

# TURKEY'S PROFILE IN THE G20: EMERGING ECONOMY, MIDDLE POWER AND BRIDGE-BUILDER

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## 1. INTRODUCTION

### 1.1. Why is Turkey a Member of the G20?

As all G20 members, Turkey was a member right from the start in 1999. Then, in terms of share of world GDP at purchasing power parity (PPP), it already ranked 16 in the world<sup>[1]</sup>, as it still does today. As to population, with its almost 60 million people at that time, Turkey ranked 19<sup>th</sup> (in 2009 18<sup>th</sup>, with 70.5 million people), but came after a series of G20 and non-G20 members, such as Philippines and Ethiopia, and predominantly Muslim countries such as Indonesia, Bangladesh, Pakistan, Egypt and Iran.<sup>[2]</sup> So, both in terms of economy and population Turkey was in the top 20.

However, the founders of the G20 — Canadian finance minister Paul Martin and his US counterpart Lawrence Summers — did not simply take the list of the 20 largest populations or economies to compose the G20. They were more interested in having a representative body, which comprised both the world's biggest economies (such as the US, China and Japan), together with the relevant regional powers. This way, some top 20 economies — such as Spain and Netherlands — were not invited, since their region was already well represented, unlike non-top 20 economies such as South Africa and Saudi Arabia.

In this sense, besides being one of the 20 largest economies of the world, Turkey was a logical choice because of other interesting assets. First, Turkey was and is an important regional power, with a great history, and precious ties to several other countries in the region and beyond. Second, it was one of the most important

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[1] In terms of GDP at current prices (USD) it was 21<sup>st</sup>, with a top 20 that also included Taiwan, for China an unacceptable G20 member. Now it is much firmer entrenched in the G20 based on that indicator (17<sup>th</sup>).

[2] Based on *IMF World Economic Outlook* April 2010.

economies in the Muslim world. According to the IMF World Economic Outlook Database, it was by far the largest in terms of GDP in current prices (USD), and the largest in terms of GDP at PPP, closely followed by G20 member Indonesia. Being a friend of the West — as a democracy, a member of NATO and OECD, and possibly a future EU member —, though, was not a decisive argument as such. The G20 founders were not seeking full like-mindedness. They wanted to build a forum to tackle political gridlocks on global issues. Therefore, they also brought on board important players they had notable differences with (such as China on global imbalances and India on trade).<sup>[1]</sup> Presumably, however, politics did play a role in excluding, for example, Iran, which was a relevant regional power too. In 1999, Iran had a larger population than Turkey, while it also belonged to the 20 largest economies in terms of GDP by purchasing power parity. But of course, Iran was politically too isolated, and as such, not seen as an asset to the G20. In the case of Turkey, the combination of being quite compatible with the Western G20 members, while nevertheless significantly contributing to cultural, political and economic diversity within the group, made the country, in our view, all the more eligible. This way, Turkey could provide a “bridging function between Europe and Asia, as well as between the advanced industrial economies and emerging markets”<sup>[2]</sup>.

In addition, Turkey was already known as an active and constructive player on the global financial scene for quite a long time. This had partly to do with influential individuals as well, who left a positive impression about Turkey and the quality of its officials. A cited name in this context is for example Kemal Derviş, at the time of the creation of the G20 a senior World Bank official, and well-embedded in the international financial and economic policy establishment for years. In 2001-2002 he was directly involved in the G20 as the minister representing Turkey, and in that capacity quite successful in tackling the Turkish financial crisis.<sup>[3]</sup> As a result, Turkish membership was a wholehearted wish of the founders, and never raised any controversy within the group.

## 1.2. Internal Coordination of G20 matters

The internal coordination of G20 matters within the Turkish state is more or less organized along the lines of the “G20 institutions” themselves, namely the leaders’

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[1] Interview by telephone with the Right Honourable Paul MARTIN on 24 August 2010.

[2] *Idem.*

[3] In 2001-2002 Mr. Derviş served as Minister for the Economy and the Treasury. Afterwards, he was elected as member of Parliament for the Republican People's Party (CHP). In 2005, he became the head of the United Nations Development Program (UNDP). See: <http://www.undp.org/about/bio1.shtml>.

summit; the meeting of finance ministers; the sherpa meetings; and the meetings of the deputy finance ministers. The summits are attended by the Prime Minister, Recep Tayyip Erdoğan, and not by the President, Abdullah Gül. At the G20 finance ministerials, Turkey is represented by the Minister of the Economy<sup>[1]</sup>, Ali Babacan. Unlike in other G20 countries, where the sherpa is with the office of the President, Prime Minister or Foreign Minister, the Turkish sherpa, Ambassador Hakkı Akıl, is a high-ranking civil servant with the Ministry of Foreign Affairs. Turkey's "Deputy Finance Minister" (which is a G20, not a Turkish term) is also a top civil servant, namely Ibrahim Çanakci. His function in Ankara is "Under-Secretary of the Treasury", which is the head of the Treasury.<sup>[2]</sup>

In Turkey, as in other G20 countries, there is a *de facto* division of labor between the sherpa and deputy finance minister. The sherpa has a role as the representative of the leader. In that capacity, he deals with the political coordination of the G20 agenda. This also includes the broader G20 agenda with issues such as development, energy, climate, etc., as well as the wide range of topics (even matters without any relation to the official G20 agenda) leaders can raise at the plenary meeting of the summit, or at formal and informal bilateral meetings during the summit. The G20 financial and economic agenda, at its general and technical level, is almost entirely coordinated by the Under-Secretary of the Treasury.<sup>[3]</sup> The Treasury is a branch of government that is supervised by Minister Babacan, having the following mission:<sup>[4]</sup>

To manage public financial assets and liabilities, to regulate, implement and supervise economic, financial and sectoral policies, and to ensure the coordination of international economic relations in cooperation with all economic actors in a transparent, accountable and efficient way in order to contribute to the development of our country.

As such it is an important strategic body, both for domestic economic policy making, and for Turkish external financial and economic relations (including its membership in the IMF and World Bank).

[1] Officially: Deputy Prime Minister and Minister of State.

[2] In Turkish: Hazine Müsteşarlığı.

[3] Interviews with high-ranking Turkish officials at the ministries of Foreign Affairs and Finance and at the Treasury in July-August 2010.

[4] <http://www.treasury.gov.tr/irj/portal/anonymus?NavigationTarget=navurl://19051a2333c5ca4c41c-403b375567791&InitialNodeFirstLevel=true>.

### 1.3. An Active, Self-Confident Middle Power

Turkey can be regarded as a “middle power”<sup>[1]</sup>, comparable to other G20 members such as Australia, Mexico, Indonesia and South Korea. A middle power can be defined as “a state whose leaders consider that it cannot act alone effectively, but may be able to have a systemic impact in a small group or through an international institution.”<sup>[2]</sup> In fact, they are “those states which are clearly not great powers but are not minor powers either.”<sup>[3]</sup> Literature on middle powers in the post-World War II era shows a broad diversity in middle power behavior, but also striking commonalities. In a majority of cases, middle powers cherish multilateral institutions and a rules-based international system; select certain “niches” to concentrate their foreign policies upon; engage in mediating between conflicting parties; and try to contribute to regional and/or global public goods. They do so because they have a clear interest in reigning in the unilateralism and club behavior of the great powers. Therefore they promote an orderly international society in which their and others’ rights are guaranteed, and their objectives can be fulfilled. Notwithstanding their commitment to international public goods, middle powers continue to be self-interested, with observable links between their foreign and multilateral engagement and domestic interests. Preconditions to such internationally engaged behavior are resources, a skilled and creative diplomacy, and above all, the will and ambition to play an active and visible international role — based on the self-identification as a responsible power. The end of the Cold War added a new, interesting dimension to the phenomenon of middle powers, in particular by granting most of them much more diplomatic freedom.<sup>[4]</sup>

Turkey is typically a middle power that shares several of the above-mentioned traits. According to Cooper’s typology to map the diversity among middle powers, one could say that Turkey is currently characterized by 1) a diffuse approach instead of targeting a few concrete niches, 2) an occasionally “heroic” style, 3) a basically regional focus, albeit with a growing global scope, and 4) a mix of an accommodative and combative attitude.

[1] MÜFTÜLER, M., YÜKSEL, M., Turkey: A Middle Power in the New Order, in COOPER, A.F. (ed.), *Niche Diplomacy. Middle Powers after the Cold War* (Houndmills, Basingstoke, Macmillan Press, 1997); KIRTON, J., *Potential Partnership in Global Economic Governance: Canada’s G20 Summit from Toronto to Turkey*. Paper prepared for a presentation at TEPAV, Ankara, and DEIK, Istanbul, Turkey, June 7-8, 2010. Version of June 13, 2010.

[2] KEOHANE, R.O., Lilliputians’ Dilemma’s: Small States in International Politics, *International Organization*, 23, 1969, 2, cited in COOPER, A.F., *Niche Diplomacy: A Conceptual Overview*, in COOPER, A.F. (ed.), *op. cit.*, 1997, p. 8.

[3] COOPER, *op. cit.*, 1997, p. 14.

[4] For an overview, see *idem*.

Turkey's current diplomacy is sometimes referred to as "hyperactive"<sup>[1]</sup>, as it is intensively working on various fronts at the same time. As there is not a small selection of targets or "niches", its policy can be termed "diffuse." This policy is relatively new. During most of the Cold War, Ankara's foreign policy could be labeled as rather passive and sometimes even isolationist. The country was firmly entrenched within the Western camp, while even experiencing relative isolation in the 1970s due to its position on Cyprus. The foreign policy was also determined, not to say stalled, by mutual suspicion between Turkey and its neighbors. Due to the end of Cold War and the advent of visionary leaders such as Prime Minister (1983-1989) and then President (1989-1993) Turgut Özal, Turkey eventually changed its international course. In fact, there was little alternative, as the major international developments at that time — the opening of the Soviet Union, uncertainty about the future of NATO, the intensification of Kurdish separatism, the 1991 Gulf War, civil wars in the Caucasus and Balkans — generated both enormous opportunities and challenges for Turkey. The new policy was characterized by diplomatic and economic openness, a greater awareness of possible Turkish interests abroad, a strengthened commitment to integration with Europe, and the development of new international ties, notably with a series of newly "Turkic" independent republics of the former Soviet Union and Arab countries.<sup>[2]</sup> This, and the efforts of successive governments, laid the groundwork on which the AKP government, which came into power in 2002, further built.

The present Foreign Minister, Ahmet Davutoğlu — already a key foreign policy advisor before taking office in 2009 — is generally seen as the architect of what is now referred to as Turkey's "360 degrees foreign policy."<sup>[3]</sup> This means that Turkey on principle is willing to establish good relations with almost everybody else. A central component of this new policy is improving relations with the immediate neighborhood, better known as the "zero problems with neighbors policy."<sup>[4]</sup> Over the last years, Ankara has actively invested in better relations with Greece, Armenia, Iran, Syria, and the Kurdish authority in Iraq. Turkey and the Turkish Cypriots have internationally been praised for their constructive efforts for a lasting solution for the island. Russia has become an important economic partner. In October 2005, accession negotiations with the EU eventually kicked off. Turkey recently mediated between Syria and Israel, and between Iran and the West. It is rapidly expanding its

[1] Editorial, Turkey: a Vital Player, *The Guardian* (online), 28 July 2010.

[2] ARAL, B., Dispensing with Tradition? Turkish Politics and International Society during the Özal Decade, 1983-93, *Middle Eastern Studies*, Vol. 37, No. 1, 2001.

[3] <http://www.hurriyetdailynews.com/n.php?n=fm-vows-a-stronger-turkey-in-2010-2009-12-31>.

[4] DAVUTOĞLU, A., Turkey's Zero-Problems Foreign Policy, *Foreign Policy* (online), 20 May 2010.

diplomatic contacts, economic activities, and even its soft power in the Arab world, Africa, and Latin America. Ankara has also intensified its visibility and engagement in various multilateral fora, as will be discussed below.<sup>[1]</sup> Turkey apparently does not have only a few, but dozens of international top priorities on its plate.

Although Turkish officials are working on several fronts in a professional and discrete way, from time to time the style of Turkish leaders, especially Prime Minister Erdoğan, can sometimes be labeled “heroic”, to use Cooper’s terminology. Examples are the row before world media between Erdoğan and the Israeli President Shimon Peres in Davos in January 2009; the controversial Brazilian-Turkish mediating initiative on Iran’s nuclear program; Erdoğan’s support to the Gaza Flotilla; and his recent criticism on oil-rich Muslim countries for not sending enough aid to Pakistan after the flood.<sup>[2]</sup>

The bulk of Turkey’s efforts has a regional focus. However, what is pretty interesting about the Turkish case, is that the country is part of various regional systems at the same time: Europe, NATO, OECD, Black Sea, Mediterranean, Balkans, Middle East, Caucasus, the Turkic<sup>[3]</sup> and the Muslim world. Ankara is investing diplomatic capital in most of these regions. But at the same time, Turkey is reaching out globally as well. It has opened several new embassies in Africa and Latin America. These official efforts are mutually reinforced by frantic transnational activity by employers’ federations and civil society organizations all over the world. Turkey further develops its visibility in multilateral forums as well, of which its G20 membership since 1999 is just one element. It holds a non-permanent seat in the UN Security Council for 2009-2010; this is for the first time since 1961. Over the last years the country has been contributing in a substantial way to several peace-keeping missions with troops and police officers under various multilateral arrangements (UN, NATO, OSCE, EU), in places such as former Yugoslavia, Lebanon, Darfur, and Afghanistan.<sup>[4]</sup> Turkey is one of the four countries that benefited from the 2006 ad hoc quota increase in the IMF to give important emerging powers a greater say and responsibility.<sup>[5]</sup> Another quota reform from which Turkey will probably benefit, is underway. Since 2005, the Organization of the Islamic Conference (OIC), is led

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[1] AKTAY, Y., *Politics at Home, Politics in the World. The Return of the Political in Turkish Foreign Policy*, *Mediterranean Quarterly*, Vol. 21, No. 1, 2010; LARRABEE, S.F., *Turkey's New Geopolitics*, *Survival*, Vol. 52, No. 2, 2010.

[2] <http://www.todayszaman.com/tz-web/news-221089-erdogan-criticizes-muslim-countries-for-reluctance-to-help-pakistan.html>.

[3] Those nations sharing a common history and cultural heritage, including a language closely related to Turkish (such as Azerbaijan, Uzbekistan, Kirgizstan, Turkmenistan, the Uygur people in China, etc.).

[4] <http://www.tsk.tr/eng/uluslararasi/barisdestekkatki.htm>.

[5] <http://www.imf.org/external/np/exr/facts/quotas.htm>.



by a Turkish Secretary-General, Ekmeleddin Ihsanoğlu.<sup>[1]</sup> Also in 2005, together with Spain, Turkey launched the “Alliance of Civilizations”, a new international body under the umbrella of the UN.<sup>[2]</sup> In the near past, Turkey hosted the NATO summit (2004), the annual meeting of the IMF and World Bank (2009) and the 3<sup>rd</sup> summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) (2010) (all in Istanbul), besides a list of other high-level multilateral events. In 2011, it will host the 4<sup>th</sup> United Nations Conference on the Least Developed Countries. In the coming few years, it is also candidate to host a G20 summit as chair (see below).

Finally, to stay within Cooper’s typology, Turkey acts both “accommodative” and “combative” vis-à-vis the established, still Western-dominated world order. It remains a loyal NATO and OECD member, as well as EU candidate. Claims that Turkey is turning its back to the West are not empirically grounded. This point was recently acknowledged by Steven Vanackere, Belgian Minister of Foreign Affairs, a Christian-democrat and currently chair of the EU’s General and External Affairs Council: “[Turkey is] looking around 360 degrees, it does exactly what is normal. Every country should do exactly that. And it is clear that having relationships with all countries, also the countries from outside the European Union, is a way for Turkey to make itself even more interesting as a partner, as a strategic partner for the European Union.”<sup>[3]</sup>

Nevertheless, as some other middle powers do, Turkey is going its own way, and is not longer obedient to one particular superpower. In 2003, the Turkish parliament refused to host US troops for the invasion of Iraq. Its improved relations with Syria and Iran, its badly deteriorating relations with Israel in 2009-2010, and the controversial Turkish-Brazilian mediating effort on Iran in 2010, were other matters of concern for Washington. Turkey is simultaneously working on energy and pipeline projects with Russia and the West. That a country can define its own foreign policy is a sign of a de-polarization and democratization of international politics. Turkey’s leadership should be careful, though, not to give the impression to be all too uncritical about leaders with an awful human rights record such as Iran’s Ahmadinejad and Sudan’s al-Bashir, and so undermine the soft power that has been built up. This does not preclude, however, that there might be good reasons why Turkey maintains more constructive relations than others with an important neighbor such as Iran, which can even have advantages for the rest of

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[1] [http://www.oic-oci.org/page\\_detail.asp?p\\_id=58](http://www.oic-oci.org/page_detail.asp?p_id=58).

[2] <http://www.unaoc.org>.

[3] <http://www.mfa.gov.tr/metin.tr.mfa>.

the international community in terms of mediating potential. The challenge is to strike the right balance.

The upgrade of the G20 to a leaders' summit adds an interesting dimension to Turkey's middle-powermanship. It is a valuable opportunity to consolidate its position along the above-mentioned lines, and in particular, to enhance Turkey's global and multilateral outreach. As we will show, it seems that Turkey's leadership and sherpa team are grasping it.

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## **2. TURKEY'S FINANCIAL AND ECONOMIC PRIORITIES: SELF-CONFIDENCE AND ENGAGEMENT**

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### **2.1. Prepared for a Global Financial Crisis**

Turkey has drawn many lessons from the severe financial crisis it experienced in 2000-2001. In the months and years after that crisis, its entire macro-economic and financial-regulatory policy went through a revolution. Inflation and public debt were brought under control. The banking sector was completely overhauled. The weak parts of it were eliminated. Financial regulation in Turkey was elevated to an international state-of-the-art level. The government achieved major improvements with regard to capital adequacy and liquidity ratios, enhancement of deposit-based funding, the political autonomy and professionalization of the Banking Regulation and Supervision Agency, stricter licensing for new financial institutions, resolution procedures for failed banks, etc.<sup>[1]</sup> "Governments of advanced economies are now considering the kind of financial regulation Turkey already implemented over the last decade", a Turkish top official in financial and economic policy-making now says.<sup>[2]</sup>

Turkey has been hit hard by the 2008-2009 global financial crisis. Its GDP decreased by 4,7% in 2009. According to harmonized OECD data, the unemployment rate rose from 8,8 to 12,5% in 2009, although the latest data show a marked improvement (11,4 in the first quarter of 2010; 10,5 % in the second quarter).<sup>[3]</sup> During the crisis, Turkey did neither need to bailout banks, nor ask the IMF for help. Now, the country is quickly recovering from the crisis. In the second quarter of 2010, GDP increased by 10,3% compared to the same quarter of 2009. Both the

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[1] See, e.g., Banking Regulation and Supervision Agency, *From Crisis to Financial Stability (Turkey Experience). Working Paper (revised Second Edition)*, 29 December 2009; IMF, *Turkey. Staff Report for the 2010 Article IV Consultation and Post-Program Monitoring*, 13 July 2010.

[2] Interview with G20-related Turkish top official in August 2010.

[3] <http://www.oecd.org/dataoecd/22/46/46001339.pdf>; <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=6320>



government and independent analysts expect growth of about 6% over 2010 as a whole.<sup>[1]</sup> To compare, for the Euro-zone, the European Central Bank expects a growth rate of 1,6%. Thanks to improved economic indicators, in March 2010 Turkey ended talks with the IMF on a new loan agreement.<sup>[2]</sup> The IMF acknowledges Turkey's "effective domestic policy response."<sup>[3]</sup> According to a recent statement of the OECD, "Turkey's economic growth is likely to be among the strongest of OECD countries in 2010, supported by financial stability, international investor confidence and a dynamic business sector."<sup>[4]</sup> However the IMF, the OECD and a number of financial analysts are concerned about the political postponement of a promised, new "fiscal rule" on budgetary discipline, especially now when Turkey has decided to go on without IMF help. In the lead-up to the 2011 parliamentary elections and 2012 first-ever direct presidential election, such a rule would foster investors' confidence, it is said.<sup>[5]</sup> Anyhow, the current state of affairs gives Turkey a more self-confident position at the G20 table, and indeed, the public finances and banking sectors of several old industrialized countries are in much bigger trouble nowadays.

## 2.2. Turkey's Priorities: Linked to Emerging Market Identity

In the run-up to the Seoul summit, when asked about Ankara's priorities, Turkish officials stress that they follow all G20 topics with great interest and actively participate in discussions on a wide range of issues. Yet, the three issues discussed below receive special attention.<sup>[6]</sup> They reflect to some extent Turkey's identity as an emerging market. Yet, Turkish officials believe that there is no particular split between emerging and advanced economies in the G20. They warn that this sort of caucuses would be very harmful to the G20 process; this also means implicitly that they are not enthusiastic either to see the G7 prepare G20 meetings for themselves. On certain issues, Turkey's position is closer to the average of the G7 countries, on others closer to the emerging economies. In fact, Turkish officials see a specific and constructive role for Turkey within the G20, being both a OECD member and emerging market.

[1] Turkish Statistical Institute, Prime Ministry, Republic of Turkey, Press Release No. 157, 14 September 2010; STRAUSS, D., Turkish GDP grows 3.7% in second quarter, *Financial Times* (online), 14 September 2010.

[2] STRAUSS, D., Turkey's IMF financing talks end, *Financial Times* (online), 10 March 2010.

[3] IMF, *op. cit.*, 2010.

[4] [http://www.oecd.org/home/0,2987,en\\_2649\\_201185\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/home/0,2987,en_2649_201185_1_1_1_1_1,00.html).

[5] [http://www.oecd.org/document/15/0,3343,en\\_2649\\_34569\\_46011535\\_1\\_1\\_1\\_37443,00.html](http://www.oecd.org/document/15/0,3343,en_2649_34569_46011535_1_1_1_37443,00.html); STRAUSS, D., OECD urges Turkey to implement fiscal reform, *Financial Times* (online), 15 September 2010; Lex, The Turkish economy, *Financial Times* (online), 15 August 2010; IMF, 2010.

[6] The information in this section is largely based on anonymous interviews in Ankara with 3 high-ranking officials at the Treasury and Ministry of Finance in charge of G20 matters end of July, beginning of August 2010.

A top priority for Turkey is reform of the Bretton Woods institutions, and according to some, it is the first. With regard to the IMF, Ankara is mostly interested in quota reform and a doubling of the IMF's total quota in order to enhance the institution's capacity. Turkey urges that the Pittsburgh agreement — “a shift in [...] quota share to dynamic emerging markets and developing countries of at least 5% from over-represented countries to under-represented countries” — is rapidly implemented. There should be an agreement by the Seoul summit. Reform of the Executive Board, where Europe is said to be overrepresented, is a priority of secondary order. As this issue is closely related with the quota redistribution, the composition of the Executive Board should be redefined after the adoption of a new quota structure, officials in Ankara say. This prudence might be explained by the fact that Turkey, as an EU candidate, is in an awkward position to openly support a major reshuffle at the expense of a number EU countries. Observers expect, however, that Turkey could benefit in a considerable way under certain schemes of quota and Executive Board reform.

Turkey also believes that the next IMF managing director should not necessarily be a European; IMF and World Bank top management should be open to all nationalities. With regard to IMF instruments, Turkey is quite happy about the “Flexible Credit Line”, a new instrument based on ex ante conditionality for very well-performing countries aimed at both crisis prevention and resolution. But here Turkey is on the side of those countries advocating more flexibility and “more open, transparent and objective eligibility criteria”.

A second priority is the Korean proposal of a “global financial safety net.” Officials in Ankara stress they are strongly supporting the 2010 G20 chair on this matter. In 2008, despite its sound economic fundamentals, the Republic of Korea had to request monetary assistance from the US, Japan and China to avoid a financial disaster. Partly based on this experience, Seoul strongly advocates a stronger multilateral financial safety net, including much larger preventive support facilities for economies with sound economic credentials. This, proponents believe, would also reduce the necessity to hold abundant monetary reserves. In this framework, the IMF should be strengthened — this is also a demand from the US — but at the same time regional and bilateral arrangements should be expanded as well.<sup>[1]</sup> Emerging economies like Korea and Turkey are also sensitive to the idea that IMF conditionality should not be too intrusive, and there should be more place for national ownership in crisis response. Turkey's sound economic fundamen-

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[1] G20 Seoul Summit, [http://www.seoulsummit.kr/eng/goPage.g20?return\\_url=TOP01\\_SUB03\\_02](http://www.seoulsummit.kr/eng/goPage.g20?return_url=TOP01_SUB03_02); OLIVER, C., South Korea pushes for global swaps regime, *Financial Times* (online), 1 March 2010; VENKAT, P.R. and KANGA Kong, IMF Working with Asia on Global Financial Safety Net, *Wall Street Journal* (online), 13 July 2010.

tals today indicate that this position stems from a genuine concern about a more reasonable balance between the IMF and the legitimate views and objectives of the countries in need, and not from a principled stance against conditionality and accountability. The IMF's FLC and the new Precautionary Credit Line (PLC) — for countries with weaker fundamentals and with a moderate form of ex ante and ex post conditionality — are seen as new instruments that form part of the G20's Korea-initiated “global financial safety net” initiative.

Third, Turkey is very concerned about the influence of credit rating agencies in global financial markets, and is therefore fervently in favor of new regulation. Emerging economies are wary to see Western, private agencies assess their banks and treasuries with sometimes serious consequences. Turkey is an active stakeholder in the debate on “methodology, transparency, and accountability”.

With regard to the G20 discussion on bank tax and financial transaction tax (FTT), Turkey is clearly on the side of the skeptics. It did not have to undertake a bank bailout and it already has a deposit insurance system (TMSF<sup>[1]</sup>) in place, mainly funded by premiums banks have to pay over their deposits. A globally coordinated FTT aimed at financing for development would come on top of this kind of levies, which are already applied in several countries. “This would only increase the cost of finance”, a Turkish official states. In Ankara's financial and economic decision-making circles, there is clearly no appetite for new G20-agreed taxes. Having said that, Turkey does not oppose any taxes other countries want to introduce in this context.

Nevertheless, Turkey — along with Germany and France — is strongly in favor of the G20/OECD agenda against tax evasion and tax havens, which is about a better enforcement of the existing, regular taxation. This policy basically consists of expanding worldwide the OECD standard of information exchange prevailing over national banking secrecy rules. Relevant Turkish officials support this policy without any reservation.<sup>[2]</sup> Finally, given the strength of the Turkish financial sector, there are no special concerns about the G20 regulatory agenda.

[1] Tasarruf Mevduatı Sigorta Fonu, [http://www.tmsf.org.tr/index.cfm?fuseaction=public.dsp\\_menu\\_content&menu\\_id=12&lang=en\\_EN](http://www.tmsf.org.tr/index.cfm?fuseaction=public.dsp_menu_content&menu_id=12&lang=en_EN).

[2] Interviews with high-ranking officials at the Turkish Ministry of Finance in July 2010.

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### 3. ANKARA'S POLITICAL AGENDA FOR THE G20

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#### 3.1. Broadening the G20 Agenda

The Turkish government's position on the future role of the G20 is quite unambiguous.<sup>[1]</sup> It is strongly in favor of a gradual broadening of the G20 summit agenda, to include less classical economic matters as well. Nevertheless, Turkish officials understand that at the outset, the majority of the more "political" issues that are now addressed in the G20 — development, poverty eradication, food security, climate finance, marine environment protection, energy security — are still in a way connected with the G20 core financial and economic agenda in response to the crisis. So, the agenda can widen in an organic way, and should not be pushed through precipitately.

Anyway, agenda broadening is now well underway. As far as the "traditional" financial and economic agenda is concerned, the Turkish government appreciates that the G20 summit is now moving to a longer-term agenda than the direct crisis response. This opens perspectives for a relevant and cumulative agenda for the annual summits from 2011 onwards. Interestingly, Turkish G20-related policy circles see wide support for agenda broadening within the G20. The less economic items that are already on the table, have met almost no resistance. This also holds for "development" as the thematic priority of the upcoming Seoul summit. In Ankara, it is also perceived that the global public opinion expects this from a body such as the G20. Given what the G20 represents in terms of demography, world output and trade, the group may claim representativeness and legitimacy. In this context, Turkey is also in favor of more ministerial meetings (other than finance) before a summit. The labor ministerial in Washington ahead of the June 2010 Toronto summit was a first step.

Although Turkey's sherpa team stresses that it deems all political G20 topics very timely and relevant, and contributes to a broad range of items, it mentions development as the number one for this moment. It stands very sympathetic towards the development agenda Korea as chair wants to highlight in Seoul. This is seen as part of "Turkey's responsibility with regard to global issues." Interestingly, Turkey as a relatively poorer country within the OECD is not (yet) a major donor. It is not a member of the OECD's Development Assistance Committee (DAC). Yet, Ankara wants to contribute with its expertise as a successful emerging economy — a similar

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[1] This section is largely based on an interview with Ambassador Hakkı AKIL, G20 Sherpa, in July 2010.

echo can be heard from Korea. Possibly, these emerging economies would like to stress other aspects of development strategy than official development assistance as well.

Intensifying relations with the developing world is also a key dimension of Turkey's renewed foreign policy. Over the last few years, Turkey has opened 15 new embassies in Africa and 2 in Latin America.<sup>[1]</sup> It was elected as non-permanent member of the UN Security Council thanks to numerous votes from least developed countries. From 30 May to 3 June 2011, Turkey will host the Fourth United Nations Conference on the Least Developed Countries in Istanbul.

A second priority is energy. A G20 energy working-group is now studying fossil fuel energy price volatility, fossil fuels subsidies, and global marine environment protection in relation to oil extraction and transportation. It was the BP catastrophe that enticed G20 interest in this topic. In Toronto, G20 leaders stated: "Following the recent oil spill in the Gulf of Mexico we recognize the need to share best practices to protect the marine environment, prevent accidents related to offshore exploration and development, as well as transportation, and deal with their consequences". Turkey has warmly welcomed this move, as safety of oil transportation is a huge concern for Turkey and the 15 million inhabitants of Istanbul. Every day, 1.85 million barrels of crude oil pass through the Bosphorus and Dardanelles sea straits. Since 1995, traffic has more than doubled, and is likely to double again in the next decade because of increased oil production and new projects in Russia, the Black Sea and Caspian regions. Turkey is fervently seeking to cut tanker traffic through its straits, and has used the BP oil spill to intensify its efforts. One part of the solution is the planned overland Samsun-Ceyhan Pipeline from the Black Sea to the Mediterranean. These plans also include an upgrade of the port of Ceyhan as a very important energy hub. The G20 partners Russia and Italy are closely involved with this project. Willingness on the part of Russian oil companies such as Rosneft and Transneft to ship enough oil through the pipeline to render it profitable — which is still more expensive than by sea —, combined with political backing from Moscow, is key. Another part of the solution is the possible introduction of more cumbersome regulation (e.g., relating to tanker size) and higher insurance fees for tankers. In this context, Turkey will have to strike a delicate balance between its international obligations concerning free commercial transit through the straits and its legitimate environmental concerns. Besides oil transit, Turkey is increasingly concerned about the environmental risks connected with oil drilling in the Black

[1] DAVUTOĞLU, A., Turkey's Zero-Problems Foreign Policy, *Foreign Policy* (online), 20 May 2010.

sea. Most probably, in addition to contributing to the general discussion, Ankara will try to garner support in the G20 for its proposals.<sup>[1]</sup>

### 3.2. Chair and Secretariat

Ankara is definitely prepared to invest in the G20. It has already signaled that it is candidate to chair and host a summit in the coming years. A possibility is 2013, when the regional grouping Turkey belongs to, will have to deliver the chair. At the same time, at G20 meetings, Turkey has already spoken out in favor of the establishment of a permanent secretariat for the G20. A technical G20 working group is already considering the idea, even though several G20 members find the idea still premature.<sup>[2]</sup> The rationale to create a secretariat is to assist chairs in coordinating the G20 process and organize a summit, which is all the more interesting for smaller G20 countries. With the expansion of the agenda and commitments, it becomes very year a bigger challenge for the chair and the troika to keep oversight. Moreover, the secretariat would function as the official memory of the organization.

Turkey has already suggested that Istanbul might be an appropriate location.<sup>[3]</sup> Within the G20 context, Turkey is indeed centrally located geographically, while politically it has the advantage of being an intercultural bridge-builder and independent middle power maintaining good relations with a broad range of players. As mentioned above, Istanbul already hosted several high-profile international meetings, including the annual meeting of the IMF and World Bank. The government is currently working to move the Turkish central bank physically from Ankara to Istanbul. This is part of the idea to develop Istanbul, according to Prime Minister Erdoğan, into a global financial centre — “comparable to New York and London”. He also refers to the role the city of Istanbul played during the history of the Ottoman Empire as a stopping place on commercial routes and a financial and economic hub.<sup>[4]</sup>

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[1] <http://www.hurriyetdailynews.com/n.php?n=turkey-to-act-against-bosphorus-timebomb-2010-06-18>; O'BYRNE, D., Energy: Success of oil pipeline depends on whims of Moscow, *Financial Times* (online), 25 November 2009; <http://www.bloomberg.com/news/2010-07-01/turkey-says-oil-companies-support-cuts-to-bosphorus-straits-tanker-traffic.html>.

[2] Interview with Ambassador H. AKIL, G20 Sherpa, in July 2010.

[3] *Idem*.

[4] <http://www.sabahenglish.com/economy/7777.html>.



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#### 4. CONCLUSION: A COMMITTED GLOBAL PLAYER AND G20 MEMBER

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Aysan notes that the G20 is not yet a matter of much debate in Turkey. It is still mainly considered as a technocratic forum. However, the government is portraying Turkey's membership of the enhanced G20 as another indication of Turkey's rising status.<sup>[1]</sup> In fact, by aiming for a more prominent G20 role in global governance, Turkey is increasing its own prestige and influence too; in this respect, the interests of the G20 and Turkey are intertwined. In the meantime, Turkey is also making contributions to the development of a "G20 identity" within the group. In certain capitals, such as Brussels, the Turkish mission has already convened meetings of the G20 ambassadors. Started as an initiative of the previous Turkish ambassador in Australia, the Foreign Ministry in Ankara now encourages all its missions to undertake similar initiatives. This way, diplomats at several places and levels are made familiar with the G20 process, so that it takes root in much wider circles than the sherpa teams and the directly involved diplomats and technocrats.

Turkey's current involvement in the G20 is very much in line with what we can expect from contemporary middle powers. Middle powers usually want to play a substantial role regionally and globally. Strengthening the multilateral arrangements in which they have a potentially influential role is their key strategy to counterbalance the great powers, to promote a rules-based international order, and to preserve their say in world affairs. They are also realistic enough to fully appreciate the significant progress the upgrade of the G20 means for global governance, even though the G20 is a selective club, and the idea of an equally effective United Nations normatively superior — but also utopian. Thanks to their relative independence (especially in the post-Cold War context), their preference for multilateralism, and the idealism they often display, the middle powers' actions can benefit the broader international community as well, including the smaller states. A precondition is the presence of visionary leaders and a well-resourced, skillful diplomacy willing to play such a committed role. Over the last decades, Turkey has proved to possess these assets, which appear to be present among various political parties and philosophical currents within the country. Non-G8 middle powers such as Turkey are the main drivers of an interesting future role for the G20, since the great powers have fewer incentives to enhance the G20's status and expand its agenda, and some G8 middle powers might be wary of seeing their influence "watered down" in a much wider forum than the G8.

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[1] AYSAN, A.F., Country Fact sheet — Turkey, in POHLMANN, C., et al., *The G-20: A "Global Economic Government" in the Making?* (Berlin, Friedrich-Ebert-Stiftung, 2010).

In the meantime, notwithstanding their tough internal debates and political polarization, the Turks are modernizing their democracy, with greater civil liberties, rights for minorities, and a vibrant civil society, in a context of economic prosperity and financial stability. Yet, as is the case with most countries in the world, the transition from the 20<sup>th</sup> to the 21<sup>st</sup> century has not been finished yet. Hopefully, more unity, inclusiveness, and mature pluralism will come out of the rapid changes the country is going through. At the same time, sensible public diplomacy is required to foster correct foreign perceptions about Turkey's complex reality. Anyway, whether they voted yes or no in the constitutional referendum of 12 September 2010 (which also among fervent democrats enticed a lot of debate), an overwhelming majority of Turkish citizens are thinking in the same general direction. Self-confidence, built on an impressive past, is rapidly growing. Major progress is being made in several societal spheres at the same time: economy, science, infrastructure, earthquake safety, public transportation, environmental protection, good governance, cultural outreach, etc. The potential of what Turkey can contribute to the world — be it with regard to mediating and peace-building, development in Africa and Asia, reducing Huntingtonian tensions, or regional environmental protection — is indeed huge. The G20 provides a strategic platform for this — and Ankara is at the forefront of giving this forum an even more prominent place in global governance. Turkey today is quite different from the Turkey that knocked on the EU's door back in the 1980s, and different from the Turkey that became a G20 member and official EU candidate in 1999. What now a lot of Europeans do not seem to realize, is that it is rather the EU who risks to miss a big opportunity here — except from people like British Prime Minister David Cameron, who recently called Turkey “Europe's BRIC.”<sup>[1]</sup> This story is another example of the way the old world order is challenged, with new voices, inspirations and capabilities, and how our planet may be turned into a more democratic place.

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[1] <http://www.number10.gov.uk/news/speeches-and-transcripts/2010/07/pms-speech-in-turkey-53869>.