Political Benefits Expected by Turkey for its Participation in the G20

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Responding to the questions on why does Turkey wants to be a part of the G20 and what benefits, political, economic and otherwise, it expects to get from such an affiliation, I would like to make two general points. First, Turkey is an emerging economy along with a number of others. Many of the reasons why Turkey might want to be affiliated with the G20 are not different from those of other emerging economies. It may be intellectually prudent to address the question in broader terms than just Turkey and then try to find out whether there are reasons specific to Turkey. The second and the more important point is concerned with the fact that the question, phrased in the particular way it has been, constitutes a half-asked question. It implies that there exists a unilateral desire on the part of emerging economies to join a group of countries that presumably possess such superior qualities that others would want to join them. The other half of the question, in fact, ought to be "Why do the developed nations as represented in G5, G7, G8 etc. want emerging nations to join them in a group that is currently and probably only temporarily labeled G20?" This second half of the question would suggest that the leaders of developed economies who invited a number of emerging country leaders to join them in forming an informal international grouping called the G20 would have something to gain from the latter's joining them. Although it is likely that each emerging country has different things to gain from being included in the informal club, it seems reasonable to assume that those invited to join the club possess some common attributes that explain why they are invited. This does not rule out the possibility that there may be a different combination of reasons for their being invited in each case. I am raising this point only to remind the reader that much of the following discussion and analysis will deal with a broader set of factors than those that would deal exclusively with Turkey.

The Emerging Nations and the Contemporary System of World (Economic) Governance

The Origins of Contemporary World Economic Governance

The system of world governance which includes the political as well as the economic was developed toward the end of and immediately after the Second World War. The system of governance in the political domain was organized under the United Nations Security Council and General Assembly. Major countries that had either led the effort to defeat the Axis (e.g., US, Great Britain, Russia or China) or had been a major target of German occupation (France) were given a final say in how politics of the world would be run. During the Cold War, the organization could only accept new members if both members of the Western and the Soviet Bloc agreed, keeping the organization from claims to be truly universal. Gradually, ways were found to expand the membership and allow it to claim to be a more universal organization. Since the permanent members of the Security Council who possessed veto powers remained the same, however, the changes in the relative power positions of the member countries were not reflected very closely in the way the organization worked.

The global system of universal economic governance covered a more limited number of countries since "membership" in this system assumed the presence of a functioning market economy and openness to free trade, attributes that countries of the Soviet Bloc as well as some others did not possess. Three major institutions were envisaged as the basic frameworks for governing the world economy: the International Monetary Fund, the World Bank and the World Trade Organization. Whereas the first two, responsible respectively for maintaining stable exchange rates and financing infrastructural projects were established quickly, it proved impossible at the outset to develop the third framework, the World Trade Organization, whose function would be to remove barriers to international trade. After years and many rounds of loosely structured negotiations under the title of General Agreements on Tariffs and Trade (GATT), the World Trade Organization could come into being only in 1995, after the end of the Cold War and the bankruptcy of socialist economies.

The world system of economic governance, confined mainly to Western capitalist economies and those with whom they had close economic relations for one reason or another (e.g., securing of energy or raw materials, vestigial relations developed during colonial times), constituted a target for criticism by the less developed and developing countries who argued that they should have a say in the shaping of institutions and rules that governed their economic lives. Constant demands for change culminating in the demand for the establishment of a "new world economic order" during the 1970s, however, did not prove to be particularly effectual. This derived from a variety of factors. To begin with, such demands did not add up to a comprehensive plan for change uniformly supported by those who felt that they were disadvantaged within the existing system, but rather they consisted of ideas in response to dimensions of economic relationships that were found to be dissatisfactory. But second and more importantly, the demands were not backed by ability to impose deprivations on the developed economies that gave direction to the world economic system. They ignored existing power relationships, dwelt upon the unfairness of the existing order and unrealistically expected dominant powers to engage in unilateral acts of generosity.

Adapting To Change and the Demand for Further Change

Though dominated by major market economies of the world, from the very beginning, the global economic system showed itself to be more capable of adapting to changing conditions and needs than the global system of political governance under the auspices of the United Nations.

The first challenge came with the process of decolonization that commenced shortly after the Second World War. Those countries that became independent were underdeveloped and poor and their economies poorly managed. Yet their economies had to be kept functioning to ensure that they kept sending their traditional exports, that is, what they produced as colonial economies, to the metropolitan markets. Their status as markets of metropolitan countries also had to be maintained.

The need to maintain the economic relationship necessitated paying attention that these countries enjoyed enough political stability in order to keep their economies functioning, and to constrain the outflow of emigration to the metropolitan country. Furthermore, in a bipolar world, an effort had to be made to prevent, if possible, the former colony from joining the rival Socialist camp.

From the very beginning, the IMF and the World Bank were active in lending support to the so-called developing countries. In doing this, these institutions demonstrated considerable suppleness as became most evident during the 1973 oil crisis. When oil prices suddenly increased, most underdeveloped economies did not have the ability to pay for their energy needs. Breaking with tradition, the IMF developed new facilities to help these countries import energy.

Their adoption of more flexible approaches did not alter the fact, however, that these agencies were dominated by the major market economies. Their mindset reflected a rigid economic orientation lacking sensitivity to the social and political outcomes of their programs and conditionalities. They displayed greater sensitivity to the concerns of the developed economies than those of the underdeveloped. Therefore, as already indicated above, there was constant clamoring that intensified during the 1970s that a new world economic order should be developed.

The major change in the global economic system came with the exhaustion of the socialist paradigm of economic development. The dissipation of the Warsaw Pact and the demise of the Soviet Union resulted in the expansion of market economies and the integration of almost all countries, in one way or another, into the world economy. The developing economies continue to experience difficulties and call for a revision of the conditions under which they relate to the world economy.

Enter G20

In the context of adapting the world system of economic governance to change, the G20 represents a practical innovation (unlike the original General Agreement on Tariffs and Trade from 1947). It is informal, and as such it is not subject to rigid rules under which formal institutions of economic governance operate. Keeping in mind that formal institutions often prove themselves incapable of producing timely, appropriate and effective responses to the problems that the global economy has been encountering during the recent years, it may be deemed useful to have an informal gathering of major economies of the world that can meet quickly whenever a need arises (in addition to its planned meetings), set its agenda without restrictions, and discuss common problems with a view to achieving some degree of consensus which those attending will then be expected to voluntarily implement. Such consensus as may be obtained among members may also entice them to act together in formal institutions of global economic governance.

The G20 came into being as it became apparent that the cooperation of more than the five or six major economic powers was needed in order to address the problems that the world economy and its subsystems were facing. Its agenda has grown very quickly from such standard items as trying to regulate international financial flows to include many problems that the existing institutions of world economic governance fail to address and develop satisfactory solutions for. Examples would include climate change, the stabilization of commodity prices, increasing the agricultural exports of developing countries while reducing farm subsidies in the developed world and helping fight terrorism by bringing its financial means under control. The list is likely to be expanded to cover new items.

The critical question is whether an informal, consultative mechanism is capable of producing decisions that may be implemented or enforced first among its own members and then among other members of the world economic system. The general answer is “no” on two grounds: First, the decisions or the points of consensus which G20 members may have agreed among themselves, being products of informally organized activity, lack international legitimacy. Second, as of now, there exists no institutional mechanism through which these can be implemented or enforced.

The G20 seems to be an attempt to a half-way solution to addressing problems of the global economy. It indicates recognition by the Western economic powers that global economic problems may not be solved by them alone. Emerging economies must be incorporated into the search for solutions. It also seems that major world powers do not yet feel ready to modify the organizational structure, rules and capabilities of the existing formal mechanisms of global economic governance. They prefer informal instruments of management which bring traditional centers of economic power and the emerging economies together. Yet, the continuation of smaller groupings such as the

G7 suggests that the major powers are conscious of their status as a different group whose interests may not always be in harmony or sometimes be inimical to other members of the G20 which are emergent economies.

Why Major Economies Want the Emerging Countries to Join the G20 and Why the Emerging Economies Want to Join?

In the light of the preceding discussion, it may be appropriate to ask why the major world economies want the emerging economies to join them within the framework of the G20 and why the emerging countries would want to join? The motivations of the two sides are, in all likelihood, different. The world's major economies probably aspire to *hegemonic incorporation*. They want to co-opt the new rising economic powers, bring them in into the system of global economic governance so as to prevent their becoming challengers, to socialize them into accepting their leadership and their basic approaches to how the world economic system should operate. Those who join them, on the other hand, aspire to become partners in *collectivist cooperation*; that is, helping shape the rules and the institutions of the system by which the global economic system is governed. Let us look at these two sets of motivations a bit more closely:

The Major World Economies and the G20

What benefits do the major world economies expect to derive from bringing in the emerging countries into an informal club of global economic governance? Several benefits, some economic, others political, can be identified.

To begin with, the major economies have an interest in the smooth operation of the global economic system, to prevent the occurrence of crises and manage them effectively should they nevertheless arise. As the share of the emerging countries in the world economy grows, it seems prudent to incorporate them into the "management team" to achieve these ends. Such incorporation constitutes a means whereby the newcomers may be socialized into the world capitalist system, its rules, norms and culture. Further, it facilitates exchange of information, leads to better appreciation of mutual needs and intentions and contributes to coordination of policies. And finally, it provides opportunities to share the costs of managing the world economy with the newcomers. In summary, in the economic domain, the G20 serves to compensate for the insufficiencies of managing the global economic system.

In the domain of politics as distinguished from the economic, two additional purposes are served. First, by incorporating the emerging economies into the system of global economic governance, major economic powers prevent the emergence of challengers, individually or as a bloc, against the current system which continues to be under their domination. Second, they defuse opposition to the "world economic order" and enhance its legitimacy by increasing the numbers involved in its management.

The Emerging Economies and the G20

What benefits accrue to the emerging economies as a result of their being included in the G20? It may go without saying that the benefits in the economic domain are not different than those that accrue to major economies. Emerging economies, same as major ones, have a stake in maintaining stability, preventing crises and coping with them effectively when they arise. They want to make sure that the entire burden of dealing with disturbances is not left exclusively to them. They also want to be assured of the support of other members in case their economy runs into unexpected trouble. In addition, individually and collectively, they get an opportunity to bring their problems, needs and concerns to the attention of major economic powers as well as formal institutions of world economic governance. Many of these benefits may be summarized by emphasizing that throughout this process, the emerging countries assume a role in agenda setting. To the extent that power is sometimes conceptualized as "agenda setting," the importance of G20 membership is not to be underestimated.

On the political front, emerging economies also aspire to initiate a gradual process whereby a framework now functioning mainly as an instrument of *hegemonic incorporation* may evolve into one of *collectivist cooperation*. They would like to have a say in the planning of new institutions of economic governance and make sure that their viewpoints receive due consideration. The alternative would be to try to organize outside the current system a rival system, a path for which success is not assured and failure not unlikely.

There are other actual and potential political benefits as well. First, the leaders of emerging economies gain easy access to communicating with leaders of major powers, which gives them opportunities to deal on a bilateral or a multilateral basis with other matters than those of the global economy. Furthermore, the personal relationships developed there may render access to world leaders easier outside of G20 meetings as well. Second, there is no doubt that membership in the G20 confers upon members a status coveted by others that occupy a lesser place in the world economic system. This gives them international recognition and prestige, and enhances their self-esteem. Although there is no readily evidence so far, it would not be surprising if some non-members would turn to members and either ask for their intermediation or for their support in searching for solutions to their own economic problems with the major economies.

Finally, the governments of emerging economies may use the G20 affiliation as a resource in legitimizing unpopular measures for economic reform and achieving standards in production, distribution and finance. We are only too familiar with how IMF, IBRD, WTO and other institutional commitments and conditionalities are mobilized by governments to persuade their publics that unpopular changes for which they themselves would not want to introduce must be implemented, because outside actors require it. Though currently I am aware of no evidence that membership in the G20 has been employed this way, judging by the examples cited above, the possibility looms.

The Transformation of the Turkish Economy: Turkey Joins the G20

Thus far in the discussion, there has been no mention of Turkey although part of our question was why Turkey would want to be a part of the G20. I will offer a long answer, tracing how the Turkish economy evolved into one of the emerging economies of the world and then turn to what Turkey obtains from its membership in the G20.

Although Turkey was a staunch member of the Western Bloc and an important member of NATO, in terms of its economy, unlike many other NATO members, until 1980, it could be best described as a developing economy. Beginning in 1980, preceding the end of the Cold War, however, the Turkish economy underwent a major transformation. Within two decades thereafter, Turkey came to be referred to as an emerging market economy. Then, as the G20, an informal grouping of important economies was taking shape, it was invited to join.

The Turkish transformation commenced with a series of decisions by the Turkish Council of Ministers on January 4, 1980 to scrap a complex web of rules summarily referred to as "Regulations to Protect the Value of the Turkish Lira." The system, which aimed to control the inflow and outflow of foreign exchange and to keep the exchange rates fixed, was initially devised during the Second World War when it was feared that the country would experience difficulty in finding sufficient hard currency to meet the country's import needs. The development of an import substitution oriented industry and the chronic shortage of foreign exchange that resulted in periodic crises in later years constituted further opportunities for its becoming more engrained, comprehensive and complex.

The eventual challenge that an import substitution oriented industrialization policy presented to the country was immense. The proponents of import substitution had assumed that as the country produced more of what it used to import, it would become more autonomous *vis-a-vis* the international economy and less dependent on importing goods and services. The real outcome, on the other hand, was not a decline of imports and dependency on the international economy but a change in the composition of imports. Finished goods were replaced by capital equipment, intermediate goods, raw materials and energy. Furthermore, now that an industry has developed, attempts to reduce imports generated other complications such as idled industries and increased unemployment.

The import substitution oriented industry exposed Turkey to an ever-increasing appetite for hard currency that its traditional exports of raw materials and agricultural products could not meet. The prosperity of the country depended very much on its ability to find funds to meet its current account deficit. This dependency led to an economic cycle that would commence with a period of prosperity during which Turkey kept borrowing from abroad until a point was reached where Turkey's ability to pay back its loans came under question. A crisis deriving from foreign currency shortage would then ensue; an austerity program would be devised, IMF's approval obtained, and the programme implemented. Once economic stability and ability to pay back loans were restored, the same process would commence again.

The oil crisis of 1973 marked a watershed event in that it become no longer possible for Turkey to finance the hard currency needs of its economy by pursuing an import substitution based development strategy. It is important to note that, in contrast to earlier crises where most economic actors viewed hard currency derived crisis as a temporary disturbance, after 1973, there emerged a general recognition that import substitution policy was no longer sustainable given the magnitude that the economy had reached. Furthermore, the industry had grown in sophistication and appeared more willing to test its achievements in export markets. It is this gradually transformed mindset that made it possible to discard import substitution and adopt export-led growth to replace it. The repeal of "Regulations to Protect the Value of the Turkish Lira" constituted the critical step of this transformation.

The Turkish economy has grown in leaps and bounds after the change of the development strategy. The growth was particularly impressive in the field of exports, leading experts to describe the emergent Turkey as a "trading state." Turkey is currently the 16th largest economy in the world and the sixth largest in Europe. It is recognized as one of the emerging economies. Turkey's economic transformation was crowned by its inclusion in the G20 as one of the important economies of the world.

Given the path of evolution of the Turkish economy, its G20 membership may be seen as a natural outcome. A word of caution needs to be introduced here, however, that invitation to join the G20 is not determined solely on the basis of the size of an economy and its global ranking, but also on such factors as its share in world trade, the nature of that share (e.g., major exporter of oil) and a country's political importance, among others. Therefore, it was possible that Turkey might not have been invited to join. Such exclusion would have been extremely damaging to Turkey's self-esteem as a society proud of its economic achievements during the recent years. This would have reinforced the already existing Turkish proclivities to conceptualize themselves as being isolated in the world, with no friends and encircled by forces that want to prevent Turkey from "taking its rightful place in the world." In addition, this outcome would have signaled a failure in the golden rule of Turkish foreign policy developed after the Second World War that the country should not remain outside of major institutional developments in the international system.

The benefits accruing to Turkey from being a part of the G20, otherwise, is very similar to those that accrue to other emerging economies that have been invited to join. Whether the aspirations and expectations of Turkey and other members will be met remains to be seen. It is entirely possible that the number of members will go up while it is unclear as to whether a more formal organization will come into existence. For the time being, there is a mutuality of interests among the major world economies and the emerging economies to cooperate within an informal framework to contribute to the managing of the world economy.

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