



KADIR HAS UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
DEPARTMENT OF SOCIAL SCIENCES AND HUMANITIES

**THE INFLUENCE OF BUSINESS ON FOREIGN  
ECONOMIC POLICY: THE CASE OF TURKEY AND  
MUSIAD**

BAHADIR YILMAZ

MASTER OF THESIS

ISTANBUL, SEPTEMBER, 2022

Bahadır YILMAZ

Master of Thesis

2022

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MUSIAD**

BAHADIR YILMAZ

ADVISOR: ASST PROF DR HÜSEYİN EMRAH KARAOĞUZ

A thesis submitted to the School of Graduate Studies of Kadir Has University in partial fulfilment of the requirements for the degree of Master Arts in International Relations.

Istanbul, September, 2022

## APPROVAL

This thesis titled THE INFLUENCE OF BUSINESS ON FOREIGN ECONOMIC POLICY: THE CASE OF TURKEY AND MUSIAD submitted by BAHADIR YILMAZ, in partial fulfillment of the requirements for the degree of Master of Arts in International Relations is approved by

Asst. Prof. H. Emrah Karaoğuz (Advisor) .....  
Kadir Has University

Assoc. Prof Hasan Tekgüç .....  
Kadir Has University

Asst. Prof. Şadan İnan Rüma .....  
Bilgi University

I confirm that the signatures above belong to the aforementioned faculty members.

\_\_\_\_\_  
Prof. Dr., Mehmet Timur Aydemir  
Director of the School of Graduate Studies  
Date of Approval: 26/09/2022

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In addition, I acknowledge that any claim of irregularity that may arise in relation to this work will result in a disciplinary action in accordance with the university legislation.

Bahadır Yılmaz

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26.09.2022

## **ACKNOWLEDGEMENT**

First of all, I would like to thank my father Bahattin YILMAZ and my mother Birgöl YILMAZ for all their financial and moral support, who helped me complete my graduate education and thus the formation of this thesis.

I would also like to thank my very valuable advisor, Emrah KARAOĞUZ, who did not give up hope for me despite my thesis process, which took too long, and who never gave up his support and was with me until the last moment. I am very lucky to have learned something from him, thank you very much.

Of course, I would like to thank my dear wife Ecem YILMAZ, who has not left me alone since my undergraduate education, for always being there for me and keeping me alive, I am glad to have you.

I would also like to thank my very valuable classmates Banu SEZER and Zeynep TEMEL, whom I met on this journey, for their unwavering support.

Finally, I would like to express my endless thanks to my dear friends Furkan KAYNAR and Serkan-Begüm KAVAKLI family, who are always there for me both during my illness and during the writing of the thesis and who come to my aid whenever I want. So glad I have you, thank you.

THE INFLUENCE OF BUSINESS ON FOREIGN ECONOMIC POLICY: THE CASE  
OF TURKEY AND MUSIAD

**ABSTRACT**

With the effect of neo-liberal policies and globalization, especially in the last 40 years, the business world has gradually gained influence both economically and politically. In this research, we have addressed the political side of this effect by making use of the theoretical framework of the trading state and examining the state-business interaction. The main purpose of this research was to see whether the business world could influence the foreign economic policy of the state. We chose Turkey as an example for the state, and MUSIAD, a businessmen's association as an example for the business world, and evaluated the level of this interaction and how much it affected foreign policy through interviews. Focusing on the Covid-19 epidemic period, which greatly affected states and the business world, we investigated how the state-business relationship changed during this period. As a result, we have seen that the active actor in determining the foreign policy for Turkey, in general, is still the state (government, leader, etc.), and we have observed through our interviews that this situation has not changed during the pandemic period.

**Keywords:** Trading State, MUSIAD, International Political Economy

# İŞ DÜNYASININ DIŞ EKONOMİ POLİTİKASINA ETKİSİ: TÜRKİYE VE MÜSİAD ÖRNEĞİ

## ÖZET

Neo-liberal politikalar ve globalleşmenin etkisiyle, özellikle son 40 yılda, iş dünyası gerek ekonomik gerekse politik olarak giderek etki kazandı. Bu araştırmada, bu etkinin politik tarafını, ticaret devleti teorik çerçevesinden yararlanarak ve devlet-iş dünyası etkileşimini inceleyerek ele aldık. Bu araştırmanın asıl amacı ise, iş dünyasının devletin dış ekonomik politikasına etki edip edemediğini görmektir. Devlete örnek olarak Türkiye'yi, iş dünyasına örnek olarak ise bir iş adamları derneği olan MUSİAD'ı seçtik ve bu etkileşimin ne düzeyde olduğunu ve dış politikaya ne kadar etki ettiğini yaptığımız röportajlarla değerlendirdik. Devletleri ve iş dünyasını büyük ölçüde etkileyen Covid-19 salgın dönemine odaklanarak bu dönemde devlet-iş dünyası ilişkisinin nasıl değiştiğini araştırdık. Sonuç olarak hem genel anlamda Türkiye için dış politikayı belirlemede etkin aktörün halen baskın bir biçimde devlet (hükümeti, lideri vs.) olduğunu gördük, hem de pandemi döneminde de bu durumun değişmediğini yaptığımız röportajlarla gözlemlemiş olduk.

**Anahtar Sözcükler:** Ticaret Devleti, MÜSİAD, Uluslararası Politik Ekonomi



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## **LIST OF ABBREVIATIONS**

AKP	Justice and Development Party
COVID	Coronavirus Disease
EU	European Union
MUSIAD	Independent Industrialists and Businessmen's Association
TUSIAD	Turkish Industry and Business Association
USA	United States of America
WHO	World Health Organization

## 1. INTRODUCTION

The role of Business Associations in shaping countries' foreign policies is an outpouring research area since the 1980s with the outbreak of neoliberal politics in the world. While these researches were focusing only on lobbying activities, in the beginning, there is a shift in recent years to reveal more sophisticated relations between business and the state (Tekin 2017). With the increasing effect of globalization in the world, the life of the individual has been affected. However, this interaction is not limited to the life of the individual, but also includes the states' own systems of existence. More precisely, the issue of governance has ceased to be done only by nation-states, and other non-state actors have also begun to have a say or influence in the administration (Özkan 2015). The period in which we live has imposed on the world a way of life that McLuhan (2014) refers to as the "Global Village" (Tuna 2021, 3). The change brought about by globalization manifests itself in different ways in the context of foreign policy. The management of countries has now come to reflect the will of not only those who represent the state, but also different political, cultural and religious groups. In addition to economic developments, interdependence on political issues has increased, and as a natural result, the influence of non-governmental organizations in domestic and foreign policy has begun to increase (Tuna 2021, 3).

Turkey had experienced similar steps with the world in this issue. Öniş (2007) divides the Turkish economic development experience into four phases. In the 1950s, the Turkish government tried to change its statist and protectionist policies which are adopted during the inter-war area. In the second phase, Turkey shifted its policies to protectionist policies again and this resulted with the development of the domestic market thanks to five-year plans and ISI-based policies between 1960-70s. The next phase was the introduction of neoliberal policies for Turkey between the 1980s and 1990s. Economic liberalization is aimed in this phase with the Özal's significant roles. According to his approach, Turkey should have been more proactive in foreign policy by giving more to non-state actors. The last phase

began with the Justice and Development Party (JDP) coming into power in 2002. During this period, JDP continued policies that began with Özal Government in the 1980s.

The turning point for the formation of the Business Associations in Turkey was the ANAP government in the 1980s. In this era, business associations which were already established found an opportunity to have legal status in policy formulation (Atlı 2011, 178).

## **1.1 Research Questions**

Is Turkey a trading state? Does business affect Turkish foreign (economic) policy in the way that it is portrayed in the trading state perspective? Who are the economic actors? To what degree can they participate in policy-making processes? What is their relationship with the state? In this thesis, we will try to answer these and similar questions by especially drawing on the literature on the Turkish trading state. Starting briefly with the Özal period in the 1980s, when Turkey's liberalization process began, and concentrating on the AKP period after 2002, we will examine Turkish foreign policy, Turkey's state-business relationship history, businessmen's associations in Turkey and their differences, and the concept of the trading state.

In these broad literatures, we will particularly focus on the role of the Independent Industrialists and Businessmen's Association (MUSIAD) in Turkey's domestic and foreign economic policy-making processes, especially in the context of the COVID-19 pandemic. MUSIAD is an association of the businessmen, which was founded in Istanbul on 9 May 1990 by the conservative businessmen, who set out with a dream about Turkey where equity and law, justice and equality, peace and safety, welfare and prosperity have been established; public and historic local and universal values are regarded, that is undivided in itself, active in economic and political sphere in its territory and prestigious all over the world. Under the status of public benefit association, it is a strong ‘‘Non-Governmental Organization’’ that became a model training, guidance, and consultancy center not only for the

business world, but also for the other sections of the society, whose applications and operations are based on a professional thinking platform and that shares its intellectual knowledge and experience. As a businessmen's association that acts independently and separately both at national and international level, the mission of MUSIAD is to increase the number of the members that adopts pre-determined principles and values, develop solidarity among the members and contribute to material and moral development of Turkey with this unity and solidarity spirit ensured within itself (MÜSİAD 2022).

A new type of corona virus was identified in December 2019 in Wuhan, China. This virus, which spread rapidly to 18 countries, especially the neighboring countries of China, in just a month, was named as Covid-19 in February and was declared a pandemic on March 11, 2020, by taking it into the category of epidemic diseases. Globally, as of 12 August 2022, there have been 585.950.085 confirmed cases of COVID-19, including 6.425.422 deaths (WHO 2022). The deaths caused by the virus in a short time and being highly contagious naturally had a serious impact on the world public opinion. The social, political and economic problems aggravated by the epidemic have begun to occupy a place on the agenda of societies at least as much as the disease.

Thus, the central research questions that this thesis concentrates on are: What is MUSIAD's position on Turkey's domestic and foreign economy policy, especially in the context of the COVID-19 outbreak? Could MUSIAD contribute to policy-making processes in the way that it expected? To what degree could it contribute? How does MUSIAD evaluate the pandemic overall?

## **1.2 Research Design and Methodology**

This thesis applies the qualitative research method and case study in order to show a better understanding of both Turkish foreign policy and in-depth MÜSİAD. We used the interview method in this study to understand the state-business relations and the role of MUSIAD in this relationship. In order to examine the concept of state-business relationship and trading state in case of MUSIAD and in the context

of COVID-19, the literature on this subject was reviewed and interviews were conducted with MUSIAD managers. In this context, online interviews were conducted with a total of nine managers. One of the participants is the former president of MUSIAD, six of them are managers of MUSIAD, and two of them are managers of different NGOs. In the third part of the study, the information obtained from the literature and the interview is presented by combining it.

### **1.3 Structure of the Thesis**

The general structure of this thesis consists of three main chapters after this introduction. The first chapter mainly consists of a theoretical framework. In this chapter, we give place to the brief concepts of the trading state and an evaluation of Turkey, together with a literature review. In addition, we aim to obtain information on how state-business relations affect the foreign (economic) policies of countries.

In the second chapter, we elaborate on Turkey's neo-liberal restructuring and the state-business relationship, starting with the Özal era, examining the important businessmen's associations, and explaining why we chose MUSIAD right after. While doing this, we examine Turkish foreign policy from the 1980s to the present within the framework of International Political Economy.

After examining the Turkish foreign (economic) policy and the businessmen's associations in Turkey, in the third part, which is the most important part of the thesis, we examine MUSIAD in depth. We will evaluate to what extent MUSIAD has been influential in Turkish foreign economic policy, the period in which this influence increased the most and its reasons – by especially focusing on the COVID-19 period. Finally, the conclusion of this thesis sums up the main arguments of the previous chapters, formulates the limitations of this work, and offers a future research agenda.

## **2. “TRADING STATE” FRAMEWORK AND FOREIGN ECONOMIC POLICY**

This chapter basically consists of a theoretical framework. In this context, the concepts of globalization, neoliberalism, strong/weak state and trading state will be discussed in this chapter.

### **2.1 Globalization: Definitional Issues and Different Perspectives**

Globalization is a leading concept of today's economic-political debates, which became widespread with the classical liberal understanding coming to the agenda again, this time under the name of neoliberalism, and gained momentum with the end of the Cold War in the 1990s, backed by the dominance of liberal and capitalist ideology. However, although globalization is not only a subject of the economic-political discipline, there are differences of opinion on its definition and analysis.

The concept of the “global” first entered the literature with Marshall McLuhan's conceptualization of the "global village" in his book *Gutenberg Galaxy*, published in 1962. Marshall McLuhan used this expression to describe the narrowed world as a result of contemporary advances in communication. According to McLuhan, communication technologies (such as telegraph, telephone) in general and radio and television in particular have made the world a global village where the same feelings are shared (Arıboğan 2017, 29). The concept of globalization first entered the literature with George Modelski's article, “Communism and the Globalization of Politics”, published in the journal *International Studies* in 1968. In this study, Modelski examined globalization in a political context (Yalçınkaya 2016, 9).

To make a general definition, the phenomenon of globalization can be explained as the articulation of the social and economic parts of the world economy with each other and gradually with the world markets. Globalization is the effect of economic, social, cultural and political events in any part of the developing world

on other societies of the world and the increasing ties between societies (Şengül 2009, 504).

Globalization is a multidimensional concept and what is understood or perceived by the concept of globalization varies according to various environments. The concept of globalization has been defined in different ways within different disciplines. On that note, Dani Rodrik, an economist, defines globalization as “a process involving the integration of goods, services and capital markets, which pressures societies to change their traditional practices” (Rodrik 1997, 29). Another economist, John H. Dunning, sees globalization as “a situation that reflects the increase in the internationalization of production, changing the structure and organization of world resources that affect the transboundary production of multinational companies” (Dunning 1993, 85). In this context, it can be stated that economists see globalization as the internationalization and integration of goods, services, production and capital markets.

Political scientist Manfred Steger defines globalization as “a multidimensional set of social processes that create, multiply, expand and intensify social interdependencies and exchanges on a world scale” (Steger 2003, 13). According to Scholte (2008), in everyday language, globalization can be understood as internationalization. Scholte states that when globalization is considered by itself, it means an increase in interaction and interdependence between people in different countries, and in this context, increases in cross-border exchange correspond to internationalization in society. However, there have been different periods in which the mutual relationship between nation-states has intensified since the Treaty of Westphalia, when the modern states system began. Especially in the nineteenth century, there was a high increase in migration, investment, finance and trade relations, but the concepts of internationalization and international relations were sufficient to interpret the relationship between nation-states in these periods. Therefore, the word globalization represents a new development. In this context, Scholte states that a distinctive definition of globalization should be made (Scholte 2008, 1475). The main argument of globalization can be stated as the increasing degree of communication and interaction between people, society and states living



in different parts of the world within the framework of the concept of "interdependence".

According to Anthony Giddens, globalization is “the intensification of social relations around the world in the way that events in distant places shape local events. This concentration, which connects distant locales, takes place in such a way that local events are shaped by events that are miles away and vice versa” (Giddens 1990, 135). According to Roland Robertson, globalization is “the compaction of the world and the intensification of the consciousness of the world's integrity, that is, the concrete global interdependence and global integrity awareness that emerged in the 20th century” (Robertson 1999, 13).

There are four sub-processes that are effective in the functioning of the globalization process and explain the local or global actions of decision-making mechanisms (Yalçınkaya 2016, 21). These are processes of worldwide diffusion, interdependence, concentration and integration. These sub-processes, which explain the basic process of globalization, are seen in the globalization of any economic, political or cultural element or situation. Globalization, first of all, is based on the worldwide dissemination of a good/service, financial capital, a worker, a concept, a knowledge, a style, a method, in short, any social element or situation. The description of globalization is not limited to this. In this diffusion/dissemination process, an interaction and interdependence arises between the items or those who own the items. The coming together of the elements within the framework of interdependence becomes more frequent over time and the interconnectedness intensifies. Finally, one or more of the elements are replaced by the dominant ones, and this collective change is completed with the integration process (Yalçınkaya 2016, 21).

There are various views and approaches to the concept of globalization, which is used extensively in almost every field of social sciences to explain the transformation and change in the world. Whether the globalization process affects the nation-state and how the nation-state is affected by this situation has an intense

debate in general. In this field of discussion, different perspectives on the globalization process have developed and different views have emerged about the effects of globalization on the nation state and its role. Held and McGrew (2008, 11) classify them under three headings as hyperglobalists, skeptics and transformationalists.

### **2.1.1 Hyperglobalists**

Hyperglobalists argue that as a result of globalization, a global civilization has emerged, a global economy has been realized, and a complete cultural mix has been achieved. There is a view that there is a global expansion, a transition to a new world order, and that there are no nation states left in this world order through global governance institutions (Bozkurt 2000, 20). Hyperglobalists, also called radicals, are of the opinion that markets are now stronger than states and that the global market has replaced state policies because they operate more rationally. Although government policies still exist, they do not have the power to affect global markets. Even in centralized countries, national policies and preferences can be rendered ineffective by global market forces (Hirst and Thompson 2007, 209).

According to hyperglobalists, with the development of the global economy, global expansion has accelerated and nation states have come to have difficulties in protecting their borders. Global and regional authorities have had greater roles, and the sovereignty of nation-states has eroded. With the help of developing technology, communication and cooperation between countries have increased, and the peoples of the countries have realized their common interests and laid the foundation for the birth of a global civilization (Yalçınkaya et al. 2012, 6).

While it is a general opinion that the globalization process affects the nation-state apparatus, it is often a matter of debate to what extent the nation-state is affected by this process. Hyperglobalists argue that with globalization, the nation-state has come to an end and there are no borders anymore. Those who are skeptical about the process state that the nation-state preserves its function and that the concept of globalization is the one that needs to be discussed (Şimşek 2017, 80). The effects

of recent global developments such as the increasing nationalism/protectionism and the Covid-19 epidemic in this context are discussed in the conclusion part of the study.

### **2.1.2 Skeptics**

Skeptics are also called anti-globalisation. Opponents of globalization, in general, question what is global in the globalization process and argue that there is a failure in specifying spatial references in globalization. According to skeptics, radical globalists ignore the role of nation states in regulating international economic activities and that the implementation of policies that will ensure liberalization will be carried out by nation states (Held and McGrew 2008, 11). Skeptics who are against hyperglobalists see the phenomenon of globalization as a myth. The internationalized economic system is seen as an ongoing process of technological developments since the industrial revolution. According to some parameters, the globalization experienced in this period is considered to be less free and integrated than the globalization process that took place between 1870-1914 (Hirst and Thompson 2007, 27).

Skeptics state that, unlike hyperglobalists, the number of transnational companies that are active in international trade and are thought to have an important role in the liberalization of global trade is low, and that many companies operate on a national scale, but carry out multinational commercial activities according to their capabilities. International capital movements do not develop as a flow from the core countries to the peripheral countries, on the contrary, the majority of them concentrate on developed countries and increase employment in these countries. Third world countries remain marginal in this respect, except for a few developing countries. In this respect, the world economy is far from being global as claimed, financial capitals are concentrated on Europe, North America and Japan (Hirst and Thompson 2007, 28).

### **2.1.3 Transformationalists**

Transformationalists are closer to hyperglobalists than skeptics in their approach to the phenomenon of globalization. In the discussion of sovereignty between the nation-state and globalization, they also reject the end of the nation-state and that nothing has changed with globalization, and argue that national governments have restructured their sovereignty and power (Çelik 2012, 65).

This group considers globalization as the whole of social, political and economic developments that transform modern society and world order. Transformationalists who oppose both views argue that sovereignty is defined by less geographical borders and shaped by more complex supranational networks. They do not evaluate globalization through the global market and global civilization and do not see the world as a single society. Instead, they see the globalization process as the increase in the similarities of societies and the intensification of relations in the world in economic terms. Transformationalists consider globalization as a result of long-term developments in terms of historical process (Held and McGrew 2008, 11).

In summary, for hyperglobalists, the end of the nation-state has come and a new global world is emerging. Skeptics oppose this approach and argue that nation-states are getting stronger, international trade experienced in the past globalization process is freer than it is today, national borders are more controlled, and this process cannot continue without the will of nation-states. Transformationalists, on the other hand, oppose both groups and accept the existence of globalization, but argue that nation-states were also transformed in this period. It is understood that there is a great change process in the current situation and the existence of globalization and its impact cannot be ignored. However, it is considered that this does not mean the end of nation-states, but changes its role and structure.

In this part of the study, the concept of globalization, which is a leading concept of today's economic-political debates, is discussed as background information for the establishment of the economic-political relationship in the following parts of the study. In the historical process, it is known that the social, commercial and

economic policies implemented by the nation states have changed depending on the economic developments. In the globalization period, the role of multinational companies has increased with the increase in the pass-through of goods, services, production factors and technological accumulation among nation states and the integration of financial markets. Globalization and neoliberalism phenomena are associated with the fact that neoliberal economic policies bring more freedom to multinational companies. In the next heading, neoliberalism as a paradigm shift that causes changes in nation-state policies will be evaluated.

## **2.2 Neoliberalism and Neoliberal Globalization**

Neoliberalism has transformed from classical liberalism with the “neo” suffix it has taken in front of it and has adapted to the conditions of the time. Generally, paradigms evolve and change after they emerge. Neo, which has been used to reveal the difference between neoliberalism and liberalism, literally means new, near or modern. Therefore, in order to understand the concept of neoliberalism, it is necessary to understand liberalism first. Freedom and individualism form the basis of liberalism, and the subject of individual rights and freedoms emerges by analyzing the two concepts together. Other liberal principles such as equality, constitutionalism, pluralism, limited and impartial state all arise to shed light on individual rights and freedoms. Because of the interdependence between these principles, one cannot exist without the other (Yıldırım 2019, 21).

Neoliberalism, which symbolizes the return to liberal values in the globalizing world, is based on the same principles as liberalism in the classical sense. These are; individualism, human rights, the market economy, limited state, rule of law and liberal rationalism. The most important difference that distinguishes neoliberalism from classical liberalism is that it argues that political interventions on behalf of the market should be increased, with the belief that the market order cannot develop by itself. The reason for the differentiation of the neoliberal management approach since the 1980s is that the welfare state has destroyed the community and market autonomy and it has come to the conclusion that a special and strong political intervention is needed to re-establish this autonomous structure

(Özkazanç 1998). Harvey (2015, 10) also explained how a neoliberal state that puts the market at its center should behave with these words:

Neoliberalism is first and foremost a theory of political-economic practices. This theory argues that the best way to improve human well-being is to unleash individual entrepreneurial skills and freedoms within an institutional framework based on strong private property rights, free markets, and free trade. The role of the state is to create and then maintain an institutional framework suitable for these practices. For example, it must protect the quality and reputation of money. It must secure private property rights and regulate the military, defense, security, and legal structures and functions necessary to ensure, by force if necessary, the proper functioning of markets. Moreover, if markets do not exist (in the areas of land, water, education, health, social security, or environmental pollution), they must be created, if necessary, by the state. But the state should not undertake anything beyond these duties. State intervention in markets (once created) should be kept to the bare minimum.

As can be seen, it is seen that the concept of liberalism is a concept that develops from within the political philosophy. At this stage, it is considered appropriate to consider the process of transition from liberalism to neoliberalism.

The effects of World War I and the Soviet Revolution, in which the partial stability of capitalism before it began to deteriorate and the preparations for a new world war paved the way for an unprecedented crisis in the USA in 1929. This crisis that occurred lasted much longer than previous crises and its effect was devastating. Although the 1929 crisis affected the western world, the effects of the depression were mostly seen in the USA. Many banks, firms, and businesses went bankrupt, leaving more than 30 million people unemployed. Hundreds of thousands of tons of wheat were destroyed in the ovens in order to regulate prices and prevent the damages of monopolies. Meanwhile, approximately 100 million people were struggling with hunger and poverty (Yeliseyeva 1978, 406). The devastating experience of the 1929 crisis brought about the adoption of the “welfare state project”, one of the central countries of capitalism, especially the USA. Between 1945 and 1950, the Welfare State understanding included policies that ensured

social justice and protected tradesmen from fierce competition against each other by acting towards increasing employment, fulfilling regulations in favor of workers. While revealing these, it was aimed to act by spreading the social welfare in general (Somel 2017, 494).

While the system was drawing lessons from the 1929 crisis and putting them into practice, the public interest came to the fore. Conservatives and liberals recognized the need for the welfare state. Especially after the Second World War, the main economic activities of the countries were agriculture and mining. The reason for this was the activities of imperialism in the lands it populated. Most of the economists, especially the institutional economists, emphasized that the deep-rooted poverty in underdeveloped countries could be eliminated by the implementation of industrialization policies. As a result of this understanding, most states gave importance to development and industrialization policies in a planned way and intervened to spread the welfare in general. The liberal capitalist understanding of liberalizing the markets and not intervening has been abandoned, and the approach that the state should intervene in the markets for the purpose of national development has become an accepted approach (Somel 2017, 497).

In fact, this program was a cure management of capitalism. Keynesian policies were eroded by the combination of various factors. For example, retirement and health systems become an obstacle to the development of states, and as a cumbersome structure, it has a negative effect on the growth rate and causes structural crises. Another example is the expenditures made in accordance with the understanding of sharing and social state, which are thought to be more costly every day. As a result of these expenditures, according to neoliberal evaluations, poverty became chronic and spread to the base. When it is evaluated at the international level, as a result of the relations between the countries, as a result of the domination that one tries to establish over the other, the competitive environment is inevitable. Those who cannot develop in this competitive environment are faced with being controlled by the power of the other country. Finally, another factor is the change in the structure of generations. With the

increase in the average life expectancy of people, generation conflict has emerged, followed by the participation of women in the workforce more than before, and changes in the traditional family structure. As a result of these changes, policies that focused only on the benefits of spending on human capital came to the fore. Neoliberalism reveals the new policies of this process (Yaşar and Yaşar 2012, 74).

Although neoliberalism has absolute definitions today, it is basically a commonly used term to describe a free market economy. Free markets include privatization, reduced price regulation, reduced government influence and intervention in markets, minimal government control over prices in markets, self-regulation, and flexible labor market policies. The emergence of neoliberal understanding and the disappearance of welfare liberalism since the mid-1970s have become inevitable, especially due to the increase in the competitive environment in the international arena, the decrease in the solidarity environment brought by social individualism, and the slower growth rate of the states compared to the past (Yaşar and Yaşar 2012, 71).

After the Second World War, in developed countries, especially in the 1970s, the Keynesian welfare state understanding lost its credibility. From this point of view, it is possible to state that neoliberalism has started to become more visible as a prominent solution for the treatment of the situation, together with the emerging economic and political situation. In fact, neoliberal interpretation and practice, which means that liberalism, which is one of the two ideological camps that compete as socialist and liberal organizations and compete seriously, even if it is bloody from time to time, aestheticizing itself, confronts us as a new solution to this situation after a series of economic problems in the 1970s. What actually happens means that capitalism renews and reproduces itself. Neoliberalism, which emerged as a dominant view that was adopted by many states in the axis of the world economy in the 1980s, when its conceptual framework was created in the 1970s, has emerged as a new understanding similar to classical liberalism in an environment that acts in the opposite direction of the Keynesian welfare state style.



Neoliberalism is a slightly modified version of classical liberalism in the 19th century (Heywood 2014, 67).

Neoliberalism, which has come into existence with some initiatives and regulations in a certain process, is based on the systematic use of state power under the “free market” to transform the material basis of accumulation (Alfredo and Deborah 2014, 11). In the essence of these developments, the issues discussed in the early 1980s changed. The first thing that can be said is the emergence of a paradigm change that can be transferred as a return to the classical liberal understanding, and the second phenomenon is the critique of the development model understanding through the nation state and nationalism (Aydın 2000, 15).

At this point, it is necessary to address and deepen the subject through neoliberal thinkers. Among them, Friedrich August Von Hayek (1899-1992) is famous. The understanding underlying his thought is the concept of "spontaneous order". According to Hayek, the state and the market are separated from each other. The reason for this is that the market is a living structure and the state thinks that it is an artificial institution created. At this point, Hayek thinks contrary to the rational point of view generally accepted by liberalism. According to him, it is not possible to reach the knowledge of everything with the mind, human knowledge is limited. While the state is an order established as a product of the human mind, the market is a self-existing order and has a living structure. Spontaneous order does not have a quality that can be fully grasped by the human mind. In addition, since it is not created with an external source, it does not have planned purposes, the order emerges by itself (Ataay 2016, 134). Therefore, interfering with the market is the biggest mistake. The most important feature of the market is to ensure the realization of the interests of individuals. Another feature is that it has the ability to organize and classify. The market gives warnings to individuals about how they should behave in accordance with their interests. Individuals who predict the consequences of this decide whether they are involved in the process or not. The system that regulates this is the market. This complex structure of the market is not

the result of any human mind. This process took place with spontaneous order (Hayek 1997, 111).

According to Hayek, any form of government intervention in the market has a harmful effect. According to him, this issue is in force for all sectors. The point to be noted here is that the taxes collected from the citizens are misused by certain interest groups through the weaknesses of the governments and the people who run the governments, and these revenues are obtained. The point that draws attention for the market is the threat posed by those who aim to benefit in a group sense rather than individual benefit (Yayla 2000, 173).

A possible intervention in the market due to inequalities means the disappearance of freedoms and this will inevitably lead to the transformation into totalitarian regimes. It is natural that there is inequality and it is a price the system takes in return for what it gives. This price is considered as a sacrificing price. It is wrong to think otherwise (Hayek 2004, 109). According to Hayek, apart from inequality, there is no social injustice. The reason for this is that the acquisition of goods and property by individuals in the market is directly proportional to their own efforts, skills and potentials. There are those who use it or those who cannot use it, and there is no one who acts unfairly here (Hayek 2004, 101). According to Hayek's understanding of freedom, individuals need to be able to perform their actions and be free at the market and individual level in order for spontaneous order to function. In order to ensure freedom, the state must guarantee the market and individuals with the law. This understanding emphasizes that the understanding of the rule of law should prevail. At this point, it references the concept of "limited state" (Hayek 2009, 205).

Another view is expressed by Milton Friedman (1912-2006). Friedman, unlike Hayek, has a positivist and rationalist perspective. His contribution to neoliberal theories was mostly realized with his criticisms of the welfare state understanding. He emphasizes that the understanding of the welfare state is incompatible with liberal thought and that the understanding of freedom, which is one of the most

basic ideas of liberal philosophy, has disappeared with these policies. According to him, the minimal level of free market and state intervention in the formation of neoliberal policies does not eliminate the existence of the state and the need for the state. On the contrary, as a need, the state appears as a legislator as well as a judge. In this sense, the state protects the freedoms in the economic field and provides the interests of individuals at the highest level (Friedman 2008, 21).

As a result, it can be stated that the understanding of the welfare state has left its place to neoliberalism as a result of the crises experienced on a global scale. Neoliberalism has started to show itself with the thought that the expenditures made on people and societies over time constitute development, spread the distribution to the base, but hinder the development and progress because it prevents the race in the economic sense. It is seen that the privatization, commercialization and deregulation of the state sector come to the fore as the most basic features of neoliberalism. Market forces are strengthened through domestic and foreign investment and the small business sector is supported. Finally, it is the expansion of capitalist flexibility through the introduction of legal restrictions on unions, the increase in compulsory education programs, market-centered social security programs, and various low-cost schemes aimed at helping businessmen solve their own problems (Jessop 2005, 242). Neoliberalism involves using the basic institutional features of capitalism in new and historically specific ways (Cahill and Konings 2019, 157). It is seen that the defining feature of the neoliberal capitalist system is the flexible production and accumulation processes that take place beyond the nation-state structure, the dissemination of consumption over the culture industries in line with the maximization of profit, and the loss of orientation in the political arena.

### **2.3 What Kind of a State Do Neoliberals Endorse? Weak or Strong?**

Neoliberalism is generally discussed in terms of the role of the state. It is seen that this discussion is carried out over the concepts of strong state and weak state. A strong state is defined as a state that establishes institutions that support the development of markets or develops state capitalism by guiding and/or intervening

in markets. Weak state, on the other hand, is defined as a state in which institutions are designed to benefit the elite (Carney et al 2018, 495). Considering the relationship between the state and society as a line, there is a decentralized system in which interest groups play a predominant role on one end, and a centralized and relatively isolated structure from the society on the other. In other words, there is a "weak" state at one end and a "strong" state at the other. Weak states act in line with the wishes of interest groups. They have the power to change economic policies, but they do not have the power to influence the results of these policies in line with the desired targets. Strong states, on the other hand, are not only able to oppose the wishes of interest groups, but also to actively shape the society and economy in line with certain goals. In other words, a strong state is a state that can not only make decisions or make laws on paper, but also effectively implement the decisions it takes and the laws it enacts. A weak state is one that generally acts in line with the wishes of interest groups and lacks the power to implement it even if it takes a decision on its own (Migdal 1990, 199).

While considering the existence of a contradiction between freedom and 'political equality' (democracy) in the general trend of 19th century liberalism, there is 'political freedom' on the basis of 'democracy' in neoliberalism, and 'economic freedom' on the basis of political freedom. The main proponents of this view argue that a free and just society can exist spontaneously by the market mechanism. For example, Hayek states that in an order in which people's behavior and relations with each other are shaped according to laws based on property, that is, according to the principle of 'free contract', it is possible to talk about a real democratic state (Hayek 2004, 93). In other words, a democratic state should collect taxes only for its functions of external security and law enforcement, and should not interfere with economic and social processes. Otherwise, there will be a constant violation of the limits of the 'natural constitution' and this is an anti-democratic situation for neoliberals. Because in classical liberalism, democracy refers to the spontaneous natural order of the market, that is, the state's non-intervention in the 'free' economic relations between individuals. Hayek, for example, defends capitalism because it minimizes the danger of tyranny. For him, the "road to slavery" is:

giving the state the authority to regulate economic affairs centralizes the power, which eventually leads to authoritarianism and poverty. Free market freedoms are the best means of maximizing utility or protecting political rights (Kymlicka 2004, 142).

In a democratic market order, individual freedom refers to the situation in which people use their own information for their own purposes. A political system in which individual freedom is protected is the most suitable system for people to realize different and various goals. In this order, all kinds of sanctions, including sanctions in line with the "will of the majority", can occur when limited to laws with certain qualities such as being abstract, general and fair (Yumer 1993, 111). For this reason, Hayek especially emphasizes that liberalism and democracy are different things despite being associated with each other. Liberalism is about the limits of state power, while democracy is about who has power. For example, since the continental-European development of liberalism followed democracy and unlimited power of the majority rather than liberalism, it was essentially anti-liberal (Hayek 2004, 122). The realization of the basic principles of liberalism is related to democracy. Even a regime where the sovereignty is in the people and the laws are made by the parliament, the representative of the people, can therefore be despotic (Yayla 2003, 206). In the market order, which can be grasped with its intangible qualities, the spontaneous natural order, which includes the links between various organizations such as the market and private property and does not have any concrete purpose, is considered more democratic as it does not contain any human design or any institution made with conscious purpose (Yumer 1993, 113).

Another reason why liberalism imposes minimal functions on the state is the thought that its weight in socio-economic life will weaken the ground of civil society. Liberalism emphasizes the importance for democracy of controlling and limiting the state, which is positioned as a power of repression, against the society. Accordingly, the fact that the state has the right to use its sovereignty through a contract between its subjects requires its control by the society, which is the source

of sovereignty. In a civil society consisting of individuals and private organizations-businesses and a state consisting of politicians and civil servants, politics is considered to provide non-coercive reconciliations between opposing interests and democratic means are the most effective way to enable such reconciliations (Yayla 2003, 167).

The neoliberal form of the capitalist state indicates that the state must be abstracted from its socio-economic functions, leaving only the legitimate right to use violence to collect taxes and enforce the rule of law. This means that the monopoly of the state's use of violence is not a political concept alone, and the laissez-faire principle is not an economic concept on its own, on the contrary, both constitute the basis of the neoliberal strong state form. In other words, contrary to the fact that the state is placed in a neutral and objective position against social forces, the fields of state and civil society are not unrelated as in liberalism. Although neoliberalism is generally associated with a weak state that cannot resist market forces, the functions of the neoliberal state as a state facilitating the functioning of the free market require a strong state (Bonfeld 2010, 15). Hayek, on the one hand, defends the weak state against the market, on the other hand, emphasizes that the state is a powerful institution that individuals unite to achieve their common goals. The state is an institution that dominates everything in its own separate and limited area (Hayek 2004, 84). The effectiveness of the state on the function of law and order depends only on the power of its capacity and autonomy over society, apart from social forces (Radice 2008, 1157)

The thesis that neoliberalism "destroys the state or extinguishes it by rendering it dysfunctional" creates a false dichotomy between the state and the market (Tilly 2001, 102). The constructed state-market equation is presented not as indispensable elements of the capitalist mode of production, that is, complementary and thus intertwined, but as if they are phenomena that have no relation with each other and thus exclude each other (Tilly 2001, 102). This leads to the formation of a virtual dilemma. In reality, one cannot exist without the other. Markets are created by the state and the functioning of the market is shaped

and guaranteed by the sovereignty of the state. It is not possible for a stateless market to form and survive (Wallerstein 2004, 116). Therefore, the state is always an important actor in the liberalization of the market and especially in the creation and functioning of the market. From this point of view, the state didn't come back as it had never been gone. However, it is also a fact that with the transformation of capital, there has been a change in the structure of the state. The structure of the state changed in favor of the capital with the neoliberal period. The state has never been withdrawn from the stage, on the contrary, it has been transformed (Güzelsarı 2008, 102).

The liberal state intervenes in an effort to facilitate competition or to set, arbitrate and enforce the rules of the game. Liberalism did not seek weak state, but only freedom for economic development under state protection. This type of protection requires a "strong state". The strong state is beneficial for the economy, and the parties involved. The strong state is the "liberal-market interventionist state" (Sarı 2011, 172). The weak state, unlike, is drawn into society and becomes the prey of antagonistic social interests. The "socialization" of the state undermines its independence and therefore jeopardizes its bourgeois character. It is as if "the mob has captured the center of government". Instead of government, there is what neo-liberals in the 1970s called "non-government". The ungovernable state is a situation of "pure multitude", unable to distinguish between the friendly bourgeois and the hostile working class, and therefore unable to apply the laws of private property against fixed class relations (Sarı 2011, 172).

As a result, neoliberalism's demand for a 'strong state' is a limited state preference. The limited state intervenes in society not to influence redistribution, but to save private property from the economy (Bonefeld 2010, 242). The only legitimate state is the minimally limited state of minimum size. The state, which goes beyond protection, law and order, and turns towards redistribution, is not legitimate as it will inevitably violate individual rights. In other words, neoliberalism is not aimed at pushing the state into the background, or pushing the market out of the field of regulation (Munck 2007, 110). In short, it can be said that neoliberalism envisages

a strong state model rather than a weak state, but assigns this strong state model a function that ensures the security of the functioning of the market (Kerman 2006, 95).

## **2.4 Trading State**

The concept of "trading state" was first used by Richard Rosecrance. Rosecrance emphasized that a new world of trade has emerged and that this world of trade has replaced the old military and political system. While the old system focused on military capabilities, territorial control and power struggle in international relations, the new system emphasizes cooperation and dialogue (Kirişçi 2009). The trading states operating in this new system are states that are dependent on each other and accept the principle of equality on the basis of division of labor. Their aim is to increase the distribution of resources and the level of national welfare through trade and internal development (Rosecrance 1986, 28). The trading state is also the state that maintains foreign policy and trade together, and in which foreign policy is determined by economic factors (Yeşiltaş and Balcı 2011, 39).

While trading states seek to develop their own positions and resource allocations, they do so in the form of an acknowledgment of "interdependence" (Rosecrance 1986, 24). In general, interdependence is the complex set of conditions created by the connections and relations between states or actors created by many channels of interaction in the international system. In mutual dependency, the need between two states may be different from each other. In such cases, one state needs the other more, but there is still a mutual interest in every situation that occurs. Although at different levels, both parties show desire and effort for the continuation of the relationship. It is this situation that creates the relationship of mutual dependency (Gürkaynak and Yalçiner 2009, 75).

According to neoliberal theory, the idea of a state providing all functions and services on its own is extremely inefficient and therefore states prefer division of labor and specialization. The trading states think that invading large lands is pointless now, and instead their trading capacities should be increased by offering



their services and goods to the world market. In the non-hierarchical structure of international relations, all states try to be the head and this establishes an anarchic order. According to the neoliberal theory, if there is no interdependence relationship in this anarchic order, many power conflicts may occur between states in order to gain interests. For this reason, the exchange transactions and division of labor carried out by the business world can prevent conflict in such an anarchic environment (Rosecrance 1986, 25). Interdependence is achieved by removing barriers to trade (Burchill 2013, 96).

The development of economic interdependence and the decrease in the desire to enter into conflict for land have caused the trading state to gain more and more importance. In this context, the return of interstate trade and cooperation has outstripped the desire to gain territory and military competition (Burchill 2013, 99). After the 1970s, in addition to military issues, the fact that many different topics began to take place on the international agenda, along with the facilitating effect of increasing communication channels, prompted states to cooperate more (Gürkaynak and Yalçiner 2009, 77).

Those who support the liberal view argued that if free trade is preferred to a closed economy, wars will end (Burchill 2013, 91). Accordingly, the probability of a war breaking out in the environment of liberal states is almost negligible. The development of democracy reduces the aggression of the states, and the understanding of peace and cooperation reduces the thought of war. According to Kant, since the decisions are taken democratically in democratic governments, the people will not consent to the idea of war and the decision to wage war will be difficult. According to Kant, republican regimes, in which the political process is open to the public and governed by the principle of separation of powers, should come together for a special purpose and decide not to wage war again, and also should establish a relationship of interdependence that allows free trade and human circulation (Ulusoy 2014, 489). In countries that do not fight with each other, bilateral relations will gradually develop and trade will contribute to these developing relations. In addition, the spread of the free market economy, the

liberalization of trade and the rooting of democracy are seen as important values in terms of peace and stability today (Ari 2013, 316).

The trading state is used to describe the state that attaches great importance to foreign economic relations in the foreign policy of a state and uses the way of establishing economic relations in order to increase its influence in its foreign policy. Trading states try to develop foreign policies that will minimize problems with other countries based on the idea of interdependence. Efforts are made to increase foreign economic relations in trading states and an important place is allocated to economic relations in the foreign policy formation process. Contrary to the traditional foreign policy-making process, a foreign policy formation process emerges with the participation of more actors in the trading state, and not only national security but also economic issues, trade requirements, large export markets, effective foreign investments gain importance (Kirişçi 2009, 29).

In this first chapter, the concepts of globalization, neoliberalism, strong/weak state and trading state are discussed as background information for the establishment of the economic-political relationship in the following parts of the study. In the next part of the study, Turkey is discussed chronologically in the context of the trading state.

### **3. THE CHANGING FORTUNES OF THE TURKISH TRADING STATE: MAIN ARGUMENTS AND AN INSTITUTIONAL CRITIQUE**

In this section, Turkey's neo-liberal restructuring and the state-business relationship are examined through important businessmen's associations starting from the Özal era. In this framework, Turkish foreign policy from the 1980s to the present has been discussed within the framework of International Political Economy.

#### **3.1 The Roots of the Trading State: Neo-Liberal Transformation in Özal's Turkey**

As a country that has adopted import substitution development strategies, Turkey has been adversely affected by the financial crises since the 1970s. By 1980, Turkey, like other countries negatively affected by the crisis, aimed to integrate its economic system into neo-liberal economic policies in line with the structural adjustment reforms that the Washington Consensus showed as a way out of the crisis. With the January 24 Decisions, the free market economy was institutionalized in Turkey in 1980. An environment free from class conflicts in which neo-liberal transformation in Turkey could be achieved was possible only under the conditions of the military regime.

With the jump in oil prices in 1974, the world economy entered a recession. In Turkey, in this period when a constant election environment was experienced, the negative effects of the economic crisis were tried to be postponed with short-term borrowings. Despite the serious deterioration in foreign trade indicators in 1977, the Ecevit Government tried to resist the IMF's stabilization program, which would negatively affect the working classes, as a "political suicide". However, an alternative policy could not be produced. Given the political instability and the growing power of the unions, no political party wanted to fully adopt the IMF's recommendations. On the other hand, the capital class, which was adversely affected by the economic recession, awaited regulations from the state that would

turn the labor-capital conflict in favor of capital. Süleyman Demirel, who formed the government after Bülent Ecevit's resignation, gave the task of establishing a new stability program to Turgut Özal. With the January 24 Decisions put forward by Özal, Turkey has determined a new accumulation strategy in line with the demands of the capital circles (Boratav 2005). Ulagay (1983) listed the regulations included in the 24 January Decisions as follows:

- Adoption of the “export-oriented industrialization” model instead of the “import substitution” model for the domestic market,
- Adopting a 'realistic exchange rate' policy instead of an overvalued exchange rate and avoiding radical devaluations to achieve this,
- The interest rates are determined not by the government, but by the supply and demand of funds in the market,
- In addition to high-interest rates, limited monetary-credit policy is used as a control tool for domestic demand and therefore inflation,
- Removing price controls as much as possible and ensuring that prices are determined in the market according to supply and demand,
- Elimination or reduction of subsidies on basic goods produced by the public sector,
- Saving SEEs from being unprofitable employment warehouses by reforming them,
- Providing budget balance with a comprehensive tax reform while reducing public expenditures,
- Taking new measures to encourage foreign capital, while opening some production areas under state monopoly to domestic and foreign private capital.

After ten years of an unplanned economy with the DP in the 1950s, the import substitution accumulation strategy was able to create the domestic market needed for the goods produced until the crisis environment of the 1970s, but could not find the export opportunity to compete in the world markets. Particularly, the members of the capitalist class in the country thought that the unions should be disciplined

and workers' wages should be reduced in order to ensure competition, but the environment sought by parliamentary politics and the coalition governments of the 1970s was not possible. The authoritarian military regime established with the 1980 Coup in Turkey ended the parliamentary system to provide the appropriate environment for the above-mentioned goals to be realized and created an economic development base under international market forces and globalization order (Ahmad 2006). The 12 September regime carried out intense legislative activities, especially the 1982 Constitution. Authoritarian regulations such as restricting fundamental rights and freedoms, limiting the relations of political parties with social segments, creating decision organs and pressure devices that do not bear responsibility within the state, and increasing the power of the executive against the legislature and the prime minister in the executive were continued by ANAP and Turgut Özal, who came to power in 1983. ANAP, to create a new hegemonic center, adopted the mission of uniting four different tendencies in the country: nationalist, conservative, free-market and social justice. "Özalizm" tried to tame the extreme centrifugal elements of the pre-1980s by adding them to the principle of "economism". Özal argued that all political crises in Turkey before 1980 were caused by economic problems (Özkazanç 1998).

Özal tried to achieve the modernization that the founding elites of the republic wanted to realize through ideology, through the economy. According to him, the solution to the problems experienced is only possible by increasing the level of economic development and welfare. The second important point is, it is Özal's prediction of a development model that prioritizes the individual, as opposed to a state-centered modernization model. As a result of the New Right understanding, on the one hand, it brought the individual to the forefront against the state, on the other hand, it defended the market economy and freedom of enterprise (Duman 2017, 199). Özal reflected the other parties that entered the elections as institutions of the failed order before 1980 and showed itself as the party of the new era. With the electoral successes achieved in this way, the neo-liberal reform wave continued, especially until the mid-1980s. The general elections held in 1987 became a turning point for the ANAP Government and the structural adjustment program they implemented. The leading political figures of the pre-coup period in

Turkey won the right to re-join the elections as a result of the referendum. With the resumption of free competition in Turkish politics, Özal shifted his attention from economic policies to political issues. The fact that ANAP made concessions against distribution pressures including wages and agricultural subsidies in order to win the elections caused the macroeconomic instability in the country to aggravate (Öniş and Webb 1992).

The defining feature of the new accumulation model, which was started to be implemented in Turkey with Özal and ANAP, in terms of distribution relations was that it wanted to systematically control and regulate the contradiction between the capital owners and the working classes. Policies carried out against labor did not only cover the organized working class. In this period, there were also declines in civil servant salaries, retirement bonuses, severance pay, and agricultural supports (Boratav 2005). The economic policies implemented in Turkey since 1980, the measures been taken, and the resulting transformation in distribution should not be seen as the result of a short-term stabilization program or an austerity operation. The policies of the ANAP government aimed at a long-term shift in income distribution against the working classes in favor of the capital class (Pamuk 1986).

As an institutional critique, it can be stated that Turgut Özal did not create a strong institutional structure while he was implementing his market-oriented economic policy. For example, the layers it creates, such as privatization, lack the tradition and culture of the bureaucracy. Therefore, the absence of a strong legal infrastructure has jeopardized the successful implementation of the privatization program (Öniş 2004). Another point is the abuse of export subsidies; which led to the realization of fictitious exports (Öniş 2004). The state's failure to respond adequately to imaginary exports endangered the process of neoliberalism after 1990 and paved the way for corruption in the country. Despite the negative conditions in the country and Özal's Islamist tendencies, his emphasis on developing close relations with the European Community enabled the establishment of strong foreign relations with the European Community membership. This development brought with it the European Union membership process in 1987. As a result of all the attempts of Özal in this process, the

"Customs Union" path was opened to Turkey (Öniş 2004). Due to Turgut Özal's coming from within the world of economy, his foreign policy differed from the policies of previous leaders. This distinction; is to look at foreign policy with the "economy glasses". Under the influence of the American approach, Özal gave great weight to economic tools in the solution of problems by putting the economic structure ahead of the political and social structure in Turkey's domestic and foreign conjuncture. In this context, it is seen that economic factors are prioritized in Özal's foreign policy understanding. In addition, together with Özal, Turkey concentrated on neighboring countries to increase its exports and forced the Iranian and Iraqi markets (Gözen 2000, 118).

The opening of the Turkish economy to world markets started between 1980 and 1983 and completed between 1989 and 1990. Between these years, the country was opened to foreign markets and the import regime was liberalized. The exchange rate was flexible by devaluation. On the other hand, incentives provided the main tool in directing the industry to export. When we evaluate it from these aspects, it can be said that Turkey gained an open economic structure in the 1990s (Yeldan 2011, 25). After the export-oriented growth strategy aimed at narrowing the domestic market with the January 24 Decisions was implemented consistently until 1986, a growth strategy based on foreign resource inflow was adopted between the years 1989-1993. Although there was an increase in workers' wages due to increased union pressures in this period, high inflation and increasing foreign debts brought along more serious problems for the country (Kaygalak 2001, 138).

Despite economic problems in the country and around the world, it is accepted that Turkey has developed its foreign policy out of the ordinary in direct proportion to its increasing strategic importance. For example, relations with Libya, Iraq, and Iran, as well as the Gulf countries, especially Saudi Arabia, were developed, and under the January 24 Decisions, they opened up economically throughout the Middle East. Apart from this, efforts were made to develop relations with the USA and the EEC. Although relations with the EEC could not be improved much due to the intense human rights violations during the September 12 Military Junta Period,

relations with the USA have improved considerably. As a result of this, military aid increased and borrowing could be done more easily through international organizations such as the IMF. It is seen that Turkish foreign policy is in a general change/transformation during the ANAP Period. It has become widespread that foreign policy is handled with an economy-centered approach, and that the problems in the region can be overcome more easily by improving economic relations, depending on the idea of the free market. In this period, with the collapse of the Soviet Union, it is seen that policies aimed at increasing the importance of Turkey and breaking its shell within the renewed international system in the world were followed. In this sense, new policies have been tried to be developed regarding the Balkans, Caucasus, and Central Asia as the Ottoman remnant. As a result of these efforts, it was observed that organizations such as the Black Sea Economic Cooperation Organization (KEIO), the Turkish Cooperation and Development Agency (TIKA), and the Economic Cooperation Organization (ECO) were established (Çemrek and Uluer 2018). After this period, the economy deteriorated again due to the rise in public deficits and the wrong exchange rate policy practices, and as a result, new economic stability measures were taken on April 5, 1994. The economic crisis experienced in 1994 had a significant impact on conservative segment's increasing influence on the country's economic, social and political life (Tuncel 2010).

In the 1990s, Turkey increased its efforts to increase the capacity of the armed forces and established its foreign policy structurally on the basis of geography and history, and behaviorally on the basis of preserving the current situation provided by the Lausanne Peace Agreement, westernism and security concerns. The concept of "securitization", which gained importance within the scope of the constructivist approach in the 1990s, became the main determining factor in foreign policy and the relations with other countries were shaped by the concepts such as security and defense, and national interest (Sönmezoğlu 2016).

As a result, considering all these developments in the Özal period during the 1980s and 1990s, it can be stated that although security policies came to the fore at the



end of the period, Turkey experienced a neo-liberal transformation in general and the foundations of the trading state were laid in this period.

### **3.2 AKP Period**

In the general elections held in 2002, the AKP succeeded in forming a single-party government with 34% of the votes, and the period of irregular coalition governments in the past came to an end. With the AKP government coming to power, there have been striking developments in domestic and foreign policy. The identity and understanding adopted by the AKP government, which will remain in power for a long time, in the foreign policy-making process have emerged as the elements that determine the foreign policy character of Turkey.

In this section, the period from 2002 to the present will be examined in two periods in order to analyze and compare the threat perceptions and foreign policy behaviors of Turkish foreign policy throughout this period.

#### **3.2.1 2002-2011: Turkish trading state is on the rise**

The general elections held on November 3, 2002 marked the beginning of a new era for Turkish politics. The elections held ended the long-standing coalition government and a new political party, the AKP, came to power alone. Thus, with the establishment of political stability, Turkey has entered the process of political and ideological transformation (İnat and Duran 2006, 29). The AKP, which is the representative of the right conservative ideology, has made a rapid entry into the neoliberalization process in the economy in order to integrate into the international capitalist economic system. The AKP government made great strides in the privatization process that started with the Özal administration and started to privatize the state institutions and organizations. A bond based on religious elements has been established between the administration and the people. Unlike other governments, there were images of returning to the Ottoman Empire in the neoliberal framework compatible with today's capitalist order (Saraçoğlu and Yeşilbaş 2019, 882).

Davutoğlu, who served as the AKP's chief advisor, Ministry of Foreign Affairs and Prime Minister in this period, was influential in shaping the ideological framework of the Party in foreign policy. According to Davutoğlu, the most important shortcoming of Turkish foreign policy was that it was far from acting within a theoretical framework. Davutoğlu drew the institutional framework of the foreign policy initiatives of the AKP government with his book “Strategic Depth” published in 2001 and the doctrine of the same name (Davutoğlu 2016, 42).

In his book, Davutoğlu analyzed the basin policies of Turkey by considering the power elements of classical realism from a geopolitical and geocultural perspective. According to Davutoğlu, after the establishment of the Republican administration, the ruling elite preferred to be a regional power under the security umbrella of the dominant western civilization instead of establishing a unique civilization basin. This situation has deeply affected Turkish foreign policy, political ideals, institutions and behaviors. During the Cold War period, Turkey had to become a regional power under the assurance of NATO due to the Soviet threat and shaped its foreign policy in accordance with the policies of the superpower (Davutoğlu 2016, 75).

The changing world conjuncture after the Cold War provided an opportunity for Turkey to reinterpret its geographical position in foreign policy. According to the right-wing nationalism understanding, the sections that Turkey should develop relations with are the regions with Ottoman past and Sunni Muslim culture as a common value. The understanding of nationalism that the right-wing tradition has become a book with Strategic Depth, and it has had a chance to be put into practice. Davutoğlu, one of the representatives of the tradition, thought that a status quo foreign policy would be insufficient to protect national interests and he expressed in his book the areas where Turkey could be active in terms of geocultural and geopolitical foreign policy. First the Near Land Basin, the Balkans, the Middle East and the Caucasus, second the Near Sea Basin, the Black Sea, the Adriatic Sea, the Eastern Mediterranean, the Red Sea, the Gulf, the Caspian Sea

and third the Near Continent Basin, Europe, North Africa, South Asia, Central and East Asia have been determined as the regions where Turkey's foreign policy should be constructed (Davutoğlu 2016, 117).

Davutoğlu has shaped his foreign policy understanding within the framework of some basic principles, as he stated in his articles and statements. First, he emphasized that the state should establish the balance between individual/social freedom and security policies. Because he mentioned that states that restrict the freedoms of their citizens in order to ensure security will turn into authoritarian regimes and this situation makes the legitimacy of the regime open to question (Davutoğlu 2007, 79). Secondly, he thinks that Turkey, which has many neighbors, should aim for a zero-problem policy with neighbors and take actions to implement it. Thus, it will have the chance to break the chain of hostile peoples and turn these regions into areas of security and cooperation. Thirdly, Turkey has emphasized the need to follow a proactive policy in its immediate geography and to intervene in a timely manner, taking into account the elements of political dialogue, economic interdependence and mutual respect when necessary. Fourthly, he argues that Turkish foreign policy should be multi-faceted and multidimensional. According to Davutoğlu, the formation of uniaxial domestic politics, culture and foreign policy making prevents Turkey's ability to adequately evaluate its multi-faceted historical background, to develop an attitude that can adapt to different scenarios, and to be an effective power among the countries of the region (Davutoğlu 2016, 92). Finally, in order for Turkey to be integrated into world politics in a world that is globalizing and the importance of regional organizations is increasing, it needs to show an example of rhythmic diplomacy that spans all existing grounds. During the 1990s, the irregular coalition governments in domestic politics and the constant change of the Minister of Foreign Affairs prevented Turkey from pursuing a rhythmic and harmonic foreign policy. Considering today's international policy conditions, it has come to the fore that non-governmental organizations, think tanks, business associations and intellectuals should become a part of the foreign policy making process. Thus, Turkey, which is a regional power in its own geography, will become the central country (Aras 2009, 136).

The central country discourse that Davutoğlu frequently refers to has become one of the important terms in politics and has shown its reflections in foreign policy practices. A more active foreign policy has been followed, especially in the regions known as Turkey's near land basin, and soft power tools have been used as much as possible while solving the problems. According to Davutoğlu, Turkey's democracy regime is the main source of its soft power (Davutoğlu 2007, 79). Another soft power is economic integration. Turkey, which wants to realize its mission of establishing order and keeping peace in its own region, must develop its economic ties with the surrounding countries because it has been emphasized that economic obligations will act as a driving force in solving problems in other areas (Davutoğlu 2016, 83). The important developments of this period are presented below (Eren 2021, 12):

- EU Membership Negotiations: Between 2002 and 2005, Turkey-EU relations were one of the best periods, and a new dimension was gained in the relations with the negotiations, the decision of which was announced on 17 December 2004 and started on 3 October 2005.
- Iran's Nuclear Negotiations: As of 2003, Iran's nuclear activities have become an international problem. While the USA threatened Iran with the option of military force, Turkey intervened in the solution of the problem by acting as a mediator at the request of the International Atomic Energy Agency (IAEA) so that the problem would not turn into a military crisis as in Iraq.
- Cyprus and the Annan Plan: In 2004, with Turkey's positive approach, a permanent solution to the Cyprus problem was sought, and a referendum was held by the former UN Secretary General Kofi Annan for the unification of the Turkish and Greek parts of Cyprus.
- Effectiveness in International Organizations: Turkey became an observer country to the African Union in 2005 and a strategic partner in 2008. Turkey became a permanent observer of the Arab League in 2006. In 2009, Turkey became a Temporary Member of the UN Security Council.

- Zero Problems with Neighbors Policy: An example of this is the diplomatic initiative that started with Syria in 2007, before the Armenia Initiative in 2009. Barzani and Talabani from the Iraqi Kurdish Regional Government were also invited to Turkey to improve bilateral relations.
- Mediation Activities: Turkey tried to keep the dialogue channels open by conducting shuttle diplomacy between two or more problematic countries, as it did between Bosnia and Herzegovina and Serbia in 2009, and took the initiative to solve the problem.
- Building Interdependence: In 2010, steps were taken for Turkey, Syria, Jordan and Lebanon Free Trade Zone.
- Finally, the Active Role of the Business World in Foreign Policy: With the AKP government, conservative or Anatolian capital such as MUSIAD and ASKON played a more active role in foreign policy, and intensified its commercial activities in the nearby geography in line with the government's foreign policy. This is going to be examined in detail in this chapter.

Kirişçi used the concept of "trading state" while describing Turkey's new foreign policy in the 2002-2009 period. Kirişçi stated that after the end of the Cold War, Turkey's foreign trade volume grew regularly and constituted a large part of its gross domestic product. By the 2000s, Turkish foreign policy began to take shape within the framework of economic values such as export market, investment, tourism and energy. The liberal market economy model adopted by Turkey has provided the opportunity to integrate into the global economy and accelerate its steps in the process of "becoming a trading state". Kirişçi stated that they aim to increase economic dependency in the new Turkish foreign policy by acting within the framework of the mission of "zero problems with neighbors" of the political elite. Economic interdependence serves, firstly, to solve problems and build peace between states, and secondly, to expand the export and investment market in foreign trade. However, Kirişçi stated that the unstable situations in Turkey's domestic politics and foreign policy problems still waiting to be resolved prevent its potential to transform into a trading state (Kirişçi 2009, 54).

The foreign policy put forward after 2002 was basically shaped by trade and mutual economic dependence (Kirişçi 2009). There was a certain degree of improvement in Turkey's overall global competitiveness ranking in the early AKP era. Trade empowered civil society in general and led to the emergence of new business elites, who then advocated a foreign policy outlook that brought trade-induced interdependence to the fore. The expectations of new interest groups contradicted the 'territorial-military' concerns of the traditional security establishment, and these new groups gained the upper hand as trade generated employment, economic growth, and national wealth in an increasingly globalized world (Kutlay and Karaoguz 2022). Interest groups belonging to the business and trade world such as the Turkish Industrialists' and Businessmen's Association (TUSIAD), Independent Industrialists' and Businessmen's Association (MUSIAD), Turkish Exporters' Center (TIM) and DEİK (Foreign Economic Relations Board) gained importance in foreign policy making in this period. These groups have been quite successful in forming a general public opinion about Turkey. At the same time, they formed partnerships with their counterparts in foreign countries, benefited from typical lobbying activities related to the trading state, and contributed to Turkey's transformation into a trading state (Kirişçi 2009, 43-46).

As a result, radical changes in domestic and foreign policy have been important developments in determining Turkey's position in the new world order. The foreign policy, which developed only within the framework of the perception of threat, has left its place to diplomacy and an economic-based policy. In this period, Turkey showed an example of a foreign policy in which multifaceted, active and soft power elements were prioritized. In this context, Turkey's period between 2002-2011 can be evaluated as a period showing the characteristics of a trading state.

### **3.2.2 Post-2011: Retreat of the trading state?**

The Arab spring process, which started with the self-immolation of a young man in Tunisia in 2010, ignited the first spark of anti-regime demonstrations in the Middle East. The process known as the Arab Spring has started and many states have changed their foreign policy. Global and regional actors have started to attempt to

realize their goals by taking advantage of the unstable and turmoil environment created by the Arab Spring. The peoples in the regions where the Arab Spring took place and the countries neighboring this geography were the most affected by this process (Özdemir 2016; Ünal 2017).

As stated earlier, the AKP government's coming to power and the establishment of a single-party government in the 2002-2011 period brought about great changes in Turkey's foreign policy. Within the framework of the Davutoğlu Doctrine, Turkish foreign policy, introduced to the concepts of being a global power, zero problems with neighbors, rhythmic diplomacy, soft power, and mutual economic dependence, has undergone a great change. Staying away from the Middle East geography before the 2002 period, Turkey has entered into an effort to improve its relations with neighboring countries on the basis of trade, energy and counter-terrorism in the post-2002 period. During the 2002-2011 period, Turkey began to gain the identity of a trading state mediating regional issues. However, the Arab Spring that broke out in 2010 dealt a blow to Turkey's dreams of becoming a regional and neutral power. In the period when it came closest to being a trading state, this concept left its place to the concept of security state.

After Recep Tayyip Erdoğan became President in 2014 and Mevlüt Çavuşoğlu took office as Minister of Foreign Affairs in 2015, Erdoğan and Çavuşoğlu have been the major decision-making actors in the construction, discourse and implementation of foreign policy in the AKP government. With the referendum held in 2017 and the Presidential Elections held in 2018, the government system was also changed, and foreign policy became largely determined under the umbrella of the Presidential Government System (Eren 2021, 15).

The post-2011 period has been a period in which internal and external dynamics intertwined in Turkey. The infiltration of an organization with religious camouflage like FETO to every level of the state, its easy access to every information, and its control of the security forces have made the internal threat more dangerous than the external threat. On the other hand, terrorist organizations

stationed on the territory of Turkey's neighboring countries posed a great danger to Turkey's national security. PKK and DAESH have caused an unstable environment by organizing bomb attacks and suicide attacks within the country. In particular, the PKK's urban warfare strategy has dragged the east of the country into chaos. The fact that the headquarters of the PKK and DAESH was not in Turkey but in other lands also affected the foreign policy of the period. However, due to the actions of these organizations targeting Turkey, it is defined as a first-degree threat for Turkey. The post-2011 years have been a period in which external dynamics and relations with other states are important because the source of the internal threat is beyond the borders. Foreign policy and alliances that eliminate the internal threat have become a priority.

Turkish foreign policy in the post-2011 period has developed around the Syrian problem. Again, Turkey's relations with other states have developed within the framework of its policies towards Syria. One of the most difficult tests of the period was given with the USA, which has been Turkey's ally for many years and is the dominant power of the world. Turkey and the United States took part in this crisis on different fronts and could not meet on a common ground. Another difficult test has been given in Iraq policy. The fact that Iraq has a tripartite structure with the central government, KRG and Mosul occupied by DAESH increased the instability in the region and caused Ankara to follow a tripartite policy towards Iraq. The Iraqi central government's pro-Iran and Shiite policies have endangered Iraq's stability and territorial integrity. The fact that other groups feel excluded in pro-Shiite governments has strengthened the phenomenon of terrorism. The unstable environment in Iraq first posed a threat to Turkey. Turkey has taken initiatives to strengthen the other parties in Iraq and prevent them from being excluded from the administration. An important actor with which security and energy-oriented relations were developed in this period is the KRG. Thanks to this rapprochement, Turkey both gained energy equality and wanted to prevent the PKK from getting stronger in Iraq by pulling the Kurdish administration to its side. However, since the independence referendum organized by the KRG in 2017 was an action against the protection of the status quo, which is Turkey's most basic



Middle East policy, Turkey did not hesitate to confront the KRG despite its energy and security bonds. Even though relations with Iran were moderate at the beginning of the period, the Iraq and Syria crises caused the competitive aspect to come to the fore in the delicate balance between cooperation and competition between the two countries. Iran perceived every step of Turkey towards Iraq and Syria as a threat to itself and did not hesitate to manipulate it. Considering the relations with Russia, even though the two states follow different policies regarding Syria, they have succeeded in being on common ground in the energy and economic fields. Even if the plane crisis<sup>1</sup> created a temporary break between the two states, relations returned to normal after the July 15 coup attempt. The USA's increasing cooperation with the YPG/PYD/PKK has brought Russia closer to Syria. Russia has become the key to Syria for Turkey, as it controls the military presence and airspace in Syria.

Syria is very important for Turkey as it is the gateway to Jordan, Lebanon and other Arab countries. With the Syrian civil war, the increasing instability, conflict and crisis environment in the region gave terrorist organizations the opportunity to open up space for themselves in the region. This situation has affected Turkey, which has a 911 km border with Syria, more than other actors in the economic and sociological fields, especially in security. Until 2016, Turkey followed a Syria policy based on collective behavior. However, the developments in Turkey's border have turned into a problem that threatens Turkey's national security, rather than just a problem in the internal affairs of the state. The developments in the Syrian territory were carried to Turkey through terror. DAESH terrorism has settled in the common threat perception of all states, but Turkey has been the

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<sup>1</sup> On November 24, 2015, Turkey shot down the SU-24 type Russian jet, which violated its airspace and continued despite warnings, near the Syrian border. After the incident in which a NATO member state shot down a Russian plane for the first time, Turkish-Russian relations, which were already tense, came to a breaking point. After the incident, Turkey declared that its airspace was violated and that it shot down the plane after the necessary warnings according to the rules of engagement. Russia, on the other hand, stated that after the incident, "we were stabbed in the back". In addition, Turkey stated that it did not know the nationality of the plane, and if it had known that it was a Russian plane, its attitude would have been different. Russia, on the other hand, stated that it is not possible for Turkey not to know the nationality of the aircraft. After the incident, Russia announced the sanctions it would impose while waiting for an apology from Turkey. Upon Russia's apology, Turkey stated that its reaction was a legitimate right and rejected request for compensation. But later, Turkey apologized to Russia in a diplomatic letter (BBC 2015; BBC 2016; Can et al. 2019).

country most affected by this threat physically. While DAESH was expanding its presence on the Syrian and Iraqi borders, it did not hesitate to take Turkey against it. Many Turkish citizens have been victims of this terror due to the terrorist acts it organized in Turkey and its targeting of border provinces. Although DAESH poses a threat to Turkey's national security, Turkey's primary threat in Syria is the YPG/PYD/PKK, which has taken control of the city in the northern part of the country where the Kurdish population is concentrated. Turkey has suffered many losses due to PKK terrorism for many years and the terror factor has become a priority in Turkey's foreign policy. For this reason, the possibility of YPG/PYD/PKK, the Syrian extension of the PKK, to seize cantons in Syrian territory and create a terror corridor, has put Turkey on alert. As a result of all these threat perceptions, Turkey carried out cross-border operations against Syria based on its right of self-defense.

As a result, the popular resistance that started against the authoritarian regimes in the Middle East in 2010 has dragged the region into chaos. Of course, the turmoil in which the Middle East was dragged affected the states of the region the most. Especially the Syrian leg of the Arab Spring has been the development that triggered Turkey's internal and external dynamics and brought the threat perception to the highest level. In this context, Turkey, which attempted to become a trading state during the 2002-2011 period, changed its concept in post-2011 period and turned into a security state.

### **3.3 Turkish Trading State in Perspective: An Institutional Critique**

When Turkish foreign policy is evaluated, it is seen that the factors affecting foreign policy are cultural, historical and strategic (Çavuş 2012, 30). In almost every period, Westernism and status quoism have dominated Turkish foreign policy, which has historically changed depending on both internal and external factors. With the end of the Cold War and the dissolution of the Soviet Union, economic and political relations with Turkic states increased. Factors such as the understanding of increasing exports since the 1980s and the rejection of the application to enter the European Union have also contributed to Turkey's pursuit

of a new foreign policy. With a point of view that became slogan with the motto "From the Adriatic to the Great Wall of China", Turkey has initiated various initiatives to become a much more effective political and economic power in a wide geography surrounding it (Oran 2004, 354).

Analyzing the transformation in Turkish foreign policy in the 2000s, Kirişçi (2009) noted that Rosecrance's concept of "trading state" began to emerge in Turkey in the 1980s. In fact, it is possible to take Turkey's understanding of a trading state further back. With the help of TÜSİAD and similar commercial organizations that were established in the 1960s, Turkey has quickly started to gain a "trading state" identity. Although the understanding of the trading state, which developed especially in the 1980s with the neoliberal policies implemented by Özal, was interrupted by military coups, it started to rise again in the 2000s. For example, increasing foreign trade with the EU is a reflection of this period. According to Kirişçi (2009), the foreign policy put forward during the Justice and Development Party governments that came to power in Turkey in 2002 was basically shaped by trade and mutual economic dependence.

The understanding of interdependence has two tasks in the foreign policy implemented. The first of these is to provide peace and stability, and the second is to create a market for Turkish Businessmen and exporters' associations. In this period, Turkey's foreign economic relations were developed with the structure established under the Ministry of State responsible for the economy. Other factors such as civil society activities, the mobility of Turkish citizens abroad, the growth in Turkey's economy and the increase in foreign trade were also influential in this process. Interest groups belonging to the business and trade world such as TUSIAD, MUSIAD, TIM and DEİK gained importance in foreign policy making in this period. These groups have been quite successful in forming a general public opinion about Turkey. At the same time, they formed partnerships with their counterparts in foreign countries, benefited from typical lobbying activities related to the trading state, and contributed to Turkey's transformation into a trading state (Kirişçi 2009, 43-46).

Two developments made important contributions to the Turkish state's gaining the character of a trading state. The first of these is the liberalization of Turkey since the 1980s and the opening of “Anatolian Tigers”, which symbolizes the power of local capital, to foreign markets. The second important development is the gradual transition from the military political system to the trading state system in Turkey's foreign policy. During this period, the Prime Minister of the time, Turgut Özal, wanted to end the current conflict environment and wanted to maintain a foreign policy in a mutually dependent relationship with neighboring countries. In this context, Özal made great efforts to open new markets in the Middle East and former Soviet countries (Kirişçi 2009, 44). This situation is in harmony with the idea of increasing regional and international peace and stability through interdependence and free trade, on the one hand, and increasing the welfare of the country by acquiring new markets on the other. Although it is claimed to have some revisionist qualities, Özal is one of the names that prepared the political infrastructure for the 2000s by making important developments in Turkish foreign policy and creating a paradigm shift, with a perspective that puts trade in the foreground. The Justice and Development Party, on the other hand, made the first steps taken by Özal on many issues more concrete with the influence of the national and international conjuncture. The increasing trade volume with other countries in this period confirms Turkey's efforts to transform into a trading state.

Especially since the 2000s, Turkey has been trying to implement its soft power more consciously and to increase its effectiveness and visibility in various geographies, especially in the Middle East, the Balkans and Latin America (Yeşiltaş and Balcı 2011, 29). In this context, the zero-problem-based foreign policy understanding and liberal visa policies with neighboring countries during the Justice and Development Party period contributed positively to Turkey's soft power. Similarly, the project of intensive promotion of Turkish culture, especially in the Middle East, formed an important basis of Turkey's soft power (Öner 2013, 12). As is known, the existence of a diplomatic structure that supports economic and military capacity is extremely important. In this period, the number of

embassies and representations abroad was increased in order to expand the soft power area. In order to ensure economic development, support was provided to exporters and investors in the countries where they operate (İnat 2014, 17). Thanks to these practices, which can be called "economic diplomacy", significant gains have been achieved in Turkey's soft power capacity. The fact that the former Prime Minister and current President Recep Tayyip Erdoğan has been the leader who visited foreign countries the most during his long years in office is also part of the effort to attract investment in Turkey and increase trade with these countries (Oğuzlu 2007, 84). On the other hand, in the post-2011 period, the Arab spring, particularly the civil war in Syria has triggered Turkey's internal and external dynamics, and Turkey has put aside its attempts to become a trading state, which it tried to gain in the previous period, in order to ensure its own security. As a result, Turkey, which attempted to become a trading state during the 2002-2011 period, changed its concept in the post-2011 period and turned into a security state.

In summary, it can be stated that the foundations of the trading state of Turkey were laid during the Özal period and became more visible during the AKP period, but did not become sustainable. It is seen in the literature that there are some criticisms about the interruption of Turkey's activities to become a trading state.

Kutlay and Karaoğuz (2022) criticized the interruption of Turkey's journey to become a trading state in three aspects. Firstly, Turkey's underdeveloped developmental management regime was emphasized. A cycle between trade and foreign policy could not be established due to the industry that could not develop due to the low development capacity of the state. Second, the authors emphasized the fragmented nature of state-business relations. Economic actors had limited influence on foreign policy due to insufficiently institutionalized state-business relations. Third, the authors emphasized the problem of financial support to exporters. Turkey's chronic current account deficits have hindered the sustainability of supporting exporters and conducting an active foreign economic policy. As a result, Turkey's journey to become a trading state has been largely unsuccessful after 2011, due to external factors such as the negative economic

conditions in the world, the Arab spring and the Syrian war, as well as three emphasized areas of criticism (Kutlay and Karaoguz 2022, 8-15).

### **3.4 Concluding Remarks**

Following the Özal period, when the trading state steps were first taken, the years 2002-2011, the first period of the AKP, was a period in which the predictions of idealist/liberal theory were effective in foreign policy practices. As of this period, Turkey has begun to use soft power elements more in foreign policy, to carry out activities with an economic motivation with the understanding of the trading state, to solve the problems with its neighbors by creating interdependence relations, to increase the efforts for integration in its region, to increase its diplomatic and mediation activities and to contribute more to the solution of regional security problems. The social, legal, economic and political transformation experienced with Turkey's EU membership process and the start of negotiations has been realized in line with the basic assumptions of liberal philosophy.

In the post-2011 period, external dynamics have become an extension of internal dynamics and Turkey has shaped its foreign policy to eliminate or balance existing and future threats. The civil war in Syria has triggered Turkey's internal and external dynamics, and Turkey has put aside its attempts to become a trading state, which it tried to gain in the previous period, in order to ensure its own security. As a result, Turkey, which attempted to become a trading state during the 2002-2011 period, changed its concept in the post-2011 period and turned into a security state.

There are many actors, factors and/or phenomena that determine the behavior of states in foreign policy, and these cause states to build their foreign policies according to the situation they are in. For example, during the Covid-19 pandemic, states tried to fight the epidemic with their own infrastructure and superstructure forces such as health system, personnel, struggle strategy, scientific development, and the education level of the people. The pandemic has revealed that states should always be strong against health problems, security, etc. In addition, states, regardless of their size and type, have to rely on their own power to ensure their

security, and the need for security leads states to be stronger than others in the system and to maximize power. With the Covid-19 outbreak, the power of international organizations has been questioned in the world, and the importance of states with their infrastructure and superstructure actors has come to the fore. In this period, Turkey has also activated the aid and humanitarian diplomacy mechanism in international relations with its infrastructure and superstructure actors, such as health, food, textile, etc. In this context, in the third part of the study, trade-state discussions and state-business relations in Turkey will be discussed in the context of the Covid-19 pandemic through the example of MUSIAD.

## **4. TRADING STATE DISCUSSIONS AND STATE-BUSINESS RELATIONS IN TURKEY: THE CASE OF MUSIAD IN THE CONTEXT OF THE COVID-19 PANDEMIC**

### **4.1 A Brief Background: History and Contextualization of MUSIAD in Turkish Political Economy**

Independent Industrialists and Businessmen's Association (MUSIAD); is an association of the businessmen, which was founded in Istanbul on 9 May 1990 by religious and conservative businessmen, who set out with a dream about Turkey where equity and law, justice and equality, peace and safety, welfare and prosperity have been established; public and historic local and universal values are regarded, that is undivided in itself, active in economic and political sphere in its territory and prestigious all over the world. As a businessmen's association that acts independently and separately both at national and international level, the mission of the MUSIAD is to increase the number of the members that adopts pre-determined principles and values, develop solidarity among the members and contribute to material and moral development of Turkey with this unity and solidarity spirit ensured within itself. MÜSIAD represents 60,000 businesses that employ approximately 1.8 million people, with 83 contact points across Turkey, approximately 164 contact points in 81 different countries, and more than 12,000 members (MUSIAD 2022).

In the environment created with the development of the free market economy in Turkey, businessmen known for their religious and conservative identities have played a role as the leading actors. It is said that MUSIAD is characterized as a symbol in this regard and has gained an important status in the relationship between Islam and capitalism. In this respect, it draws attention in the sociological change experienced in recent years, as it plays important roles in the social and political field as well as in the economic field. In other words, it is seen as a part of a sociological transformation as well as being a business organization and is



mostly shown as the opposition elite (Islamic bourgeoisie) positioned against TUSIAD (Mumyakhmaz 2014, 370).

Another issue that can be emphasized about MUSIAD is the closeness to the government (AKP). Vardan, who was the Chairman of MUSIAD between 2008 and 2012, states that the management team of the AKP was with them both in its establishment and in later periods, and some of its members were AKP deputies (Vardan 2012, 66-70). Considering Vardan's statements and the activities reflected in the press, which he gave as an example (Vardan 2012, 156-158), it is possible to say that there is a mutual closeness between MUSIAD and the AKP and this is reflected in mutual policies. However, it can be said that the fact that MUSIAD, as an NGO, admiringly supports all the practices/policies of a political party or is integrated with the government, basically creates an image that contradicts the autonomy and independent characteristics of the NGOs.

In order to examine the concept of state-business relationship and trading state in case of MUSIAD and in the context of COVID-19, the literature on this subject was reviewed and interviews were conducted with MUSIAD managers. In this context, online interviews were conducted with a total of nine managers. One of the participants is the former president of MUSIAD, six of them are managers of MUSIAD, and two of them are managers of different NGOs. In the continuation of the study, the information obtained from the literature and the interview is presented by combining it.

#### **4.2 MUSIAD and Trading State Discussions: Where Does It Stand?**

There are policies that businessmen's organizations try to implement in line with their goals. MUSIAD also carries out activities, produces policies and tries to participate in the policy formation process in order to implement these and to influence the political staff both at home and abroad. In this context, it is thought that it would be appropriate to firstly examine the methods used by MUSIAD while trying to enforce its policies.

One of MUSIAD's means of influencing foreign policy is to meet with national level administrators and politicians. In these interviews, MUSIAD expresses his own views and also presents the reports and tries to make an impact. One of the most important aspects of influencing a policy making process is being close to official decision makers, in other words, to be close to government. In this process, both domestic and foreign representations have a very important place. MUSIAD also follows this path and opens representative offices abroad in cities that are important centers. It is seen that MUSIAD has focused on networks in recent years. It is also stated by MUSIAD that efforts are being made to open representative offices at strategic points. In addition, MUSIAD, formed by SMEs, also makes joint agreements with organizations formed by SMEs abroad (MUSIAD 2014).

MUSIAD also states that it attaches importance to engaging in more institutional activities with universities and serious think tanks and supporting academic studies on Turkish foreign policy and international politics (MUSIAD 2013). In addition to these, business trips and international forums used by many business organizations are among the methods used by MUSIAD to increase its trade and international connections. MUSIAD is in contact with both commercial and political actors by making trips with wide participation. In these trips, the opportunity to connect and meet with businessmen is caught and important reports are prepared for the benefit of businessmen in Turkey (MUSIAD 1998). In addition, MUSIAD provides meetings with foreign businessmen in Turkey in order to connect with foreign businessmen, and on the other hand, it strengthens its relations by inviting businessmen from foreign countries to Turkey.

It can be seen that MUSIAD has increased these efforts in recent years and accordingly its influence has increased. Before considering the activities of MUSIAD in the context of the trading state, it is considered appropriate to address the reasons why it can increase its effectiveness.

The change in the ideology of the state, especially the acceptance of the Turkish-Islamic synthesis after the 1980 Coup, is an important factor in increasing the influence of MUSIAD. The businessmen who founded MUSIAD increased their influence especially with liberalization policies in the 1980s. As a contradiction, anti-Western MUSIAD gained more room for action thanks to the policies that the West advocated and wanted to be implemented. Turgut Özal was influential in the formation of this situation. Because, through the acquaintance of Özal and MUSIAD members, MUSIAD has had the opportunity to access state resources (Yankaya 2014). It is stated that Islamic capital developed and prospered during the Özal Era and started to establish its own network more effectively (Oran 2001). In this period, the founders began to show MUSIAD as "the product of a policy aimed at expanding the domestic policy by promoting the integration of Islam into the field of finance and direct foreign investments" (Yankaya 2014, 89). In this perspective, the process of constructing and applying the Islamic and Turkish identity in foreign policy, which Özal has adopted and AKP governments are trying to implement, can also be seen (Yankaya 2014). Thus, trade with the countries selected within the framework of identity-related foreign policy has increased, and MUSIAD, which defines itself with its identity in this direction, has gained. Trade with the Turkic Republics and regions that can be called Islamic, to which MUSIAD is more focused, has increased.

Another reason why MUSIAD is influential in Turkey's trade and politics is the phenomenon of globalization (Başkan 2010). The fact that identity politics and identities have become more comfortable has been very effective in MUSIAD's self-disclosure. In this case, it is also effective for centre-right parties with an 'Islamic' ideology to find a place in the Grand National Assembly of Turkey, form a coalition or come to power like the AKP. In this case, the state's determination of its own identity within the Islamic framework and the development of relations with the countries under the influence of Islam affect foreign policy and foreign trade. Because MUSIAD defines itself around this identity. Here, both MUSIAD and AKP supported each other.

One of the reasons for increasing the influence of MUSIAD is the acceleration of democratic, liberal movements and policies in Turkey after the 1980s and especially after the 1990s, which, like the developments in other developing Islamic countries, enabled the Islamic bourgeoisie to integrate into the system more effectively. Because of this relatively successful democratization and liberal policies, MUSIAD has been integrated into the global system more quickly (Madi 2014). This situation has been one of the factors that will enable MUSIAD to be more effective in Turkey's political life.

One of the reasons MUSIAD has increased its influence is the increase in its economic capacity. Companies affiliated to MUSIAD have started to be among the top 500 companies announced in Turkey. This situation enabled MUSIAD to carry out more activities and increase its capacity to establish relationships. The increase in the influence of MUSIAD has brought it to take place in some important institutions. This enabled MUSIAD to reach decision-makers more comfortably and effectively.

As can be seen, the process progressed in two directions, while MUSIAD became stronger due to its close stance to the Governments, on the other hand, it became influential on the government and decision makers with this power. In this interaction, MUSIAD's view of foreign and economic policy has been in line with AKP Governments. In other words, the formation of Turkish Foreign Policy focused on identity, history, cultural heritage and a geopolitical perspective. This perspective can be seen in the reports of MUSIAD, the speeches of the chairman and members, and in the commercial regions that are given priority. In the report of MUSIAD, "Turkish Foreign Policy Towards the Post-Western World", it is stated that Turkey should have closer relations with regions that share identity, ideology, religion, etc. – i.e. Africa, the Balkans, Central Asia, the Middle East, and the Caucasus (MUSIAD 2013).

Another emphasis of MUSIAD in this report is its policy of zero problems with neighbors. According to MUSIAD, the basic condition of being a strong state is to

have a strong economy, and what will ensure this is the increasing trade volume with neighbors (MUSIAD 2013). Here, it is seen that the policy of zero problems with neighbors is given importance. It is obvious that this political thinking is quite compatible with the political thinking put forward by Ahmet Davutoğlu in his book *Strategic Depth*.

MUSIAD also stated that it is necessary to be included in the Shanghai Cooperation Organization in order to make efforts to establish closer relations with Asia and to ensure mutual political trust. This shows that MUSIAD tends to seek alternatives from the West. This situation is also compatible with the identity and ideological perspective of MUSIAD. This is an effort to establish closer relations with different regions outside the EU. In addition, MUSIAD also has a perspective based on establishing relations with the Turks in the Balkans, the Caucasus and Central Asia, and with the societies that remained in those regions after the Ottoman Empire collapsed. For example, MUSIAD stated that it would be beneficial for Turkey to develop new initiatives and policies that will strengthen its relations with the Turkish/Muslim communities in Russia by gaining the trust of Moscow (MUSIAD 2013).

As it can be seen, MUSIAD, which has a foreign policy perspective on the axis of identity, history, cultural and religious ties, has progressed in parallel with the change in AKP's policies as well as the growth of its economic volume. In other words, the perspectives of AKP and MUSIAD on Turkish Foreign Policy agree and resemble each other. Undoubtedly, there are several reasons for this similarity.

One of the most important reasons for the formation of these similarities is the organic relations between MUSIAD and AKP. Erdogan participated in the programs organized by MUSIAD when he was the mayor of Istanbul. Not only Erdogan, but also many government officials attended the conferences and meetings organized by MUSIAD. In fact, some of the MUSIAD members are also AKP parliamentarians (Başkan 2010).

Self-definitions of AKP and MUSIAD and references used by AKP are quite similar. The group that would form the AKP, under the leadership of Erdoğan, left the Welfare Party and began to chart a path that followed more liberal policies and had more connections with the outside world. This separation has also been one of the reasons for the rapprochement of AKP and MUSIAD. Because, as a result of MUSIAD's tendency to reconcile the Islamic values and liberal policies of the AKP in the 1990s, significant similarities have emerged between the views of AKP administrators and the views of businessmen who will form MUSIAD.

It is seen that Turkey's studies on the Middle East, the Balkans, the Caucasus and Central Asia have gained weight on the theoretical framework that Ahmet Davutoğlu tried to create, especially after the period when the AKP came to power. This situation reveals which 'identity' was determined and used in the formation process and implementation of Turkish Foreign Policy.

MUSIAD also takes a stance against the "West" in its 2013 foreign policy report. This report also mentions the rise of regions outside the West. MUSIAD has been in contact with the IMF and the World Bank very recently. It has always kept a distance from these institutions (Yankaya 2014). This is in line with the AKP's foreign policy initiative. Because AKP maintained relations with both the IMF and the World Bank. On the other hand, the AKP attaches importance to contact with non-Western regions. MUSIAD's contact with these international organizations coincides with the AKP Governments. The fact that MUSIAD started to get in touch with the IMF and that it has relations with the world outside the West and intensifying these relations is in line with the AKP's foreign policy stance.

Another important point of view similarity in foreign policy is seen in the 2013 report of MUSIAD. In the report, the "zero problems" policy put forward by Ahmet Davutoğlu is viewed very warmly and as an important intellectual breakthrough for the solution of the problems in the region. Another similarity in terms of foreign policy discourse is the similarity in being a "central country" and working in this direction and taking steps to behave in this way. The central

country Turkey discourse is frequently encountered in the speeches of MUSIAD presidents and members, and in MUSIAD publications (MUSIAD 2004). It can be clearly seen here that the stance of MUSIAD in Turkish Foreign Policy and the foreign policy view of the AKP are quite parallel.

As a result, it is seen that MUSIAD, which prioritizes identity-based interaction and emerged as an Islamic-bourgeois, synthesized this stance with neo-liberalism without compromising its founding principles as much as possible, in line with the policies of the AKP, which has organic ties. In addition, it is understood that MUSIAD is in a parallel position with the government in Turkey's policies towards becoming a trading state in this process. The statements of the participants in the interviews supporting this conclusion are presented below:

*Although there was no change in the understanding of our institution, we made some changes in our practices with the developing socio-economic conditions. But there has been no change in our principles, values and vision. As on the first day, we are rapidly moving towards our goals to become a leading country, not a follower, in our relations with foreign countries, without violating our moral and social rules for the future of our country and for the development of our trade.*

*...we continue on our way by updating according to the conditions of the day.*

*The founding philosophy of a non-governmental organization has definitely been formed in the light of a road map. Although this philosophy has undergone some cyclical or periodic changes for many years with that institution, it largely continues the roadmap it followed in the first period. As an institution, we have always conveyed the perspective of our members to the relevant institutions and individuals and tried to contribute to the processes.*

*During my tenure, we established project-based committees and carried out activities in coordination with the ministries and the Presidency Strategy and Budget Department.*

### **4.3 The COVID-19 Pandemic: How Does MUSIAD Approach?**

The Covid-19 pandemic has had an impact around the world and continues to do so. In all areas of life, there are serious changes that are discussed whether they will be permanent or not. This, of course, is not the first global pandemic in history. Pandemics such as the Plague of Justinian, which started in the 6th century, the Black Plague, which appeared in the 14th century, and the Spanish flu in the last years of World War I, caused many global political and economic changes, especially population losses. For example, in the 14th century, it is claimed that the Black Plague was effective in the dissolution of feudalism (Pamuk 2020). It is discussed what kind of effects the Covid-19 outbreak has and will have on the global economy, which is already struggling with the crisis, on the relations between global powers or on global production relations and labor relations, and on our daily lives. It is obvious that different measures are taken and different coping strategies are followed in all countries against the pandemic, but the general opinion is that almost every country and the global economy are caught unprepared for Covid-19. The limitations of the health systems, the inadequacy of the equipment, the lack of funds to cover the losses economically came to light. However, very rapid changes have come into play, especially in the production and working areas, which are essential to continue despite the pandemic. It has been tried to create conditions that will enable "the wheels of the economy to turn no matter what".

With the pandemic, the centrality of production activity and labor was understood, but in a structure where production relations are organized in a capitalist way, the desire to continue production under all conditions forced workers to work at the expense of their lives, risking their health in order not to lose their jobs. This picture spreads the prediction that more despotic, authoritarian labor regimes will strengthen during and after the outbreak. It is determined that the control and exploitation of labor has increased and will increase even more. There is a concern that mechanisms that prolong working hours and control private life, such as camera monitoring in working from home, electronic monitoring of workers in the



factory, and more digitalization, will be accepted as the “new normal” (Çelik 2020: Özdal and Özgür 2020).

In fact, the capital class, taking advantage of Covid-19, takes steps both to minimize the damage of the pandemic to themselves and to perpetuate these working conditions in the pandemic conditions. MUSIAD's Covid-19 reports seem to focus on the expansion of unregulated labor exploitation and Turkey's strategic position in the global supply chain, which is expected to separate from China (Özgür 2020). It is stated that MUSIAD's projects such as "production bases" aim to turn the pandemic into an opportunity and make Turkey an alternative to China, a new supply point that competes with it. In addition, these projects are criticized that the right to strike is suspended and a new labor regime that takes its power from cheap labor is aimed to become permanent (Özdal and Özgür 2020).

Here, the effort to turn the current crisis into an opportunity, to ensure the continuation of production and trade, and to make this system always valid is clearly seen. MUSIAD emphasizes that it has taken action for the post-coronavirus period and the importance of SMEs in this context. It emphasizes that SMEs constitute the backbone of the Turkish economy, that they are the locomotive element of the economy, that they experience spatial difficulties in Anatolia, and that it is necessary to transform them into stronger and more durable large companies in this period (MUSIAD 2020). In other words, MUSIAD considers the pandemic as an "opportunity" for the capital segments and small and medium-sized capital segments it represents, and makes an attempt with projects in this direction.

The statements of the study participants supporting that MUSIAD sees the crisis as an opportunity are presented below:

*Undoubtedly, the problems caused by the slowdown in production and supply chain have also affected our country. However, our country has become one of the most important countries that increased its growth rate the most during the pandemic process. The closures and supply chain problems in Europe and the USA have been experienced in the least way in our country. Our country has turned many*

*disadvantages of the pandemic into advantages by breaking export records with the transition to a production economy.*

*I would like to say that the Covid-19 pandemic is a tool for the transition to the new world management system. This process was well managed throughout Turkey, especially with the influence of the presidential system and with the cooperation of NGOs. When we look at the growth figures, Turkey has achieved significant growth and distinguished itself from other world states.*

*Covid 19 has shaken the world economies to a great extent and of course caused heavy damage to our country. However, due to the potential of our country's people to turn crises into opportunities, and the fact that a huge production base like China has suffered from this process, I think that results emerged in favor of our country and our economy.*

In addition, it is seen that MUSIAD carries out its activities in harmony with the government during the COVID-19 process. The interview statements of the participants supporting this situation are presented below.

*Our institution did not remain indifferent to the call of our President for a production economy, and by taking the necessary steps, it increased its capacity and found more innovative solutions by combining its infrastructures with modern technology. In this way, we contributed to the increase in employment, the decrease in unemployment and the increase in foreign currency entering our country.*

*With the start of the Covid-19 process, we established the Müsiad Corona Crisis Center, provided 24-hour service, and reported the problems to the government. We made an impact analysis of the policies implemented in the field, we have been involved in many studies.*

*Our state, with the advice of our institution, switched to a low interest policy during and after the pandemic, thus paving the way for our production, helping to increase employment, the ratio of exports to non-energy imports and the current account surplus.*

*Since we are carrying out projects in countries such as Iraq and Kuwait, we took the opportunity to explain and introduce our country to sensitive people in these countries.*

As a result, due to the economies shutting down during the COVID-19 process, MUSIAD contributed mostly to domestic activities in coordination with the government. In addition, it emphasized that while the world's national economies are closing during the COVID-19 process, Turkey needs to develop projects with determined standards, ready infrastructure, and a sterile environment for the workforce to meet the demand. This approach is evaluated as MUSIAD has not given up on its trading state target. On the other hand, it is noteworthy that some of MUSIAD's projects are criticized as labor exploitation.

#### **4.4 Concluding Remarks**

In the environment created with the development of the free market economy in Turkey, businessmen known for their religious and conservative identities have played a role as the leading actors. It is said that MUSIAD is characterized as a symbol in this regard and has gained an important status in the relationship between Islam and capitalism. In this respect, it draws attention in the sociological change experienced in recent years, as it plays important roles in the social and political field as well as in the economic field. In other words, it is seen as a part of a sociological transformation as well as being a business organization and is mostly shown as the opposition elite (Islamic bourgeoisie) positioned against TUSIAD (Mumyakhmaz 2014, 370).

As a result of literature view and interviews, it was seen that MUSIAD, which prioritized identity-based interaction and emerged as an Islamic-bourgeois, synthesized this stance with neo-liberalism without compromising its founding principles as much as possible, in line with the policies of the AKP. In addition, it was understood that MUSIAD had been in a parallel position with the government in Turkey's policies towards becoming a trading state in this process.

In the Covid-19 period, it has been observed that MUSIAD's effects on foreign policy were limited due to the closure of world economies, but it continued to carry out both domestic and limited foreign activities in accordance with the

government in this process. In addition, it was seen that MUSIAD evaluated this period as an opportunity and developed projects such as "production base". This approach is interpreted as not giving up the dream of being a trading state. On the other hand, the criticism of these projects as labor exploitation drew attention.

## 5. CONCLUSION

With the increasing effect of globalization in the world, the life of the individual has been affected. However, this interaction is not limited to the life of the individual, but also includes the states' own systems of existence. More precisely, the issue of governance has ceased to be done only by nation-states, and other non-state actors have also begun to have a say or influence in the administration (Özkan 2015). The change brought about by globalization manifests itself in different ways in the context of foreign policy. The management of countries has now come to reflect the will of not only those who represent the state, but also different political, cultural and religious groups. In addition to economic developments, interdependence on political issues has increased, and as a natural result, the influence of non-governmental organizations in domestic and foreign policy has begun to increase (Tuna 2021, 3). In this context, it is aimed in this study to examine the role of MUSIAD in determining and implementing Turkey's foreign and economic policies and the impact of the Covid-19 on this process in the context of the trading state. In this context, the literature review and interview results are summarized below.

Analyzing the transformation in Turkish foreign policy in the 2000s, Kirişçi (2009) noted that Rosecrance's concept of "trading state" began to emerge in Turkey in the 1980s. In fact, it is possible to take Turkey's understanding of a trading state further back. With the help of TÜSİAD and similar commercial organizations that were established in the 1960s, Turkey has quickly started to gain a "trading state" identity. Although the understanding of the trading state, which developed especially in the 1980s with the neoliberal policies implemented by Özal, was interrupted by military coups, it started to rise again in the 2000s. For example, increasing foreign trade with the EU is a reflection of this period. According to Kirişçi (2009), the foreign policy put forward during the Justice and Development Party governments that came to power in Turkey in 2002 was basically shaped by trade and mutual economic dependence.

The understanding of interdependence has two tasks in the foreign policy implemented. The first of these is to provide peace and stability, and the second is to create a market for Turkish Businessmen and exporters' associations. In this period, Turkey's foreign economic relations were developed with the structure established under the Ministry of State responsible for the economy. Other factors such as civil society activities, the mobility of Turkish citizens abroad, the growth in Turkey's economy and the increase in foreign trade were also influential in this process. Interest groups belonging to the business and trade world such as TUSIAD, MUSIAD, TIM and DEİK gained importance in foreign policy making in this period. These groups have been quite successful in forming a general public opinion about Turkey. At the same time, they formed partnerships with their counterparts in foreign countries, benefited from typical lobbying activities related to the trading state, and contributed to Turkey's transformation into a trading state (Kirişçi 2009, 43-46).

Two developments made important contributions to the Turkish state's gaining the character of a trading state. The first of these is the liberalization of Turkey since the 1980s and the opening of “Anatolian Tigers”, which symbolizes the power of local capital, to foreign markets. The second important development is the gradual transition from the military political system to the trading state system in Turkey's foreign policy. During this period, the Prime Minister of the time, Turgut Özal, wanted to end the current conflict environment and wanted to maintain a foreign policy in a mutually dependent relationship with neighboring countries. In this context, Özal made great efforts to open new markets in the Middle East and former Soviet countries (Kirişçi 2009, 44). This situation is in harmony with the idea of increasing regional and international peace and stability through interdependence and free trade, on the one hand, and increasing the welfare of the country by acquiring new markets on the other. Although it is claimed to have some revisionist qualities, Özal is one of the names that prepared the political infrastructure for the 2000s by making important developments in Turkish foreign policy and creating a paradigm shift, with a perspective that puts trade in the foreground. The Justice and Development Party, on the other hand, made the first

steps taken by Özal on many issues more concrete with the influence of the national and international conjuncture. The increasing trade volume with other countries in this period confirms Turkey's efforts to transform into a trading state.

Especially since the 2000s, Turkey has been trying to implement its soft power more consciously and to increase its effectiveness and visibility in various geographies, especially in the Middle East, the Balkans and Latin America (Yeşiltaş and Balcı 2011, 29). In this context, the zero-problem-based foreign policy understanding and liberal visa policies with neighboring countries during the Justice and Development Party period contributed positively to Turkey's soft power. Similarly, the project of intensive promotion of Turkish culture, especially in the Middle East, formed an important basis of Turkey's soft power (Öner 2013, 12). As is known, the existence of a diplomatic structure that supports economic and military capacity is extremely important. In this period, the number of embassies and representations abroad was increased in order to expand the soft power area. In order to ensure economic development, support was provided to exporters and investors in the countries where they operate (İnat 2014, 17). Thanks to these practices, which can be called "economic diplomacy", significant gains have been achieved in Turkey's soft power capacity. The fact that the former Prime Minister and current President Recep Tayyip Erdoğan has been the leader who visited foreign countries the most during his long years in office is also part of the effort to attract investment in Turkey and increase trade with these countries (Oğuzlu 2007, 84). On the other hand, in the post-2011 period, the Arab spring, particularly the civil war in Syria has triggered Turkey's internal and external dynamics, and Turkey has put aside its attempts to become a trading state, which it tried to gain in the previous period, in order to ensure its own security. As a result, Turkey, which attempted to become a trading state during the 2002-2011 period, changed its concept in the post-2011 period and turned into a security state.

In summary, it can be stated that the foundations of the trading state of Turkey were laid during the Özal period and became more visible during the AKP period,

but did not become sustainable. It is seen in the literature that there are some criticisms about the interruption of Turkey's activities to become a trading state.

Kutlay and Karaoğuz (2022) criticized the interruption of Turkey's journey to become a trading state in three aspects. Firstly, Turkey's underdeveloped developmental management regime was emphasized. A cycle between trade and foreign policy could not be established due to the industry that could not develop due to the low development capacity of the state. Second, the authors emphasized the fragmented nature of state-business relations. Economic actors had limited influence on foreign policy due to insufficiently institutionalized state-business relations. Third, the authors emphasized the problem of financial support to exporters. Turkey's chronic current account deficits have hindered the sustainability of supporting exporters and conducting an active foreign economic policy. As a result, Turkey's journey to become a trading state has been largely unsuccessful after 2011, due to external factors such as the negative economic conditions in the world, the Arab spring and the Syrian war, as well as three emphasized areas of criticism (Kutlay and Karaoguz 2022, 8-15).

Finally, in this thesis, the stance and influence of MUSIAD in Turkey's foreign and economic policy making processes are examined in the context of the trading state. In addition, the stance and effect of MUSIAD in the period of Covid-19 were also examined. As a result of literature review and interviews, it was seen that MUSIAD, which prioritized identity-based interaction and emerged as an Islamic-bourgeois, synthesized this stance with neo-liberalism without compromising its founding principles as much as possible, in line with the policies of the AKP. In addition, it was understood that MUSIAD had been in a parallel position with the government in Turkey's policies towards becoming a trading state in this process. In the Covid-19 period, it has been observed that MUSIAD's effects on foreign policy were limited due to the closure of world economies, but it continued to carry out both domestic and limited foreign activities in accordance with the government in this process. In addition, it was seen that MUSIAD evaluated this period as an opportunity and developed projects such as "production base". This



approach is interpreted as not giving up the dream of being a trading state. On the other hand, the criticism of these projects as labor exploitation drew attention.

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## CURRICULUM VITAE

### **Personal Information**

Name and surname : Bahadır YILMAZ

### **Academic Background**

Bachelor's Degree Education :Istanbul University/ Political Science and  
International Relations  
(2012-2017)

Post Graduate Education :Kadir Has University/ International  
Relations  
(2018-2022)

Foreign Languages: :English