

Fine-tuning Turkey's economic diplomacy

By Mehmet Ögütçü and Raymond Saner*

EurasiaCritic Magazine, July 2008

http://www.eurasiacritic.com/july/july_ogutcu_saner.html



Some consider economic diplomacy to be a fairly recent addition to the work of professional diplomats, who previously tended to concentrate almost exclusively on political tasks.

Economic diplomacy employs economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective. This is sometimes called "economic statecraft"

.Commercial work, like other functional sectors, consular or cultural, was traditionally viewed with disdain, and represented a secondary career track for high-flying diplomats.

However, in a globalised and interconnected world, economic diplomacy has gained added currency and led to persistent calls for "less geopolitics, more economics".

It was during a bilateral meeting more than a dozen years ago between the then Turkish Economy Minister Aykon Dogan and the late U.S. Secretary of Commerce Ronald H. Brown -- on the margins of an Organization for Economic Cooperation and Development (OECD) ministerial conference in Paris -- when the author (Ögütçü) was first exposed to what the “unrelenting focus on trade” and “advancing the interests of corporate America” in the Clinton foreign policy meant in the most down-to-earth terms.

Brown’s blunt but skilful use of economic diplomacy had inspired the author to plant the seeds of a similar strategic approach in Turkey, which culminated a few years later in the Turkish Industrialists and Businessmen's Association (TUSIAD) publishing his strategy report titled “Towards a New Economic and Trade Diplomacy in Turkey” (2000) advocating the central role of economic interests in shaping Turkey’s traditional foreign affairs by using the slogan “less geopolitics, more economics” and proposing concrete steps to institutionalize this strategy.

One of the Clinton administration's proudest achievements was its success at linking American foreign policy with the domestic economy and jobs. Clinton was the first president to really make trade the bridge between foreign and domestic policy. Job No. 1 of his foreign policy was using diplomatic power to open markets for American goods and services, helping to create jobs and lift the United States out of a recession. He was the “globalization president,” understanding sooner than many other leaders the profound changes that it brought upon domestic life in the United States.



Turkey’s quest for EU membership will become more realistic and imminent if a pro-active economic diplomacy could be pursued, as complementary to its traditional emphasis on the geostrategic importance and bridging role between Islam and the West.

In the coming period, despite some slow-peddalling in the reform process on the Turkish side over the past few years and significant reluctance on the part of some EU members, the chances of Turkish accession will be stronger if Turkey can continue its recent economic recovery at a time of expected global recession and turn it into sustainable growth over the next decade. This will likely reduce or eliminate concerns among EU sceptics about Turkish accession being too costly and too destabilizing in economic and social terms . An effective deployment of economic diplomacy in this context by the Turkish government, private sector and civil society, as well as international organizations in which Turkey is a member will be of great value in allaying fears in the EU that this 73-million nation will join the faltering club as an asset and not as a liability.

Economic diplomacy: “less geopolitics and more economics”

Today’s power struggle is waged on maximizing the economic interests and gaining advantage on innovative technologies in a highly competitive global environment.

Geopolitics, though as powerful as it ever was due to what has transpired in Iraq, Afghanistan, Russia, China and other fragile areas of the world, often takes a back seat when confronted with the choice of advancing the business, commercial, energy and technological interests vis-à-vis the vaguely defined political interests.

Viewed earlier as a peripheral activity best left to commercial secretaries and specialists from other departments, the building of trade and economic relationships has moved to the centre of diplomacy. This is an interesting turn of the wheel of history. Even a couple of decades back, commercial diplomacy was seen as a “black hole” by diplomats pursuing a fast-track career, and paled in comparison with political work .

Today, diplomatic services place virtually equal emphasis on political and economic work. Rich countries and developing nations alike consider the mobilization of inward FDI and export promotion as the essence of advancing interests in foreign countries. Over a dozen

nations around the world use the Australian and Canadian model of an integrated ministry that handles foreign affairs and external trade; others like UK have achieved similar unity of action with joint new structures that handle trade and investment promotion through the embassy network, under the direct charge of the Foreign Office.

Thus, economics is now a major component of contemporary “integrated diplomacy”. In a word, economics permeates diplomacy. No diplomat can afford not to master this so-called “dismal science”, both to understand the dynamics of world affairs, and to integrate economics into all his work. At headquarters, politics and economics are intertwined in bilateral and multilateral work. In the embassy, every diplomatic official, regardless of work domain, must weave into his or her job the economic perspective in the same manner that he or she also keeps an eye on the political dimension .



Hence, it is critically important for young Turks, diplomats, bureaucrats, journalists and politicians to learn more and in-depth about economic, commercial and business diplomacy as it touches lives of citizens daily, especially in our "globalized" world. Turkish state and non-State actors will do better by gaining a better understanding of how our businessmen, financiers, industrialists, exporters, constructors, inventors are fighting their ways in this increasingly competitive global marketplace. Not only should they understand but also find ways and means for facilitating their drive for selling, acquiring products/services, investing, reducing risks, collecting strategic intelligence and transferring appropriate technologies at the most favourable terms.

Probably most, if not all, the goods and services we buy, sell and use are in some way influenced by economic diplomacy; and of course are the jobs of many of us. Electronics goods often have tags saying “Made in China” or cars “Made in Germany”, chocolates and watches “Made in Switzerland”. This is a result of decades of multilateral and bilateral trade diplomacy that has gradually lowered tariffs and eliminated quotas on imported goods – in exchange for the exporting countries lowering their barriers to our goods and services.

The growing emphasis on economic diplomacy is sometimes explained in terms of a generational shift, as a result of an increased professionalism and even ‘technocratisation’ amongst the present generation of diplomats, replacing the generation of gentlemen-diplomats that left the diplomatic service in the beginning of the eighties. According to this explanation, ‘old fashioned’ diplomats and diplomacy only dealt with geopolitical aspects of military security and considered commercial diplomacy an inferior task. The new breed represents the “it’s economy, stupid” generation.

Among academics the merit of being first at predicting this recent shift from geo-politics to geo-economics probably goes to some well-known authors such as Paul Kennedy, Jeffrey Garten, Edward Luttwak and Lester Thurow, at the end of the '80s and the beginning of the

'90s. The project “Europe 92” and the emergence of Japan and the Asian Tigers as economic powerhouses in those years contrasted sharply with the relative decline of American economic strength. With varying emphasis these authors were the first to claim that international relations would inevitably evolve into competing economic blocs. Power relations would no longer be determined by military might but by economic weight. In short, economic diplomacy should not be seen as a brand-new contemporary phenomenon. Since the Italian Renaissance it has



always been one of the twin tasks of diplomacy alongside the security dimension (maintaining the balance of power) . In the international system economic diplomacy takes prominence when acceleration in globalization (or a suddenly increased degree of interdependence, together with the awareness of it) is accompanied by an absence of agreed rules of conduct. Companies then call upon “their” governments in order to enhance their own endeavours in the world market. Governments have no choice but to further their companies' interests, otherwise other firms would benefit.

It is not only the Anglo-Saxon world: Most foreign ministries the world over have been insisting on the importance of economic diplomacy. Their diplomats make no secret of the fact that their prime task now is to look after the commercial interests of the state they represent. Since the end of the Cold War, states, i.e., foreign ministries (together or in competition with other departments), have shown a remarkable aggressiveness with regard to bilateral commercial activities and multilateral economic interactions.

How to better negotiate with the EU?

There have never before been accession negotiations that are so controversial among EU member states and so charged with uncertainties and serious political and economic impediments as Turkish accession is now. It is absolutely essential that both sides should agree on an imaginative, constructive problem-solving approach to produce a successful conclusion of this process. The economic diplomacy must complement the political considerations now at hand given that Turkey's economic powerhouse can well impress on the discussions in Brussels, which will for sure not be on the basis of a “business-as-usual” mandate .

Equally or even more important is to ensure that the negotiations will pave the ground for the EU governments at the end of the process to convince their public that Turkey does not enter the Union as an “alien” but as a truly “European” society and state, while at the same time

respecting its culture, religion and priorities. This should be declared a priority from the very beginning, i.e. from the formulation of the negotiating mandate for the European Commission. It goes without saying that the process begun by Europe's leaders in Brussels will have to be completed by the politicians of the future – probably during the lifetime of at least three new governments in each country.

Given the high degree of domestic controversy that the Turkish dossier causes, the governments may not have any interest in keeping the Turkish accession issue visibly on the public agenda until such a time that positive public perception of Turkey could be generated. Most EU leaders would prefer to put the issue on the backburner by “leaving the concrete task of preparing and conducting the negotiations mainly to the European Commission” . However, it is important that the EU governments commit a greater degree of political attention to the negotiations than they have done in past negotiations. And this attention should be constantly present throughout the accession process and not be restricted to so-called crucial dossiers or crucial moments, such as free movement of people, common agricultural policy, and financial and institutional issues. If it were left to the normal negotiations procedures, the process leading to its conclusion would likely encounter a serious risk of failure along the way. Therefore, accession negotiations are (and must be) aiming at full membership, avoiding the recurrence of discussions about alternatives to Turkish membership.

Considerations about the EU's ability to function effectively are likely to be a regular feature of the negotiations with Turks. This can result in a slowing down of negotiations if the EU members fear that a premature Turkish accession would overload the Union . It is this concern that already now can be seen behind the almost unanimous declarations by leading EU politicians that Turkish accession would require a period of ten years or more before it could be accomplished. Also the rules for opening and closing each of the 31 chapters ensure

the possibility of putting brakes onto the process. Another issue which needs to be addressed by the EU and the Turkish diplomats concerns the Cyprus conflict which in itself will demand creativity and professional competence on all sides to find a solution to this long lasting conflict. Without solving the Cyprus conflict, EU-Turkey negotiations will most likely face another major hurdle which could stall the whole accession process.

Turkish negotiators will naturally react to what they might consider to be an unjustified special, discriminatory, treatment in comparison with other former and even future candidate countries, although they often characterise themselves as a special case in other areas. The Turks are also aware that accession negotiations are not a level playing field, unlike a “classical” negotiation between two states on an equal footing. Accession does not mean a negotiated merger of the Union with a respective candidate, but an intense and often painful process of mostly one-sided adaptation to the EU by a state accepting the Union’s demands for accession. This inherent imbalance in any accession process will likely become accentuated in the case of Turkey, given the fact that the basis of the process is not an invitation by the EU but a decade-long demand and pressure by Turkey.

However, it is important for the Euro-negotiators to take a hard look at Turkey’s particular circumstances. In the course of the negotiations Turks are likely to press for longer transition periods, derogations and financial/technical assistance for the necessary adjustments, as well as for a tactful approach from Brussels to win the hearts of the Turkish public at large.



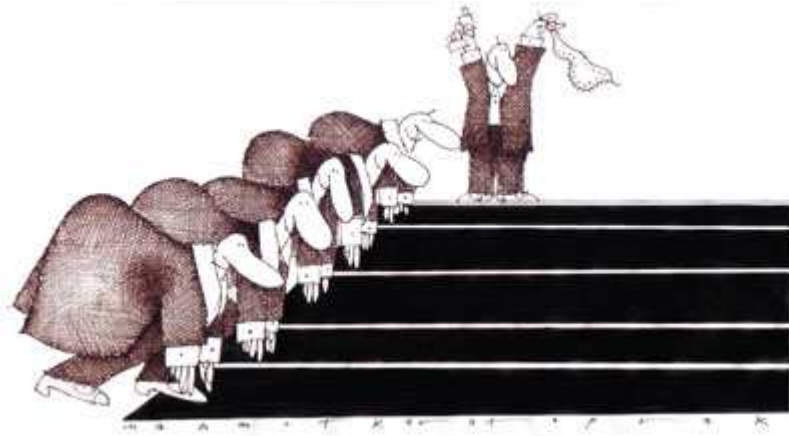
What else can be done?

In this new era, European and Turkish diplomats should be geared towards better articulating and executing a sound, well-resourced and result-oriented economic/commercial diplomacy at bilateral, regional and multilateral levels. It would be unfair to discount the hard and diligent work performed by many Turkish diplomats in support of economic diplomacy initiatives; but the root problem has been that their efforts are not part of a well-defined and institutionalized strategy that strives to achieve synergies with other governmental departments and the private sector under strong political leadership.

Hence, energetic personal efforts or inclusion of hundreds of commercial diplomats and business diplomats in the entourage of the Prime Minister during foreign visits are not the solution if the groundwork has not been properly done. There is an acute need for a serious fine-tuning of the mindsets and institutional rigidities to reconcile the divergence of understanding and interests between those who pursue the maximization of private profits and those who seek to maximize the public good and benefits. The end-result that we all strive to achieve should be to enhance the country's competitiveness, prosperity in the global system while at the same time ensuring its security and foreign policy goals.

We outline below a few areas where we believe action will be needed:

- **Lead a renaissance of professionalism.** Replacing outdated practices of workforce management, creating new professional opportunities, and making a commitment to sustained professional development are required to change the existing business/diplomacy culture. Therefore, there is need to reform personnel practices by recruiting regional and management specialists and creating a business diplomacy service to augment the career service with functional expertise, and create electronically-linked teams to take advantage of the expertise of area and functional specialists serving in far-flung locations.
- **Upgrade information technology to corporate standards.** The acquisition of new technologies must be geared to supporting the key priorities of diplomacy. To this end, an information strategy should be developed, supportive of democratization and transparency in international relations; and a state-of-the-art computers and electronic connectivity should be set up for the effective acquisition, management and dissemination of information.
- **Move economic and commercial diplomacy from the sidelines to the core of diplomacy.** Diplomacy must be proactive in promoting Turkish policies and values, and interactive in engaging domestic and foreign publics. For this purpose, it is essential to re-define public diplomacy to include education and early public engagement in the conduct of diplomacy, and amend legislation to improve communication with the Turkish public; and inaugurate a Global Affairs presence on the Internet to strengthen international cooperation and address global issues.
- **Focus greater attention and higher priority on economic diplomacy.** To ensure Turkish competitiveness in the global economy, Turkey must strengthen its ability to expand regional and global markets and assist Turkish business abroad. In this context, Turkish Business & Information Centres in the Big Emerging Markets should be established, to be managed by a public-private consortium; and an officer-exchange program between Turkish business and government should be initiated to strengthen commercial representation abroad.



Final word

As a new member, Turkey will bring aspects that current members will also have to adapt to. Therefore, rather than focusing on the results of individual reforms, the 'accession process' should be geared towards assisting Turkey's transformation in a constructive way. The new Turkish politicians are more willing to change and are more receptive to influences from the outside than in the past . It is now necessary to take advantage of this historic opportunity to influence Turkish politics and its economy through the process of accession negotiation. More importantly, the EU leaders should judge Turkey on the basis of its potential economic and geostrategic importance from today to 2023 and what the future holds for Europe by then - not on the narrow and short-term interests of today. With Turkey the EU will gain not only a rich cultural diversity, but also a considerable manufacturing capacity, entrepreneurship, and better foreign security policy outreach to the key regions of the world, i.e. Russia, the Balkans, the Middle East, the Caucasus and Central Asia.

Two terms of government may suffice to fundamentally change the face of Turkey for the better, while the EU will also be going through changes. One should recall that the founding father of modern Turkey, Kemal Ataturk, had accomplished the bulk of his revolutionary modernising vision for the country in a period of only 15 years (1923-1938) and did so between the two destructive world wars and in great deprivation. Even more can be achieved over the next two decades in the era of rapid globalisation. Then, it is not science-fiction to

predict that both Turkey and the EU will be starkly different from what they are today and it is in their hands to shape their common future starting now, rather than speculating on the fears to come.

Endnotes

1. Raymond Saner, L. Yiu, *International Economic Diplomacy: Mutations in Post-modern Times*, Discussion Papers in Diplomacy, Netherlands Institute of International Relations “Clingendael”, s.10. http://www.transcend.org/t_database/pdfarticles/318.pdf
2. Turkey and the EU: How to achieve a forwardlooking and mutually beneficial accession by 2014, Mehmet Ogutcu, 24 March 2005, <http://www.turkishdailynews.com.tr/article.php?enewsid=8699>
3. But if we go back to the origins of diplomacy, like the recently transcribed Amarna archive clay tablets of Middle Egypt of the period 1460–1220 BC, and the extensive trade that existed in subsequent centuries among the countries and civilizations of Egypt and West Asia, we see that trade provided the first motivation for inter-state contacts and agreements. Another example is provided in the spread of colonialism in Asia, following Vasco da Gama’s journey to India in 1498, and Europe’s “discovery” of the riches of the East Indies. Again the flag followed trade.
4. Two relevant studies on MFAs: Brian Hocking, Ed., *Foreign Ministries: Change & Adaptation* (Macmillan, London, 1999); Justin Robertson, Ed., *Foreign Ministries in Developing Countries and Emerging Market Economies* (Halifax, International Insights: Dalhousie Journal of International Affairs, Volume 14, Summer, 1998).
5. Business Diplomacy pertains to the use of diplomacy methods and tactics by enterprises when facing non-business partners such as local communities, NGOs, political parties, governments at local and national level. For more information see: “Business Diplomacy Management: A Core Competency for Global Companies” by Raymond Saner, Lichia Yiu,

Mikael Sondergaard, Academy of Management Executive, Feb. 2000, vol. 14(1):80-92

6. For more information see: “The Expert Negotiator”, (2nd edition) by Raymond Saner, Martinus Nijhoff Publishers, The Hague, 2005, chapter 2, Negotiation behaviour through the centuries, pp 17-29

7. Whither Turkey’s EU Accession? Perspectives and Problems After December 2004, Heinz Kramer at http://www.aicgs.org/c/kramer_turkey.shtml

8. Ibid. Heinz Kramer

9. « Changing Parameters in U.S.-German-Turkish Relations: Future Scenarios”, held on September 20, 2004 in Berlin. AICGS Advisor, September 30, 2004.

10. For more information on the complexities of the Cyprus conflict see: “External Stakeholder Impacts on Official and Non-Official Third-Party Interventions to Resolve Malignant Conflicts: The case of a failed intervention in Cyprus” by Raymond Saner and Lichia YiuCenter, International Negotiations”, 6,3, 2001 ed. William Zartman.

11. Turkey’s New Politics and the European Union, Pieter Ott, December 2003, http://www.ceps.be/Article.php?article_id=172

This paper represents the views of its authors and not those of any organisation they are associated with.

*Mehmet Ögütçü is a London-based senior multinational business executive, a former Turkish diplomat and Organization for Economic Cooperation and Development (OECD) director. He can be reached at ogutcudunya@yahoo.co.uk.

Raymond Saner is professor, University of Basle, Switzerland, Organisation and International Management. He also serves as Director, DiplomacyDialogue, CSEND, Geneva. He can be reached at saner@diplomacydialogue.org.

