

Rising Powers in a Changing Global Order: the political economy of Turkey in the age of BRICS

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ABSTRACT *The rise of BRICS presents a major challenge to the existing global order. A second category of emerging powers, which may be labelled near-BRICS, have also displayed increasing pro-activism in recent years in terms of influencing the regional balance of power politics, in addition to their growing presence in international organisations and global affairs. It is in this context that we aim to examine Turkey as a striking example of a ‘near-BRIC’ power, a country that has adopted an increasingly assertive and independent style of foreign policy with aspirations to establish itself as a major regional actor. Using the Turkish experience as a reference point, this paper aims to understand the extent to which near-BRIC countries possess the economic capacity, sustainable growth performance and soft-power capabilities needed to establish themselves as significant regional and global actors. The recent Turkish experience clearly highlights both the potential and the limits of regional power activism on the part of emerging powers from the ‘global South’.*

One of the ‘great debates’ of international politics today revolves around the global shifts taking place within the inter-state system. Students of international politics have increasingly engaged in a lively discussion, sparking alternative views on the dynamics, nature and consequences of a possible transformation from a US-centred system to a multipolar global order.¹ Many scholars argue that we have already entered a post-American world,² which crystallised after the global financial crisis triggered by the bankruptcy of Lehman Brothers, one of the world’s biggest investment banks, in September 2008.³ The strikingly high post-crisis growth performance of the emerging non-Western powers, especially Brazil, Russia, India and China (BRICS) and near-BRICS countries (Mexico, South Korea, Turkey, Indonesia and Malaysia),⁴ in comparison with the weak recovery in the USA and the deepening crisis in the EU, have accelerated the ‘West vs the rest’ debate.⁵

The international system passes through an interregnum period and, as Gramsci has put it, the old order is dying but the new cannot be born. The

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current phase of transformation from unipolarity to a multipolar system is characterised by three simultaneous developments. First, the power diffusion in the international political economic system is not accompanied by a parallel process of reallocation of power. It is quite clear that the USA is no longer an example of the 'textbook definition of hegemony'; that is, it lacks the ability to shape single-handedly the political and economic governance structures of the interstate system, as it used to. Yet the power shift from the USA has so far not been accompanied by a re-accumulation in the hands of another potential hegemonic actor. The power transition is proceeding in a diffused manner, covering a group of challengers. The second striking development, following closely the trend noted above, concerns the increasing tendency towards regionalisation in the global political economy.⁶ The globalisation wave of the past 30 years has unleashed a new wave of regionalisation, which is paving the way for the emergence of autonomous regional security orders.⁷ The third development in this context involves the rise of new regional powers and 'catch-up states'.⁸ Accordingly the arduous reshuffling of the global order and the uncertainty stemming from the waning hegemonic check and balance mechanisms are enabling regional powers to assume more autonomy in their domestic and foreign affairs. The complex interaction of these three developments has led to a political economy structure in which regional powers enjoy greater room for manoeuvre to pursue their own regional agendas and invest in more assertive foreign policy strategies, rather than passively adapting themselves to roles otherwise attributed to them by the great powers. The rise of BRICS and near-BRICS in the regional orders and the international system is a clear illustration of this trend.

In times of global power transitions an overriding question centres on the underlying capacities of the rising powers to play increasingly ambitious regional and global roles. A related question in this context is whether such countries have the capacity to generate high rates of economic growth on a sustainable basis: to what extent is current proactivism and regional assertiveness sustainable for regional powers, especially when taking into consideration domestic political economy challenges? This article addresses these questions by assessing Turkey's credentials to play an assertive regional leadership role, probing into its key political economy fundamentals. We believe that Turkey constitutes a critical case for studying a more general phenomenon—that is, the potential and the limits of emerging power influence in a rapidly shifting global order. We outline the possible risks and challenges pertaining to Turkey's ability to match its rising aspirations with its actual power resources and capabilities. While we recognise the limitations of single-country case studies for the purposes of large-scale generalisations,⁹ we believe that the Turkish experience provides a strong basis for shedding light on the principal theme of this paper. Turkey is clearly an interesting country from a broader comparative perspective, especially when considering its recent economic and political transformation, its long-standing Western orientation and membership of the transatlantic security alliance, as well as its quest to play a more independent regional role in the greater Middle East, without necessarily jeopardising its traditional alliances.

The article proceeds as follows: the next section provides a brief critical overview of the dynamics of Turkey's rising regional presence in the international

system heading towards multipolarity. The third section concentrates on the underlying political economy fundamentals of Turkey's current foreign policy proactivism and explores the risks and challenges associated with the ongoing systemic transformations. The final section attempts to generate broader insights into the debate concerning the degree and depth of influence that rising or emerging powers are likely to exercise in an era of profound global power shifts.¹⁰

Turkey: A new 'benign regional power' in the making?

Turkish politics during the past decade has been dominated by the right of centre, the Justice and Development Party (Adalet ve Kalkınma Partisi, AKP), distinguished by its moderate Islamist heritage.¹¹ Over the course of the AKP era Turkey has struggled increasingly to position itself as a 'benign regional power', especially in the Middle East, North Africa and the Balkans.¹² Turkey's current foreign policy reflects a more multidimensional and regionally oriented outlook in comparison to the strictly Western-oriented policies it pursued during the Cold War and the early phase of the post-cold war era. Turkey now considers itself an 'insider' in the Middle East and North Africa region, so much so that its Prime Minister, Recep Tayyip Erdoğan, even declared the Syrian civil war to be 'an internal affair of Turkey'.¹³ In fact, significant segments of the elites as well as the public at large in the Arab Middle East have shown a positive reception of Turkey's relatively assertive and independent foreign policy approach. According to recent research, 73% believe that 'Turkey has become more influential in Middle Eastern politics', while 66% think that 'Turkey can be a model for countries' in the region.¹⁴ However, this positive view is counterbalanced by the fact that this new foreign policy activism is also regarded in some circles, both at home and abroad, as a reflection of the revival of 'neo-Ottomanism', which contrasts with the vision of a benign regional power.¹⁵

Turkey's increasing engagement with the region has naturally attracted the attention of students of Turkish foreign policy. Not surprisingly explanations about the dynamics of rising proactivism vary significantly. One group of analysts has developed an identity-based explanation, by placing special emphasis on the ideological orientation of the moderately Islamist AKP, and has identified Sunni Islam-driven 'civilizational geopolitics' as the constituting foreign policy paradigm.¹⁶ A second group of scholars, on the other hand, has developed an alternative, interest-based explanation, which underlines the changing security dynamics of the international and regional orders. Thus, wars in Afghanistan and Iraq have triggered a power vacuum around Turkey's sphere of interest, and Turkish policy makers have responded proactively to this transformation, especially after the triumphant rise of the conservative AKP in the early 2000s.¹⁷

We argue that these explanations are not necessarily mutually exclusive. One cannot understand the AKP's active engagement in the greater Middle East without taking its moderate Islamic identity into consideration. However, simply concentrating on the civilisational dimensions of the 'new' Turkish foreign policy would miss out on the deeper domestic, regional and international political

economy dynamics at work. Hence there is a need to combine these different perspectives to provide a coherent and holistic explanation of the more assertive Turkish foreign policy over the past decade, taking into account the interplay of external dynamics and domestic transformations. Along these lines we offer an analytically eclectic perspective that combines the interactions between agents and structure, rather than relying on mono-causal explanations.¹⁸

At the systemic level the hegemonic power transformations have provided a window of opportunity for regional actors to act relatively more independently in comparison with periods when systemic control mechanisms were tight and robust. The declining power of the USA after the wars in Afghanistan and Iraq, accompanied by the rise of BRICS, has paved the way for a period of structural indeterminism, especially in the greater Middle East, so that regional actors like Turkey have had the opportunity to act in a relatively autonomous manner. A structure-oriented approach, however, is inadequate for explaining Turkey's rising regional proactivism *per se*. One has to add the agent-level dynamics into the equation so as not to overlook the details beneath the surface. In this context Ahmet Davutoğlu, Prime Minister Erdoğan's chief adviser until 2009 and subsequently Minister of Foreign Affairs, played a crucial role in formulating the current parameters of Turkish foreign policy, which in the era before the Arab upheavals involved a proactive engagement strategy by way of 'combining economic interdependence and cultural affinity with no explicit agenda for democracy promotion'.¹⁹ With the onset of the Arab Spring, however, the promotion of democracy has become a central pillar of Turkish foreign policy in the region. The current proactivism in Turkish foreign policy, therefore, increasingly relies on two pillars: economic interdependence, and explicit pro-democracy rhetoric. The Turkish government's grand strategy is to position Turkey as a soft-power driven, 'benign' regional player that promotes and utilises economic interdependence and democratisation. Davutoğlu has defined this foreign policy strategy as follows: 'In the economic realm, as an emerging economic power, we need to act as businessman ... [In the political realm] we would be the staunch supporter of human rights and democracy.'²⁰

Major reforms in the economic and democratisation spheres have constituted the basis of the AKP's soft-power driven foreign policy over the course of the past decade. In the economic realm the AKP government has built on the foundations laid during the coalition government in the aftermath of the 2001 economic crisis, whose impact on the Turkish economy had been quite devastating. The country's financial system was restructured in the wake of the crisis. Public finance was put in order and a suitable environment was created for domestic and foreign investors.²¹ Turkey during this period also benefited from a favourable global liquidity environment and managed to attract significant inflows of long-term foreign direct investment for the first time in its recent economic history. As a result, the Turkish economy and its GDP per capita grew more than threefold at current prices, in addition to a fourfold increase in Turkish foreign trade over the past decade (see Table 1). Parallel developments took place in terms of democratisation. Especially during the 'golden age' of Europeanisation (1999–2006), under the strong influence of the drive towards full membership in the EU, the AKP government accomplished major democrati-

TABLE 1. Turkey's economic performance over the past decade (2002–12)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP (US\$ billions, current prices)	232.7	304.6	393	484	529.9	655.9	742.1	617.6	735.8	772.3	794.5
GDP per capita (US\$, current prices)	3403	4393	5595	6801	7351	8984	10 745	8559	10 067	10 469	10 609
Real GDP growth (%)	6.2	5.3	9.4	8.4	6.9	4.6	0.7	-4.7	9	8.5	2.2
Investment (% of GDP)	17.1	17.4	20.7	21.4	22.6	21.8	20.2	17.2	18.9	23.8	20.6
Savings (% of GDP)	18.3	15.1	15.6	15.7	16.2	15.8	6.8	13.1	12.6	13.8	14.7
Imports (US\$ billions)	51.5	69.3	97.5	116.8	139.6	170.1	201	140.9	185.5	240.8	236.5
Exports (US\$ billions)	36.1	47.3	63.2	73.5	85.5	107.3	132	102.1	113.9	135	152.5
Current Account Balance (CAB) (% of GDP)	-0.27	-2.47	-3.67	-4.57	-6.02	-5.75	-5.25	-2.24	-6.49	-9.7	-6
FDI (US\$ billions)	1.08	1.75	2.79	8.97	19.26	19.94	16.96	6.86	7.81	16	12.6
Fiscal balance (% of GDP)	-11.5	-8.8	-5.22	-1.3	-0.61	-1.62	-1.8	-5.5	-3.6	-1.4	-2
Public debt (% of GDP)	74	67.7	59.6	52.7	46.5	40	40	46.1	42.4	39.2	36.1
Unemployment (%)	10.3	10.5	10.3	10.3	9.9	9.9	11	14	11.9	9.8	10.1

Source: Turkish Statistical Institute database, at <http://www.turkstat.gov.tr/UstMenu.do?metod=temelist>; and IMF World Economic Outlook database, at <http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx>.

sation reforms. The depth of the reform process is indicated by the fact that two constitutional and nine legislative packages were enacted.²² One of the most dramatic changes during this era involved the abandonment of the official state policy of denying the existence of Kurdish identity, which encouraged a peaceful solution to the deep-seated Kurdish problem to appear on the political horizon.²³

Turkey's economic success in the aftermath of the 2001 crisis clearly laid the foundations for a more assertive foreign policy and Ankara's rise as an increasingly influential regional power. Indeed, there appears to be a similar pattern in this realm to other members of the BRIC grouping, such as China and Brazil. During the period in question, we observe the rise of Turkey as a 'trading state',²⁴ with economic linkages gradually constituting bridges of mutual interaction with the key countries in the region. Turkey's trade volume nearly quadrupled over the past decade, and its economic relations with the neighbouring countries intensified in parallel to global economic power shifts. For example, in 2002 Asia received only 15% of Turkey's total exports, but by 2012 this ratio had grown considerably, to 35.3%. Similarly the Middle East has become a promising destination with increasing importance in terms of market diversification. Between 2002 and 2012 Turkey's exports to the region increased from just US\$3.4 billion to \$42.4 billion. On the other hand, the share of the EU in Turkey's total exports, which had been around 56% in 2002, slumped to an unprecedentedly low level of 38% in 2012.²⁵

The onset of the Arab upheavals clearly presented a major challenge to this benign scenario based primarily on the notion of mutual economic interests. Turkish foreign policy has experienced a process of adaptation in the highly uncertain environment of the Arab Spring with democratisation and concern with human rights emerging as fundamental ingredients of Turkey's approach, which targeted brutal authoritarian regimes such as the Qaddafi regime in Libya and the Al-Assad regime in Syria on the basis of a combination of economic interests and democratic concerns. Turkey was confronted with a major and inevitable dilemma, which was clearly absent in the pre-Spring era when the focus of policy was single-mindedly on mutual economic interdependence, with no visible concern for regime transformation.²⁶

In the medium term the process of political change in the Arab Middle East has created a window of opportunity for Turkey because Ankara has the potential to contribute to the process of economic and political restructuring in the region, as well as the potential to benefit from this process. One also needs to recognise, however, that the ongoing Arab revolutions have entailed costs for Turkey, in the short run notably in Syria and Libya, not only in the economic realm, but also in terms of a deterioration of relations with key neighbouring states. The Syrian crisis, in particular, constituted an important test case for Turkey's capacity to perform the role of a benign regional power. Arguably, Turkey's ability to play a constructive role in resolving the Syrian crisis has been constrained and undermined as a result of its excessive involvement in Syrian domestic politics. In retrospect the Syrian crisis also highlights the limits of emerging powers like Turkey to exert a decisive impact in terms of resolving

major regional crises, through unilateral action, in a context where global and other regional powers are heavily involved.

The political economy of Turkey's quest for regional power influence

The performance of the Turkish economy over the past decade has been rather impressive, judged by its own historical standards and the performance of the region as a whole. Having argued that soft-power-driven regional power strategy has become the central pillar for Turkey's quest to undertake a more active regional role and to present itself as a model for the wider Middle East, we probe more deeply into the underlying dynamics of Turkey's recent political economy success. A key question to consider here is whether Turkey's capabilities actually match the expectations of the AKP elites. Since Turkey's aim is to position itself as a 'benign regional power' relying on the pillars of economic penetration and democratic deepening, the robustness of these building blocks needs to be investigated in further detail. We argue that the sustainability of Turkey's economic success and democratic credentials is by no means self-evident and that there are significant political economy challenges ahead. Indeed, Turkey faces two proximate and two structural challenges in its quest for regional power influence, which tend to place the country on a kind of knife-edge equilibrium.

Turkey's economic challenges: two Achilles heels

There are two interdependent proximate challenges creating imminent fragilities for Turkish political economy, namely, chronic current account deficit and extensive energy dependence. The current account deficit reached an alarmingly high level of almost 10% of Turkey's GDP in 2011, making Turkey potentially defenceless against sudden stops of capital inflows. The root causes of Turkey's current account deficit are deep-seated. Savings rates, historically quite low, have followed a negative downward slope over the past decade, and current savings rates in Turkey (about 14%) are exceptionally low, especially in

TABLE 2. Turkey vs BRIC, basic indicators (2011)

	Brazil	China	India	Russia	Turkey
GDP (US\$ billions)	2,493	7,298	1,827	1,850	774
GDP per capita (US\$, PPP)	11,769	8,386	3,662	16,735	14,392
Total investment (% of GDP)	20.6	48.6	35	23.2	23.8
Gross national savings (% of GDP)	18.5	51.3	31.6	28.5	13.8
Value of oil imports (US\$ billions)	37.49	235.75	141.75	0	54.11
Value of oil exports (US\$billions)	5.17	25.12	56.32	277.52	6.53
Unemployment rate (%)	6	4.1	9.8	6.5	9.8
Population (millions)	194.9	1,347.3	1,206.9	142.4	74.7
Government gross debt (% of GDP)	64.9	25.8	67	11.7	39.2
Current account balance (% of GDP)	-2.1	2.7	-3.4	5.3	-9.9

Source: IMF World Economic Outlook database, at <http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx>.

comparison to BRICS (see Table 2). This ratio has been around 19% over the past decade, which is well below the average of emerging and developing markets—that is, 27.5%.²⁷

Since savings fall short of investments, Turkey needs foreign capital to finance its current account deficit. This Achilles heel places certain structural limits on Turkey's economic growth, primarily driven by inflows of foreign capital. Overdependence on foreign capital, on the other hand, increases the vulnerability of the country, because it makes the economy increasingly sensitive to external shocks,²⁸ especially at a time when serious economic recession continues to persist at the very centre of the global system. Historically informed analysis of the Turkish economy highlights quite conclusively that economic crises follow a similar sequencing: high economic growth exacerbates the current account deficit, and a sudden cessation of capital inflows for any reason triggers economic crises.²⁹ The crisis–growth–current account deficit–crisis circle still constitutes an inherent fragility of the Turkish economy, despite improvements in budgetary performance and a relatively tightly regulated banking and financial system.³⁰ The second and interrelated proximate challenge for the economy is centred on Turkey's overdependence on energy. In 2011 the country imported more than 90% of its total liquid fuel consumption, comprising an energy import bill of around \$55 billion. Moreover, according to a recent International Energy Agency report, Turkey's imports are expected to double over the next decade.³¹

High degrees of energy dependence and low savings rates, combined with low technological capacity, together constitute the major structural root causes of Turkey's chronic current account deficit. These constraints, in turn, significantly restrict Turkey's foreign policy proactivism, since they lead to a kind of asymmetric power relationship with other key actors involved in the region that could be classified as 'coercive regional powers'. For example, the asymmetric balance of power relationship, which is clearly evident in the case of Turkish–Russian and Turkish–Iranian relations, places important restrictions on Turkey in terms of developing independent strategies in key regional conflicts and exerting an even more powerful influence in the direction of democratisation and regime transformation in the region. Low technological capacity, on the other hand, curtails Turkey's soft-power credentials by raising questions about its capacity as a trading state. The composition of Turkish foreign trade sends

TABLE 3. Exports with a high technology content (% of manufactured goods)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
OECD members	24.40	23.20	21.90	20.65	20.33	20.40	20.48	16.88	16.26	17.12	16.20
Brazil	18.73	19.25	16.52	11.96	11.59	12.84	12.08	11.87	11.65	13.20	11.21
China	18.98	20.96	23.67	27.38	30.06	30.84	30.51	26.66	25.57	27.53	27.51
India	6.26	6.97	6.24	5.95	6.00	5.80	6.07	6.40	6.78	9.09	7.18
Russia	16.07	14.04	19.16	18.98	12.92	8.44	7.78	6.88	6.47	9.23	8.85
Turkey	4.83	3.87	1.79	1.93	1.90	1.47	1.85	1.89	1.62	1.74	1.93

Source: World Bank, Development Indicators database, at <http://data.worldbank.org/indicator/TX.VAL.TECH.MF.ZS>.

mixed signals in this regard. While the share of goods based on natural resources and low technology in Turkey's total exports was 63% in 2002, this ratio declined to 56% in 2010. Additionally, the share of mid-tech manufactured goods rose to 44%, a number that in 2002 was only 37%.³² However, the share of high-tech goods in Turkey's total exports declined to just over 2%, which is an exceptionally and alarmingly low ratio in comparison to BRICS and OECD averages (see Table 3).

Long-term structural challenges: the two traps argument

The proximate challenges constitute just one side of the coin. Turkey stands at the crossroads of two traps that have great potential to impede the sustainability of its regional power credentials. The first structural political economy constraint concerns the middle-income trap and the challenge of institutional transformation. The middle-income trap refers to the slow-down tendency in fast-developing countries after their per capita GDP has reached a certain threshold.³³ Research on the middle-income trap reveals that, for most of these countries, it becomes an arduous task to improve their GDP per capita from middle to high income levels. The World Bank's research estimates that, of the 101 middle-income countries in 1960, only 13 reached high-income-level status by 2008.³⁴ The overwhelming majority were unable to accomplish the jump and became stuck in the middle. As the economy moves from labour-intensive, low-cost exports toward capital-intensive production, labour is reallocated from agriculture to manufacturing sectors. This leads to the slowing down of economic growth, because productivity growth from sectoral reallocation and technology import disappears. Countries that reach middle-income level, therefore, must develop more sophisticated strategies and associated institutions to overcome this trap.

Turkey's GDP per capita, which is around \$10 500 at current prices, suggests that the Turkish political economy is indeed approaching a crossroads in terms of a possible middle-income trap.³⁵ The broad empirical evidence on this issue indicates that economic and political institutions need to be transformed into 'inclusive' institutions to promote long-term economic growth.³⁶ The institutionalist literature proposes that the most effective way to get out of the middle-income trap and to sustain long-term growth is to improve the institutional structure for education policies, the justice system and general infrastructure in an inclusive manner, so as to reap the maximum human capital potential in the country. Acemoğlu and Robinson succinctly put the issue as follows:

Inclusive economic institutions that enforce property rights, create a level playing field, and encourage investments in new technologies and skills are more conducive to economic growth than extractive economic institutions that are structured to extract resources from the many by the few and that fail to protect property rights or provide incentives for economic activity. Inclusive economic institutions are in turn supported by, and support, inclusive political institutions, that is, those that distribute political power widely

TABLE 4. Turkey's institutional development performance (2011)

	Ranking				
	Turkey	Brazil	Russia	India	China
Indicator (number of countries included)					
Corruption perception index (182)	61	73	143	95	75
Democracy index (167)	88	42	102	35	138
Competitiveness index (142)	59	53	66	56	26
Human development index (187)	92	84	66	134	101
GDP per capita (183)	64	58	55	141	91
Literacy (205)	132	126	15	177	106
GDP (210)	17	7	11	9	2

Sources: Transparency International at <http://cpi.transparency.org/cpi2011/results/>, Economist Intelligence Unit at http://www.economist.com/media/pdf/DEMOCRACY_INDEX_2007_v3.pdf, World Economic Forum at http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf, UNDP at <http://hdr.undp.org/en/reports/global/hdr2011/download/>, World Bank at <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>, UNESCO at <http://www.uis.unesco.org/Literacy/Pages/default.aspx> databases.

in a pluralistic manner ... Extractive economic institutions are synergistically linked to extractive political institutions.³⁷

The long-term sustainability of Turkey's development performance is closely linked to the development of inclusive political and economic institutions. The existing institutional structures in Turkey, however, resemble those of a semi-extractive country in Acemoğlu and Robinson's terminology. Turkey is lagging far behind in the human development index, an oft-cited proxy indicator for measuring countries' development level. Turkey ranks 92nd among 187 countries; it is barely in a better position than China and India and lags behind Brazil and Russia.³⁸ The figures on competitiveness, institutional quality, corruption perception, and literacy indices also imply a similar mediocre performance (see Table 4), especially for a country that positions itself as a democratic variant of those included in BRIC or the near-BRIC category.

The discussion about institutional quality leads us to the second important structural challenge for Turkey in positioning itself as a benign regional power, namely, the transition from a 'procedural' to a 'substantive' democracy. An essential part of Turkey's regional power capacity stems from its institutionalised democracy and pluralistic socio-political order, as a secular country composed of an overwhelmingly Muslim population. Civil-military relations in Turkey have undergone a significant transformation over the course of the past decade, and the improvement in human rights standards is by no means negligible. The widespread democratisation reforms during the intense Europeanisation period between 1999 and 2006, the democratic opening that has addressed Turkey's deep-seated Kurdish question, and the constitutional reform attempts are all important indicators of democratisation.³⁹ Furthermore, the *éminence grise* of Turkish politics—the military—no longer holds absolute power in its hands to shape the political direction of the country. All these developments are clearly necessary, but not sufficient steps towards the consolidation of substantive democracy in Turkey. The central question currently revolves around the

nature and ultimate result of this power shift: how will the elected authorities use the power accumulated in their hands?

Democratisation theories point towards the establishment of robust checks and balance mechanisms as a crucial component in distributing political power and consolidating democratic governance as ‘the only game in the town’.⁴⁰ In this context, parallel to the middle-income trap argument, Turkey stands at a critical juncture as well. A central problem faced by the democratisation process in Turkey in its current stage is the very absence of adequate checks and balance mechanisms to curb an excessive concentration of power at the very centre of the political system. This Gordian knot constitutes the essence of the present debate regarding Turkish democracy, because democratisation of the civil sphere still needs to be strengthened, despite the successful transformation of civil–military relations in favour of civilian authority. The current situation puts Turkey into a grey zone,⁴¹ swinging between electoral democracy and selective democrats.⁴² Serious charges have been levelled that a narrow, majoritarian understanding of democracy has been emerging in Turkey towards the end of the AKP decade, especially when judged in terms of the virtual absence of judicial autonomy and the weak tolerance of opposition and press freedom, as well as a lack of genuine respect for political pluralism.⁴³ Indeed, the popular protests against the AKP in May and June 2013, and the use of excessive force to counter these protests, which attracted widespread international media attention, seem to reflect both the entrenchment of and growing reaction against illiberal democracy in Turkey.⁴⁴

Improvements in the quality of democratic consolidation and human rights performance are significant objectives in their own rights and should not be conceived in instrumental terms, serving only as an intermediate step in the process of achieving other objectives. This observation, however, should not detract from the fact that Turkey’s ability to establish a ‘substantive democracy’ is also essential for its ability to combine sustainable economic growth with a socially equitable pattern of development. Turkey’s ability to overcome the middle-income trap is to a certain degree based on its ability to deepen a genuinely inclusive and pluralistic democratic order. The proposition that democracy and economic development in the Turkish context are parallel and interdependent processes is clearly highlighted by the fact that the deep-seated problems of the Turkish political economy—such as an exceptionally low female labour participation rate (around 28%), which constitutes almost half of the EU average, major regional imbalances and a comparatively high degree of income inequality (with a Gini coefficient of around 0.40)—can only be effectively resolved with the help of improved democratic governance. Moreover, progress in these spheres would have direct consequences for Turkey’s foreign policy strategy, because the country needs to improve its democratic credentials and economic capacity to sustain and deepen its soft-power driven, proactive regional power ambitions.

A comparative perspective suggests that Turkey constitutes an interesting case of a near-BRICS that is trying to combine economic growth with a democratic form of government. Hence, at least in principle, it is following in the footsteps of the democratic variants within BRICS (Brazil and India),⁴⁵ rather than of its authoritarian members (China and Russia), even though Turkey continues to fall short of a consolidated liberal democracy. The important point to recognise,

however, is that the changing global context may not necessarily create a favourable environment for democratic deepening in Turkey. Furthermore, the EU, which itself is suffering a deep economic and identity crisis, has been losing its soft power over Turkey. Recent evidence indicates that, with the weakening of the formal Europeanisation process associated with EU membership, a pronounced retrogression in democratisation reforms has occurred. At a time when the EU appeared to be less attractive as a model than before, the AKP leadership has been increasingly influenced by the more authoritarian members of BRICS, given the outstanding economic performance of China, both in pre- and post-crisis contexts, and the growing strategic relationship with Russia, based on steadily expanding economic interactions over the past two decades. Indeed, Prime Minister Erdoğan has recently pronounced his desire for Turkey to abandon its long-standing EU aspirations and become a member of the Shanghai Cooperation Organization.⁴⁶ Clearly, this marks a shift in Turkey's orientation, reflecting 'conservative globalism' characterised by an eastern orientation, and an emphasis on economic and political stability with a minimalist understanding of democracy, as opposed to the Western focus of the early years of the AKP at the height of the EU-driven democratisation reforms. This shift may have fundamental implications for the quality of Turkish democracy and reduce its value as a possible model combining elements of a successful economic transformation with strong democratic credentials.

Turkey's shifting political economy landscape in the post-crisis era: elements of a neo-developmental turn

Having underlined the possible economic and political constraints on Turkey's regional power capacity, we identify certain changes that have gathered momentum in the post-global crisis era. In the post-2001 period Turkey developed a robust regulatory state compatible with the fundamental principles of the post-Washington Consensus.⁴⁷ Accordingly the Turkish financial system was placed under a strict surveillance framework via independent regulatory institutions, including the Banking Regulation and Supervision Agency.⁴⁸ The regulatory policies pursued were quite effective, considering that Turkey is one of the rare countries that did not have to bail out its domestic banks during the 2007–08 global financial crisis.⁴⁹ The regulatory shift in the financial system, however, was not complemented by a pronounced industrial transformation strategy; as a result, Turkey has continued to pursue non-selective industrial policies in line with the dicta of orthodox liberalisation.⁵⁰

During the early phase of the AKP government the emphasis was on the regulatory rather than the developmental aspect of state capacity. The transformations taking place in the post-crisis global political economic landscape, however, seem to have triggered a reshuffling in Turkish policy makers' cognitive mind-set as well. Turkey is currently trying to formulate a proactive industrial strategy, which embodies elements of a neo-developmental turn. Prime Minister Erdoğan, clearly with an implicit agenda of matching and even emulating East Asia's developmental success, openly invited Turkey's top business groups 'to produce domestic cars' at one of the meetings of the Turkish Indus-

try and Business Association (TÜSIAD). The Minister of Science, Industry and Technology similarly shared his ambition to create ‘Turkey’s own Renault, Fiat and Ford’.⁵¹ The prime minister even set an overambitious target for Turkey’s industrial transformation strategy: ‘By 2023’, declared Erdoğan, ‘we want Turkey to be one of the top ten economic areas of the world...Over the next 15 years we want to increase the per capita income from \$10 500 to \$25 000.’⁵²

Not only the rhetoric, but also the policies implemented demonstrate that there are elements of a neo-developmental turn in Turkey’s industrial policy. First, the *Turkish Industrial Strategy Document: Towards EU Membership* was adopted in 2011 under the auspices of the Ministry of Science, Industry, and Technology, along with the involvement of the relevant public and private bodies.⁵³ The long-term goal of the industrial plan is set to position Turkey as ‘the production base of Eurasia in medium- and high-tech products’. In line with this overall objective, three basic strategic targets have been determined: 1) to increase the ratio of mid- and high-tech sectors in production and exports; 2) to transition to high-value-added products in low-tech sectors; and 3) to increase the weight of companies that can continuously improve their skills. These industrial policy objectives are first and foremost designed to mitigate Turkey’s proximate and structural challenges highlighted in the previous section.

The second aspect of Turkey’s neo-developmental turn involves the implementation of investment stimulus packages. In 2012 the AKP government announced a new package to encourage investments that aims to reduce dependence on imported intermediate goods, thereby alleviating the current account deficit, improving the research and development (R&D) base of the domestic economy, and mitigating regional imbalances within the country. The stimulus package, which divides Turkey into six regions, enables each one to receive different amounts of incentives, proportionate to regional socioeconomic inequalities, including corporate tax incentives, cuts in social security premiums, free land, and access to cheap credit. According to official figures, the incentive certificates issued amounted to \$32 billion in 2012 alone, comprising the most comprehensive amount of its kind in the country’s economic history.⁵⁴ The investment stimulus package, in fact, complements already-existing R&D policies, through which AKP governments have poured considerable amounts of money into research and innovation over the past decade. Official figures indicate that R&D expenditures tripled between 2002 and 2011, jumping from \$3 to \$9.6 billion. The full-time equivalent number of R&D personnel increased from 28 964 to 92 801, and the number of researchers rose from 23 995 to 72 109.⁵⁵ The industrial strategy document and the accompanying investment stimulus package are intended to build Turkey’s R&D capacity by developing the necessary institutional framework and allocating much needed financial resources.

The third aspect of Turkey’s neo-developmental turn is related to the changing nature of state–business relations. Research suggests that state–business relations in Turkey have traditionally been overly fragmented, ideologically antagonistic and conducted *ad hoc*.⁵⁶ Therefore institutionalised cooperation mechanisms between relevant state bureaucrats and business representatives remain rather weak. A relatively isolated, rather than insulated economic

bureaucracy and a short-term-oriented, polarised relationship between economic interest groups and policy makers characterise the main dynamics of state–business relations in Turkey. Furthermore, the relationship among different private economic interest groups is generally antagonistic, because major business associations are organised along ideological lines. The recent state proactivism towards capacity-enhancing reforms hints at certain structural changes in this realm as well. First, the institutional structure of the Turkish economy is being reorganised. The Ministry of Industry has been restructured and renamed the Ministry of Science, Industry and Technology, in order to make the role of ‘science’ and ‘technology’ more explicit for Turkey’s industrial transformation strategy. Second, a separate state institution—namely, the Ministry of Development—has been created in order to coordinate Turkey’s economic development policies. Further, the industrial strategy document acknowledges the importance of the ‘embedded autonomy’ of the state,⁵⁷ by underlining state–private business cooperation, as well as the internal coherence and synchronisation of state bureaucracies:

To ensure the effectiveness of the industrial strategy, it is important to establish a high-level cooperation between the public and private sector... [Moreover] the cooperation and coordination among the public institutions is as important as the cooperation between the public and private sectors.⁵⁸

To this end, deliberation councils that incorporate different stakeholders, such as representatives of employers and employees, are being established. In addition, the relationships among private interest groups seem to be undergoing a gradual transformation. It is noteworthy in this context that the two leading business organizations—TÜSIAD, representing the pro-secular economic establishment, and the Independent Industrialists’ and Businessmen’s Association (MÜSIAD), representing the conservative Anatolian bourgeoisie—which had never before come together, met twice after 2010. Moreover, TÜSIAD has recently veered towards a more inclusive approach to Anatolian capital. At TÜSIAD’s 43rd General Assembly, Muharrem Yılmaz, known as one of the representatives of ‘Anatolian capital’, was elected the organisation’s new president, along with four other representatives of the Anatolian bourgeoisie on the board of directors.⁵⁹

These developments indicate that economic stakeholders in Turkey are aware of the ‘rise of global developmental liberalism’ in the post-crisis political economy landscape.⁶⁰ Similarly the state is investing in capacity-enhancing measures, not only in the regulatory, but also in the industrial realm. In short, these recent shifts signify a major response to deal with some of the major structural weaknesses and fragilities of the Turkish economy. It remains to be seen, however, whether the responses outlined will be sufficient to generate the kind of impact needed on the momentum of Turkey’s long-term development performance.

Conclusion: the potential and limits of ‘benign’ regional power influence

Opportunities have opened up for emerging powers to follow in the footsteps of rising powers like BRICS, as the world moves towards a new post-hegemonic

age. In this novel international environment the Turkish experience is illuminating for at least three major reasons. First, it displays how rising powers or near-BRIC countries are able to take greater advantage of the given conditions in order to pursue more proactive and assertive regional agendas in the rapidly shifting global landscape. This paper has clearly illustrated both the potential and the limits of emerging power influence, with special reference to the Turkish experience.

Second, we have drawn attention to how the rise of BRICS itself has influenced the mind-set of political elites in other emerging political economies. Political parties such as the AKP in Turkey are much more willing to pursue a proactive foreign policy, with some degree of 'autonomy thorough diversification',⁶¹ by keeping their traditional alliances at arm's length. They are also willing to use active state power to strengthen their domestic political powers, a development that is openly highlighted in our discussion of the neo-developmental turn in Turkey, notably in the aftermath of the global economic crisis. Nevertheless, our analysis also pointed to a kind of expectations-credibility gap. Middle powers in the emerging global context face the risk of overestimating their leverage, especially in terms of unilateral action. The Turkish case constitutes a good illustration of this paradoxical tendency, where over-confidence on the part of the architects of foreign policy has not been matched by adequate power resources and the ability to influence actual outcomes.

The third implication of our paper concerns the future of liberal democracy. In the current global setting liberal democracy is confronted with serious challenges in its heartlands, the USA and western Europe, in the midst of a severe and continuing economic crisis. The rise of BRICS presents an uncertain future for liberal democracy, in the sense that some of the key BRIC members have deeply rooted authoritarian regimes, which are unlikely to be dismantled in the short or medium term. In this context countries such as Turkey are significant because they represent the democratic variant among BRIC or near-BRIC countries. The ability of such countries to combine economic success with liberal political values will be crucial for other countries following in their footsteps, particularly in their own neighbourhood.

Our paper has, finally, demonstrated that, while combining economic success with democratic deepening is possible, the continued existence of this combination is by no means self-evident and faces formidable challenges. From a broader perspective we should not discount the possibility that the rise of China and the economic success associated with the authoritarian version of the BRICS model may influence the mind-sets of political elites in near-BRIC countries like Turkey, with the obvious risk of side-tracking democracy in a more authoritarian direction, or at least in the direction of a persistent regime of illiberal democracy. This tendency, as this paper has argued, constitutes a major obstacle in terms of Turkey's ability to play the role of a benign regional power on a sustained basis. Turkey's claim to be a supporter of democracy and human rights in the Middle East is not likely to generate the desired response, especially in the presence of major democratic deficits in the realm of its own domestic politics.

Notes

- Earlier versions of this paper were presented at the ISA Annual Convention, San Francisco, 3–6 April 2013; Bilgi University Workshop on the Political Economy of Turkish Foreign Policy, İstanbul, 3 May 2013; and the METU Conference on International Relations, Ankara, 12–14 June, 2013. We would like to thank the participants of these events for their comments and critical insights.
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