

ECONOMIC DIPLOMACY OF TURKEY

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## **ABSTRACT**

### **ECONOMIC DIPLOMACY OF TURKEY**

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This thesis aims to clarify Turkey's economic diplomacy in the 2000s. The main argument of this thesis is that Turkish economic diplomacy strategy in the relevant period is to have more multidirectional and more multidimensional foreign economic relations. Among the key findings of the thesis are that the relative decline in the US-led international order has provided Turkey with an external variable, that the Turkish ruling elite perception of the global changes and the increasing involvement of Turkish business community in Turkey's foreign economic relations are internal variables in explaining Turkish economic diplomacy. The thesis is composed of five chapters. After the introductory chapter, the second chapter focuses on the US and Chinese cases and their formal structures. The third chapter scrutinizes the actors in Turkey's economic diplomacy in the 2000s. The fourth chapter elaborates on Turkish economic diplomacy and the involvement of Turkish business community. The concluding chapter discusses the main findings of this thesis.

**Keywords:** Economic Diplomacy, Turkey, Foreign Policy

## ÖZ

### TÜRKİYE’NİN EKONOMİ DİPLOMASİSİ

Kurtaran, Batuhan

Yüksek Lisans, Uluslararası İlişkiler Bölümü

Tez Yöneticisi: Prof. Dr. Oktay Fırat Tanrısever

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Bu tez, 2000’li yıllarda Türkiye’nin ekonomi diplomasisini açıklamayı amaçlamaktadır. Bu tezin temel iddiası, 2000’li yıllarda Türkiye’nin ekonomi diplomasisi stratejisinin daha çok yönlü ve daha çok boyutlu dış ekonomi politikalarına sahip olmak olduğudur. Türkiye’nin ekonomi diplomasisini açıklamakta ABD önderliğindeki uluslararası sistemdeki zayıflamanın dışsal değişkeni, Türkiyeli karar alıcıların küresel sistemdeki değişikliklere ilişkin algıları ve Türk iş dünyasının dış ekonomik ilişkilere giderek daha fazla katılım göstermesinin ise içsel değişkenleri sağladığı, tezin temel bulguları arasındadır. Beş bölümden oluşan bu tezin giriş bölümünden sonra, ikinci bölümü ABD ve Çin’in ekonomi diplomasisi pratiklerini ve yapılarını incelemektedir. Üçüncü bölüm, Türkiye’nin 2000’lerdeki ekonomi diplomasisi aktörlerine odaklanmaktadır. Dördüncü bölüm, Türkiye ekonomi diplomasisine ve Türkiye iş dünyasının katılımını ele almaktadır. Sonuç bölümü ise bu tezin temel bulgularını tartışmaktadır.

**Anahtar Kelimeler:** Ekonomi Diplomasisi, Türkiye, Dış Politika

*To my mom, Mümine Kurtaran*



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## LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
APEC	Asia-Pacific Economic Cooperation
BIAC	Business at OECD
BRF	Belt and Road Forum
BRI	Belt and Road Initiative
BSEC	Black Sea Economic Cooperation
CCIs	Chamber of Commerce and Industry
CPC	Communist Party of China
DEİK	Foreign Economic Relations Board of Turkey
EC	European Community
ECO-CCI	Chamber of Commerce and Industry
ECSC	European Coal and Steel Community
EEC	European Economic Community
EEU	Eurasian Economic Union
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
G20	Group of 20
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
IR	International Relations
JETCO	Joint Economic and Trade Committee
KORUS	US-South Korea Free Trade Agreement
LIDCs	Low-Income Developing Countries
MFA	Ministry of Foreign Affairs
MNCs	Multinational Corporations
MOT	Ministry of Trade

MOTF	Ministry of Treasury and Finance
MOU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement
NDRC	National Development and Reform Commission
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
P4	Trans-Pacific Strategic Economic Partnership
PRC	People's Republic of China
RPPI	Reciprocal Promotion and Protection of Investments
SALs	Structural Adjustment Loans
SDRs	Special Drawing Rights
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
TİKA	Turkish Cooperation and Coordination Agency
TOBB	Union of Chambers and Commodity Exchanges of Turkey
TPP	Trans-Pacific Partnership
TÜSİAD	Turkish Industry and Business Association
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USMCA	US-Mexico-Canada Agreement
WTO	World Trade Organization

## CHAPTER 1

### INTRODUCTION

#### 1.1. Scope and Objective

The essential objective of this thesis is to examine Turkey's economic diplomacy in the 2000s. For this purpose, Turkey's foreign economic relations, the institutional structure of Turkey's economic diplomacy including governmental and (*quasi*) non-governmental institutions and driving forces of Turkey's economic diplomacy will be analyzed in detail. This thesis tries to make sense of Turkey's economic diplomacy in the above-mentioned period by combining external and internal variables. As an emerging middle power at the beginning of the 2000s, Turkey has tried to accelerate its economic diplomacy activities at unilateral, bilateral, and multilateral levels. The systemic and domestic variables behind the increasing activism in Turkey's economic diplomacy are handled as a whole in this study.

#### 1.2. Research Question

To understand the basis of and to explain Turkey's economic diplomacy in the 2000s, this thesis tries to answer the following research questions: 1) What is the Turkish economic diplomacy strategy in the 2000s? 2) What are the variables explaining Turkey's economic diplomacy in the same period?

It is assumed that Turkey's economic diplomacy can be grasped through figuring out the strategy which it is based on. For that, it is necessary to analyze the foreign economic relations formed and sustained by the Turkish governments in the 2000s. What sort of foreign economic policies have the Turkish governments pursued during the 2000s? In what ways have they developed and sustained their foreign economic

relations with individual countries and international organizations? How did the Turkish governments see the current changes at the global political-economic landscape? These are the significant questions whose answers constitute the basis of the Turkish economic diplomacy strategy in the given period.

To clarify the potential variables in Turkey's economic diplomacy equation is an important step towards making sense of the country's economic diplomacy in the same period. Turkey's economic diplomacy, as it is the case in each country, has been shaped according to the external and internal driving forces. In what type of external environment has Turkey's economic diplomacy taken place in the 2000s? How have the global political-economic developments affected Turkey to pursue a particular economic diplomacy? What sort of domestic variables have influenced the practice of economic diplomacy? What kind of relations have been constructed between the Turkish governments and Turkish business community? Thus, the analysis of Turkey's economic diplomacy requires to figure out and evaluate both external and internal driving forces from which Turkish economic diplomacy has arisen from.

### **1.3. Literature Review on Economic Diplomacy**

Though the concept of economic diplomacy has newly become a field of interest for scholars in social sciences, it is not a new phenomenon. Its roots, indeed, date back to the ancient times of the humanity as there were references to economic diplomacy-related activities, such as trade boycotts, in the Peloponnesian War between 431 and 404 BC.<sup>1</sup>

The development of the concept is connected with the development of today's international political economic system. As Imbert suggests, the concept of economic diplomacy has slowly emerged after the World War II as a result of the fact that

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<sup>1</sup> Thucydides, *The Peloponnesian War* (New York: Oxford University Press, 2009), xiv.



economy has become a key element of political influence in international relations.<sup>2</sup> As it is widely accepted in the literature, from Bretton Woods to complex interdependence and to globalization, international economic relations have gradually become more and more important in international affairs starting from the mid-1950s. Hence, it would not be misleading to suggest that in today's world, economy has become an indispensable part of international politics. In other words, the major world economies driving the international political economic outlook conduct "their diplomacy with the focus on their economic, trade and private sector interests."<sup>3</sup> Under these conditions, it is not surprising that the concept of economic diplomacy has increased its significance in international relations.

Since it is an interdisciplinary field, various scholars from different fields of social sciences have come up with varying explanations of the concept. Lee and Hocking suggest that major diplomacy textbooks generally define economic diplomacy "as the use of traditional diplomatic tools such as intelligence gathering, lobbying, representation, negotiation and advocacy to further the foreign economic policies of the state."<sup>4</sup>

According to a definition provided by Berridge and James, economic diplomacy is another form of diplomacy that is related to economic policy questions and that applies economic instruments to achieve a certain foreign policy end:

(1) Diplomacy concerned with economic policy questions, including the work of delegations to conferences sponsored by bodies such as the World Trade Organization. While distinct from the commercial diplomacy of diplomatic missions, it also includes that part of their work concerned with monitoring and reporting on economic policies and developments in the receiving state and

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<sup>2</sup> Florence Bouyala Imbert, *EU Economic Diplomacy Strategy*, European Parliament (Brussels: Directorate-General for External Policies Policy Department, 2017), 4.

<sup>3</sup> Imbert, *EU Economic Diplomacy Strategy*, 4.

<sup>4</sup> Donna Lee and Brian Hocking, "Economic Diplomacy," in *The International Studies Encyclopedia*, ed. Robert A. Denemark (Wiley Blackwell, 2010).

advising on how best to influence them. (2) Diplomacy which employs economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective. This is sometimes known as ‘economic statecraft’<sup>5</sup>

On the other hand, Okano-Heijmans defines economic diplomacy 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.<sup>6</sup> By paraphrasing Gilpin<sup>7</sup>, she argues that “the essence of economic diplomacy is to interrupt, employ and direct commercial and political intercourse.”<sup>8</sup> Hence, her understanding of economic diplomacy is based on to increase national welfare and political stability in a particular country.

In contrast, van Bergeijk defines economic diplomacy as activities about methods and processes for international decision-making on cross-border economic actions taken by states and non-state actors, such as export, import, investment, lending, aid and migration.<sup>9</sup> For him, economic diplomacy is composed of three elements: (1) promoting and influencing international trade and investment with the aim of improving the “functioning of markets and/or to address market failures and to reduce costs and risks of cross border transactions”<sup>10</sup> through political influence; (2)

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<sup>5</sup> G. R. Berridge and Alan James, *A Dictionary of Diplomacy* (New York: Palgrave, 2001), 81.

<sup>6</sup> Maaïke Okano-Heijmans, "Conceptualizing Economic Diplomacy: The Crossroads of International Relations, Economics, IPE and Diplomatic Studies," *The Hague Journal of Diplomacy* 6, no. 1-2 (2011): 17.

<sup>7</sup> See Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987).

<sup>8</sup> Okano-Heijmans, "Conceptualizing Economic Diplomacy: The Crossroads of International Relations, Economics, IPE and Diplomatic Studies," 17.

<sup>9</sup> Peter van Bergeijk, *Economic Diplomacy and the Geography of International Trade* (Cheltenham: Edward Elgar, 2009), 14.

<sup>10</sup> Bergeijk, *Economic Diplomacy and the Geography of International Trade*, 14.

increasing the cost of conflict and increasing the mutual advantages of cooperation and politically stable relations through the use of economic assets and formal relations; and (3) the consolidation of optimum political climate and international political-economic environment to enable these objectives.<sup>11</sup>

On the other hand, Rana defines economic diplomacy as a process through which nations handle the outside world at different levels, e.g., bilateral, regional and multilateral levels, in order to increase their gains as much as possible in their economic activities, such as trade and investment.<sup>12</sup> He also suggests that economic diplomacy includes the followings:

Foreign trade promotion and management, including the negotiation of trade agreements and WTO issues; mobilisation of foreign investments, in all their variants plus the agreements that pertain to investments; handling external aid, both incoming and outbound (if the country is an aid provider, even on a modest scale), as also technical aid; managing relations with international multilateral institutions, including the World Bank, IMF and regional banks; pursuing economic dialogue with international and regional forums, be it at the UN, or at other global and regional institutions (G-20, G-77, and others); projecting the country image, to enhance the country brand, especially from an economic perspective.<sup>13</sup>

Yet another clarification of the concept is made by Bayne and Woolcock. For them, economic diplomacy is related to international economic issues and how states conduct their external economic relations. Rather than its instruments, Bayne and Woolcock

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<sup>11</sup> Bergeijk, *Economic Diplomacy and the Geography of International Trade*, 15.

<sup>12</sup> Kishan S. Rana, "Economic Diplomacy: The experience of Developing Countries," in *The New Economic Diplomacy: Decision-Making and Negotiation in International Economic Relations*, ed. Nicholas Bayne and Stephen Woolcock (Aldershot: Ashgate Publishing, 2007), 201.

<sup>13</sup> Kishan S. Rana, "Economic diplomacy: what might best serve a developing country?," *International Journal of Diplomacy and Economy* 1, no. 3-4 (2013): 233.

prefer to define economic diplomacy through its content by quoting Odell<sup>14</sup>: “policies relating to production, movement or exchange of goods, services, investments (including official development assistance), money, information and their regulation.”<sup>15</sup> They claim economic diplomacy, in the broadest sense, is about what governments do in their foreign economic relations:

It goes much wider than foreign ministries or any closed circle of bureaucrats. All government agencies that have economic responsibilities and operate internationally are engaging in economic diplomacy, though they might not describe it as such. Ministers and heads of government, parliaments, independent public agencies and sub-national bodies are all making their influence felt.<sup>16</sup>

As can be seen from the different explanations above, there is no single definition of economic diplomacy in social sciences literature. Nor is it an easy attempt to theorize economic diplomacy. However, the concept of economic diplomacy is used in this thesis to refer to the process through which international economic relations at all levels, e.g., unilateral, bilateral, plurilateral and multilateral, are managed and developed through the formulation and the practice. The international economic relations, here, refer to all dimensions of economic policy issues such as foreign trade, investments, financing, and foreign aids.

Since it has newly become a field of interest for International Relations (IR) scholars, the IR literature has still been developing with different studies on economic diplomacy. According to Okano-Heijmans, there are three centers of interest in IR literature on economic diplomacy. These are conceptual analysis studies that concentrate on the interaction between international economic relations and foreign

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<sup>14</sup> Nicholas Bayne and Stephen Woolcock, "What is Economic Diplomacy?," in *The New Economic Diplomacy: Decision-Making and Negotiation in International Economic Relations*, ed. Nicholas Bayne and Stephen Woolcock (New York: Routledge, 2017), 4.

<sup>15</sup> John S. Odell, *Negotiating the World Economy* (Ithaca: Cornell University Press, 2000), 11.

<sup>16</sup> Bayne and Woolcock, "What is Economic Diplomacy?," 3-4.

and military policies, case studies that investigate economic diplomacy practices of various countries, and international law studies that are focused on legal institutions and commercial law.<sup>17</sup>

One of the most important studies within conceptual analysis is Baldwin's *Economic Statecraft*. In the introduction part of his seminal work, Baldwin writes that it "is a study of economics as an instrument of politics."<sup>18</sup> For him, economic measures including punitive ones are taken for political purposes:

Compared to other techniques of statecraft, economic measures are likely to exert more pressure than either diplomacy or propaganda and are less likely to evoke a violent response than military instruments. In mixed motive games in which applying pressure and avoiding the evocation of a violent response are both important goals, economic tools are likely to be especially attractive.<sup>19</sup>

Baldwin describes economic statecraft as "governmental influence attempts relying primarily on resources which have a reasonable semblance of a market price in terms of money."<sup>20</sup> As can be understood from these quotes, economic diplomacy, from Baldwin's point of view, is about much more than mere commercial interests. Instead, economic diplomacy refers to broader national interests of which there are political, strategical and economic aspects.

Another important study in this category is Michael Mastanduno's article entitled *Economic Statecraft, Interdependence, and National Security*. According to Mastanduno, there is no boundary between international political economy and security studies. He suggests that "economic relations are matters of high politics, and

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<sup>17</sup> Okano-Heijmans, "Conceptualizing Economic Diplomacy: The Crossroads of International Relations, Economics, IPE and Diplomatic Studies," 24.

<sup>18</sup> David A. Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 1985), 3.

<sup>19</sup> Baldwin, *Economic Statecraft*, 110.

<sup>20</sup> Baldwin, *Economic Statecraft*, 13-14.

any effective understanding of great power politics requires an understanding of positive economic statecraft and the links between economics and security.”<sup>21</sup> In other words, economic relations cannot be imagined as if they are independent of political goals and economic sanctions, part of economic relations, depend on particular political goals. Moreover, Mastanduno makes a distinction between negative and positive economic sanctions. While negative sanctions are described as simply economic coercion, positive sanctions are “the provision or promise of economic benefits to induce changes in the behavior of a target state.”<sup>22</sup> He argues that the size of a state is very important in terms of its vulnerability to sanctions. The smaller the economy a state has, the more vulnerable it is.<sup>23</sup>

Among the case studies in IR literature is Cheol’s research on the political economy of Chinese investments in North Korea. In his work, Cheol does not only analyze the quantitative data with regard to the Chinese economic activity in North Korea but also investigates the underlying reasons for Beijing’s investments in Pyongyang. According to him, increasing Chinese investments have something to do with supporting the Pyongyang regime by improving its economy, thereby reducing its potential for political instability. For him, “this suggests that despite expectations and allegations from the West that China might abandon its long-time ally, China is committed to supporting North Korea.”<sup>24</sup>

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<sup>21</sup> Michael Mastanduno, "Economic Statecraft, Interdependence, and National Security: Agendas for Research," *Security Studies* 9, no. 1-2 (1999): 303.

<sup>22</sup> Mastanduno, "Economic Statecraft, Interdependence, and National Security: Agendas for Research," 303.

<sup>23</sup> At this point Mastanduno evokes that although a state has a small economy and is dependent, it can still resist against sanctions very effectively. Therefore, the size of its economy is not the only determinant of its vulnerability to economic sanctions.

<sup>24</sup> Jae Cheol Kim, "The Political Economy of Chinese Investment in North Korea: A Preliminary Assessment," *Asian Survey* 46, no. 6 (2006): 916.

On the other hand, in his quantitative study, Volker Nitsch analyzes a large data set to determine the effect of political factors on trade through official visits of Heads of State in exporting countries for the period from 1948 to 2003. He concludes in his study that the official visits made by the heads of state of France, Germany and the US have brought about the advancement of exports for host countries. Nitsch then suggests that “the results show a strong but short-lived effect of visits on bilateral exports growth, which is driven by repeated visits to a country.”<sup>25</sup>

Another example work in this category is Kunz’s book entitled *Butter and Guns: America’s Cold War Economic Diplomacy*. In her book, Kunz examines the foreign economic relations of the US during the Cold War period from a historian perspective. To her, the then widely accepted perspective was wrong and “guns and butter are not mutually exclusive.”<sup>26</sup> She claims that it was the economic diplomacy that provided the engine driving the economic and security locomotive of the US.<sup>27</sup> According to her, that became possible thanks to the Bretton Woods Conference in 1944, which set up the US dollar as the foundation stone of the international monetary system. In this way, the US managed to gain special benefits to fund its military activities abroad against the Soviet threat.

Concerning the last body of IR literature on economic diplomacy, there are numerous studies on international law. Those studies on legal institutions and commercial law are included in this category. Nonetheless, they will not be given a space in this thesis as the literature in this category goes beyond the scope of this thesis.

In sum, neither defining nor theorizing economic diplomacy are easy efforts in the field of IR. Because of its interdisciplinary nature, scholars have come up with

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<sup>25</sup> Volker Nitsch, "State Visits and International Trade," *The World Economy* 30, no. 12 (2007): 1816.

<sup>26</sup> Diane B. Kunz, *Butter and Guns: America’s Cold War Economic Diplomacy* (New York: Free Press, 1997), 5.

<sup>27</sup> Kunz, *Butter and Guns: America’s Cold War Economic Diplomacy*, 2.

different understandings of the concept. While some stress the instruments of economic diplomacy, others emphasize the objectives which are pursued through economic diplomacy. Yet, the concept refers, in this thesis, to the process through which international economic relations are managed and developed by individual countries. Notwithstanding the lack of a standard definition of the concept in the literature, the studies in the IR literature are divided into three categories. While the first category is much more about the interaction between international economic relations and foreign policy, the second category of studies is more about case studies. Studies in the last category, on the other hand, are concentrated on the issue from the international law perspective. Although the literature on economic diplomacy is mostly dominated by realist theories, scholars have been developing new approaches that highlight the multiplicity of actors, including non-governmental ones.

#### **1.4. Argument**

This thesis seeks to analyze Turkey's economic diplomacy in the 2000s. In this respect, Turkey's foreign economic relations and both internal and external variables that have led Turkey to pursue a particular foreign economic policy will be analyzed.

The main argument of this thesis is that Turkey's economic diplomacy during the above-mentioned period has been based on to have more multidirectional and more multidimensional foreign economic relations. The Turkish governments have tried and, to a certain extent, managed to establish new economic partnerships with those countries that the former Turkish governments had ignored. The increasing bilateral trade with the African, Central Asian, the North and Middle Eastern countries and Turkey's involvement in new regional and multilateral initiatives such as Asian Infrastructure Investment Bank (AIIB) and the Belt and Road Initiative (BRI) are clear examples of Turkey's pursuit of diversification of its economic partners both at bilateral and multilateral levels. Moreover, Turkey's ambition to sign Free Trade Agreements (FTAs) with a great variety of countries and its increasing official development assistance in the 2000s demonstrate its tendency towards enhancing the ways of economic cooperation. In other words, Turkey has pursued more



multidimensional foreign economic relations to enhance its economic cooperation with other countries in the 2000s.

This thesis claims that neoclassical realist theory is more useful in analyzing Turkey's economic diplomacy in the 2000s since it takes into account not only systemic variables, e.g., anarchic nature of the international system, but also domestic ones leading Turkey to conduct a certain economic diplomacy. With the relative decline of the US hegemony and the rise of new powers have contributed to the uncertainties in international politics. This has led Turkey to start showing an increasing activism in its foreign economic relations to shape its external environment in which its foreign policy, thereby its economic diplomacy, has taken place in the relevant period. On the other hand, internal variables such as the increasing activism of Turkish business community are also important internal variables of Turkey's economic diplomacy to realize in a particular way. The Turkish decision-makers' understanding of the changes at the global political-economic landscape, the ruling elite's perception of Turkey's foreign economic relations and the increasing role of (*quasi*) non-governmental business organizations in Turkey's foreign economic policies are among the domestic driving forces of Turkish economic diplomacy in the 2000s.

### **1.5. Theoretical Framework and Methodology**

The growing IR literature on economic diplomacy is mostly dominated by the neorealist paradigm. According to the realist theory, security is the key determinant of international economic relations<sup>28</sup> and states conduct economic diplomacy in “the pursuit of economic security within an anarchic system.”<sup>29</sup> Although economic security might be an irrefutable motivation for states, neorealist paradigm is incomplete in covering all strands of Turkey's economic diplomacy in the 2000s.

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<sup>28</sup> Robert Gilpin, "The Politics of Transnational Economic Relations," *International Organization* 25, no. 3 (1971): 403.

<sup>29</sup> Lee and Hocking, "Economic Diplomacy."

In this respect, unlike other strands of realism, neoclassical realism provides us with a better analytical framework that combines both external and internal variables in Turkey's economic diplomacy equation. In other words, neoclassical realist framework is more useful in examining and explaining Turkey's economic diplomacy in the 2000s since it takes into account domestic factors as well. As argued by Rose, "foreign policy is driven by both internal and external factors."<sup>30</sup> He maintains that neoclassical realism

explicitly incorporates both external and internal variables, updating and systematizing certain insights drawn from classical realist thought. ... the scope and ambition of a country's foreign policy is driven first and foremost by its place in the international system ... however, ... the impact of such power capabilities on foreign policy is indirect and complex, because systemic pressures must be translated through intervening variables at the unit level.<sup>31</sup>

The 2000s are the years during which Turkey's economic diplomacy has accelerated. Not only governmental institutions, but also (*quasi*) non-governmental organizations have advanced their capabilities to have a say in Turkey's foreign economic relations. Their increasing activism in Turkey's foreign economic relations has been promoted by the Turkish governments and they have become an important component and driving force for the governments to pursue a particular economic diplomacy. During those years, the Turkish governments tended to have a more integrated economic diplomacy in the way that involve and instrumentalize Turkish business community in their foreign economic relations. As Lee and Hocking observe:

In all countries economic diplomacy is a key strand in diplomatic strategy and it therefore becomes necessary for states to develop an integrated or coordinated diplomacy. This coordinated diplomacy involves a multiplicity of actors and individuals built around policy networks drawn from several

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<sup>30</sup> Gideon Rose, "Neoclassical Realism and Theories of Foreign Policy," *World Politics* 51, no. 1 (1998): 145.

<sup>31</sup> Rose, "Neoclassical Realism and Theories of Foreign Policy," 146.

government ministries, including the foreign ministry, as well as the private and civil sector actors placed in national, regional, and international levels.<sup>32</sup>

In the Turkish case, this does not necessarily mean that the governmental institutions have lost their power in Turkey's economic diplomacy or that the Turkish governments have reduced their dominance in foreign affairs. Quite the contrary, the Turkish governments have empowered the governmental organizations, such as the Ministry of Foreign Affairs, the Ministry of Trade, the Ministry of Treasury and Finance, and Turkish Cooperation and Coordination Agency, in developing and sustaining foreign economic relations with other countries and international organizations. Yet, the (*quasi*) non-governmental organizations have also become more active compared to the past with the encouragement of the Turkish governments in the 2000s. They started increasingly getting included in inter-governmental negotiations of Turkey, such as Joint Economic Trade Committee (JETCO) and Mixed Economic Commission (MEC). Furthermore, through new mechanisms established by the Turkish governments, such as Coordination Council for Improvement of Investment Environment (YOİKK), Turkish business community started to be incorporated into Turkey's economic diplomacy. Therefore, it becomes a necessity to consider the activism of Turkish business community as an internal variable for Turkey's economic diplomacy practices.

The 2000s were also the years during which the Turkish governments have advanced their role at international institutions, such as G20; they have diversified the multilateral organizations of which Turkey is member; they have strengthened their bilateral relations with those countries that had been ignored by the former Turkish governments; and they have come up with various international political-economic projects, such as the foundation of the World SME Forum. Moreover, the Turkish governments have developed their economic cooperation at bilateral level as well through the increasing number of FTAs, the increasing number of the Agreements on Reciprocal Promotion and Protection of Investments (RPPI), and the growing volume

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<sup>32</sup> Lee and Hocking, "Economic Diplomacy."

of official development assistance in the same period. These all have come true due to both external and internal variables. Therefore, the neoclassical realist paradigm is a very useful analytical framework to describe Turkey's economic diplomacy in the 2000s since it makes it possible to combine both systemic and domestic variables.

While this thesis focuses on the relative decline of the US hegemony at global level as an external variable, it analyzes the governmental institutions with responsibility in Turkish economic diplomacy and the increasing involvement of Turkish business community in Turkey's foreign economic relations as internal variables. The Ministry of Foreign Affairs (MFA), the Ministry of Trade (MOT), the Ministry of Treasury and Finance (MOTF), and the Turkish Cooperation and Coordination Agency (TİKA) have been selected as cases since they are the most prominent actors of Turkey's economic diplomacy in the 2000s. While MFA is the primary governmental institution in conducting Turkey's foreign policy, MOT is the leading governmental organization in trade dimension of economic diplomacy. Whereas MOTF is the preeminent governmental institution in investment and finance domains of economic diplomacy, TİKA is the main governmental organization in foreign aid domain of economic diplomacy. Among Turkish business community are TOBB, DEİK, and TÜSİAD that have been selected as units of analysis. Whilst TOBB is the largest business organization in Turkey in terms of the number of its members and of the volume of its budget, DEİK is the only business organization with a distinguished role attributed by the Turkish government as "to coordinate the foreign economic relations of Turkish private sector."<sup>33</sup> Finally, TÜSİAD is an interest group with rooted links with inter-governmental organizations and international business organizations, such as G20/B20, BDI, and MEDEF.

This study is a desk-based study in which documents prepared by state officials, speeches of the Turkish President and the relevant Ministers, publications of non-governmental and quasi non-governmental organizations, secondary literature, news

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<sup>33</sup> *To Amend the Labour Act and Some Acts and Decrees Having Force of Law and Restructuring Some Public Receivables*, 6552.

and magazines have been utilized. Official state documents and speeches of the Turkish President and the relevant Ministers are beneficial in order to gain insight into the economic diplomacy of the Republic of Turkey since they provide the firsthand information on the perspective of the Turkish governments. How does the Turkish government perceive the current changes at the global political economic level? To answer this question, official state documents have been analyzed and discourse of the Turkish President and Ministers have been subjected to rigorous content analysis.

Besides, publications of non-governmental and quasi non-governmental organizations are helpful in better understanding of what kind of role the Turkish business community plays in Turkish economic diplomacy. How do they see Turkey's economic diplomacy and the Turkish governments' foreign economic policies? How are they internal variables in explaining Turkey's economic diplomacy? Therefore, the examination of the publications of these non-governmental and quasi non-governmental organizations are a significant part of the study to grasp the relations between them and the Turkish government and in order to apprehend the role of Turkish business community in Turkey's foreign economic relations.

Finally, secondary literature includes online and printed books, academic journals, newspapers and magazines, perspective of scholars, databases of UNCTAD (United Nations Conference on Trade and Development), and TurkStat (Turkish Statistical Institute). It is indeed essential for two main purposes: First, secondary literature is very useful to make sense of the topic in a theoretical framework. What is the ideological lens of the Turkish decision makers in the economic diplomacy? From which point of view do they see Turkey's foreign economic relations with other countries? In order to answer these questions, secondary sources are of vital importance. Furthermore, secondary sources with quantitative data are also essential while investigating the changes in Turkey's foreign economic policies in years. This is because they simply demonstrate the quantitative changes in Turkey's economic relations with particular countries which inevitably presents the options and tendencies of the Turkish government in its foreign economic relations. Thus, secondary literature has comprehensively been analyzed.

## **1.6. Structure of the Thesis**

This thesis is composed of five chapters. The first chapter is the introduction part which shed light on the scope and objective, literature review, argument, and the methodology of the research. The second chapter focuses on how other countries practice economic diplomacy and what the elements of their economic diplomacy strategies are. For that chapter, the cases of the United States (US) and the People's Republic of China (PRC) have been selected as case analysis to provide a background information on global political economy landscape in which Turkey's economic diplomacy functions. The third chapter describes the governmental and (*quasi*) non-governmental institutions which are important actors in Turkey's foreign economic relations in the 2000s. The fourth chapter elaborates on Turkey's foreign economic policies in three periods: the bipolar period (1945-1990), the unipolar period (1990-2002), and the period of the 'rise of the rest' (the 2000s). The final chapter concludes the entire work and discusses the main findings of this thesis.

## **CHAPTER 2**

### **ECONOMIC DIPLOMACY PRACTICES IN A CHANGING WORLD**

#### **2.1. Introduction**

This part of the thesis is to give brief information on how other countries, namely the US and China, practice economic diplomacy in the 2000s. For that purpose, I will first try to shed light on governmental institutions of the both countries, which directly engage in conducting their foreign economic policies. Then, I am going to analyze some previously selected economic diplomacy practices of them.

#### **2.2. The US Economic Diplomacy**

Decision making on and implementation of foreign economic policies are diffused across different branches of the US governmental structure. Major actors of economic diplomacy are the Department of State, the US Trade Representative, the Department of Commerce and the Department of Treasury. Although its authority in pursuing the US' foreign economic policies has been shared with the aforementioned governmental branches, the leading one is the Department of State. The then-President Franklin D. Roosevelt delegated it the full responsibility for international economic diplomacy in 1939.

According to John Kerry, the former Secretary of State, the State Department must carry out the US foreign policy not only in terms of challenges to the national security but also in terms of “the products that we buy, the goods that we sell, and the

opportunity that we provide for economic growth and vitality around the world.”<sup>34</sup> Likewise, Mike Pompeo, the current Secretary of State, suggests that “economic diplomacy has always been central ... to the State Department’s missions”<sup>35</sup> and that the Department of State is primarily responsible for ensuring markets are open.

The State Department is entrusted with special authorities to be the locomotive of the US foreign economic policy. With respect to that, it has the *Under Secretary for Economic Growth, Energy, and the Environment*. As stated in the State Department’s Foreign Affairs Manuel and Handbook:

[the Under Secretary] serves as the principal adviser to the Secretary and Deputy Secretaries on matters of foreign economic, energy, environmental, science and technology policies. This includes trade, investment, commerce, business, sanctions, agriculture, economic development, international health, oceans, and innovation policy. He or she directs formulation of and/or coordinates Department policies on economic, energy, and environmental issues.<sup>36</sup>

The Under Secretary not only assists the Secretary and the Deputy Secretaries in performing their responsibilities in economic assistance, he/she also assists the Secretary, upon request, in representing the US at international meetings and in presenting the State Department’s position in congressional committees regarding economic issues.<sup>37</sup> Most importantly, he/she “negotiates, signs, and terminates treaties

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<sup>34</sup> Bruce Oliver Newsome and Jack A. Jarmon, *A Practical Introduction to Homeland Security and Emergency Management: From Home to Abroad* (California: Sage Publications, 2015).

<sup>35</sup> "Economic Diplomacy and America's Economic Revival," DipNote, 2018, accessed June 19, 2019, <https://blogs.state.gov/stories/2018/06/19/en/economic-diplomacy-and-americas-economic-revival>.

<sup>36</sup> "Foreign Affairs Manuel: 1 FAM 042 Under Secretary for Economic Growth, Energy, and the Environment," The U.S. Department of State, accessed March 12, 2019, [https://fam.state.gov/searchapps/viewer?format=html&query=economic%20diplomacy&links=ECONOM,DIPLOMACI&url=/FAM/01FAM/01FAM0040.html#M042\\_1](https://fam.state.gov/searchapps/viewer?format=html&query=economic%20diplomacy&links=ECONOM,DIPLOMACI&url=/FAM/01FAM/01FAM0040.html#M042_1).

<sup>37</sup> "Foreign Affairs Manuel: 1 FAM 042 Under Secretary for Economic Growth, Energy, and the Environment."



and other international agreements and authorizes other US Government officials to do so under the Circular 175 procedure of the Department.”<sup>38</sup>

The Bureau of Economic and Business Affairs (EB) is the most significant branch in carrying out these missions of the Under Secretary. The EB aims to build a strong US economy, to create job opportunities for the US citizens, to boost economic occasions and to guarantee national security.<sup>39</sup> In practical terms, the EB works to expand commercial ties and to implement sanctions against international terrorism.

The EB has 7 divisions; Commercial and Business Affairs (CBA), International Communications and Information Policy (CIP), Economic Policy Analysis and Public Diplomacy (EPPD), International Finance and Development (IFD), Counter Threat Finance and Sanctions (TFS), Trade Policy and Negotiations (TPN), and Transportation Affairs (TRA). In relation to the subject of this thesis, the CBA is of great importance since it is a gateway for American business overseas. It functions through using US government resources to assist and support US business interests in other countries and attempts to create appropriate conditions for entrepreneurship and innovation. Finally, it also aims to make sure that US companies’ concerns are integrated into the government’s foreign and economic policy:

We advocate for America’s business and economic interests around the world and use tools like sanctions and foreign investment review to protect our national security. Economic diplomacy and development are key tools when it comes to projecting global leadership, fighting poverty, isolating extremists, ensuring America’s security and improving humanitarian conditions. As a core part of our diplomatic mission to promote American growth and

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<sup>38</sup> "Foreign Affairs Manual: 1 FAM 042 Under Secretary for Economic Growth, Energy, and the Environment."

<sup>39</sup> "Economic Prosperity and Trade Policy," U.S. Department of State, accessed September 20, 2019, <https://www.state.gov/policy-issues/economic-prosperity-and-trade-policy/>.

prosperity, we assist U.S. companies, workers, and entrepreneurs pursuing business opportunities abroad.<sup>40</sup>

Another critical economic diplomacy-related institution is the Office of the US Trade Representative (USTR). USTR is part of the Executive Office of the President. Its primary responsibility is to develop and coordinate US international trade and investment policy. It also supervises negotiations with other countries. The Head of the USTR works as the President's leading trade advisor, negotiator, and spokesperson on trade issues.<sup>41</sup> USTR plays the leadership role in the US trade policy, including the areas stated below:

Bilateral, regional and multilateral trade and investment issues; Expansion of market access for American goods and services; International commodity agreements; Negotiations affecting U.S. import policies; ... Trade, commodity, and direct investment matters managed by international institutions such as the Organization for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade and Development (UNCTAD); Trade-related intellectual property protection issues; World Trade Organization (WTO) issues<sup>42</sup>

What does make USTR different from the aforementioned governmental institutions is the fact that it is a governmental institution like others, but it directly reports to the Executive Office of the President. It directly negotiates trade agreements with other governments and business groups of other countries.

Another important player in the US economic diplomacy is the Department of Commerce. As can be understood from the 2018-2022 Strategic Plan of the Commerce

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<sup>40</sup> "About Us – Bureau of Economic and Business Affairs," U.S. Department of State, 2017, accessed September 20, 2019, <https://www.state.gov/about-us-bureau-of-economic-and-business-affairs/>.

<sup>41</sup> "Mission of the USTR," Office of the United States Trade Representative, accessed September 20, 2019, <https://ustr.gov/about-us/about-ustr>.

<sup>42</sup> "Mission of the USTR."

Department, economic security is nothing short of national security.<sup>43</sup> In collaboration with the US private sector and relevant institutions, the Department of Commerce monitors compliance with trade agreements that the US has signed with other governments. Furthermore, the Department of Commerce also organizes investment promotion events in overseas countries to reveal the US' competitiveness and to attract high-impact international businesses.

The US Commercial Service is of great importance in the Department's role. It is under the International Trade Administration (ITA) of the Department and functions as the trade promotion arm of the government. The US Commercial Service offices are spread to more than 70 countries in the world with the aim of providing a full range of expertise in international trade for the US exporters.<sup>44</sup> Its offices are located in the US Embassies and Consulates and the officials of the US Commercial Service are diplomats.

The final governmental institution of the US is the Department of the Treasury. It is directly responsible for strengthening national security by battling threats and protecting the integrity of the financial system.<sup>45</sup> The major economic diplomacy-related responsibility of the Treasury Department is explained in its 2018-2022 Strategic Plan as the following:

Identify, disrupt, and successfully isolate threats from the U.S. and global financial system; Deny revenue sources to terrorist financiers, money launderers, weapons proliferators, drug kingpins, and human rights abusers; Proactively implement U.S. policy toward regimes such as Iran, North Korea,

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<sup>43</sup> *2018-2022 Strategic Plan*, U.S. Department of Commerce (2018), [https://www.commerce.gov/sites/default/files/us\\_department\\_of\\_commerce\\_2018-2022\\_strategic\\_plan.pdf](https://www.commerce.gov/sites/default/files/us_department_of_commerce_2018-2022_strategic_plan.pdf).

<sup>44</sup> "About Us," International Trade Administration (ITA), accessed March 19, 2019, <https://www.trade.gov/about-us>.

<sup>45</sup> "Role of the Treasury," The U.S. Department of the Treasury, accessed March 19, 2019, <https://home.treasury.gov/about/general-information/role-of-the-treasury>.

Venezuela, and Russia, and terrorist organizations such as ISIS, Hizbollah, and al-Qa'ida.<sup>46</sup>

With its national security mission, the Treasury Department investigates and targets financial activities (e.g., financing terrorism) threatening the US national security. It would not be wrong to argue that the Treasury's Office of Terrorism and Financial Intelligence (TFI) is the primary governmental organization in implementing sanctions; thereby, it diplomatically engages with other governments and international organizations in pressuring and preventing the risks to the US financial system. Therefore, it is the indispensable part of the US economic diplomacy, considering that sanctions against Iran and North Korea, and combating terrorism and fighting rogue regimes have marked the US foreign policy in the 2000s.

If analyzed, one can easily realize that the US economic diplomacy in the 2000s has changed considerably in parallel to who have taken office in the White House. In other words, the foreign economic policies of George W. Bush, Barack Obama and Donald Trump have demonstrated different priorities and interests of their governments.

When George W. Bush came to power in 2001, he gave signs of implementing a different economic diplomacy strategy from what Bill Clinton had implemented. The Bush administration published its first "National Security Strategy of the United States of America" in September 2002, which included lots of important indicators of what kind of foreign economic policy the Bush administration would implement in the next four years. When we examine the strategy document, what we see is a change in the focus of the US government from the competition with Russia and China economically and militarily to dealing with 'failed states' which are the source of transnational terrorism targeting the US.<sup>47</sup> For Bush, "the international community has the best

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<sup>46</sup> *Treasury Strategic Plan 2018-2022*, U.S. Department of Treasury (2018), 24, [https://home.treasury.gov/system/files/266/Treasury\\_Strategic\\_Plan\\_with\\_FY19\\_SOAR\\_update\\_and\\_annotations.pdf](https://home.treasury.gov/system/files/266/Treasury_Strategic_Plan_with_FY19_SOAR_update_and_annotations.pdf).

<sup>47</sup> All the US administrations in 2000s have given special references to China in their foreign policy because of the Chinese economic ascent. These foreign policy references have included both

chance since the rise of the nation-state in the 17<sup>th</sup> century to build a world where great powers compete in peace instead of continually prepare for war.”<sup>48</sup>

Here, it is essential to point out a policy change in the Bush administration with respect to China. During his election campaign, Bush and his circle always expressed their dissatisfaction with the “strategic partnership” with China – a foreign policy implemented by the Clinton administration. For instance, in his Simi Valley Speech in November 1999, Bush realistically accepted the inevitableness of Chinese economic ascent. However, China’s increasing military investments made possible by its economic development in the late 1990s were regarded by Bush as “an espionage threat to”<sup>49</sup> the US.

On the other hand, in the aftermath of the September 11 attacks, Washington changed its priorities and concentrated on the “war on terror”. Among the first world leaders who offered condolences to the US in the aftermath of September 11 was Chinese President Jiang Zemin. As a result of the changing priorities of Washington coupling with the goodwill gestures of Beijing, the US-China relations started warming. The US welcomed “the emergence of a strong, peaceful, and prosperous China.”<sup>50</sup>

One of the most important development during the Bush administration was China’s entry to the WTO in December 2001. It would not be wrong to state that the Bush administration largely followed its predecessor’s policy with respect to China’s accession to WTO. Like Bill Clinton, Bush supported the inclusion of China in WTO

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economic and military issues. Nevertheless, I prefer to focus only on the economic side of the issue in order not to go beyond the scope of the thesis.

<sup>48</sup> The National Security Strategy of the United States of America, (Washington D.C.: White House, 2002).

<sup>49</sup> "A Distinctly American Internationalism," 1999, accessed April 19, 2019, <https://www.mtholyoke.edu/acad/intrel/bush/wspeech.htm>.

<sup>50</sup> The National Security Strategy of the United States of America, Short.

because he envisaged that WTO membership would advance not only economic but also political freedom in China.<sup>51</sup> That would open the doors of a huge market to US capital as well.<sup>52</sup> According to de Graaff and Apeldoorn, by supporting China's entry into WTO, the Bush administration aimed "to incorporate China into the US-led liberal world order by deepening trade relations and encouraging it to become ... a responsible stakeholder."<sup>53</sup> In addition, as stated in the National Security Strategy of the United States of America released in September 2002, the Bush administration saw the inclusion of China in WTO as an opportunity to increase the US exports and to create more jobs for American citizens and companies.<sup>54</sup>

With the inclusion of China in the WTO, economic relations between Washington and Beijing have radically deepened. As Clark and Monk observe, "after 2001, the terms of trade exploded in China's favor, with exports to the USA accelerating far beyond expectations, reaching nearly \$300 billion in 2007."<sup>55</sup> Increasing imbalance between the US imports from and the US exports to China has led to the trade deficit. In 2008, the deficit of the US reached to 268 billion USD.<sup>56</sup> In 2002 when George W. Bush completed his first year in office, the US-China bilateral trade volume was only one-fifth of the US total trade. On the other hand, after the Chinese entry into the WTO

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<sup>51</sup> The National Security Strategy of the United States of America, Short, 28.

<sup>52</sup> "Excerpts of George W. Bush's Speech in Washington State," New York Times, 2000, accessed April 19, 2019, <https://archive.nytimes.com/www.nytimes.com/library/world/asia/051800bush-text.html>.

<sup>53</sup> Naná de Graaff and Bastiaan van Apeldoorn, "US–China Relations and the Liberal World Order: Contending Elites, Colliding Visions?," *International Affairs* 94, no. 1 (2018): 126.

<sup>54</sup> The National Security Strategy of the United States of America, Short, 28.

<sup>55</sup> Gordon L. Clark and Ashby H.B. Monk, "The Political Economy of US–China Trade and Investment: The Role of the China Investment Corporation," *Competition and Change* 15, no. 2 (2011): 101.

<sup>56</sup> See Table 1.

and when Bush was leaving office, trade with Beijing was composing one-third of US total trade. Therefore, as of December 2008, China has surpassed Mexico and has become the second-largest trade partner of the US after Canada.

**Table 1:** US-China bilateral trade during the Bush administration (million USD)

<b>Year</b>	<b>US Total Trade</b>	<b>US-China Trade</b>	<b>%</b>	<b>Imbalance</b>
2002	693.1	147.3	21,3	-103.1
2003	724.8	180.8	24,9	-124.1
2004	814.9	231.1	28,4	-162.3
2005	901.1	284.7	31,6	-202.3
2006	1.025.9	341.5	33,3	-234.1
2007	1.148.2	384.4	33,5	-258.5
2008	1.287.4	407.5	31,7	-268.0

Source: U.S. Department of Commerce, International Trade Administration

When we come to the Obama era in the US administration, what we see is the fact that the US economy was suffering from the biggest financial crisis of humanity since the Great Depression. Furthermore, the imbalance in the US and China bilateral trade was increasing and the economic ascent of Beijing has already started posing a threat to the global leadership of Washington. In this context, the newly elected Obama's foreign economic policies with all aspects from trade to international finance would be vital in sustaining the US-led international order. Hence, his eight years of the presidency would unsurprisingly be marked with high-standard trade agreements like the Trans-Pacific Partnership (TPP) and enforcement of trade agreements to which the US was a party.

Concerning the asymmetry in the US-China bilateral trade, the Obama administration demonstrated a different foreign economic policy considerably. Unlike the former US government, President Obama decided to return to the Asia Pacific. This return would be called "pivot." In November 2011, Secretary Clinton wrote an article entitled

America's Pacific Century published in *Foreign Policy*. While Clinton stressing that the key driver of global politics in our day has been the Asia-Pacific, she argued that it was the time for the US to make a decision on where to focus to sustain its leadership:

As the war in Iraq winds down and America begins to withdraw its forces from Afghanistan, the United States stands at a pivot point. ... In the next 10 years, we need to be smart and systematic about where we invest time and energy, so that we put ourselves in the best position to sustain our leadership, secure our interests, and advance our values. One of the most important tasks of American statecraft over the next decade will therefore be to lock in a substantially increased investment —diplomatic, economic, strategic, and otherwise— in the Asia-Pacific region.<sup>57</sup>

Within this framework, the most noticeable development, the TPP, took place in the economic diplomacy of the Obama administration. It was rooted in the Trans-Pacific Strategic Economic Partnership (P4), which was conceived by Singapore, New Zealand, and Chile with the aim of trade liberalization in the Asia-Pacific in 2003. Then, Brunei Darussalam joined the group in 2005 and the P4 agreement came to exist in 2006. Before Obama took office in 2009, the former US President Bush expressed his administration's interest in joining the P4 in March 2008.<sup>58</sup> From the perspective of the Obama administration, the P4 partnership was already including some of the key elements of promoting a "Pacific-wide" and high-standard economic integration. He simply saw it as an opportunity to engage the US in the Asia-Pacific economically. Then, President Obama, by implying the P4, declared that "the United States expects to be involved in the discussions that shape the future of this region [*the Asia-Pacific*] and to participate fully in appropriate organizations as they are established and evolve."<sup>59</sup>

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<sup>57</sup> Hillary Clinton, "America's Pacific Century," *Foreign Policy*, no. 189 (2011): 57.

<sup>58</sup> Deborah Elms, "The Origins and Evolution of the Trans-Pacific Partnership Trade Negotiations," *Asian Survey* 56, no. 6 (2016): 1018.

<sup>59</sup> "Remarks by President Barack Obama at Suntory Hall," accessed August 25, 2019, <https://obamawhitehouse.archives.gov/the-press-office/remarks-president-barack-obama-suntory-hall>.



For the first time, President Obama and his Secretary of State showed their support for the proposed TPP in the Asia-Pacific Economic Cooperation (APEC) forum in Hawaii in 2011. At the end of the forum, the TPP participants agreed to the broad outlines of an agreement that described the TPP as “a comprehensive, next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st-century challenges.”<sup>60</sup> Then, Canada, Japan, and Mexico started demonstrating their interest in joining the negotiations with the TPP countries.

The TPP is described as a “regional free trade agreement (FTA) ... that aims to liberalize trade in nearly all goods and services and include rules-based commitments beyond those currently established in the World Trade Organization (WTO).”<sup>61</sup> It was aimed with the TPP to reduce non-tariff barriers to trade and investments. It should here also be noted that unlike other FTAs in the region, the TPP envisions a much deeper integration among the countries which are party to it. It covers a wide range of issues, from services to agriculture, free movement of goods, environmental standards, state-owned enterprises, intellectual property rights, supply chain competitiveness, competition, labor, etc.<sup>62</sup>

It would not be wrong to suggest that the TPP excluding China and including twelve countries in the Asia-Pacific targets the Chinese economic ascent and its influence in the region. For instance, the chapter dedicated to state-owned enterprises (SOEs) requires competitive neutrality, which means that a commercial entity should not have

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<sup>60</sup> Douglas Lovelace, *Assessing the Reorientation of U.S. National Security Strategy Toward the Asia-Pacific* (New York: Oxford University Press, 2014), 447.

<sup>61</sup> Ian F. Fergusson, Mark A. McMinimy, and Brock R. Williams, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*, Congressional Research Service (2015), <https://fas.org/sgp/crs/row/R42694.pdf>.

<sup>62</sup> Matteo Dian, "The Strategic Value of the Trans-Pacific Partnership and the Consequences of Abandoning it for the US Role in Asia," *International Politics* 54, no. 5 (2017).

an advantage over others just because of its ownership.<sup>63</sup> Hence, it would create barriers to Chinese SOEs to prevent them from having a competitive or regulatory advantage over private companies in the TPP participants' markets.

In this sense, it would not be wrong to suggest that the Obama administration considered the TPP as an instrument to win political gains vis-à-vis China. John Kerry, the Secretary of State in the Obama administration, himself suggests, "foreign policy is economic policy."<sup>64</sup> As stated above, China has already proved that it was challenging the US-led liberal international order right after the 2008-2009 global financial crisis with which the US barely managed to deal. Likewise, the increasing imbalance in the US-China bilateral trade and the rising economic, political and military influence of Beijing in the region have turned into a severe concern to Washington. While the TPP would be beneficial for the US economy for cutting import taxes for the US-manufactured products including automotive, agriculture, and information and communication technology products that the US exports to the TPP countries, it would also contain and limit the economic influence of China which is the source of its political power not only in the region but also in the world. Therefore, in economic terms, the TPP would "grow the American economy, support well-paying American jobs, and strengthen the American middle class."<sup>65</sup> In political terms, it would make it easier for the US to be present with its leadership in the region. As

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<sup>63</sup> Dian, "The Strategic Value of the Trans-Pacific Partnership and the Consequences of Abandoning it for the US Role in Asia."

<sup>64</sup> Michael R. Gordon, "Kerry Links Economics to Foreign Policy," *New York Times* 2013, <https://www.nytimes.com/2013/01/25/us/politics/kerry-links-economic-and-foreign-policy-at-hearing.html>.

<sup>65</sup> Michael Froman, *Trade, Growth, and Jobs: U.S. Trade Policy in the Obama Administration*, (Washington D.C.: U.S. Trade Representative, 2017).

President Obama said in an interview, the US wanted to ensure that China is not writing the rules of the global political economy.<sup>66</sup>

After seven years of the negotiations, the TPP Agreement composed of 30 chapters was finally signed in Auckland on 4<sup>th</sup> February of 2016. The signatory twelve countries account for about 40 percent of the total world trade and their populations constitute approximately 10 percent of the total world population.<sup>67</sup>

However, the TPP Agreement has never been ratified by the US Congress because the US foreign economic policy started changing considerably again as soon as Donald Trump took office in the same year. In the National Security Strategy document prepared and released by the Trump administration at the end of 2017, it is suggested that “economic security is national security.”<sup>68</sup> Starting from this point of view, Trump and his circle insist that the US national security is under risk because of three main problems: First of all, the trade deficit with China has increased for years.<sup>69</sup> In 2018, the US imported a record 539.7 billion USD in goods from China and sold the Chinese 120.2 billion USD in return. Thus, the US trade deficit with China peaked to the 419.5 billion USD.<sup>70</sup> For President Trump, trade deficits stem mostly from unfair trade

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<sup>66</sup> David Nakamura, "Obama Pushes Trans-Pacific Partnership in TV Interviews," *Washington Post* 2015, [https://www.washingtonpost.com/politics/obama-pushes-trans-pacific-partnership-in-flurry-of-local-calls/2015/02/26/2c2065da-bdf7-11e4-8668-4e7ba8439ca6\\_story.html?noredirect=on](https://www.washingtonpost.com/politics/obama-pushes-trans-pacific-partnership-in-flurry-of-local-calls/2015/02/26/2c2065da-bdf7-11e4-8668-4e7ba8439ca6_story.html?noredirect=on).

<sup>67</sup> Rahel Aichele and Gabriel Felbermayr, *The Trans-Pacific Partnership Deal (TPP): What are the economic consequences for in- and outsiders?*, Ifo Institute (2015), 56, <https://www.ifo.de/DocDL/forum-2015-4-aichele-felbermayr-free-trade-pacific-december.pdf>.

<sup>68</sup> National Security Strategy of the United States of America, 17 (2017).

<sup>69</sup> National Security Strategy of the United States of America, Short, 17.

<sup>70</sup> "Trade in Goods with China," United States Census Bureau, accessed November 22, 2019, <https://www.census.gov/foreign-trade/balance/c5700.html#2018>.

agreements which have been made by former US administrations.<sup>71</sup> Secondly, for the Trump administration, China violates the intellectual property rights, and this costs the US economy 600 billion USD a year.<sup>72</sup> Last but not least, according to Trump and his advisors, China manipulates its currency to have unfair advantage in its foreign trade.<sup>73</sup> Therefore, the current US administration insists that these issues raise difficulties for economic prosperity and indirectly jeopardize national security.

In this context, President Trump and his circle stress the need to enhance economic prosperity through protectionist policies.<sup>74</sup> The US has already been acquainted with protectionist policies such as use of sanctions, customs tariff and preferring bilateralism instead of multilateralism in foreign economic relations. However, unlike its predecessors, the Trump administration chooses pro-active economic diplomacy to pursue in an aggressive way by breaking with essential elements of a multilateral liberal international order.<sup>75</sup>

With regard to the foreign economic policy of the newly elected US government, the first step of President Trump was the withdrawal of the US from the TPP agreement

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<sup>71</sup> National Security Strategy of the United States of America, Short, 17.

<sup>72</sup> Dominic Rushe, "Here are the reasons for Trump's economic war with China," *The Guardian*, 2019, <https://www.theguardian.com/us-news/2019/aug/23/trump-china-economic-war-why-reasons>.

<sup>73</sup> "Trump accuses China of 'manipulating' its currency," BBC, 2018, accessed November 18, 2019, <https://www.bbc.com/news/business-45251091>.

<sup>74</sup> "Trump is wrong: Protectionism leads to misery, not prosperity," City A.M., 2017, accessed November 18, 2019, <https://www.cityam.com/trump-wrong-protectionism-leads-misery-not-prosperity/>.

<sup>75</sup> Richard Higgott, *From trade diplomacy to economic warfare: the international economic policy of the Trump Administration*, Elcano Royal Institute (2019), 8, <http://www.realinstitutoelcano.org/wps/wcm/connect/bf748739-72ef-4ed1-9567-c79497b6596c/WP10-2019-Higgott-from-trade-diplomacy-to-economic-warfare-international-economic-policy-trump-administration.pdf?MOD=AJPERES&CACHEID=bf748739-72ef-4ed1-9567-c79497b6596c>.

and to express that the new US government plans to sustain trade relations directly with individual countries on a bilateral basis.<sup>76</sup> On the 29<sup>th</sup> May 2018, President Trump announced that the US would impose a 25 percent tariff on 50 billion USD of goods imported from China to deal with the trade deficit with China at the least.<sup>77</sup> On the 6<sup>th</sup> of July 2018, the tariff on approximately 34 billion USD of goods imported from China started to be implemented on the basis of Section 301 which is an investigation targeting China's practices on intellectual property and technology transfer.<sup>78</sup> Three months later,

On 1<sup>st</sup> December 2018, the US and Chinese presidents held a meeting in the G20 (Group of 20) Summit in Buenos Aires. Both leaders reached a deal that the US would not increase 10 percent tariffs on 200 billion USD worth of Chinese imports.<sup>79</sup> In return, China would start purchasing agricultural products from the US. At the end of the meeting, both parties announced that they agreed to begin negotiations on technology transfer, intellectual property protection and non-tariff barriers.<sup>80</sup>

Diplomatic efforts have continued in 2019 as well. On January 30-31, the American and Chinese officials carried out another meeting in Washington D.C. and negotiated

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<sup>76</sup> "Trump executive order pulls out of TPP trade deal," BBC, 2017, accessed November 19, 2019, <https://www.bbc.com/news/world-us-canada-38721056>.

<sup>77</sup> "Trump just made a move that looks set to reignite trade tensions with China," Business Insider, 2018, accessed November 18, 2019, [https://www.businessinsider.com/trump-china-tariffs-trade-war-details-deal-2018-5?utm\\_source=markets&utm\\_medium=ingest](https://www.businessinsider.com/trump-china-tariffs-trade-war-details-deal-2018-5?utm_source=markets&utm_medium=ingest).

<sup>78</sup> "IT'S ON: Trump's trade war kicks off with tariffs on \$34 billion worth of Chinese goods," Business Insider, 2018, accessed November 18, 2019, [https://www.businessinsider.com/trump-china-trade-war-tariffs-go-into-effect-soybeans-tech-2018-7?utm\\_source=markets&utm\\_medium=ingest](https://www.businessinsider.com/trump-china-trade-war-tariffs-go-into-effect-soybeans-tech-2018-7?utm_source=markets&utm_medium=ingest).

<sup>79</sup> "The US-China trade war might still rage on despite a breakthrough deal between Trump and Xi," Business Insider, 2018, accessed November 18, 2019, [https://www.businessinsider.com/trump-xi-jinping-trade-war-tariff-delay-deal-2018-12?utm\\_source=markets&utm\\_medium=ingest](https://www.businessinsider.com/trump-xi-jinping-trade-war-tariff-delay-deal-2018-12?utm_source=markets&utm_medium=ingest).

<sup>80</sup> Bryan, "The US-China trade war might still rage on despite a breakthrough deal between Trump and Xi."

on various issues, such as the pressure over the US companies to transfer technology to Chinese companies, protection of intellectual property rights in China, the removal of trade barriers and tariffs and the currencies in the US-China bilateral trade. As is expected, how to reduce the huge trade deficit the US has with China is one of the primary subjects in the negotiations. Although the White House announced that progress has been made in the negotiations, it emphasized that it would increase the tariff on 200 billion USD of Chinese imports from 10 percent to 25 percent unless if both countries reach a satisfactory outcome by March 1, 2019.<sup>81</sup> Until October 2019, both sides have increased tariffs on products imported from each other reciprocally and this led to the fact that the term “trade wars” started to be used in a widespread manner in the literature. It might be surprising that even though President Trump has been calling Chinese leadership as currency manipulator since the very first day of his election campaign, the US Department of Treasury for the first-time designated China as a “currency manipulator” on the 5<sup>th</sup> of August 2019.<sup>82</sup>

In the middle of October 2019, the US-Chinese economic relations started warming with President Trump’s announcement that the two countries reached a “phase I” trade agreement.<sup>83</sup> While the agreement is expected to be signed by the two countries’ leaders at the APEC meeting in November, the US suspended the planned tariff increase from 25 percent to 30 percent on Chinese imports.

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<sup>81</sup> "Statement of the United States Regarding China Talks," White House, 2019, accessed November 20, 2019, <https://www.whitehouse.gov/briefings-statements/statement-united-states-regarding-china-talks/>.

<sup>82</sup> "Treasury Designates China as a Currency Manipulator," The U.S. Department of the Treasury, 2019, accessed November 18, 2019.

<sup>83</sup> "The US and China reach a partial trade agreement, averting tariff hikes on thousands of products," Markets Insider, 2019, accessed November 18, 2019, [https://markets.businessinsider.com/news/stocks/us-china-trade-war-nations-reach-partial-deal-before-tariffs-2019-10-1028594254?utm\\_source=msn.com&utm\\_medium=referral&utm\\_content=msn-slideshow&utm\\_campaign=bodyurl](https://markets.businessinsider.com/news/stocks/us-china-trade-war-nations-reach-partial-deal-before-tariffs-2019-10-1028594254?utm_source=msn.com&utm_medium=referral&utm_content=msn-slideshow&utm_campaign=bodyurl).

Although China is undoubtedly the decisive factor for Trump's pro-active economic diplomacy, the Trump administration is revisionist not only in economic relations with China but also in economic relations with other countries even with its historical allies. The Trump administration demands revision in the existing trade agreements of the US and calls for renegotiation. For instance, the USTR summoned a joint committee meeting to review the US-South Korea Free Trade Agreement (KORUS) to deal with trade deficit with South Korea in July 2017.<sup>84</sup> After a period of time, it was announced that both sides have reached an agreement in principle to improve the KORUS on 28<sup>th</sup> March 2018.<sup>85</sup> Finally, the US and South Korea signed the renegotiated KORUS on 24<sup>th</sup> September 2018. According to the revised agreement, the Korean auto markets would be opened up to US exports; the 25% tariff on Korean trucks imposed by the US would last until 2041; and South Korea would be excluded from the steel tariffs.<sup>86</sup>

The FTAs that the US had signed with Japan and the UK are also among those renegotiated trade agreements during the Trump era to address serious concerns such as tariff and non-tariff barriers, and trade deficit that the US has with these countries and organizations. The Trump administration proposed the renegotiation of the US-Japan Free Trade Agreement (USJTA) as well. The first round of meetings to revise the USJTA was held in Washington D.C. on 16 April 2019. After the meeting during which trade topics regarding goods and services, agriculture and the need to reach high standards in the age of digital trade were discussed, both countries agreed to continue

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<sup>84</sup> "USTR Calls a Special Session Under the U.S.-Korea Free Trade Agreement," USTR, 2017, accessed November 19, 2019, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/july/ustr-calls-special-session-under-us>.

<sup>85</sup> "President Donald J. Trump is Fulfilling His Promise on The U.S. – Korea Free Trade Agreement and on National Security," White House, 2018, accessed November 19, 2019, <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-fulfilling-promise-u-s-korea-free-trade-agreement-national-security/>.

<sup>86</sup> "Trump Signs Revised Korean Trade Deal," New York Times, 2018, accessed November 19, 2019, <https://www.nytimes.com/2018/09/24/us/politics/south-korea-trump-trade-deal.html>.

the negotiation.<sup>87</sup> At the end of September 2019, both parties reached a limited agreement with respect to tariff reduction for a group of agricultural and industrial goods and digital trade.<sup>88</sup> On 7th of October 2019, the US and Japan signed the US-Japan Trade Agreement and US-Japan Digital Trade Agreement.<sup>89</sup>

Another important development in the US economic diplomacy practices during the Trump administration is the renegotiation of the North American Free Trade Agreement (NAFTA). According to President Trump, NAFTA is a trade agreement “worst in history.”<sup>90</sup> By updating the agreement in the way that would create new possibilities for creating higher-paying jobs in the homeland, the US government basically aims to enlarge the US economy.<sup>91</sup> Although it was not an easy period for the US, Mexico and Canada, it was announced on the 27<sup>th</sup> of August 2018 that the US and Mexico have reached a preliminary agreement which adds a new chapter to the NAFTA with respect to textile and apparel. According to the statement made by the USTR, the renegotiated NAFTA would encourage the US and Mexican “production in textiles and apparel trade, strengthen customs enforcement, and facilitate broader

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<sup>87</sup> "Statement from USTR on Meetings to Discuss the United States-Japan Trade Agreement," USTR, 2019, accessed November 19, 2019, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/april/statement-ustr-meetings-discuss>.

<sup>88</sup> "Joint Statement of the United States and Japan," White House, 2019, accessed November 19, 2019, <https://www.whitehouse.gov/briefings-statements/joint-statement-united-states-japan-2/>.

<sup>89</sup> "U.S.-Japan Trade Agreement Negotiations," USTR, 2019, accessed November 19, 2019, <https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations>.

<sup>90</sup> Meg Wagner and Brian Ries, "Trump gives remarks on US-Mexico-Canada deal," *CNN* 2018, [https://edition.cnn.com/politics/live-news/trump-us-mexico-canada-remarks-oct-18/h\\_2c0a8c6bad4dc7a2f98acda7c57ea454](https://edition.cnn.com/politics/live-news/trump-us-mexico-canada-remarks-oct-18/h_2c0a8c6bad4dc7a2f98acda7c57ea454).

<sup>91</sup> Mary E. Burfisher, Frederic Lambert, and Troy Matheson, *NAFTA to USMCA: What is Gained?*, IMF (2019), 4.



consultation and cooperation among the Parties on issues related to textiles and apparel trade.”<sup>92</sup>

Finally, the US government reached an ultimate agreement with both countries Mexico and Canada on the 30<sup>th</sup> of September 2018 in order to update the NAFTA, which would henceforward be called the US-Mexico-Canada Agreement (USMCA).<sup>93</sup> A month later, three countries officially signed the USMCA. USMCA includes changes on provisions regarding the dispute resolution, tariffs, intellectual property rights and automotive rules of origin and regional value content.<sup>94</sup>

In conclusion, the US is one of those countries which have the most diversified governmental institutions shaping national economic diplomacy strategies. The locomotive institution of the US economic diplomacy is the Department of State of which the EB has the primary role. In addition, with the role of sustaining trade and investment relations with other countries, the USTR has a key role in the US economic diplomacy as well. Also, the Department of Commerce plays a major role in conducting the US foreign economic relations through the US Commercial Service which is settled in more than 70 countries in the world. Last but not least, the Department of Treasury is an indispensable part of the US government through the TFI which implements the economic and financial sanctions.

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<sup>92</sup> "United States-Mexico-Canada Trade Fact Sheet: Rebalancing Trade to Support Manufacturing," Office of the United States Trade Representative, 2018, accessed November 15, 2019, <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/fact-sheets/rebalancing>.

<sup>93</sup> "United States–Mexico–Canada Trade Fact Sheet Agriculture: Market Access and Dairy Outcomes of the USMC Agreement," USTR, accessed November 19, 2019, <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/fact-sheets/market-access-and-dairy-outcomes>.

<sup>94</sup> David A. Gantz, *USMCA Provisions on Intellectual Property, Services, and Digital Trade*, Baker Institute (2020).

On the basis of these governmental institutions, the foreign economic policies of the US in the 2000s have depended on the understanding that economic strength is the source of national security. Accordingly, all the three US administrations have counted the Chinese economic ascent as a challenge to the US national security. While the Bush administration regarded China's military investments, which became possible thanks to Beijing's economic development, as an espionage threat to the US, the Obama administration saw China as a challenge to the US global leadership, the Trump Presidency regards China as the major source of the US economic insecurity that puts the US national security under risk. Nevertheless, they have pursued different types of economic diplomacy strategies. Whereas the Bush administration shifted its focus towards the Middle East and supported the inclusion of China in the WTO, the Obama administration showed a return to Asia in the US foreign policy. On the other hand, the Trump administration recognized the significance of conducting economic relations with China, but it demonstrated a more general foreign economic policy which is based on the idea that the trade agreements signed by the former US governments must be renegotiated with the respective countries. Moreover, while the Obama administration put emphasis on the multilateral architectures in which the US should pursue a stronger role to sustain its global leadership, the Trump administration prioritizes bilateral diplomacy in its economic relationships. Therefore, though the US governments have demonstrated the similar logic regarding the relation between economic prosperity and national security, they have displayed different economic diplomacy strategies, particularly in their relations with China.

### **2.3. Chinese Economic Diplomacy**

There are four main governmental organizations in the determination and implementation of the economic diplomacy of the PRC. These are the Ministry of Foreign Affairs, the Ministry of Commerce, the Ministry of Finance, and the National Development and Reform Commission (NDRC).

The Chinese Foreign Ministry is responsible for handling global and regional economic affairs in the United Nations and other multilateral stages. It also coordinates with relevant Chinese governmental institutions and reports to the Communist Party

of China (CPC) Central Committee and the State Council on foreign trade and economic cooperation. Unlike the US case, the Chinese Foreign Ministry does not have a single special division for economic diplomacy. The Department of International Economic Affairs within the Ministry is rather interested in policies concerning the global economy and implements directives given by the Chinese Foreign Minister. On the other hand, regional divisions under the umbrella of the Ministry, such as the Department of European Affairs, are mostly responsible for conducting economic diplomacy of the PRC in relevant countries.

On the other hand, the Ministry of Commerce of the PRC is mainly responsible for Beijing's foreign economic cooperation efforts. For that purpose, it formulates multilateral and bilateral trade and economic cooperation strategies and policies; "multilateral and bilateral negotiations on trade and economic issues, coordinate domestic positions in negotiating with foreign parties, and to sign the relevant documents and monitor their implementation."<sup>95</sup> It also sustains the relations with WTO.

Inside the Ministry of Commerce, there are two different important departments in conducting Chinese economic diplomacy. The first one is the Department of International Trade and Economic Affairs. It does not only formulate and carry out policies regarding multilateral and regional trade and economic cooperation of China, but it also coordinates relations with those multilateral and regional trade and economic organizations.<sup>96</sup> The Department also pioneers other Chinese organizations in their multilateral, regional trade negotiations and Free Trade Area negotiations with foreign countries.<sup>97</sup> On the other hand, the second one is the region-specific

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<sup>95</sup> "Mission," Ministry of Commerce People's Republic of China, accessed November 20, 2019, <http://english.mofcom.gov.cn/column/mission2010.shtml>.

<sup>96</sup> "Ministry of Commerce (MOFCOM)," The US-China Business Council (USCBC), accessed November 20, 2019, [https://www.uschina.org/sites/default/files/MOFCOM%2006.2013\\_0.pdf](https://www.uschina.org/sites/default/files/MOFCOM%2006.2013_0.pdf).

<sup>97</sup> "Ministry of Commerce (MOFCOM)."

departments such as the Department of European Affairs and the Department of Eurasian Affairs. These departments are responsible for setting up bilateral and regional intergovernmental trade and economic commission meetings and to run trade and economic negotiations with foreign countries and/or regional organizations in the relevant region of the world.<sup>98</sup> In addition to the region-specific departments, the Department of WTO is responsible for negotiations that fall under the framework of the WTO.<sup>99</sup>

The Ministry of Finance is the primary governmental body in charge of financial affairs in the PRC. It evaluates and forecasts macroeconomic conditions.<sup>100</sup> Thus, it is unsurprisingly an indispensable part of the macroeconomic policy-making in the Chinese government. With respect to its role in Beijing's foreign economic relations, it is mostly marked by the Department of International Economic Relations and the Department of International Financial Cooperation. The former one is responsible for the management of foreign affairs of the Ministry. It undertakes bilateral financial and economic dialogues with the relevant countries.<sup>101</sup> On the other hand, the latter one works on development assistance and financial mechanisms. So, it is the primary actor in China's accession to international financial organizations and in its external negotiations.<sup>102</sup> In other words, it is merely the Chinese presence in the World Bank,

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<sup>98</sup> "Ministry of Commerce (MOFCOM)."

<sup>99</sup> "Ministry of Commerce (MOFCOM)."

<sup>100</sup> "Ministry of Finance of the People's Republic of China," The State Council the People's Republic of China, accessed November 20, 2019, [http://english.www.gov.cn/state\\_council/2014/09/09/content\\_281474986284115.htm](http://english.www.gov.cn/state_council/2014/09/09/content_281474986284115.htm).

<sup>101</sup> "国际经济关系司主要任务和职责," Ministry of Finance of the People's Republic of China, accessed November 20, 2019, <http://wjb.mof.gov.cn/guanyuwomen/zhongyaozhineng/>.

<sup>102</sup> "财政部国际财金合作司主要职责," Ministry of Finance of the People's Republic of China, accessed November 20, 2019, <http://gjs.mof.gov.cn/guanyuwomen/zhongyaozhineng/>.

the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), and other relevant international financial organizations.

Unlike all these ministries, the NDRC, which is one of the most potent organs within the State Council in the field of macroeconomic planning, is in charge of drafting and carrying out strategies for national economic and social development through coordinating primary economic operations.<sup>103</sup> In terms of Chinese economic diplomacy, it develops strategies and policies to promote the coordinated development of the regional economy.<sup>104</sup> For that purpose, the most salient division within the NDRC is the Department of International Cooperation. It is responsible for the cooperation between the NDRC and international organizations, foreign government offices, and international institutions. Furthermore, it assists other NDRC departments “to promote major international cooperative projects and carrying out studies on world economy and day-to-day foreign affairs of the Commission.”<sup>105</sup>

In analyzing the PRC’s foreign economic relations in the 2000s, one can easily realize that the PRC regards the FTAs “as a new platform to further opening up to the outside and speeding up domestic reforms, an effective approach to integrate into the global economy and strengthen economic cooperation with other economies, as well as particularly an important supplement to the multilateral trading system.”<sup>106</sup> As of

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<sup>103</sup> "Main Functions of the NDRC," National Development and Reform Commission (NDRC), People’s Republic of China, 2008, accessed November 20, 2019, [https://en.ndrc.gov.cn/mfndrc\\_8237/200812/t20081217\\_1193980.html](https://en.ndrc.gov.cn/mfndrc_8237/200812/t20081217_1193980.html).

<sup>104</sup> "Main Functions of the NDRC."

<sup>105</sup> "Department of International Cooperation," National Development and Reform Commission (NDRC) People’s Republic of China, accessed November 20, 2019, [http://en.ndrc.gov.cn/mfod/200812/t20081218\\_252216.html](http://en.ndrc.gov.cn/mfod/200812/t20081218_252216.html).

<sup>106</sup> "China FTA Network," accessed September 16, 2019, <http://fta.mofcom.gov.cn/english/index.shtml>.

September 16, 2019, China has 15 FTAs and still sustains bilateral negotiations for 9 more.

**Table 2:** China’s FTAs

<b>Agreements Made with</b>	Macau (2003), Hong Kong (2003), ASEAN (2004), Chile (2005), Pakistan (2006), New Zealand (2008), Singapore (2008), Peru (2009), Costa Rica (2010), Iceland (2013), Switzerland (2013), South Korea (2015), Australia (2015), Georgia (2017), Maldives (2017)
<b>Negotiations in Progress with</b>	Palestine, Panama, Moldova, Mauritius, Norway, Israel, Sri Lanka, Japan-Korea, Gulf Cooperation Council (GCC)
<b>Under Consideration</b>	Mongolia, Bangladesh, Canada, Papua New Guinea, Nepal, Fiji, Colombia

Source: "China FTA Network," accessed September 16, 2019, <http://fta.mofcom.gov.cn/english/index.shtml>.

It is important to notice that none of the countries, with which China has an FTA, have either large trade volumes or materials crucial for the Chinese market. It is also worth to note that China has an FTA with Australia since 2015 and works on to start negotiations with Canada, both of which are strategic allies of the US.

The fact that the majority of the PRC’s FTAs were signed after 2008 is not incidental. Heath argues that Beijing’s approach to economic diplomacy has considerably changed after the global financial crisis erupting at the end of 2008.<sup>107</sup> As a matter of fact, Yang Jiechi, the former Minister of Foreign Affairs of the PRC, argued in 2008 that China would “actively launch economic diplomacy” as part of a “new diplomacy.”<sup>108</sup> Since then, the economic diplomacy, i.e. foreign economic relations,

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<sup>107</sup> Timothy R. Heath, "China’s Evolving Approach to Economic Diplomacy," *Asia Policy*, no. 22 (2016): 173.

<sup>108</sup> Heath, "China’s Evolving Approach to Economic Diplomacy," 173.

has become an issue on which the Chinese Ministry of Foreign Affairs started becoming more dominant:

Diplomats reportedly stepped up efforts to more directly aid enterprises and business people abroad. The Xinhua report described how Chinese embassies and consulates tracked economic and financial development trends, carried out economic research, and provided advice and proposals for investment and trade deals. The overseas diplomatic corps also advised Chinese enterprises on overseas markets, raised security awareness among enterprises, and actively engaged in overseas labor disputes involving Chinese citizens. In 2009, Foreign Minister Yang claimed that Chinese ambassadors spent 30%–50% of their work hours on work related to economics.<sup>109</sup>

The fact that economic diplomacy turned out to be a topic of foreign affairs in the PRC has indeed reflections in other fields of bilateral and multilateral economic relations of the Chinese government. Another important year was 2012 when the present Chinese President Xi Jinping took office. With Xi Jinping, the economic diplomacy understanding of Beijing has changed and the Chinese government has started pursuing a foreign economic policy in the way that they no longer desired to participate into the multilateral organizations but wanted to take the lead in multilateral financial and economic cooperation.<sup>110</sup> Therefore, starting from 2013, the PRC has started developing a certain economic diplomacy strategy with mega projects which can alter both regional and global political economic landscape. The most prominent projects are undoubtedly the Belt and Road Initiative (BRI) and the AIIB.

BRI is a multi-dimensional project of which the most important one is economic. On paper, the BRI seems to be a transport network starting from East Asia to Europe. As a transport network, it envisages the construction of railways, highways, sea ways, oil

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<sup>109</sup> Heath, "China's Evolving Approach to Economic Diplomacy," 174.

<sup>110</sup> Silvia Menegazzi, *Rethinking Think Tanks in Contemporary China* (New York: Palgrave Macmillan, 2018), 112.

and gas pipelines and transmission lines and communication networks.<sup>111</sup> As a result, it is planned to turn into an integrated economic corridor consisting of the construction industry, metallurgy, energy, finance, communications, logistics and the like.<sup>112</sup> It creates six economic corridors “that create spoke-like linkages between China, positioned as the center of a hub, and several of its neighboring regions:”<sup>113</sup> i) China-Mongolia-Russia Economic Corridor; ii) New Eurasian Land Bridge Economic Corridor; iii) China–Central Asia–West Asia Economic Corridor; iv) China-Pakistan Economic Corridor; v) Bangladesh-China-India-Myanmar Economic Corridor; and vi) China–Indochina Peninsula Economic Corridor. Its main purpose, from the viewpoint of Beijing, is to increase the volume of trade and to develop the economies of the Asian countries. It covers more than 100 countries from Asia to Europe which means 64 percent of the world population and around 30 percent of the global GDP.<sup>114</sup>

Xi Jinping for the first time expressed the building a Silk Road economic belt with innovative cooperation mode at Kazakhstan’s Nazarbayev University on September 7, 2013. For the closer economic ties and deeper mutual cooperation, to Xi Jinping, it was necessary to build jointly the “Silk Road Economic Belt” which at the end leads overall regional cooperation. In November 2013, the CCP adopted the BRI as part of the country’s long-term economic reform strategy in its 18<sup>th</sup> Congress.<sup>115</sup> In December 2013, the Central Economic Work Conference, an annual conference in which Chinese

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<sup>111</sup> Wang Yiwei, "China’s “New Silk Road”: A Case Study in EU-China Relations," in *Xi’s Policy Gambles: The Bumpy Road Ahead*, ed. Alessia Amighini and Axel Berkofsky (ISPI Report, 2015), 94.

<sup>112</sup> Yiwei, "China’s “New Silk Road”: A Case Study in EU-China Relations," 94.

<sup>113</sup> Nadège Rolland, "A Concise Guide to the Belt and Road Initiative," *National Bureau of Asian Research*, 2019, <https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative/>.

<sup>114</sup> "Belt and Road Initiative," World Bank, 2018, accessed November 22, 2019, <https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative>.

<sup>115</sup> See Jie Yu, "The belt and road initiative: domestic interests, bureaucratic politics and the EU-China relations," *Asia Europe Journal* 16 (2018).



leaders tabulate course for the economy, demonstrated that the PRC would constantly improve opening-up and would promote the foundation of the economic belt along the Silk Road.<sup>116</sup> Likewise, it was also concluded in the Conference that the PRC leadership would establish the maritime Silk Road for the 21<sup>st</sup> century in order to strengthen the building of maritime connectivity in a way that it would tighten ties of mutual interests.

It was not until 2015 that the Chinese officials revealed the principles and framework. In March 2015, an action plan called the “Visions and Actions on Jointly Building the Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road” was issued by the joint efforts of the NDRC, the Ministry of Foreign Affairs and the Ministry of Commerce with the authorization of the State Council. According to this action plan, the BRI complies with the purposes and principles of the UN Charter and sustains the Five Principles of Peaceful Coexistence: “mutual respect for each other’s sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other’s internal affairs, equality and mutual benefit, and peaceful coexistence.”<sup>117</sup> The action plan highlighted five major cooperation areas: the coordination of economic development strategies, infrastructural connectivity, removal of trade barriers and advancement of investment and trade relations, expanding financial cooperation, and bolstering people-to-people links.<sup>118</sup>

On May 9, 2015, China and Russia found a middle ground and signed the *Joint Statement about the Butted Cooperation between the Construction of Silk Road Economic Belt and the Building of Eurasian Economic Union*. According to the

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<sup>116</sup> See "2013 China Central Economic Work Conference," China Daily, 2013, accessed November 21, 2019, [https://www.chinadaily.com.cn/bizchina/2013-12/13/content\\_17173591.htm](https://www.chinadaily.com.cn/bizchina/2013-12/13/content_17173591.htm).

<sup>117</sup> "Vision And Actions On Jointly Building Silk Road Economic Belt And 21st-Century Maritime Silk Road," 2015, accessed September 16, 2019, <https://eng.yidaiyilu.gov.cn/qwyw/qwfb/1084.htm>.

<sup>118</sup> "Vision And Actions On Jointly Building Silk Road Economic Belt And 21st-Century Maritime Silk Road."

statement, Russia supports the Silk Road Economic Belt and is ready to work closely with China to implement this initiative. In return, China supports Russia in pursuing integration progress in the Eurasian Economic Union (EEU) and commences the agreement negotiations for the economic and trade cooperation with the EEU.<sup>119</sup>

However, in terms of its diplomatic dimension, the China-led BRI witnessed the most important developments in 2017. Chinese President Xi Jinping has always been vocalizing the need to build “a human community with shared destiny.” This Chinese foreign policy slogan was incorporated into the United Nations (UN) Security Council resolution 2344 (2017) on March 17, 2017. Although the resolution is about Afghanistan and its region, it is an important development for Beijing since it emphasizes the “regional cooperation in the spirit of win-win cooperation as an effective means to promote ... economic ... development...”<sup>120</sup> In other words, it is important just because the UN accentuated the same points that Beijing was already emphasizing in promoting BRI.

On 14-15 May 2017, the *First Belt and Road Forum for International Cooperation* (BRF) was held in Beijing with the participation of 29 foreign heads of state and government<sup>121</sup> and representatives from more than 130 countries and 70 international organizations.<sup>122</sup> The US was represented by a delegation led by Matt Pottinger who

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<sup>119</sup> Fei Gao and Li Li, "The Belt and Road Initiative Under the Diplomacy Perspective of the Great Power with Chinese Characteristics," in *Regional Mutual Benefit and Win-win Under the Double Circulation of Global Value*, ed. Wei Liu and Hui Zhang (Peking University Press and Springer, 2019), 112.

<sup>120</sup> "Resolution 2344 (2017)," ed. United Nations Security Council (2017).  
<https://digitallibrary.un.org/record/862351?ln=en>.

<sup>121</sup> For the list of the Forum attendees, see <https://thediplomat.com/2017/05/belt-and-road-attendees-list/>

<sup>122</sup> "Belt and Road Forum to Bring About Fresh Ideas," State Council of the People's Republic of China, 2017, accessed September 16, 2019,  
[http://english.www.gov.cn/news/video/2017/05/12/content\\_281475653319187.htm](http://english.www.gov.cn/news/video/2017/05/12/content_281475653319187.htm).

was working at the National Security Council at the time. The event, consisting of an opening ceremony, a round-table summit and high-level meetings, was the highest profile diplomatic event organized within the context of the BRI since 2013. According to Wang Xiaotao, deputy head of the NDRC, it was aimed with the BRF “to build a more open and efficient international cooperation platform; a closer, stronger partnership network; and to push for a more just, reasonable and balanced international governance system.”<sup>123</sup> During the BRF, Xi Jinping, Chinese President, declared that China would increase financial support to BRI-related projects and contributions to the Silk Road Fund by 100 billion RMB.<sup>124</sup> After a two-day forum, the leaders signed a *joint communique* in which they explicitly welcomed and showed their support for the BRI to enhance connectivity between Asia and Europe by adding that it is open to other continents of the world.<sup>125</sup>

The First BRF with its outcomes as one of the highest profile diplomatic events in the world proved that the BRI is among the key issues in the field of international political economic relations in the world. It was also meaningful for China in demonstrating all the world that they were committed to reshape global governance.<sup>126</sup> Nevertheless, the EU members rejected to sign the *joint communique* since it does not guarantee transparency, sustainability, and tendering processes.<sup>127</sup> In the same manner, the US

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<sup>123</sup> "Belt and Road forum agenda set," *China Daily* 2017, [http://europe.chinadaily.com.cn/china/2017-04/18/content\\_28982925.htm](http://europe.chinadaily.com.cn/china/2017-04/18/content_28982925.htm).

<sup>124</sup> "The first “Belt and Road” Forum: Developing new Silk Roads," OBOReuropa, 2017, accessed November 21, 2019, <https://www.oboreurope.com/en/first-belt-road-forum/>.

<sup>125</sup> "The first “Belt and Road” Forum: Developing new Silk Roads."

<sup>126</sup> As a matter of fact, pursuing of the BRI was incorporated into the Constitution of the Communist Party of China (CPC) by the Chinese leadership at the 19th National Congress of the CPC on the 24th of October 2017, which demonstrates the passion and commitment of Beijing to realize the project.

<sup>127</sup> In 2018, 27 out of 28 EU ambassadors in Beijing signed a letter which condemned BRI for hindering free trade, giving an unfair advantage to Chinese companies, and attempting to shape globalization to suit China’s own interests.

delegation criticized the lack of transparency in infrastructure development projects. At the end of the forum, a list of deliverables consisted of 76 articles with more than 270 concrete results have been brought together. According to Xinhuanet, 95 percent of them has been accomplished in less than one-and-a-half years.<sup>128</sup>

Another major event with regard to the Chinese economic diplomacy in the context of the BRI was the organization of the Second BRF in Beijing on April 25-27, 2019. Just as the first one, the Second BRF included an opening ceremony, a round-table summit and high-level meetings. However, it attracted more attention compared to the first one and 36 foreign heads of state and government attended the forum.<sup>129</sup> This time the US government did not send a representative to the BRF. In his opening remarks, Chinese President Xi Jinping emphasized the necessity of ‘people-centric approach’ which “give priority to poverty alleviation and job creation to see that the joint pursuit of Belt and Road cooperation will deliver true benefits to the people of participating countries.”<sup>130</sup> At the end of the forum, the heads of state and government signed a *joint communique* again which is called “Belt and Road Cooperation: Shaping a Brighter Shared Future”. The joint *communique* stressed that Belt and Road cooperation should be based on “extensive consultation, joint efforts, shared and mutual benefits”, “open, green and clean” and should “pursue high standard, people-centered and sustainable development”.<sup>131</sup>

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<sup>128</sup> "Factbox: Belt and Road Initiative in five years," Xinhuanet, 2018, accessed September 16, 2019, [http://www.xinhuanet.com/english/2018-08/26/c\\_137420914.htm](http://www.xinhuanet.com/english/2018-08/26/c_137420914.htm).

<sup>129</sup> For the list of the Forum attendees, see <https://thediplomat.com/2019/04/second-belt-and-road-forum-top-level-attendees/>

<sup>130</sup> "Xi Jinping Attends the Opening Ceremony of the Second Belt and Road Forum for International Cooperation (BRF) and Delivers a Keynote Speech," The Second Belt and Road Forum for International Cooperation, 2019, accessed November 21, 2019, <http://www.beltandroadforum.org/english/n100/2019/0429/c22-1391.html>.

<sup>131</sup> "Belt and Road Cooperation: Shaping a Brighter Shared Future," China Daily, 2019, accessed November 21, 2019, <http://www.chinadaily.com.cn/a/201904/28/WS5cc4fa20a3104842260b8cf7.html>.

As a global actor with the second largest economy in the world, China has been conducting economic diplomacy to promote the BRI to be recognized as a project beneficial for others. While doing that, Beijing prioritizes its geostrategic interests. “With investments and infrastructure projects both as incentives to garner support and as means to punish recalcitrant countries, China could enmesh a large number of countries within a web of the BRI projects, making them hesitate to align with the US to challenge China’s core interests.”<sup>132</sup> Another important point is that the BRI serves China’s geo-economic interests through creating physical connection between Beijing and a great geographical regions. As Suisheng Zhao argues, “BRI has helped China open emerging markets and offered a new path for China to participate in the international division of labor by building ‘an economic network led by China and connecting producers, resources, and consumers in East Asia, Central Asia, South Asia, Central and Eastern Europe and the US to sustain China’s development.”<sup>133</sup> Therefore, the BRI is a global political and economic project of which China is winningest.

Another important economic diplomacy practice of the PRC in the 2000s, which is also very related to the BRI, is the AIIB. It was Chinese President Xi Jinping who for the first time mentioned the necessity for an Asian regional development bank during an official visit to Indonesia in 2013. For the foundation of the AIIB, the first multilateral working group composed of some interested Asian countries meeting took place in the beginning of 2014. Then, Lou Jiwei, Minister of Finance of the PRC,

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<sup>132</sup> Suisheng Zhao, "China's Belt-Road Initiative as the Signature of President Xi Jinping Diplomacy: Easier Said than Done," *Journal of Contemporary China* (2019): 4, <https://doi.org/https://doi.org/10.1080/10670564.2019.1645483>, <https://www.tandfonline.com/doi/abs/10.1080/10670564.2019.1645483?journalCode=cjcc20>.

<sup>133</sup> Zhao, "China's Belt-Road Initiative as the Signature of President Xi Jinping Diplomacy: Easier Said than Done," 5.

stated that many countries in the working group meeting had showed their interest for the founding membership to projected multilateral Asian development bank.<sup>134</sup>

On the 24<sup>th</sup> of October 2014, 21 Asian governments signed an MoU which laid the foundation for the establishment of the AIIB.<sup>135</sup> Five months later, prospective founding member countries signed the Articles of Agreement for the bank in Beijing. In the beginning of 2015, the New Zealand demonstrated interest in becoming a member of the AIIB.<sup>136</sup> In March, Britain joined the AIIB as the first major industrialized country. According to Ming Wan, the British membership led to a snowballing effect.<sup>137</sup> In the same month, different European countries such as Germany, France, Italy and Switzerland decided to become a member of the bank. Maybe the most surprising development took place at the end of March 2015 when South Korea and Australia, the major US allies in the Asia-Pacific, officially announced their intentions to join the bank.<sup>138</sup> They were followed by Russia and Brazil and when it comes to the end of March 2015, 41 countries had already announced their participation into the AIIB.

Until October 2015, the number of founding members of the AIIB has increased to 53 which have signed the Articles of Agreement. Therefore, the AIIB as a multilateral financial institution was officially inaugurated on January 16, 2016. According to the

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<sup>134</sup> "Wheels in motion for new Asian investment bank," China Daily, 2014, accessed November 6, 2019, [http://www.chinadaily.com.cn/business/2014-03/07/content\\_17331602.htm](http://www.chinadaily.com.cn/business/2014-03/07/content_17331602.htm).

<sup>135</sup> "21 countries initiate Asian Infrastructure Investment Bank," The State Council the People's Republic of China, 2014, accessed November 21, 2019, [http://english.www.gov.cn/news/top\\_news/2014/10/25/content\\_281475001319444.htm](http://english.www.gov.cn/news/top_news/2014/10/25/content_281475001319444.htm).

<sup>136</sup> Lukas K. Danner, *China's Grand Strategy: Contradictory Foreign Policy?* (Palgrave Macmillan, 2018), 129-30.

<sup>137</sup> Ming Wan, *The Asian Infrastructure Investment Bank: The Construction of Power and the Struggle for the East Asian International Order* (New York: Palgrave Macmillan, 2016), 48.

<sup>138</sup> Danner, *China's Grand Strategy: Contradictory Foreign Policy?*, 130.

rules and regulations, every single member country of the AIIB has a representative in the AIIB Board of Governors which is the highest decision-making body in the organization.

As of September 2019, the AIIB has 100 members of which 30 are non-regional members, mostly from Europe. Nevertheless, these non-regional member countries have only 26 percent voting share in the execution of the bank. This is because the amount of contribution made by a certain member country determines that country's share of quota in the bank. For instance, China is the largest contributor to the bank with 29.8 billion USD and it has the largest voting share with 26.6 percent. China is followed by India and Russia with the contributions of 8.3 billion USD and 6.5 billion USD respectively. Thus, it would not be wrong to suggest that although the AIIB has 100 members, the driving force is ultimately the PRC.

According to Dian and Menegazzi, there are three priorities of the AIIB: sustainable infrastructure, cross-country connectivity and private capital mobilization.<sup>139</sup> Not surprisingly, cross-country connectivity and private capital mobilization are much more related to the increasing economic diplomatic efforts of Beijing. This is because cross-country connectivity has something to do with building ports, roads and rails across different continents such as Central Asia, South East Asia, the Middle East and Europe. At this point, the parallelism between the AIIB and BRI rises. If analyzed, it can easily be seen that majority of the countries benefiting from AIIB's finance opportunities in related projects are BRI countries. As Mishra argues, the AIIB serves as the financial arm of the BRI with the envisioned investment worth of 1.4 trillion USD which is approximately 12 times larger than the Marshall Plan of the 1940s and the 1950s.<sup>140</sup> In other words, one can argue that the AIIB is somewhat complementary to the BRI.

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<sup>139</sup> Matteo Dian and Silvia Menegazzi, *New Regional Initiatives in China's Foreign Policy: The Incoming Pluralism of Global Governance* (New York: Palgrave Macmillan, 2018), 57.

<sup>140</sup> Rahul Mishra, "Asian Infrastructure Investment Bank: An Assessment," *India Quarterly* 7, no. 2 (2016): 7.

Considering that we are living in the world of seeing the rise of the rest where Chinese economic ascent is the most important challenge for the established powers, it is unsurprising that international relations scholars have different views on the Chinese ambitions regarding the establishment of the AIIB. Nevertheless, it is explicit that there were different underlying reasons for Beijing in order to lead a new multilateral development bank. First of all, the decision-makers in Beijing were believing that infrastructural development would improve national economic development levels in Asia. As it is stated in the Article of Agreement (AOA) of the AIIB:

ACKNOWLEDGING the significance of infrastructure development in expanding regional connectivity and improving regional integration, thereby promoting economic growth and sustaining social development for the people in Asia, and contributing to global economic dynamism; ...<sup>141</sup>

Secondly, China consolidated its economic power through the establishment of a new multilateral institution, thereby responded to its underrepresentation in the existing Bretton-Woods institutions such as the World Bank and the IMF. As Chinese President Xi Jinping clearly stated at the AIIB inauguration ceremony in 2016:

The founding and opening of the AIIB also means a great deal to the reform of the global economic governance system. It is consistent with the evolving trend of the global economic landscape and will help make the global economic governance system more just, equitable and effective.<sup>142</sup>

Thirdly, the establishment of the AIIB was proposed by Beijing in the period when the US government's pivot to Asia became clear. In other words, the idea of foundation of the AIIB came to the forefront whereas the US was just trying to balance the increasing influence of China. Thus, it would not be wrong to suggest that as an

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<sup>141</sup> "Asian Infrastructure Investment Bank: Articles of Agreement," AIIB, accessed November 20, 2019, [https://www.aiib.org/en/about-aiib/basic-documents/\\_download/articles-of-agreement/basic\\_document\\_english-bank\\_articles\\_of\\_agreement.pdf](https://www.aiib.org/en/about-aiib/basic-documents/_download/articles-of-agreement/basic_document_english-bank_articles_of_agreement.pdf).

<sup>142</sup> "Full text of Chinese President Xi Jinping's address at AIIB inauguration ceremony," *China Daily*, [http://www.chinadaily.com.cn/business/2016-01/16/content\\_23116718\\_2.htm](http://www.chinadaily.com.cn/business/2016-01/16/content_23116718_2.htm).



increasing global power, China challenged the established global power, namely the US, in a peaceful way in order to consolidate its global economic, political and diplomatic influence.<sup>143</sup>

To sum up, among the economic diplomacy related institutions, the NDRC plays a key role in developing strategies and policies in order to promote the coordinated development of regional economy. Considering that it is one of the most powerful organs within the State Council in the field of macroeconomic planning, it would not be wrong to suggest that the NDRC has a leading position in China's economic diplomacy. The Chinese Foreign Ministry with its responsibility to deal with global and regional economic affairs in the United Nations and other multilateral stages is another major player in Beijing's economic diplomacy in the 2000s. Another important governmental institution in conducting China's foreign economic relations is the Ministry of Commerce which formulates multilateral and bilateral trade and economic cooperation strategies and policies of the country through its Department of International Trade and Economic Affairs and the region-specific departments. Last but not least, the Ministry of Finance engaging in bilateral financial and economic dialogues of China with other countries is the final governmental actor in Beijing's international economic relations.

After the 2008 global financial crisis, the Chinese economic diplomacy strategy has been based on opening up of the national market to the outside, speeding up the integration with the global economy and developing economic cooperation with other countries on the basis of these governmental institutions. While opening up to the outside and speeding up its national economic growth, China has not failed in realizing international political economic projects which can alter the global economic landscape as well. The BRI and the establishment of the AIIB are the most prominent projects Beijing's economic diplomacy. Each of them is a success story since they demonstrate a new way of thinking on global governance. Both of these mega projects

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<sup>143</sup> Dian and Menegazzi, *New Regional Initiatives in China's Foreign Policy: The Incoming Pluralism of Global Governance*, 63.

have so far gained international support from a great variety of countries, including the historical allies of the US. They simply challenge the existing the US-led liberal international order in a peaceful way by emphasizing the underrepresentation of the emerging market economies in the present global governance architecture. Moreover, they also contribute to the national economic development of Beijing. Finally, they empower the Chinese strategic and economic position in a period when the US government promotes protectionist policies in international economic relations.

#### **2.4. Conclusion**

To conclude, this chapter has illustrated American and Chinese economic diplomacy strategies in the 2000s. First of all, the US governmental institutions related to foreign economic policies have been analyzed in terms of their roles, responsibilities and authorities. Then, how the different US administrations have pursued external economic policies during the above-mentioned period has been clarified. It has been identified that despite the changing US administrations, they have always prioritized the Chinese economic ascent and have shaped their economic diplomacy strategies on the basis of the so-called “red dragon”. Secondly, the Chinese governmental institutions have been examined within the framework of Beijing’s economic diplomacy and it has been attempted to describe what sort of foreign economic policy has been pursued by the decision-makers in Beijing. How the 2008 global financial crisis and Xi Jinping’s coming to power in Beijing have affected the Chinese economic diplomacy strategy. Finally, it has showed that the Chinese government has been trying to set the global political-economic agenda by presenting their own mega economic projects such as the BRI and the AIIB. A couple of years after these mega projects has started to be implemented, it has become evident that China challenges the existing liberal international world order by arguing that the emerging market economies are underrepresented in the current economic global political economic architecture. The next chapter will provide an evaluation of Turkish economic diplomacy and its players in the same period.

## CHAPTER 3

### ACTORS OF TURKISH ECONOMIC DIPLOMACY

#### 3.1. Introduction

In this part of the thesis, the governmental organizations which are responsible for conducting Turkey's economic diplomacy will be elaborated. Among those organizations are the Ministry of Foreign Affairs (MFA), the Ministry of Trade (MOT), and the Ministry of Treasury and Finance (MOTF), and Turkish Cooperation and Coordination Agency (TİKA). What kind of role they play, what their responsibilities and mandates are, how their organizational structure and functionality have been changed with the pass to the Presidential System of Government in 2018 are the main subjects of this part of the thesis. Then, the Turkish business community will be evaluated in terms of its function in Turkey's foreign economic policies. The cases selected from among the Turkish community are TOBB, DEİK, and TÜSİAD. Their structures, differences, and roles in the economic diplomacy practices of Turkey in the 2000s will be clarified.

#### 3.2. Ministry of Foreign Affairs (MFA)

One of the major actors in Turkey's economic diplomacy is the Ministry of Foreign Affairs. The MFA is simply responsible for implementing foreign policies determined by the Turkish government, coordinating the government's foreign policies and representing the country in foreign countries and international organizations. Furthermore, among the responsibilities of the MFA is also to conduct the economic relations of the Republic of Turkey. This duty had been brought under the responsibility of the Turkish MFA "with the intensification of foreign economic

relations and the proliferation of international economic institutions”<sup>144</sup> after the World War II. As stated on the web page of the Ministry:

The Turkish Foreign Service ... continues to operate to conduct and further promote Turkey’s international political, economic and cultural relations in the bilateral and multilateral contexts as well as to contribute to peace, stability and prosperity in its region and beyond.<sup>145</sup>

**Table 3:** Representatives of the Turkish MFA in foreign countries (2018)

<b>Type of Diplomatic Representative</b>	<b>Numerical Distribution</b>	<b>Proportional Distribution</b>
Embassy	142	58,6%
Permanent Mission	13	5,3%
Consulate General	85	35,1%
Office of Trading	1	0,4%
Consulate	1	0,4%
Sum	242	100%

Source: *Türkiye Cumhuriyeti Dışişleri Bakanlığı 2018 Yılı İdare Faaliyet Raporu*, T.C. Dışişleri Bakanlığı (Ankara, 2019), <http://www.mfa.gov.tr/data/BAKANLIK/2018-yili-idare-faaliyet-raporu.pdf>.

Among the components of the MFA, Directorate General for Multilateral Economic Affairs and Directorate General for Bilateral Economic Affairs are the most relevant departments which directly engage in economic diplomacy. Directorate General for Multilateral Economic Affairs is authorized for sustaining the relations with international organizations that operate under the system of WTO and the United

<sup>144</sup> "Brief History of the Ministry of Foreign Affairs of the Republic of Turkey," Ministry of Foreign Affairs of Republic of Turkey, 2019, accessed May 1, 2019, <http://www.mfa.gov.tr/turkiye-cumhuriyeti-disisleri-bakanligi-tarihcesi.en.mfa>.

<sup>145</sup> "Brief History of the Ministry of Foreign Affairs of the Republic of Turkey."

Nations (UN). The MFA also tracks their agendas and defends Turkey's rights and interests at these international institutions.

On the other hand, Directorate General for Bilateral Economic Affairs is divided into two departments. The first one conducts operations that are necessary for the development of economic and trade relations of Turkey with its neighbors. The other department focuses on the development of economic and trade relations with those countries which are not geographically neighbors of Turkey. Both of them supervise these actions to make them compatible with the government's foreign policy by tracking economic developments.

According to Kirişçi, in the recent years the MFA has been much more interested in activities aiming to increase the country's export volume in cooperation with the Turkish business world.<sup>146</sup> İskit also argues that unlike the West, understanding the fact that economic relations are one of the most critical foreign policy tools had taken a long while in Turkey.<sup>147</sup> In line with his argument, there is still no reference to Turkey's foreign economic relations in the law of establishment of the Ministry. While the MFA has two different strategic functional Directorate Generals for economic affairs, the Turkish legislative did not put any emphasis on the role of the Ministry in Turkey's economic diplomacy in terms of its responsibilities and authorities.

### **3.3. Ministry of Trade (MOT)**

The second governmental institution is the Ministry of Trade (MOT) in the context of Turkey's economic diplomacy.<sup>148</sup> The Ministry is responsible for the determination of

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<sup>146</sup> Kemal Kirişçi, "The Transformation of Turkish Foreign Policy: The Rise of the Trading State," *New Perspectives on Turkey*, no. 40 (2009): 49.

<sup>147</sup> "Dış Politika ve Dış Ekonomik İlişkilerin Yönetimi," Türkiye Cumhuriyeti Dışişleri Bakanlığı, accessed May 1, 2019, <http://www.mfa.gov.tr/dis-politika-ve-dis-ekonomik-iliskilerin-yonetimi.tr.mfa>.

<sup>148</sup> The antecedent of the MOT was the Ministry of Economy which was established with the decree having the force of law (KHK) numbered 637 in 2011. In 2018, with the transition to the Presidential

foreign trade policies of the government and the regulation of export, export incentives, import, contracting services abroad and the bilateral and multilateral trade and economic relations of the country.

The MOT is responsible for assisting in determining the main targets and policies regarding domestic and foreign trade services, responsible for developing foreign trade policies and for the coordination of foreign trade services. Furthermore, the Ministry is authorized to take measures to make economic activities compatible with foreign trade policies and for implementing those measures. Likewise, the Ministry is also responsible for the coordination of the implementation of those measures among the related public and private institutions. The Ministry is also in charge of assisting the preparation of customs policies and implementation of them. Thus, the Ministry in practice develops foreign trade, determines foreign trade policies, the marketing strategies, and supervises the export sector and finally conducts the promotion programs and manages the incentives and financial supports to Turkish exporters.

On the diplomatic side, the MOT is in charge of organizing and carrying out the bilateral, regional and multilateral economic and trade relations of Turkey with foreign states and international organizations and it is in charge of making agreement in this respect under the relevant laws and regulations.<sup>149</sup> The central organization of the Ministry consists of 15 directorate generals, among which the Directorate General for International Agreements and European Union is the most relevant unit with economic diplomacy. The Directorate General for International Agreements and European Union is responsible for preparing, signing and conducting FTAs, Preferential Trade Arrangements and other bilateral, regional and multilateral economic and trade agreements in coordination with the related ministries of Turkey. The DG is also

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System of Government in Turkey, the Ministry of Economy was combined with the Ministry of Customs and Trade and the name of the Ministry was changed to the Ministry of Trade.

<sup>149</sup> "Presidential Decree on Presidential Organizations," in *I*, ed. Presidency of the Republic of Turkey (Turkey: Resmi Gazete, 2018), Presidential Decree.  
<http://www.resmigazete.gov.tr/eskiler/2018/07/20180710-1.pdf>.

authorized to sustain bilateral economic and trade relations through Mixed Economic Commissions, Joint Committee, and Council of Associations and is authorized to take measures and to sign agreements with those countries which Turkey does not have agreements with. The DG also represents the country in negotiations conducted at the WTO and follows-up the rights and responsibilities of the government. Regarding the international trade of goods and services, and international investments, the DG takes steps in order to protect the rights and interests of Turkish companies and when needed, it supports the protection of those rights and interests through international legal methods.

The MOT has foreign trade specialists who are professionals who specialize in one or more countries with which Turkey has economic and trade relations. These foreign trade specialists prepare comprehensive country and sector-based reports; follow-up sectors in those countries with high potential for Turkish exporters and investors; produce information upon request by the Turkish business world; track the recent developments in those countries through every possible means and reflect those developments on the Ministry's activities regarding those countries; to be present in committee visits to those countries.

The MOT also has Commercial Counsellors and Commercial Attaches working abroad. Today, Turkey has Commercial Counsellors and Commercial Attaches in 131 cities in 110 countries.<sup>150</sup> Counselors and Attaches work to increase the Turkish export volume, to attract foreign direct investment to Turkey, to help Turkish businesspeople in a particular country deal with challenges they face with. They are responsible for being engaged in official and private institutions and organizations in a given country. While Commercial Counsellors work within the body of the Embassies of the Republic of Turkey, Commercial Attaches sustain their activities within the body of Consulates of the Republic of Turkey. They work in the framework of the Vienna Convention on Consular Relations signed on April 24, 1963. Hence, they function as a diplomatic

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<sup>150</sup> "Hedef 182 Milyar Dolar İhracat, 50 Milyon Turist," Sabah, 2019, accessed May 1, 2019, <https://www.sabah.com.tr/gundem/2019/05/01/hedef-182-milyar-dolar-ihracat-50-milyon-turist>.

mission in order to advance bilateral trade and economic relations of Turkey with foreign states and international organizations such as the European Union and WTO.

### **3.4. Ministry of Treasury and Finance (MOTF)**

Yet another governmental institution is the Ministry of Treasury and Finance (MOTF). With the transition to the Presidential System of Government in Turkey in 2018, the Ministry of Finance was changed to the MOTF. Until 2018, the economic diplomacy related side Ministry was its responsibility for the determination of policies regarding the international direct investments; the responsibility for carrying out the negotiations with respect to mutual incentives for investments with foreign countries; and the responsibility for encouraging, supervising and controlling foreign-capital investments in Turkey. It was also authorized to negotiate with international monetary organizations such as the IMF, the World Bank, Islamic Development Bank, and Asian Development Bank.

With the change at the governmental level of the Republic of Turkey, the MOTF continues its economic diplomatic efforts through the Directorate General for Foreign Economic Relations. The DG is responsible for conducting the bilateral and multilateral relations of the Ministry. It also represents the country in its relations with foreign states, international economic and monetary organizations, banks and funds. The DG has the responsibility of carrying out negotiations with the actors mentioned above and signing agreements with them. It also carries on works and studies for the determination of Turkey's foreign aid policies and makes financial contributions if needed. The DG is also authorized for conducting works to harmonize bilateral, regional and multilateral development and economic relations with the government's development plan. Unsurprisingly, the DG makes policy analysis with analytical and strategic studies in the way that it supports the government's foreign political relations.

According to the Strategic Plan 2019-2023, in terms of economic diplomacy, it was aimed to increase the effectiveness of Turkey in the international economic and financial system. For that strategical purpose, the development of Turkey's relations with international economic and financial organizations, Turkey's authority in those



organizations, and the increase in Turkey's utilization of the opportunities provided by the international development banks have been set to be targets. On the other hand, the effective use of credits, grants, aids and guarantees provided by Turkey has been determined as another target for the same purpose.<sup>151</sup>

### **3.5. Turkish Cooperation and Coordination Agency (TİKA)**

TİKA is, last but not least, another important governmental organization in Turkey's economic diplomacy with a key role in humanitarian aid practices. It was established in 1992 with the Statutory Decree Law No. 480. It was first established as the Turkish Cooperation and Development Administration Directorate under the Ministry of Foreign Affairs. The main objective of the then-Turkish government was to help the Turkic speaking countries develop and to expand economic, trade, social, and cultural cooperation with them.<sup>152</sup>

In 2001, TİKA was entrusted to the Prime Ministry with a Presidential Order. Yet, as a consequence of global developments and of the increasing activism in Turkey's foreign policy, TİKA was restructured with the Statutory Decree Law No. 656 dated October 24, 2011. By this way, its mission was re-defined and its name was changed to Turkish Cooperation and Coordination Agency. With the transition to the Presidential System of Government in Turkey in 2017, TİKA went through a substantial alteration as a result of the Presidential Decree Law on the Organization of Institutions and Organizations Under, Affiliated with, Linked to the Ministries, and Other Institutions and Organizations dated July 15, 2018. Thus, TİKA gained a public legal entity and was delegated to the Ministry of Culture and Tourism.

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<sup>151</sup> "Strategic Plan 2019-2023," Ministry of Treasury and Finance The Republic of Turkey, 2019, accessed June 1, 2020, [http://www.sp.gov.tr/upload/xSPStratejikPlan/files/jzsJc+Hazine\\_ve\\_Maliye\\_Bakanligi\\_2019-2023\\_Stratejik\\_Plan.pdf](http://www.sp.gov.tr/upload/xSPStratejikPlan/files/jzsJc+Hazine_ve_Maliye_Bakanligi_2019-2023_Stratejik_Plan.pdf).

<sup>152</sup> *Decree Law on Establishment of Economic, Cultural, Educational and Technical Cooperation Presidency; on Amendment of Two Articles of Decree Law No. 206; and on Addition to Annex Schedules of Decree Law No. 190, 480.*

According to the Presidential Decree No. 4, TİKA operates with the aim to develop economic, trade, technical, social, cultural, and educational relations with those countries and communities that are targeted to cooperate. It also aims to carry out the processes of Turkey's foreign aid.<sup>153</sup> While it is responsible for coordinating humanitarian aids provided by Turkey, TİKA is also responsible for the followings:

Preparing economic infrastructure tools and support programs that countries and communities aimed for cooperation will need in the process of their economic development, providing support in fields such as economic growth, preparing and developing investment environment, reducing unemployment and poverty, increasing level of education, good governance, women's and families' roles in community living and economic development, information technologies transfer, management of environmental and natural resources, energy, infrastructure, sustainable economic development, providing capacity development support to these countries in corporate, human resources and the like fields.<sup>154</sup>

The most relevant units within TİKA's organizational structure are regional departments and Department of External Relations and Partnerships. Among the regional ones are Department of Central Asia and Caucasia, Department of Balkans and Eastern Europe, Department of Middle East and Africa, and Department of Southeastern Asia, Pacific and Latin America. These Departments implement the Agency's duties and other duties falling under the countries of their responsibility. On the other hand, Department of External Relations and Partnerships is responsible for developing and carrying out humanitarian aids and economic development aids by cooperating with non-governmental organizations. It also cooperates "with international organizations and other countries' development organizations, and

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<sup>153</sup> *Presidential Decree on Organization of Affiliated, Related, Associated Institutions and Organizations with Ministries and Other Institutions and Organizations*, 4.

<sup>154</sup> *TİKA Annual Report 2018*, TİKA (Ankara: TİKA Department of Strategy Development, 2019), 15.

developing and implementing programs, projects and activities by means of common financing and other similar methods.”<sup>155</sup>

In addition to its central structure, TİKA sets up Program Coordination Offices across the world. TİKA is still implementing projects in 150 countries through its 62 Program Coordination Offices in 62 countries<sup>156</sup> and 9 liaison offices.<sup>157</sup> The increasing global presence of TİKA is of great importance to demonstrate the scope of Turkey’s humanitarian aids within the context of its economic diplomacy.

### **3.6. Union of Chambers and Commodity Exchanges of Turkey (TOBB)**

TOBB was founded in 1950 with the Law 5590. In 2004, the Law 5590 was abolished and today’s TOBB’s establishment details are stated in the Law 5174 entitled the “Law on the Union of Chambers and Commodity Exchanges of Turkey and Chambers and Commodity Exchanges.” TOBB is an organization aiming to contribute to the development of the Turkish economy.

TOBB is composed of 365 Chambers and Commodity Exchanges operating in 160 counties and 81 cities of Turkey. TOBB is responsible for a) the examination of reports prepared and published by chambers, commodity exchanges and relevant organizations in foreign countries; b) working and studying to develop the national trade, industry and service sectors in a changing world; c) looking after the rights of

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<sup>155</sup> *TİKA Annual Report 2018*, 19.

<sup>156</sup> *TİKA Annual Report 2019*, TİKA (Ankara: TİKA Department of Strategy Development, 2020), 21.

<sup>157</sup> TİKA’s Program Coordination Offices are in Afghanistan Kabul, Afghanistan Mazar-i-Sharif, Albania, Azerbaijan, Bangladesh, Bosnia Herzegovina, Algeria, Djibouti, Chad, Ethiopia, Philippines, Palestine, Gambia, Guinea, Republic of South Africa, South Sudan, Georgia, Croatia, Iraq, Israel, Cameroon, Montenegro, Kazakhstan, Kenya, Kirgizstan, Columbia, Union of Comoros, Kosovo, Libya, Lebanon, Hungary, Madagascar, Mali, Mexico, Egypt, Mongolia, Moldova, Mozambique, Myanmar, Namibia, Niger, Nigeria [being established], Uzbekistan, Pakistan, Romania, Senegal, Serbia, Somali, Sudan, Syria, Tajikistan, Tanzania, Tunis, Turkmenistan, Uganda, Ukraine Crimea, Ukraine Kiev, Jordan, Yemen. Besides, its liaison offices are settled in Palestine Gaza, Yemen Aden, Somalia Hargeisa, Libya Benghazi, Sudan Nyala, Kazakhstan Alma-Ata, Afghanistan Heat, Pakistan Karachi, Lebanon Tripoli.

these sectors in relations with the EU and international organizations; and d) working on the EU *acquis* and informing the chambers and commodity exchanges in Turkey. TOBB is also in charge of determining the economic policies of the Turkish private sector. More importantly, it is responsible for issuing opinions for and assisting the relevant government institutions in conducting foreign economic relations to integrate the Turkish economy with the world. TOBB is also authorized to draw up provisions of arbitration and to form the Arbitration Board in case of international commercial litigates.

TOBB aims to increase the global economic competitive capacity of the Turkish private sector and to increase the share of Turkish companies in the world market. To this end, it has representation offices in Brussels and Washington, DC. It represents the Turkish companies and makes efforts to create a connection between the Turkish private sector and the international economic circles. It is a member of various international organizations such as the Economic Cooperation Organization - Chamber of Commerce and Industry (ECO-CCI) and Business at OECD (BIAC). Moreover, TOBB has established joint Chambers of Commerce and Industry (CCIs) with its counterparts in other countries such as Germany and the US. These joint CCIs are responsible for developing bilateral economic and trade relations and for making suggestions to both sides' governments for that purpose. Not surprisingly, TOBB has a special branch in its structure called Directorate for International Relations. The Directorate coordinates the relations between TOBB and international organizations of which TOBB is the member.

TOBB is also able to be in touch with global political and financial institutions (e.g., UN, WTO, World Bank and OECD). It takes steps to advance bilateral trade with those countries which are strategically crucial for Turkey. For instance, TOBB officials host foreign diplomatic missions and organize meetings in which Turkish businesspeople come together with foreign officials for commercial purposes. I prefer to describe it as non-governmental even though it was established by the Law. This is because neither its budget nor its high-level executives are contributed and appointed by the government itself. Instead, it is a financially independent and self-sufficient organization.

### **3.7. Foreign Economic Relations Board of Turkey (DEİK)**

DEİK was established by the efforts of former Prime Minister of Turkey Turgut Özal in 1986. DEİK is based on its founding organizations that are the leading organizations of the Turkish business – namely TOBB, TİM (Turkish Exporters' Assembly), MÜSİAD (Independent Industrialists' and Businessmen's Association), YASED (International Investors Association), and İKV (Economic Development Foundation). The founding purpose of DEİK was grounded in need of the Turkish businesspeople to have a unique organization that would be responsible only for the coordination of the Turkish private sector's foreign economic relations.

The foundation of DEİK was based on an Article in the Law No. 5590 on Chambers of Commerce and Industry, but it had many years operated as a small entity on the basis of TOBB. Therefore, it had functioned without a proper legal entity until 2004. On 18<sup>th</sup> May of 2004, the Law of the Union of Chambers and Commodity Exchanges of Turkey and the Chambers and Commodity Exchanges (the Law No. 5174) went in effect and DEİK became a legal entity subject to private law. Afterward, the legislation regarding the duties and authorities of DEİK and Business Councils have been prepared and DEİK has become institutionalized. Pursuant to Article 58 of the Law No. 5174, DEİK operating through Business Councils was established with the aim at managing the foreign economic relations of the Turkish private sector under the supervision of TOBB.

In 2014, DEİK was restructured by the decree Law No. 6552 and reestablished as a separate entity from TOBB. According to the new establishment, DEİK became responsible for a) the organization and the management of the foreign economic relations of the Turkish private sector, in particular with respect to foreign trade, international investments, services, contracting and logistics; b) the analysis of investment opportunities in Turkey and abroad; c) helping boost the country's exports; and d) the coordination of similar business development activities. DEİK gained a legal entity in this way and was put under the supervision of the Ministry of Economy (the MOT today). The founding institutions were also increased and as of May 2019, their numbers reached 95.

DEİK's duties are clearly stated in the latest regulation, which was published in the *Resmî Gazete* on 26<sup>th</sup> November of 2017. DEİK has the following tasks:

- a) to monitor and to develop Turkey's economic, commercial, industrial and financial relations with foreign countries and international communities;
- b) to present opinion and suggestions to the relevant institutions and organizations in order to develop Turkey's foreign economic relations, to resolve the potential problems;
- c) to carry on works that increase the Turkish export and that attract international investment towards production and export;
- d) to participate in international or cross-governmental negotiations as the representative of the Turkish private sector, upon invitation;
- e) to plan and suggest strategies to the relevant institutions regarding the relations with certain countries, regions and institutions by taking into consideration the developments in international economic relations;
- f) to contribute to the improvement of the investment climate in Turkey and to conduct a series of activities abroad to promote investment opportunities in Turkey;
- g) to engage in promotional activities in both Turkey and abroad in the way that Turkey's foreign economic relations succeed;
- h) to conduct relations with multilateral institutions and organizations.

DEİK has a vision of Turkey, which is capable of determining economic and political developments at the regional and global level, of being globally competitive, of having a significant share in the world trade volume, of being a center of investment, finance and research-development. For that purpose, DEİK states that Turkey should achieve macroeconomic stability and should be able to produce high-tech.<sup>158</sup> As the primary *quasi* non-governmental organization in Turkey's economic diplomacy, DEİK takes the following as its mission:

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<sup>158</sup> "About DEİK," DEİK, 2019, accessed May 11, 2019, <http://deik.org.tr/deik-about-deik>.

... to express its point of view to public organizations and institutions whenever the occasion arises; to help companies deepen their market presence and to access new markets; to organize national and international events; to formulate and implement strategies and policies on foreign economic relations; to generate the information required by the business community in its foreign economic relations; to carry out activities designed to attract direct foreign investments to Turkey; to broaden the national, regional and global networks the private sector relies on its activities; to organize training programs to improve the corporate capacity of companies with the purpose of advancing them to become global players; to carry out activities that support the country's diplomacy and contribute to the development of bilateral and multilateral social relationships; to represent the Turkish business community in international and multinational organizations, and to lobby for the country on international platforms.<sup>159</sup>

As previously stated, DEİK operates through Business Councils (BCs). As of May 2019, DEİK has 139 country-based bilateral BCs, 5 sector-specific BCs and 2 special purpose BCs. The country-based BCs have counterpart organizations in each country. It would not be wrong to say that the BCs are sort of a bridge between the Turkish private sector and the Turkish public institutions. This is because while they make the private sector heard by the government, they, on the other hand, deliver any information on the government's economic policies and strategies to their members.

The BCs organize international events to develop economic cooperation between Turkey and other countries. DEİK brings close together high-level representatives of governments, politicians, business world representatives, entrepreneurs, academicians, and representatives of civil society organizations in these events and works on creating qualified cooperation between them. Table 4 demonstrates the number of high-level participants to the events organized and/or supported by DEİK in 2018. As can be seen in the table, only in 2018, 145 meetings organized and/or supported by DEİK were participated by presidents, prime ministers, deputy prime ministers, ministers, ambassadors and other high-level officials from a great variety of countries. In parallel with the law and regulations which establish DEİK and states its responsibilities, duties, and authorities, these numbers highlight the role of DEİK in

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<sup>159</sup> "About DEİK."

Turkey's economic diplomacy. This is due to the fact that any event from ambassadorial to presidential level is based on the negotiation and promotion of bilateral trade and investment between Turkey and other countries.

**Table 4:** High-level participations in DEİK events in 2018<sup>160</sup>

	<b>President</b>	<b>Prime Minister</b>	<b>Deputy Prime Minister</b>	<b>Minister</b>	<b>Ambassador</b>	<b>Other VIP</b>
Number	7	7	10	38	58	25

In addition to its event-based operations, DEİK carries out works to develop new strategies regarding foreign economic relations of both Turkish companies and the Turkish government. It prepares and publishes reports on a variety of issues. While DEİK publishes reports for Turkish companies on access to and entry strategies for a certain country market, it also contributes to the trade and investment-related action plans of the MOT. Likewise, it also contributes to the negotiations of the Turkish government with other governments in the context of the Intergovernmental Economic Commissions and Joint Economic and Trade Committee (JETCO). As a *quasi* non-governmental organization, DEİK works in tandem with the MOT's Directorate General for International Agreements and the European Union. Also, DEİK works in cooperation with the Turkish MFA and the Turkish Presidency on occasion as well. While its relations with the MFA are mostly related to the diplomatic protocols, its joint works with the Turkish Presidency are twofold. Firstly, DEİK is responsible for the organization of business delegations that accompany the Turkish President during his official visits to foreign countries – when needed. During those state visits, DEİK is in charge of conducting business forums that high-level government officials of two countries, representatives of the private sector, and businesspeople participate in. Secondly, DEİK is occasionally required by the Turkish Presidency to research on the opportunities and challenges for the Turkish business world in the country of destination, to prepare special and confidential reports and other types of documents

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<sup>160</sup> DEİK İş Konseyleri 2018 Faaliyet Raporu, DEİK (İstanbul, 2019).



elucidating demands and problems of Turkish companies in a certain country. For instance, the last example of this mode of operation was seen during the Turkish President Recep Tayyip Erdoğan's official visit to Moscow for the 8<sup>th</sup> Meeting of the Turkey-Russia High-Level Cooperation Council. In this type of highest-level intergovernmental meetings, DEİK functions as the economic intelligence provider for the Turkish government and contributes to the bilateral negotiations on trade and economic cooperation.<sup>161</sup>

### **3.8. Turkish Industry and Business Association (TÜSİAD)**

The third institution within the Turkish business community with an important role in Turkey's foreign economic relations is TÜSİAD, established in 1971. Unlike previous cases, TÜSİAD was not established by the law. Instead, it was founded by today's leading business figures in Turkey including Koç Holding, Sabancı Holding, Eczacıbaşı Holding and Boyner Group. Although it does not directly take the responsibility of being a part of Turkey's economic diplomacy as a mission, I suggest that despite its character as an interest group, TÜSİAD is an important player in the international business environment within the scope of Turkey's economic diplomacy. As an association to which membership depends on voluntariness, TÜSİAD's aims are stated in its Charter's Article 2 as the following:

TÜSİAD, as the representative organization of the Turkish business world working for public interest, ... takes as its basis the advancement of the Turkish competitive power and social welfare, of employment, productivity, innovative capacity and the scope and quality of education through constant enhancement. TÜSİAD contributes to the formation of national economic policies by making the best use of regional and sectoral potentials in the economic and social development of our country in an environment of social peace and conciliation. It contributes to Turkey's promotion on a global scale and holds activities for the cultivation of international political, economic, social and cultural relations, communication, representation and cooperation networks in order to support Turkey's European Union membership. It holds research, forms

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<sup>161</sup> "“Our cooperation with Russia in the area of energy is one of the pillars of our economic relations”," Presidency of the Republic of Turkey, 2019, accessed May 11, 2019, <https://www.tccb.gov.tr/en/news/542/103852/-our-cooperation-with-russia-in-the-area-of-energy-is-one-of-the-pillars-of-our-economic-relations->.

opinions, develops projects and organizes activities to accelerate international integration and interaction, regional and local development.<sup>162</sup>

If TÜSİAD's political-economic approach towards Turkey's economic diplomacy is analyzed, it can easily be seen that TÜSİAD has always supported Turkey's accession process to the EU for economic, political and social reasons. Within the context of this thesis, from the economic point of view, TÜSİAD supports the argument that Turkish membership to the EU is vital to strengthen the competitive capacity of the Turkish economy in the global markets. According to Tuncay Özilhan, who was the former President of TÜSİAD between 2001 and 2003, since the EU is sort of a door opening to the global markets, Turkey would negatively be affected by the globalization process without the membership to the EU.<sup>163</sup>

Apart from the promotion activities, TÜSİAD Administrations have undertaken various initiatives for the development of Turkey's economic relations. For instance, TÜSİAD International was founded in 2001 to develop institutional relations with official foreign organizations and businesspeople associations, and to advance bilateral trade and investment relations of Turkey. Another example could be the Foreign Communication Commission, which was established in 2005 for conducting and coordinating those activities of the Association, which aim to influence foreign public opinion on Turkey and Turkish businesspeople. The Bosphorus Institute can also be given as another type of example, which was established in 2009 with the aim of pointing out the significance and strengthening Turkey-France political and economic relations. Besides, TÜSİAD has representative offices in Brussels, Washington DC, Berlin, Paris and London. These offices serve TÜSİAD to establish close relations with the EU, the US, Germany, France and Britain. By these offices, the Association represents the Turkish businesspeople and Turkey at the international stage. At the

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<sup>162</sup> "TÜSİAD Charter," 2019, accessed May 7, 2019, <https://tusiad.org/en/tusiad/charter>.

<sup>163</sup> Tuncay Özilhan, "Küresel Dünyaya Açılan Kapı: AB," [The EU: A Door Opening to Global World.] *Görüş* 51 (2002): 6, [https://tusiad.org/tr/yayinlar/gorus-dergisi/item/download/8041\\_4a2f482a32f2a73ee7e1a25419c05e2e](https://tusiad.org/tr/yayinlar/gorus-dergisi/item/download/8041_4a2f482a32f2a73ee7e1a25419c05e2e).

same time, with its membership to BusinessEurope consisting of business world institutions in the European countries, TÜSİAD aims to strengthen the relations between Turkish and European business circles. For all of these purposes, the representative offices of TÜSİAD carry out events in which politicians, academicians, and representatives of private sector participate.

### **3.9. Conclusion**

The major actors of Turkey's governmental economic diplomacy in the 2000s are MFA, MOT, MOTF, and TİKA. While MFA and MOTF are rooted in the political and economic history of Turkey, MOT is a relatively new governmental component in Turkey which was established in 2011 as the Ministry of Economy. Despite the change in the governmental system of Turkey, all these governmental institutions have kept their previous responsibilities and authorities in the field of economic diplomacy. While MFA is more interested in the political side of bilateral, regional and multilateral economic and trade relations of Turkey, MOT has a direct hand in gathering economic intelligence in foreign countries and in supporting the Turkish private sector's investments in abroad and exports to foreign countries. It can also be suggested that MOT is more inclined to function in the field of trade relations of Turkey with other countries and international organizations. Different from these two, MOTF is keener on the financial domain of Turkey's economic diplomacy. Finally, TİKA is a unique governmental institution with the role of conducting Turkey's official development assistance to other countries.

In addition to these governmental organizations, TOBB, DEİK and TÜSİAD are those Turkish business community's organization with a significant role in Turkey's foreign economic relations. Despite the lack of essence regarding contributing to Turkey's foreign economic relations in the law of establishment, TOBB is an important player as the largest business organization in Turkey. Owing to its representative power, it is able to contribute to Turkey's foreign economic relations with other countries and organizations. Though it was established by the law, I prefer to call it non-governmental organization because its Board of Directors take office with free elections and are not appointed by the government. On the other hand, DEİK is a *sui*

*generis* organization which I prefer to describe as *quasi* non-governmental. It is non-governmental because neither the members of its Board of Directors are civil servant, nor are its employees. Besides, the Chairpersons of the BCs are businesspeople and they enter into elections for that position biennially, so they are not state officials as well. On the other hand, I call it a *quasi* non-governmental organization since it operates in tandem with the MOT and the President of DEİK is appointed by the Minister of Trade. It is also financed by the private companies which are members of it, but its secretariat generally works according to rules and regulations determined directly by the government. Hence, its unique character makes it totally different from other institutions and associations. The fact that it is the only institution with the responsibility of managing foreign economic relations of the Turkish private sector conferred by the law makes DEİK a key player in Turkey's foreign economic relations in the 2000s. Finally, TÜSİAD is a non-governmental organization with a significant role in Turkey's economic relations, particularly with the EU and European countries. Unlike TOBB and DEİK, TÜSİAD is an interest and pressure group functioning for a large group of like-minded Turkish businesspeople. Due to this, TÜSİAD's Board of Directors frequently meets with the Turkish ministers and with President Erdoğan on occasion. They also organize meetings with government officials and European politicians. Therefore, TÜSİAD has a non-governmental character and plays a role in Turkey's economic diplomacy.

## CHAPTER 4

### PRACTICE OF TURKISH ECONOMIC DIPLOMACY

#### 4.1. Introduction

In this part of the thesis, a brief analysis of Turkish economic diplomacy will be made from a historical perspective. Turkish economic diplomacy will be assessed in three different historical periods: The bipolar period in international order between 1945 and 1990, the unipolar period between 1990 and 2002, and finally, the rise of the rest era starting from the beginning of the 2000s onwards. More of attention will be paid to the 2000s.

In IR literature, there are discussions on whether or not the unipolarity is a ‘moment’ or a longer period of time. Keeping out of these discussions, I prefer to call the 1990s as a period unipolarity held sway in the international politics agreeing with Wohlforth who suggest that the key to the system in the relevant years was “the centrality of the United States” and that it was the period during which “the expectation on the part of other states that any geopolitical challenge to the United States is futile.”<sup>164</sup> Besides, how to describe the 2000s is yet another question IR scholars have different answers for. Whilst some scholars call it ‘multipolar world’<sup>165</sup>, some call

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<sup>164</sup> William C. Wohlforth, "The Stability of a Unipolar World," *International Security* 24, no. 1 (1999): 39-40.

<sup>165</sup> See Susan Turner, "Russia, China and a Multipolar World Order: The Danger in the Undefined," *Asian Perspective* 33, no. 1.

nonpolar<sup>166</sup> and some prefer to describe it as ‘multiplex world order’<sup>167</sup>. Again staying out of those discussions on how to name the world order, in line with Zakaria<sup>168</sup>, I prefer to focus on a widely agreed phenomenon among IR scholars which is the ‘rise of the rest’, so I call the 2000s as the ‘rise of the rest’ era in this thesis.

#### **4.2. Turkey’s Foreign Economic Relations in the Bipolar World (1945-1990)**

After the World War II, the world politics has started to be characterized by bipolarity in which two opposite camps would be led by the US on the one hand, and the Soviet Union on the other. In the face of emerging Cold War conditions, Turkey has been positioned on the side of the so-called free world. For that purpose, the Turkish political-economic structure has undergone a transformation. With respect to domestic politics, Turkey’s transition to a multi-party system took place in 1945 and the first multi-party election was held in 1946. Also, Turkey has transformed its economic model from a state-centric one to a more liberal one in which the private sector and individual enterprises gained importance. During this period, the Turkish economy developed mostly on the modernization of agricultural production – a response to the need of the European economies.

It would not be wrong to suggest that the Turkish foreign policy during this period was characterized by Westernization and economic concerns.<sup>169</sup> For instance, Turkey was another country with Greece to receive aid provided by the US through the Marshall

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<sup>166</sup> See Daniel W. Drezner, Ronald R. Krebs, and Randall Schweller, "The End of Grand Strategy," *Foreign Affairs* 99, no. 3 (2020).

<sup>167</sup> See Amitav Acharya, "After Liberal Hegemony: The Advent of a Multiplex World Order," *Ethics & International Affairs* 31, no. 3 (2017).

<sup>168</sup> Fareed Zakaria, "The Future of American Power," *Foreign Affairs* 87, no. 3 (2008).

<sup>169</sup> Altay Atlı, "Business Associations and Foreign Policy: Revisiting State-Business Relations in Turkey" (Doctor of Philosophy Boğaziçi University, 2013), 131.

Plan in 1947. In order to be the recipient, the Turkish government accepted the conditions of the US administration such as encouraging private entrepreneurship while limiting public entrepreneurship and industrializing, particularly in agricultural products, construction materials and forest products.<sup>170</sup> Furthermore, Turkey was also among those countries, which became the first member of the IMF and the World Bank on 11<sup>th</sup> March of 1947. In the same year, GATT was signed by 23 countries so that the economic cooperation among nations could be sustainable through the liberalization of international trade. Turkey became a party to the Agreement in 1953. After the membership of these financial institutions of the Bretton Woods system, Turkey was endowed with economic and military aid by the US within the framework of the Truman Doctrine in order to prevent the Soviet Union from influencing Turkey just because of the latter's economic concerns.<sup>171</sup>

In addition to these international institutions, the North Atlantic Treaty Organization (NATO) was of vital importance for the Turkish government not only because of strategic and security concerns of Turkey but also because of the economic benefits that would be provided to the country. Yet, Turkey's application for membership in August 1950 was declined. Turkey and Greece were invited to NATO in September 1951 when the Chinese Communist Revolution and first nuclear weapon tests made by the Soviet Union dramatically changed the global security landscape and caused an increase in the importance of countries neighboring the Soviet Union. Under these circumstances, the DP government decided to send Turkish troops to the Korean peninsula to fight with the UN forces against the communist insurgents between 1950 and 1953. Then, Turkey was accepted to NATO as a member in 1952.

Along with Turkey's Western-oriented foreign policy, the Turkish government's aggressive liberalization steps in foreign trade inevitably brought about an increasing

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<sup>170</sup> Ziya Öniş and Fikret Şenses, *Global Dynamics, Domestic Coalitions and a Reactive State: Major Policy Shifts in Post-War Turkish Economic Development*, Turkish Economic Association (2007), 13.

<sup>171</sup> Joseph C. Satterthwaite, "The Truman Doctrine: Turkey," *American Academy of Political and Social Science* 401 (1972).

trade deficit. According to Turkstat data, Turkey's trade deficit followed a fluctuating course starting from 1947, but it peaked at 184.3 million USD in 1955. In consideration of these developments, it would not be a mistake to suggest that the 1950s were the years during which the Turkish foreign policy was Western-oriented in the sense that the Turkish economy got integrated into the US-led post-war international institutions and world economy.<sup>172</sup>

At the end of the 1950s, the Turkish economy experienced a major economic crisis as a result of growing fiscal disequilibrium and rising inflation, which eroded the balance of payments equilibrium.<sup>173</sup> This led Turkey to sit around the table with the IMF officials to seek out a way of stabilizing the economy. In August 1958, the DP government accepted the first stabilization program of the Republic. Indeed, Turkey was already benefiting from the IMF funding before the austerity program. For instance, Turkey received a 20 million USD loan during the 1953-1954 fiscal year.<sup>174</sup> Likewise, 35 million USD loan was provided to Turkey in 1955 by which Turkey exceeded its quota. Turkey started having difficulties in repayment of its loans in 1956.<sup>175</sup> According to the austerity program in 1958, 420 million USD of Turkey's debt would be rescheduled, and 359 million USD new credit would be extended.<sup>176</sup> In

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<sup>172</sup> Ziya Öniş, "Crises and Transformations in Turkish Political Economy," *Turkish Policy Quarterly* 9, no. 3 (2010): 48.

<sup>173</sup> Öniş and Şenses, *Global Dynamics, Domestic Coalitions and a Reactive State: Major Policy Shifts in Post-War Turkish Economic Development*, 13-14.

<sup>174</sup> Ayşe Y. Evrensel, "IMF Programs and Financial Liberalization in Turkey," *Emerging Markets Finance and Trade* 40, no. 4 (2004): 11.

<sup>175</sup> Evrensel, "IMF Programs and Financial Liberalization in Turkey," 11.

<sup>176</sup> Aykut Tayfun Gözükar, "Turkish Foreign Policy in a Decade of Economic Transformation, 1980-1989" (Master of Arts Yeditepe University, 2013), 20.



addition, Turkey would take the necessary steps to reduce the central bank credit and government subsidies.<sup>177</sup>

In 1960, the DP era in Turkey came to an end as a result of a military *coup*. These were the years during which the Turkish foreign policy has become more multidirectional. Because of the disharmony in their foreign policies, the relations between Turkey and the US have spoilt during this period. Notably, US President Lyndon Johnson's letter to Turkish Prime Minister İsmet İnönü in 1964 in order to prevent Turkey from intervening to Cyprus marked one of the biggest crises in Turkey-US relations. Then, the Turkish government started questioning the relations with the US and Turkey's position within NATO. Correspondingly, Turkey's relations with the Soviet Union and with Europe have developed. For instance, the Turkish government applied the EEC to be an associate member in 1959. As a result of a course of negotiations, both parties signed the Ankara Agreement on 12<sup>th</sup> December of 1963, which would be effective a year later. As stated in Article 2 of the Agreement:

The aim of this Agreement is to promote the continuous and balanced strengthening of trade and economic relations between the Parties, while taking full account of the need to ensure an accelerated development of the Turkish economy and to improve the level of employment and living conditions of the Turkish people.<sup>178</sup>

For that purpose, the Ankara Agreement envisioned the establishment of a customs union between Turkey and the EEC. The customs union prohibited customs duties between Turkey and the EEC member countries on imports and exports, and all kinds of measures which were to protect national production in a manner contrary to the objectives of the Agreement. Moreover, Turkey adopted the Common Customs Tariff of the EEC in its trade with third countries. Therefore, Turkey's foreign economic relations with the EEC countries have developed during this period.

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<sup>177</sup> Evrensel, "IMF Programs and Financial Liberalization in Turkey," 11.

<sup>178</sup> "Ankara Agreement," Republic of Turkey Ministry of Foreign Affairs Directorate for EU Affairs, 2011, accessed January 2, 2020, [https://www.ab.gov.tr/\\_117\\_en.html](https://www.ab.gov.tr/_117_en.html).

On the other hand, Turkey has also advanced its economic relations with the Soviet Union as well. As it is known, the trade and economic relations between Turkey and the Soviet Union were based on the “Trade and Navigation Agreement” signed on the 8<sup>th</sup> October of 1937. Particularly, the first half of the 1960s marked rapidly developing trade relations between the two countries through adding additional protocols to this Agreement. For instance, the first additional protocol was added to the Agreement on 14<sup>th</sup> of March 1960, which stated the trade volume between the two countries was 10,9 million USD. The second additional protocol which projected that the bilateral trade volume would be about 9 million USD was signed in Ankara on February 16<sup>th</sup>, 1961. In total, five additional protocols regarding the target level of bilateral trade volume had been signed by Turkey and the Soviet Union between 1960 and 1964.

When it comes to the 1970s, Turkey’s foreign economic relations had been influenced by global developments and Turkish foreign policy concerns. First of all, the oil crisis in 1973 caused the rise of inflation and a decrease in the Turkish GDP growth rate. According to the UNCTAD data, Turkey’s GDP annual growth rate decreased from 4,9 percent in 1972 to 3,1 percent in 1974. Towards the end of the 1970s, the global oil crisis coupled with Turkey’s difficulties in its foreign relations and the second oil crisis. As a result, Turkey’s GDP started shrinking with -0,7 percent in 1978. As Karagöl puts it:

Due to the first and second oil crises of 1973 and 1979, Turkey rescheduled its debt with consecutive agreements signed with OECD countries in 1978 and with commercial banks in 1979 and 1980. With these agreements, both the government debts and commercial debt repayments were rescheduled. Despite the fact that the relief brought about by the capitalization of interest payments in rescheduling content, rescheduling increased Turkey’s external debt stock in the 1970s. Due to these developments, Turkey intended to have IMF stand-by at the end of 70s and the beginning of 80s. Because of the poor performance criteria, the 1978 and 1983 stand-by arrangement were cancelled and new 1979 and 1984 stand-by arrangements took place. These arrangements were also cancelled because of the same reason. As a result, only a total of SDR 545 million used over 1 SDR billion.<sup>179</sup>

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<sup>179</sup> Erdal T. Karagöl, *Does Turkey Need a New Standby Agreement?*, SETA (Ankara, 2008), 2.

Furthermore, the developments in the Turkish foreign policy during the 1970s have led to differences in Turkey's economic diplomacy. Mainly, Turkey's military intervention in Cyprus was the most important determinant of Turkey's foreign economic relations with the US. As is known, Turkey conducted a "peace operation" in 1974 in Cyprus in response to the activities of the Greek nationalist movement EOKA (*National Organization of Cypriot Struggle*), which were against the lives of Turkish Cypriots. Yet, Turkey's peace operation could not win the support of the international community. Rather, it was considered an invasion and the US started to place an arms embargo on Turkey.<sup>180</sup>

On the other hand, these were also the years during which Turkey started pursuing a different economic diplomacy, which featured the Turkish business community to play a role. In this sense, TÜSİAD has come into prominence. Because of the poor conditions of the Turkish economy, TÜSİAD undertook a mission to contribute to the country's international image through lobbying. In this regard, it organized business visits to European capitals in September 1974. The most important visit of TÜSİAD delegations at the time was to the US in September 1975 when the US Congress members were discussing the embargo to be placed on Turkey. During that visit, the TÜSİAD delegation, composed of Turkish businesspeople, met with US President Gerald Ford and tried to explain the perspective of the Turkish side concerning Turkey's intervention into the island.<sup>181</sup>

TÜSİAD was not the only business community becoming active in Turkey's economic diplomacy in the 1970s and the Cyprus issue was not the only policy area in which the Turkish business community started playing a part in enhancing the country's economic diplomacy initiatives. As Atlı states:

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<sup>180</sup> See Yasin Coşkun, "The Cyprus Problem and Anglo-Turkish Relations 1967-1980" (Doctor of Philosophy University of East Anglia, 2015).

<sup>181</sup> TÜSİAD, *ABD Raporu*, TÜSİAD (İstanbul, 1975).

... 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. With respect to the oil crisis, the Turkish-Arab Joint Chamber of Commerce (...) 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, while TÜSİAD's visit to Iran in 1975 has been an important initiative in this respect.<sup>182</sup>

Towards the end of the 1970s, the consequences of the US embargo and Turkey's arms race with Greece have just made the Turkish economy worse. This was coupled with the dramatic increase in oil prices, which ended up with the pursuit of new friends in Turkey's foreign relations. Therefore, the situation of the Turkish economy in the 1970s had exacerbated as a result of both the Turkish foreign policy and global developments. In this respect, the military intervention in Cyprus in 1974 and the oil crisis in 1973 were remarkable. During that period, the proportion of imports covered by exports in Turkey's foreign trade had considerably decreased. Aydın argues that "According to 1978 figures, the cost of oil imports equaled Turkey's entire export earnings. A dramatic rise in military expenditure following the 1974 Cyprus crisis, as a result of the American arms embargo and the arms race with Greece, also severely strained the Turkish economy."<sup>183</sup>

When it comes to the 1980s, Turkey's economic diplomacy has been deeply affected by domestic political and international developments. As it is known, Turkey witnessed a military *coup* on September 12<sup>th</sup>, 1980 and the military junta has lasted for three years. With the *coup*, Turkey's economic policies including its foreign economic relations have considerably changed. The September 12<sup>th</sup> military *coup* put an end to inward-oriented economic policies of the 1970s and Turkey started witnessing a more

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<sup>182</sup> Atlı, "Business Associations and Foreign Policy: Revisiting State-Business Relations in Turkey," 142.

<sup>183</sup> "Turkish Foreign Policy Framework and Analysis," 2004, accessed January 2, 2020, <http://sam.gov.tr/wp-content/uploads/2011/12/mustafaaydin.pdf>.

outward-oriented economic policies. In order to facilitate a more outward-oriented economic model, Turkey's decision-makers at the time needed international assistance provided by the IMF through structural adjustment loans (SALs) which valued 1.5 billion special drawing rights (SDRs).<sup>184</sup> As Aydın puts it:

Under the auspices of the army, Turkish policy-making became an arena in which the IMF and the World Bank had a strong influence. Soon after the coup the Government signed a three-year stand-by agreement in 1980 which could be interpreted as the death of Turkish policy-making and as an infringement on Turkish national sovereignty. The ironic thing is that the World Bank, which became involved in five Structural Adjustment Loans (SALs) to Turkey, insisted on the continuation of development planning as a 'medium-term strategy' in order to link the short-term objectives of stabilisation policies with the long-term structural adjustment policies.<sup>185</sup>

Not surprisingly, the international assistance to Turkey in the 1980s came at a price: neo-liberalization. Indeed, Turkey's neo-liberalization dates back to the beginning of 1980 when a reform package was issued on January 24<sup>th</sup>, 1980. As Atlı suggests, "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."<sup>186</sup> Therefore, 24 January package can be considered one of the most important initiatives to facilitate and to strengthen the free market economy through privatization and deregulation.

During the interim period, Turgut Özal was appointed as the Deputy Prime Minister, who was also the architect of the 24 January reform package while working as the Undersecretary at the Secretariat of the State Planning Organization. He became responsible for economic affairs of the interim government. Hence it would not be

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<sup>184</sup> Gözükar, "Turkish Foreign Policy in a Decade of Economic Transformation, 1980-1989," 37.

<sup>185</sup> Zülküf Aydın, *The Political Economy of Turkey* (London: Pluto Press, 2005), 44.

<sup>186</sup> Atlı, "Business Associations and Foreign Policy: Revisiting State-Business Relations in Turkey," 145.

misleading to argue that there was a continuity right before and after the 1980 *coup* in order to establish a new economic model which was based on the market supremacy, minimum government regulation, cutting the budget deficit, trade liberalization, privatization and the removal of import restrictions.<sup>187</sup> According to Sanverdi, the main aim behind these initiatives was “to overcome Turkey’s main economic difficulties, such as shortage of foreign currency, debt, repayment problems, unemployment and high inflation. The second important goal was to integrate the Turkish economy with the world free market economies, mainly with the European Community.”<sup>188</sup>

In order to understand the reflection of neo-liberal transition in the domestic economy on Turkey’s foreign economic policies, it is necessary to analyze the dynamics of the country’s foreign trade data in the relevant period. According to the Turkstat data, Turkey’s export to and import from the US were 127.4 million USD and 442.4 million USD respectively in 1980. Turkey’s total trade with the US rose to 1.7 billion USD of which Turkish export and import were 506 million USD and 1.2 billion USD respectively. When it comes to 1989, Turkey’s total trade with the US was 2.1 billion USD of which Turkish export and import were 971 million USD and 2.1 billion USD respectively. As can be seen in the Table 5 below, Turkey’s total foreign trade numbers were 10.8 billion USD in 1980, 19.3 billion USD in 1985, and 27.4 billion USD in 1989. Therefore, the share of the US in Turkey’s foreign trade in the relevant years has increased from 5,3 percent to 8,8 percent.

Another important development in Turkey’s foreign economic relations in this period was the increase of Turkish exports to the Organization of Petroleum Exporting Countries (OPEC). While Turkey’s export to OPEC was 385.2 million USD, it has

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<sup>187</sup> Ayşe Buğra, "The Place of the Economy in Turkish Society," *The South Atlantic Quarterly* 102, no. 2/3 (2003): 459.

<sup>188</sup> Ahmet Sanverdi, "The Underlying Reasons for Turkey’s Application for the Membership of the E.C.," *Dumlupınar Üniversitesi Sosyal Bilimler Dergisi* 26 (2010), <https://dergipark.org.tr/en/download/article-file/55595>.

risen to 2.9 billion USD in 1985. On the other hand, Turkey's imports from OPEC has decreased from 3.1 billion USD in 1980 to 2.6 billion USD in 1989. As Gözükarar puts it:

Turkish exports to Middle Eastern countries following the liberalization of the economy boomed. Özal took businessmen along on his visits to Arab countries, which stimulated trade substantially ... Concerning the rising oil prices, Turkish dependence on the Middle Eastern OPEC countries also grew as prices continued to increase throughout 1980s. ... the Turkish interest in and export boom to Middle East Countries can be explained by the expansion of oil imports and the need to level the balance of payments by opening new markets.<sup>189</sup>

Another economic region with which Turkey had considerably changed its foreign trade volume during the 1980s is Europe. According to the Turkstat, Turkey's total foreign trade with the EEC countries, which was worth 3.4 billion USD in 1975, reached 8 billion USD in 1985 and 12.9 billion USD in 1989. Nonetheless, the share of the EEC in Turkey's foreign trade had decreased from 55 percent to 47 percent between 1975 and 1989. That is to say, while Europe has kept its importance for the Turkish economy, Turkey managed to diversify its foreign trade partners and to increase its total external trade. In parallel to the growing economic relations with Europe despite the decrease in Europe's share in Turkey's foreign trade, Turkey applied to the European Community (EC) for full membership in 1987. As stated in the former section, Turkey had been an associate member of the EC since 1963. However, Turkey's application for full membership was rejected by the EC in 1989.

As can be seen from the Table 5 and the region-based statistical information above, through the liberalization of the national economy and the implementation of more outward-oriented economic policies, Turkey has started becoming more and more integrated with the world economy. The more the integration with the world economy is, the more the importance the economic and commercial issues in the foreign relations of the countries get. Thus, Turkey's foreign economic relations began to

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<sup>189</sup> Gözükarar, "Turkish Foreign Policy in a Decade of Economic Transformation, 1980-1989," 46.

change. First of all, the US' military sanctions against Turkey were lifted towards the end of the 1970s. This has brought about a re-approachment in the US-Turkey relations. The Iranian Revolution in 1979 has also contributed to this re-approachment since Iran has turned into a lost friend for the US in the Middle East and this inevitably increased Turkey's importance in the region.<sup>190</sup> On November 29<sup>th</sup>, 1982, Turkey and the US signed a Memorandum of Understanding (MOU) in Brussels. According to the MOU, ten air bases would have been modernized and new two of them would have been constructed in Muş and Batman. In return, Turkey would have been provided by financial assistance by the US through IMF and World Bank.<sup>191</sup>

**Table 5:** Turkey's total foreign trade in 1980, 1985 and 1989

	<b>1980</b>	<b>1985</b>	<b>1989</b>
<b>Export (billion USD)</b>	2.9	7.9	11.6
<b>Import (billion USD)</b>	7.9	11.3	15.8
<b>Balance (billion USD)</b>	-5.0	-3.4	-4.2
<b>Volume (billion USD)</b>	10.8	19.2	27.4
<b>Proportion of imports covered by exports (%)</b>	36,7	69,9	73,4

Source: Turkstat

Turkey's increasing integration with the global economy in this period paved the way for Turkish non-governmental organizations to increase their role in the country's economic diplomacy. It would not be wrong to suggest that Turkey's economic

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<sup>190</sup> Gözükar, "Turkish Foreign Policy in a Decade of Economic Transformation, 1980-1989," 45.

<sup>191</sup> *United States Political-Military Relations with Allies in Southern Europe*, U.S. House of Representatives Committee on Foreign Affairs (Washington D.C.: U.S. Government Printing Office, 1987), 33.



diplomacy strategy has been developed with the increasing contribution of the Turkish private sector. As Türkmen, the former Turkish Minister of Foreign Affairs, puts it:

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.<sup>192</sup>

In fact, Turkey's economic and commercial issues-related foreign policies have been under the responsibility of the MFA. State Planning Organization and the Undersecretariat of Treasury and Foreign Trade were secondary governmental institutions that had weight on shaping and implementation of foreign economic policies of Turkey during the same period. Yet, there was a disharmony between the concerns of these governmental institutions and the concerns of the Turkish private sector regarding the foreign economic policies. As Atlı suggests:

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.<sup>193</sup>

In order to deal with this 'mismatch' between the governmental and non-governmental organizations, Prime Minister Özal came up with an idea according to which while the governmental institutions would still pursue Turkey's foreign economic policies, the

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<sup>192</sup> İlder Türkmen, *Dış Politika ve Ekonomi* (İstanbul: Yenilik Basımevi, 1982).

<sup>193</sup> Atlı, "Business Associations and Foreign Policy: Revisiting State-Business Relations in Turkey," 153-54.

Turkish private sector would play a role in Turkey's external economic relations.<sup>194</sup> In line with this, Turkey's economic diplomacy has witnessed the establishment of country-based bilateral business councils that have played an important role in Turkey's foreign economic relations during the 1980s. Turkey's first bilateral business council was established with the US in 1985 to determine and to propose common investment areas to both governments. Özal promoted this model and invested in creation of business councils with other countries in addition to the Turkey-US Business Council. Therefore, the Turkish government has signed protocols with the relevant countries' governments to establish the Turkey-Japan Business Council in 1986, the Turkey-France Business Council in 1987, the Turkey-Greece Business Council in 1988, and the Turkey-Korea Business Council in 1989. These bilateral business councils were totally financed and operated by the joint efforts of the private sector representatives. Then, these business councils were gathered together under the umbrella of DEİK in 1986.

In addition to the creation of country-based bilateral business councils, other private sector organizations, such as TÜSİAD and TOBB, have managed to increase their role in Turkey's foreign economic relations. TÜSİAD executives have developed their relations with government officials of a great variety of countries. Within the scope of those meetings, TÜSİAD executives came together with foreign government officials at ministerial-level, private sector representatives of different countries, and organized open and closed-door meetings with Turkish government officials including Prime Minister Özal. TÜSİAD has also published reports<sup>195</sup> with the aim of contributing to Turkey's foreign economic relations, especially Turkey's accession process to the EC in the 1980s.<sup>196</sup>

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<sup>194</sup> Atlı, "Business Associations and Foreign Policy: Revisiting State-Business Relations in Turkey," 154.

<sup>195</sup> See <https://tusiad.org/tr/yayinlar/raporlar>; <https://tusiad.org/45-yil/>

<sup>196</sup> TÜSİAD, *Avrupa Topluluğu ve Türkiye'nin Tam Üyeliği Sorunu - Makro Bir Değerlendirme*, TÜSİAD (İstanbul, 1987).

In sum, Turkey sided with the US-led international order after World War II and started benefiting from financial and military aid provided by the US. In return, Turkey has joint international political organizations and financial institutions, which were the basis of the emerging global economy after the biggest catastrophe of humankind. Furthermore, with the transition to the multiparty system, the DP governments have tried to liberalize the economy in the way that the private sector gained weight vis-a-vis the public sector. In the 1960s, Turkey has sought a way of developing its foreign economic policies through enhancing its economic relations with Europe and the Soviet Union as a result of its conflicting interests with the US. In the mid-1970s, Turkey's relations with the US have deteriorated dramatically. Because of the oil crisis, the military intervention into Cyprus, the US' arms embargo and the arms race with Greece, the Turkish economy started sounding the alarm. Owing to the economic difficulties, the Turkish governments have applied to the IMF for stand-by arrangements three times during the 1970s. It was also these years during which the Turkish private sector, for the first time, has undertaken a mission to contribute to the country's economic diplomacy through attempting to change Turkey's international image, which has been damaged as a result of the military intervention to Cyprus. In this sense, TÜSIAD and TOBB have played an important role in Turkey's foreign economic relations in the second half of the 1970s.

On the other hand, Turkey's economic diplomacy was based on its domestic political and economic developments which were marked by liberalization and deregulation, namely neo-liberalization in the 1980s. Both during the interim government period between 1980 and 1983, and the ANAP government period, Turgut Özal has been an important player in the decision-making processes of Turkey's economic development and the Turkish foreign policy. Because of this, Turkey's outward-oriented industrialization model has not been interrupted from the January 24 package to the end of the 1980s. With Turkey's economy getting more and more integrated with the global economy, its foreign trade volume has grown considerably. While the Turkish total foreign trade was 10,8 billion USD in 1980, it had increased to 27,4 billion USD in 1989. Whereas Turkey's export increased from 2,9 billion USD to 11,6 billion USD, its import went up from 7,9 billion USD to 15,8 billion USD in the same period. It is

also important to note that Turkey's proportion of imports covered by exports increased from 36,8 percent to 73,6 percent. Nevertheless, the balance of foreign trade has changed considerably. While it was -5 billion USD in 1980, it became -4,2 billion USD in 1989. The more integration with the global economy has brought along the fact that economic and commercial issues have been prioritized by the Turkish governments during the same period. Increasing economic relations with foreign countries have paved the way for the Turkish private sector to become more involved with Turkey's foreign economic policies. Through different associations and foundations, Turkish private sector representatives have increased their weight on Turkey's foreign economic relations which has also been promoted by the then-Prime Minister himself.

#### **4.3. Turkey's Foreign Economic Relations in Unipolar World (1990-2002)**

In the 1990s, Turkey's foreign economic relations have been deeply affected by both international and domestic developments again. At international level, the dissolution of the Soviet Union and the ups and downs in relations with the European Union (EU) were among the major determinants of Turkey's foreign economic policies. At domestic level, the political instability and the economic challenges were important in making and implementing Turkey's foreign economic policies.

The fall of the Berlin Wall in 1989 and the collapse of the Soviet Union have altered the global political landscape radically. In 1991, the former Soviet Republics have started declaring their independence and in the wake of the dissolution of the Soviet Union, 15 new countries have emerged. Since four of them were Turkic Republics in Central Asia, the Turkish governments have had specific interest in new economic and political opportunities in the relevant region in the 1990s. Because the Soviet Union was based on interdependence between the Soviet Republics in terms of its economy, when those Turkic Republics became independent, their economies were going through a recession. In this sense, Turkey started a sort of aid campaign to the newly independent Central Asian republics. First, Turkey provided basic supplies such as drugs, sugar and flour. Second, Turkey provided them with loans through the Turkish

Eximbank which were worth hundreds of millions of USD.<sup>197</sup> Whereas some of these loans were used for the provision of consumer goods, others were used to build factories and hospitals. It was also in this period that TİKA was established in 1992 in order to enhance economic, trade, social, cultural and educational cooperation with countries which were mostly Turkic speaking ones. In addition to the aids, Turkey also supported the integration of these Turkic Republics with the international economic and political organizations. To make them acceptable for the membership to the Council of Europe, NATO and the UN, Turkey has also made multifaceted diplomatic attempts at international level.<sup>198</sup>

Furthermore, Turkey's economic and trade relations with the former Soviet Republics in Central Asia have advanced in the 1990s. As can be seen in the Table 6, while Turkey's export to Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan and Kyrgyzstan was 185.4 million USD in total, its import from those republics was 89.3 million USD in 1992 when they were newly independent countries. These numbers reached 907.8 million USD and 399 million USD in 1997 respectively when Turkey's foreign trade with them peaked. In addition to these growing economic relations, former President of Turkey, Özal, has come up with different ideas in order to consolidate the trade relations. Özal put forward the idea of "common market of the Turkish world" and the idea of establishing "Trade and Development Bank of the Turkish World."<sup>199</sup>

Another important development in Turkey's economic diplomacy in the beginning of the 1990s was the foundation of the Organization of the Black Sea Economic

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<sup>197</sup> Mehmet Altun, *Dış Dünyanın Anahtarı: DEİK Dış Ekonomik İlişkiler Kurulu'nun İlk Yılları (1985-1997)* (İstanbul: DEİK, 2009), 269.

<sup>198</sup> Altun, *Dış Dünyanın Anahtarı: DEİK Dış Ekonomik İlişkiler Kurulu'nun İlk Yılları (1985-1997)*, 270.

<sup>199</sup> Mehmet Şahin, "Türk Dış Politikasının Ekonomi Politikası: 1990 – 2010" (Master of Arts Gazi University, 2011), 49.

Cooperation (BSEC) in 1992. In line with the international trends, Turkish interest in international and regional cooperation mechanisms had increased at the time. The idea of the establishment of a cooperation organization among the countries in the Black Sea region was first voiced by the Turkish government.

**Table 6:** Turkey’s foreign trade with the Turkic Republics (1992-1999) (million USD)

<b>Year</b>	<b>Export</b>	<b>Import</b>	<b>Total Trade Volume</b>
<b>1992</b>	185.4	89.3	274.7
<b>1993</b>	450.5	190.0	640.5
<b>1994</b>	429.6	189.7	619.3
<b>1995</b>	545.1	287.3	832.4
<b>1996</b>	747.3	304.0	1051.3
<b>1997</b>	907.8	399.4	1307.2
<b>1998</b>	835.0	449.0	1284.0
<b>1999</b>	573.6	457.2	1030.8

Source: TurkStat

It is necessary to point out that Turkey’s increasing interest in discovering new economic potentials during the radical changes at the global level cannot be analyzed without taking into consideration the changes in its relations with Europe. As it is stated before, Turkey’s application for full membership to the EC was declined in 1989. This has halted Turkey’s foreign trade with the EC member countries. As the Table 7 shows, bilateral trade between Turkey and the EC had always gone up in the 1980s and the 1990s. Nevertheless, with the start of customs union negotiations in 1993, the bilateral trade has accelerated and reached a peak point at 37.6 billion USD in 1998 as a result of the Customs Union Agreement coming into force on December 31<sup>st</sup>, 1995. Although the relations between Turkey and the EU started becoming problematic in 1997 with the Luxembourg Summit, Helsinki Summit in 1999 paved

the way for the relations to develop in a positive way since Turkey was given the candidate country status for the EU membership.

In addition to Turkey's passion for the EU membership, the establishment of new regional cooperation mechanisms, Turkey played an important role in the establishment of the D-8 (Developing-8) in 1997, which is an organization for development cooperation among the Muslim majority countries, namely Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. Furthermore, Turkey became a founding member of the G20 in 1998. The 1990s were also the years during which Turkey has enrooted its relations with international financial organizations. To illustrate, Turkey has applied to the IMF more often than ever between 1993 and 2002. In 1994, the Turkish government signed a Stand-By Agreement with the IMF in accordance with the economic stabilization program which started to be implemented on April 5, 1994. Likewise, the Turkish government had another Stand-By Arrangement with the IMF in 1999 in order to reduce the inflation. Though the 1999 standby arrangement did not expire, the Turkish government had another standby arrangement with the IMF yet again in 2002. As a result of this increasing frequency of applications to the IMF to deal with economic challenges, Turkey has taken loans which were in excess of its quota.

Apart from Turkey's foreign policy and global developments, the Turkish national economy and domestic politics were also important determinants of Turkey's economic diplomacy in the 1990s. The Turkish political life has had 10 different governments in 9 years between 1991 and 2002. This inevitably created challenges for pursuing a stable foreign economic policy since the Turkish Minister of Foreign Affairs has steadily changed during the relevant period.

**Table 7:** Turkey's foreign trade with the EC/EU (1984-1999) (billion USD)

<b>Year</b>	<b>Export</b>	<b>Import</b>	<b>Total Trade Volume</b>
<b>1984</b>	2.7	3.0	5.7
<b>1985</b>	3.1	3.6	6.7
<b>1986</b>	3.3	4.6	7.9
<b>1987</b>	4.9	5.7	10.6
<b>1988</b>	5.2	6.0	11.2
<b>1989</b>	5.4	6.1	11.5
<b>1990</b>	6.9	9.3	16.2
<b>1991</b>	7.0	9.2	16.2
<b>1992</b>	7.6	10.1	17.7
<b>1993</b>	7.3	12.9	20.2
<b>1994</b>	8.3	10.3	18.6
<b>1995</b>	11.1	16.9	28.0
<b>1996</b>	11.6	23.1	34.7
<b>1997</b>	12.3	24.9	37.2
<b>1998</b>	13.5	24.1	37.6
<b>1999</b>	14.4	21.4	35.8

Source: Turkstat

The economic recessions in 1994 and 2001 were important in making Turkey's foreign economic policies. In addition to these endogenous economic challenges, 1994 Latin American debt crisis, 1997 Asian and 1998 Russian financial crises were of great significance in Turkey's foreign economic relations. As it is seen in the Table 8, Turkey's share in world-wide FDI inflow has increased from 0,3 to 0,5 between 1990 and 1992. Yet, it has decreased continuously starting from 1993. It is important to note that while Turkey managed to increase its share between 1990 and 1992 when the



world total FDI inflow has waned, it could not perform the same trend between 1993 and 1999 when the world total FDI inflow has steadily increased. There might be numerous reasons for that, but in terms of domestic politics it is obvious that continuous changes at the Turkish governmental structure since 1993 played an important role in failing to attract foreign investments.

**Table 8:** FDI inflow in Turkey and the world between 1990 and 1999

<b>Year</b>	<b>World Total Inflow (million USD)</b>	<b>Inflow to Turkey (million USD)</b>	<b>Percentage of Total World (%)</b>
<b>1990</b>	204.886	684	0,334
<b>1991</b>	153.957	810	0,526
<b>1992</b>	162.917	844	0,518
<b>1993</b>	220.085	636	0,289
<b>1994</b>	254.910	608	0,239
<b>1995</b>	341.523	885	0,259
<b>1996</b>	388.825	722	0,186
<b>1997</b>	480.774	805	0,167
<b>1998</b>	690.861	940	0,136
<b>1999</b>	1.076.230	783	0,073

Source: UNCTAD

In conclusion, during the 1990s, the Turkish governments have tried to play an active role at the international arena because the dissolution of the Soviet Union has led the Turkish governments to increase the country's presence in international political economy. Thus, Turkey started attempting to make its foreign economic policy multidirectional through developing economic relations with the newly independent states, i.e. the former Soviet Republics. Like the 1980s, the Turkish governments have also tried to advance Turkey's integration with the world economy through different mechanisms such as international and regional economic cooperation organizations.

Although its relations with the EC/EU have had ups and downs during the relevant period, Turkey's economic and bilateral trade with the EC/EU have significantly developed. Especially through Customs Union, Turkey's trade relations with the member countries have significantly increased and the EC/EU has become an economic partner of Turkey with vital importance. Because of the endogenous and exogenous economic recessions, the Turkish governments could not be successful in attracting foreign direct investment and partly because of that, they had to develop relations with international financial institutions to overcome economic challenges.

#### **4.4. Turkey's Foreign Economic Relations in the 'Rise of the Rest' era (the 2000s)**

When it comes to the 2000s, Turkey has already become a country that has been a member of the WTO since 1995<sup>200</sup> and a founding member of some regional and international economic organizations such as OECD, Organization of Islamic Cooperation (OIC) and BSEC. During this period, the Turkish governments have pursued a particular economic diplomacy that focused on both bilateralism and multilateralism at the same time and that involved the Turkish business community. In order to understand Turkey's economic diplomacy, it is necessary to review different dimensions of it, such as foreign trade, investments, and humanitarian assistance.

According to the Turkstat data, Turkey's foreign trade volume has jumped from 82,3 billion USD to 391,0 billion USD between 2000 and 2018. This increase has been accompanied by significant changes in Turkey's foreign trade dynamics. As it is demonstrated in the Table 9 below, while traditional economic partners of Turkey has lost their share in the Turkish total foreign trade between 2000 and 2019, new geographical regions have managed to boost their share in the cake. For instance, EU's share in Turkey's foreign trade has decreased from 48,0 percent in 2001 to 36,4 in 2019. It is important to note that the global financial crisis has created serious damages

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<sup>200</sup> Before the foundation of WTO, Turkey has been member of the GATT since 1951.

to the European economies, but the decline in the EU's share in Turkey's total foreign trade has already started in 2004 before the financial crisis. Other Europe outside of the EU has more or less kept their share. While their weight in the Turkish total foreign trade was 15,5 percent in 2000, it was 15,8 percent in 2019. It could be argued that other Europe is one of those geographical regions that have steadily taken a share from the Turkish foreign trade. On the other hand, Africa is one of those regions whose portion in the cake has relatively increased in the 2000s. While the share of African continent was 5,0 percent in 2000, it has continued with ups and downs and became 5,7 percent in 2019.

Like the EU, the North American countries including the US have lost an important amount of their share in Turkey's total foreign trade. Whilst the share of North American countries in Turkey's total foreign trade was 9,1 percent in 2000, it has decreased to 5,8 percent until 2019. One of the most spectacular increases has taken place in the share of Near and the Middle Eastern countries. They have been able to increase their portion from 7,2 percent to 12,6 percent. Another important point here is that it even saw the rate of 16,4 percent in the relevant period of time. That is to say, compared to 2000 data, Turkey's foreign trade with Near and the Middle Eastern countries doubled several times during the relevant period. This is a very important fact indicating that Turkey paid specific attention to the Near and the Middle East in order to develop its economic and trade relations. Finally, other Asian countries including China are among those geographical regions whose trade relations with Turkey have dramatically improved. Whereas the share of other Asian countries in Turkish total foreign trade was only 10,0 percent in 2000, it has increased to 15,6 percent in 2019. During that period of time, it has managed to reach 18,7 percent. Therefore, while Turkey's traditional economic partners, e.g., EU and North America, have lost their share in the Turkish foreign trade in the 2000, Turkey has developed its trade ties with new regions, e.g., Near and Middle East and other Asia.

**Table 9:** Regional shares in Turkey's total foreign trade volume (2000-2019) (%)

<b>Year</b>	<b>EU (27)</b>	<b>Other Europe</b>	<b>Africa</b>	<b>North America</b>	<b>Near and Middle East</b>	<b>Other Asia</b>
<b>2000</b>	48,0	15,5	5,0	9,1	7,2	10,0
<b>2001</b>	45,8	16,3	6,0	9,2	8,6	8,5
<b>2002</b>	46,4	17,7	3,4	8,0	6,6	9,5
<b>2003</b>	47,6	17,8	3,2	6,6	7,7	10,3
<b>2004</b>	46,6	18,7	3,5	6,4	7,6	11,2
<b>2005</b>	44,0	19,2	3,6	5,8	8,5	12,4
<b>2006</b>	42,5	20,1	3,8	5,5	8,9	13,1
<b>2007</b>	41,5	21,2	4,0	4,9	9,1	14,0
<b>2008</b>	37,4	21,8	4,4	5,5	11,5	13,4
<b>2009</b>	38,8	19,0	5,8	5,4	10,8	14,6
<b>2010</b>	37,9	17,7	4,7	5,8	12,1	16,3
<b>2011</b>	37,3	16,6	4,6	6,1	12,9	16,9
<b>2012</b>	34,1	16,9	5,0	5,6	16,4	15,5
<b>2013</b>	34,8	17,5	5,0	5,1	14,3	16,5
<b>2014</b>	35,4	16,9	4,9	5,3	14,0	16,9
<b>2015</b>	36,1	16,6	5,0	5,5	12,7	18,1
<b>2016</b>	37,8	14,3	4,9	5,7	13,2	18,7
<b>2017</b>	36,6	14,7	4,8	6,1	14,1	17,5
<b>2018</b>	37,4	15,3	5,5	6,1	12,1	16,3
<b>2019</b>	36,4	15,8	5,7	5,8	12,6	15,6

Source: Turkstat<sup>201</sup>

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<sup>201</sup> Turkey's import and export data has been taken from the Turkstat and the shares of geographical regions in Turkey's total trade volume has been calculated by the author himself.

Investment side of Turkey's economic diplomacy is another significant field where radical changes have taken place during the 2000s. According to the Turkish Central Bank (TCMB), annual FDI flow in Turkey jumped from 0,6 billion USD in 2002 to 5.6 billion USD in 2019. As can be seen in the Table 10 below, it peaked in 2007 with 19,1 billion USD. During the same period, EU's share in total annual FDI in Turkey has decreased from 78,3 percent to 38,5 percent. As of 2019, EU still has the largest share in FDI to Turkey, but its share has shown a dramatic downturn. Unlike EU, other European countries have demonstrated a striking rise from 3,7 percent in 2002 to 20,4 in 2019. On the other hand, Africa is a unique case for which African FDI flow to Turkey started in 2006 and has increased incrementally albeit constituting a very small piece of total FDI in Turkey. Concerning the North America's share in FDI flow to Turkey, it is in contradiction with the foreign trade pattern between Turkey and North American countries. While the share of North America in Turkey's total foreign trade has shrunk in the 2000s, North American direct investments in Turkey have intensified and their share has gone up from 1,6 percent in 2002 to 6,2 percent in 2019. However, the most impressive has occurred in direct investments in Turkey from Near and Middle East. The regional share of Near and Middle Eastern countries in Turkey has jumped from 0,9 percent to 23,4 percent during the same period. Therefore, Near and Middle Eastern countries have had the second largest amount of share after the EU countries. Last but not least, other Asia is another important region with ups and downs in its investment flows in Turkey during the 2000s. While its share was 11,4 percent in 2002, it has mostly demonstrated declines and had 8,8 percent share in FDI in Turkey. Hence, whereas EU's share in annual FDI inflow to Turkey has radically decreased, new regions, such as other Europe and Near and Middle East, have increased their share in investments in Turkey in the 2000s.

**Table 10:** Regional shares in FDI flow to Turkey (2002-2019) (%)

<b>Year</b>	<b>EU (27)</b>	<b>Other Europe</b>	<b>Africa</b>	<b>North America</b>	<b>Near and Middle East</b>	<b>Other Asia</b>
<b>2002</b>	78,3	3,7	0,0	1,6	0,9	11,4
<b>2003</b>	60,9	21,8	0,0	8,3	0,1	8,5
<b>2004</b>	75,7	11,1	0,0	8,2	4,5	0,5
<b>2005</b>	56,7	21,2	0,0	1,3	19,7	0,9
<b>2006</b>	78,6	4,0	0,1	5,5	10,8	0,1
<b>2007</b>	62,2	5,6	0,0	22,1	3,2	4,2
<b>2008</b>	66,1	11,0	0,6	6,0	14,8	1,1
<b>2009</b>	73,3	10,5	0,0	5,0	5,8	5,0
<b>2010</b>	71,8	7,1	0,0	6,0	7,6	7,3
<b>2011</b>	65,6	12,4	0,0	8,8	9,7	3,1
<b>2012</b>	48,9	24,8	0,0	4,4	14,8	6,9
<b>2013</b>	48,2	18,9	2,1	3,3	21,7	5,8
<b>2014</b>	49,6	24,2	0,5	3,9	15,5	6,4
<b>2015</b>	53,6	12,8	0,0	13,3	10,8	9,4
<b>2016</b>	37,2	27,2	0,0	5,5	18,0	11,8
<b>2017</b>	60,6	6,0	0,9	2,9	17,0	6,0
<b>2018</b>	51,4	12,5	0,4	6,4	15,6	12,6
<b>2019</b>	38,5	20,4	0,6	6,2	23,4	8,8

Source: TCMB<sup>202</sup>

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<sup>202</sup> FDI flow data has been taken from TCMB and the percentages of geographical regions have been calculated by the author himself. See "Foreign Direct Investments in Turkey by Countries - Flow Data," Central Bank of the Republic of Turkey, 2020, accessed June 9, 2020, [https://evds2.tcmb.gov.tr/index.php?/evds/DataGroupLink/9/bie\\_ydydyul/en](https://evds2.tcmb.gov.tr/index.php?/evds/DataGroupLink/9/bie_ydydyul/en).

Another important field of Turkey's economic diplomacy is development assistance. As explained in the previous chapter, Turkey has been carrying out official development assistance (ODA) to a great variety of countries through TİKA since 1992. According to TİKA's Turkish Development Assistance Report 2018, Turkey's ODA has jumped from 0,9 billion USD in 2002 to 8,6 billion USD in 2018.<sup>203</sup> While the amount of ODA provided by Turkey to developing and underdeveloped countries has radically increased, the regional distribution of the bilateral ODA has shown remarkable changes as well.

As can be seen in Table 12, European and Balkan countries have lost a large portion of their share in Turkey's ODA and had only 2,6 percent in 2018. On the other hand, Africa is an interesting case since its share peaked in 2012 but then, it started going down and ended up with only 1,6 percent in 2018. The Middle East is the region to which Turkish ODA has demonstrated a radical increase between 2005 and 2018. Whereas the share of the Middle East was only 8,3 percent in 2005, it has amounted to 80 percent in 2018. It has been even higher between 2015 and 2017 and saw a peak with 95,3 percent. This is mostly due to the increasing political instability in the region starting from the end of 2011. With the social uprisings in numerous Middle Eastern countries, particularly in Syria, have led to the escalation of the number of refugees. Since Turkey is one of the nearest destinations to politically instable countries in the region and since Turkey is sort of a bridge between Europe and Asia, it has hosted millions of refugees and irregular migrants. Because of this, the Turkish government started allocating a large amount of resources within the scope of ODA in the 2000s. On the other hand, South and Central Asia is yet another geographical region for which Turkish ODA has decreased to a large degree. Whilst its share was 62,4 percent in Turkey's total bilateral ODA in 2005, it has decreased 3,0 percent in times. Likewise, Far East has lost its share to a large extent. While the share of Far East was 8,6 percent in 2005, it was only 0,1 percent in 2018. Thus, whilst Middle East's share in Turkey's ODA has considerably increased in the 2000s, traditional development assistance

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<sup>203</sup> *Turkish Development Assistance Report 2018*, TİKA (Ankara, 2019), 15.

partners of Turkey, e.g., Europe and Balkans, and South and Central Asia, has lost their weight during the same period.

**Table 11:** Regional shares in Turkey's bilateral ODA (2005-2018) (%)

<b>Year</b>	<b>Europe and Balkans</b>	<b>Africa</b>	<b>Middle East</b>	<b>South &amp; Central Asia</b>	<b>Far East</b>	<b>Other</b>
<b>2005</b>	18,1	2,2	8,3	62,4	8,6	0,3
<b>2006</b>	12,7	3,8	16,0	16,0	5,7	0,0
<b>2007</b>	14,8	5,7	20,0	20,0	2,5	0,5
<b>2008</b>	13,2	7,0	15,8	58,9	1,9	3,2
<b>2009</b>	15,9	7,1	21,0	53,4	2,1	0,6
<b>2010</b>	15,2	4,1	24,2	53,5	1,1	1,9
<b>2011</b>	6,3	22,0	23,9	46,7	1,0	0,2
<b>2012</b>	3,6	30,9	46,4	18,5	0,4	0,1
<b>2013</b>	3,1	24,8	56,0	15,3	0,6	0,1
<b>2014</b>	3,8	10,9	71,4	13,0	0,7	0,1
<b>2015</b>	6,1	5,0	81,3	7,0	0,2	0,5
<b>2016</b>	3,1	-4,9	95,3	3,1	0,2	0,1
<b>2017</b>	2,9	-3,7	92,1	1,6	0,3	0,1
<b>2018</b>	2,6	1,6	80,0	3,0	0,1	0,3

Source: TİKA<sup>204</sup>

As a result of the analysis of Turkey's changing economic partners in foreign trade, foreign investments, and humanitarian assistance, it would not be wrong to argue that as Bağcı suggests, Turkey has managed to diversify its economic partners in different

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<sup>204</sup> TİKA's annual development assistance reports have been used by the author to calculate the regional shares in Turkey's ODA. See "Türkiye Kalkınma Yardımları Raporları," TİKA, accessed June 1, 2020, [https://www.tika.gov.tr/tr/yayin/liste/turkiye\\_kalkinma\\_yardimlari\\_raporlari-24](https://www.tika.gov.tr/tr/yayin/liste/turkiye_kalkinma_yardimlari_raporlari-24).



foreign economic policy fields.<sup>205</sup> To diversify its economic relations through forming new cooperation mechanisms, Turkey has accelerated its efforts in the 2000s particularly for FTAs and the Agreements on Reciprocal Promotion and Protection of Investments (RPPI).

FTA is an agreement signed by two parties at which the removal of trade barriers is aimed. Consequently, from a Turkish point of view, FTAs are one of the best ways of opening up foreign markets to the Turkish businesspeople by reducing their cost of investment and exportation.<sup>206</sup> Put another way, FTAs initiate more stable and transparent trading and investment climate since they make it easier and cheaper for business communities of both signatory parties to export their products and services to trading partner countries.

Starting in the 2000s, the Turkish governments have become more ambitious for signing FTAs with numerous countries from different part of the world. Turkey has hitherto signed 36 FTAs, but 11 of them signed with the Central and Eastern European countries have been annulled because of those countries' membership to the EU.<sup>207</sup> Since 2000, Turkey has so far signed FTAs with Macedonia in 2000, Bosnia-Herzegovina in 2003, Palestine in 2005, Tunisia in 2005, Morocco in 2006, Syria in 2007, Egypt in 2007, Albania in 2008, Georgia in 2008, Serbia in 2010, Montenegro in 2010, Chile in 2011, South Korea in 2013, Mauritius in 2013, Malaysia in 2015, Moldova in 2016, Singapore in 2017 and Faroe Islands in 2017. As of June 2020, Turkey has 20 FTAs and the ratification processes for 5 more FTAs are still continuing. As it is demonstrated in the Table 12, the Turkish government has still

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<sup>205</sup> Hüseyin Bağcı, "The Role of Turkey as a New Player in the G20 System," in *G20: Perceptions and Perspectives for Global Governance*, ed. Wilhelm Hofmeister (Singapore: Konrad-Adenauer-Stiftung, 2011), 148.

<sup>206</sup> "Free Trade Agreements," The Ministry of Trade, the Republic of Turkey, 2018, accessed May 25, 2019, <https://www.trade.gov.tr/free-trade-agreements>.

<sup>207</sup> "Free Trade Agreements."

been conducting negotiations with several countries from Africa, South America, East Asia and the Middle East. It is also publicly known that Turkey has attempted to commence FTAs negotiations with the US, Canada, South Africa and India for the same purpose.

**Table 12:** Turkey’s FTAs

<b>Agreements Made with</b>	<b>Negotiations in Progress with</b>	<b>Negotiations Attempted with</b>
EFTA (1992)	Ukraine	Algeria
Israel (1997)	Gulf Cooperation Council	South Africa
Macedonia (2000)	Djibouti	Other African, Caribbean, and Pacific Group of States
Bosnia-Herzegovina (2003)	Democratic Republic of the Congo	Vietnam
Tunisia (2005)	Cameroon	India
Palestine (2005)	Chad	USA
Morocco (2006)	Somalia	Canada
Egypt (2007)	Japan	Central America
Albania (2008)	Pakistan	Libya
Georgia (2008)	Thailand	Seychelles
Serbia (2010)	Indonesia	
Montenegro (2010)	Peru	
Chile (2011)	Ecuador	
South Korea (2013)	Colombia	
Mauritius (2013)	Mexico	
Malaysia (2015)	MERCOSUR	
Moldova (2016)		
Singapore (2017)		
Faroe Islands (2017)		
Kosovo (2019)		

**Table 12:** Turkey's FTAs (continued)

Lebanon, Qatar, Venezuela, Sudan and Ghana <sup>208</sup>		
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Source: Turkish Ministry of Trade<sup>209</sup>

Indeed, the Customs Union with the EU provided Turkey with the legal basis to sign FTAs with third countries.<sup>210</sup> So, most of the FTAs signed by Turkey in the 2000s is based on the EC-Turkey Association Council's decision. However, Turkey has agreed or has still been sustaining negotiations to reach an agreement with those countries that the EU has not had Association Agreements, Stabilisation Agreements, (Deep and Comprehensive) Free Trade Agreements and Economic Partnership Agreements. Therefore, it would not be misleading to claim that Turkey has increasingly benefited from the growing tendency at the global level toward bilateralism and regionalism through FTAs in the 2000s. In this sense, the Customs Union with the EU has played a motivating role for the Turkish governments to accelerate their efforts to reach FTAs with other countries. The Turkish President, the then Prime Minister and the relevant Ministers have always expressed their ambitions to reach FTAs with other countries.<sup>211</sup>

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<sup>208</sup> As of June 2020, the ratification processes of both sides are still continuing, and agreements have not been carried into effect yet.

<sup>209</sup> "Serbest Ticaret Anlaşmalarına İlişkin Genel Bilgi," T.C. Ticaret Bakanlığı, 2020, accessed June 6, 2020, <https://ticaret.gov.tr/dis-iliskiler/serbest-ticaret-anlasmalari/genel>.

<sup>210</sup> According to the Article 16 of the Decision No 1/95 of the EC-Turkey Association Council on implementing the final phase of the Customs Union, Turkey is required to align itself with the preferential customs regime of the EU. See: EC-Turkey Association Council, "Decision No 1/95 of the EC-Turkey Association Council of 22 December 1995 on Implementing the Final Phase of the Customs Union," *Official Journal of the European Communities* (1995), [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:21996D0213\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:21996D0213(01)&from=EN).

<sup>211</sup> See ""Türkiye ve ABD İki Güçlü Müttefik ve Ortaktır", " The Presidency of the Republic of Turkey, 2016, accessed May 29, 2020, [https://www.tccb.gov.tr/haberler/410/41338/turkiye-ve-abd-iki-guclu-muttefik-ve-ortaktir.](https://www.tccb.gov.tr/haberler/410/41338/turkiye-ve-abd-iki-guclu-muttefik-ve-ortaktir.;); ""Türkiye ve Kolombiya, Belirledikleri Hedeflere Beraber Varmanın Kararlığı İçindedir", " Presidency of the Republic of Turkey, 2015, accessed May 29, 2020, [https://www.tccb.gov.tr/haberler/410/2776/turkiye-ve-kolombiya-belirledikleri-hedeflere-beraber-varmanin-kararligi-icindedir.](https://www.tccb.gov.tr/haberler/410/2776/turkiye-ve-kolombiya-belirledikleri-hedeflere-beraber-varmanin-kararligi-icindedir.;); "Türkiye-İngiltere serbest ticaret anlaşmasında önemli gelişme,"

Thus, while the Customs Union is the legal basis of the FTAs signed by Turkey so far, the Turkish efforts for reaching FTAs have not only arisen from the legal requirements. As it is stated by the Turkish Ministry of Trade, the Turkish government has supported the idea that WTO rules are far away from satisfying the needs of today's global market and multilateral trade organizations are insufficient in getting into new markets.<sup>212</sup> As Tür and Gür demonstrate their studies, Turkey's total foreign trade, especially its exports, have increased with those countries with which Turkey has signed FTAs.<sup>213</sup> This is an important motivation for the Turkish governments in the relevant period to commence negotiations with other countries to reach FTAs on the legal basis of Customs Union.

Another important indicator of Turkey's diversification attempts of its economic relations through new cooperation mechanisms is the Agreements on RPPI. These are the Agreements determining vital conditions for investors; among other things how the host country will treat foreign investors, how the rights of foreign investors are protected by the host government, and how the profit transfers of foreign investors are guaranteed by the host government. The major aim of the Agreements on RPPI is to increase the flow of capital and technology between countries.<sup>214</sup> To that end, Turkey signed its first Agreement on RPPI with Germany in 1962. Since then, Turkey has signed 108 Agreements on RPPI in total. According to the data provided by the Turkish Ministry of Industry and Technology, Turkey has signed 73 of those

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Hürriyet, 2017, accessed May 29, 2020, <https://www.hurriyet.com.tr/ekonomi/turkiye-ingiltere-serbest-ticaret-anlasmasinda-onemli-gelisme-40455931>.; "Japonya ile serbest ticaret anlaşması imzalayacağız," Anadolu Agency, 2014, accessed May 29, 2020, <https://www.aa.com.tr/tr/ekonomi/japonya-ile-serbest-ticaret-anlasmasi-imzalayacagiz/190531>.

<sup>212</sup> "Serbest Ticaret Anlaşmalarına İlişkin Genel Bilgi."

<sup>213</sup> İpek Tür and Betül Gür, *Serbest Ticaret Anlaşmalarının Türkiye'nin Dış Ticaretindeki Yeri*, İstanbul Ticaret Üniversitesi (İstanbul, 2016).

<sup>214</sup> "Yatırımların Karşılıklı Teşviki ve Korunması (YKTK) Anlaşmaları," The Ministry of Industry and Technology, accessed June 6, 2020, <https://www.sanayi.gov.tr/anlasmalar/yktk>.

Agreements, 67,6 percent of all, between 2000 and 2019.<sup>215</sup> Therefore, not only in foreign trade but also in investment dimension of economic diplomacy, Turkey has accelerated its efforts in the 2000s to diversify its economic partners.

In this sense, Turkey has intensified its economic diplomacy efforts. In the 2000s, the Turkish governments have supported the active involvement of Turkey in economic and political relations with different countries which the former Turkish governments did not put so much effort into developing relations with. For that purpose, three major governmental economic diplomacy related institutions, the Ministry of Foreign Affairs, the Ministry of Trade and the Ministry of Treasury and Finance, have played ever active role. In this context, strategic plans entitled *Strategy for Neighboring Countries* in 2000, *Strategy for the Development of Relations with African Countries* in 2003, *Strategy for the Development of Trade and Economic Relations with Asia-Pacific Countries* in 2005, *Strategy for the Development of Trade with the US* in 2006 started to be implemented by the Turkish government.<sup>216</sup>

The Turkish governments have realized official visits to the relevant countries some of which have taken place at Prime Ministerial and the Presidential level. They have also organized meetings within the context of Joint Intergovernmental Economic Commission, JETCO, Intergovernmental Economic Commission (IEC), and Economic and Trade Relations Commission. Even though these processes have been led by the Turkish Ministry of Trade, both Turkish MFA and the Turkish Ministry of Treasury and Finance have been involved as stakeholders in the negotiation table. Moreover, the Turkish governments have carried out negotiations within the scope of Preferential Trade Agreements (PTAs), agreements on RPPI, FTAs, comprehensive economic cooperation agreements, and joint action plan. Furthermore, they have also taken part in the organization of fair and exhibition programs, and joint business

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<sup>215</sup> "Yatırımların Karşılıklı Teşviki ve Korunması (YKTK) Anlaşmaları."

<sup>216</sup> These strategies had been prepared by the Undersecretariat of Foreign Trade of the Republic of Turkey. Although the strategy on African countries was put into effect in 2000, the AK Party government coming to power in 2001 adopted and maintained it.

forums together with the relevant governments' officials and foreign investors. For instance, only between 2013 and 2017, 28 mechanisms of Trade and Economic Cooperation and JETCO have been established. In the same period, 23 Agreements on RPPI have been signed by Turkey and other countries.<sup>217</sup>

Moreover, the activities of the Turkish Ministry of Treasury and Finance in 2018 explicitly demonstrate how active the Ministry in Turkey's economic diplomacy is. According to the Ministry's annual report, the Ministry organized 66 meetings with investors and 3 comprehensive roadshows in London, New York and Bali. Further, the Ministry carried out teleconference meetings in 2018 in which overall 6.100 international investors joined.<sup>218</sup> Also, Treasury and Finance Minister Berat Albayrak announced that Turkey's economic diplomacy will be strengthened in 2019: "This year will be a year in which the welfare of our citizens is increased to a much higher level with strong economy diplomacy."<sup>219</sup> In its strategic plan for the period between 2014 and 2018, the Ministry aimed to develop the country's relations with international economic and financial institutions and platforms in the way that it increases Turkey's authority in decision-making and implementation processes of certain international organizations.

It should here be noted that Turkey's increasing utilization from bilateralism and regionalism through FTAs and Agreements on RPPI in the 2000s does not necessarily mean that the Turkish governments have given up multilateralism in their foreign

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<sup>217</sup> *T.C. Ekonomi Bakanlığı Stratejik Planı 2018-2022*, Ministry of Economy (Ankara, 2017), [https://ticaret.gov.tr/data/5b921d6513b87613646656ac/Stratejik\\_Plan\\_2018\\_2022.pdf](https://ticaret.gov.tr/data/5b921d6513b87613646656ac/Stratejik_Plan_2018_2022.pdf).

<sup>218</sup> *Hazine ve Maliye Bakanlığı 2018 Yılı Faaliyet Raporu*, T.C. Hazine ve Maliye Bakanlığı (Ankara, 2019), <https://ms.hmb.gov.tr/uploads/2019/05/Hazine-ve-Maliye-Bakanligi-2018-Yili-Faaliyet-Raporu.pdf>.

<sup>219</sup> "Finance Minister: Turkey's Economic Diplomacy to be Further Strengthened in 2019," *Daily Sabah* 2019, <https://www.dailysabah.com/economy/2019/01/18/finance-minister-turkeys-economic-diplomacy-to-be-further-strengthened-in-2019>.

economic relations.<sup>220</sup> On the contrary, there are numerous examples to demonstrate Turkey's involvement in multilateral economic organizations, such as UN, World Health Organization (WHO), D-8, OECD, etc. However, I believe, as an international organization at global level, G20 is the most concrete case to show Turkey's interest in multilateral organizations.

G20 is an informal group of 19 countries and the EU which aims to create an appropriate environment in which high-level officials of the world's most advanced and emerging economies can exchange their opinions in order to provide and to encourage global stability. The underlying reason behind the formation of the G20 was the global financial crisis in 1997-99 which went beyond the geographical focus of the G7.<sup>221</sup>

G20 member countries and the EU in total represent approximately 85 percent of global gross domestic product (GDP), over 80 percent of global trade, and nearly two-thirds of the world population.<sup>222</sup> With the global financial crisis at the end of 2008, the G20 has turned into a summit diplomacy organized once a year in which the heads of government of the member countries personally participate. OECD, IMF and World Bank are permanent participants of the G20 summits. As stated in the Article 19 of *G20 Leaders Statement – The Pittsburgh Summit* on September 24-25, 2009, the G20 was designated to be the primary forum for international economic cooperation among the member countries.<sup>223</sup>

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<sup>220</sup> Despite the Turkish government officials' emphasis on the inadequacy of WTO, Turkey has always been an active player in the organization and increasingly refers to its importance in the age of trade wars.

<sup>221</sup> Stephen Kirchner, "The G20 and Global Governance," *Cato Journal* 36, no. 3 (2016): 487.

<sup>222</sup> Jonathan Luckhurst, *G20 Since the Global Crisis* (New York: Palgrave Macmillan, 2016), 102.

<sup>223</sup> "G20 Leaders Statement: The Pittsburgh Summit," G20 Research Group, 2009, accessed May 18, 2019, <http://www.g20.utoronto.ca/2009/2009communique0925.html>.

The G20 Presidency changes every year and whichever country presides the forum, it hosts the summit in its homeland. Whichever member country presides the G20, it has the right to determine the agenda of the summit in that year. Turkey is among the founding members of the G20. It is represented by the Ministry of Treasury and Finance and its national Central Bank (*the Central Bank of the Republic of Turkey – CBRT*) in the financial mechanism of the forum. In the *sherpa* mechanism, it is represented by the Ministry of Foreign Affairs. Turkey has always been an active participant of the G20 since its establishment. The Turkish governments have always been attentive to participating in the G20 meetings at all levels. The fact that Turkey is a country which was one of the most rapidly growing economies after the 2008 financial crisis paved the way for the increase in the Turkish decision-makers' self-confidence and assertiveness.

As an active player in the grouping, Turkey became the G20 term president in 2015. Turkey's term presidency is of great significance to examine its multilateral economic diplomacy at the global level. Since the first days of its presidency, the Turkish government has announced that Turkey prioritized the three i's: *inclusiveness*, *implementation*, and *investment for growth*. By *inclusiveness*, the Turkish government pointed out both domestic and international dimensions of the G20. At the domestic level, Turkish officials concentrated on supporting SMEs and their production process. Turkey could manage to enrich G20 with the inclusion of the SMEs by initiating the establishment of the World SME Forum which would serve the SMEs in transferring their expectations and concerns to the B20 and the governments of the G20 member. Besides, Turkish presidency stressed that decisions made in the G20 summits should resonate with the citizens of the member countries. For that purpose, the Turkish government brought forward the issues of gender equality in employment and the youth unemployment. At the international level, Turkey insisted that the low-income developing countries (LIDCs) should be included in the G20 processes. During the ministerial and presidential meetings in 2015, the governments of the G20 searched for a way to augment their efforts for LIDCs and for improving their development efforts. *The G20 and Low Income Developing Countries (LIDCs) Framework* was



adopted in order to determine “the steps G20 is taking to support integration of these countries into the global economy.”<sup>224</sup>

By implementation, the Turkish presidency meant the importance of realization of the previous commitments stated in the Brisbane Action Plan in 2014 for the global development and growth.

Last but not least, Turkey emphasized the importance of investments for growth as its third priority. The Turkish government proposed the determination of infrastructural investments in order to increase the growth potential of national economies of the G20 member countries and the most appropriate financing models for those investment projects. In this regard, each G20 member prepared a draft version of its investment strategy and those strategies were shared with other G20 countries during the Turkish presidency. For the development of the investment climate, the generation of efficient infrastructure and the promotion of the SMEs, those strategies included a great variety of policies and actions. Hence, the fact that country-specific investment strategies were introduced by Turkey’s presidency was an important achievement in 2015.

As can be seen, Turkey has always been an active participant of G20, and its activity reached a peak in 2015 when it was Turkey’s turn for the G20 presidency. In addition to be an active participant in such a multilateral organization, Turkey has also pursued policies at G20 level which are excluding those foreign economic policies that are inconsistent with those of WTO. During its G20 presidential term, Turkey put forward the significance of taking measures against protectionism in international trade. Turkey emphasized the fact that the annual global trade growth rate in 2014 was lower than the one before the 2008 financial crisis. In relation to this, the Turkish government recalled the previous commitments of the G20 governments and stressed the importance of the integration of SMEs to global value chains:

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<sup>224</sup> *Antalya Action Plan*, (Antalya: G20, 2015), <https://www.oecd.org/g20/summits/antalya/Antalya-Action-Plan.pdf>.

... there might be transitional effects as well as some structural factors, such as the inclination towards protectionism and the challenges that the multilateral trade system faces. Thus, continuing to follow-up our commitment to resist protectionism and supporting the multilateral trading system will be important priorities of the Turkish Presidency. The World Trade Organization (WTO) rules remain the backbone of the global trading system. We will also give special importance to the better integration of SMEs, especially in the developing countries, to global value chains as there is a strong correlation between participation in the global value chains and GDP per capita.<sup>225</sup>

Further, another significant field in which Turkey conducted diplomacy among the G20 governments was about the international financial architecture. For the Turkish government, completion of the IMF reform was so important for the legitimacy of the Fund. This is because it would surely provide a more even-handed realignment in the ranking of quota shares. The Turkish government insisted that the strengthening of the IMF surveillance, the concerns regarding the Fund financing, and the strengthening of the global financial safety net should be taken into account by the G20 governments. Therefore, it would not be wrong to suggest that during the 2000s, the Turkish governments have still sustained their economic diplomacy efforts at multilateral level while from bilateral and regional economic initiatives.

Indeed, Turkey could manage to diversify the multilateral initiatives, in which it has taken part, as well. For instance, Turkey has become a member of AIIB, led by China, since January 2016. Moreover, Turkish President Erdogan has expressed the Turkish government's interest in getting included in BRI<sup>226</sup> and has attended both BRI Forums

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<sup>225</sup> *Turkish G20 Presidency: Priorities for 2015*, Turkish G20 Presidency (2014), <http://g20.org.tr/wp-content/uploads/2014/12/2015-TURKEY-G-20-PRESIDENCY-FINAL.pdf>.

<sup>226</sup> See "“Ticari İlişkilerimizi Güçlendirmek, Güvenlik ve İstikrara Yönelik Tehditlerin Bertarafıyla Mümkündür”,” Presidency of the Republic of Turkey, 2017, accessed May 28, 2020, <https://www.tccb.gov.tr/haberler/410/71175/ticari-iliskilerimizi-guclendirmek-guvenlik-ve-istikrara-yonelik-tehditlerin-bertarafıyla-mumkundur.>; "“Bölgemizde İstikrar ve Refah Temelli Yeni Bir Dönemin Kapıları Aralanacak”,” Presidency of the Republic of Turkey, 2017, accessed May 28, 2020, <https://www.tccb.gov.tr/haberler/410/75192/bolgemizde-istikrar-ve-refah-temelli-yeni-bir-donemin-kapilari-aralanacak.>; "Cumhurbaşkanı Erdoğan Çin'e Gitti," Presidency of the Republic of Turkey, 2017, accessed May 29, 2020, <https://www.tccb.gov.tr/haberler/410/75159/cumhurbaskani-erdogan-cine-gitti>.

organized in Beijing.<sup>227</sup> During the 2000s, the Turkish governments have also shown tendency to be a part of other multilateral organizations, which are eastern-oriented, such as Shanghai Cooperation Organization (SCO). The Turkish President expressed in 2016 that Turkey is not conditioned to joining the EU and has other options among which is to join SCO<sup>228</sup> and his statement was welcomed by Russia and China that are the leading powers in the SCO.<sup>229</sup>

Therefore, the Turkish governments have not only demonstrated a relative success in diversifying Turkey's economic partners at bilateral and regional levels, but also they managed to enhance the multilateral initiatives that it is a has a role in. In that sense, Turkey's G20 Presidency is an important experience through which one can make sense of Turkey's economic diplomacy in the 2000s.

Why and how Turkey has been able to pursue a type of economic diplomacy, which is based on the diversification of its foreign economic partners at bilateral, regional and multilateral levels through increasing activism in various ways, cannot be understood without taking the international conjuncture into account. In other words, how come the Turkish governments managed to diversify Turkey's economic partners in the 2000s or how they succeeded to make Turkey's foreign economic relations more multidirectional by showing increasing activism is linked to the recent developments in the global political economic landscape. I suggest that the global developments, i.e., the decline of the US hegemony, has turned out to be an external variable for the

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<sup>227</sup> "Cumhurbaşkanı Erdoğan, Kuşak ve Yol Forumu Liderler Oturumuna Katıldı," Presidency of the Republic of Turkey, 2017, accessed May 29, 2020, <https://www.tccb.gov.tr/haberler/410/75207/cumhurbaskani-erdogan-kusak-ve-yol-forumu-liderler-oturumuna-katildi>.

<sup>228</sup> "President Erdoğan: EU not everything, Turkey may join Shanghai Five," Hurriyet Daily News, 2016, accessed May 29, 2020, <https://www.hurriyetdailynews.com/president-erdogan-eu-not-everything-turkey-may-join-shanghai-five-106321>.

<sup>229</sup> "Erdoğan'ın 'Şanghay Beşlisi' açıklamasına Rusya ve Çin'den ilk yorum," CNN Türk, 2016, accessed May 2020, 2020, <https://www.cnnturk.com/dunya/erdoganin-sanghay-beslisi-aciklamasina-rusyadan-ilk-yorum>.

Turkish governments to pursue more multidirectional foreign economic relations in the relevant period.

Although IR scholars do not have a common understanding of the newly emerging global order, they share the opinion that we are not living in the same world order as we were in the 1990s. Today, it is a commonly accepted idea among the IR scholars that the US hegemony is suffering from a crisis. What led to this crisis is a controversial issue among IR scholars. For Keohane and Colgan, the crisis of the US-led liberal international order should be sought out in capitalism itself. They suggest that “capitalism hijacked globalization.”<sup>230</sup> In other words, international institutions which are key for the liberal multilateral order have been designed for the good of economic elites and ordinary people have been excluded from benefiting. On the other hand, Michael Cox argues that one of the causes of the crisis of liberal international world order is more economic and that took place as the global financial crisis in 2008. To Cox, it had nothing to do with the fact that the financial crisis eroded the widespread faith in the financial system:

It was rather that it destroyed the claim made by the overwhelming majority of economists and the bulk of Western policymakers for generations that market liberalization was the panacea that would unlock mankind’s full potential and one day bring prosperity to all.<sup>231</sup>

No matter how many explanations there are in the literature, this is a fact that the US has been experiencing a crisis in the recent years. So, the relative decline in the US-led international order has caused uncertainty into the international system so much so

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<sup>230</sup> Jeff D. Colgan and Robert O. Keohane, "The Liberal Order Is Rigged: Fix It Now or Watch It Wither," *Foreign Affairs* 96, no. 3 (2017): 37.

<sup>231</sup> Michael Cox, "Power and the Liberal Order," in *After Liberalism? The Future of Liberalism in International Relations*, ed. Rebekka Friedman, Kevork Oskanian, and Ramon Pacheco Pardo (New York: Palgrave Macmillan, 2013), 104.

that the global political economic landscape has considerably changed in the 2000s.<sup>232</sup> While the Chinese economic ascendancy has become explicitly clear in years, its political and strategic influence has intensified in particular regions of the world. On the other hand, the Trump administration has been pursuing radically different foreign policy compared to that of the Obama administration in the way that the US' presence has shrunk in various policy fields, such as global health policy, international security, and multilateral trade agreements. These international developments have led to uncertainties in the international system. According to Öniş and Kutlay,

The declining power of the USA after the wars in Afghanistan and Iraq, accompanied by the rise of BRICs, has paved the way for a period of structural indeterminism, especially in the greater Middle East, so that regional actors like Turkey have had the opportunity to act in a relatively autonomous manner.<sup>233</sup>

I suggest that Turkey's economic diplomacy with a multidirectional character could not be grasped without taking into account the environment in which global developments and Turkish economic diplomacy take place at the same time. In other words, the increasing uncertainty in international political economic landscape has become a systemic variable in explaining Turkey's economic diplomacy. As Rose contends, states seek "to control and shape their external environment"<sup>234</sup> in responding to the uncertainties in international politics. In this sense, Turkish decision-makers demonstrated their vision for the diversification of Turkey's economic partners. For instance, the then-Foreign Minister Davutoğlu expressed in 2010 that

Turkey and the Arab world enjoy a common geo-strategic belt extending from Kars to Morocco and Mauritania, from Sinop to Sudan and from the Strait of

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<sup>232</sup> Ziya Öniş and Mustafa Kutlay, "Rising Powers in a Changing Global Order: The Political Economy of Turkey in the Age of BRICS," *Third World Quarterly* 34, no. 8 (2013): 1412.

<sup>233</sup> Ziya Öniş and Kutlay, "Rising Powers in a Changing Global Order: The Political Economy of Turkey in the Age of BRICS," 1412.

<sup>234</sup> Rose, "Neoclassical Realism and Theories of Foreign Policy," 152.

Istanbul to the Gulf of Aden. We want to turn this belt into a great zone of security, prosperity and economic integration.<sup>235</sup>

In the same way, President Erdogan stated that Turkey-Africa relations are getting stronger each passing day on the basis of mutual respect. He concludes that to grow Turkish economy and increase Turkey's foreign trade, "we will go everywhere no matter how they are far away from Turkey. We will fortify our ties with all countries. Hopefully, with this understanding, we will continue to renew our contacts with different corners of our heart geography in the coming period."<sup>236</sup> Likewise, Turkish Minister of Foreign Affairs, Çavuşoğlu, stated in 11<sup>th</sup> Ambassadors Conference that although the international community is in a competition to economically engage more with Asia, Turkey's roots in the most dynamic region of the world are deep: "Just like being European in Europe, being Asian in Asia is also valuable to us. What identifies us and makes us special is the fact that we rise on these two basis."<sup>237</sup>

The 2000s were the years during which Turkey has come up with recommendations about the international system as well. As explained in Turkey's G20 presidency part of this thesis, Turkey suggested to reform international financial institutions in the way that make them more inclusive for LIDCs. Furthermore, Turkey also recommended SMEs to be included in global value chains. In addition to Turkey's recommendations in the economic sphere, the Turkish decision makers have started developing their suggestions for the international system in the 2000s. For instance, the then Turkish

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<sup>235</sup> "Davutoğlu, Türk-Arap İşbirliği Forumu'nda konuştu," Hürriyet, 2010, accessed June 6, 2020, <https://www.hurriyet.com.tr/gundem/davutoglu-turk-arap-isbirligi-forumunda-konustu-14985312>.

<sup>236</sup> "Cumhurbaşkanı Erdoğan: "Afrika ülkeleriyle ilişkilerimizi yoğunlaştırmakta kararlıyız"," Presidency of the Republic of Turkey Directorate of Communications, 2020, accessed June 6, 2020, <https://www.iletisim.gov.tr/turkce/haberler/detay/cumhurbaskani-erdogan-afrika-ulkeleri-ile-iliskilerimizi-yogunlastirmakta-kararliyiz/>.

<sup>237</sup> "Dışişleri Bakanı Çavuşoğlu: Avrupa ve Asya'yı birleştiren Türkiye, eksenin ta kendisidir," Anadolu Agency, 2019, accessed June 6, 2020, <https://www.aa.com.tr/tr/politika/disisleri-bakani-cavusoglu-avrupa-ve-asyayi-birlestiren-turkiye-eksenin-ta-kendisidir/1549725>.

Prime Minister Davutoğlu called for “a real and inclusive global order”<sup>238</sup> by stressing the necessity of defining the global order again.<sup>239</sup> On the other hand, Turkish President Erdogan clearly wrote in his article in *Foreign Policy* that it is time to “end the monopoly of a small number of nations and promote the collective leadership of countries”<sup>240</sup> and that “If the global powers won’t help, the rest of the international community must take matters into its own hands”<sup>241</sup> to reform the liberal international order. Therefore, with the increasing uncertainties in the international system in the 2000s, the Turkish governments have started searching the ways of controlling and shaping the external environment in which Turkish foreign policy, thereby Turkish economic diplomacy, take place.

In this respect, Turkey started pursuing economic diplomacy in the way that increases Turkey’s influence in various regions of the world through developing new economic cooperation with new countries and regions that had mostly been ignored by the former Turkish governments in the 1990s. While Turkey was presiding G20 by setting the agenda of the largest 20 economies of the world with challenging ideas, it was also showing its interest to be a part of the BRI and AIIB which are Chinese-led non-traditional international initiatives in foreign trade and investments. Turkey was at the same time increasing the volume of its foreign trade with the African continent and its investments in the region was going up with the motivation not to “leave a friend whose door has not been knocked, a heart that has not been relieved, and a state that

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<sup>238</sup> "Davutoğlu: 'Gerçek ve Kapsayıcı Bir Küresel Düzen'," VOA, 2012, accessed June 5, 2020, <https://www.amerikaninsesi.com/a/davutoglu-gercek-ve-kapsayici-bir-kuresel-duzen-139107904/903285.html>.

<sup>239</sup> "Davutoğlu: Küresel Düzeni Yeniden Tanımlama İhtiyacı Var," Haberler, 2010, accessed June 4, 2020, <https://www.haberler.com/davutoglu-kuresel-duzeni-yeniden-tanimlama-2269259-haberi/>.

<sup>240</sup> Recep Tayyip Erdogan, "How to Fix the U.N.— and Why We Should," *Foreign Policy*, September 26, 2018, <https://foreignpolicy.com/2018/09/26/how-to-fix-the-u-n-and-why-we-should/>.

<sup>241</sup> Erdogan, "How to Fix the U.N.— and Why We Should."

has not been cooperated by us.”<sup>242</sup> In addition, Turkey has tended to increase its resources for its official development assistance to developing and under-developed countries. Therefore, Turkey has shown an increasing diversification in its economic relations through developing new ways of economic cooperation.

To conclude, with the increasing uncertainties in international politics in the 2000s, Turkey started seeking for control of its external environment through demonstrating an ever-increasing activism in its foreign economic relations. As the perception of the Turkish ruling elite demonstrates, Turkey has attempted to diversify its economic partners through engaging in different regions of the world. In this period, Turkey has developed economic cooperation in different fields of economic diplomacy, such as foreign trade, investments and official development assistance. As a result of this activism, while the traditional economic partners (the EU and North America in foreign trade, the EU in foreign direct investments, and Europe, Balkans, and South and Central Asia in official development assistance) have lost their weight in Turkey’s foreign economic structure, new regions (Near and Middle East and far East in foreign trade, Near and the Middle East in foreign direct investments, Africa and the Middle East in official development assistance) have increased their share. Therefore, the Turkish governments have relatively managed to diversify their foreign economic partners in different fields. In other words, Turkey’s economic diplomacy in this period has gained a multidirectional character. Additionally, with the increasing amount of official development assistance, the increasing ambitions of the Turkish governments for FTAs which has also been promoted by the Customs Union with the EU, and the rise in the number of agreements on RPPI, Turkey’s economic diplomacy has gained a more multidimensional character.

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<sup>242</sup> "Cumhurbaşkanı Erdoğan: “Afrika’da kapısı çalınmadık dost, yarası sarılmadık gönül, iş birliği yapılmadık devlet bırakmıyoruz”,” Presidency of the Republic of Turkey Directorate of Communications, 2019, accessed June 7, 2020, <https://www.iletisim.gov.tr/turkce/haberler/detay/cumhurbaskani-erdogan-afrikada-kapisi-calinmadik-dost-yarasi-sarilmadik-gonul-is-birligi-yapilmadik-devlet-birakmiyoruz>.



#### **4.5. Turkish Business Community and Economic Diplomacy in the 2000s**

With its increasing involvement in Turkey's foreign economic relations with the promotion of the Turkish governments in the 2000s, Turkish business community has become an important component in explaining Turkey's economic diplomacy. The relevant organizations and their ways of working have already been explained in the previous chapter, but it is necessary to give details of their activities to grasp how they contribute to Turkey's economic diplomacy during the relevant period.

Among those organizations, DEİK is the most relevant and the most active one taking a role in Turkey's foreign economic relations. As it is mentioned in the previous chapter, DEİK aims to develop cooperation between Turkey and other countries to boost bilateral trade and bilateral investments. Since DEİK's establishment, the Business Councils have organized and supported 8.060 events in which a wide range of participants from business representatives to the Turkish President have joined. The Business Councils have organized 763 visits to more than 100 countries all over the world as of mid-2020. 66 of those visits have taken place with the participation of the Turkish Presidents and they hosted 297 foreign state representatives at DEİK's office in the scope of events.<sup>243</sup> Along with various type of events, the most important ones are the large-scale business forums.

The most salient large-scale business forum organized by DEİK is the Turkey-Africa Economic and Business Forum (TABEF) under the auspices of Presidency of the Republic of Turkey. It was first organized on November 2<sup>nd</sup>-3<sup>rd</sup>, 2016 in İstanbul with the joint efforts of Turkish Ministry of Economy, African Union Commission (AUC) and DEİK. The first TABEF brought together 50 top ranking officials from ministries of economy, trade, investment and finance of 42 African countries, presidents of Chambers, NGOs, business communities and professional organizations, senior representatives of African Union and African Development Bank and Secretary Generals of African Regional Economic Communities. On the Turkish side, President

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<sup>243</sup> "DEİK," DEİK, 2020, accessed June 2, 2020, <https://www.deik.org.tr>.

Recep Tayyip Erdoğan, the then Prime Minister Binali Yıldırım, the then Minister of Economy Nihat Zeybekçi joined the event.<sup>244</sup> It was composed of opening remarks delivered by the Presidents, Prime Ministers, and ministers of certain African countries, B2G and B2B meetings. During the program, 2.300 businesspeople from Turkey and African countries came together and discussed the appropriate ways of partnership.

The second TABEF was, on the other hand, held on October 10<sup>th</sup>-11<sup>th</sup>, 2018 again under the auspices of Presidency of the Republic of Turkey. In addition to the Turkish President and ministers, 26 ministers from 43 African countries, Prime Minister of Rwanda and the President of Ethiopia joined the forum. Like the first one, high level officials from governmental institutions, civil society organizations and business associations from both sides, Turkey and Africa, were present at the forum. 245 governmental officials and more than 2.500 businesspeople came together at the forum.<sup>245</sup> What makes this sort of large-scale events organized by DEİK important for Turkey's economic diplomacy is the highest-level participation both from governments and private sector. These events are clear examples of *triangular diplomacy*. This is because during these forums, decision-makers of both states and private companies come together, negotiate on easing of bilateral trade, whether to give privilege to certain countries' companies in their direct investments.

Moreover, DEİK's highest level economic diplomacy activities is not confined to the African continent. As it is stated in the previous sections of this chapter, TAİK, prior to DEİK, was established in 1985 through a protocol signed by the Turkish and the US governments. As one of the largest Business Councils operating under DEİK, TAİK has been organizing annual conferences on Turkey-US relations (ATC) for more than 30 years. These annual conferences are held in Washington DC and are participated

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<sup>244</sup> *Turkey-Africa Economic and Business Forum Final Report*, DEİK (İstanbul, 2016), <http://www.tebforum.org/assets/Uploads/TABEF-Final-Report.pdf>.

<sup>245</sup> "III. Turkey-Africa Economic and Business Forum," DEİK, 2018, accessed May 26, 2019, <http://www.turkeyafricaforum.org/tabef/>.

by the Turkish ministers, the US secretaries and the leading representatives of both countries' private sectors. In brief, the conference provides a platform for thought leaders, businesspeople, and government officials to gather and discuss issues that influence the trade relationship between two countries. Besides, TAİK has also been organizing Turkey Investment Conference (TRICON) for 10 years in New York. During TRICON, Turkish and American businesspeople come together with the support of participation of Turkish officials including the Turkish President himself.<sup>246</sup> Through these kinds of conferences, TAİK brings together both Turkish and American business representatives and government officials in order to enhance economic relations. Besides, TAİK is the business organization that coordinates the 100 billion USD bilateral trade volume between Turkey and the US – a project introduced by President Erdoğan and President Trump.<sup>247</sup>

Additionally, DEİK contributes to the High-Level Cooperation Council meetings organized by the Turkish Foreign Ministry as well. On 8<sup>th</sup> of April 2019, Turkey-Russia Business Council held a very special meeting under the joint presidency of Recep Tayyip Erdoğan and Vladimir Putin at Kremlin Palace in Moscow in which Turkish and Russian ministers and biggest industrialists of both countries participated.<sup>248</sup> It was a very significant event owing to the fact that after Turkey shot down a Russian Su-24 warplane, Turkish and Russian highest-level officials came together with the participation of the most powerful private sector representatives of their countries. In this type of relatively small group but the highest-level meetings, Turkish investors' potential problems in the relevant country are evaluated and

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<sup>246</sup> For more information, TAİK's website ([www.taik.org.tr](http://www.taik.org.tr)) might be visited.

<sup>247</sup> "100 milyar dolarlık rapora sıcak takip," *Hürriyet*, 2019, accessed August 10, 2019, <https://www.hurriyet.com.tr/ekonomi/100-milyar-dolarlik-rapora-sicak-takip-41296505>.

<sup>248</sup> "Novak: Rus şirketleri Doğu Akdeniz'de Türkiye ile işbirliğine yönelik kararlar alabilir," *Sputnik Türkiye*, 2019, accessed July 27, 2019, <https://tr.sputniknews.com/ekonomi/201907261039769414-novak-rus-sirketleri-dogu-akdenizde-turkiye-ile-isbirligine-yonelik-kararlar-alabilir/>.

governmental authorities negotiate on how to decrease bureaucratic, economic and political barriers against bilateral trade and investments.

As can be seen, DEİK has a key and active role in Turkey's economic diplomacy. It operates in a tandem with the relevant governmental institutions and ministries to the extent that it organizes working dinners with the support of the Turkish Trade Ministry and Foreign Ministry to strengthen the relation and cooperation between ambassadors and the chairmen of the business councils and between Turkish Commercial Counsellors and the executives of the Business Councils.<sup>249</sup> Therefore, active participation of DEİK as a *quasi* non-governmental organization to foreign economic relations of the Turkish government has got Turkey's economic diplomacy efforts accelerated. This is because of two main reasons. First, though it works in close connection with the Ministry of Trade, it simply represents the Turkish private sector; therefore, it creates the suitable environment for connecting directly the businesspeople in Turkey to the business environment in the target countries. Second, it functions swiftly so that the Turkish governmental economic diplomacy has been consolidated without discontinuation.

TOBB is another organization representing the Turkish business community in Turkey's economic diplomacy. Although its function is completely different than DEİK, it gets involved in Turkey's foreign economic relations as well. Compared to DEİK, TOBB's presence in the Turkish foreign economic policy is limited, but its activities are indeed effective because it is the largest business community in Turkey both in terms of the number of its members and the volume of its budget. The most visible economic diplomacy related initiatives of TOBB can be found in its presidency at B20 in 2015.

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<sup>249</sup> See "DEİK Çalışma Yemeği, 8. Büyükelçiler Konferansı Kapsamında Ankara'da Gerçekleşti," DEİK, 2016, accessed May 30, 2019, [https://www.deik.org.tr/basin-aciklamalari-deik-calisma-yemegi-8-buyukelciler-konferansi-kapsaminda-ankara-da-gerceklesti\\_s45](https://www.deik.org.tr/basin-aciklamalari-deik-calisma-yemegi-8-buyukelciler-konferansi-kapsaminda-ankara-da-gerceklesti_s45).; "Onuncu Büyükelçiler Konferansı, 15 Ağustos 2018," Ministry of Foreign Affairs of Republic of Turkey, 2018, accessed May 30, 2019, <http://www.mfa.gov.tr/onuncu-buyukelciler-konferansi-15-agustos.tr.mfa>.

Although the G20 is a summit diplomacy conducted at ministerial and presidential level by the member states, it is open to initiations and influences of non-governmental organizations of the member countries. B20 (Business 20) is indeed where we see economic diplomacy type of activities conducted at the global level by business associations and other related non-governmental institutions.

During Turkey's presidency in the forum, TOBB was responsible for the presidency of the B20.<sup>250</sup> To carry out the presidency of the B20, TOBB organized and joined numerous events in Turkey and abroad including roundtable meetings, international conferences, seminars, and official visits to the foreign governments with the official representatives of the Republic of Turkey such as President Recep Tayyip Erdoğan and the then Prime Minister Ahmet Davutoğlu. As the responsible institution to chair the B20, TOBB accelerated its economic diplomacy activities with respect to the Turkish Presidency of the G20 starting from the end of 2014. TOBB Presidency has organized 12 meetings in 5 continents of the world.<sup>251</sup> Its top cadre has engaged in discussions and official talks with a variety of governmental institutions and non-governmental organizations from certain countries.

The analysis of TOBB's economic diplomacy activities in the context of the Turkish Presidency demonstrates that the Union has pursued economic diplomacy in the way that fully supported the Turkish government's priorities and proposed agenda. One of

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<sup>250</sup> It might be surprising that DEİK did not play a role in Turkey's economic diplomacy within the scope of the Turkish G20 Presidency in 2015, though it is responsible for the organization and the management of the foreign economic relations of the Turkish private sector. Even though the former Chairman of the Turkey – Russia Business Council, Tuncay Özilhan, was a member of the B20 Turkey Executive Committee, the then President of DEİK was not included in the Committee. There might be different explanations for this exclusion, but it is necessary to remind that DEİK was newly restructured and reestablished in 2014 and was separated from TOBB as an independent legal entity. Thus, DEİK might not be ready to embark upon economic diplomacy at the global level because of its limited operational and organization capacity at the time.

<sup>251</sup> 72. Genel Kurul: *Daha İyi Bir Gelecek Daha İyi Bir Türkiye İçin Görüş ve Öneriler*, (Ankara: TOBB, 2016), 10.  
<https://www.tobb.org.tr/Documents/yayinlar/2016/72GK/httpptobb.org.trYayinMudurluguDocuments72-Genel-KurulGorusOne/files/assets/common/downloads/httpptobb.org.trYayinMudurluguDocuments72-Genel-KurulGorusOne.pdf>.

the main emphasis of the Union during its diplomatic engagements was on the collaboration between the G20 members and their business environments. Since the Turkish Presidency coincided with the period during which the international trade was decelerating and during which many governments started pursuing protectionist policies, Rifat Hisarcıklıođlu, President of TOBB, put forth in the B20 Turkey Inaugural Meeting held in İstanbul on 15th of December 2014 that it was impossible to survive alone and insisted that the way to make the global economy inclusive and to enhance it with a robust growth policy can only be found and actualized together.<sup>252</sup>

Like the Turkish government itself, TOBB executives supported the idea that the doors of the B20 should be open to those whoever would like to do something in favor of the interests of the business world. Hence, TOBB stressed that not only MNCs and advanced economies but also SMEs and developing economies are so important in accelerating the growth of the global economy. This is why TOBB introduced the “SMEs and Entrepreneurship Task Force” which was aimed to develop proposals for the SMEs and entrepreneurs. In other words, TOBB basically aimed to make the voice of SMEs and entrepreneurs heard at the global level.

As part of their economic diplomatic initiatives, the TOBB officials joined a special meeting on Turkey’s presidency in the G20 organized by International Chamber of Commerce (ICC) in Singapore. Together with the then Turkish Deputy Prime Minister Ali Babacan and the then Turkish Ambassador to Singapore, Rifat Hisarcıklıođlu met with more than 100 business people from 60 countries and negotiated on the emphasis on *inclusiveness*, integration to the global economy and sustainability.<sup>253</sup> Likewise, TOBB officials joined G20 sessions held in abroad together with the Turkish ministers. On 18th of April 2015, the TOBB President attended to the G20 meetings at the ministerial level in Washington DC.

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<sup>252</sup> "Küresel Ekonominin Aktörleri B20 Toplantısında Buluştu," TOBB, 2014, accessed May 20, 2019, <https://www.tobb.org.tr/Sayfalar/Detay.php?rid=19940&lst=MansetListesi>.

<sup>253</sup> "İş Dünyası, Ticari Sınırların Kaldırılmasını İstedi," TOBB, 2015, accessed May 21, 2019, <https://www.tobb.org.tr/Sayfalar/Detay.php?rid=20221&lst=MansetListesi>.

The number of examples of TOBB's economic diplomatic efforts can be increased. Among the formal engagements of the Turkish B20 Presidency are the *World Economy Forum* held in Davos on January 21<sup>st</sup>-24<sup>th</sup>, 2015 with participation of the then Turkish Prime Minister and the then Deputy Prime Minister of Turkey, the *9th World Chambers Congress* organized by ICC in Torino on 10-12 June 2015, and the CEO roundtable meeting, which the then Turkish Prime Minister participated in, set up jointly by TOBB and the US Chamber of Commerce in New York on 30<sup>th</sup> of September 2015.<sup>254</sup> Therefore, TOBB is of importance in Turkish economic diplomacy, particularly when Turkey's multilateral engagements has increased. In line with the Turkish government, TOBB has so far played a sort of 'national' role in international arena to represent the economic interest of Turkey.

Lastly, TÜSİAD is another very active variable in the Turkish business community in the 2000s. As explained in the previous chapter, TÜSİAD is an independent business association and determines its own agenda by itself. It makes efforts to advance the cooperation between Turkish and foreign corporations and public institutions. Starting from the beginnings of the 2000s, TÜSİAD has shown an intensive performance for Turkey's entry into the EU. In terms of economic diplomacy, the Association carries out lobbying activities in the EU member states' business environments to promote Turkey's image. It also organizes business committee visits to the EU officials and the European business associations for the same purpose. It would not be wrong to argue that one of the most important threat for TÜSİAD is those business organizations which conduct lobbying activities against Turkey's accession process to the EU. Because of this, particularly in the beginnings of the 2000s, TÜSİAD officials have had a heavy schedule of visits to the European countries including France, Germany and Austria. For their lobbying activities during that time, TÜSİAD's Board of

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<sup>254</sup> During his visit to the US, B20 President Rifat Hisarcıkıođlu held official talks with several members of the US House of Representatives and discussed on Transatlantic Trade and Investment Partnership (TTIP) and the US-Turkey economic and trade relations. For further information, see "Başbakan Davutođlu ve TOBB Başkanı Hisarcıkıođlu ABD'li CEO'larla Buluştu," TOBB, 2015, accessed May 21, 2019, <https://www.tobb.org.tr/Sayfalar/Detay.php?rid=20628&lst=MansetListesi>.

Directors used “Turkey is an industrial country” as a motto. According to Ümit Boyner, who was the Chairperson of TÜSİAD’s Promotion Commission, by that motto, TÜSİAD aimed to prove that Turkey is a country which is modern, developing and creating labor force and which has a powerful and corporate private sector.<sup>255</sup>

Apart from the Turkish presidency, TÜSİAD has been an official representative of the Turkish business world at B20. For the first time, it officially represented Turkish private sector at B20 Summit in London in 2009. During Turkey’s presidency, TÜSİAD accelerated its economic diplomacy initiatives and organized a variety of meetings in Turkey and abroad. The Association started its activities by conducting a research, financially supported by the British Embassy in Ankara, on the expectations of Turkish companies from the G20 Turkish Presidency.<sup>256</sup> According to Haluk Dinçer, President of TÜSİAD at the time, it was a must to deal with the lower growth rate caused by the global financial crisis while it was necessary to persuade all the G20 members for a common understanding of a structural reform agenda necessitated by market economy.<sup>257</sup> Accordingly, TÜSİAD organized a roundtable meeting on 17<sup>th</sup> of March 2015, in Brussels in which Turkish Permanent Representative Ambassador Selim Yenel, Director of Foreign Affairs of the BUSINESSEUROPE Luisa Santos and TÜSİAD officials participated.<sup>258</sup>

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<sup>255</sup> "Önyargıları Yıkacağız," Radikal, 2005, accessed May 7, 2019, <http://www.radikal.com.tr/turkiye/onyargilari-yikacagiz-752899/>.

<sup>256</sup> For the executive summary of the research titled *Business Priorities for Recommendations of Turkey’s G20 Presidential Term in 2015*, see [https://www.tusiad.org/tr/yayinlar/raporlar/item/download/7098\\_c226b9cc97af259d9a95518a9fd98b96](https://www.tusiad.org/tr/yayinlar/raporlar/item/download/7098_c226b9cc97af259d9a95518a9fd98b96)

<sup>257</sup> Haluk Dinçer, "Küresel Ölçekte de, Ulusal Ölçekte de Konumuz Büyüme ve İstikrar," *Görüş* 87 (2014): 15, [https://tusiad.org/tr/yayinlar/gorus-dergisi/item/download/8051\\_8ce78b556f8aeadee6171ad5d50e1c59](https://tusiad.org/tr/yayinlar/gorus-dergisi/item/download/8051_8ce78b556f8aeadee6171ad5d50e1c59).

<sup>258</sup> "TÜSİAD Brüksel’de B20 Konulu Yuvarlak Masa Toplantısı Gerçekleştirdi," TÜSİAD, 2015, accessed May 20, 2019, <https://tusiad.org/tr/basin-bultenleri/item/8343-tusiad-brukselde-b20-konulu-yuvarlak-masa-toplantisi-gerceklestirdi>.



On 12 May 2015, TÜSİAD organized another roundtable meeting at the OECD headquarter in Paris with respect to the expectations of the business world from the Turkish Presidency with participation of the Turkish Ambassador to the OECD, the officials of the British Embassy in Paris, MEDEF, and B20 Coalition<sup>259</sup> officials. In the meeting, TÜSİAD pointed out the necessity of investment in the field of SMEs, youth employment and infrastructure.<sup>260</sup> The Association replicated the meeting in the same format in Berlin on 30<sup>th</sup> of June 2015 in collaboration with the Federation of German Industries (BDI) and the British Embassy in Ankara. In addition to the Turkish Ambassador to Berlin, officials from the British Embassy in Berlin, BDI, OECD, and G7-G20 Sherpa Team affiliated with the German Prime Ministry participated and consulted with each other.<sup>261</sup>

Hence, TÜSİAD has been an important variable in Turkish business community's increasing activism in the 2000s. Even though it is an independent organization aiming to represent Turkish businesspeople at domestic and external levels, it has been involved in initiatives supported or led by the Turkish governments in the 2000s. It has organized roundtable meetings, conferences, and has published a comprehensive report regarding the expectations of the business environment from the G20 Summits during Turkey's presidency.<sup>262</sup> TÜSİAD representatives participated in meetings with Turkish President, Minister of Trade, Acting Under Secretary of the US,

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<sup>259</sup> The name of the B20 Coalition was later changed to Global Business Coalition.

<sup>260</sup> "TÜSİAD 'G20 2015 - İş Dünyası: Uygulanabilir Ve Eyleme Geçirilebilir Öneriler Üzerine Düşünceler' Konusunu Ele Aldı," TÜSİAD, 2015, accessed May 20, 2019, <https://tusiad.org/tr/basin-bultenleri/item/8414-tusiad-g20-2015-is-dunyasi-uygulanabilir-ve-eyleme-gecirilebilir-oneriler-uzerine-dusunceler-konusunu-ele-aldi>.

<sup>261</sup> "G7- G20 2015 - İş Dünyası 'Uygulanabilir Ve Eyleme Geçirilebilir Öneriler Üzerine Düşünceler Paneli'," TÜSİAD, 2015, accessed May 20, 2019, <https://tusiad.org/tr/basin-bultenleri/item/8503-g7-g20-2015-is-dunyasi-uygulanabilir-ve-eyleme-gecirilebilir-oneriler-uzerine-dusunceler-paneli>.

<sup>262</sup> Since it would be digressing from the major point of the thesis to touch upon all the initiations of TÜSİAD regarding the G20 in 2015. However, they are stated in TÜSİAD's 2015 annual activity report. For further information, see *TÜSİAD 2015 Çalışma Programı*, TÜSİAD (İstanbul, 2015), [https://tusiad.org/tr/faaliyet-raporlari/item/download/7447\\_ee46d69c7085eaf0f975bcad252b9afd](https://tusiad.org/tr/faaliyet-raporlari/item/download/7447_ee46d69c7085eaf0f975bcad252b9afd).

BusinessEurope officials, Chinese Consulate General, and President of BNP Paribas in 2018.<sup>263</sup> Another important point is that as an independent business association, TÜSİAD has always collaborated with the European economic powers, e.g. Britain and Germany, international organizations such as OECD, national business associations such as MEDEF and BDI, and regional and international business groupings such as B20 Coalition and BUSINESSEUROPE, both in conducting research and organizing meetings in Turkey and abroad. Further, TÜSİAD's meetings hosted state officials from different countries as speakers including diplomats, managers, and bureaucrats. TÜSİAD has been working with the Turkish officials and has organized meetings in which the Turkish diplomatic missions have participated. However, the Association prefers to develop its own agenda without organic link with state officials.

As can be seen, these three Turkish business organizations have interacted with government agencies irrespective of their characteristics, e.g., non-governmental and *quasi* non-governmental. As Kirişçi puts it, they have also been able to access to the Turkish governments through roundtable meetings, official visits and informal ways and have been “able to form alliances with government agencies as well as their counterparts in other countries, for the purposes of lobbying”<sup>264</sup> in support of foreign economic policies of the Turkish governments. While TÜSİAD has played a role mostly in Turkey's economic relations with the EU business world, TOBB and DEİK have had a part in Turkey's foreign economic relations with multilateral organizations and numerous countries almost from all geographical regions of the world. For instance, TÜSİAD as an interest group have come up with policy recommendations supporting Turkey's accession to the EU. On the other hand, TOBB has mostly stressed the importance of SMEs in Turkish economy and put forward their interests in Turkey's foreign economic relations. Last but not least, DEİK has become a bridge

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<sup>263</sup> 2018 Çalışma Raporu, TÜSİAD (İstanbul: TÜSİAD, 2019), [https://tusiad.org/tr/faaliyet-raporlari/item/download/9172\\_a00dea327fe2b14e39895bdd6459b524](https://tusiad.org/tr/faaliyet-raporlari/item/download/9172_a00dea327fe2b14e39895bdd6459b524).

<sup>264</sup> Kirişçi, "The Transformation of Turkish Foreign Policy: The Rise of the Trading State," 46-47.

between Turkish businesspeople and the government to pass Turkish businesses' interests in various regions, such as Africa, North America and Eurasia, to the government. By the mentioned type of activities, such as accompanying Turkish President's official visits to foreign countries, these business organizations have been able to reflect their opinions about Turkey's foreign economic policies and explaining their problems arising from economic relations between the Turkish and foreign governments in the 2000s. They have been able to talk to almost all levels of governmental representatives varying from the President to Ministers, to ambassadors and midlevel bureaucrats. Therefore, Turkish business community have turned into a domestic variable in Turkey's foreign economic policies.

The late 2000s were also the years during which the Turkish governments have tended to have a coordination between and among governmental and (*quasi*) non-governmental institutions. With the transition to the Presidential system of government, the Coordination Council for the Improvement of the Investment Environment (YOİKK), established in 2001, was renewed in 2019, by a Presidency Decision dated March 14, 2019. With the aim of improving investment climate in Turkey, YOİKK gained more active character with the Presidency Decision and became a higher-level initiative since it was directly presided by the Vice President of Turkey.<sup>265</sup> It was restructured in the way that includes both non-governmental and *quasi* non-governmental private sector organizations, such as TOBB, DEİK and TÜSİAD. By this way, the relations between governmental agencies and Turkish business community got strengthened. Furthermore, again with the transition to the Presidential system of government, the mandates and the responsibilities of the governmental institutions were reorganized with the Presidential Decree No. 1 dated July 10, 2018. According to the Decree, as stated in the previous chapter, the Ministry of Trade is responsible for ensuring the compliance of the activities of other organizations (governmental and non-governmental) with the general trade policies of

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<sup>265</sup> "Presidency Decision on the Implementation of the Decision About the Coordination Council for the Improvement of the Investment Environment," ed. Presidency of the Republic of Turkey (Ankara, 2019).

the Turkish government.<sup>266</sup> To consolidate this responsibility of the Ministry, the Turkish President issued a Presidential Circular dated April 8, 2020 which strictly state that business trips to abroad, foreign business representatives' visits to Turkey, business forums and other types of activities must be shared with the Ministry in advance for ensuring the coordination among governmental and non-governmental business organizations.<sup>267</sup> Based on this Presidential Circular, the Ministry delivered an official letter to governmental and (*quasi*) non-governmental organizations, including TOBB, DEİK and TÜSİAD on April 9<sup>th</sup>, 2020, and clearly stated that the Ministry should be notified of all foreign trade related activities of those organizations.<sup>268</sup> As a result of the Presidential Circular and the official letter of the Ministry, TOBB, DEİK and TÜSİAD have become organizations over which Turkish government's coordination capability has increased. Therefore, not only the *quasi* non-governmental ones, like DEİK, but also the independent interest groups of Turkish business community, such as TÜSİAD, are legally obliged to take steps in compliance with the governmental foreign economic policies today. So, it would not be wrong to suggest that while Turkish business community have become more and more actively involved in Turkey's foreign economic relations in the 2000s, they have done so in the coordination of the governments.

In conclusion, during the relevant period Turkish economic diplomacy has been enhanced through the active involvement of Turkish business community in foreign economic relations of the country. Among those business associations with important role are TOBB, DEİK and TÜSİAD. Whereas DEİK and TOBB have played a more complementary role to the Turkish governmental economic diplomacy because of their way of establishment, TÜSİAD has played a more independent role with its own

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<sup>266</sup> "Presidential Decree on Presidential Organizations."

<sup>267</sup> "Presidential Circular on the Coordination of Foreign Trade Related Organizations," in *2020/6*, ed. Presidency of the Republic of Turkey (Ankara, 2020).

<sup>268</sup> General Directorate for Export of The Ministry of Trade of the Republic of Turkey, *Coordination of the Foreign Trade Related Activities*, (Ankara 2020).

independent agenda, but still consistent with the Turkish governmental foreign economic policies. Through the increasing role of these business organizations, Turkish business community have become an internal variables in making sense of Turkish economic diplomacy. Whilst they have represented the large bulk of Turkish economy in their relations with international organizations and foreign countries, they have also been able to interact with the Turkish governmental agencies and to reflect their positions to the government directly. In increasing coordination of the Turkish government, they have become an indispensable component of Turkey's foreign economic relations.

#### **4.6. Conclusion**

To conclude, this chapter has examined Turkish governmental economic diplomacy in three different periods: The bipolar era in international politics (1945-1990), the unipolar period (1990-2002), and the 'rise of the rest' era (the 2000s). It has been identified that after the World War II, Turkey sided with the liberal world order led by the US and pursued foreign economic policies on the basis of its relations with the US. This is not to say that the Turkish governments had ultimately prioritized their relations with the US. Turkey's intervention to Cyprus and the US military embargo are important historical examples in this sense. During the bipolar world order, Turkey had implemented foreign economic policies in the way that the country would definitely be integrated with the world economy. It has also been concluded that the 1980s and 1990s were the most efficient periods in Turkey's integration with the world economy despite the domestic obstacles such as military coup and unstable coalition governments among others. It was also the period during which for the first time Turkish business community started playing role in the Turkish foreign economic policies under Turgut Özal's presidency. During the same period, Turkey started pursuing multidirectional and multidimensional foreign economic policies such as turning towards regional economic cooperation with the former Soviet republics, particularly Turkic speaking countries.

When it comes to the 2000s, with the changes and uncertainties in the global political economic landscape, the Turkish decision-makers have become prone to diversify the

country's economic partners in foreign trade, foreign investments, and official development assistance with the aim of find a way of controlling its external environment in which Turkish economic diplomacy has taken place. In each realm, Turkey's economic partners have changed to some extent. While most of the traditional partners of Turkey started losing their share in Turkey's economic interactions, new regions and countries that had generally been ignored by the Turkish governments prior to the 2000s started consolidating their place in Turkey's foreign economic relations. In this sense, the Turkish governments have benefited from both bilateralism and multilateralism together. While they have pursued FTAs with a great ambition, arguing that WTO rules are far away from satisfying the need of find new markets, they have also been an active player in different multilateral organizations. When considered from this point of view, G20 is a unique case to show Turkey's insistence on multilateralism in developing economic cooperation. In the same period, Turkey has also succeeded to diversify the multilateral organizations in which it has taken a part. In addition to others, Turkey has displayed a huge interest to be involved in other multilateral initiatives, such as AIIB and BRI, led by Chinese. Therefore, while Turkey's economic diplomacy strategy has been based on having a more multidirectional and more multidimensional foreign economic relations, the global developments causing the relative decline in the US-led international order have turned into external variables in pursuing Turkish economic diplomacy.

The 2000s were also the years during which the Turkish business community started increasingly getting involved in Turkey's foreign economic relations with the encouragement of the Turkish governments. In this period, whilst Turkish business community has accelerated its efforts in Turkey's foreign economic relations, the interaction between Turkish business representative organizations and the Turkish governments has increased. TOBB, DEİK and TÜSİAD have been able to access to the Turkish governments in this period through different types of activities they have organized, such as roundtable meetings, business forums, official visits and informal ways. Therefore, they have been able to reflect their opinions on the Turkish governments about Turkish foreign economic policies and Turkey's foreign economic relations with other countries and international and regional organizations. The increasing governmental efforts to coordinate Turkey's foreign economic relations

through YOİKK and the Presidential Decree numbered 1 have intensified their involvement into the country's foreign economic relations. Consequently, Turkish business community has become an internal variable in explaining Turkey's economic diplomacy.

## CHAPTER 5

### CONCLUSION

Although the concept of economic diplomacy is not a new phenomenon, it has recently become a field of interest for IR scholars. As it is seen in Thucydides's writings on the Peloponnesian War, economic diplomacy-related activities date back to the ancient times of the humanity. On other hand, the development of the concept is based on the increasing instrumentalization of economy for political purposes after the World War II.

However, both defining and theorizing economic diplomacy are too difficult attempts due to the interdisciplinary nature of the concept. In this regard, various scholars have come up with different understanding of the concept. Whereas some of them define the concept over its instruments, others describe it over objectives that are pursued through economic diplomacy. To cover as many as different definitions in the literature from an IR perspective, economic diplomacy has been used in this thesis to imply the processes through which international economic relations are managed and developed by individual countries.

The chapter two entitled "Economic Diplomacy Practices in a Changing World" gives brief information about the economic diplomacy of the US and China in the 2000s. It starts with the US governmental economic diplomacy institutions and then focuses on the last three US administrations' foreign economic policies against the backdrop of declining liberal international order. Among the most important actors in the US case are the Department of State, the USTR, the Department of Commerce, and the Department of Treasury. It has been deduced that all the US governments in the 2000s regarded the economic strength as the source of national security. To put it in another way, no matter republican or democrat, the US administrations have always seen



economic power as an indispensable condition for national security and handle foreign economic relations with a security perspective. To illustrate, whereas President Bush viewed China's economic development as an espionage threat because it made Chinese military investments possible, his successor described China as a challenge to the US hegemony. Finally, the current US administration presided by Trump sees China as the primary source of the US economic insecurity, which inevitably jeopardizes US national security.

Then, the same chapter elaborates on the Chinese governmental institutions that have a role in the country's economic diplomacy. The Ministry of Foreign Affairs, the Ministry of Commerce, the Ministry of Finance, and the NDRC are the essential players in Beijing's foreign economic policies. It has been found that the Chinese economic diplomacy strategy considerably changed after the 2008 global financial crisis and started prioritizing opening up of the national market to the outside, speeding up the integration with the global economy, and developing economic cooperation with other countries. For that purpose, the Chinese government headed towards making FTAs with other countries. Notwithstanding that most of the countries with which China signed FTAs do not have an important share in China's foreign trade, Beijing managed to sign an FTA with Australia and is still sustaining bilateral negotiations with Canada. Both of them, Australia and Canada, are important allies of the US in the Asia-Pacific. Also, the Chinese leadership succeeded in setting the agenda of the world economy by proposing mega projects that have started changing the global economic landscape. The BRI and the AIIB are among those mega-projects in progress. Both projects have managed to gain international support from a great variety of countries, including the historical allies of the US. With its six economic corridors, according to the Chinese, the BRI promises approximately 65 countries "win-win" relations in international trade. On the other hand, the AIIB, prioritizing sustainable infrastructure, cross-country connectivity, and private capital mobilization, promises regional development. Overall, these mega-projects are legitimized by arguing that the emerging market economies are underrepresented in the global governance architecture.

In the third chapter entitled “Actors of Turkish Economic Diplomacy”, the organizational structure of Turkish economic diplomacy is analyzed. For that purpose, governmental and (*quasi*) non-governmental organizations with a significant role in pursuing Turkey’s foreign economic policies are examined. With its duty to conduct Turkey’s foreign economic relations, the Turkish MFA is the primary governmental institution in Turkish economic diplomacy. With its responsibility to develop foreign trade policies and to coordinate foreign trade services, the Ministry of Trade is another critical governmental institution in this sense. The Ministry of Treasury and Finance is another major governmental institution with its responsibility to determine the international direct investment policies and with authority to negotiate with international monetary organizations. Last but not least, TİKA is yet another significant player in Turkey’s economic diplomacy that carries out the processes of Turkey’s foreign aid. In addition to them, Turkey is a rich country with non-governmental and *quasi* non-governmental organizations contributing to its economic diplomacy. TOBB and TÜSİAD are the most salient non-governmental organizations. Intending to advance the global economic competitiveness of the Turkish companies, TOBB works to connect them with the international economic circles. Through its membership to international organizations, such as ECO-CCI, BIAC, and CCIs, TOBB has a direct connection with the global financial institutions. Despite its establishment by the Law, TOBB is a non-governmental organization since it is neither organizationally nor financially subject to the Turkish government. On the other hand, TÜSİAD is more visible in Turkey’s relations with the EU and other European countries. Unlike TOBB and TÜSİAD, DEİK is an important *quasi* non-governmental organization with a vital role in Turkish economic diplomacy. It has been found that it is the most important *quasi* non-governmental organization, established by the Law, managing the foreign economic relations of the Turkish private sector. DEİK works in tandem with the Turkish Ministry of Trade. It participates in international or cross-governmental negotiations as the representative of the Turkish private sector, upon invitation. Furthermore, it is the only institution in Turkey that organizes business committee visits by accompanying the Turkish President and other relevant ministers during their official visits to foreign countries. Through organizing both small-scale and large-scale meetings in which the highest-level officials, including Presidents and

Ministers, participate, DEİK is one of those significant institutions in Turkey's economic diplomacy.

In the fourth chapter entitled "Practice of Turkish Economic Diplomacy", Turkey's economic diplomacy and foreign economic policies since the end of World War II have been scrutinized. Right after World War II, Turkey sided with the emerging international order led by the US and pursued foreign policies to get integrated into the financial and political organizations on which that order was based. Turkey's conflicting interests with the US accumulated during the 1960s and the 1970s. This caused the Turkish decision-makers to enhance the country's economic relations with Europe and the Soviet Union. With Turkey's intervention into Cyprus in 1974 marked the peak tension point in the US-Turkey relations. In addition to the US arms embargo, the global oil crisis led to dramatic weakness in the Turkish economy. Thus, Turkey applied to the IMF for stand-by agreements multiple times. The economic difficulties provoked by the conflicting foreign policies with the US provided the appropriate climate to give rise to non-governmental Turkish business organizations to have a role in Turkey's foreign economic relations with the West.

In the 1980s, the domestic Turkish politics and economy went through a considerable change and entered into the neo-liberalization period. The Turkish economy got more integrated with the global economy through outward-oriented industrialization. The country's exports tripled, and its foreign trade volume radically grew. It was the period the Turkish governments prioritized economic and commercial issues in their foreign policies. The more the integration with the world economy took place, the more the involvement of the Turkish business community in economic diplomacy practices realized.

When it comes to the 1990s, the dissolution of the Soviet Union motivated the Turkish decision-makers to increase the country's weight in the international political economic landscape. Then, Turkey began to pursue a more multidirectional foreign policy and to develop economic relations with the newly independent countries – the former Soviet Republics. On the other hand, the Turkish governments also tried to

deepen the country's integration with the world economy through new international and regional economic cooperation mechanisms, such as the EC/EU.

At the beginning of the 2000s, the Turkish ruling elite has demonstrated a will to enhance Turkey's economic partners and economic cooperation through focusing on different regions of the world. Therefore, the structure of Turkey's economic partners in foreign trade, foreign direct investments and official development assistance started considerably changing. For instance, the change in Turkey's foreign trade structure became more apparent after the 2008 global financial crisis. While the shares of the EU countries and North American countries decreased in Turkey's foreign trade, the shares of CIS, Asian, African, and Near and Middle Eastern countries increased. On the other hand, while the EU started losing their share in foreign direct investment flows to Turkey, Near and Middle East has radically increased its share. Finally, in the humanitarian aid realm, while Balkans and South and Central Asia have greatly lost their shares, Africa and the Middle East have remarkably boosted their shares in Turkey's official development assistance in the 2000s.

During this period, the Turkish governments preferred to accelerate FTAs with countries underestimated or ignored by the former Turkish governments and agreements on RPPI. It has been found that the Turkish governments benefitted from bilateralism through FTAs whose legal basis was provided by the Customs Union with the EU in their foreign economic relations in the 2000s. Nevertheless, it does not necessarily mean that Turkey has turned its face away from multilateralism. On the contrary, the Turkish governments have given importance to multilateralism in foreign policy and Turkey's active involvement in multilateral organizations is a fact – especially its Presidency at G20 in 2015.

During Turkey's G20 Presidency, it supported the *inclusiveness* at the G20 processes. The reason for the emphasis made on *inclusiveness* by the Turkish government was twofold. First, it drew attention to the increasing importance of SMEs in international trade. Since the share of SMEs in international trade has been increasing, the Turkish Presidency underscored that SMEs should not be excluded from the agenda of the G20. SMEs constitute the overwhelming majority of all business enterprises in Turkey

whose share in Turkey's total export has always been at 50-60 percent and which create the majority of job opportunities in Turkey. So, SMEs are of vital importance for the Turkish economy. Hence, it is explicitly clear that not only the international importance of SMEs but also their vital significance for the Turkish economy motivated the Turkish government to make emphasis on SMEs within the framework of *inclusiveness* priority. For that purpose, the Turkish Presidency reached a relative success by the establishment of the World SME Forum by the ICC. Thus, Turkey relatively managed to persuade the most prominent 20 economies of the world that the G20 should no longer be a forum concerning only MNCs. Second, the *inclusiveness* was meaning the integration of LIDCs into the G20. Considering that the G20 is a platform in which the highest level representatives of the most powerful economies of the world come together, negotiate and direct the world economy, the insistence on the argument that the LIDCs should be included in the G20 processes meant that those countries had been underrepresented in the global governance. Because of this, Turkey stressed that to strengthen the G20 "as a platform ensuring that the global network of trade agreements is in rapport with each other and contributing to the further development of LIDCs."<sup>269</sup>

During its Presidency in the G20, Turkey pursued economic diplomacy against protectionism and supported the multilateral trading system as well. With regard to the first one, the Turkish government emphasized the difference between global trade growth rates in 2008 and 2014. Even five years later than the global financial crisis, the global trade growth rate was smaller than it was in 2008. In order to increase it, Turkey insisted that the G20 should take measures against protectionism in international trade. Concerning the second issue, Turkey highlighted the importance of the multilateral trading system of which WTO rules are the backbone. However, the Turkish Presidency also highlighted the necessity of reforms in financial institutions such as the IMF.

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<sup>269</sup> Emel Parlar Dal and Ali Murat Kurşun, "Assessing Turkey's New Global Governance Strategies: The G20 Example," in *Middle Powers in Global Governance: The Rise of Turkey*, ed. Emel Parlar Dal (New York: Palgrave Macmillan, 2018), 172.

After this summary, it is necessary to remember what this thesis tried to answer. The research questions of the thesis are the followings: What is the Turkish economic diplomacy strategy in the 2000s? What are the variables explaining Turkey's economic diplomacy in the same period?

It can be concluded that Turkey's economic diplomacy strategy in the 2000s was to have more multidirectional and more multidimensional foreign economic relations. During this period, the Turkish governments have managed to diversify Turkey's economic and trade partners to a certain degree. While its traditional partners have lost their weight in the country's foreign trade, foreign direct investment flow to Turkey and Turkey's official development assistance to some degree, new geographical regions have gained importance in Turkey's foreign economic relations. By arguing that WTO rules are far away from satisfying the needs of today's global market and that multilateral trade organizations are insufficient in getting into new markets, the Turkish governments have promoted signing FTAs with other governments. In addition to the great ambitions of the Turkish decision-makers for FTAs, the Customs Union with the EU provided the legal basis for the Turkish governments through making them responsible to sign FTAs with those countries that the EU has done so. However, this is not to say that Turkey has gone away from multilateralism. Instead, they have shown great interest to be a part of various multilateral initiatives. Its G20 Presidency was sort of a peak point to show Turkey's ambition to get involved in multilateral organizations. In addition, Turkey has become a member or a party of new multilateral organizations like AIIB and BRI led by Beijing. In this sense, Turkey has managed to diversify the multilateral stages it has a say. Therefore, Turkey's economic diplomacy in the 2000s was based on having a more multidirectional and multidimensional foreign economic relations. While it has managed to have a more multidirectional foreign economic relations through the diversification of its economic partners both countries and international organizations, it has also managed to have a more multidimensional foreign economic relations through benefitting from bilateralism with the increasing number of FTAs, and through the increasing amount of official development assistance.

Regarding the intervening variables of Turkish economic diplomacy in the same period, neoclassical realism offers more insight into Turkey's economic diplomacy strategy in the 2000s, compared to other realist views (e.g., neorealism) that explains Turkish economic diplomacy with only systemic variables. In order to grasp Turkey's economic diplomacy, it is necessary to take into account both external and internal variables together. Thus, it can be concluded that the strategy mentioned above has not come true on its own. Instead, the global environment was already witnessing a relative decline in the world order led by the US. Moreover, the whole world was being remarked by the rise of emerging market economies among which China was the leading one. This sort of transition to an era called the 'rise of the rest' has brought about new uncertainties to the existing international order. While China's political and military influence started becoming an unquestionable phenomenon in some parts of the world, the US' decreasing influence as a result of its shrinking presence in global health policy, international security and multilateral trade agreements has caused uncertainties in the global order. As a response to this uncertainty, Turkey has tried to control and shape its external environment to minimize these uncertainties and to get maximum benefit from the changing global order. In this sense, the Turkish government officials have clearly showed their perception with respect to enhancing Turkey's foreign economic partners. Besides, the Turkish governments have come up with radical propositions by stressing the necessity of change in the global order and the need to redefine the international order. In the economic realm, they have recommended to reform international financial institutions in the way that make them more inclusive for LIDCs. Furthermore, Turkey also recommended SMEs to be included in global value chains. Therefore, the relative decline in the US-led international order has become an external variable in explaining Turkey's economic diplomacy in the 2000s.

Furthermore, the increasing activism of Turkish business community in Turkey's foreign economic relations with the encouragement of the Turkish governments has turned into an internal variable in explaining Turkey's economic diplomacy in the same period. While TOBB, DEİK and TÜSİAD have accelerated their efforts in Turkey's foreign economic relations, their interactions with the Turkish governments have also intensified. Through their activism by organizing roundtable meetings,

business forums, official visits and the coordination efforts of the Turkish governments with YOİKK and the Presidential Decree, these (*quasi*) non-governmental organizations have become more able to access to the governments. That is to say, they have become more able to reflect their opinions on the Turkish governments and to share their commercial problems they face in foreign countries with the Turkish governments. Again, the increasing governmental efforts to coordinate Turkey's foreign economic relations through YOİKK and the Presidential Decree have provided them with material ability to consolidate their involvement into the Turkey's foreign economic relations. As a result, Turkish business community has become an internal variable in explaining Turkey's economic diplomacy.

In sum, this thesis has tried to analyze Turkey's economic diplomacy with a specific focus on the Turkish governments' strategies in the 2000s and the variables in clarifying Turkish economic diplomacy. This study is just a little step towards understanding the Turkish economic diplomacy strategy by discussing the change in the international order and the role of Turkish business community in the relevant period. To better understand Turkey's strategy in this particular period of time, future studies could address the decision-making processes of governmental institutions in Turkey's foreign economic policies. This kind of studies could be beneficial for improving foreign policy analysis literature on Turkey. Moreover, new studies could be devoted to the depth analysis of the relations between governmental and these (*quasi*) non-governmental organizations in making and the implementation of decisions concerning Turkey's economic diplomacy. This sort of studies could address how Turkey makes use of its soft power in its relations with certain countries or regions. For instance, Turkey's lobbying activities in the US and the EU through Turkish business community would be a great research subject. Finally, the elaboration on the role of domestic politics on Turkish economic diplomacy in a certain period of time would be another great research subject to see the bigger picture since foreign policy making could not be excluded from domestic political processes. A research on how domestic politics affect Turkey's foreign economic policies could be a very good explanatory study that would give insight into policy making in Turkey.



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## APPENDICES

### A. TURKISH SUMMARY / TÜRKE ÖZET

Bu tezin amacı, Türkiye'nin 2000'li yıllardaki ekonomi diplomasisini incelemektir. Bu amaçla, Türkiye'nin dış ekonomik ilişkileri; resmi, yarı-resmi ve resmi olmayan oyuncuların da dahil olduğu ekonomi diplomasisinin kurumsal yapısı ve Türkiye'nin ekonomi diplomasisinin itici güçleri detaylıca incelenmektedir. Bu bağlamda, Türkiye'nin 2000'li yıllarda ekonomi diplomasisi stratejisinin ne olduğu ve yine aynı dönemde Türkiye'nin ekonomi diplomasisini açıklayan değişkenlerin neler olduğu sorularına yanıt aranmaktadır.

Thucydides'in Peloponnesian War yazımında da görülebileceği üzere, ekonomi diplomasisine ilişkin aktiviteler insanlık tarihi kadar eskidir. Ancak ekonomi diplomasisi her ne kadar yeni bir kavram olmasa da Uluslararası İlişkiler çalışan sosyal bilimciler için yeni yeni bir ilgi alanına dönüşmektedir. İkinci Dünya Savaşı sonrasında uluslararası siyasette ekonominin etkisinin giderek artmasına paralel olarak kavram gelişmiş ve bugün uluslararası ilişkiler, ekonomi, uluslararası siyasal iktisat vb. alanlarda çalışan bilim insanları tarafından sıklıkla kullanılmaktadır.

Öte yandan, disiplinler arası yapısı ve uluslararası ilişkiler literatüründe henüz bir ilgi odağı haline dönüşmesi nedeniyle, kavramın tek bir tanımlaması ve tek şekilde teorize edilmesi söz konusu değildir. Genel itibarıyla araştırmacılar, kendi çalışma konuları ve gelmekte oldukları branşlar doğrultusunda kavramı tanımlamayı tercih etmişlerdir. Bu bağlamda, kimi sosyal bilimciler ekonomi diplomasisini kullanılan ekonomik ve/veya politik araçlar üzerinden tanımlarken, kimileri ise yine ulusal refahın artırılması ve/veya belli siyasi amaçların gerçekleştirilmesi olarak kavramsallaştırmaya gitmişlerdir. Bu nedenle, işbu tezde ekonomi diplomasisi, uluslararası ekonomik ilişkilerin farklı seviyelerde (tek taraflı, iki taraflı, çok taraflı ve

çoklu) geliştirildiği; formüle edilerek ve pratiğe dökülerek yönetildiği süreçler olarak ele alınmıştır. Bu türden bir kullanımın tercih edilmesinin iki temel nedeni vardır. Birincisi, günümüz dünyasında devletlerarası ilişkilerde ekonomik ve siyasi süreçlerin birbirinden ayrılması neredeyse imkansız bir hal almıştır. Dış ticaret, doğrudan yabancı yatırımlar, finansman ve resmi kalkınma yardımları gibi konular siyasi süreçlerden bağımsız olmamakla birlikte, devletlerarası siyasi ve stratejik ilişkilerin de ciddi ölçüde ekonomik motivasyonları ve sonuçları vardır. Bu nedenle ekonomi diplomasisi kavramsallaştırmasında ekonomik ve siyasi araçlar ve/veya amaçlar türünden bir ayırımın gerçekte uyuşmaması nedeniyle işlevsel olmadığı aşikardır. İkincisi, kavramın yukarıda ifade edildiği türden geniş kapsamlı olarak kullanılması ile literatürde çeşitli sosyal bilimciler tarafından dile getirilen tanımlamaların da içerilmesi hedeflenmiştir. Dolayısıyla, literatürdeki tanımlamalarla çelişme durumu söz konusu değildir.

Tezin ikinci bölümü, 2000’li yıllarda ABD ve Çin’in ekonomi diplomasisi uygulamalarına ilişkin bilgi vermektedir. ABD ve Çin’in vaka olarak ele alınmasının sebebi, Türkiye’nin ekonomi diplomasisinin küresel düzeydeki gelişmelerden etkilenmesi ve bu küresel gelişmelerin başında da ABD önderliğindeki uluslararası düzenin zayıflamakla birlikte, yükselen güçlerin başında gelen Çin’in bu düzene meydan okuyan girişimlere öncülük etmesidir. ABD’nin ekonomi diplomasisinin kurumsal yapısına bakıldığında, Dışişleri Bakanlığı, Ticaret Temsilciliği, Ticaret Bakanlığı ve Hazine Bakanlığı’nın ön plana çıktığı görülmektedir. Söz konusu kurumların ve değişen ABD yönetimlerinin resmi açıklamaları ve yayımlarına bakıldığında, ABD’nin 2000’li yıllarda ekonomik gücü ulusal güvenliğin kaynağı olarak gördüğü çıkarımı yapılmaktadır. Bir başka deyişle, Demokrat ya da Cumhuriyetçi olsun, 2000’lerde ABD hükümetleri her ne kadar farklı ekonomi diplomasisi uygulamaları sergilemiş olsalar da ekonomik gücü ulusal güvenliğin ayrılmaz bir parçası olarak görmüş ve dış ekonomik ilişkilerine güvenlik perspektifinden yaklaşmışlardır. Bush hükümeti Çin’i ABD öncülüğündeki küresel sisteme entegre etmeye çalışarak kontrol etmeye çalışmış ancak aynı zamanda Çin’in ekonomik yükselişini askeri yatırımlarını mümkün kılması nedeniyle bir espionaj tehditi olarak görmüştür. Öte yandan, Obama yönetimi ise Çin’in Asya’daki faaliyetlerini ABD hegemonyasına karşı bir meydan okuma olarak görmüş ve “Asia

pivot” olarak anılan Asya’ya yönelik kapsamlı politikalar geliştirmiş ve TPP ile Çin’in bölgedeki etkisini dengelemeye çalışmıştır. Son olarak, devam eden Trump yönetimi ise Çin’i ABD’nin ekonomik güvenliğinin önündeki temel tehdit olarak değerlendirmiş ve bunun ABD’nin ulusal güvenliğine risk oluşturduğu görüşünü benimsemiştir.

Aynı bölümde, Çin’in ekonomi diplomasisinde rol alan Dışişleri Bakanlığı, Ticaret Bakanlığı, Finans Bakanlığı ve Ulusal Kalkınma ve Reform Komisyonu gibi resmi kurumlar da detaylı şekilde açıklanmıştır. Yapılan araştırmalardan, 2008 küresel finans krizi sonrasında Pekin, ekonomi diplomasisinde büyük ölçüde değişikliğe gitmiş ve ulusal pazarını dış dünyaya açmayı önceliklendirmeye başlamıştır. Buna paralel olarak, Çinli karar alıcılar küresel ekonomiyle entegrasyonu da hızlandırmaya karar vermiş ve diğer ülkelerle ekonomik işbirliğine önem vermişlerdir. Bu amaçla Çin, Serbest Ticaret Anlaşmaları (STA) yapmaya yönelmiştir. Her ne kadar Çin’in STA imzaladığı ülkeler, dış ticaretinde önemli bir yere sahip olmasa da bu ülkeler arasında Avusturalya gibi ABD’nin bölgedeki geleneksel müttefikleri de yer almaktadır. Nitekim bu tezin yazım süreci sırasında Çin, Kanada ile STA görüşmelerini de sürdürmektedir. Bunların yanı sıra, Çin yönetimi 2000’li yıllarda ekonomi diplomasisinde ortaya sunduğu ve küresel ekonomik görünümü etkileyen mega projelerle dünya ekonomisinin gündemini belirlemeyi de başarmıştır. Bu projelerin başında da Asya Altyapı Yatırım Bankası (AIIB) ve Kuşak ve Yol Girişimi (BRI) gelmektedir. Her iki proje de ABD’nin tarihsel müttefiklerinin de arasında olduğu çok çeşitli ülkelerden uluslararası destek görmüş ve Çin yönetimi tarafından gelişmekte olan ülkelerin mevcut küresel yönetim mimarisinde yeterince temsil edilmediği iddiası üzerinden meşrulaştırılmıştır.

Tezin üçüncü bölümü, 2000’li yıllarda Türkiye ekonomi diplomasisinin organizasyonel yapısını açıklamaktadır. Bu amaçla, Türkiye’nin dış ekonomik ilişkilerinde önemli rol oynayan resmi ve (yarı-) resmi olmayan kurumlar detaylı şekilde incelenmektedir. Türkiye’nin dış politikasının icrasından sorumlu olan Dışişleri Bakanlığı, ülkenin ekonomi diplomasisinde en önde gelen resmi kurumdur. Öte yandan, ülkenin dış ticaret politikalarını geliştirmek, uluslararası doğrudan yatırım politikalarını belirlemek ve Türkiye’nin dış yardımlarını idare etmekle görevli olan



sırasıyla Ticaret Bakanlığı, Maliye ve Hazine Bakanlığı ve Türk İşbirliği ve Koordinasyon Ajansı Başkanlığı (TİKA) diğer önde gelen resmi kurumlar arasındadır. Bunlara ek olarak, Türkiye'nin dış ekonomik ilişkilerinde Türkiye özel sektörü giderek aktif bir konuma gelmiş ve ekonomi diplomasisi aktörleri arasında temsil edilmektedir. Bu anlamda önde gelen Türk iş dünyası kurumlarından (*yarı-*) resmi olmayanlar TOBB, DEİK ve TUSİAD'tır. Türk firmalarının küresel rekabetçiliğini artırmayı amaçlayan TOBB, üyesi olduğu ECO-CCI, BIAC, CCI'lar ve küresel finans kurumları üzerinden Türk iş dünyasını dünyaya bağlamaktadır. TOBB her ne kadar kanunla kurulmuş bir kurum olsa da gerek bütçesinin belirlenmesinde gerekse de yönetim kurulunun seçilmesinde doğrudan Türkiye hükümetlerinin bir atama/belirleme durumu olmaması nedeniyle, bu tezde resmi olmayan bir kurum olarak ele alınmaktadır. Öte yandan TUSİAD, 1971 yılında bir grup Türk iş insanı tarafından dernek statüsünde kurulmuş olması ve görece Türkiye hükümetlerinden bağımsız bir gündeme sahip olması nedeniyle yine resmi olmayan kurumlar arasında değerlendirilmektedir. Türkiye'nin AB üyelik sürecini desteklemesinin de etkisiyle, Türkiye'nin özellikle de Avrupa bölgesi ile olan dış ekonomik ilişkilerinde öne çıkan bir Türk iş dünyası topluluğudur. Son olarak, DEİK, kanun ile kurulmuş bir kurum olması ve DEİK Başkanının doğrudan Ticaret Bakanı tarafından atanırken, DEİK'in üzerine kurulu olduğu 146 İş Konseyi'nin gerek yönetim organları gerekse de sıradan üyelerinin tamamen özel sektör temsilcilerinden oluşması onu emsalsiz bir yapı haline getirmektedir. Aynı zamanda DEİK personeli devlet memuru olmamakla birlikte, İş Konseyleri de gönüllülük esasına dayanan üyelik modeli sonucu üye aidatları ile faaliyetlerini yürütmektedir. DEİK, bu tezde söz konusu *atipik* yapısı gereği *yarı-resmi* olmayan kurum olarak ele alınmıştır. Üzerine kurulu olduğu kanun gereği DEİK, Ticaret Bakanlığı ile yakın çalışmakta ve uluslararası ve hükümetler arası görüşmelere (JETCO, KEK, vb.) Türk özel sektörünü temsilen katılmaktadır. Bu nedenle DEİK, diğerleri arasında Türkiye'nin dış ekonomik ilişkilerinde Türk iş dünyası içerisinde en ön plana çıkan yapıdır.

Dördüncü bölüm, İkinci Dünya Savaşı sonrası Türkiye'nin dış ekonomik ilişkilerini incelemektedir. İkinci Dünya Savaşı sonrasında Türkiye, ABD'nin öncülüğünde kurulan uluslararası düzenden yana taraf olmuş ve bu düzenin üzerine kurulu olduğu uluslararası finans ve siyasi kurumlarla entegrasyon doğrultusunda bir dış politika

izlemiştir. Ancak 1960'lar ve 70'ler boyunca ülkenin ABD ile çıkar çatışması birikmiştir. Bu, Türkiye'deki karar alıcıları ekonomik ilişkileri Avrupa ve Sovyetler Birliği ile zenginleştirmeye itmiştir. Nitekim 1974'e gelindiğinde Türkiye-ABD ilişkilerindeki gerilim, Türkiye'nin Kıbrıs'a gerçekleştirdiği askeri müdahale ile zirve noktasını görmüştür. Buna yanıt olarak ABD tarafından uygulanan askeri ambargonun yanı sıra, yine aynı yıllarda başlayan petrol krizi Türk ekonomisinde ciddi zayıflık yaşanmasına sebep olmuştur. Ulusal ekonomideki zayıflık, Türkiye'nin IMF'ye birden fazla defa *stand-by* anlaşması yapmak için başvurmasıyla neticelenmiştir. Bu dönemde Türk ekonomisindeki zorluklar, Türkiye'nin ekonomi diplomasisinde yeni bir olgunun da ortaya çıkmasına yol açmış ve Türk özel sektörü ilk defa kurumsal olarak Türkiye'nin dış ekonomik ilişkilerinde rol oynamaya başlamıştır. Eylül 1974'te TÜSİAD ilk defa Avrupa başkentlerine ziyaretler gerçekleştirmiş ancak en önemli ekonomi diplomasisi girişimi Eylül 1975'te yine TÜSİAD'ın ABD'ye düzenlediği ziyaret olmuştur. ABD Kongresi'nin Türkiye'ye ambargo uygulamayı tartıştığı tarihlerde TÜSİAD tarafından gerçekleştirilen ziyarette Türk iş insanları, ABD Başkanı Gerald Ford, hükümet yetkilileri, Kongre Üyeleri ve ABD medyası ile toplantılar gerçekleştirilmiş ve Kıbrıs konusunda yaşanan siyasi gerilimlerin ekonomik ilişkilere olumsuz etkisinin önlenmesi amaçlanmıştır. TOBB ise 1970'lerin ikinci yarısında ekonomik ilişkilerin geliştirilmesi amacıyla başta Yunanistan olmak üzere Türkiye'nin batıdaki komşularına ticaret heyetleri düzenlemiş ve siyasi gerilimlerin ticari ilişkilere etkisini minimize etmeyi amaçlamıştır.

1980'lerde ise Türkiye siyasetinde ve ekonomisinde önemli değişiklikler meydana gelmiş ve Türkiye resmen neoliberalizasyon sürecine girmiştir. Bu süreçte uygulamaya alınan dışa dönük endüstrileşme politikalarıyla Türkiye ekonomisi dünya ekonomisiyle daha da entegre olmuştur. 1980-1989 yılları arasında Türkiye'nin ihracatı üç kat artarken, toplam dış ticareti radikal şekilde büyümüştür. Bu dönemde Türk hükümetleri giderek artan düzeyde dış politikalarında ekonomik ve ticari meseleleri önceliklendirmişlerdir.

Sovyetler Birliği'nin yıkılması ile tek kutuplu dünyaya geçiş, Türk karar alıcılarını ülkenin uluslararası siyasi ve iktisadi meselelerde ağırlığını artırmak için motive etmiştir. Bu dönemde Türkiye daha çok yönlü dış politika izlemiş ve Sovyetler

Birliđi'nin yıkılması ile ortaya çıkan yeni bağımsız ülkelerle ekonomik ilişkilerini geliřtirmiřtir. Öte yandan, Türk hükümetleri ülkenin dünya ekonomisi ve AT/AB gibi bölgesel ekonomik işbirliđi mekanizmaları ile entegrasyonunu derinleřtirmeye çalışmışlardır.

Beřinci bölüm, tezin temel odađı olan 2000 yıllarda Türkiye'nin ekonomi diplomasisine yoğunlaşmaktadır. Bu yıllarda Türk yönetici elitleri dünyanın farklı bölgelerine odaklanarak ülkenin ekonomik partnerlerini ve işbirliklerini zenginleřtirmek için kuvvetli bir irade sergilemişlerdir. Yine bu yıllarda resmi kurumlarca komřu ülkeler, Afrika ve Asya gibi çođunlukla önceki hükümetler tarafından ihmal edilen cođrafyalarla ekonomik ilişkilerin artırılmasına yönelik strateji belgeleri hazırlanmıştır. Bu dönemde, dış ticaret, yabancı doğrudan yatırımlar ve resmi kalkınma yardımları gibi Türkiye'nin ekonomi diplomasisinin içeriđi oluřturan temel meselelerde önemli deđişiklikler gündeme gelmiş ve Türkiye'nin geleneksel ekonomik ortakları bu alanlardaki paylarını önemli ölçüde yitirirken, söz konusu yeni cođrafyaların payı artış göstermiştir. Özellikle de 2008 finans krizi sonrası AB ve Kuzey Amerika gibi bölgeler Türkiye'nin dış ticaretinde sahip oldukları payı önemli ölçüde yitirmiş, buna karşın Yakın ve Ortadođu ile Asya ülkeleri paylarını radikal düzeyde artırmışlardır. Türkiye'ye gelen yabancı yatırımlara bakıldığında da 2000 başlarında en büyük paya sahip olan AB'nin payında %50 oranında bir düşüş yaşanırken, Yakın ve Ortadođu'nun payında %230'lara varan artışlar yaşanmıştır. Son olarak, Türkiye'nin resmi kalkınma yardımlarına bakıldığında ise yine geleneksel kalkınma yardımı alan bölgelerin paylarının azaldığı ve yeni bölgelerin tabloda öne çıktığı görülmektedir. Örneđin, Güney ve Orta Asya ile Avrupa ve Balkanların payı büyük ölçüde azalırken, Afrika ve Ortadođu'ya ayrılan resmi kalkınma yardımlarının oranlarında radikal bir artış söz konusudur. Bu tablo karşısında, Türkiye'nin dış ekonomik ilişkilerinde çeřitlendirmeye gittiđi ve görece başarılı olduđu görülmektedir.

Yine 2000'lerde Türkiye'nin ekonomi diplomasisinde artan iki taraflılıđa yönelimin yeni bir olgu olarak ortaya çıktığı görülmektedir. Nitekim bu dönemde Türkiye tarafından imzalanan STA'ların sayısı önemli oranda artmıştır. İşbu tezin yazım sürecinde Türkiye 25 STA'na sahip olup, bunların 23'ü 2000'li yıllarda yapılmıştır.

31 Aralık 1995 tarihinde yürürlüğe giren Gümrük Birliği gereği Türkiye, AB'nin STA imzaladığı ülkelerle STA akdetmek zorundadır. Bu nedenle Gümrük Birliği anlaşması, Türk hükümetleri için 2000'li yıllarda STA imzalamak için hukuki bir motivasyon kaynağı olmuştur. Ancak, yine aynı dönemde Cumhurbaşkanı, Başbakan ve ilgili Bakanlar tarafından yapılan açıklamalar; Ticaret Bakanlığı'nın Dünya Ticaret Örgütü'nün ve genel olarak çok taraflı ticari örgütlerin ülkelerin yeni pazarlara açılmasında yetersiz olduğu yönündeki argümanları, Türk hükümetlerinin bu yıllarda STA yoluyla iki taraflı ekonomik ilişkilere dair sahip olduğu hırsı göstermektedir. Benzer şekilde, Türkiye tarafından akdedilen Karşılıklı Yatırımların Korunması ve Teşviki Anlaşmalarına (KYKTA) bakıldığında, 2000'li yıllarda önemli bir artış olduğu görülmektedir. Türkiye'nin bu tezin hazırlandığı tarihe kadar 108 ülke ile KYKTA imzalamıştır. Bunların 73'ü (%67,6) 2000'li yıllarda akdedilmiştir. Dolayısıyla, söz konusu dönemde Türkiye'nin ekonomi diplomasisinde STA ve KYKTA üzerinden artan bir iki taraflılığa yönelim göze çarpmaktadır.

Fakat bu, Türkiye'nin dış ekonomik ilişkilerinde çok taraflılıktan vazgeçtiği şekilde yorumlanmamalıdır. Tezin hazırlanması aşamasında yapılan araştırmalar göstermiştir ki, Türkiye 2000'li yıllarda çok taraflı uluslararası örgütlerde önemli ölçüde etkinlik göstermiştir. Türkiye'nin bu etkinliği resmi strateji belgelerinde de hedef olarak belirlenmiş ve dahası, Türkiye bu dönemde üyesi veya parçası olduğu çok taraflı girişimleri de çeşitlendirmeyi görece başarmıştır. Örneğin, 29 Haziran 2015 tarihinde Çin'in önderlik ettiği AIIB'ye üyelik sözleşmesini imzalamış ve bu sözleşme 15 Haziran 2016'da onaylanmıştır. Benzer şekilde, Çin'in başını çektiği Kuşak ve Yol Girişimine dahil olmak amacıyla Türk hükümetleri açıkça niyetlerini beyan etmiş ve Cumhurbaşkanı Erdoğan 14-15 Mayıs 2017 tarihlerinde düzenlenen I. Kuşak ve Yol Forumu'na katılmış ve 25-27 Nisan 2019 tarihlerinde organize edilen II. Kuşak ve Yol Forumu'nda ise Türkiye Bakan düzeyinde temsil edilmiştir.

Türkiye'nin çok taraflı kurumlara ilişkin ısrarının ve aktivizminin en büyük örneği 2015 yılında G20'ye başkanlık etmesidir. G20 Başkanlığı süresince Türkiye kapsayıcılık, uygulama ve yatırım konularını önceliklendirmiştir. Kimi G20 üyesi ülkelerin korumacı politikalarına karşı pozisyon alan Türkiye, yine bu süreçte mevcut küresel yönetim modeline ve küresel düzene ilişkin eleştirilerini ve önerilerini

getirmiştir. Küçük ve orta ölçekli işletmelerin (SME) ve düşük gelirli gelişmekte olan ülkelerin (LIDCs) G20 süreçlerine daha fazla dahil edilmeleri gerektiği, Türkiye tarafından gündeme getirilmiştir. Buna ek olarak Türkiye, uluslararası finansal mimarinin yeniden şekillendirilmesi gerektiğini vurgulamış ve IMF'nin daha kapsayıcı ve temsil düzeyi daha yüksek olması gerektiğini ifade etmiştir. Nitekim yapılan araştırmalar göstermektedir ki, Türk hükümetleri 2000'li yıllarda sıklıkla mevcut küresel düzene eleştiriler getirmişlerdir. Gerek Cumhurbaşkanı Erdoğan, gerek dönemin Başbakanı Davutoğlu gerekse de Dışişleri Bakanı Çavuşoğlu, sıklıkla mevcut küresel düzenin daha kapsayıcı, daha adil bir ekonomik düzene dayanması gerektiğini ifade etmişlerdir. Yine bu açıklamalarda, Türkiye'nin ekonomik alanda dünyanın bütün bölgeleriyle entegrasyonunu artıracığı ve yeniden tanımlanacak küresel siyasi sistemin bu coğrafyalardaki gelişmekte olan ülkelere de küresel yönetişimde imkanlar tanınması gerektiği vurgulanmıştır.

2000'li yıllarda Türkiye'nin dış ekonomik ilişkilerinde göze çarpan bir diğer olgu ise Türk iş dünyasının bu ilişkilerde artan rolü olmuştur. Bu anlamda göze çarpan yarı ve resmi olmayan kurumlar DEİK, TOBB ve TÜSİAD'tır. DEİK 1986 yılında kurulmuş olmasına ve sonraki yıllarda kanunla düzenlenerek tüzel kişilik kazanmış olmasına rağmen 2014 yılında 6552 sayılı kanunla yeniden düzenlenmiş ve Türkiye özel sektörünün dış ekonomik ilişkilerini yürütmekle doğrudan görevlendirilmiştir. DEİK bu dönemde binlerce toplantı organize etmiş, Türkiye Cumhuriyeti Cumhurbaşkanlarının yabancı ülkelere düzenledikleri onlarca seyahate iş insanları heyetleriyle katılmıştır. Yine bu dönemde DEİK, TABEF, ATC ve TRICON gibi çok taraflı ve iki taraflı forum ve konferansları düzenlemeye devam etmiştir. Bu toplantılarda Türk iş dünyası, ikili ticaret ve yatırımların artırılması amacıyla Türkiye ve diğer ülkelerin en üst düzey resmi temsilcileri ile (Cumhurbaşkanı, Başbakan, Bakan vb.) etkileşimde bulunmuştur. Öte yandan TOBB, kuruluşundaki kanunda bu yönde bir ibare bulunmasa da üye sayısı ve sahip olduğu maddi imkanlar sayesinde Türkiye'nin en büyük iş dünyası kuruluşu olması nedeniyle Türkiye'nin dış ekonomik ilişkilerinde ön plana çıkmaktadır. Türkiye'nin G20 Başkanlığı süresince B20'ye Başkanlık eden TOBB, diğer ülkelerin üst düzey resmi temsilcileri ve iş dünyalarıyla etkileşimini artırmış ve Türkiye'nin uluslararası ekonomide tezlerini destekleyen bir pozisyon almıştır. Son olarak, TÜSİAD ise 2000'li yıllarda uluslararası faaliyetlerini

artırmış ve özellikle de Avrupa başkentlerinde AB temsilcileri ve Avrupa iş dünyası örgütleriyle etkileşimini artırmıştır.

Son bölümde ise sonuç olarak, tezin temel bulguları mevcut araştırma soruları üzerinden tartışılmıştır. Söz konusu dönemde Türkiye belli ölçüde dış ekonomik ilişkilerini gerek ikili düzeyde gerekse de ABD hegemonyasına meydan okuyan Çin'in öncülük ettiği mega ticari ve yatırım projelerine dahil olarak çeşitlendirmeyi başarmıştır. Yine aynı dönemde Türkiye, sayıca artan STA ve KYKTA'lar ile ekonomi diplomasisinde iki taraflılığa ağırlık kazandırmış ancak aynı zamanda çok taraflı uluslararası kurumlar ve girişimlerde artan etkinliği de dikkat çekmiştir. Dolayısıyla, Türkiye hükümetlerinin bu dönemde iki taraflılık ve çok taraflılık arasında çıkarları doğrultusunda bir dengelemeye gittiğini iddia etmek yanlış olmayacaktır. Bu dengeleme politikası Türkiye'nin ekonomi diplomasisinin çok boyutluluğuna katkı sağlamıştır. Yine aynı dönemlerde ivmelenecek artan resmi kalkınma yardımları ve yardımların sağlandığı coğrafyalardaki çeşitlilik, Türkiye'nin ekonomi diplomasisine yeni bir boyut kazandırmıştır. Sonuç olarak, Türkiye'nin 2000'li yıllardaki ekonomi diplomasisi stratejisi, dış ekonomik ilişkilerinde daha çok yönlü ve daha çok boyutlu olmak üzerine kurulmuştur.

Bu tezde, Türkiye'nin ekonomi diplomasisini açıklayan değişkenlere bakıldığında ise neoklasik realizm yaklaşımının daha kullanışlı olduğu iddia edilmektedir. Nitekim neoklasik realizm, neorealist yaklaşımların aksine Türkiye'nin ekonomi diplomasisini açıklarken hem sistemik hem de içsel değişkenleri birlikte değerlendirmektedir. Bu çerçevede, Türkiye'nin ekonomi diplomasisini açıklarken 2000'lerde uluslararası sistemde artan belirsizliklerin sistemik bir değişken; yönetici elitin dış dünya algısı ve Türkiye özel sektörünün ülkenin dış ekonomik ilişkilerinde artan etkinliği ise içsel değişkenler olarak ele alınmaktadır.

2000'lerde ABD önderliğindeki küresel sistem görece zayıflamış ve buna gelişmekte olan ülkelerin yükselişi eşlik etmiştir. Bundan da mütevellit, uluslararası siyasi sistemde mevcut bulunan belirsizlikler artış göstermiştir. Nitekim, bu dönemde müesses ABD hegemonyası, ABD'nin uluslararası güvenlik ve çok taraflı ticari anlaşmalar gibi çeşitli siyasi alanlarda etkisinin azalması nedeniyle zayıflamıştır. Söz

konusu dönemde Bush ve Obama yönetimleri Çin'in yükselişini farklı şekillerde dengelemeye ve/veya kontrol altına almaya çalışmışlarsa da Trump yönetimi doğrudan "ticaret savaşları" adı verilen süreci başlatmış ve devletlerarası ekonomik ilişkilerde belirsizliklere yol açmıştır. Aynı zamanda zayıflayan mevcut küresel düzene paralel olarak, gelişmekte olan ülkeler yükselmeye devam etmiş ve özellikle de Çin'in AIIB ve BRI gibi mega projelerle küresel düzeyde nüfuzu artmış, ABD'nin geleneksel müttefiklerini dahi yeni ticari ve ekonomik işbirliklerine ikna etmeyi başarmıştır. Tüm bu gelişmeler, 2000'li yıllarda uluslararası sistemdeki belirsizliklerin artmasına yol açmıştır. Türkiye ise bu artan belirsizlikler karşısında güvenlik arayışı yerine dışsal çevresini kontrol etmeye ve şekillendirmeye çalışmıştır. Türkiye'nin G20 Başkanlığı sürecinde uluslararası gündeme getirdiği konular ve eleştiriler, Çin'in başını çektiği ekonomik ve ticari girişimlerin bir parçası haline gelmesi ve hükümetin en üst seviyesinde açıkça dile getirilen öneriler, uluslararası sistemde artan belirsizliklerin, Türkiye'nin bu dönemdeki ekonomi diplomasisini açıklamak için önemli bir değişken halini almıştır.

Yine aynı dönemde Türkiye yönetici elitleri, sıklıkla küresel düzene eleştiriler getirmiş ve bu sistemin yeniden tanımlanması gerektiğini vurgulamışlardır. Siyasi ve jeopolitik dengelerdeki değişimlerin bölgesel aktörleri değiştirdiğini belirten dönemin Başbakanı Davutoğlu, çok taraflılığa dayanan, daha adil ekonomik düzen ve kapsayıcı kültürel birliğe dayanan yeni, gerçek ve daha kapsayıcı bir küresel düzene ihtiyaç duyulduğunu belirtmektedir. Cumhurbaşkanı Erdoğan ise az sayıdaki devletlerin küresel sistemdeki tekeline son verilmesi ve küresel sorunların çözümü amacıyla ülkelerin kolektif liderliğinin teşvik edilmesi gerektiğini sıklıkla ifade etmiştir. Bu ve benzeri ifadeler, Türkiye'nin dış politikasını ve ekonomi diplomasisini belirleyen ve en üst düzeyde uygulayan Türkiye yönetici sınıfının, 2000'li yıllarda değişen dünya algısını sergilemekte olması nedeniyle, Türkiye'nin ekonomi diplomasisini açıklamakta önemli bir değişken ifade etmektedir.

Son olarak, Türk iş dünyasının DEİK, TOBB ve TÜSİAD gibi (*yarı-*) resmi olmayan kuruluşlar üzerinden Türkiye'nin dış ekonomik ilişkilerinde önemli bir oyuncu olduğu görülmektedir. Bahse konu kurumlar ve bunların faaliyetleri sayesinde Türk iş dünyası gerek Türkiye hükümetine gerekse de diğer ülkelerin hükümet temsilcilerine daha

kolay erişebilir olmuş ve Türkiye'nin dış ekonomik ilişkilerine ilişkin görüşlerini hükümetlere daha kolay yansıtılabilir bir pozisyona gelmiştir. İş dünyası ve hükümet temsilcileri arasında artan etkileşim sadece bu kurumların girişimleri ile olmamış, YOİKK gibi kanallar üzerinden söz konusu kurumlar devlet eliyle Türkiye'nin yatırım ortamının iyileştirilmesi gibi konularda Türkiye'nin dış ekonomik politikalarına nüfuz edebilir hale gelmiştir. 2020 yılı ortasında yayınlanan Cumhurbaşkanlığı kararıyla da söz konusu iş dünyası kurumları ve Ticaret Bakanlığı arasındaki bilgi paylaşımı ve organizasyonel koordinasyon güçlendirilmiştir. Sonuç olarak, Türk iş dünyasının 2000'li yıllarda artan aktivizmi Türkiye'nin ekonomi diplomasisini açıklamakta önemli bir değişken olmuştur.



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