

# Businessmen as Diplomats: The Role of Business Associations in Turkey's Foreign Economic Policy

ALTAY ATLI\*

## ABSTRACT

*Research on state-business relations has traditionally focused on business associations' lobbying activities. However, as these organizations started to assume a more active role in their country's economic life, scholars began to look at another distinct role of business associations: their formal participation in policy making. This article examines to what extent Turkish business associations are taking part in the foreign economic policy-making process, which, in turn, leads to two sub-questions: (1) Through what kind of mechanisms is a pattern of interaction established between the state and the business associations? (2) Does the state transfer a part of its administrative functions to the private sector? This article examines the institutional setting established during the liberalization wave of the 1980s and has gradually evolved up to the present, through which the state has maintained its role as the policy maker yet has allowed the private sector to play a role in the process because it is deemed to be capable of administering specific functions more efficiently than the state.*

An inescapable feature of the current era of globalization is the increasing dependence of the state on capital, which, among numerous other effects, has influenced the way we think about the patterns of interaction between the state and business.<sup>1</sup> Until the early 1990s, the state was thought to be subject to the domestic pressure of the business community since it depended on capital for the pursuit of any objective that required material resources. However, with the emergence of a greater interconnectedness brought about by globalization, international dynamics began to be highlighted as the leading factor influencing the policies of the state. It was the dawn of a new type of economic space called by Manuel Castells as the “space of flows” whereby the functional integration of production and trade units across boundaries through information networks enabled increased flexibility and decentralization in production and management.<sup>2</sup>

\* Department of Political Science and International Relations, Boğaziçi University, [altay.atli@boun.edu.tr](mailto:altay.atli@boun.edu.tr)

These two arguments, one emphasizing the influence of domestic actors on the state and the other underlining the influence of global forces, have two features in common. First, they both argue that the economic policies of a country are shaped through the interaction of the state and business, and second, both assume that this interaction is seen to occur between two separate, monolithic entities. This second point was widely refuted by scholars such as Timothy Mitchell, who argued that the distinction between the state and society has to be drawn within the network of institutional mechanisms through which a certain social and political order is maintained.<sup>3</sup> This approach blurs the business-state distinction and consequently neither the state nor the business is seen as a distinct entity. Whereas the former is regarded as “a complex network of heterogeneous and overlapping concerns,”<sup>4</sup> the problem with the latter is that “businessmen seldom, if ever, speak with a single voice.”<sup>5</sup> Business as an entity interacting with the state is by no means a homogeneous one since it brings together different interests, different goals and different attitudes.

One of the most crucial components of the interaction between the state and business is the role of business associations that translate common interests into collective action. As Stephan Haggard and his colleagues have stated, business associations can “maximize the positive effects of government-business collaboration by limiting the pursuit of particularistic benefits” and “promote collective self-governance of business, or private interest governance, that can be equally if not more efficient and effective than direct state intervention.”<sup>6</sup> Over the past two decades, the way that business associations were viewed by scholars has been influenced by the changes brought about by globalization. The traditional view, which implied that business associations were transmitting information and expressing opinions in order to influence the decisions of policy makers, changed dramatically in the face of the rapid economic and political transformation that the world has been going through. Business associations, which have hitherto been studied within the larger context of interest or pressure groups, have come to be taken as separate entities with particular characteristics and, more importantly, the emphasis has shifted to functions other than transmitting information and expressing opinion.

Stephen Bell offers a typology of roles assumed by business associations: (1) Limited quasi-public roles or state service functions: collecting information and passing it on to policy makers, expressing the opinion of the business community, sitting on state advisory bodies, explaining public policy decisions to members, and trialing proposed new legislation; (2) Policy formulation: the association is entitled to a public status and in collaboration with public officials and politicians, it plays a formal role in the shaping of public policy; and (3) Policy implementa-

tion: a formal quasi-public role in implementing public policy.<sup>7</sup> The roles that are assumed by business associations form different patterns of interaction, i.e. policy networks, between the state and business. According to Michael Atkinson and William Coleman, the mobilization level of business interests on the one hand and state capacity (measured as the concentration of authority and bureaucratic authority) on the other, are the two factors conditioning the policy networks and depending on the degrees of both the state relinquishes part of its authority to business actors.<sup>8</sup>

In a similar vein, Ayşe Buğra dedicated a special chapter to business associations in her seminal work *State and Business in Modern Turkey* and pointed out that the nature of interest representation also takes place under certain domestic constraints, and when state officials and business leaders are aware of these constraints, they tend to act in cooperation and eventually business associations acquire a quasi-public role extending beyond the simple pursuit of material gain. When this happens, business associations are both servants of the state and advocates of business interests. An important observation made by Buğra is that when business leaders feel that they do not have a sufficient say in policy matters, they do not ask for a more limited state, rather they volunteer to take part in the policy process.<sup>9</sup>

This theoretical framework on state-business relations will help us formulate questions to ask in order to understand the role of business associations in formulating Turkey's foreign economic policy. The main question this article deals with is to what extent Turkish business associations are able to take part in the foreign economic policy-making process, which in turn leads to two sub questions: (1) Through what kind of mechanisms is a structured pattern of interaction established between the state and the business associations, and in this regard, to what extent do Turkish business associations fit into Bell's typology? And (2) following Atkinson and Coleman, do these mechanisms require the state to transfer a part of its authority and/or administrative functions to the private sector?

### **Foreign Policy and Business Associations in Turkey**

The institutionalized participation of the business community in Turkey's foreign policy can actually be traced back to 1965 when the Economic Development Foundation (*İktisadi Kalkınma Vakfı - İKV*) was founded as a joint initiative of the

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Istanbul Chamber of Commerce (*İstanbul Ticaret Odası - İTO*) and the Istanbul Chamber of Industry (*İstanbul Sanayi Odası - İSO*). However, the purpose of this organization was limited to Turkey's relations with the European Economic Community (the predecessor to the European Union) following the Ankara Agreement of 1963. It was with the liberalization wave of the post-1980 period when the business community increased its role in Turkish foreign policy.

It is important to note that the business community emerged as an actor in Turkey's foreign policy at a time when greater economic liberalism coexisted with strong political authoritarianism. On the one hand, the 1982 Constitution imposed severe restrictions upon interest group associations, both voluntary and public professional organizations.<sup>10</sup> On the other hand, the same period also witnessed a remarkable move towards economic liberalism and integration with the world economy, motivated by the pro-business attitude of the ruling Motherland Party (*Anavatan Partisi - ANAP*) and Prime Minister Turgut Özal, who enjoyed the support and loyalty of the business community. In his pursuit of integrating Turkey's economy with the world, Özal preferred the business community as his partner than the bureaucracy. According to Sedat Laçiner, Özal, who himself was from the business world, thought that the bureaucracy was "conservative, far from being creative and slowing down the business" and the foreign policy bureaucracy was especially so. This was why he was frequently bypassing the bureaucracy by making use of the lacunae in the state apparatus.<sup>11</sup>

Through changes in legislation, incentives provided for exporters, and Özal's personal initiatives, such as taking businessmen with him to official visits abroad, Turkey began to experience a remarkable increase in its participation in global economic flows, with a substantial role played by the private sector. It is important to note, however, that in this process, Özal was "instructing" the businesses and their interest groups rather than "exchanging views" with them.<sup>12</sup> As Ergun Kalaycıoğlu remarks, "the role of commercial interest groups in the economic policy-making process of the government was either minimal or non-existent."<sup>13</sup>

During the early 1980s, despite being organized around both public professional associations such as the Turkish Union of Chambers and Commodity Exchanges (*Türkiye Odalar ve Borsalar Birliği - TOBB*) and voluntary associations such as the big-business representative, the Turkish Industry and Business Association (*Türk Sanayicileri ve İşadamları Derneği - TÜSİAD*), Turkey's business community possessed no institutionalized channels through which they could communicate their interests with respect to the foreign economic policies to the state. TOBB and TÜSİAD did not have such a function then, and it was Turgut

Özal himself who saw this shortcoming in the institutional framework. In those years, foreign economic policy making was under the joint responsibility of three public institutions: the Ministry of Foreign Affairs, the State Planning Organization, and the Undersecretariat of Treasury and Foreign Trade. These institutions were responsible for negotiating with the relevant institutions of other countries and formulating policies; however, they could not impose policies on the private sector and could only make recommendations, which the private sector had the freedom to follow or to ignore. Since the private sector is by definition motivated by profit maximization rather than the state's concerns, this was a problem for there was usually a mismatch between the two. There was the market, but there also existed a lack of state involvement in Turkey in the Keynesian sense, an involvement seen in other countries with, for example, the US Department of Commerce in the United States, or related agencies in East Asian countries, such as the Japanese Ministry of International Trade and Industry (MITI). This was the reason why Turgut Özal embarked upon establishing a novel institutional framework, through which the state would maintain its central position but at the same time allow the business community to play a role in Turkey's foreign economic policies.<sup>14</sup>

### **DEİK: The Foreign Economic Relations Board of Turkey**

The first step towards the model that Özal had in mind was taken in a bilateral context when the Turkish-American Business Council was established in 1985, followed by the Turkish-Japanese Business Council and the Turkish-French Business Council. However, in time these business councils, which were mainly operating through the personal efforts of the businessmen involved, came to be seen as a waste of time and resources and a consensus emerged that a larger and deeper institutional setting was needed in order to provide a stronger initiative.

Consequently, in November 1986 the decision was taken for the establishment of the Foreign Economic Relations Board of Turkey (*Dış Ekonomik İlişkiler Kurulu - DEİK*) as a business association responsible for "compiling information on opportunities of commercial and economic cooperation and presenting it to entrepreneurs; providing coordination at international level for various forms of commercial and economic cooperation; ensuring the appropriate political environment for the realization of the existing potential."<sup>15</sup> This new organization was to be an affiliate of TOBB, and it was Özal himself who decided this way, since he believed that TOBB's semi-official legal status and wide representative basis would enable DEİK to reach entrepreneurs all over the country and, at the same time, to gain recognition at the international level.<sup>16</sup>

As the government used greater volumes of trade and investment as an instrument of its foreign policy, it also needed a partner to operate this instrument with, and the natural choice was the business community

DEİK started in 1986. However, since the *Law of the Turkish Union of Chambers and Commodity Exchanges* (the TOBB Law), which was then in effect,<sup>17</sup> did not have the appropriate provisions, DEİK's official establishment took place with the issuance of the *Principles of Establishment, Duties and Working of Business Councils* that was ratified by the TOBB Board of Directors on February 26, 1988. It has to be noted, however, that

since there was no law, this document provided only *de facto* legal personality to DEİK. For this reason, DEİK had for years to perform certain official transactions through TOBB. The problem was solved when a new TOBB Law<sup>18</sup> paved the way for the *Regulation on the Working Procedures and Principles of the Foreign Economic Relations Board and Business Councils* (the DEİK Regulation), which was eventually issued by the Ministry of Industry and Commerce and entered into effect upon its publication in the Official Gazette on November 27, 2005.<sup>19</sup> Accordingly, DEİK was defined as a legal personality subject to private law established for the purpose of "pursuing the foreign economic relations of the private sector and assisting the concrete business development activities of the business community." In short, it was the state that established DEİK in partnership with the business community and charged it with coordinating the business community's foreign economic relations.

### **New Actors Entering the Scene**

During the 1990s, DEİK retained its monopoly as the sole private sector organization actively playing a role in Turkey's foreign economic policies, and this role was shaped by both international and domestic factors then influencing the Turkish economy. At the international level, the early 1990s were marked by the dissolution of the Soviet Union and the beginnings of an unprecedented growth in cross-border movement of goods, services and capital. Turkey's leaders, such as Turgut Özal and Süleyman Demirel, were aware of the untapped potential in new markets like the newly independent states in Central Asia and the Caucasus, and in order for Turkey to benefit from this potential, they needed the collaboration of the business community. In other words, the international environment provided the conditions for DEİK to increase its role. However, at the same time, domestic factors proved to have an opposite effect. During the 1990s the Turkish political scene was marked by serious instability with a series of coalition governments



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taking office as the country struggled to cope with both armed violence and economic turmoil. Although all coalition governments formed between 1991 and 1999 shared to a large extent the same pro-business stance, instability in both the political and economic sense limited the business community's access to the foreign economic policy-making process. As a result, after the initial boom in the number and scope of activities undertaken by DEİK there has been a relative decline since 1993-94.

Party ideologies have also played a role in the government's attitude to partnering with the business community in matters related to foreign economic policy. After a series of coalitions led by centre-right parties, another coalition government, this time formed by Bülent Ecevit's centre-left Democratic Left Party (*Demokratik Sol Parti - DSP*), took office in 1999. In this period, DEİK was kept relatively at a distance by the government and was often denied access to the state actors.<sup>20</sup> It is natural to expect a left-leaning government to keep the business community at an arm's length, but it should also be kept in mind that Ecevit's coldness towards businessmen had its origins in the past. Back in 1979, he faced severe attacks from the business community, which considered him as an obstacle to the transition to

a free market economy. Ecevit responded to the businessmen's campaign against him by claiming that it was the large capital holders themselves who were to be held accountable for the economic slump that Turkey was in.<sup>21</sup> In other words, there was already a certain level of bad blood between Ecevit and the businessmen.

In 2002, the political setting changed dramatically in Turkey. After elections brought the center-right Justice and Development Party (*Adalet ve Kalkınma Partisi* - AKP) into government, two important developments affected the way business associations functioned as foreign policy actors. The first development was the new foreign policy paradigm adopted by the AKP government, which involved "constructive engagement in its neighborhood and beyond"<sup>22</sup> and relied on the improvement of bilateral economic and commercial relations as a tool of engagement. As the government used greater volumes of trade and investment as an instrument of its foreign policy, it also needed a partner to operate this instrument with, and the natural choice was the business community as it had been back in the 1980s and the early 1990s. In contrast with their immediate predecessors, both President Abdullah Gül and Prime Minister Recep Tayyip Erdoğan adopted the Özalian model of active state-business partnership in foreign economic relations. For instance, President Gül alone has carried out 70 visits during his first three years in office, and according to the data released by the office of the President's Chief Economy Advisor, these visits were attended by a total of 2,670 businessmen and created a business volume of around 20 billion dollars.<sup>23</sup>

The second development was the emergence of a "conservative bourgeoisie" as a result of the simultaneous rise of political Islam and the evolution of new industrial centers in Anatolia. The new business class produced its own business associations, which were established with the purpose of exploring new market opportunities and creating business partnership networks for their own clientele. One such association was the Turkish Confederation of Businessmen and Industrialists (*Türkiye İşadamları ve Sanayiciler Konfederasyonu* - TUSKON) founded in 2005. In contrast with DEİK, TUSKON is a purely private-sector initiative, and whereas its field of activities is not limited to foreign economic relations, this organization has a special emphasis on external trade and investment. TUSKON defines its purpose as "making the Turkish economy and businessmen an effective part of global economy by considering the local conditions and sensitivities while serving to these aims."<sup>24</sup>

Despite similarities in their goals and activities, DEİK and TUSKON have two major differences. First, in contrast with DEİK, which was founded as an

initiative of the Turkish government to collaborate with the business community in this area, TUSKON is a purely private-sector initiative. Second, there are also structural differences between the two organizations. DEİK operates through bilateral business councils established with counterpart organizations in respective countries, which are usually a representative body of the corresponding country's private sector. On the Turkish side, business councils are joined by member companies that are either doing business in the respective country or planning to do so. As of September 2010, there were 84 business councils subscribed to by 700 companies, and since a company can join more than one business council, there were 1,400 company representatives taking part in the activities of DEİK's business councils.<sup>25</sup> The sectoral distribution of DEİK's members shows that they are mostly from the foreign trade sector (35% of all members), followed by construction (22%); tourism, logistics and health (12%); foreign investment (9%); banking and finance (8%); and agriculture and food (4%).<sup>26</sup> A large majority of DEİK's member companies can be classified as small- and medium-sized enterprises (SMEs). TUSKON, on the other hand, is the umbrella organization of seven regional federations (corresponding to Turkey's seven geographical regions), which in turn cover a total of 151 voluntary businessmen associations and around 15,000 entrepreneurs. TUSKON's members are the regional federations, not the associations or individual companies.<sup>27</sup> In this pyramid structure, any individual company or entrepreneur who joins a local business association, which is in turn linked to one of the seven regional federations, is regarded as a member of TUSKON. Information on the sectoral distribution of companies associated with TUSKON is not available; however, it is safe to state that these companies are mostly SMEs from the manufacturing, construction, transportation and financial industries.

### **The Mechanisms of Foreign Policy Participation**

Through what kind of mechanisms is a structured pattern of interaction established between the state and the business associations? Stephen Bell's classification of policy participation roles of business associations will be useful for answering this question. As discussed earlier in this article, Bell's first item was "limited quasi-public roles or state service functions", wherein business associations collect information and pass it on to the policy makers, express the opinion of the business community, serve on state advisory bodies, explain the public policy decisions to members, and trial proposed new legislation. Both DEİK and TUSKON perform these duties, through two different mechanisms: (1) Large scale international business events; and (2) participation in state leaders' official visits to other countries.

Large-scale international business events should be considered an instrument of foreign policy participation, on the grounds that they bring together the executives of business associations, as well as representatives from member companies, together with policy makers, both from Turkey and abroad. Every year, DEİK organizes several business events, both in Turkey and abroad. Among these events, the “Joint Annual Meeting” is the flagship event of each business council that operates under DEİK. These meetings are organized in collaboration with DEİK’s counterpart organization. Although it is stated that joint annual meetings are held at least once every year, this is not the case in practice because only a certain portion of DEİK’s business councils hold their joint annual meetings during the year. For instance, in 2009, when DEİK had 84 business councils, and held a total of 505 events, only 18 joint annual meetings were organized.<sup>28</sup> Another event that resembles the joint annual meetings in terms of scale is the “Business Forum”, which is organized not with the counterpart organization in the respective country but with other Turkish stakeholders. On the other hand, TUSKON’s principal event is the “Foreign Trade Bridge” summit held in Istanbul. Since 2006, TUSKON has organized trade summits with Eurasian, Asia-Pacific and African countries, where each summit covers a whole continent rather than one particular country.

It has to be noted that both DEİK’s and TUSKON’s events are supported by the official foreign economic policy makers of Turkey, the Ministry of Foreign Affairs and the Undersecretariat of Foreign Trade, in the sense that these government institutions recognize the business associations as a partner and have their senior bureaucrats participate at these events. Not only is it a common practice for the Turkish government to be represented, mostly at the ministerial level, but it is also often the case that intergovernmental agreements related to economic issues are signed during these events. For instance, during 2009, 23 intergovernmental agreements concluded by Turkey were signed during DEİK’s events.<sup>29</sup> TUSKON’s events have recently begun to serve in this way as well.<sup>30</sup>

This high-level participation gives DEİK and TUSKON the opportunity to report problems experienced by the Turkish business community and their policy suggestions directly to the statesmen and bureaucrats of Turkey and the respective foreign country and enables business communities of both sides to have direct contact with these statesmen. Additionally, through these events business associations also provide the opportunity for the state officials and bureaucrats of both sides to exchange opinions and ideas with each other within a semi-formal and business-oriented setting.

The practice of groups of businessmen accompanying Turkish state leaders on official state visits began during the ANAP government when in 1984 then Prime Minister Turgut Özal traveled to the Turkish Republic of Northern Cyprus in the company of a business delegation. Since then, DEİK has been the main institution organizing the participation of business delegations on official state visits abroad, whereas TUSKON is relatively a newcomer in this field. In 2009, DEİK organized business participation in 21 such visits, including 10 presidential visits, three visits of the prime minister, and eight visits of other ministers.<sup>31</sup> The numbers have significantly risen during the AKP government and recent figures can be compared to just one visit in 2001 and two visits in 2002 (until the formation of the new government on November 18). These two years coincided with a coalition government led by the DSP and the term of Ahmet Necdet Sezer as president, who was rather unsympathetic towards the participation of businessmen in official matters of the state.<sup>32</sup>

Business participation in state leaders' visits to other countries is an efficient instrument in foreign economic policy participation, not only because events such as the joint annual business council meetings and business forums are organized within the framework of these visits, but also because they provide for a greater acquaintance with the economy of the particular country and the chance to create more contacts with the representatives of that country's government and business community. Mehmet Erdal Eren, the chairman of the Turkish Constructors Association, argues that traveling with the president is "not absolutely necessary, yet extremely useful" because it provides the opportunity for businessmen to communicate directly with the state.<sup>33</sup>

On the negative side, there is often a problem from the state's perspective with business participation in official visits, which is related to the businessmen's occasional divergence from the common goals, and their tendency to use these visits for other purposes. Ambassador Rafet Akgünay, a career diplomat who served among other posts as the senior diplomatic adviser to the prime minister, refers to Erdoğan's visit to China in 2003, during which a tourism seminar was organized for Turkish and Chinese companies but "nobody discussed tourism" and most of the business representatives used the opportunity to communicate their personal problems to Erdoğan. Akgünay argues that DEİK's involvement is crucial for improving the efficiency of such visits, because it is DEİK that knows both the state and the business community and thus is in a position to "bring only those who are really interested in doing business with that country."<sup>34</sup> In other words, DEİK provides the knowledge, which is required by the state in order to increase the efficiency of the visits.

While the business community is significantly mobilized, there exists a high concentration of bureaucratic authority as well

Having businessmen in delegations on official state visits carries risks as well since the businessmen's activities during the visit, motivated by the pursuit of self-interest, can cause problems vis-à-vis the relations between the Turkish state and the respective country. Ambassador Ender Arat, a career diplomat who also served as the senior diplomatic adviser to the prime minister, argues that there are indeed risks, but these are clearly outweighed by benefits.<sup>35</sup>

It has to be noted that business associations also make use of direct contacts with state leaders to express the opinions of the business community. Senior executives of both DEİK and TUSKON frequently visit high-level state officials in Ankara, and the Turkish state is almost always presented at the general council meetings of these organizations, mostly at the level of the president or the prime minister.<sup>36</sup>

The second item in Stephen Bell's typology is "policy formulation", wherein the business association is given public status and plays a formal role in shaping policy. Due to its legal status, this area is monopolized by DEİK and the main mechanism is the Joint Economic Commission (JEC) meetings, which are held on a bilateral inter-governmental basis with foreign countries. These meetings offer a platform for the two countries to negotiate a road map for the future of their economic relations and formulate their policies. As specified in the related circulars of the prime ministry, DEİK is always represented at JEC meetings, which is evidence of the public status given to DEİK.<sup>37</sup>

DEİK has a policy formulation role at the multilateral level as well. DEİK has relations with several organizations, but these are mainly based on information sharing and cannot be evaluated as a mechanism of policy implementation. However, its links with the Black Sea Economic Cooperation Organization (BSEC) should be dealt with separately. BSEC was founded in June 1992 for the purpose of "achieving the integration of the Black Sea region into the world economy within the principles of market economy and democracy."<sup>38</sup> This required the mobilization of business communities since nine of the 11 member countries of the BSEC were post-communist transition economies. The Turkish Ministry of Foreign Affairs contacted DEİK one month after the foundation of BSEC to inquire about possible collaboration, and eventually the BSEC Business Council was founded under the auspices of DEİK with the purpose of improving the business environment in the BSEC region and promoting individual and collective initiatives of the

private sector in the member countries.<sup>39</sup> It was founded as a non-governmental, non-profit organization (such as DEİK itself), but at the same time it was provided with observer status at BSEC with the right to attend all its official meetings. Currently, the BSEC Business Council is no longer operating under the auspices of DEİK and instead DEİK represents Turkey on the board of directors of the BSEC Business Council.

In sum, business associations take part in the foreign policy-making process by creating platforms of interaction with the state, such as large-scale business events, participation in state leaders' official visits and direct contacts with policy makers, as well as by directly contributing to the formulation of policy by representing the business community in intergovernmental meetings and negotiations. However, Bell's third item, "policy implementation", remains the weakest link in Turkish business associations' participation in foreign economic policy. Whereas they actively take part in the process of formulating policy, implementation is undertaken by the relevant public institutions. The quasi-public status entitled to business associations does not cover the realm of implementation, and it is the state which puts the policy into effect and enforces the policy.

### **Does the State Transfer its Administrative Functions?**

The question that remains to be answered is whether the state transfers some of its administrative functions to these business organizations, and this question is especially relevant for DEİK, given its special legal status. As discussed earlier in the theoretical part of this article, the extent to which the state relinquishes part of its authority to the business community depends on both the level of mobilization of business interests and state capacity in terms of the concentration of bureaucratic authority. In Turkey, while the business community is significantly mobilized, there exists a high concentration of bureaucratic authority as well.

Çiğdem Tüzün, former director of DEİK, recalls that back in the 1980s, Turgut Özal had intended to place JEC meetings under the sole responsibility of DEİK but had to give up the idea in the face of a strong negative reaction from the state bureaucracy. Instead, it was decided for JEC to be organized by the state and DEİK was to be given a seat.<sup>40</sup> What Özal wanted was to transfer part of the state's administrative functions to DEİK, but the bureaucracy resisted, and no transfer took place. As seen in this example, the bureaucracy recognizes the capacity of the business community, yet it is also determined to maintain control. As a result, instead of transferring its functions, the state subcontracts them to business associa-

tions in the expectation that they would perform these duties in a more efficient manner and the state determines the conditions of the contract itself. Under this corporatist setting, the state chooses the associations to work with, and to what extent they get involved depends on to what extent the state needs them to do so. For example, the DEİK Regulation states that the organization is “to represent the private sector in international or intergovernmental negotiations if and when it is invited to do so.”<sup>41</sup> This “if” conjunction clearly illustrates the limits imposed on DEİK’s involvement. In the case of TUSKON, although its participation in official intergovernmental negotiations is out of question, the same argument holds as well.

Which business associations the state chooses to collaborate with depends on the degree of the willingness these associations have to play by the rules set by the state. DEİK is an institution specially established for coordinating foreign economic relations, but this does not necessarily mean that the state is obliged to entitle DEİK to a privileged position. Instead there has been a bargaining, which has been carried out under the terms dictated by the state. Accordingly, the state gave DEİK the task of representing business interests in terms of foreign economic policies because it was not in a position to be in direct contact with the companies itself as that would have been too costly. In return DEİK gained the privilege of taking part in the policy-making process, under the condition that it did not challenge the policies of the state, remained within the framework of the policies set by the state, and did not get involved in actions that would contradict state policies. As suggested by the empirical evidence, this bargaining worked (and is working) very well for both sides, and both sides have joined forces around the common goal of improving Turkey’s foreign economic relations.

The bargaining between the state and DEİK is apparent in several incidents. In cases where the business community’s opinion contradicts with the policies of the state, DEİK reports this opinion, makes suggestions to the state, and lets the state know what the business community thinks; however, it also refrains from exerting pressure and does not risk violating the rules of the game. One concrete example in this context was the proposed free trade agreement with the United States advocated by DEİK in 2000-01. Turkey’s Customs Union agreement with the EU makes it impossible for Turkey to enter into such agreements with countries that do not already have the same agreement with the EU. DEİK argued that an agreement could still be concluded with the United States, with a slightly different content and format; however, the Ministry of Foreign Affairs was clearly against towards DEİK’s proposal and the idea was shelved.<sup>42</sup> DEİK did not insist.

There are also cases when, upon the request of the state, DEİK stretched its own rules. One example is the establishment of the Turkish-Pakistani Business Council in 1987. Although the prerequisites for the establishment of a business council were not in place, the council was established after a direct request from President Kenan Evren following the official visit to Turkey by the then president of Pakistan, Muhammad Zia-ul-Haq.<sup>43</sup>

Whereas business associations have a role in Turkey's foreign policy-making process, their role is to a large extent instrumental

With regard to political issues, two important remarks should be made. First, DEİK strictly refrains from getting involved in domestic issues, unlike other business associations such as TÜSİAD. Second, with regard to Turkey's foreign policies in the political realm, DEİK actively supports the government's line. One good example is the position of the Turkish-American Business Council at times when claims about the Armenian genocide are discussed by the US Congress. The Turkish-American Business Council actively and effectively contacts senators and congressmen in order to explain Turkey's position with regard to the Armenian issue. In some cases, the council has taken even more assertive steps to that end. For instance, in October 2007, the council cancelled the *Turkey in 2008 and Beyond* conference to be held in New York at the last minute as a reaction against the decision of the US House of Representatives' Foreign Relations Committee to recognize the Armenian genocide allegations.<sup>44</sup> This involvement in political issues is not only accepted but also welcomed by the state. Ambassador Rafet Akgünay states that in certain problematic issues, such as the Armenian issue, the Ministry of Foreign Affairs calls for the support of the business community since "the businessmen's involvement can change the outcome."<sup>45</sup> There are also several other cases when DEİK supported the government's policies. For instance, on February 26, 1999, the Turkish-Greek Business Council decided to indefinitely suspend its operations in protest of Greece's support for the Kurdish separatist organization the PKK. Following the meeting between the foreign minister of two countries in New York on June 30, 1999, and the Greek contribution to earthquake relief efforts in Turkey, the business council was reactivated. In both cases, DEİK provided a channel of informal diplomacy, which reinforced the efforts on the formal diplomacy side.

Why TUSKON was empowered to take part in the foreign economic policy making process when there was already an organization specifically established for the purpose, i.e. DEİK, is a story that can be explained from both pragmatic and political perspectives. Ruling out the indispensability of any single business association, Ambassador Ender Arat says that "DEİK does its job perfectly, but if

it fails to do so, someone else can do it in its stead.”<sup>46</sup> Arat’s words clearly indicate the ministry’s pragmatic approach, and it can be argued that from the state’s perspective, having TUSKON involved can allow for the diversification of partners and avoid overdependence on one single organization.

On the political side, however, there is a different story. In contrast with DEİK, TUSKON does get involved in domestic politics, albeit only through expressions of opinion, which always support rather than challenge the government’s position.<sup>47</sup> While it might appear that by stepping into the political field TUSKON has moved outside the bargain with the state, the organization’s pro-government stance can be thought of as a reason why it gained the privileged status. In a recent study, Ayşe Buğra and Osman Savaşkan argue that TUSKON owes its close relations with the government to its large local support base, and none of the other business organizations that have emerged with the rise of the new conservative bourgeoisie in Turkey has closer relations with the AKP government.<sup>48</sup> Thanks to its pyramid shaped organizational structure, TUSKON has a large membership base mainly consisting of SMEs from the conservative camp, i.e. members of the newly emerging conservative bourgeoisie, which is at the same time the main component of the government’s electoral support base at the grassroots level. Despite the absence of organic links between the AKP and TUSKON, this situation appears to have created a mutually beneficial relationship between AKP partisanship and TUSKON membership.

### **Concluding Remarks**

In the current era of greater economic interdependence, the business community has an increasingly important place in economic relations between nations and it is no longer possible for governments in liberal economies to formulate their foreign economic policies without the feedback and active participation of the business community. However, since the state cannot be expected to have the resources to maintain direct contact with businessmen, it cooperates with business associations, which voice the interests of business and provide a platform for business-state interaction in an effective manner, for the purpose of attaining the common good.

This article has evaluated business associations’ role in foreign economic policy within the corporatist context of Turkey, where there are several business associations and the state is an arbiter of group influence deciding which groups get favors and which groups are excluded. DEİK has been given a privileged position by the state in the foreign policy-making process. This privileged position is the qua-

si-public governmental status acquired by DEİK, which, despite being a private sector organization, can have direct access to state leaders, allowed to have a say in policy issues, and to participate in intergovernmental meetings. Recently TUSKON has begun to receive some of the same privilege, which, according to some observers, has led to competition between DEİK and TUSKON. For instance, columnist Serpil Yılmaz, who has been closely following the activities of business associations in Turkey, argues that for several years DEİK had been in charge of coordinating bilateral foreign economic relations and guiding the government in this respect; yet in recent years its ability to represent the business community has been questioned as TUSKON, despite its relatively smaller business volume, has defined its policy and action plan independently from DEİK and has begun to assume a role in international economic relations.<sup>49</sup>

Business associations such as DEİK and TUSKON are important actors in Turkey's foreign economic policy, and they are likely to maintain this position as long as they remain loyal partners to state actors

According to Metin Heper, each pattern of business-state interaction has a "particular logic behind it, which closely fits one type of state, or government, and not others."<sup>50</sup> Turkey has a strong and dominant state, which has led to a particular form of business-state relationship, where the state maintains its central position, exercises its authority, determines the rules of cooperation, and effectively uses the business associations as an instrument to advance the nation's interests. Remarks made by the then Prime Minister Tansu Çiller at a meeting with business representatives in 1994 clearly illustrates this approach: "Get ready. We are transferring the power to the public sector. We will determine the rules of the game as much as we can."<sup>51</sup> In the meantime, Heper's argument also helps to explain why different governments have had different attitudes toward cooperating with the business community.

In sum, whereas business associations have a role in Turkey's foreign policy-making process, their role is to a large extent instrumental. Business associations do not have an autonomous role in shaping Turkey's foreign economic policies since they remain within the policy framework set by the state and refrain from challenging the policy objectives of state actors. This, however, does not necessarily mean that their role is frivolous. By establishing a platform of interaction between the state and the business community, business associations communicate the private sector's demands, needs and positions in different issue areas to the state as a vital input for the formulation of policy. On the other hand, business-

state interaction is also instrumental in facilitating the policies that are already in effect. Business associations' mobilization behind the policies formulated by the state serves to provide greater legitimacy for the policies in question and help to turn policies into concrete results in the form of higher trade and investment figures. Business associations such as DEİK and TUSKON are important actors in Turkey's foreign economic policy, and they are likely to maintain this position as long as they remain loyal partners to state actors.

## Endnotes

1. The term "businessmen" as used in this article refers to the members of the business community in general, regardless of gender.
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4. Evaleila Pesaran, "Business-State Contestations and Shifting Economic Policies: The Case of Iran," *57th Political Studies Association Annual Conference*, University of Bath, April 11-13, 2007.
5. Arthur M. Johnson, *Government-Business Relations* (Columbus, Ohio: Charles E. Merrill Books Inc., 1965), p. 14.
6. Stephan Haggard, Sylvia Maxfield and Ben R. Schneider, "Theories of Business and Business-State Relations," Sylvia Maxfield and Ben R. Schneider (eds.), *Business and State in the Developing Countries* (New York: Cornell University Press, 1997), p. 49.
7. Stephen Bell, "Between the Market and the State: The Role of Australian Business Associations in Public Policy," *Comparative Politics*, Vol. 28, No. 1 (October, 1995), p. 27.
8. Michael M. Atkinson and William D. Coleman, "Strong States and Weak States: Sectoral Policy Networks in Advanced Capitalist Economies," *British Journal of Political Science*, Vol. 19, No. 1 (January, 1989), pp. 50-59.
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10. According to Article 135 of the Constitution, public professional organizations were not allowed to engage in political activities of any kind; they had to remain within their legally prescribed areas of activity and they were subject to the administrative and financial supervision of the state. Moreover, as Ergun Özbudun argued, nine ordinances issued by the National Security Council on August 5, 1983 specified and greatly increased the tutelary powers of the relevant ministries over professional organizations, thus further restricting their autonomy. Ergun Özbudun, "The Post-1980 Legal Framework for Interest Group Associations," Metin Heper (ed.), *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience* (Berlin, New York: De Gruyter, 1991), p. 49.
11. Sedat Laçiner, "Özal Dönemi Türk Dış Politikası," Turgut Göksu, Hasan Hüseyin Çelik, Abdülkadir Baharççek and Ali Şen (eds.), *1980-2003 Türkiye'nin Dış, Ekonomik, Sosyal ve İdari Politikaları* (Ankara: Siyasal Kitabevi, 2003), pp. 25-48.
12. Interview with Çiğdem Tüzün, former Director of DEİK, May 24, 2008.
13. Ersin Kalaycıoğlu, "Commercial Groups: Love-Hate Relationship with the State," in Heper (ed.), *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*, p. 83.

14. For a discussion of the developments that led to the establishment of DEİK, see Mehmet Altun, *Dış Dünyanın Anahtarı DEİK* (Istanbul: Kurumsal Yayınlar, 2009), pp. 80-83.

15. "Dış Ekonomik İlişkiler Kurulu," introductory brochure, 1988.

16. Altun, *Dış Dünyanın Anahtarı DEİK*, p. 115.

17. Law No.5590, issued on March 8, 1950.

18. Law No.5174, issued on May 18, 2004.

19. This regulation was later revised through a new text, which entered into effect upon its publication in the Official Gazette on June 23, 2008.

20. A good example is from Ecevit's visit to the United States in January 2002. In the aftermath of the financial crisis of 2001, when Turkey relied on increasing exports for recovery, DEİK contacted the Prime Minister's Office suggesting a business delegation to accompany Ecevit in this visit. The answer received was a plain refusal. Funda Özkan, "İş Dünyası Ecevit'ten Davet Bekliyor," *Radikal*, December 20, 2001.

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24. TUSKON web site, retrieved September 26, 2010, from <http://www.tuskon.org/hakkimizda/?id=history>.

25. DEİK web site, retrieved September 26, 2010, from [http://www.deik.org.tr:80/pages/TR/DEIK\\_DeikHakkinda.aspx?IKID=10](http://www.deik.org.tr:80/pages/TR/DEIK_DeikHakkinda.aspx?IKID=10).

26. "2010 Yılı Sunumu," DEİK web site, retrieved December 9, 2010, from [http://www.deik.org.tr:80/Pages/TR/DEIK\\_FaydalıBilgilerDetay.aspx?fbDetId=40&IKID=10](http://www.deik.org.tr:80/Pages/TR/DEIK_FaydalıBilgilerDetay.aspx?fbDetId=40&IKID=10)

27. TUSKON web site, retrieved September 26, 2010, from <http://www.tuskon.org/hakkimizda/?id=tuskon>.

28. Information received from DEİK secretariat.

29. "2010 Yılı Sunumu," DEİK web site.

30. For instance, seven intergovernmental agreements between Turkey and Indonesia were signed during the Turkish-Indonesian Trade and Investment Forum organized by TUSKON on June 30, 2010, with the participation of the Presidents from the two countries. "Endonezya ile Yedi İşbirliği Anlaşması İmzalandı," *İhlas Haber Ajansı*, June 30, 2010.

31. Information received from DEİK secretariat.

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33. "Cumhurbaşkanı Sezer'e 16 Açıldan Bakış," *Milliyet*, August 27, 2007.

34. Telephone interview with Ambassador Rafet Akgünay, May 28, 2008.

35. Written interview with Ambassador Ender Arat, May 29, 2008.

36. Prime Minister Recep Tayyip Erdoğan attended the most recent general council meetings of both DEİK (held on December 27, 2009) and TUSKON (held on March 6, 2010).

37. Circular of the Prime Ministry General Directorate of Personnel and Principles, September 25, 1996. This circular states that the chairman of the respective business council of DEİK is to attend the JEC meetings.

38. "The Black Sea Region," *DEİK Bulletin*, 1993.
39. Altun, *Dış Dünyanın Anahtarı DEİK*, p. 328.
40. Interview with Çiğdem Tüzün, former Director of DEİK, May 24, 2008.
41. Article 6c of the *Regulation on the Working Procedures and Principles of the Foreign Economic Relations Board and Business Councils* published in the Official Gazette on June 23, 2008.
42. "İş Dünyası, ABD ile Serbest Ticaret Anlaşması Yapmak için Bastırıyor," *Dünya*, October 24, 2001.
43. Altun, *Dış Dünyanın Anahtarı DEİK*, pp. 162-164.
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45. Telephone interview with Ambassador Rafet Akgünay, May 28, 2008.
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49. Serpil Yılmaz, "Amerika, Türkiye ile Ekonomik İlişkilerinde Kurumsallığı Belirginleştiriyor," *Milliyet*, October 21, 2010.
50. Metin Heper, "The State and Interest Groups with Special Reference to Turkey," in Heper (ed.), *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*, p. 6.
51. "Çiller Patronlara Umut Dağıttı," *Milliyet*, December 10, 1994.