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*A comparative study of foreign economic policies:  
The CIVETS countries.*

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**ABSTRACT.**

Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa (CIVETS) have shaped their foreign economic policies in line with the Washington Consensus and have implemented strategies to attract foreign investment as a possible way out of the current financial crisis. Once multilateral trade rules were agreed under the WTO, these countries revised their domestic trade policies in order to cope with both the organisational principles and the international investment standards promoted by international financial institutions. Despite the fact that transnational economic groups have been focussing their attention on these 'new investment miracles' since the coining of the term CIVETS in 2009, the CIVETS governments have shown no interest in coordinating their foreign economic policies on investment issues. In this paper we argue that the emerging economies of CIVETS exemplify a case of unintended foreign economic policy convergence, facilitated by systemic causes. These include their common need to overcome historic processes of adverse economic transition while getting inserted successfully into world trade; as well as domestic variables like the similar ideas of CIVETS policy makers.

**Keywords:** Foreign economic policies, CIVETS, convergence, emerging economies, foreign direct investment (FDI), negotiating strategies, free trade agreements (FTAs), bilateral investment treaties (BITs).

In the current multipolar world, developing countries have implemented strategies to internationalise their economies through unilateral, bilateral and multilateral strategies of negotiation and action. Emerging economies have adopted GATT/WTO principles – (non-discrimination; transparency; predictability) – and recognized them bilaterally in trade and investment treaties which have contributed to what Salacuse (2010) calls the already complex ‘networks’ of international investment treaties like free trade agreements (FTAs), strategic partnerships (SPs), and bilateral investment treaties (BITs). In addition, the domestic policy agendas of emerging economies have featured the revision and improvement of their investment climate in order to attract foreign direct investment (FDI) and encourage local investment. However, the policy changes in these countries have not been responding only to pressures or influences from the international economic system; domestic factors related to historic milestones of an economic and political nature must be considered in the analysis. In this sense, the group of emerging economies recognised as economic miracles in 2009 under the acronym CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa) participate unilaterally in the international economic system as receivers or followers of a transnational policy network on foreign investment issues.

This working paper seeks to contribute to our understanding of CIVETS by exploring, from a comparative perspective, the foreign economic policy (FEP) convergence amongst them. It approaches the convergence phenomenon by taking into account systemic, domestic, and cognitive (or ideational) factors, including these countries’ common motives to overcome financial crises, adopt IMF recommendations, and internationalise their economies; as well as their policy makers’ and foreign policy elites’ ideas about adopting multilateral, bilateral, and unilateral schemes.

The CIVETS’ foreign economic policies (FEPs) will be analysed between 2000 and 2010, during which time, except for Colombia, the CIVETS countries intensified their negotiating strategy of pursuing international investment agreements (IIAs). Methodologically, our comparative approach takes account of two independent variables: (i) negotiating strategies leading to IIAs, and (ii) CIVETS’ policy makers’ ideas.

The paper proceeds as follows. In the first section, historic and economic milestones will be invoked to provide contextual background. A connection will be established between the theoretical structures used to analyse FEP convergence and the CIVETS countries’ histories

and domestic policies. In the second section, a comparative analysis will be undertaken on the following CIVETS sub-groups: (i) Colombia and South Africa, due to their background of conflict and economic openness in the 1990s; (ii) Indonesia and Vietnam, due to their common situation in South East Asia; and (iii) Egypt and Turkey, due to their geo-strategic importance and their quality as “pivotal states” (Chase et al. 1996). In the third and final section, the ideational dimension will be incorporated as a complementary factor explaining FEP convergence.

### **1. INCORPORATING SYSTEMIC ELEMENTS IN ORDER TO UNDERSTAND CIVETS’ FEP CONVERGENCE.**

Developing countries have taken advantage of their membership of certain international organizations such as the WTO to revise their domestic and foreign policies according to international investment standards (Büte & Milner 2008:745). Despite the fact that most CIVETS countries acceded to the WTO in 1994 (effective as of 1995) with a strategic view to adjusting to neoliberal ideas and so to participate in the global trade and investment environment, the decision to embrace the neoliberal logic was proximately responding to the pressure to overcome the financial crisis of the 1980s by accepting and implementing IMF recommendations. Furthermore, during the 1990s and the early 21st century, most CIVETS’ policy-makers were either trained in the US or adopted the ideas of the Washington Consensus through their foreign affairs advisory bodies. In that context, it is clear that the phenomenon of policy convergence is easier to understand when the ideas and background of the main leaders are included as one of the variables of analysis.

Following the reasoning of Cohen (1990:267) about the comprehension of ‘foreign economic policy behaviour of governments and the issue of what it is that fundamentally motivates states in their international economic relations’, the individual behaviour of CIVETS countries will be taken as the unit of analysis, and analysed at the system level: states react to stimuli which come from the international system (Velosa 2012, 40). International structural factors will thus be taken into consideration to reach a conclusion. Additionally, an “inside-out” approach through the cognitive level of analysis (Cohen 1990:268) will be supplemented to round out the understanding of FEP convergence. Policy makers’ ideas have a strong influence in determining how and when to adopt international investment principles already settled by WTO or UNCTAD as well as standards still in process of being consolidated in international customary law. Combining systemic and cognitive variables to explain FEP

convergence amongst CIVETS is a novel and worthwhile exploratory methodology.

While structural approaches explain policy convergence by focussing on the pressure that economic factors may exert on political units (states), agent centred approaches emphasise the role that beliefs play in settling on institutions and regulations; viz. the ideational factor (Drezner, 2011). The anarchy of the international system does not yield any particular foreign economic policy except as refracted through the lens of the unit of decision and its ideation of the relation of economy to security. Thus, the cognitive level of analysis here proposed focusses on the ideas of the last decision unit of analysis, that is, the President or Prime Minister and/or the foreign policy elite (their advisors) who accompany and support governmental decisions on international matters, and who in fact decide whether or not neo-liberalism is the economic policy framework that enhances external security the most. In describing the assimilation of FEP ideas that was observed, however, we shall not use the term coordination, as the CIVETS' foreign policy elites have done no planning to partake in regionalisation or in international integration schemes amongst themselves; nor have they taken any steps going further than the minimal – and quite uncoordinated – assimilation exacted by systemic pressures and ideational influences. This prompts us to recur to the term convergence as a way of summing up this uncoordinated assimilation. Drezner states that 'policy coordination implies some agreement on the acceptable bounds of regulatory policies' (2001:57). We shall therefore not prefer this term, which is in fact far more expansive than convergence. Policy coordination implies agreement of some sort, even if it does not mean that all states agree to implement identical rules. But this is precisely what none of the CIVETS countries has been willing to do.

Following the definition of FEP of Nel & Stephen<sup>1</sup> (2010:72), trade and investment negotiation and strategies are included in the inside-out analysis. When this analytical lens is brought to bear on CIVETS countries in a comparative study, common characteristics quickly emerge. These countries are engaged in a race to attract FDI; thus, they have implemented internal changes to bring about a competitive investment climate and make themselves attractive host states for transnational enterprises (TNEs); have adapted their tax and contract legislation even so far as signing Legal Stability Contracts (LSCs) with investors; have adopted trade and investment negotiating strategies that share a common language of

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1. "The assemblage of official decisions and plans employed by a state to interact with the international economic environment in order to meet the demands of domestic economic development as perceived by the ruling class or group."

respect and compromise with WTO and UNCTAD principles of trade and investment, leading to international treaties negotiated and celebrated with strategic partners; and, finally, have reached a common understanding with these partners regarding dispute settlement mechanisms, as recognized in numerous IIAs.

However, historic factors also lie behind such an alignment. The debt crisis of the 1980s caused states which needed international loans to be issued recommendations by international financial institutions (IFIs) and by the US Department of Treasury (Guerra-Barón 2013). All CIVETS countries implemented stabilization packages and structural adjustment measures which came to be known as the “Washington Consensus”. The financial crisis is thus revealed as a pivotal factor that not only facilitated the desired FEP convergence of CIVETS, but also can explain how rapidly the transnational policy network of the neoliberal formula was disseminated during the 1990s, especially through soft mechanisms such as the signing of IIAs and letters of understanding with the IMF. Moreover, the necessity to re-establish a fiscal equilibrium drove CIVETS countries to implement trade openness in the international arena and economic deregulation domestically.

Considering convergence as ‘the tendency of policies to grow more alike, in the form of increasing similarity in structures, processes, and performances’ (Kerr, cited by Drezner 2001:53), the Washington Consensus recommendations adopted by CIVETS were convergent. Except for Vietnam – the only country to accede to the WTO in the 21st century (2007), – the other CIVETS have been following the multilateral trade and investment principles agreed in the Uruguay Round since 1995. Coherent with the multilateral scenario, CIVETS has carried on an intense agenda of negotiating IIAs with key political and economic partners. It should be noted, however, that this convergence reflected no effort of the CIVETS policy-makers either to coordinate or harmonize their FEPs, but rather suggests a phenomenon facilitated by global governance in trade. It is worth asking whether there were government efforts that ventured beyond fortuitous convergence towards coordination or cooperation in investment or trade, and whether it is possible that, after the invention of the CIVETS acronym in 2009, the self-appointed leadership of Colombian President Santos (2010-current)<sup>2</sup> promoted a framework of multilateral cooperation between the CIVETS economic miracles.

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2. Principles of the Colombian foreign policy (Ministry of Foreign Affairs, 08/2010); National Development Plan 2010-2014: “Prosperity for All”.

In approaching this enquiry, many scholars have endeavoured to explain policy convergence through either structure or agency. According to structural theories, ‘different national policies are homogenized into one global policy’ by the logic of international institutions (Cohen 1990:57). On the other hand, foreign policy is mostly Presidentially driven, CIVETS being no exceptions, and the logic of international institutions itself does not suffice to explain convergence or divergence; therefore, it is necessary to explore the explanatory influence of domestic ideas and interests (Schrim 2009). It will give us a better picture of the situation to incorporate this ‘missing middle’ into our analysis of the international political economy, taking into account ‘when and how ideas [and norms] matter’ (Ravenhill 2010:551).

## 2. COMPARING CIVETS’ FOREIGN ECONOMIC POLICIES.

Nine years after the BRICS acronym was coined, a group of investment miracles was recognised by the influential magazine *The Economist* with a new acronym: CIVETS. These emerging markets<sup>3</sup> were considered attractive host countries for transnational enterprises because of their demographic features (a young and growing population), their economic conditions (dynamic and growing), and their political advantages (relative stability) (Guerra-Barón 2012b, 374). In fact, CIVETS contain an important youth population,<sup>4</sup> of which Indonesia has the largest proportion and Egypt the highest growth rate.<sup>5</sup> This confirms the demographic characteristic of the acronym. Indonesia, Vietnam and Egypt are middle-income countries, while the rest are middle-to-upper-income. In terms of the international power hierarchy, Indonesia, Turkey, Egypt and South Africa are ‘pivotal states’ (Chase et al. 1996:37);<sup>6</sup> Colombia is a secondary regional player; Brazil is a regional power (Flemes 2012:21); whilst Vietnam aspires to be perceived as a medium-weight player in South East Asia. These differences amongst CIVETS suggest that investment performance in unilateral, bilateral, and multilateral contexts is the pivotal element which is enough to unify them, policy-wise, even without inter-government coordination or cooperation.

We proceed now to the comparative analysis of pairs of CIVETS members, taking account of their differences as well as similarities.

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3. Emerging economies characterised by a rapid economic growth; domestic policies favoring economic liberalisation; and adoption of a free-market system. Arnold & Quelch, cited by Hoskisson et al. 2000, ‘Strategy in Emerging Economies’, *The Academy of Management Journal*, 43(3): 249-267.

4. The Indonesian population as of July 2013 was estimated at 251,160,124, followed by Vietnam (92,477,857) and Egypt (85,294,388). CIA World Factbook. 71% of the Vietnamese population is young (est. 2012), followed by Turkey (67%), Indonesia (66%), Colombia (66%), South Africa (65%) and Egypt (63%). World Bank Data.

5. Then Turkey (1.16%) and Vietnam (1.03%). CIA World Factbook.

6. Nolte (2010) classifies Egypt, South Africa and Turkey (amongst other countries) as regional powers.

*Colombia and South Africa.* The Colombian and South African cases are similar, in that both nations had long experienced and are still struggling to recover from paroxysms of conflict and violence (Murillo 2012, 425). Their leaders also decided in the 1990s to liberalise their economies through constitutional and legal mechanisms. The 1990s meant for the Andean country a transition from the import-substitution industrialisation (ISI) model of the 1980s to the trade openness and economic liberalisation model. The transition process began under the Gaviria Presidency (1990-1994) and was furthered by subsequent Presidents Ernesto Samper (1994-1998) and Andrés Pastrana (1998-2002). While a Colombian strategy to diversify the economy began as long ago as the early 20th century, the special emphasis on FDI promotion through domestic reforms and trade and investment negotiations is much more recent. Under President Alvaro Uribe (2002-2010) Bogotá's economic strategy has focussed on promoting both local and foreign investment. Uribe's FEP agenda remained aligned with the US (a demarche known in Classical times as *respice polum*: "look to the metropole [i.e. the capital of the Empire: in today's world, metaphorically, the North]"); however, in his second term, the highly Presidential Colombian foreign policy took a turn towards attracting FDI through the negotiation of FTAs, an SP with the EU, and BITs with politically strategic (i.e. more than just trade) partners. Domestically, many LSCs were signed, and investment climate reforms were carried out to satisfy the expectations of transnational economic groups (Guerra-Barón 2012a:394). Uribe's ideas not only permeated public policies in Colombia, but were also disseminated into the international arena too. His centre-right political posture reflected the way Bogotá led its foreign relations (Pastrana & Vera 2012:64), and Colombia considered an FTA with the US a national priority. Uribe's trade and investment negotiating strategy was aggressive and yet, ironically, conservative when compared with other CIVETS countries. During the 1990s Bogotá had full membership of the Asociación Latinoamericana de Integración (ALADI); the Comunidad Andina de Naciones (CAN), an imperfect free trade zone; an FTA with Mexico (formerly the so-called "G-3" that included Venezuela); and access to the US and European markets through preferential trade agreements. Many of Colombia's FTAs (viz. with the US, South Korea, Canada, Northern Triangle, EFTA) and BITs (viz. with China, Japan, the United Arab Emirates, Germany) were negotiated in the early 21st century, and a Multi-Party Agreement and Strategic Partnership (SP) was signed with the EU.

After almost ten years of President Uribe's 'micro-management' (Pastrana & Vera 2012:58), Juan Manuel Santos came to power in 2010. Trained as an economist and business manager in post-graduate studies in British and American universities, Santos inherited Uribe's trade



negotiating agenda (Guerra Barón 2012a:395), and focused his interest on reinventing Colombia's image worldwide and playing a role in the international system. He made Colombia's emerging market economy attractive to foreign investment through a national development plan (NDP) that has 'International Relevance' as one of the central pillars of its mandate (Guerra Barón 2012b:386). Santos has expanded Colombia's foreign policy of state actions and strategies, as reflected in the sophisticated lobbying done by Colombia's embassy to the United States to win the approval of the Colombia-US FTA in Congress, and to push forward the provisional entry into force of the trade agreement with the European Free Trade Association (EFTA) and the Multi-Parties SP agreement with the European Union. Such an expansive mentality reflects the political influence of the Pacific Alliance (founded in 2011) toward the diversification of the trade agenda with Asian and African countries, including some of the other CIVETS (viz. Vietnam, Egypt, Turkey), as well as China, Israel, Panama, Singapore, and Japan (Guerra Barón 2012a:395).

The South African case is similar to Colombia in chronological terms. After South Africa's diplomatic isolation from the international community during the period of apartheid,<sup>7</sup> Nelson Mandela (1994-1999) led the African nation into integration into the world economy (Geldenhuys 1984, cited by Flemes 2007:18). He did this by adopting neoliberal ideas and attracting FDI as a mechanism of economic growth (Alden & Vieira 2007:146). Mandela's economic growth and liberalisation strategy (1994-1996) was adjusted to achieve social equality and democratise access to the benefits of economic growth (Hirsch 2005:210). In that context, the South African re-birth (Vale & Maseko 1998:274) was clearly reflected in its FEP, as Mandela promoted multilateralism and new economic blocs such as the Southern African Development Community<sup>8</sup> (SADC) in 1992 (Alden & Vieira 2007:141). The 'new South Africa' (Guy 2000:59) inherited by Mbeki (1999-2009) promoted wider and more equitable access to the benefits derived from the country's economic growth. At that time Pretoria was pushing to be recognised as the 'natural leader' of the continent, while deepening trade relations using a 'butterfly strategy' that straddles both Brazil and India (Alden & Vieira 2007:147-148).

Although some authors have characterised South Africa's foreign policy as being 'ambiguous'

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7. Equally on economic terms (Hayter et al. 2001:5).

8. The other member states of the SADC are: Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, the United Republic of Tanzania, Zambia, Zimbabwe

(Bischoff 2003, cited by Nathan 2005:361-372), highly Presidential (Vale & Maseko 1998:285), and 'pragmatic' (Landsberg 2010b), others perceive it as 'coherent' (Nathan 2005:362). Given his background as an economist with postgraduate degrees from Britain, Mbeki has continued Mandela's strategy of transforming a Third World economy through regional integration (Hirsch 2005:233, 245), multilateralism, and South African internationalism (Alden & Schoeman 2013:113). This has resulted in the country's membership of the Southern African Customs Union (SACU) in 2002 and leadership of that bloc (Hayter et al. 2001:69-76); its beneficial membership of the SADC free trade zone; and its trade partnership with the EFTA countries since 2006.<sup>9</sup> The regional power enjoyed by Mbeki in sub-Saharan Africa has given his country a privileged place in various global governance forums using only soft-power mechanisms (Draper 2011:207), and a developmental vision according to the neoliberal formula (Alden & Schoeman 2013:113).

After Mbeki's resignation, president Zuma (2009-current) developed an FEP similar to that of his predecessor. Economic strategies are nourished by socio-economic transformation. However, some consider that under Zuma Pretoria has fallen short of the South African FEP's true objectives (Landsberg 2010a; Landsberg 2010b). Be that as it may, South Africa continues with its ambitions to play a leadership role in Africa through economic power and an internationally recognised political stature in regional and multilateral settings (Mantzikos 2010:6).

*Indonesia and Vietnam.* The Asian Crisis of 1997 changed South-East Asian political and economic dynamics, particularly in Indonesia as the Suharto regime came to an end in 1998, and in Vietnam during the Tran Duc Luong period (1997-2006) as social protests reflected changes (Zakaria & Baladas 1999). Following IMF and World Bank recommendations, both countries strengthened trade and financial cooperation and (without entering into Indonesian or Vietnamese domestic policy issues) conceived an intra-communitarian interaction model (Dieter 2009:87).

Indonesian President Megawati Sukarnoputri (2001-2004), although she is without economic or political undergraduate instruction, has emphasised Jakarta's need to coordinate and cooperate with intra-ASEAN policies that aim to transform its member States into FDI host countries through macroeconomic adjustments and fiscal deficit management. This will

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9. This is in contrast to Mandela's approach during the 1990s, as South Africa negotiated a trade agreement with the EU (1996) and many BITs by that time (59% of all IIAs were negotiated in the 1990s). UNCTAD Database 2011.

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hopefully liberate Indonesia from its excessive dependency on IMF recommendations. Susilo Bambang Yudhoyono (2004-current) succeeded Sukarnoputri in 2004. A politician with a military background who believed he could strike a balance between protectionism and his advisors' neoliberal way of thinking, Yudhoyono finally adopted a market-oriented vision, and three economists trained in the US were named to strategic policy positions (Liddle & Mujani 2005:125). Jakarta's FEP of course prioritised ASEAN, but without neglecting the Asia-Pacific Economic Cooperation organization (APEC), the East Asian Community (EAC) or the G20 (Kimura 2011). It has adopted a more aggressive trade approach and an unequivocally promotional strategy of negotiating IIAs consistent with Indonesia's already open and neoliberal stance (Chandra 2005:552).

As for the Vietnamese experience, an excessive dependence on the Soviet Union in the 1970s and 1980s came to an abrupt end once the Soviet bloc collapsed in 1989. A complex process of reform of trade, finance and tax policies – inspired by the Chinese experience of that time (Painter 2005:264) – explains much of Hanoi's current economic performance (Toh & Gayathri 2004:170) as well as its attractiveness to FDI (Nguen 2007:211-217). Once *doi moi* ('renovation') was implemented in 1986, the Vietnamese authorities turned to economic liberalisation: they restricted state intervention in private enterprises and pushed structural reforms to modernise the economy through the promotion of export industries (Beresford 2008:221). FDI was the key element of the *doi moi* (McGrath 1994), as was Hanoi's diplomatic efforts toward better trade and investment relations with advanced economies like Japan to obtain access to foreign capital for development (Dinh 2009:108, 109, 112). In spite of Vietnam's self-identification in its 1992 constitution as a multi-component centralised economy, membership of ASEAN was granted in 1995. Its foreign policy priority has been to improve relations with the great powers. A debate emerged within the government and was carried on between anti-imperialist and pro-American schools of thought, but Tran Duc Luong reached an economic agreement with the US, an SP with Russia in 2001, and other agreements with Japan and India in 2003 (Vuving 2006:814-817), demonstrating that it had chosen the neoliberal model.

During Nguyen Minh Triet's presidency (2006-11), a closer relationship between Hanoi and Washington was established. Facilitated by the Vietnamese accession to ASEAN in 1995, to APEC in 1998, and to the WTO in 2007 (Dosch 2006:237, 246), a macro-agreement on trade and investment was negotiated (USTR 2013). In that sense, Hanoi demonstrated that market socialism can work if it uses some of the techniques and instrumentalities of neoliberalism (Painter 2005:278), and if private actors put enough pressure on the

government both to interact with the global economy and to design beneficial trade and investment regimes (Dosch 2006:240). And this has happened despite the fact that the Vietnamese Communist Party has been led by anti-Imperialists since 1991 (Vuong 2006:819, 822).

In terms of negotiating strategies, both Indonesia and Vietnam have exhibited a clearly convergent tendency in their respective FEPs to encourage regionalism and bilateralism through IIAs (Chandra 2005:545).<sup>10</sup> This is reflected in Indonesian and Vietnamese membership of the ASEAN Free Trade Agreement of 1992; the trade agreements with common partners (viz. Australia-New Zealand in 2009 and China in 2004 and 2007); and FTAs with India in 2009, South Korea in 2006, and Japan. Except for Hanoi's bold decision to have a closer relationship with Japan (Dinh 2009:100-129)<sup>11</sup> and Jakarta's strategy to negotiate a FTA with the EFTA, the countries' FEP convergence was not reflected in a comparable attraction of FDI flows.

Indeed, the financial crisis of 1997 emerges as a pivotal factor in Jakarta's and Hanoi's formulation of their FEPs.<sup>12</sup> In the Indonesian case, there was a pro-ASEAN foreign policy (Chandra 2005:545, 548), accompanied by a strategy that negotiated most (65%) of its IIAs in the 1990s. The extractive-industry and palm oil sectors have been the main recipients of FDI inflows (WTO 2013), an outcome also found in the Colombian case. Similar to Indonesia, Vietnam underwent a boom in the negotiation of IIAs in the 1990s (35% out of its 58 BITs were under negotiation at that time), yet Hanoi has been less ambitious than Jakarta in its decision to have many BITs in force. In any case, Indonesia and Vietnam share most of their trade and investment partners, having 40 in common.

*Egypt and Turkey.* Both Egypt and Turkey are widely considered 'pivotal states' in their region (Chase et al. 1996:37); in Egypt's case not only because of Cairo's geo-strategic position but also because of its key role in the creation of the Arab League and the Non-Aligned Movement (NAM). After the Nasser presidency (1956-1970), during which all attempts to lead Egypt to adopt the GATT rules of trade openness were frustrated, Muhammad Anwar as-Sadat (1970-1981) swept out Nasserite ideas and opened the way to a more active

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10. The convergence phenomena is exhibited, too, in more FDI flows into Indonesian and Vietnamese territories before the financial crisis of 1997, as 30% of those countries' GDP came from FDI (Nguen 2007:211).

11. Yet Indonesia was negotiating a trade agreement with EFTA (UNCTAD Database 2011).

12. as Dinh suggests: Dinh, Thi Hien Luong (2009), "Vietnam-Japan Relations in the Context of Building an East Asian Community", *Asia-Pacific Review*, 16(1): 102.

Egyptian FEP (Farah 2009:37). In the context of an economic crisis, Muhammad Hosni Mubarak (1981-2011) came to power bringing his idea of an Egyptian open-door policy. This, however, added to the country's economic imbalances, causing hyperinflation, lack of economic growth, and low national income between 1986 and 1993, and marked the path to the 21st century. Thereafter, Cairo returned to the assistance of IFI and carried out domestic measures needed to accede to the WTO (achieved in 1995) and to improve Egypt's investment climate. However, those measures have failed to attract adequate inflows of FDI (Farah 2009:43).

Egyptian policy-makers were affiliated with the Democratic National Party. They promoted pro-market measures through private-public partnerships so as to replace the old elite. The government has been greatly influenced by an international business perspective, and under Prime Minister Ahmad Nazif (2004-2011) technocrats and businessmen have been enlisted as public servants, who have supported trade reforms to attract TNEs. Results remained negative, however, and Mubarak subsequently adopted a 'Unique Policy' in 2003 in order to accelerate a package of structural reforms and improve Cairo's investment climate. Even so, the social discontent of the Egyptian population, as reflected in negative figures of poverty and inequality despite trade openness and economic liberalization, has generated radical changes in the political environment, leading to what Fürtig calls 'a regional power pretty much debilitated' (Fürtig 2006:13), and to an interim debate between traditionalism and the new elite ideas (Farah 2009:1, 3).

Similar to the Indonesian, Vietnamese and South African cases, Egypt was inclined to sign IIAs during the 1990s, as 71% of all IIAs ever were signed by Egypt during this time (as at the time of writing Egypt had 100 IIAs in total). As of 2010 Egypt's negotiators had signed 20 BITs. Egypt adopted an approach that was extra-regional compared to Indonesia and Vietnam, because its best opportunities for trade and investment have not come from its membership of regional structures like the Common Market for Eastern and Southern Africa, the Pan-Arab Free Trade Agreement, or the Protocol on Trade Negotiations. A bilateral strategy was pursued with the EU (2004), EFTA, and Turkey (2007) to diversify its economy.

Regarding the Turkish case, the country is recognized as a key state,<sup>13</sup> and although it was previously considered a 'post-Cold War warrior', it has become a 'benign if not soft power'

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13. Turkey is a key state because of its population, geographic localization, economic and military potential, elements which could affect at both regional and international level (Chance, R., Hill, E. and Kennedy P., cited by Larrabee et al. 2003, 2).

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(Kirişci 2009:33, 37, 52). As in the Colombian and Egyptian cases, Ankara has adopted the structural and stabilisation packages recommended by the IFIs during the 1980s. This meant the Washington Consensus of liberalism and an export-orientation that seeks markets abroad (Kirişci 2009:43). Additionally, with the objective of reaching European standards, Ankara implemented another austerity plan in 1994. At the beginning of the 21st century two economic crises have hit this Eurasian country, in 2000 and 2001, and adjustment plans suggested by the IMF were implemented on 7 December 2000, sending a positive message to Europe that reflects the Turkish dream of belonging to the EU. Under Kemal Derviş (a former World Bank employee) a Transition Program to strengthen the Turkish economy was carried out. This was also a device to get closer to Brussels and, as in the Egyptian case, to encourage public-private partnerships (Nas 2008:51-67, 86, 91, 102).

Due to the structural economic crises experienced by Turkey in the 1980s and 1990s, and high inflation (55%-106%) throughout the country, Ankara sought stronger ties with the IMF (Togan & Ersel 2005:3-35). The business community has influenced the structure of Turkey's FEP (Larrabee & Lesser 2003:1, 2, 7, 11), as a result of the decision to liberalise its economy in the early 1980s and to facilitate 'the growth of a new business elite and Turkey's trade relations with the external world' (Kirişci 2009:38). Moreover, Turkey's bid for full membership of the EU has pressed policy makers to carry out economic reforms in specific policy domains (anti-dumping, competition, intellectual property rights, FDI protection and promotion), which resulted positively in more TNEs deciding to establish themselves on Turkish soil (Berzok & Turk 2009:2). However, the current financial, economic and political crises have deeply affected both Turkey's and Egypt's investment climates, leading to a decrease of FDI inflows.

Turkey's situation is quite similar to Egypt's. During the 1990s Ankara led its FEP toward deeper trade and investment relations, mainly on a bilateral level. Bearing in mind its domestic objective of full membership of the EU, a tariff union was established in 1995 with the Single Market and, taking advantage of its membership of the Economic Cooperation Organization (ECO), a partial scope agreement with EFTA had been signed in 1992, while at the same time many FTAs were negotiated.<sup>14</sup> But it was in the early 21st century that Ankara's FEP adopted a strategy similar to Egypt's of promoting IIAs (UNCTAD 2013), the better to insert itself into the global economy (Öniş 2010:12). However, under the Necdet

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14. Bosnia-Herzegovina and Croatia (2002); the Palestinian Authority (2004); Morocco, Tunisia and Syria (2005); Egypt (2005); Albania (2006); Georgia (2007); Montenegro (2008); and, most recently, Chile and Serbia (2009).

Sezer (2000-2007) and Abdullah Gül (2007-current) Administrations, a more conservative approach has been pursued. Sezer has focussed on domestic matters, while Gül has shown some preference for the international scene (Öniş 2010:10).

Despite the different approaches of successive Presidents, Ankara has had to find a way out of its dependency on the European market because of its crises; hence the Middle East, North Africa, and Eastern Europe have been given more priority. Industrialisation centres (viz. TOBB, MÜSİAD, TUSKON) became central features of Ankara's FEP design, and special attention has been given to trade and investment on the Turkish international agenda (Öniş 2010:12, 13). Under Sezer and Gül, policy-makers expanded cooperation with the private sector; but only since 2002 has trade and investment been considered central elements in Ankara's FEP, so as to generate positive synergies between the State and the business community. Since then, the Turkish government has encouraged the creation of 'interaction platforms' of public-private interests to help in the formulation of the country's FEP (Atli 2011:110, 116, 121), or has allowed economic considerations to shape it (Kirişci 2009:39).

### **3. IDEAS MATTER IN FACILITATING FEP CONVERGENCE.**

Following the reasoning of Hermann, Hermann & Hagan (1987: 309), different entities are engaged in 'the political apparatus of a government which identifies, decides and implements foreign policy' and have the ability to commit public resources and make decisions which cannot be readily reversed. But as such entities vary across countries, it is possible that the President may act as the ultimate decision unit, managing foreign relations personally. In this case other governmental entities will assume more marginal roles, and a Presidential foreign policy model will be carried on (Tickner, Pardo, Beltrán 2006). It is clear that the FEPs of the CIVETS countries follow such a pattern in terms of their Presidentialism, negotiating strategy, and willingness to adapt to international investment standards through the pursuit of IIAs. It is highly evident that systemic variables fixated in the IFIs have been a key factor, as all CIVETS countries, but especially Egypt and Turkey, have sought closer ties with IFIs to gain access to their financial support in times of crisis. At the same time, the CIVETS have also aligned with the world trade rules inscribed in the GATT and WTO agreements and later in the Uruguay Round; incorporated domestic changes in order to adapt to the interests of TNEs; sent a positive signal to foreign investors; and fit in with the international investment standards set in multilateral forums like UNCTAD and WTO, through contribution to the complex network of investment treaties.

The influence of the WTO and UNCTAD has informed the CIVETS' FEP, as policy makers adapt their legal systems – constitution, law codes, and administrative rulings – to trade and investment standards already settled at the multilateral level. This explains the CIVETS' strategy of negotiating IIAs, with Egypt the most active player, having negotiated 150 such agreements as of 2010. The Colombian case is exceptional, as all of the BITs notified to UNCTAD have been negotiated in the early 21st century. In any case, most CIVETS countries have entrusted the leading role in their negotiating strategies to their ministries of trade or commerce; foreign ministries have played a secondary role, except in the case of Turkey where 'the military and the Ministry of Foreign Affairs [are the] traditional foreign policy makers' (Kirişci 2009:48).

Additionally, the CIVETS countries' common objective of internationalisation and the adaptation of their economies to hard and soft law standards in trade and investment has uniformly been determined in a context of crisis: the 1980s debt crisis in the Colombian case; the post-apartheid opening to the world economy in the South African case; the financial crisis of 1997 in the cases of Indonesia and Vietnam; the structural financial crises of Turkey since the 1980s; and in the Egyptian case the structural context of economic crisis, hyperinflation and poor economic performance since 1981.

The weight of ideas on the CIVETS' formulation of their FEPs has been decisive, as their foreign policy elites have been led or advised by public servants or counsellors trained in academic centres that faithfully support the pro-free market ideology. It follows that agency in the CIVETS' has been, directly or indirectly, shaped by neoliberalism to the point of recognising it through changes in domestic law. Even though Colombia has acknowledged its need to internationalise its economy since the beginning of the 20th century under successive Conservative governments, emphasis on investment as an engine of economic growth has been candidly recognised as the key issue of the 21st century at two levels: (i) the cultivation of trust for local investors despite the guerrillas, and (ii) the cultivation of stability and legal certainty for the transnational business community. Santos' highly geo-economic reasoning, plus his colleagues' 'liberal way of thinking' has proved decisive (Pastrana & Vera 2012:67), as Bogotá tries to integrate these two dimensions into its NDP. Couched in highly macro-economic terms, the NDP aims to have Colombia's international relevance recognised through the cultivation of active synergies between public policy and private interest.

The construction of South Africa's FEP under the Mandela-Mbeki duumvirate was



revolutionary, as Mandela proceeded to nourish it with the idea of social inclusion and the full participation of all in the benefits derived from economic growth, while Mbeki aimed to include socio-economic factors in foreign policy to take advantage of South Africa's geo-strategic influence.

In the Indonesian and Vietnamese cases, their FEPs were transformed by the financial crisis in 1997, which eventuated in the publicly acknowledged necessity of deeper investment relations with their regional counterparts within the ASEAN framework. Hanoi has reached its objectives more easily after being accepted in APEC and WTO, having consolidated since then a complex network of international treaties on trade and investment matters.<sup>15</sup>

Similar to the Colombian case, Egypt's FEP has been strongly influenced by its foreign policy elite, followed by technocratic influence on an NDP structure that has candidly reflected neoliberal ideas as well as business interests, which clearly found expression during Mubarak's regime in the number of IIAs notified (UNCTAD Database 2013). Cairo's desire to stimulate economic growth out of its FEP design, however, has been undermined by recent political turmoil.<sup>16</sup> Turkey, on the other hand, has focused its FEP on overcoming the country's structural financial crises through the promotion of closer relations with IFIs and its possible accession to the EU. In that sense, Turkey's nature as a trading state results from a variety of actors participating in 'foreign policy-making or diplomatic games', whose interests differ from traditional players in including economic not just security interests and issues, such as 'the need to trade, expand export markets, and attract and export foreign direct investment [i.e. promote FDI outflows]' (cited by Kirişci 2009:34).

In summary, domestic reforms as well as bilateral and multilateral engagement in trade and investment negotiations during the 1990s meant for CIVETS an FEP strategy that adhered to the international economic system's demands and answered to domestic and transnational pressures from local industries and TNEs. Systemic drivers of an economic nature have thus converged with policy-makers' liberalising ideas of internationalising the CIVETS economies, which has undoubtedly facilitated the phenomenon of FEP convergence in these emerging economies. Paradoxically, the results obtained individually in terms of FDI net inflows in the period 2000-2010 were uneven; during which Vietnam was CIVETS' best performer in 2008, Egypt in 2006, and Colombia in 2005.

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15. In that sense, see Dosch 2006.

16. Such political instability is reflected in a FDI deficit: US\$2,1 billion in July/2010-March/2011 to US\$218 million July/2011-March/2012 (MIGA, 2012). <http://www.miga.org/documents/WIPR12.pdf> ). Turkey, on the contrary, has not experienced such negative effects.

However, it should be emphasised that the CIVETS label has nothing to do with their FEP convergence; it is nothing but an acronym. It explains why throughout this working paper the term used to explain the CIVETS phenomena is convergence. In fact, interviews with certain key representatives of CIVETS countries made quite clear the absence of any interest in mutual coordination of their FEPs; indeed, their foreign policy elites lack of knowledge of the acronym itself. The CIVETS countries, far from reaching accord ‘on the acceptable bounds of regulatory policies’ (Drezner 2001, 57), rather constitute a good example of the quasi-systemic influence of non-state actors on states, mainly emerging economies, and their FEP configurations.

#### 4. CONCLUSIONS.

Although the CIVETS never transcended the integration process, as the BRICS did, the acronym still refers to a group of emerging economies whose policy-makers may explore possibilities to further cooperate on investment issues. Yet the convergence of CIVETS’ FEPs is better understood through systemic and historical factors, such as economic and financial crises that acted as triggers to transition developing nations from the ISI model to the open-economy model. Historical factors shared mainly by Colombia, Egypt and Turkey (the 1980s external debt crisis) explain their policy-makers’ common strategy to adopt IFIs’ recommendations and GATT/1947. By contrast, Indonesia and Vietnam were much affected by their financial crises in 1997, which drove them to the convergent priority of participating actively in ASEAN and improving trade relations with their (not necessarily Asian) counterparts through the cultivation of trust relationships.

Hanoi’s *doi moi* led all efforts to become an ASEAN member-state; improve its investment climate; and facilitate foreign investment, while downplaying its quality as a planned economy. Jakarta, by contrast, decided to have deeper trade relations with non-ASEAN countries through IIA negotiations (Chandra 2005:542, 552). Regarding South Africa’s FEP, its content is intimately connected with the principle of enabling all its population to benefit from economic growth in the teeth of the social and racial issues of a post-apartheid regime. Despite these particularist differences, a shared need to internationalise economically and to participate actively in the international economic system, especially during the 1990s, became the cornerstone that has facilitated the phenomenon of convergence, even without cooperation or coordination between the governments in question.

Ankara's objective of full membership of the EU affected both domestic and foreign policy. Convinced of the importance of following the IFIs' recommendations in order to qualify for financial assistance and to improve Turkey's relationship with those organisations, the 1990s and the 21st century have seen the participation of business elites in the shaping of Ankara's FEP. Political instability, however, has been the nemesis of both Turkey's and Egypt's economic projects.

As 'brute' systemic factors do not fully explain the convergence of CIVETS' FEPs, returning to the argument of Drezner (2001:57), it is possible to conclude that policy-makers' ideas (the last unit of decision of the elite) have influenced their countries' FEPs by principles already settled in international organizations. With such an argument it is possible to explain the CIVETS' FEP convergence as related to negotiating strategies, as well as to domestic changes which have outfitted national legislation with TNE demands. In the Colombian case, Uribe's strategy adjusted the country to international rankings – e.g., Doing Business (World Bank) and the World Investment Report (UNCTAD), – while Santos' NDP was to continue the negotiating agenda with selected trade partners and improve Colombia's profile at both regional and global levels. Similar to the Colombian experience, Mandela's legacy has been to focus South Africa's FEP on integrating the economy into the world trade system, while Mbeki has refined this new approach to trade and investment.

Regarding Indonesia and Vietnam, the elites' ideas played an important role in FEP formulation. The neoliberal way of thinking has floodlit Jakarta's FEP: it adopted an aggressive strategy to overcome more than thirty years of Suharto's rule. Meanwhile, Hanoi has constructed its FEP via a bargaining game between its bureaucratic elites and its private and public stakeholders. As Dosch states, the traditional Vietnamese elites, in the person of its Foreign Affairs Ministry, led the making of FEP, yet public actors (the trade, investment and planning bureaux) and private actors (entrepreneurs and policy think tanks) have also enriched it (2006:239-240).

In Egypt and Turkey the neoliberal vision adopted by the state's policy-making elites irrigated a pragmatic foreign policy coherent with the business community's interests. However, since Mubarak left power, political instability has upset Egypt's economic performance.

Finally, it should be emphasised once again that the coining of the CIVETS label had nothing to do with their FEP convergence. In fact, interviews with some key representatives

of CIVETS countries have made clear the absence of any mutual interest in coordinating their FEPs. It follows that these emerging economies are a good example of the incidence of the IFI's economic formulas, spread throughout the CIVETS territories (and likely beyond), especially in the aftermath of critical conjunctures such as the debt crises of the 1980s, in the cases of Colombia, Egypt, Turkey, and South Africa, and the Asian Crisis of 1997, in the cases of Indonesia and Vietnam; as well as the influence of ideational elements of (as yet) unknown provenance on these countries' political leaders and foreign policy making elites.

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