, aradaki ihtilafların çözümünde rol oynayan bir dışişleri gördük. Ve bu büyükelçilerin kişisel inisiyatifine de bırakılmadı, dendi ki bunlara; sizin birinci vazifeniz budur... Büyükelçilere hem normal işlerini yapmaları hem işadamına pazar aramaları söylendi. Ama bunu büyükelçilerin hemen hemen büyük bir çoğunluğu, yani hemen hemen hepsi diyelim bir görev addetti ve çok yatkın bir şekilde bu görevi yerine getirdi. 1980’den sonra sefaretlerde, kapılar açıldı.”

Fn. 96: “1973 yılında, o dönem yapmak istediğimi bir yatırımın ön çalışmaları kapsamında, Hamburg’daki Türk konsoloslughuna gittim. Yatırım planımı sundum. Ticaret ataşesi inceledi ve şöyle dedi: ‘Ben devletten maaş alıyorum ve bu maaşı özel sektörün işi görülsün diye almıyorum. Ancak yine de projeniz ilgimi çekti, yardımcı olmaya çalışacağım.’ O zaman anlayış böyleydi. Bir işadamı, Dışişleri’nin kapısından içeriye bile giremezdi. Şimdi durum tabii daha farklı.”

Fn. 99: “Son on senedir tek parti hükümeti var. Benim üst düzey görevlerim koalisyon hükümetleri döneminde oldu. Hiç ummayacağınız şekilde son derece mantıklı bir şey hazırlamışsınız ama bir bakan, diğer partiden bir bakan ‘senin bakanın benim şunumu imzalasın da, ben de bunu imzalayayım’ derdi. Yahu senin

işin on kişiyi veya bilemedin yüz kişiyi ilgilendiren bir iş, ama bizim iş ülke ekonomisini ilgilendiren bir şey. Yani orantısız istek. Buna rağmen bazı bakanlar bu yaklaşımlarından hiç taviz vermemişlerdir.”

Fn. 100: “Eskiden sadece ‘ekonomik işler’ adı altında bir yapılanma vardı. Şimdi ikili ekonomik işlere ve çok taraflı ekonomik işlere bakan ayrı ayrı birimler var.

Diğer yandan daire sayısı da arttı. Eskiden ekonomik işlerden sorumlu olan müsteşar yardımcısı kültür işlerine de bakardı artık sadece ekonomiye bakıyor. Artık diğer Kalkınma, Ekonomi, Hazine, Sanayi ve Ticaret, Bilim ve Teknoloji bakanlıklarıyla çok daha yakın bir işbirliği içerisinde ve koordinasyon halinde çalışıyoruz.”

Fn. 101: “AKP dönemi tabii istisnai derecede uyumlu, bir kere; bakanlar çok rahat, çünkü başbakanla çok yakın çalışabiliyorlar. Bunlar uluslararası konjonktürün de genel olarak olumlu bir şekilde var olduğu bir dönemde uyumlu çalışan bir ekip. Yani bu dönem çok iyi bir dönem, onu kabul etmek lazım. Dışişleri de birçok atılım yapma imkânını buluyor bu dönemde. Koalisyon dönemleri tabii çok daha karışıktı. O zaman Dışişleri çok zor çalıştı, yani 90’larda. Koalisyonlarda çok büyük çekişmeler olurdu, o da tabii sorunların çözümünü imkânsız kılırdı.”

Fn. 102: “Kurumumuzun ismi yakın bir geçmişte ‘Ekonomi Bakanlığı’ olarak değiştirildi. Birçok kişi bunu yadırgadı, ekonomi sadece dış ticaret midir diye yorumlar yapıldı. Aslına bakarsanız çok isabetli bir değişim oldu bu. Dış Ticaret Müsteşarlığı iken sadece ihracat, ithalat ve müteahhitlik hizmetleriyle ilgileniyorduk. Şimdi tüm bunların yanı sıra dış yatırımlar, hizmet ticareti, ihracat finansmanı ve lojistik konularına da bakıyoruz. Biz bakanlık olarak ekonominin reel boyutu ile ilgiliyiz. Dünyada da artık zaten bu boyut ön plana çıkıyor.”

Fn. 103: “Benim 1975 yılından beri gözlediğim bir olay vardır Türkiye’de dış ilişkilerde, adı ne olursa olsun, adı hep zaman içinde değişti, dış ticaret müsteşarlığı diyelim, eski ticaret bakanlığı olsun, dış ticaret müsteşarlığı, ekonomi bakanlığı; her zaman dışişleri bakanlığı ile arasında bir çekişme olmuştur! Bu çekişme uzun yıllar Türkiye’nin koalisyon hükümetleriyle idare edilmesinden kaynaklanıyor diye değerlendirilmiştir. Fakat, sonunda görülmüştür ki, tek parti hükümetlerinde de bu çekişme aynen devam ediyor, hiç değişmiyor.”

Fn. 104: “Yurtdışı örgütlenme açısından Dışişleri Bakanlığı daha etkin bir konumda olduğunu. Büyükelçiler yurtdışında Türkiye Cumhuriyeti devletinin temsilcisi, ve bu yüzden de oradaki faaliyetlerin, girişimlerin, organizasyonların da vitrininde yer alan kişi konumundalar.”

Fn. 105: “Dışişleri Bakanlığı bürokratlarının büyük bir kısmının ticari ve ekonomik konularda fazla deneyimli olmamaları nedeniyle işler büyük ölçüde Ekonomi Bakanlığı’na bağlı ticaret müşavirleri tarafından yönlendiriliyor, ancak kaydedilen başarılar diğer kesim tarafından üstlenilebiliyor. Dışişleri Bakanlığı personelinin Büyükelçilikteki birimlerle daha iyi işbirliği yapmaları, onları ikinci sınıf eleman olarak görmemeleri, tüm elçilik birimleri arasında iyi bir koordinasyon olması gerekiyor... Bazen bizi dışlıyorlar.”

Fn. 106: “Kürşad Tüzmen her şeyden önce Türkiye’ye dış ticaretin önemini anlattı ve bir dinamizm getirdi. Zafer Çağlayan ise bunun üzerine yatırımların önemini ortaya koydu, dış yatırımlar konusunda bir vurgu getirdi. Diğer yandan Çağlayan’ın Ekonomi Bakanlığı’nın çalışmalarına bir analitik yaklaşım getirdiğini de söylemek mümkün. Artık yaptığımız işleri daha sorgulayan bir yaklaşımla, daha fazla somut gerekçelere dayandırarak yapıyoruz.”

Fn. 116: “Her girişimcinin temel hedefidir güç sahibi olmak ve kendini tatmin etmek!. İnsanlar belli bir noktadan sonra çalışmalarını sadece kendi kişisel ihtiyaçlarını karşılamak için yapmıyorlar; toplumsal ihtiyaçları karşılamak, kendi egosunu tatmin etmek için yapıyorlar... TİM başkanı olarak ben kendimi çok tatmin ettiğimi düşünüyorum, hani bana verdiği, ne almış olursa olsun benden, verdiği en önemli şey, bir kere şöyle bir hikâyenin sahibiyim, 26 milyar dolarken Türkiye’nin ihracatını alıp 132 milyar dolara çıkartmışım, 23 bin ihracatçıdan 52 bin ihracatçıya büyütmüşüm, dünyada görmediğim, gitmediğim, dokunmadığım hiçbir şey kalmamış, hani bu ülkenin her şehrine en az bir kere ayak basmışım. Hani bugün hangi şehrine gidersem gideyim tanınıyorum, tanıyorum, işte krallarla da oturmuşum, devlet başkanlarıyla, bakanlarla, başbakanlarla, yani bir insanın şey yapabileceği, ne bileyim hani kendini, kendi egosunu tatmin edebileceği her şeyi yaşamışım.”

Fn. 118: “Turgut Bey’le Papandreu geldiler, el sıkıştılar, bir köşede oturuyorlar. Turgut Bey biliyor benim Yunanlılarla aramın iyi olduğunu. Dedi ki, ‘Bazı şeyler konuştuk Papandreu’yla Türk-Yunan İş Konseyi’ni kurmak üzere. O burada Theodore Papaleksopulos’a bu görevi Verdi. Çok iyi bir adammış. Senin de bu konuda tecrüben var, Türk-Yunan İş Konseyi’ni de sen kur.”

Fn. 119: “Ziya ül-Hak Türkiye’ye ziyarete geldiğinde, Turgut Bey ile ikisi karşı karşıya oturdular ve ‘Sen yarın iş konseyini kuruyorsun’ dediler. Dolayısıyla iş konseyinin kuruluşu iş dünyasından gelen bir talep üzerine değil de, iki devletin başkanı ve başbakanının kararıyla oldu. Böylece ilk defa Pakistan’la iş yapmaya başladık.”

Fn. 125: “Zamanında Kadirov’a, Nazarbayev’e, Aliyev’e işadamlarının özel referans mektubuyla takdim edildiğini biliyoruz. İşadamlarının Turgut Özal, Süleyman

Demirel tarafından şahsen tavsiye edildiğini biliyoruz. O koşullar altında doğru olan da buydu zaten.”

Fn. 129: “Mesajlar her zaman iletilmiştir ama ne kadar hükümetler tarafından dinlenilmiştir, ne kadar dikkate alınmıştır, işte tartışılacak konu herhalde budur. Belli dönemlerde, şöyle söylemek lazım, DEİK’in hizmetlerine bütün hükümetler değer vermiştir. Ancak, bazı hükümetlerde, belli dönemlerde bu biraz havada, biraz suni kalmıştır, DEİK ile hükümet arasında gerçek bir etkileşim olamamıştır.”

Fn. 138: “DEİK Türk üreticisini ve ihracatçısını temsil etmiyor, odalar da tek başına temsil etmiyor. Türkiye artık ihracat üzerinde büyüyecek, kalkınacak, zenginleşecekse bu yapının güçlenmesi gerekiyordu, biz de bunun üzerine inşa ettik... İhracatçı birlikleri ve TİM Türkiye’deki tek sektörel ve bölgesel bir örgütlenmedir. TİM’in üyeleri fiilen sektörde ya da bölgede var olan, hani üretim yapan ya da ticaret yapan, fiilen de ihracat yapan, hani canlı üyelerden oluşur, yani sanal üye yapısı yoktur... Yani ‘ben bir derneğe ya da bir odaya, bir konseye ücreti neyse verdim üye oldum, ben oranın bir parçasıyım’ gibi bir şey yok. Burada birinci kural fiilen ihracat yapıyor olmak,”

Fn. 139: “Siz son gaz basın, sonuna kadar gidin; arkanızdayız... Size bürokrasiyi azaltacağımız sözü verdik, bunu başlatıyoruz. İnşallah iyi olur. Yetkiyi devletten size aktarıyoruz. Bundan azami şekilde yararlanın.”

Fn. 142: “Afrika ülkelerini düşünün, bugüne kadar atıl kalmış, ya da Güney Amerika. Şimdi buralarla temaslar kuruyor, bu ülkelere gidiyoruz... Buralarda bizim karşıtımız sivil toplum örgütleri, oradaki ticaret odaları, sanayi odaları, bazı yerlerde değişik isimlerle değişik kurumlar karşınıza çıkıyor. Buralara temas başlayınca ne oluyor? Karşılıklı gidip gelmeler başlıyor. Gidip gelirken karşılıklı birbiriyle yatırım

konuları ortaya çıkıyor, yani sadece ticaretin ötesinde. Tabii bugün, Türkiye’de ana siyasi hedefimiz global oyuncu olmak. 2023’de 500 milyar dolar ihracat hedefinin içinde bunların hepsi var.”

Fn. 146: “İhracat ne yapar? Türkiye’nin katma değeriyle üretilen mallarını yurtdışına satar, bedelini alır getirir... Müteahhitlik ise, Türkiye’nin hiçbir katma değerini almadan, her şeyi, kendi katma değerini yurtdışında yaratarak buraya döviz getirir. İkincisi, sanayinin çarkının dönmesini sağlar, dışarıda istihdam yaratır. Üçüncüsü, ithal ettiği mallardan dolayı gene sanayiye destekler.”

Fn. 147: “Müteahhitlik ihracat gibi değil. Müteahhitlikte üretimi o ülkede yapıyorsunuz. Orada personeliniz oluyor, makineniz oluyor, yatırımınız oluyor. Kendiniz gidiyorsunuz, iş yapmaya çalıştığınız zaman muhakkak ikili ilişkilere girmeniz gerekiyor, ilgili devlet idarelerinden, belediyeden başlayarak bakanlıklardan, bazen daha yukardan izinler almanız, görüşmeniz, iyi ilişkiler yürütmeniz gerekiyor.”

Fn. 148: “Müteahhitlik aslında çok farklı kapıları da açabiliyor, farklı ilişkileri sağlayabiliyor, hatta gerektiği zaman iki ülke arasında oluşan bir takım huzursuzlukları da giderici veya en azından o arayı yumuşatıcı olabiliyor. Bunun örnekleri var, çok önemli bir dış politika enstrümanı bence. Çünkü müteahhitlik sayesinde o ülkede bir gücünüz oluyor. O ülkenin kendi iç problemleri de olsa, size engel teşkil edecek problemler, sonuçta o ülkede gerçekten iyi bir müteahhitlik sektörünüz varsa, sonuçta bundan da vazgeçmek istemiyor ve çözüm üretiyorlar... Sorunlar çok ciddi de olsa müteahhitlik işleri bunların yumuşatılmasına, daha farklı zeminler yaratılmasına da neden oluyor. Mesela Rusya örneğinde şirketlerimiz önce müteahhit olarak girdiler, sonra bir gün bir bakıyorsunuz, yatırımcı oldular. O

ülkenin kalkınması için gerçekten katkıları var ve Rusya için de çok önemli ve vazgeçilmez oluyorlar.”

Fn. 149: “Mesela Kazakistan, Orta Asya’nın yükselen yıldızı, bambaşka bir güzellik. Türkler orada dükkân, okul, restoran, havaalanı yaptıkça, otel yaptıkça birbirimizi daha çok tanıyoruz ve birbirimize daha çok bağlanıyoruz. Birbirimize bağlandıkça politikacılar da buna göre politika üretmek zorunda kalıyorlar.”

Fn. 151: “Kazancı şu, bir kere yurtdışı müteahhitler şu anda çalıştıkları ülkelerde o ülkelerin ekonomisini o kadar etkiliyorlar ki, yarın o ilişkiler bozursa, oradaki Türk varlığı dışarıya çıksa onların ekonomileri de zarar görecek. Dolayısıyla, karşı ülkeler de bunu pek istemiyorlar. Yani bir kere ekonomik ağırlık artmış olmasından dolayı bu ülkeleri ikili ilişkisini de etkiliyor,”

Fn. 155: “Türkiye’nin açılımlarına, dış politik açılımlarına katkı bir şekilde devleti fayda sağlayacak yerlere yönlendirmek, oraya bir ışık yakmak, oraya bir veri sağlamak... Müteahhitler Birliği’nin yaptığı budur, görevi budur. Türk müteahhitlerinin mevcut çalıştıkları pazarlar var, nerelerde etkin olduklarıyla ilgili, ama bunların dışında; yeni potansiyel pazarlar nereleri olabilir? Bunun üzerinde duruyoruz ve bunun için tabi müteahhitlerimizden de aldığımız bir takım geri dönüşümler oluyor. Çünkü, bizim müteahhitlerimiz gerçekten çok girişimciler, çok değişik, hiç aklınıza gelmeyen ülkelere, bölgelere gidebiliyorlar ve oradan bize bilgi veriyorlar... Yani bir ülke eğer çok daha ilgi çekici oluyorsa onları uyarıyoruz ve o ülkeye yönelik, ya oradan gelişleri ona göre planlayıp bizler de ona, zaten her zaman dâhil oluyoruz ama, öyle yönlendirme yapıyoruz. Veya biz gidiyoruz, gideceğiz diyoruz, bakan başkanlığında veya işte yetkililer başkanlığında; genel

müdürlüğümüzde, müsteşarlığımızda heyetler düzenlemesini sağlıyoruz, bu şekilde bir yürütümümüz var, işleyişimiz bu şekilde.”

Fn. 156: “Önce bir müteahhitlik işi oluyor... Devlet biraz daha arkadan geliyor. O noktada da, giden üyelerin çoğu TMB üyeleri, büyük ölçekli firmalar. İlk adımları atanlar olarak sorunların tespitinde, yapılması gerekenlerin, önünün açılması için neler olduğunu gösterme yolunda da bir deneysel rolü var firmaların.”

Fn. 157: “Devletimizin ilişkileri iyi ise, biz daha rahat iş alıyoruz. Bizim işimiz ürün satmaya benzemiyor. Çünkü, dışarıda her aldığımız iş 2-3 yılı kapsıyor... Afrika ülkelerinde açılan büyükelçiliklerin sayısının artması elbette bize de yaradı. Kendi devletin olduğu yerde insan kendini daha güvende hissediyor. Başımız sıkıştığında yardım isteyebileceğimiz, sığınabileceğimiz bir yer olduğunu bilmek insanı rahatlatıyor.”

Fn. 158: “Bazı açılardan bakıldığında rekabetin iyi olduğunu, tekellerin kötü olduğunu söyleyebiliriz, Ancak başka açılardan bakıldığında birlik olarak yabancılara çıkmanın, tek merkezden yönetilen koordineli bir hareketin daha fazla tasarruf yaparak emekten, paradan vesaire, daha çabuk sonuçlar alabileceğini de biliyoruz. O yüzden belki de şunu söylemek lazım, duruma, yerine, zamanına göre bazen onu, bazen bunu desteklemek lazım.”

Fn. 159: “Eğer MÜSİAD’a üye yaptığımız kişileri yurtdışına taşımak, MÜSİAD faaliyetlerini de dışarıdaki insanlara anlatmak, dış gelişmeleri ülkemize getirmek istiyor idiysek, mutlaka dış teması sağlamamız gerekiyordu. O nedenle, Dış İlişkiler Komisyonu, üyelerimizi yurtdışına götürme, dış heyetleri MÜSİAD’da ağırlayıp, onları üyelerimizle tanıştırma, fuar ve forum düzenleme vb. dış ilişkilerde yapılması

gerekenleri yapan bir birim olarak MÜSİAD bünyesinde faaliyetlerini sürdürmektedir.”

Fn. 161: “İtalyan mallarını boykot girişimlerinin, halkın ve kamu denetimi dışındaki meslek kuruluşlarının Türk halkının duygu ve infialini yansıtan eylemleri olarak kalması gerekmektedir. Burada kamu denetimi dışındaki meslek kuruluşlarından kasıt, kanunen üyelik koşulu bulunmayan ve üyelik aidatlarının ödenmesi kanunen zorunlu kılınmayan kuruluşlardır.”

Fn. 163: “İş çevreleri ve sivil toplum kuruluşlarının destek ve hizmetlerinin daha etkin olması için... Dış ilişkilerin belirlenmesinde ulusal kaynakları oluşturan iş çevrelerine önemli görevler düştüğünü... Dışişleri Bakanlığı ve iş çevreleri tarafından gösterilen çabanın birleştirilmesi gerek.”

Fn. 165: “Giderek Türkiye’de dış ilişkilerde artık firma sayısı arttıkça, özel sektör kuruluşlarının, yani Business Organization dediğimiz kuruluşların dış ilişkilerdeki hevesi arttı, kendi işlerini kendileri yapmak istediler. Bunun sadece bir ağırlama olmadığını görmeye başladılar, bunun getirilerini görmeye başladılar. TÜSİAD mesele, TÜSİAD daha önce dış ilişkileri DEİK’e devretmişken, ondan sonra TÜSİAD International aracılığıyla kendi bu işi yapmaya soyundu. TİM, Ankara’nın görüşleri doğrultusunda özel sektörü koordine eden bir kuruluş olarak ön plana çıktı. Giderek, özel sektör kuruluşları, yani dış ilişkilerde rol alan özel sektör kuruluşu, kuruluşlarının sayısı arttı, firmaların sayısı arttı. DEİK daha arkada kaldı.”

Fn. 170: “İşadamlarımız mağdur durumdadır. Malları serbestçe AB üyesi ülkelerin piyasalarına girerken, işadamlarımız veya çalışanları, iş amacıyla seyahat edemiyor. Vize almak için, zaman alıcı çok sayıda formaliteyi tamamlaması ve ayrıca da ciddi

bir masrafa katlanması gerekiyor... Türk girişimcileri ve onların profesyonel çalışanları için, adeta bir tarife dışı engel söz konusudur.”

Fn. 171: “TİM tamamen işbirliği felsefesiyle çalışıyor. Neden? Türkiye’de ihracat yapan bütün şirketler ihracatçı birlikleri vasıtasıyla TİM’in üyesi, dolayısıyla TİM bunlara açık. Şimdi kanunla kurulmuş olan TOBB var ve onun DEİK diye bir kolu var, o da kanunla kurulmuş; burada TİM kurucu üyesi, herhangi bir sorun yok. Onun dışında işte TÜSİAD, MÜSİAD, TUSKON gibi, gönüllü üyelik talebiyle örgütlenmiş iş dünyası var... TİM bunların hepsine eşit mesafede, eğer ihtiyaç varsa destek isteniyorsa maddi manevi destek de verebiliyor,.. TİM’in kanunu, yapısı, işleyişi işbirliği tarafında olmasını gerektiriyor, ve TİM de bu konuda hep işbirliği yapılan kuvvetli bir aktör.”

Fn. 173: “Biz TUSKON’la ne zaman yaptıysak, kendi üyelerimize karşı göğsümüz kabardı; onlar da zaten arı gibi çalışıyordu. Yani burada da en büyük etken okullar, Oradaki kültürel faaliyetler de sizin ekonominizi fişekliyor. Bugün Afrika’da hemen hemen her ülkede okul açıldı, o okullar bizim birer ticari temsilciliğimiz gibi çalışıyor, sağ olsunlar oraya gittiğimizde ilgi gösteriyorlar... Yani onun için TUSKON’la münasebetimiz süper. Çünkü zihniyet artık bizde değişti; yani kim fayda üretiyorsa onu destekleyeceksin... Biz TUSKON’la her zaman çok başarılı iş gezileri düzenliyoruz... Burada esas işte saha önemli. DEİK’in düzenlediği seyahatlerde, lütfen yani akliselim düşünelim, ben bir şey görmüyorum. Hep turistik seyahatler.”

Fn. 174: “DEİK’le tabi daha farklı bir ilişkimiz var. Biz mesela DEİK’in bütün bize gelen duyurularını yapıyoruz, bir şey olduğunda DEİK’le çok rahat paslaşıyoruz. Bir konu olduğunda işbirliği yapıyoruz, bir konu olduğunda birbirimize destek oluyoruz

yurtdışında olsun, yurtiçinde olsun, DEİK’le çok rahat ve iyi bir çalışma şeklimiz var işin açıkçası.”

Fn. 176: “Türkiye Mütahhitler Birliği, Libya ile olan sorunlarımızda, alacak sorunlarımızda, işte hak ediş alacakları, zarar ziyan, mesela firmalarımızın sorunlarının hem toplulaştırılıp bir politika oluşturulmasında ana belirleyici oldular. Biz sonuçta müzakereci pozisyonunda gidip Libyalılarla bunu müzakere ediyorduk ama altyapıyı tamamen, hem teknik hem stratejik, Mütahhitler Birliği ile beraber hazırlıyorduk. Keza Dış Ekonomik İlişkiler Kurulu aynı şekilde; ülkeye yönelik stratejinin belirlenmesinde bizim ana unsurlarımızdan diyebilirim.”

Fn. 178: “Buralara daha hazırlıklı gitmek lazım, buralara giderken işadamlarının da bireysel olarak daha hazırlıklı olarak gitmesi lazım, yani örgütler bir yanda hazırlıksızlar ama işadamları da hazırlıksız. Yani daha gideceği ülkeyle herhangi bir fikri olmadan, nasıl olsa birisi onun elinden tutmuş götürüyor, o da onun peşine takılıp gidiyor, belki bana da bir şey olur diye... Oysa daha verimli olması için bence yazılı metinler üzerinde bunu görmek lazım, fizibilite çalışmalarıyla buralara gitmek lazım... Yoksa bir buçuk günlük bir yurtdışı seyahati, 500 işadamıyla bir buçuk günlük bir yurtdışı seyahatinin bana iş dünyasında vizyonlu bir seyahat olduğunu kim anlatabilir ki? Yok böyle bir şey.”

Fn. 179: “İş konseyi toplantılarında konuşulan ve vaat edilen hususların takibi maalesef Türk tarafınca iyi yapılmıyor. Follow-up’ın iyi yapılması ve karşı tarafa önerilen işbirliği alanlarında yapılabilecekler ve gelişmeler ile ilgili olarak bir sonraki toplantıyı beklemeksizin ilerleme sağlanması gerekiyor. Yoksa yapılan sadece havanda su dövmek.”

Fn. 183: “Türk-Japon İş Konseyi DEİK’in ikinci iş konseyidir. Benden bu konseyi

kurmamı Turgut Bey istedi. Japonlarla münasebetim iyi olduğu için bana ‘Yapar mısın?’ dedi, ben de ‘Yaparım’ dedim. Böylece Türk-Japon İş Konseyi başkanlığını kabul ettim ve çok da ciddi başladım bu işe.”

Fn. 185: “DEİK bugüne kadar doğru bildiğini söyledi. Zaten hiçbir iktidar da doğru söyleyene karşı bir tavır almaz. Sadece üslup meselesini ben doğru tutması gerektiğini düşünüyorum... DEİK’in üslubu yapıcı, değer katıcı bir üsluptur. Yani yıpratıcı, tenkit edici ve yıkıcı bir üslup değildir. Yani müspet yaklaşıyor, pozitif yaklaşıyor,”

Fn. 186: “Şey gibi gözüküyor, yani bir yandan özel sektör geride, devlete bağlı, çok siyasi bir olay, hani devlet izin verirse yapıyoruz. Hâlbuki çoğunlukla beklenen tersidir, yani özel sektör özel olduğu için, özerk olduğu için gider ticaretini yapar, ilişkilerini kurar, devlet arkadan gelsin ya da gelmesin onun bileceği iştir. Ama burada bir yandan böyle bir engelleyici, böyle bir sadık, devletçi bir politika. Ama öbür yandan da, körü körüne değil, ‘tamam işte devlet izin vermiyor, hayır yatalım’ değil, ciddi bir hazırlık; izin verildiği an bir şeyler yapılması için. İzin beklenmesi ne kadar doğru? Ayrıca tartışılır tabi.”

Fn. 189: “İş konseylerinin gönüllü yapısı vardı; iş konseyleri politika üretiyordu, iş konseylerinin ürettiği politika önerileri DEİK tarafından Ankara’ya iletiliyordu; Dışişlerine, Dış Ticaret Müsteşarlığı’na ve Cumhurbaşkanlığı’na... DEİK’de yapılan mevzuat değişikliğiyle ilk 2006’da ondan sonra 2008’de devreye giren yönetmelik DEİK’in gönüllü kişiliğini yok etmiştir. Kuruluşundan 2006’ya Odalar Birliği yasası çıkana kadar DEİK’in hükmi kişiliği yoktu ama gönüllü bir kuruştı. Yeni mevzuatın DEİK’i Odalar Birliği’nin bir alt kuruluşu haline getirmesi, adeta dış ilişkiler departmanı konumuna indirmesiyle DEİK tüzel kişilik kazanmış ama gönüllü yapısı

bitmiştir! Odalar Birliği'nden talimat alıp, Odalar Birliği'nin talimatlarını yerine getirecek bir kuruluş haline gelmiştir.”

Fn. 192: “TİM başkanı Okan Oğuz, ekonomik belirsizliklere, sözlerin tutulmamasına, teşviklerin kaldırılmasına ve siyasi huzursuzluklara rağmen ihracatta ulaşılan sonucun ihracatçının devletsiz neler yapabileceğini ortaya koyduğunu söyledi.”

Fn. 193: “TİM'in hükümetle çatışarak değil de, hükümetle beraber çalışarak ihracatı geliştirmek gibi bir amacı var. Yani hükümetlerle uyum içinde çalışarak ihracatı geliştirme misyonu var. İş dünyasının diğer temsilcilerinden farklı olarak bir misyon var, o da dış ticaretin geliştirilmesi, ihracatın geliştirilmesi. O yüzden, çok fazla hükümetle çatışması beklenmemelidir, yapısı gereği, hangi iktidar olursa olsun onunla çalışılması gündemdedir.”

Fn. 196: “Bunlar siyaset dışı örgütlenmeler, Bizim yaptığımız eleştirilerin, bizim yaptığımız muhalefetin hiçbirisi siyasi değildi, yani belki öyle ayırmak lazım. O ayrımı iyi yaptıktan sonra, mutlaka, bu yapıların temel görevi eleştirel ve muhalif yüzlerini gösterebilmeleri, kaliteli bir yönetimin zaten en temel ihtiyacı; kaliteli bir eleştirel muhalif yüzdür. Bunlar birbirinin ayrılmaz parçası, yoksa hiç sesini çıkartmayan, hani dümen suyuna giden bir şekilde yürürse işler bu hormonlu bir yapı olur ki, enine doğru büyür, yayvan olur, hiçbir şekilde bir zenginlik, bir derinlik üretmez, olduğu zamanla sınırlıdır varlığı... 2001 sonrasında benim dönemimde ve AKP'nin 2002'de iktidara gelişlerinden bugüne kadar bütün altyapıyı böyle oturttuk ve bundan sonrasında da bu seviyeli ilişkiyi sağlam biçimde sürdürdük, sonuçları böyle aldık.”

Fn. 197: “2008 krizinden sonra eğer TİM'in beyanatlarına bakarsanız, hiç olumsuz bir görüş bildirmemiştir. Sebebi şu; ekonomi çok hassastır... Moral çok önemli, her

şeyde, ekonomide moral. Biz o gün hükümet elinden geleni yapıyor, gördüğümüz eksiklikleri birebir anlatıyoruz, gerçekten de taleplerimiz anında karşılanıyordu... Bizde suçlama değil, biz sadece tespiti kamuoyuna açıkladık... Yani hükümete hiçbir zaman yaranalım, onun söylediği paralelde gidelim diye davranmadık. Bakın, eksiklikleri biz, yani sanki sessiz kaldık gibi biraz öyle yansıdı da, biz bunu zaman zaman ikili görüşmelerde söylüyoruz. Yani biz tribüne değil neticeye bakıyoruz.”

Fn. 199: “Bazı düzenlemeler yapılmıştı. Şimdi bağlı birlikten çıkıp daha özerk hale gelmesi sağlandı. Yeni yapıyla kurumların çalışmalarının daha kolay olacağını tahmin ediyorum. Özellikle proje üretme alanında daha rahat hareket edilebilecek.”

Fn. 200: “Aslında çok kısıtladığını söyleyemeyeceğim. Yani daha rahat olmasını sağlıyor işin açıkçası. TMB çok rahatlıkla olması gerekeni söyleyebiliyor. Veya çok farklı talepler geldiği zaman bu taleplerin, şunların, tamam bunlar yapılabilir ama şunların olması şu anlamda mümkün değil, diye açıklama yapılabilir. Dediğim gibi o dengeyi tutturmaya çalışıyoruz. Ama yani gerçekten çok aslında yararlı oluyor bir yönde bağımsız olması. Çünkü sonuçta gerçekten de devletin buraya bir katkısı yok, her yaptığı şeyi müteahhitler kendi aidatlarıyla yaptıkları için, birlik de o şekilde çalıştığı için daha özgürce, daha rahat, daha geriye çekilerek olayı tartışarak bir sonuç çıkartabiliyor... Bence devlet için de bu büyük bir nimet böyle bir kuruluşun olması, özellikle böyle önemli bir sektörde.”

Fn. 202: “Son dönemde, yaklaşık son on yılda daha bir ‘ben yaptım oldu, ben söyledim oldu’ mantığı hâkim yukarıda. Aşağıda da, yönetimden iyice bir kopma ve uzaklaşma, gerçek anlamda, yönetime seçilmek için yarış olmaması, iş konseyi başkanları arasında ciddi bir yarışma ve rekabet olmaması, insanların DEİK yönetimine katılmak için o kadar fazla ilgi göstermemesi.”

Fn. 203: “Mesela bu 2023’e kadar 500 milyar dolar hedefini Türkiye İhracatçılar Meclisi deklare etti, bunu kafadan atarak masa başında da hazırlamış değiliz. O zaman 24 sektör vardı, 24 sektörle yüzlerce toplantı yapıldı; sektör temsilcileriyle, bizim ihracatçı birlikleri yönetim kurulu üyeleri, sektörün ileri gelenleri, akademisyenlerle... Bunu, gittik ilgili makamlara anlattık, devletin çeşitli birimlerine, daha sonra bu işi bir ileri götürdük, işte başbakana, cumhurbaşkanına anlattık... Bu, yani kendi yapmamız gereken bir faaliyetti, yaptık,”

Fn. 204: “Yönetim kurulu bütün sektörlerin görüşlerini alıyor, ayrıca sektör bölge dağılımında denge oluşmasına dikkat ediliyor. TİM’in aldığı kararlar tamamen sektörlerin menfaatlerini, çıkarlarını, beklentilerini karşılamak zorunda. Çünkü, bütün üyeler zaten o sektörlerin temsilcileri. Eğer TİM’in kararları sektörlerin aleyhineyse, zaten o sektörün temsilcileri kendi birliklerine döndüklerinde sorunla karşılaşacaklardır. TİM her zaman ihracatçı sektörlerin yanında, onların görüşlerini yansıtan bir mekanizma içinde yer alıyor.”

Fn. 206: “Üye sayısı olarak DEİK’le veya TİM’le kıyasladığımız zaman Mütteahhitler Birliği çok az üyeye sahip. Yani iletişim açısından daha rahat, sürekli üyelerin fikri soruluyor, anketler yapılıyor yahut toplu toplantılar yapılıyor, dolayısıyla alttaki görüşler üste çıkıyor. Tabii ki teker teker her firmanın bireysel isteğinin, düşüncesinin birlik açısından yansıtılmasının imkânı yok. Yönetim sonuçta filtrelemek durumunda. Bazı durumlarda bir fikir genel olarak kabul görse de politik açıdan savunulamayacak bir şey de olabilir; bu sonuçta bir yönetsel takdirdir. Sonuçta tüm üyelerinin oyuyla seçilen bir yapı var. Ama muhakkak ki demokrasinin gereği olarak, seçilen bu küçük bir grup her zaman için alttaki düşünceleri bir bütün olarak yansıtmaya; bir özeti olabilir, bir filtresi olur. Bazı durumlarda da kendi düşüncelerini yansıtır.”

Fn. 207: “Henüz bizim iş dünyamızda hesap verme kültürü yok. Bu olmayınca, iş örgütleri de sen ne kadar demokratsın diye kendi içinde sorgulamıyor... İş dünyası örgütlerinin şeffaf olduklarını da düşünmüyorum, yani bunu hepsi için de söylüyorum, hepsi için böyle bir sorun var... Yönetim kurullarında kararlar alınıp da mı görüşler ifade ediliyor? Bunun çok örneğini görmüyoruz. Yani daha çok başkan inisiyatifiyle gelişen yapılar bunlar.”

APPENDIX E

GUIDING QUESTIONS IN INTERVIEWS

Interviews made with businessmen, representatives of business associations, bureaucrats and third party observers such as economists and journalists have formed a crucial part of the research process of this study, and provided valuable insights, into the working of the state-business relationship in Turkey that could not have been obtained elsewhere. Interviewees were not asked a standard set of questions; rather the interviews were based on certain themes with questions slightly differing in accordance with the interviewee's identity and affiliation. Some of the guiding questions that shaped the interviews with each group of interviewees are listed below.

Businessmen and Representatives of Business Associations:

1. What are the instruments that your association is using to take part in the foreign policy processes? What kinds of input are provided by your association in this process?
2. To what extent does your association act autonomously from the state?
3. If there are your association has a position which conflicts with that of the state, how do you act? Do you challenge the state's position or modify your own position?
4. How does the involvement of influential business elites in business associations make a difference?
5. What are the factors that define the relationship that your association pursues with other associations?

6. How does your association's relations with the government differ from your relations with the bureaucracy?
7. To what extent do the decisions made by the administration of your association reflect the collective will of the member companies?
8. How do the member companies submit their interests, opinions and demands to the administration of your association?
9. How does overlapping membership at higher echelons of the association, such as council chairmen who are active in more than one association, affect the relationship between associations?
10. What is the role played by the association in intergovernmental meetings and negotiations?
11. What motivates businessmen to spend their time and money for the activities of business associations?
12. What kinds of benefits are there for businessmen in working with statesmen, politicians and bureaucrats?
13. How do you think are your economic activities overseas affecting Turkey's relations with that particular country?
14. Does having a semi-public status/private-status strengthen your hand when dealing with the state?

Bureaucrats:

1. Do you think that business associations are turning into foreign policy actors? To what extent are they contributing to policy formulation and implementation processes?

2. Can business associations make your institution change a decision you have already made?
3. How did the fact that economic considerations have emerged to the foreground of foreign policy calculations affect the working principles of your institution?
4. Do sizeable business volumes overseas offer an advantage for Turkey's foreign policy?
5. Is there a specific pattern through which the state distributes certain foreign policy related tasks to different business associations? How do you choose which association to work with?
6. What kind of difficulties are you facing when working with businessmen? What are the advantages of doing so?
7. Where do you think should the demarcation lines be drawn between the public and private?
8. What happens when the position of the bureaucracy on a particular issue conflicts with that of the minister or the government?
9. How do you think has the relationship between the government and the bureaucracy evolved over the past three decades?
10. What are the advantages and disadvantages of including large business delegations in official state visits abroad?
11. How does a commercial counselor appointed a Turkish diplomatic mission abroad work with the Turkish businessmen in that country?
12. How do the overlapping fields of activity between different institutions affect intra-bureaucratic relations?

Third Party Observers:

1. Do you think that business associations are turning into foreign policy actors?
To what extent are they contributing to policy formulation and implementation processes?
2. What are the most effective instruments utilized by business associations in foreign policy related issues?
3. What motivates businessmen to actively take part in the activities of business associations?
4. What are the sources of competition between business associations?
5. How has the state's approach to the business associations changed over the past three decades?
6. How freely can the business associations act outside the state's control?
7. Is it a good thing that the number of business associations involved in external relations is increasing?
8. Do you think that business associations can adequately reflect the collective will of their clientele?
9. How democratic are the business associations?

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