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Economic Diplomacy on Turkish Foreign Policy under AKP

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Keywords: [Turkish foreign policy](#), [Economic diplomacy](#), [AKP](#)

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Economic Diplomacy on Turkish Foreign Policy under AKP

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Abstract

Economic growth and distribution of wealth based on globalization is the Justice and Development Party (AKP)'s strength in domestic politics. The AKP has also used the economy as a foreign policy tool by developing the policies of previous governments based on free market economics and harmonizing with the EU. This article examines the mechanism of the economic aspects of Turkish foreign policy under the AKP. Business associations are key to understanding the AKP's economic diplomacy. This paper focuses on the Turkish Industrialists and Businessmen's Association (TÜSİAD), the Foreign Economic Relations Board (DEİK), and the Turkish International Cooperation Agency (TİKA) as the economic mechanism of Turkish foreign policy.

Introduction

The Justice and Development Party (AKP), which was established in 2001 and has been in power in Turkey since 2002, is considered a “globalist” or “transformationalist” party in the era of globalization and neoliberalism. Held and McGrew (2000) classify positions toward globalization into three categories. The first position is (hyper) globalist, which supports the advance of globalization and neoliberalism that fundamentally weaken state sovereignty. The second position is

skeptic, which supports state sovereignty, rejects globalization and its impact or at least considers the phenomenon of globalization as not new. The third position is transformationalist. This position is a compromise between globalist and skeptic. The transformationalist recognizes that globalization changes power, the economy, and culture in world politics. However, the transformationalist thinks that sovereign states are still the main actors in world politics in the era of globalization. In other words, the transformationalist believes that sovereign states can adapt to the phenomenon of globalization. Ziya Öniş, one of the leading scholars of Turkish foreign policy, uses the word globalist as a “positive view of state and society toward globalization and its phenomenon” in the Turkish context (Öniş 2007). The globalist believes that globalization provides opportunities for state and society to improve their policies and lifestyle. Based on Held and McGrew’s characterization of the fault lines surrounding globalization, the globalist defined by Öniş is a transformationalist with a positive view.

As many scholars point out, economic growth and the distribution of wealth based on globalization is the AKP’s strength in domestic politics. Turkey has attempted to fit into globalization and the neoliberal economic order since the 1980s, but economic disparities have deepened. Low-income people could not enjoy the benefits from the globalized / neoliberal economy. The AKP sought to change the unbalanced distribution of wealth and adopted a hospitable social security policy for low-income people. During the 2000s, the AKP government achieved an annual average economic (GDP) growth rate of 10%. The AKP’s success in the economic arena has affected its foreign policy.

“Economic diplomacy” is not a new concept for international relations. For example, Sir Harold Nicolson noted the “merchant international political perspective” in his most famous book, *Diplomacy*. Richard Rosecrance also defined the “trading state” in the late

1980s. However, these classic works did not show the decision-making process and mechanisms of economic diplomacy. This is the most problematic point for economic diplomacy. From 2009 to 2011, several Turkish scholars focused on the economic dimension of Turkish foreign policy. For example, Kemal Kirişici explained Turkey's economic performance in diplomacy using the concept of the "trading state". Kadri Kaan Renda drew on the idea of "complex interdependence" for understanding Turkey's neighborhood policy. Also, Özlem Tür dealt with Turkey's economic policy toward the Middle East. However, like classic works about economic diplomacy, these previous works did not explain the mechanism of the economic aspects of Turkish foreign policy.

This paper attempts to clarify the mechanisms of the economic aspects of Turkish foreign policy under the AKP. For understanding the AKP's economic diplomacy, the key actors are business associations. According to Altay Atli, business associations serve as platforms for state leaders' official visits and for the business community's intergovernmental meetings and negotiations (Atli 2011). This paper focuses on the Turkish Industrialists and Businessmen's Association (TÜSİAD), the Foreign Economic Relations Board (DEİK), and the Turkish International Cooperation Agency (TİKA) as the mechanism of the economic aspects of Turkish foreign policy.

1. The concept of economic diplomacy

Economic diplomacy is decision-making and negotiation on core issues that are affected by international economic relations (Woolcock and Bayne 2013). The actors in economic diplomacy are the state, state institutions, quasi-governmental bodies, and even private and non-state actors. Woolcock and Bayne (2013) emphasize that

economic diplomacy entails the greater involvement of private sector bodies. According to Mills (2013), the areas of cooperation between the state and the private sector including civil society are (i) sharing of professional expertise and experience, (ii) information sharing, (iii) policy planning and advice, (iv) promotion of social responsibility, and (v) human capital (Mills 2013).

Economic diplomacy is classified into the liberal theory in international relations. This is because economic diplomacy is closely linked to domestic and transnational politics. For bilateral and multilateral negotiations, two-level games are a model for liberal international relations theory. Putnam (1988) placed importance on both domestic and international pressure on state preferences and decision-making in international politics. However, partly democratic and non-democratic countries still exhibit state-centric behavior in foreign policy. Decision-makers selectively incorporate domestic factors into foreign policy. In other word, domestic pressure is weak in these countries. Hence, for these countries, clarifying the decision-making process and mechanisms of foreign policy are important issues for understanding partly democratic and non-democratic states. Like democratic states, partly and non-democratic states are impacted international pressure or systemic influence. In domestic areas, the choices made by decision-makers are an important issue for partly democratic and non-democratic states.

The idea of the trading state is based on economic diplomacy. According to Rosecrance (1986), the trading state aims to improve its status in international politics and to allocate resources in its domestic politics within the functional trading system.¹ Rosecrance separated trading states from military-political states.

¹ Rosecrance clearly divided the international system into the military-political world and the trading world. The important elements of the military-political world are power and territory.

The background to the idea of the trading state is the interdependent world. For Rosecrance, this meant a world that produced a functional trading system within its territories. Keohane and Nye (1977) advanced the concept of interdependence and outlined the concept of complex interdependence, whose main characteristics were multiple channels connecting society, an absence of hierarchy among issues, and a minor role for the military. Interdependent and institutional liberals consider that deepening interdependence contributes to establishing conditions for peace and conflict resolution.

2. Turkey as a trading state

Traditionally, the theory of realism in international relations is used as a tool for analyzing Turkish foreign policy. Power and threat perception are effective concepts for explaining Turkey's behavior. In analyzing the foreign policy of the AKP period in the 2000s and 2010s, many scholars focus on the ideas of ex-Prime Minister and Minister of Foreign Affairs, Ahmet Davutoglu.² Davutoglu's ideas are related to constructivism in international relations. For example, Cohen (2016) suggests that "civilizational constructivism" is a useful perspective for understanding Davutoğlu-led foreign policy. On the other hand, several scholars adopt an analytical framework based on liberalism. One example is the concept of the trading state. Kirişici (2009), Tür (2011), and Kirişici and Kaptanoğlu (2011) used the framework of the trading state in their articles explaining Turkish foreign policy. The features of these articles are as

On the other hand, the characteristics of the trading world are the supplying of different services and products by each country, and creating an interdependent situation.

² For Davutoğlu's foreign policy, see Arkan and Kınacıoğlu (2016) and Imai (2017).

follows: (i) the concept of the trading state is related to Ahmet Davutoğlu's zero-problem policy toward its neighbors; (ii) the trading state is related to Turkey's economic growth in the international market, and (iii) the security state and the trading state have totally different foreign policy styles.

According to Kirişici (2009), there are two factors underlying Turkey's economic diplomacy (Kirişici 2009). First, Turkey opened its domestic markets to the world economy in the 1980s. New business elites or the so called "Anatolian Tigers" played important roles in expanding the volume of trade. Second, harmonizing economic relations with EU in the 1990s, especially the special partnership with the Custom Union in 1995, was another tipping point for Turkey's economic diplomacy. This section briefly outlines Turkey's economic policy since the 1980s and its harmonization with the EU. By the same token, Öniş (2006) pointed out that the approval of an IMF program in December 1999 was also a turning point for Turkey's economy.

The starting point for the opening of the free market economy from an import substitution economy in Turkey was the so-called "24 January decisions" in 1980. After these decisions, Turkey's trade volume rapidly increased. However, the balance between exports and imports did not change. After moving to a liberal economy, Turkey suffered an excess of exports over imports. This decision was welcomed by major private companies that belonged to TÜSİAD. Since the mid-1980s, small and medium-sized enterprises in central Anatolia had been supported by Turgut Özal. Businessmen among the Anatolian Tigers were generally forming a conservative and pro-Islamic middle class. They used religious and local networks to create a new business community that improved business practices and learning skills to exploit new markets, especially in the Middle East (Demir et al., 2004). The Anatolian Tigers established the Independent Industrialist' and Businessmen's Association (MÜSİAD).

In the 1990s, the problems of the Turkish economy became clear— rising inflation, falling investment, increasing current account deficits, and growing public debt (Kirişici 2018). As a result, Turkey experienced a financial crisis in 2001. The Turkish government had to accept large loans from the IMF. Kemal Derviş, who had worked at the World Bank, became Minister of State for Economic Affairs and launched an economic recovery program. After coming to power in November 2002, the AKP followed the economic recovery program launched by Derviş. As a result, the AKP succeeded in paying off all loans to the IMF in 2013. As noted by Ktlay (2011), in a way, the 2001 economic crisis was an opportunity for the transformation of Turkey's economic structure and state-business relations.

The origin of the Turkish EU (EC) accession process can be traced back to Turkey's applications for associate membership in the European Economic Community (EEC) in September 1959. Turkey subsequently signed the Ankara Agreement with the EEC in September 1963, but negotiations had long been stagnant until Özal applied for full EC membership on April 1987. Özal supposed that if Turkey received membership in the European Community, its stature in world politics would rise. In particular, he attempted to connect with the West not only through military alliances but also through economic ties (Dağı 2001). In this period, Turkish-EC relations deteriorated as a result of the military coup d'état in 1980. The EC criticized the coup as an infringement on human rights. For this reason, promoting respect for human rights became a defining issue in Turkey-EC relations, along with economic liberalization. Özal began to address these challenges, but in 1985 the EC submitted a brief report declaring Turkey's human rights practices to be far behind EC standards (Dağı 2001). The Özal government made its application to the European Commission on Human Right in January 1987. Consequently, the European Commission rejected Turkey's EC application on 18

December 1989. However, Turkey continued negotiations with the EU and joined the EU Customs Union in 1995. Through the 1995 EU Customs Union agreement, Turkey started to commit deeply to the EU in political and business fields. Since 1995, Turkey's trade and Foreign Direct Investment have rapidly increased.

Furthermore, the European Council declared that Turkey was a candidate for EU membership in Helsinki in 1999. This decision encouraged Turks with regard to their relationship with the EU, especially the young pro-Islamic generation. They understood joining the EU and its process to be an effective way of evading military intervention against their pro-Islamic party. The AKP in particular aggressively worked to advance EU reforms between November 2002 and October 2005. The AKP reformed its domestic laws to fulfill EU criteria after the 2002 Copenhagen Summit. In December 2004, Turkey at last received the go-ahead to begin accession negotiations with the EU.

After the negotiation process began in October 2005, some scholars noted that when Greek Cyprus became a member of the EU in 2004 without any solutions to the Cyprus dispute, this was the negative turning point in the Turkish Europeanization process (Eralp 2009). Cyprus became a member of the EU, and the special relationships advocated by Germany and France dismayed the AKP, which understood this as clear discrimination between Turkey and other countries.

Though Turkey's EU accession is still far away, Turkey-EU relations are still an important issue for the AKP's economic policy. This is because trade with the EU is the highest by volume for Turkey.

Considering the above, Turkey's trading state framework is indispensable to or based on Davutoğlu's zero-problem policy and AKP's economic growth. During the Davutoglu-initiated period (2003-2016), the AKP has basically promoted democratic reforms, a strong economy, and good relations with the EU (Kirişici 2018). These

policies were understood as soft power by other states, especially the Middle Eastern countries. Around the time of the Arab Spring, Middle Eastern citizens regarded Turkey as a model for their countries. According to a poll led by the Turkish Economic and Social Studies Foundation (TESEV) in 2011, 2012, and 2013, the reasons for this model status were Turkey's democracy, economy, Muslim background, and secular political system. In 2011, democracy (and its promotion) was the first reason and the economy was the second reason. However, in 2012 and 2013, the economy became the first reason.³

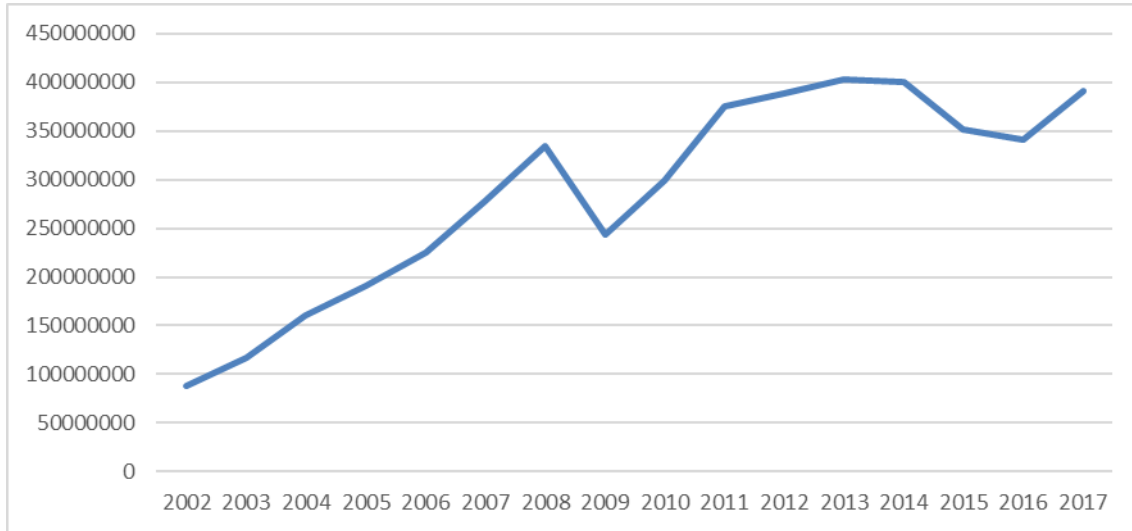
The zero-problem policy was a dead end after the uprisings of the Arab Spring. In May 2016, Davutoğlu resigned his post as Prime Minister and lost influence in Turkish foreign policy.

Turkey's economic growth slowed after the bankruptcy of Lehman Brothers in 2008. According to Kirişici (2009), Tür (2011), and Kirişici and Kaptanoğlu (2011), Turkey's economic diplomacy/trading state behavior has been in a state of dysfunction since 2008. However, trade and economic relations are still important elements of Turkish foreign policy.

The Syrian Civil War and the failure of the democratization of the Arab Spring in Middle Eastern countries have affected the AKP's foreign policy. The AKP seems to have gradually shifted from a soft power approach including economic diplomacy to a hard power or security-centered approach. Earlier studies of the AKP's behavior as a trading state mentioned above were published from 2010 to 2012. Yet, according to Turkish Statistical Institute (TÜİK) data, Turkish trade volume in the 2010s has been increasing compared with the trade volume in the 2000s (see Table 1).

³ The percentage of economy was 25% in 2011, 31% in 2012, and 34% in 2013 (Akgün and Gündoğar 2012, 2013, 2014).

Table 1: Turkish trade volume from 2002 to 2017



(Source: Yıllara göre dış ticaret 1923-2017, TÜİK website)

In addition, according to 526 Turkish citizens were surveyed in November 2018, the results for the question “which should be the most important issue concerning our country’s foreign policy in general” among security, economy, and foreign aid were security 33.7%, economy 59.8%, and foreign aid 2.8%.⁴ Also, the results for the question “in which one of these periods were economic issues most prominent in our country’s foreign policy” among the 1980s, 1990s, 2000s, and 2010s were 7.1%, 18.2%, 24.1%, and 28.7%, respectively. So Turkish citizens believe that the AKP government emphasizes economic areas in its foreign policy when compared with the governments

⁴ This survey is consigned to Infakto Research Workshop in November 2018. The target population of the survey was 525 Turkish citizens living in 17 provinces (Adana, Ankara, Antalya, Bursa, Denizli, Erzurum, Gaziantep, Istanbul, Izmir, Kayseli, Konya, Malatya, Manisa, Muğla, Samsun, Tekirdağ, and Trabzon).

of the 1980s and 1990s. After the beginning of the Syrian Civil War, Turkish people began to emphasize economics in the field of foreign policy. Hence, economic diplomacy is an effective perspective for analyzing recent Turkish foreign policy.

3. Three layers mechanism of economic diplomacy

Previous studies describe Turkey's economic diplomacy as a single mechanism. Yet, Turkey's economic diplomacy has been seen as an amalgam of different policies. Through its activities, Turkey's economic policy can be classified into three layers.⁵ The first layer is economic relations with developed countries like EU countries, the United States, and Japan. Based on IMF data, 39 countries have advanced economies.⁶ The second layer is economic relations with developing countries. The third layer is economic relations with least developed countries (LDCs). Referring to a United Nations list, 25 countries are considered LDCs.⁷ For this layer, Turkey has attempted to begin economic relations as a donor country.

⁵ This classification idea arose through interviews with TÜSIAD staff. Personal interview with TÜSIAD staff at TÜSIAD headquarters in Istanbul, August 28, 2018.

⁶ These countries are Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Macao, Malta, Netherlands, New Zealand, Norway, Portugal, Puerto Rico, San Marino, Singapore, Slovak Republic, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan Province of China, United Kingdom, and United States.

⁷ These countries are Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen, and Zambia.

For conducting economic diplomacy toward the three layers, the Turkish government has cooperated with both state and private organizations. The Union of chamber and commodity exchanges of Turkey (TOBB) and TÜSİAD have been essential actors in relationships with developed countries. For the second layer, DEİK is the main actor for establishing networks with developing countries. For the third layer, TİKA is the central actor.

Turkey's economic diplomacy is basically a division of labor. However, these organizations do not always cooperate with the Turkish government. I interviewed staff from TÜSİAD and DEİK about their relations with the Turkish government.⁸ According to them, both organizations basically act independently from the Turkish government. If the Turkish government requests support or collaboration, they offer information and cooperate in its activities. Of course, business associations can receive benefits. As Atli (2011) points out, business associations get the privilege of taking part in the policy-making process of economic diplomacy.

3.1. TÜSİAD

TÜSİAD, founded in 1971, is a voluntary, independent, non-governmental organization for promoting welfare through private enterprise. Its arenas of activities are economic policy, industrial policy, services, regional development, global relations and the EU, the digital economy, social development, sustainable development, entrepreneurship, and the investment environment. According to the TÜSİAD website, their work on international relations covers the EU and EU Customs Union, the United States, China, B20, and transatlantic and regional relations (TÜSİAD website).

⁸ Personal interview with TÜSİAD staff at TÜSİAD headquarters in Istanbul, August 28, 2018; Personal interview with DEİK staff at DEİK headquarter in Istanbul, August 29, 2018.

The main partners for TÜSİAD have been American and European companies. As Oniş and Türem (2001) noted, one of the characteristics of TÜSİAD is lobbying efforts in Western developed countries. Apart from its headquarters in Istanbul and its representative office in Ankara, TÜSİAD has five foreign representative offices (Brussel, Berlin, Paris, London, and Washington D.C.) and three network offices (Beijing, Silicon Valley, and the Persian Gulf) (TÜSİAD website). TÜSİAD clearly focuses on relationships with advanced economies.

The main aims of TÜSİAD are social cohesion, a competitive market economy, sustainable development, and participatory democracy (TÜSİAD website). TÜSİAD began to insist on democratization in the 1990s, when it published reports about democratic reforms. These publications clearly supported EU accession and the expansion of liberal rights in Turkey (Oniş and Trem 2001). The stance of TÜSİAD is similar to that of secular actors. Hence, the relationships between the AKP and TÜSİAD is not as close as that between the AKP and the MÜSİAD, which is based on religion and small Anatolian companies. However, even during the AKP period after the stalling of the EU accession process, the economic relationship between Turkey and the EU has been strong. According to data from the Turkish Statistical Institute, the volume of exports to EU member states comprises half of all exports during the 2010s.⁹ On the other hand, after EU accession stalled, enthusiasm for the AKP's democratic reforms seems to have fallen.

3.2. DEİK

⁹ "Exports by country group and year" and "Imports by country group and year" (<http://www.tuik.gov.tr/UstMenu.do?metod=temelist>), accessed January 20, 2019.

The DEİK was established in 1986 under TOBB led by then Prime Minister Turgut Özal. According to DEİK's website, their aims are (1) to organize and manage the foreign economic relations of the Turkish private sector in areas of foreign trade, international investments, services, contracting, and logistics; (2) to analyze investment opportunities at home and abroad; (3) to help boost the country's exports; and (4) to coordinate similar business development activities.

Unlike TÜSİAD, the network of DEİK seems to be diverse. According to its brochure, DEİK has focused on economic relations with developed countries during its founding period (DEİK). After the end of the Cold War, DEİK started to expand its economic relations to developing countries, especially those of Central Asia and the Middle East. For example, in 2016 DEİK held 408 meetings with business staff from foreign countries (DEİK 2018). These included 258 meetings with developing countries (63%), 129 meetings with advanced economies (31%), and 24 meetings with LDCs (6%). Also, in 2017 DEİK held 113 meetings with developing countries (48%), 69 meetings with advanced economies (30%), and 51 meetings with LDCs (22%). Though DEİK maintains multiple networks, its main activities are focused on developing countries.

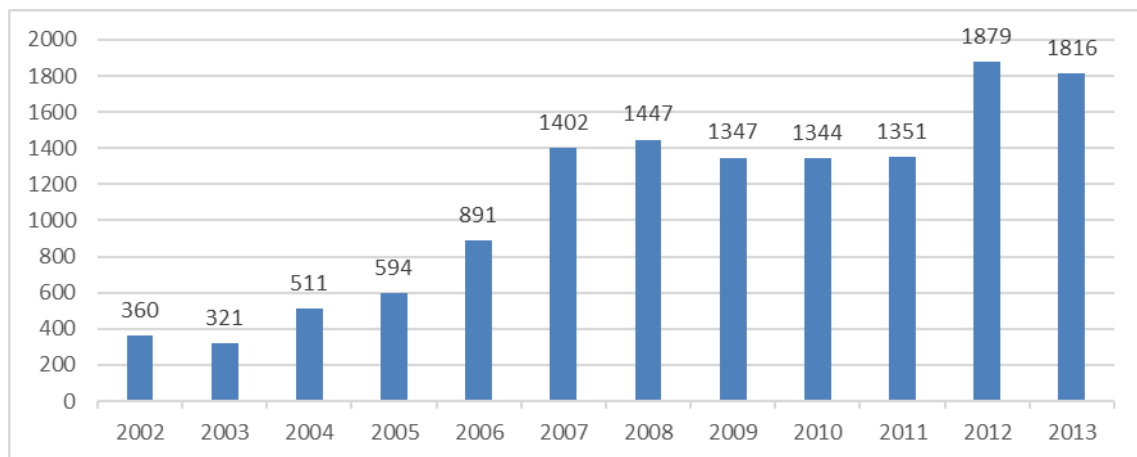
3.3. TİKA

TİKA was established in 1992 mainly to aid newly independent Central Asian, South Caucasus, and Balkan countries. Since the 2000s, the targets of their aid have expanded all over the world. TİKA now has 57 offices in 54 countries and operates in 150 countries (TİKA website). These countries include Afghanistan, Albania, Azerbaijan, Bangladesh, Bosnia-Herzegovina, Algeria, Djibouti, Chad, Ethiopia, Philippines, Palestine, Guinea, Republic of South Africa, South Sudan, Georgia, Croatia,

Iraq, Cameroon, Montenegro, Kazakhstan, Kenya, Kyrgyzstan, Colombia, Union of the Comoros, Kosovo, Libya, Lebanon, Hungary, Macedonia, Mexico, Egypt, Mongolia, Moldova, Mozambique, Myanmar, Namibia, Niger, Uzbekistan, Pakistan, Romania, Senegal, Serbia, Somali, Sudan, Syria, Tajikistan, Tanzania, Tunisia, Turkmenistan, Uganda, Ukraine, Jordan, and Yemen. Thirty-seven of these are developing countries and 17 are LDCs. There are no advanced economies among the 54 countries. The objects of aid policy by Turkey include both developing countries and LDCs.

From the very beginning, the AKP has used TİKA as an effective foreign policy tool. As Tables 2 and 3 showed, TİKA has been very active since 2002. The AKP government has targeted the Middle East, Asia, and Africa, including the latest developing countries.

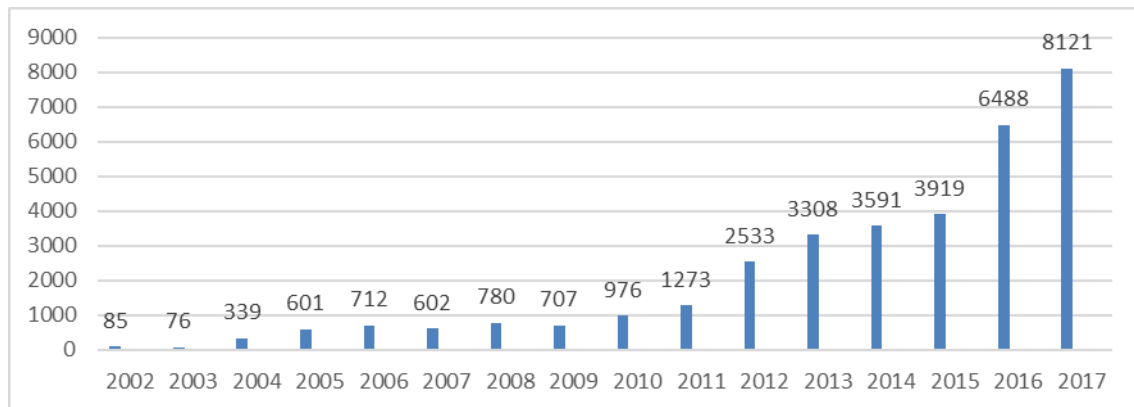
Table 2: Number of TİKA projects



(Source: Cemalettin Haşimi, “Turkey’s Humanitarian Diplomacy and Development Cooperation”,

Insight Turkey, Vol. 16, No. 1, p. 134; *TİKA Annual Report 2013*, p. 16.)

Table 3: Turkey’s annual official development assistance (US million USD\$)



Source: *Turkish Development Assistance Report 2017*, p.15.

Conclusion

This article focused on TÜSİAD, DEİK, and TİKA as the mechanism of the economic aspects of Turkish foreign policy under the AKP government. Economic growth and the distribution of wealth based on globalization is the AKP's strength in domestic politics. The AKP has also used the economy as a foreign policy tool. Of course, previous governments used economic diplomacy to increase their stature in world politics. Adopting a free market economy and harmonizing with the EU are typical examples of Turkey's economic diplomacy. These policies are tools for entering developed countries and deepening relations with Western countries. For the AKP, TÜSİAD has a dimension of economic diplomacy. In addition, the AKP has expanded its targets of economic diplomacy. Mainly through DEİK, the AKP has gained access to developing countries. In the 1990s, Turkish governments gained access to the South Caucasus, Central Asia, and the Balkans through Turkish nationalism. However, the AKP has attempted to achieve good economic relations all over the world. By the same token, the AKP has promoted Turkey as a donor country or a humanitarian state through its collaboration with TİKA.

The relationship between the AKP and DEİK/TİKA are closer than that with TÜSİAD. On the one hand, the website of the Ministry of Foreign Affairs highlights the contributions of DEİK/TİKA. On the other hand, the relationships between AKP and TÜSİAD do not appear to be especially close. Yet, for the AKP, TÜSİAD is a valuable tool for keeping and deepening relationships with Western countries, especially the EU. According to interviews with staff from TÜSİAD, the AKP and TÜSİAD often exchange opinions about foreign trade. In furthering diplomatic relationships between Turkey and the EU or Turkey and the United States, TÜSİAD has exerted itself in lobbying the EU and the United States. To sum up, in analyzing AKP's economic diplomacy, it is essential to examine these three mechanisms in the context of the activities of business and aid organizations.

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