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## **Türkiye’s Economic Diplomacy: Enhancing the Impact and Coherence of Türkiye’s External Actions as an Emerging Strategy**

### **Abstract**

This article refers to the economic diplomacy of Türkiye and illustrates some changes during the history of the country’s political and economic diplomacy. The background of the economic diplomacy process has been clarified and detailed information has been included. Bipolar and unipolar periods are analysed within the framework of economic and political diplomacies in their natural state. The development process of the Turkish economic diplomacy strategy is identified during particular periods in Turkish history. The structural transformation of Türkiye as regards its inward-oriented to outward-oriented economic policies has been evaluated. The mechanisms of Türkiye’s multi-directional foreign policy, bilateral trade, and diplomatic relations between Türkiye, the EU and other countries are examined. The role of dependence and interdependence in economics are given in the context of economic globalisation. For this research, the historical methodology has been used. It is suggested that collaborative problem solving with all the institutions involved in economic and political decisions could lead to better outcomes for the country in the international arena.

**Keywords:** Economic Diplomacy, Diplomacy, Türkiye, Turkey, Foreign Policy, Trade, International Organisation

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## **Introduction**

“Where are all kinds of necessary things sold?” This was the question addressed to Xenophon (ca. 430–354 BCE) by Socrates, a question to which he readily replied (Laertius, 1925). However, he was at loss to answer the next question about where goods or people acquired their qualities. “Then follow me and learn”, Socrates said, and henceforth Xenophon became a follower and friend of the philosopher. The answer, hidden in plain sight behind this dialogue, is “business activities”, a concern that does not pertain only to a part of society but has affected all human expression, relations, and activities for centuries.

The process towards a more interconnected world, or, in other words, the process of developing the world’s economy according to capitalist models, was defined by I. Wallerstein in world system theory as *globalisation*. The profits gained by business activities raised the importance of trade diffusion and trade agreements between interested parties, individuals, institutions, and countries (Wallerstein, 1974). The concept of business, hitherto undefined, appeared in its first form about 5000 years ago in the urban civilisation of Mesopotamia, in between the better-administrated Middle Eastern empires. One cannot also overlook the fact that ancient Greek philosophers contributed to shaping the perception of modernity in many aspects of life, from the context of current problems to deep thoughts about economics, and influenced the shaping of the business concept into an avant-garde economic model.

Key points for any business activity is the existence of an item to sell, or to exchange, between interested parties for mutual benefit. When all of these factors come together, business becomes important for a country’s economy and welfare. Business itself developed from the humble individual’s activity to the state’s concern, affecting each other and resulting in the benefit, or disadvantage, of both parties. Consequently, the state’s economic policy transformed the nature of business. It is no longer the simple exchange of goods and services or the selling of wares as it used to be, but is now something which has a significant effect on decision makers regarding the economic situation of a country and can even affect, or create, political conflict. It aims to find new markets, to multiply trade networks, and to enlarge not only geographical territory, but also to extend economical territories by increasing the capacity of economic power.

What is said in Ecclesiastes 1:9 is, “What is done at the current time, nay, or even contemporaneously, shall be done over again”, which can provide a good explanation about connections between historical

fact and a vision of the future (The Holy Bible: Ecclesiastes. 1:9). The Peloponnesian War of 431–404 BCE, between the Delian League and the Peloponnesian League offers a good example of how economic policies can be used as a tool even in warfare, for instance, for the partial or complete prohibition of commerce and trade, via the laying of embargoes, using discriminatory tariffs, conducting boycott campaigns, and ordering capital to be frozen. All of the above were used during the Peloponnesian war to prevent hostiles from passing through territories and to cut off each other's supply routes.

More recently, the use of such tools in economic warfare can be observed in the sanctions against Russia by Western allies including European Union Member States and the USA, because of the Russian invasion of Ukraine. The power of economic diplomacy, including acts in its name such as the use of embargoes, was one of the main reasons why Soviet Communism collapsed in the 1990s.

The application of new ideas regarding to the process of developing the concept of economic diplomacy is related to the current economic system. Kaiser (1980) illustrated that the western approaches of civic and economic advancement have been a greater matter and a foremost component in international relations in the history of Europe and, consequently, in the history of Eastern Europe. Imbert (2017) indicates that the formation of the European Recovery Program (ERP), also called the Marshall Plan, after the end of World War II, as well as the creation of the European Steel and Coal Community (ESCC), were certainly about economic interests.

The above shows that the economy became one of the principal, constituent parts of political ascendancy in foreign affairs, therefore the power of economic diplomacy should not be underestimated. Kunz (1997) argued that victory was indispensable for Americans during the Cold War, and that economic diplomacy was yet more important than military policy and domestic economic adjudications. It is apparent in this statement that economic diplomacy is the most important factor for achieving one's required goals. The Bretton Woods international monetary system, with the contribution of the enlargement of reciprocal trade and mutual interdependence, all within the framework of globalisation and foreign economic relations, are still powerful tools to impose one's will on other parties. These factors have constantly become more essential in international affairs from the post WWII era to this day.

Imbert Florence (2017) remarked that the economy, as a dominating factor of political influence in foreign affairs emerged in parallel with the concept of economic diplomacy following the end of the WWII. The

two World Wars were the deadliest military conflicts in world history, resulting in devastation, destruction, and the largest proportionate human losses. The imperative need to take prompt action to address the situation was understood by all and this subsequently led to successful diplomacy. Hence the United Nations was established in 1945 with the main goal of world peace and a more liveable world for everyone on Earth. To reach these basic goals, the UN and related institutions have made and continue to make great efforts to this very day. These peaceful, diplomatic efforts were further reinforced by the reciprocal relationship between economy and international politics. Countries with significant economic power have a geo-political influence and inevitably achieve a leading, influential role in global politics and economics. The economic incentives in international politics have an increasing significance on political diplomacy and foreign influence, as illustrated by the example of the economic sanctions placed on Cuba, Iran, and Russia (Florence, 2017).

### **Dependence and Interdependence in Economics**

Economic globalisation dominates almost every single country's national economy (Shangquan, 2000). Even countries which stand geographically far from each other can easily establish relations for various reasons (those of the economic, political, cultural, artistic, etc.), but 'economic relations' can be considered as the most common form. In the economic history of the world there are several instances of global economic crises wherein the economic problem of one country spreads like a contagion to many other countries. The financial crisis of 2008, which was one of the worst after the great depression in the USA, made apparent the domino effect in economics and the fact that any crisis in one country can affect other countries to a greater or lesser extent. The global financial crisis that emerged in the 21<sup>st</sup> century was followed by the European debt crisis, which began with a deficit in Greece in late 2009, and which affected the whole world in a very short time. The Covid-19 epidemic that emerged in 2019 and, later, the Russian invasion of Ukraine are more recent examples of global effects in economies. Furthermore, since Russia and Ukraine are the key agricultural suppliers in the world, the ongoing war between these two countries could create a food shortage that could have worldwide repercussions, and cause an aggravation of the global food crisis.

In addition to such global crises, bilateral crises between the world's major economies can easily affect world economies. Crises involving the USA, China, Russia, and the European Union could turn the world economy upside down and cause greater or lesser turmoil to almost every

country in the world, according to their economic size and power. Even some events that seem to be merely internal problems of a given country can affect the whole world via the domino effect, primarily those countries which maintain close relationships.

Domestic economic, political, military, or social problems that arise due to national or international reasons can adversely affect any individual's life in a given country, especially as regards economic balance. In cases where such situations cannot be resolved by a country's administration via domestic means, the problem can be attempted to be solved through international relations. Since other countries can be easily affected by a problem in a given country, the seeking of solutions even for national problems in the international arena can sometimes be inevitable. Today's digital age allows information to flow rapidly all around the world, so even countries that are not geographically close to each other can be informed about national problems instantly, and may take decisive actions to resolve the problem without even notifying the country experiencing said issues. Moreover, countries that have a strong, diplomatic structure and try to progress by establishing close relations with many other countries can be more affected by problems arising in those countries to which they are linked. Türkiye can be considered as one such example of this. An efficient implementation and a constant augmentation in diplomatic activities have been established since the times of Mustafa Kemal Atatürk, the founder of modern Türkiye. He considered it of great importance and made it the precedent doctrine in the country's diplomatic ties and since then it remains an important foundation of Türkiye's economic and political power. The following statement made by him right after the war of independence, when he founded the Turkish Republic, demonstrates the above-mentioned; "It is necessary to be strong in terms of politics, administration, and economy in a way that will discourage all hopes of those who will have plans to invade our country" (Atatürk Ansiklopedisi, 2013).

It is indicated in the UNCTAD (United Nations Conference on Trade and Development) Technology and Innovation Report 2018 that solutions to major global challenges could be found in new technology, along with advancements in science and technology in developed and even in the world's least developed countries. The fact that the global structure of production and trade is getting stronger day by day increases our awareness of diplomacy and shapes it into norms. Successes of diplomatic activities, especially economic diplomacy, make it easier to overcome problems in the global economic structure. Although it is a materialistic approach, the fundamental goal of societies acting in their own self-interest

is to achieve better living conditions and to increase life quality, and one must have a strong economy so as to achieve these goals. Therefore, successful economic diplomacy may also help to enhance collaboration between nations, to develop their economies, and to pave the way to growth (Hao, 2014). In this context, countries that carry out effective economic diplomacy and have a good position in the world's economic and political structure will be able to solve these problems easily, no matter how big these problems are and what those countries have to face.

However, it should be noted that diplomacy cannot be established on the unilateral basis of just 'gaining'. One also has to reciprocate or even to compromise in order to achieve a country's political and economic objectives. The bilateral relations between two nations have to be grounded on conventional morality wherein one must give in order to receive. In other words, diplomacy operates on the basis of the principles of 'reciprocity' or 'compromise'. This is also the main principle for achieving success in national and international economic and political policies. For instance, Türkiye's political decision to form an allegiance with the Western Bloc after World War II (MFA, 2022) and to have an active role in the Korean war that lasted between 1950 and 1953, resulted in Türkiye becoming a member of the North Atlantic Treaty Organization, also referred to as "NATO", on February 18<sup>th</sup>, 1952 (Stephen, Brannen, 2009), thanks to strong U.S. backing. Shortly thereafter, this membership allowed Türkiye to take an important position in world politics, especially in the military field, in addition to the fact that the country gained significant diplomatic power.

### **Theoretical Principles of Diplomacy and Economic Diplomacy**

Diplomacy emerged and developed when societies started to have social intercourse. Scholars highlighted the fact that the concept of diplomacy encompasses the social, political, cultural, and economic relations realised through an interconnected group of political actors in formal and informal domestic and systemic environments. Traditional diplomatic tools such as intelligence gathering, which influences the decision-making processes of politicians and representatives of economic diplomacy, are used to achieve desirable agreements through discussions and to further the economy and the foreign economic policies of the state (Lee, Hocking, 2010). Economic diplomacy has been used within political entities i.e., city-states, kingdoms, and empires with the goal of ameliorating the living conditions of their citizens (Zirovcic, 2016).

Diplomacy takes many different forms according to the circumstances. 'Economic diplomacy', as an important diplomacy practice, could also be used and is frequently used as a sanction element for the elimination of injustices and lawlessness. When diplomatic efforts fail to prevent war between two or more countries, economic sanctions as a tool of diplomacy can be used and are used to target an opponent country's trade, companies, financial sectors, and even individuals so as to impede that country's access to the global economy.

During the last 30 years, small and large-scale conflicts have occurred; the major conflicts being the Persian Gulf War that took place in 1990 after Iraq's invasion of Kuwait, and the shorter Gulf War II when the USA and Great Britain invaded Iraq. Besides these, there has been no activity that can be described as a war, apart from some terrorist activities on a global and regional basis. But now, the Russian invasion in Ukraine must be faced. On February 24<sup>th</sup>, when Russian President Vladimir Putin declared a "special military operation" against the neighbouring Ukraine, this action was considered by the European Union, the Western Alliance, and most other countries as war, and led them to impose economic sanctions not only on Russia but also on Russian individuals. Guidelines issued by the European Commission have banned the transit of some goods from Russia through EU territory (EC, 2022). Consequently, a decision taken by Lithuania, according to these guidelines, was to ban, for a short time, the transit of coal, metals, construction material, and advanced-technology goods and products from Russia to the exclave of Kaliningrad, a former Soviet Union port city in the Baltic Sea located between EU and NATO members Poland and Lithuania.

As Gilpin (1987) mentions, the true nature of economic diplomacy is to break off, to apply or to control trade and political intercourse, and it is used as such by the EU and Member States in the current, ongoing war between Russia and Ukraine. Within the framework of their economic statecraft, the EU and its allies use their economic resources diplomatically in the form of a bounty, or impose sanctions, according to political views, in order to achieve their foreign-policy objectives (Berridge, James, 2003).

However, economic diplomacy is frequently used not only in order to eliminate injustices and lawlessness, but also to strengthen relations between countries. Okano-Heijmans (2011) delineates economic diplomacy as the use of political means in international negotiations with the aim of earning high returns, along with the aspiration of enhancing national economic prosperity and increasing the political stability of a given nation.

Jon Dingell defines war as a result of a failure of diplomacy (Willmott, 2017). Looking at the wars in history, it is apparent that the winners of those wars remained only in the texts of the ceasefire agreements. When

the results of the wars are examined, it can be seen that there are no winners of any war. All the warring parties, who won or lost in the history books, have paid a huge price.

These experiences bring diplomacy to the fore as a solution to the international conflicts that arise today. According to Van Bergeijk (2009), the second of the three elements that comprise economic diplomacy is that it could either “increase the cost of a conflict, or to increase the mutual advantages of cooperation and politically stable relations through the use of economic assets and formal relations”.

Mr. Muş, the minister of trade in Türkiye, indicated in June 2022 that the government continues to follow commercial diplomacy where bilateral trade and economic relations are comprehensively appraised in Türkiye’s foreign trade policy (Hurriyet, 2022). This statement is in accordance with Van Bergeijk’s (2009) definition of economic diplomacy as the trade activities and decisions on international business relations made by formal actors with authorities and non-state actors using trade instruments such as export, import, investment, lending, aid, and migration. This kind of approach in economic diplomacy promotes international trade and influences it positively in order to make markets better functioning and to reduce the costs and risks of international transactions.

Bayne and Woolcock (2007) indicate that cross border economic issues are interrelated to economic diplomacy and state governors and the way they conduct relations in international trade. Rana also mentions that economic diplomacy is something that nations have to face in the international arena at varying degrees i.e., on reciprocal relations with neighbouring countries, and in multi-lateral degrees in order to achieve a country’s specified aims, to increase economic growth, or to gain more investments and improve trade relations (Kishan, 2007). Economic diplomacy is the use of economic instruments (direct investments, financial activities, aid and grants, and foreign trade practices) in the regulation of international relations. Considering the world order of the day, the principles that successful economic diplomacy should have (Yueh, 2020) are:

- the balancing of trade openness with strategic foreign policy objectives,
- the promotion of a rules-based system and the recognition of foreign economics,
- it should have a principled and transparent framework focused on trade openness that is consistent with foreign trade, security, and other relevant policy objectives,
- it should not direct its foreign economic policy solely in line with domestic concerns but strive for balance between foreign economic policies and domestic concerns,



- it should not ignore the importance of countries' values as well as investment and commercial processes,
- and by focusing on a global solution, high participation in diplomatic processes with strong partners should be ensured.

### **Economic Diplomacy in Practice**

In the process of economic diplomacy, when coercive measures (sanctions) are imposed on another country, the sanctioned country can respond with similar measures with a counter-implementation. If the country which puts leverage on another country is an economically strong country, the sanctioned country will not be able to respond and beat the applied sanctions. Therefore, in this case, the strongest country will achieve its goals. The country that is subject to sanctions may have to accept an agreement. The tools used by economic diplomacy are generally;

- 'Incentives' (grants, low-interest loans, and trade agreements that promote mutual trade, direct and/or financial investments) in which cooperation and providing help are practiced by making mutual concessions with a country where relations are normal and it is desired that economic relations will develop, and
- on the side of the country or group of countries, so-called 'coercive' economic tools (the suspension of trade agreements, increasing tariffs on imports, quota applications, tariff-like barriers, increasing and slowing down bureaucratic procedures in the foreign trade process, grants and boycotts and embargoes applied in the form of cutting economic aid, stopping investments and visa applications (Zirovcic, 2016).

A good example of this process is the so called USA–China Trade War (BBC, 2020). In 2018, US President Donald Trump made a request to increase tariffs on Chinese products on the grounds of anticompetitive trade and intellectual property rights violations. China responded to that by increasing tariffs on US products with a similar application. Not only these two countries, but all the countries of the world have been adversely affected by this process. Beside the trade defensive instruments used in sanctions, embargoes may also be applied by the countries aimed at the defence industries of sanctioned countries.

At the end of 2020, the United States of America imposed sanctions on the Republic of Türkiye's presidency of defence industries (SSB) under the restrictions of the Countering America's Adversaries Through Sanctions Act, also known as CAATSA (U.S. Department of State, 2020). According to this federal law, sanctions were also imposed also on Iran, North Korea, and Russia. Though those sanctions focus mainly on the financial sectors

of a given country and causes detrimental effects on specific categories and individuals. In Türkiye's case, it was the bill which was passed by the U.S. Senate and signed by then President Donald Trump, which only targeted the defence industries (Under, 2021).

These CAATSA sanctions fall into four categories; a prohibition on granting specific US export licenses and authorisations from the Directorate of Defence Trade Controls (DDTC), from The Bureau of Industry and Security (BIS), which deals with issues involving national security and high technology, and from The United States Department of Energy (DOE). In addition to these three categories, there is a fourth one of the sanctions on loans by any financial institution of the United States of America, of more than US \$10 million, through the US import-export Bank to Türkiye. By this article, the USA coerces international financial institutions to stop the progression of loan aid for Türkiye. Moreover, several high-ranking Turkish individuals are forbidden to engage in any transactions.

Parallel to the above, similar sanctions were imposed on Türkiye by EU members and NATO. The United Kingdom put restrictions on defence exports to Türkiye, although in the first quarter of 2022, these restrictions were lifted. Canada imposed an embargo for high-tech arms exports to Türkiye, but there is a reasonable prospect for a lifting of this ban after the United Kingdom's decision (MEMO, 2022). France and Germany also halted arms exports to Türkiye alongside Czechia, Italy, Finland, and Sweden. These countries claim that their actions are based on reasonable foundations, however a former Secretary of State of the USA said that the USA's foreign policy should be carried out more in terms of engagement in trade with other countries and that the US should take the lead in economic growth around the world (Newsome, Jarmon, 2015).

The importance of economic diplomacy is understood by all departments of every nation's governmental authorities. Economical diplomacy has been at the heart of the State Department's missions as has been stated by former U.S. Secretary of State Mike Pompeo (U.S. Department of State, 2018). The European Commission also declared in 2017 that the importance of EU economic diplomacy is recognised, and that it should be more integrated. The EU and its Member States should also take initiatives in European economic diplomacy pro-actively and should advance the coherence of external policies and tools for the citizens of the Member States and European economies (Pangratis, 2019).

Economic diplomacy is generally directed by state institutions and officials. In parallel to state policies it is also determined by the top government authorities' decisions, according to the regime on which it is going to be applied. A country's diplomacy process is carried out through

the Ministry of Foreign Affairs, and corroborated by other ministers according to their specialisation. However, it is not only the Ministry of Foreign Affairs which is involved in relations with other countries. In international negotiations, the relevant minister, or expert state official, will be able to carry out diplomatic activity. For instance, in a cooperation process related to agricultural activities, this diplomatic activity will be more effective if it is carried out by the competent Ministry of Agriculture. Depending on the scope of the diplomatic initiative, in cases where many different issues will be discussed, the diplomacy process can be carried out by a delegation of other ministries and expert state officials (Turgutoğlu, 2020).

Nowadays, the biggest issue that countries face, due to the ongoing Russia/Ukraine war, is a world grain shortage. To avert a global food crisis, Türkiye has undertaken diplomatic initiatives to carry out a UN plan for the creation of a safe grain corridor in the Black Sea. Türkiye recently hosted a four-way meeting with the UN, Russia, and Ukraine in Istanbul. Military delegations participated so as to determine the basic headers for the accomplishment of a safe maritime corridor to export Ukrainian grain to Africa and the Middle East. From the point of diplomacy, an observation mechanism comprising representatives from Russia, Ukraine, Türkiye, and the UN supervised the process (Xinhua, 2022). The successful outcome of this endeavour has shown, once again, how important the diplomatic path is and that it should always remain open. It also shows that diplomacy can be carried out even in complex cases involving many different agencies of governmental bodies.

### **The EU's Economic Diplomacy**

The economy, economic growth, and wealth have been always at the centre of an urbanised human's life. From centuries past to this very day it remains a topic of heated discussions between people, and could even be a cause for governmental collapse. But the economy also became the tool and the means for the unification of different groups, tribes, states, and countries. In the 19<sup>th</sup> century, the Zollverein, or the German customs union, was formed. It got almost all German states' approval as an organisation, and it shared many similarities with the European Economic Community (Wallich, Wilson, 1981). It was generally understood that the states which are united have greater advantages and better chances of economic growth than they could have even dreamed of achieving on their own (Oslington, 2013). The member states of the Zollverein and the European Economic Community found common ground and worked

collaboratively on many different activities. Belgium, France, Germany, Holland, Italy, and Luxembourg established a common market to work towards integration and economic growth through the trading of coal, iron, and steel. The Treaty of Rome, as the European Economic Community (EEC) Treaty is also known, created a common market which is based on the free movement of goods, people, services, and capital (Treaty of Rome, 1957).

It was not particularly easy to reach the point of creating economic unity and intercalating it with politics. The first peaceful unification proposed by Count Coudenhove Kalergito, created a United States of Europe in 1923. In addition to this call, in 1929, Aristide Briand put forth a motion to create a European Union based on the League of Nations (Borchardt, 1987). If one wants to ground the European idea on a doctrine in literature, then the collective representations theory proposed by the theoretician Durkheim, which implies building a community, can be cited. But of course, the origin of the European idea goes back centuries to myths originally told by the ancient Greeks, to expedients in order to preserve peace in the Medieval Periods, and to the writings of the philosophers Voltaire and Montesquieu in the 16<sup>th</sup> century (Swedberg, 1994). Today, relations between the external policies of the European Union and the national policies of each Member State of the EU tend to run parallel with common negotiating positions, even though sometimes Member States' opinions differ.

Economic diplomacy can be seen as a decision-making and cognitive process of achieving agreement through discussions in global economic relations. The EU's economic diplomacy is also composed of decision making and/or the process of accomplishing a common objective, or trying to find common ground between EU Member States and further to implement consented EU positions in negotiations with other associated countries outside the EU (Woolcock, 2012). The internalisation in economies, bilateral trade, and commerce between the nations, and, additionally, the relatively increasing economics-related issues, made economic diplomacy all the more important. Globalisation impelled governmental agencies and institutions to make changes in applied policies and decision-making processes. The complex structure of the global economy led countries to add or exclude actors who are involved in their economic activities. In the European Union, many Member States and EU officials have been more closely associated with negotiations in the international arena.

Until the beginning of 20<sup>th</sup> century, all issues related to economic diplomacy had been performed by ministers of foreign affairs with the

assistance of Ministries of Trade and Finance. Nowadays, however, the number of actors who are directly involved in international negotiations and the decision-making process are much larger in number. Many other departments are more likely to get involved in negotiations, as are sub-central governmental bodies and non-governmental organisations. From the beginning of 1970s, the US's domination over western economies was replaced by club-based-model organisations, in which the European Community participates, as do Canada and Japan (Keohane, Nye, 2001). Later on, the USA and EC, along with other countries, formed, through multilateral negotiations, the transatlantic economic diplomacy in trade, development and finance, striving to direct the markets. This trend towards being a member of an economic organisation other than the OECD has not lost its appeal even today. To belong to an economically strong organisation is still considered as an advantage and can play a large role in the strengthening of one's position in international negotiations.

Relative to this case is the establishment of the BRICS organisation, of which Russia is co-founder and member state. This organisation includes the world's major emerging economies which wield significant power in regional affairs and represents around 42% of the global population, 23% of GDP, 27% of the territory, and 18% of trade (DW, 2022). This shows that a bipolar capitalist system can form an association wherein all countries following the capitalist system, although they might differ in political views, participate and have the economic organisations' support. President of the BRICS International Forum Purnima Anand disclosed that Türkiye, Egypt, and Saudi Arabia expressed their willingness to join the BRICS organisation, and the BRICS member states are supportive of their acceptance. In addition to that, Iran and Argentina have already applied to join the BRICS. Those memberships will increase the power of the organisation globally.

Within this multi-polar economic system, economic diplomacy is not only more effective in trade negotiations, but also in international relations. Therefore, the importance of the economic diplomacy carried out by the European Union comes into prominence in international economic relations. Positive economic relations with other nations bring stability in economies to the Union and development within the EU Member States. Pangratis (2019) observes that European Economic Diplomacy (EED) "is about the EU's own interests, but EU integration itself is built on the principle that a sustainable own interest is one that is founded on solid respect of your partner's interest as well... Thus, most EED priorities, in most countries, can be, and in many cases already have become, joint priorities with local authorities too".

## **Turkish Economic Diplomacy**

Looking back at Turkish history, it is apparent that diplomacy has always kept a solid footing in international relations. Poland was one of the first countries with which Türkiye officially started diplomatic relations in the year 1414. In 1453, the first diplomatic relations were created with the Republic of Venice, which had the right to establish an embassy for permanent missions shortly after Constantinople was conquered by the Ottoman Emperor Mehmed II. Bailo of Constantinople, a diplomat who was in charge of the affairs of the Republic of Venice in Constantinople, was the first of the diplomats from European states which soon started establishing embassies in Türkiye (Topaktaş, 2014). The main reason why Turks were in a close relationship with Italian states was the bilateral commercial interests between powerful maritime Italian republic states and, as a dominant trading partner, the Ottoman Empire (Reena, 2009). This shows that Turks have placed importance on international relations throughout history, and have tried to solve multilateral problems primarily through diplomacy and to develop bilateral relations based on economic relations besides political, cultural, geopolitical, and agnatic relations. They were highly critical and cautious in diplomatic relations and, for this reason, they trained state officials who were experts in the field of diplomacy and managed international relations through those officials (Elci, 2019).

The Republic of Türkiye, created by Mustafa Kemal Atatürk, has strived, since its foundation, to establish relations with world nations, stressing the great importance of diplomacy. Atatürk always prioritised diplomacy even during the War of Independence, which lasted from 1919 to 1922. His diplomatic achievement was to reconcile the countries and to endorse the establishment of Republic of Türkiye before it was even officially constituted. The victorious War of Independence culminated with the Armistice of Mudanya signed on October 11<sup>th</sup>, 1922. These negotiations between representatives of the Great National Assembly of Türkiye, England, France, and Italy, is the most important indicator of Atatürk's extraordinary intelligence in diplomacy, besides his being a military genius. The Lausanne Peace Agreement, which was signed even before the establishment of the Turkish Republic, was another diplomatic achievement courtesy of Atatürk and the Republic of Türkiye. In 1931, during his visit to Anatolia, Atatürk said: "We work for peace at home, and peace in the world". Later on, this became one of the basic principles of Türkiye's domestic and foreign policy.

The internal and external policies which were formed and directed by this principle led Türkiye to achieve hugely important successes in

diplomacy to this day. In accordance to this policy, Türkiye did not take any sides in WWII. Until the final stages of that war, Türkiye remained a non-aligned country and took initiatives to ensure peace through diplomacy which has been the essence of the Republic of Türkiye in its foreign policy since the very moment of its establishment (MFA, 2022). Due to the fact that the newly established country of the Republic of Türkiye had no economic power and a rather new nation-state structure, there was limited yet rather pioneering industrial manufacturing. Therefore, the state had to take initiatives to form, organise and develop industrial production (Ulusoy, 2017). During the previous era, the financial crisis and, additionally, the incorrect economic policies of the Ottoman Empire administration resulted in giving several capitulations in trading and some other rights within the territories controlled by the empire to Christian nations. This was one of the main reasons why the idea of accepting foreign investments was not welcomed by the new Republic, therefore a nationalisation of the available resources was preferred (Kalaycı, 2008). These capitulations were abolished by the Treaty of Lausanne, and it was also agreed that the country would practice its own commercial policies starting from 1929 and, consequently, the international economic framework for the new state was successfully constituted. The government approved some other policies for the protection and encouragement of the domestic producers by imposing tariffs, quotas and etc. on imports, thus giving SMEs and local producers a great opportunity to enter to the internal markets by having more advantages due to import repression in the 1930s (Pamuk, 2007).

From the very beginning of its establishment, the Republic of Türkiye sought and gradually increased economic relations with the Soviet Union (Özder, 2017). The Great Depression of 1929 forced countries to look for new economic solutions. The Soviet Union successfully implemented a five-year plan in its economy, a fact that influenced Türkiye to accept etatism and to develop Soviet-Turkish economic relations (Vandov, 2014). In Türkiye, etatism, an economic policy widely accepted at that time, was implemented in industrialisation policies. Türkiye asked the Soviet Union to send experts in order to prepare a report for a five-year Industrial Plan similar to the one which had been implemented in the Soviet Union. In response to that, many distinguished professors and technical experts visited Türkiye, such as economy professor Orloff, and Vladislav Vago who was the director of the Mathematics and Physics Institute in the USSR.

The efforts of Türkiye to find its way in economic policies were not limited only to the USSR; they also asked for a report from the USA.

Walker Hines, a railroad executive, attempted to draw up a report, but, due to his sudden death, this report was ultimately finalised by other US experts at the beginning of 1934, when the first five-year plan was actually imposed by the economic and technical support of the USSR in Türkiye. Therefore, the US report ended up not having any effect on the five-year industrial plan (Soylu, Yaktı, 2012). However, in 1932, Türkiye joined the League of Nations at the same time as Iraq, thus also participating with western allies (William, 2021).

In 1930s, economic policies were mostly connected with the foreign policies of those times. On 1<sup>st</sup> September, 1939, Germany attacked Poland without declaring war, and, after two days, England and France declared war against Germany, and so began World War II (Özcelik, 2010). Türkiye tried to remain neutral in this war, although they had signed a tripartite treaty with Britain and France in October 1939 because Türkiye expected to receive financial aid and military equipment (Koçak, 1986). The balancing of the diplomacy of Turkish foreign policy is apparent in the terms of this treaty. Under the tripartite treaty terms, Türkiye was obliged to participate in the war by joining England and France, but, under article II, Türkiye was allowed not to participate in a war should that participation cause conflict between the USSR and Türkiye. However, in February 1945, in order to be able to participate in the conference of San Francisco (which resulted in the creation of the UN), Türkiye finally declared war against Germany and Japan. This move was mostly a symbolic gesture because, physically, Türkiye did not participate to the war at all (Gol, 1992). In the current Russian War against Ukraine, Türkiye is trying to maintain a balance in its relations with Russia and with its Western Allies (Tapia, 2022).

Türkiye has constantly updated its policies in accordance to the prevailing economic trends striving to take a place in the new world order created after World War II. Joining the United Nations after WWII, global organisations, such as the World Bank and the International Monetary Fund, and Türkiye's becoming a member of NATO after the Korean War, are important diplomatic achievements of Türkiye towards this goal. The country also adopted important changes in its domestic politics. After the war, under the influence of domestic and foreign circumstances, the country's transition to a multi-party system took place, which broadly shaped and transformed the Turkish political system. The economic transformation of Türkiye was actualised together with political transformation.

The country's state-centric economic approach gradually changed into that of a more liberal one, aiming to support more individuals and privatisation in most sectors towards a more free market economy. The foreign



policy of Türkiye during the post WWII period was mostly structured by the need to adapt to European economies, economical concerns, and to achieve westernisation (Atlı, 2013). The Marshall Plan also had a significant effect on decisions in Turkish economic policies due to the fact that Türkiye had to accept following a more liberal economic policy in order to receive financial aid from the USA. Apart from deciding to become member of international organisations right after WWII, Türkiye also took big steps regarding economic relations with other countries by signing The General Agreement on Tariffs and Trade (GATT), which later on, in 1995, became the World Trade Organization (WTO) which also included China, a fact that led the country to also become more liberal in international trade. Joining the Bretton Wood system and the received aid in economic development and military grants from USA were some of the reasons why Turkish economic and political policies were shaped under the Truman Doctrine (Satterthwaite, 1972).

Turkish foreign policy became a Western-oriented policy, wherein the Turkish economy is much more integrated with post-war international organisations pioneered by the USA. In the mid-point of the 20<sup>th</sup> century, Türkiye faced an economic crisis due to rising inflation and fiscal disequilibrium caused by the expeditious liberalisation attempts in the economy which led Türkiye to look for international support to pay its debts through the receipt of funds from the IMF. From then on, Türkiye became a debtor nation until 2013, meaning that the foreign policy of Türkiye would be more under its creditors' control.

At that time, Türkiye had to face up to not only its economic problems, but also had to deal with serious internal conflicts and instability, since it had the misfortune of experiencing the 1960 coup d'état. Turkish armed forces ousted the elected government of the Prime Minister Adnan Menderes from the Democrat Party (DP), who won the 1950, 1954, and 1957 elections and governed the country five times between 1950 until 1960 (Dagdemir, Kucukkalay, 1999). He was sentenced to death and was subsequently hanged. During this period, relations between Türkiye and USA were tense, however Türkiye managed to establish closer relations with Europe and the USSR.

In addition to that, in 1959, the Turkish government submitted an application to be a candidate for associate member in the EEC, and, in 1963, the Ankara Agreement was signed with the EEC, with the intention of establishing a customs union between both parties. Accession negotiations for full membership started officially in 2005, 46 years after the initial application. This initial agreement resulted in the development of economic relations between Türkiye and EEC countries. The General Secretariat

of European Union (UEGS) was the leading institution discussing and supervising the necessary steps that the country should take for reforms politically, socially and economically, so that Türkiye's legislation would be in accordance with EU legislation (Ugdul, 2022).

Türkiye's tendency towards balancing foreign policy also appears in the creation of economic ties. From 1960s until 1964, Türkiye and the USSR signed five different protocols to improve bilateral trade relations, in addition to the trade and navigation agreement they had signed in 1937. In 1961, Türkiye also joined the Organization for Economic Co-operation and Development (OECD).

This turbulent period in Turkish history played a significant role in the internal and external policies of the country. The 1960s was also the time when Türkiye started to implement import substitution industrialisation (ISI) in its economy (Dağdemir, 2016), acts that could be characterised as neo-étatisme. The import substitution industrialisation planning strategy was supported by the owners of industrial enterprises and bureaucratic groups and led to structural changes and sharp growth in economic means along with the development of industry (Unay, 2010).

This economic integration via its membership of international economic organisations allowed Türkiye to reconsider its international policies and had a significant influence on the country's foreign policies which became more linked to global issues. However, although Türkiye steered its development in line with import substitution policies in the 1960s and 1970s, it was largely deprived of the opportunities offered by the international economy (Ögütçü, 1998). At the beginning of 1970s, the global oil crisis greatly affected the Turkish economy. This global fact aside, Türkiye's military intervention in Cyprus prompted significant changes in the country's foreign economic relations with the USA, which began to implement arms embargoes on Türkiye (Coşkun, 2015). This was a period when crises were experienced; the cold war between the USA and the Union of Soviet Socialist Republics (USSR) escalated, and the European Economic Community, to which Türkiye had applied for membership, began to become a power that could defend its interests in this superpower struggle. These processes affected greatly relations between countries. During this period, Türkiye's internal political crises, along with the conflict with Greece after the "Cyprus Peace Operation", caused the economic crisis in Türkiye to escalate and brought internal political instability. It is characteristic that, from the beginning of 1970s until the 1980s, there were ten different governments, two Memorandums and one coup d'état in the country (Yıldırım, 2014; Gunter, 1989). This situation made Türkiye unable to respond to the international sanctions

and embargoes which were imposed during this period. These incidences brought dramatic economic losses to the country until the 1980s, when the country adopted a free-market economy approach.

In the 1980s, the most important changes took place regarding economic and foreign policies, due to the fact that the country adopted neo-liberalist economic policies. The 24<sup>th</sup> January reform package signed by Turgut Ozal established a new economic model, one in which the Turkish economy should follow a market supremacy model, there should be a minimum of government regulations, there should be more liberalisation in trade in order to bring more importance to the private sectors, to forward the economy, and to discharge import restrictions (Buğra, 2003). These initiatives towards new liberalisation moves brought significant export rates, which had a direct and positive effect on the country's economic policies. Economic relations with other countries also increased during the new liberalisation period including with countries from international organisations such as OPEC and the EEC (Kurtaran, 2020).

These decisions towards outward-oriented economic policies opened new possibilities for the country; to vary its trading partners during this period, to integrate with multifarious economies all around the world and to bring in new international economic partners. But they also facilitated the emergence of new actors within the country itself, such as the Anatolian Tigers,<sup>1</sup> which will have significant effect on the development of the economy and economic policies, but also strengthened the ones which already existed, such as the Turkish Industry and Business Association (TUSIAD). The more the private sector attained power and financial strength, the more they played an important role in external economic relations (Atlı, 2013). In addition to this, the chambers of industry, the chambers of commerce, the national chambers associations, foundations, and non-governmental associations such as The Union of Chambers and Commodity Exchanges of Türkiye (TOBB), and the Foreign Economic Relations Board of Türkiye (DEİK), had the chance to engage in international activities. The diplomacy carried out by these organisations is mostly aimed at improving bilateral or multiple relations and to increase economic, political, and social cooperation between countries (Özkan, 2019).

Formal economic diplomacy is carried out by the Ministry of Foreign Affairs as a major actor in Türkiye. The Ministry of Trade (MOT) has

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<sup>1</sup> The term of Anatolian Tigers, inspired by the successful Asian Tigers, refers to Anatolian entrepreneurs, mainly family businesses. Due to the similarities between the pious Anatolian Tigers businessmen's work ethic and values and the approach of Calvinist Burghers, they are also called as "Islamic Calvinists" (Özçobanlar, 2015).

a certain effect on the economic diplomacy of the country and is the main decision maker on foreign trade policies and regulations. The responsibility of the MOT is not just deciding on re-regulation and policies, but also to carry out bilateral and international economic relations within the context of trade and commerce (Presidential Decree on Presidential Organizations of 2018, article 1). The Ministry of Treasury and Finance (MOTF) is another governmental institution which plays a significant role in terms of the economic policies of the country. The ministry shapes negotiations regarding foreign capital investments and loans etc., and has the right to negotiate with international monetary organisations such as the IMF, and with international financial organisations such as the World Bank, the Islamic Development Bank, and the Asian Development Bank. The Turkish Cooperation and Coordination Agency (TİKA) is another governmental organisation which plays a key role in sharing the country's development experience with other countries thereby strengthening bilateral relations around culture and creative economy under the principles of cooperation and partnership. One of the most important projects that TİKA has undertaken is the rebuilding of the Turkish house in Lazienki Park in Warsaw, Poland. The project was discussed between the two countries' ministries in 2021 (Ministry of Culture and Tourism, 2022).

The Foreign Economic Relations Board of Türkiye, or DEİK in short, was established by Turgut Ozal in 1986. The organisation's responsibility is to perform the coordination of the Turkish private sector's foreign economic policies so as to meet Turkish business people's needs. The executive board of directors of DEİK displays the importance of this organisation since it includes representatives of leading organisations in the Turkish economy: The Union of Chambers and Commodity Exchanges of Türkiye (TOBB), TİM (the Turkish Exporters' Assembly), MÜSİAD (the Independent Industrialists' and Businessmen's Association), YASED (the International Investors Association), and İKV (the Economic Development Foundation).

All of the abovementioned organisations have a distinct influence on the Turkish economy and decision-making processes. Beside these governmental institutions which represent and implement Turkish economic policies abroad, there is also the non-governmental organisation called the Turkish Industry and Business Association (TUSIAD), established in 1971 and founded by the biggest Turkish private sector representatives. TUSIAD, with its 4500 member companies, and with an 85% share of Türkiye's total foreign trade, plays an important role in international business within Turkish economic diplomacy (TUSIAD, 2022).

The Union of Chambers and Commodity Exchanges of Türkiye (TOBB), the largest business organisation in the country, has one of the most important roles in the Turkish economy in the form of settling the economic policies of the Turkish private sector. In addition to that, the union has an important responsibility to assist governmental institutions and to guide these institutions to integrate the Turkish economy with the rest of the world (Kurtaran, 2020). The non-governmental organisation MÜSİAD (the Independent Industrialists' and Businessmen's Association), established back in the 1990s, focuses on economic cooperation among Islamic countries, while the abovementioned TUSİAD is more linked to European countries (Basar, 1994). Today, Türkiye, a strong economy completely open to the outside world and ruled by free market conditions, has become a highly important actor of international relations due also to its important geopolitical position (Polat, 2017).

Türkiye's geopolitical position is advantageous; the country is close to energy sources, is a neighbour of Russia (one of the most powerful countries), and to the European Union, one of the most important economic entities. It is located between Europe and Asia, is a NATO member country with strong military capabilities and is close to the Middle East and Central Asia. 99% of the country is of the Muslim religion, and the country is respected by the other Muslim countries because of its modern, social structure, stable and developed democratic form, and economic power.

Türkiye's economic relations in the international arena during the period of the Unipolar World were affected by international concerns. The reunification of Germany and the dissolution of the Soviet Union caused significant political changes globally. Türkiye's effort at the beginning of the USSR's collapse was mostly focused on the Turkic republics, which became independent. Türkiye was one of the first and main supporters of these new republics' desire to become members of international organisations. Therefore, Türkiye undertook comprehensive diplomatic initiatives with NATO, the UN, and the Council of Europe. Türkiye was a co-founder of the Organization of the Black Sea Economic Cooperation (BSEC) founded in 1992, a regional international organisation focusing on multilateral political and economic initiatives and which is important for cooperation, peace, stability, and prosperity in the Black Sea region. In 1995, Türkiye joined the Customs Union Agreement which allowed the country's bilateral trade with EU countries to increase.

In 1997, under the initiative and actions of the then Prime Minister of Türkiye Necmettin Erbakan, the Developing 8 (D-8) organisation for economic cooperation with the major Muslim countries including Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, and Pakistan was

established. A year after the establishment of D-8, Türkiye became a member of the G20, The Group of Twenty, an intergovernmental forum comprising 19 countries and the European Union. The economic and political integration of Türkiye with the world's major economies, which comprise more than the 80% of world GDP and 75% of global trade, strengthens Türkiye's position in the international arena and in the exercise of the country's foreign policies.

During the 1990s, there was again political turbulence caused by internal and external financial crises that brought insecurity and instability to the country. From 1991 to 2002 there were 10 different governments, a fact that created uncertainty in the country's foreign economic policy. In 2002, the Justice and Development Party came to power, bringing the country into a new era; one in which the country was not under the rule of a coalition of parties as there had been, but rather the rule of a single party. Since then, political stability has prevailed, and created a stable economic and political environment without crisis, and which is advantageous to all activities for the progress of the country in all aspects of economy and trade.

## **Conclusions**

Türkiye has put international relations at the forefront of its concerns in order to increase its economic development. In this process, Türkiye has signed free trade agreements with 38 countries, most of which are European countries, which is one of the most important results of economic diplomacy. Since then, 11 of these countries have become EU members and 22 free trade agreements are still valid. Three more will be added to this list of countries with the approval of the text of the free trade agreement with Sudan, Lebanon, and Qatar. These agreements are constantly updated during negotiations held according to the conditions of the day. In addition, free trade agreement negotiations with 5 other countries (Ukraine, Japan, Thailand, Indonesia, and Somalia) are about to be completed, while free trade agreements with Mexico, Peru, Colombia, MERCOSUR, Ecuador, Cameroon, Chad, Gulf Cooperation Council, the Democratic Republic of the Congo, Seychelles, Djibouti, and Pakistan are in progress. Negotiations are ongoing within the scope of trade in services, investments, and public procurement with Ukraine, Peru, Mexico, and Japan. Türkiye has also taken initiatives to conclude free trade agreements with the USA, Canada, India, Vietnam, Central American Countries, African Caribbean Pacific Countries, Algeria, the Republic of South Africa, and Libya (MOT, 2019). All of this shows that Türkiye has enjoyed

major achievements with diversifying its partnerships in economy within distinct foreign economic policy fields (Bağcı, 2011).

Türkiye's regional and specific bilateral relations increased in parallel with the unilateralism in its foreign economic relations, as shown by membership with all above mentioned international organisations. In addition, Türkiye is a member of MIKTA, which was established in 2013 as a cross-regional grouping of G20 member nations between Mexico, Indonesia, South Korea, Türkiye, and Australia and, since 2016, has been a member of the newly created international financial institution named the Asian Infrastructure Investment Bank (AIIB) led by China. Last but not least, Türkiye has shown its sympathies to the Belt and Road Initiative (BRI) on the basis of the "win-win" principle. The desired updating of the customs union agreement between Türkiye and the EU has been unduly delayed and accession negotiations have been effectively frozen by the EU for the present, as there are issues to be addressed.

Türkiye is striving to broaden its options and chances of participation in different global organisations and markets by joining, for instance, the Shanghai Cooperation Organization (SCO). After the 2001 economic crisis in Türkiye, specific institutional reforms were made by the ruling Justice and Development Party (AKP). Especial focus has been placed on the reforms regarding the links between politics and the economy, resulting in enormous economic growth. But this economic boom seems to have been in decline since 2013 due to internal and external factors in the region and globally. This may have a negative effect on Turkish economic policies when negotiating with other parties. The 15<sup>th</sup> July, 2016 coup d'état attempt against state institutions, which was attributed to the Gülen movement (Fetullah Terrorist Organizations, FETO), was an internal factor which has had a short-term, limited negative impact on the economy, but it greatly affected the country's foreign policies. Although FETO was designated a terrorist organisation by the Republic of Türkiye, it was not recognised as such by foreign governments. However, with the signing of the trilateral memorandum with Sweden and Finland under the NATO on July 28<sup>th</sup>, 2022, for the very first time, it is now classified as a terrorist organisation in an international, official agreement. This is a success of foreign diplomacy for the Turkish government. In the new Turkish economic policy, several measures have been implemented within the country in monetary policy (Faure, 2022) aiming to control the sharply increasing inflation and the declining value of the country's currency. Geopolitical risks in the region create and increase uncertainties in international politics. Türkiye analyses each case individually and, by diplomatic movements, strives to retain bilateral symmetry in international relations. The country's diplomatic force continues

to work together in harmony with all its institutions i.e., the private sector, along with governmental and non-governmental bodies which are related to the decision-making process for foreign and economic policies.

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