The Leading Role of Economic Integration in Turkish Foreign Policy towards the Middle East and the Limits of the Trading State: The Case of Turkey/Kurdish Regional Government (KRG) relations

by

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Turkey’s businessmen who have economic activities in the Kurdish region of Iraq have progressively become the principal active parties that link Turkey and the KRG by creating economic exchanges that are considerably increasing (940,000 million dollars in 2003, 6 billion dollars in 2011), all the while influencing the political decision-making process and contributing to the emergence of an increasingly stable dialogue between Turkey and the KRG.

The role that these businessmen play in Turkey’s implication in the re/construction process of the KRG illustrates the status of the economic interdependence in Turkey’s foreign policy and shows how the state applies itself to economic activity in order to attain its foreign policy objectives. Their activities furnish solid empirical data to further analyze Turkey’s regional policy as a Trading State, to show how the economy and the economic stakeholders are mobilized in the politics of a state vis-à-vis their “new” neighbor with whom security conflicts are not yet resolved. Their activities also allow one to explain how the businessmen are able to influence the politics of the state while shielded from an emerging neighbor state, in order to guarantee the survival and the continuation of their business in other terms, how they impose themselves in the decision-making process of foreign policy.

Furthermore, the case of Turkish businessmen that lead economic activities in Kurdistan permits also one to broach the concept of the Trading State and Turkey’s foreign policy practices with a critical point of view that puts into perspective Turkey’s capacities as a Trading State and indicates the limits of this policy. The concrete problems of the businessmen, observed during the field work, the difficulties that they have in their relationships with the governments, the way in which Turkish public opinion perceives them, all of these show at what point Turkey’s policy vis-à-vis the KRG is limited by the Kurdish question that imposes itself on multiple levels: national, regional, international and transnational. Analysis of the evolution of Turkey’s policy regarding the KRG leads then to a critique of the conception of the Trading State as applied to the Turkish-Kurdish case, since the objectives of Turkey’s regional policy remain limited by the demands of domestic policy, the preoccupations of security (the
infiltration of PKK activists by way of KRG soil), and by the lack of resolution to the Kurdish question on the national level.

By revising the evolution of the role of businessmen in the decision-making process of Turkish foreign policy this paper aims to analyze the role that businessmen play in relations between the KRG and Turkey in the framework of the limits of the Turkey’s Trading State policy.

**Businessmen in foreign policy**

The impact of the actions of businessmen on the decision-making process of foreign policy has taken considerable dimensions in the last thirty years due to the intensification of economic exchanges on a global scale, the consolidation of the financial market, the development of communicative tools, in brief, due to the effect of economic globalization. Even if the multiplicity of references, means of action, organizational models and institutional or social structures of all types of stakeholders that emerged at the center of globalization impose themselves regularly in international relations, the economy and the economic stakeholders occupy the terrain of the determination of foreign policies.\(^1\) As G. Carron de la Carrière affirms, economic factors, unlike others, are always present (even omnipresent). It is the economic content of international relations that is the most visible today since it permeates daily life, it has a strong impact on opinion and is subject to public debate; it imposes itself as a constraint to public authorities and to diplomats, who are not necessarily prepared for it.\(^2\)

The omnipresence of the economy also leads the actors to avoid all armed conflict in order to preserve their economic interests in the international system. The states, developed countries in particular, avoid entering into conflicts between themselves and seek regularly means of cooperation in order to lead to a resolution without armed forces, in other words without sacrificing their military budgets, which are very costly. The international system controlled by economic factors no longer supports direct armed conflict between developed states. Through the act of abandoning armed methods and in

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\(^2\) Ibid., p. 271
further concentrating themselves on economic factors and means, the states are lead to create a Trading World even if it remains imperfect, even at times powerless regarding the conflicts and even if this World is criticized by the author of the concept, R. Rosecrance.³

In the context of economic globalization, the businessmen and their organizations are considered more and more frequently as central stakeholders in the international system. Furthermore, as the liberal approach of international relations theories states, international economic exchanges that contributed in the growth of the actions of businessmen constitute a solid basis for the maintenance of international peace, a central phenomenon that aids the states to avoid probable conflicts. International economic exchanges maintained and developed by the economic stakeholders allow consolidation of reciprocity and interdependence between the states.

In addition, economic actors, with the aim to preserve their interests, apply more and more pressure on the states so that these states will agree to not use force in international relations since, as M. Doyle states, only the liberal states—that seek the maintenance of a peaceful environment—are capable of profiting from commercial activities and the opportunities that these activities offer.⁴ In order to profit from opportunities of economic foreign exchange, the liberal state accords an important place to economic stakeholders and the state is driven then to create a decision-making process that integrates these stakeholders. Moreover, the interests of states gradually merge with the private interests of certain companies. In the globalized economy, interdependence is so strong between states and economic stakeholders that solidarities and rivalries are intertwined, for states and businesses alike.⁵ For a decision in the field of foreign policy that concerns the field of action for the category of stakeholder, the state must seek a

³ See the article of Richard Rosecrance in Foreign Affairs in which he revisits his idea of a “trading world” and criticizes these various aspects, above all these imperfections and its dysfunctional nature, notably in the “small” Trading States in Southeast Asia. “Bigger Is Better”, Foreign Affairs, Vol. 89, Issue 3, May/June 2010
⁴ Michael Doyle, Ways of War and Peace: Realism, Liberalism and Socialism, New York, Norton, 1997
⁵ Guy Carron de la Carrière, op.cit., p. 256
consensus that P.R. Viotti and M. V. Kauppi call a “minimum winning coalition” to ensure the implementation of this decision.\(^6\)

Moreover, the economic stakeholders can also be characterize as transnational actors through internationally created networks, their organizations at national and international levels, in their capacity to influence international bodies and establish, in certain circumstances, a rival of the state. Their transnational character, which is to say their capacity to act beyond all borders (physical, legal, social, psychological, etc.), permits them to develop a strong capacity to orient and to determine strategies of foreign policies of states and create a parallel space to international relations: a space dominated by transnational relations. R. Keohane and J. Nye define these transnational relations as “all kinds of contacts, coalitions, and interactions that exceed the borders of the state and that are not directly controlled by the organisms of the state’s foreign policy.”\(^7\) B. Badie and Marie-Claude Smouts add to this further clarifications: “transnational relations consist of all relations that, by deliberate will or by destination, construct themselves in a global space beyond the state’s national framework and that produces itself by at least partially escaping control or mediating actions of states.”\(^8\)

Transnational relations form themselves in a space parallel to that of the states and force international/inter-state relations to multiply their contacts with this by inciting the plurality of stakeholders.

According to R. Keohane and J. Nye, transnational relations then provoke a change in attitude of states in intervening in the decision-making process of foreign policy, these relations create a pluralism in international relations by integrating a multitude of stakeholders in global politics. These relations also incite the augmentation of constraints on the state by creating dependant spaces, or interdependence, and encourage the emergence of new autonomous stakeholders that can have propositions of

\(^6\) Paul R. Viotti, Mark V. Kauppi, *International Relations Theory : Realism, Pluralism, Globalism, and Beyond*, Boston, Allyn and Bacon, 1999, p. 8


alternative foreign policies that are different from those of the state and that can threaten the supremacy and the monopoly of the state in this matter.9

Among the transnational stakeholders, businessmen and their organizations are characterized by their relatively privileged position and their specific relations with the states. Their actions, the results of their activities and at times their oppositions to state policies affect more directly the policies of the state in the current global economic system, in comparison with other types of transnational stakeholders. What’s more is that this influence permits them to make themselves accepted by the state that considers them as “legitimate stakeholders” that intervene in the midst of the decision-making process. Therefore, they manage to impose themselves more efficiently in the political sphere. According to J. Winters, the states began to voluntarily give up this role to economic stakeholders as a result of the increased speed of movement of capital and the exposure of countries to global economic competition. He emphasized that the fast movements of the global economy make states more dependent on the actions of those who control these movements.10

Conscious of their influential capacity due to their privileged status in the global economic system, businessmen create a singular relationship with the state by rendering it increasingly dependent on their activities and actions thanks to their capacity to act on national, international, and transnational levels. The results of a study by L.R. Jacobs and B. I. Page in the United States shows that American foreign policy is influenced above all by the economic leaders whose activities are linked to the international system. They are followed in their influence secondarily by experts who, according to the study, are also under the influence of “business.” That explains the direct impact of political decisions on the activities of economic leaders and on the counsel of experts. Conscious of this impact, they penetrated into political circles in order to directly influence the decision-making process.11 The same phenomenon can equally be observed in various developed countries. Take France for example, despite the lack of sociological studies on

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9 Joseph S. Nye, Robert O. Keohane, Transnational Relations..., op.cit.
10 Jeffrey A. Winters, Power in Motion, New York, Cornell University Press, 1996
businessmen organizations as M. Offerlé states\textsuperscript{12}, they are present in civil society and have a large capacity to influence political decisions.\textsuperscript{13}

\textit{The influential capacities of businessmen regarding foreign policy in Turkey}

The augmentation of influential capacities of the business circle in the domain of foreign policy by the evolution of a global economic system had also effects on relations between the state and the businessmen in Turkey. The era of globalization and most importantly the progressive integration of the Turkish economy in the international market after the national economy became a free market at the beginning of the 1980s gave a new source of legitimacy to Turkish businessmen. They grew their negotiable space with the state, which—as multiple studies on the state/business-world relationships (i.e. A. Buğra, M. Heper) and on the history of the political economy in Turkey, (i.e. Ç. Keyder, K. Boratav) state\textsuperscript{14}—controls economic policies, determines the country’s economic objectives, and manifests itself as the principal economic stakeholder and which also therefore defines the scope of entrepreneurs and their interest groups.

Indeed, the Turkish state, at least until the 1990s, imposed its control, predominantly in the field of the economy, with the objective of limiting the emergence of new “fields of power” (champs du pouvoir) that according to P. Bourdieu are formed by the holders of other kinds of “capital”, be it cultural, symbolic, or economic. These fields of power construct themselves as a game-space at the center of which the holders of (different kinds of) capital struggle notably for power over the state, which is to say power over state capital which then gives power over the different kinds of capital and the reproduction of these different kinds of capital.\textsuperscript{15} By fearing all types of rivalry coming from capital-holders (for example intellectuals, artists, and above all

\textsuperscript{12} Michel Offerlé, \textit{Sociologie des organisations patronales}, Paris, La Découverte, 2009, Introduction
\textsuperscript{15} Pierre Bourdieu, « Esprits d’État, Genèse et structure du champ bureaucratique », \textit{Actes de la recherche en sciences sociales}, Vol. 96-97, March 1993, pp. 49-62, p. 52
entrepreneurs) who can put in danger its monopoly over control of resources, the Turkish state limited the autonomy and the space of action of these (private) holders of economic capital: the businessmen. Therefore, the economic stakeholders stood back and the economy was not utilized by Turkish authorities in their foreign policy as an influential tool.

Since the beginning of the 1990s, despite previous difficulties, the Turkish economy has developed itself in a consistent manner. In this growth, foreign trade occupies a prominent place. As A. İnseł confirms, the takeoff of foreign trade, of which the volume had multiplied by 15 during the last twenty-five years and the composition of which was profoundly modified constitutes the fulcrum of the Turkish economy. As an economy that was an exporter of agricultural products and mining products at the beginning of the 1980s (57% of exports came from agricultural products), 90% of Turkish economic exports now come from industrial products (textiles and clothing, intermediary goods, consumer goods such as cars and household appliances). Thanks to this economic takeoff, foreign trade is increasingly becoming a foreign policy tool, all the while making Turkey into a Trading State that’s capable of using international economic exchanges as integral pieces of the process of determining its foreign policy.

Foreign policy and the process of integrating Turkey into the international system—for example its candidacy for entry into the European Union—are beginning to constitute a new space for Turkish businessmen, who thanks to their economic activities abroad, are starting a new relationship with the state and are gaining more legitimacy in negotiations with the state while playing an intermediary role between Turkey and foreign countries. The new essential place of economic stakeholders in the international system thanks to the development of transnational relations serves as a support for

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17 Legitimacy is a concept elaborated in the works of Ayse Bugra. According to her, Turkish entrepreneurial activities should be in full agreement with the interests defined and the objectives fixed by the State. It’s thanks to this compatibility that their activities are considered legitimate by the State. See Ayşe Buğra, Devlet ve İşadamları, op.cit. p. 42. Ayşe Buğra concludes that Turkish businessmen do not behave according to the classical rationality of the market economy and feel a lack of confidence regarding the “legitimacy” of their activities uniquely with the purpose of obtaining purely material benefits. See also Ayşe Buğra, “The Late Coming Tycoons of Turkey”, Journal of Economics and Administrative Studies, Vol. 1, No. 1, Winter 1987
Turkish businessmen, since Turkish authorities have set a foreign policy goal of making Turkey a regional power, even a global player due to its economic growth.

Since the beginning of the 1990s, the domain of foreign policy has given a unique opportunity to Turkish businessmen and organizations/associations of Turkish businessmen to show themselves as more active, and to implicate themselves in the field of policy-making, in conditions that had never before existed. Even if their activities correspond to the goals and the interests of the state, that is, to “national interests” which are since the founding of the Turkish republic the principal source of legitimacy for entrepreneurs, the role of international economic exchanges in Turkey’s relations with foreign countries is giving them for the first time an autonomy that allows them to strengthen their position in domestic affairs. Moreover, as noted by K. Kirişçi, the nature of the Trading State requires the involvement of many stakeholders in the formation of foreign policy or diplomatic games. However, the priorities and interests of these stakeholders are sometimes different from those of traditional foreign policy makers in Turkey.\(^{18}\)

Due to their “legitimacy” and the recognition that they receive from the state due to their actions consistent with the broad lines of foreign policy, they equally become stronger stakeholders in the domain of domestic policy-making. Thusly, foreign policy that isn’t necessarily taken into consideration by existing literature on state/businessmen relations in Turkey, with a few exceptions (Z. Öniş), becomes a key variable in the analysis of Turkish state/businessmen relations. The process of Turkey’s candidacy for the EU makes a first example that shows how businessmen have become influential stakeholders in politics. Businessmen’s’ role in the process of determining and putting into practice of foreign policy and their influence on domestic policy are equally reinforced due to Turkey’s relations with the EU. As Z. Öniş and C. Bakır state, the European Union played the role of a catalyst in the political and economic changes in Turkey. The EU’s influence has increased significantly after the Helsinki Summit in December of 1999, in which Turkey was granted official candidate status. The result of

the Helsinki Summit led the key players in the political and economic domain in Turkey to take initiative in institutional changes.\(^{19}\)

In this particular period—and later, equally—businessmen and organizations/associations of businessmen were charged with overseeing legislation and putting into practice reforms demanded by the process of integration into the EU and they acted as central players in Turkish civil society, and intervened in the debate on the process of Turkish democratization by influencing domestic policy. Indeed, Turkish entrepreneurs, large corporations and large groups from Istanbul’s republican bourgeoisie included deemed the process of Turkey’s accession to the EU highly interesting. In a study that analyzes the attitudes of Turkish citizens regarding the effects of Turkey’s candidature for the EU in economic, political, and cultural domains, businessmen are distinguished by their attachment to the process of accession to the EU. They support Turkey’s candidacy and future accession to the EU while exerting a certain pressure on a national level in order to drive political authorities to pursue reform. Macroeconomic stability, the EU’s developmental support, foreign direct investments (FDI), expanding the market for Turkish exports by preferential trade agreements with the member states are all sources of motivation for businessmen to push political leaders to move forward towards the goal of EU membership.\(^{20}\)

This implication of businessmen in the European project, throughout the 1990s and importantly at the beginning of the 2000s, made this group a key stakeholder in civil society. In utilizing their role as an intermediary player between Turkey and foreign states, businessmen recognized by the state in the domain of foreign policy—more specifically the economic elite—met with the largest business association TÜSİAD (Türkiye Sanayici ve İşadamları Derneği—the Association of Turkish Businessmen and Industrials) and considered the process of Turkish accession to the EU as a determining factor for the Turkish economy. According to Z. Öniş, by their attachment to the candidacy and the process of Turkey’s accession, the business associations, particularly

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\(^{19}\) Ziya Öniş, Caner Bakır, “Turkey’s Political Economy in the Age of Financial Globalization: The Significance of the EU Anchor Contribution”, Contribution presented at the conference Europeanization and Transformation: Turkey in the Post-Helsinki Era, Koç University, Istanbul, December 2\(^{nd}\)-3\(^{rd}\), 2005

TÜSİAD, remained integral holders of this project on the domestic scale due to their influence on the state and their political actors.\textsuperscript{21}

Like the support that had been voluntarily provided by the state for businessmen and associations like TÜSİAD in the European project, particularly between 1999 and 2002, the AKP government favored businessmen’s activities in targeted regions (the Middle East, Africa, Central Asia) by following the foreign policy strategy conceived by A. Davutoğlu. The AKP has a close relationship with the “pious” business community of Anatolia that has for ten or so years constituted the “new bourgeoisie” of Turkey. MÜSİAD\textsuperscript{22} which is made up of representatives of this new pious bourgeoisie has been progressively taking the place of TÜSİAD, which is now considered as representative of “İstanbul’s former, secular and Western bourgeois class”.\textsuperscript{23} This newly emerging bourgeois class, which is very close to the government, freely accomplishes the tasks that were accorded to Turkish businessmen in the framework of the diplomatic goals of leaders: the establishment of an “economic diplomacy” which has also been applied by other emerging economies such as China, South Africa, Brazil, and India. The goals of economic diplomacy allow businessmen to acquire a unique legitimacy (yet one that is similar to that of TÜSİAD within the “European project”) due to the perfect compatibility of their activities with the national interests determined by political leaders (that is, by the state).

To apply economic diplomacy is to use the tools and capabilities (trade, investment, finance, organization, development, etc.) of a country in order to impose its interests in its relations with its neighboring countries, with countries outside of its region, but also in the decision-making bodies of the international system while

\textsuperscript{21} Ziya Öniş, Turkey’s Encounters with the New Europe : Multiple Transformations, Inherent Dilemmas and the Challenges ahead, \textit{Journal of Southern Europe and the Balkans}, Vol. 8, No. 3, December 2006, pp. 279-298, p. 284 and 292

\textsuperscript{22} MÜSİAD is the acronym for de Müstakil Sanayiciler ve İşadamları Derneği, founded in 1999. This association is composed of entrepreneurs that define themselves as “pious” and conservative, generally originally from cities in Anatolia. The “MÜ” in MÜSİAD means “müstakil” (independent) yet lets itself be known as “müslüman” (Muslim in Turkish) and makes reference to this new emerging class of the bourgeoisie. (For a detailed analysis of this association, see Dilek Yankaya, \textit{La nouvelle bourgeoisie islamique Le modèle turc}, Presses universitaires de France, 2013)

\textsuperscript{23} For a comparative analysis of the two associations published before the rise to power of the AKP, see Ayşe Buğra, “Class, Culture and State : An Analysis of Interest Representation by Two Turkish Business Associations”, \textit{Internation Journal of Middle East Studies}, Vol. 30, No. 4, 1998, pp. 521-539
remaining in a logic of cooperation without resorting to force and direct coercion. Economic diplomacy of a state leads the state to develop its soft power in its foreign relations and permits the state to become a key player in international negotiations.

*The role of businessmen in Turkey’s relations with the KRG*

The policy that seeks to implement economic diplomacy considers businessmen as central stakeholders in the process. Businessmen who conduct economic activities in the territory of a *de facto* Kurdish state thus became the bearers of the economic tool in Turkey’s policy. This has therefore enabled businessmen who conduct economic activities in the Kurdish region of Iraq to acquire a certain level of compatibility with national interests that are determined by the government. In this context, despite the likely sources of conflict between Turkey and the KRG regarding border security and the presence of PKK militants on Kurdish soil, despite the opposition of the army, political authority has not restricted businessmen’s activities, and furthermore has not openly challenged the legitimacy of these activities that are essential to the survival and success of any entrepreneurial economic activity in Turkey. In other words, the Turkish businessmen’s activities in the Kurdish region of Iraq have gradually inscribed themselves in the foreign policy of the Trading State.

However, until the opening of the Turkish consulate in Erbil, the Turkish state had not yet established a specific policy regarding this new category of stakeholders who certainly were supporting economic relations with the KRG in the eyes of considerable part of state leaders, but their activities were not yet recognized as key political relations as the Turkish public opinion was still quite reactionary to the Kurdish question and the presence of rear PKK bases on KRG soil. As one entrepreneur who had had problems in his business due to a lack of Turkish diplomatic representation in the KRG, states “the government was neither a support nor a hindrance” during this period.24

Indeed, trade between Turkey and the KRG is relatively specific with respect to business conducted by Turkish entrepreneurs in other countries. Border security issues related to the Kurdish conflict and the unsatisfactory development of the Kurdish

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24 Interview with İlmut Cevik, Ankara, 26.05.2008
question in Turkey both undermine the economic relationship; yet paradoxically they strengthen the role of Turkish businessmen. Our field study conducted with businessmen who have economic activities in the KRG shows that the businessmen are indeed at the origin of the improved political relations between Turkey and the KRG. The implementation of the strategy of the Trading State is certainly central to their business, yet since the state remains “shy” (under pressure from various stakeholders in domestic politics) in regards to the implementation of a policy of direct and explicit dialogue with the KRG, at least up until 2009, businessmen became the central stakeholders in bilateral relations. In fact, they are the ones who convinced the state to open a diplomatic representative body in the Kurdish capital, Erbil. The opening of the Turkish Consulate in Erbil is indeed a great success story for Turkish businessmen, on that shows their influential capacity vis-à-vis the state.

Diplomacy follows economy

Turkish diplomacy has come to Kurdistan by way of the pressure of businessmen, their demands and their organization have facilitated the decision-making process of Turkish leaders. It should be noted here that opening a diplomatic representation in Erbil, the KRG’s capital, amounts to a formal recognition of Kurdistan, which was taboo in Turkish politics. Although Turkey recognized the Kurdish Regional Government by way of the framework of the Iraqi Constitution of 2005, the implementation of this recognition and the transition from informal to formal took some time for Turkish authorities and Turkish public opinion.

It is more the two Chambers of Commerce, those of Gaziantep and Diyarbakir that played the role of intermediaries between the Turkish state and Turkish businessmen. The economic representatives of the two southeastern Turkish cities that benefit the most from economic exchanges with the KRG actively engaged themselves in order to transmit entrepreneurial requests to the state and to improve trade figures with Iraq. Furthermore, the establishment of the Association of Turkish-Iraqi Businessmen and Businesswomen in 2009 equally allowed businessmen to increase their relations with Turkish and Kurdish leaders in order to communicate, without intermediaries, their specific requests
concerning Turkish-Iraqi trade. The president of this organization, Sıdıka Halıcıoğlu and her vice-president Erkut Temiz conceived of what they call “the summit of the Turkish economy”: the president of TOBB, Rifat Hisarcıklıoğlu, and Zafer Çağlayan, the Minister of Economy obtained direct meetings with the aim of transmitting the general problems affecting economic activities between Turkey and Iraq and the requests of all businessmen, and not only the requests of members of the association.  

With the explicit consent of the Turkish state by way of the opening of the consulate, the activities of businessmen multiplied in Kurdistan. As Soran Aziz, vice-president of Erbil’s Chamber of Commerce, stated, “businessmen began to ‘run’ towards Erbil.” The consulate has facilitated the departure of businessmen from cities in western Turkey to Irak. They had long been reluctant to seize the economic opportunities presented by the Kurdish region of Iraq under the pressure of preconceived notions of the public opinion on the “Kurds”. For example, the secretary general of the Chamber of Industry in Istanbul that we met directly after his trip to Erbil with a group of members of the Chamber, states that the presence of an official diplomatic representation in Erbil eased safety concerns of members and convinced the board of directors of the Chamber of Industry of Turkey’s largest city to organize a discovery trip:

“Indeed, after the crisis (of 2008), Iraq was on the agenda as a potential market among the countries of the region, but we didn’t dare to take a step towards Iraq, for security reasons. Now, when our official representatives have called upon us for a possible visit while ensuring security conditions, we decided to go and the political decision of the Turkish state to open a consulate reinforced our decision.”

As part of the Trading State’s policy in the region and particularly vis-à-vis the KRG, businessmen played a principal role in the Kurdish-Turkish relations: “they were equally diplomats, intermediaries, and a source of information for the Turkish government.” Their activities created an interdependent relationship between Turkey and the KRG, and they also convinced politicians to leave behind the logic of conflict in order to change the language of politics in the same direction as the economy. Otherwise

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25 Interview with Sıdıka Halıcıoğlu et Erkut Temiz, Istanbul, 06.04.2010
26 Interview with Soran Aziz, Erbil, 01.09.2011
27 Interview with Haktan Akın, Istanbul, 05.31.2010
28 Interview with Soran Aziz, Erbil, 01.09.2011
stated, they replaced the role of a diplomat who, according to the expression of R. Aron, “should lead the diplomatic-strategic conduct and speak on behalf of the collective of the state, accompanied by the ‘soldier’ who kills in the name of the aforementioned collective of the state.”

Businessmen currently place distance between the ‘soldier’ and the diplomat and accompany and guide them, despite their non-state character. Traditional cooperation between the diplomat and the soldier, the two representatives of the state transform themselves to the profit of the insertion of the businessman in foreign policy. The case of Turkish businessmen who conduct economic activities in Kurdistan is a relevant example to emphasize the passage from a policy determined with a perspective of probable conflict to the policy determined by possible cooperation, notably in the economic sphere, favored by the new ruling elite in Turkey whose political arise is closely linked to the economic rise.

Economic exchanges have led government officials to develop policies and official links with the KRG. The first official high-level visit to the KRG was organized with businessmen accompanied by A. Davutoğlu and the minister of the Economy Zafer Çağlayan (at the time the Under-Secretary for Foreign Trade). According to the account of Mrs. Halıcıoğlu, the president of the Association of Turkish-Iraqi Businessmen and Businesswomen who was among the entrepreneurs that accompanied the two ministers on this visit, a call was made by the Turkish state to businessmen for the organization and the good proceedings of this first official visit. Mrs. Halıcıoğlu received a telephone call from the Minister of the Economy, who absolutely wanted to see that she participated in the delegation. Mrs. Halıcıoğlu politely refused to leave with the ministers…

“…Since after all the efforts that I had made with Mr. Dara [Dara Ali, the President of the Chamber of Commerce in Erbil, a central figure for relations between Turkey and

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30 With the third mandate begun in 2011, the AKP government modified the structure of ministers and the activities of the Under-Secretary for Foreign Trade were re-structured in accordance with the Ministry of the Economy which was conceived as a new ministry. It’s a decision that indicates the importance that the AKP leaders accord to international trade in Turkey’s economy, they consider foreign trade (exports) as making up the spinal cord of the Turkish economy.
the KRG] for the development of trade, I wanted to host the ministers as a hostess from Erbil to speak with them about this trade.”³¹

The president’s position confirms the distance that entrepreneurs want to keep between themselves and the political sphere in order to stand together with their Iraqi counterparts when a visit with state stakeholders takes place. It also reinforces the relative independence that Turkish entrepreneurs are beginning to have in relation to the Turkish state and shows that they prefer to keep their non-state-related character.

It was during this visit with the businessmen that A. Davutoğlu officially announced Turkey’s decision to open a consulate in Erbil, adding that diplomatic delegation’s members were all to feel at home and that the common will rebuild the Middle East with this feeling of closeness. He also focused on the economic development of Erbil: “We can jointly contribute to the development of Erbil. This will be a bridge between Turkey and Iraq. We (Turkey) are the open door between Iraq and the European Union and Erbil is our open door to Basra.”³² This visit aroused a great enthusiasm in the KRG, and the headlines repeated: “Turkey has recognized Iraqi Kurdistan,” and “Let’s all do business in the Middle East!”³³

Soran Aziz, Vice President of the Erbil Chamber of Commerce, said with joy shortly before the visit of R. T. Erdoğan to Erbil, that it was “the economy that brought the Prime Minister to Erbil.”³⁴ The first official visit of the Turkish Prime Minister to the KRG took place in March of 2011. The two main topics of the meeting between R. T. Erdoğan and M. Barzani were the economy and security, which is to say the keystone of the Trading State but also its limits.

**Turkish soft power consolidated by the economy**

These economic activities have also created another factor of which Turkey wants to empowers during these past few years: soft power (or co-optive power), which is defined by J. Nye as the ability to seduce and persuade other state without the use of

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³¹ Interview with Sıdıka Halıcıoğlu, Istanbul, 06.04.2010
³² « Kuzey Irak’la bir ilk: Davutoğlu Erbil’dede Barzani ile görüştü », Zaman, 11.03.2009
³³ Mete Çubukçu, « Barzani Ankara’ya Davet Bekliyor », T24, 11.03.2009
³⁴ Interview with Soran Aziz, Erbil, 01.09.2011
force or threat, in a spirit of co-optation rather than coercion (through culture, ideology, etc.).

Soft power is the primary tool of a Trading State that does not place its military capabilities above all other advantages, yet rather that imposes through its economic strength, its language, and its cultural influence.

Economic activities of businessmen have led Iraqi Kurds to learn Turkish, for example. Learning the Turkish language is becoming increasingly lucrative for the Kurdish youth that considers Turkey as the only opening to the West and to international markets. Kurdish businessmen and shopkeepers in Erbil, in Souleimaiya, in Dohuk, Zakho, etc. speak increasingly Turkish. At the moment it is not uncommon to see a Kurd who speaks Turkish on the streets of these cities, citing the Turkish film and television stars or young Kurdish businessmen who speak Turkish who come to the consulate in Erbil with their Turkish associates to sign contracts or to apply for a visa to go meet other businessmen in other cities in Turkey. As stated by the Commercial Attaché of the Turkish consulate in Erbil, D. Kutlu, visa applications have increased at a “dizzying rate.”

The economic dependence of the KRG on Turkey gives rise to a cultural closeness in favor of Turkey, who wishes to influence the region both culturally and politically, using the instruments of soft power. Turkish schools known as “Gülen schools” have been recently added to “the presence of Turkey in the KRG”. Economic exchanges prepare the groundwork for such an influence even with a region whose existence and even name, “Kurdistan”, were long considered taboo subjects, once cited with contempt by both Turkish leaders and the Turkish public. Turkey conducts its relations with the KRG while trying to avoid conflicts likely due to the Kurdish question in the region, by applying the same strategy developed for all dealing with the Middle East: avoiding any direct military intervention and focusing on soft power. As claimed by Mr. Benli Altunışık, despite the limitations imposed by the political and economic structure of the region, Turkey has every chance to pursue a policy of soft power in the Middle East since, as compared to its neighbors in the region, Turkey has implemented

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36 Interview with Soran Aziz, Erbil, 01.09.2011
37 Interview with Deniz Kutlu, Erbil, 01.09.2011
structural reforms in social, economic and political domains that make it stronger and influential internationally.\textsuperscript{38}

Nearly all the businessmen interviewed noted that economic exchanges lead the Iraqi Kurds to increase their relations with Turkey, buy real estate in major Turkish cities to spend their holidays and most importantly, send their children to schools in Turkey (for higher education). Muhammad, the son of a businessman from Erbil who studied law at Bilkent University in Ankara said that going to study in Turkey is as prestigious as going to the United States or Europe:

“All my friends and myself included, we went to the Turkish school, Işık Koleji, it’s one of the best schools here. Now, thanks to my Turkish, I help my father in his businesses with the Turks.”\textsuperscript{39}

The case of relations between Turkey and the KRG shows how the mobilization of economic resources can play a central role in solving political problems caused by previous conflicts. Turkey is consolidating its presence in Kurdistan by its products and culture (language, popular culture) and broadcasts its soft power as the main tool to aid its goal of becoming a regional power. As for the KRG, Kurdish leaders seeking to develop their relationship with their Western neighbor, a candidate for the European Union, the 16\textsuperscript{th} global economy, a member of NATO and the G20, in short their only neighbor which is integrated into the Western world and that takes part in the international system. At present, although the Kurdish government preferred that the Kurdish region remain within the federal system in Iraq, every Iraqi national crisis that creates obstacles to the KRG’s State Building process leads the Kurds to make statements suggesting their possible independence. These statements indicate the ultimate goal of the Iraqi Kurds, voluntarily in standby by leaders during the Iraqi reconstruction process since 2003: the independence. Federal problems lead the Kurds to develop independent policies, to seek ways to manage their economies (especially regarding oil resources), to establish strong ties with foreign countries through investment opportunities they offer and build an independent foreign policy from economic relationships. For example, in

\textsuperscript{38} Meliha Benli Altunışık, “The Turkish Model and Democratization in the Middle East”, \textit{Arab Studies Quarterly}, Vol. 27, No.s. 1 et 2, (Winter/Spring) 2005, pp. 45-63
\textsuperscript{39} Interview with Muhammed S., Erbil, 10.01.2011
May 2012, the KRG reported a proposed pipeline that will transport one million barrels of oil to Turkey, and the Turkish Minister of Energy has welcomed this decision. However, the central government in Baghdad has severely criticized this proposal and denounced the attitude of the KRG, claiming to be the sole legitimate holder of power concerning natural resources in Iraq.  

In addition, this statement was made after the KRG’s Prime Minister N. Barzani’s visit to Ankara. Since the beginning of 2012, Ankara had entered into a cold phase regarding its relations with Baghdad. Indeed, Ankara who had been slow to open a consulate in Erbil, is beginning to take the Kurdish leaders more seriously and privileges its relations with them to ensure their energy needs. Turkey is beginning to consider the KRG as a future independent state rich in natural resources, a neighbor with whom bilateral relations developed on economic bases need to be bettered. In fact, the foreign policy of the Trading State led by Turkish and Kurdish leaders allowed them build a political dialogue that is, progressively, transformed into bilateral political relations.

**Limits of the Trading State**

However, as R. Keohane has pointed out in a critical review of R. Rosecrance’s book, even if the state policy trader gives more space for non-state stakeholders and emphasizes non-military means in international relations, it is not singularly able to create an atmosphere of world peace and lead the international system towards a system based upon lasting peace.  

Despite its considerable importance in foreign policy as a tool of power, the economy may at any time be limited by the requirements of policy. In a region where conflict has been the rule since the State and Nation Building process after WWI, the political issues, such as social movements, popular uprisings, claims of minorities, and the repression of dictatorships in the Middle East all endanger the fragile equilibrium of economic relations. Currently, Turkish authorities stop momentarily to rely on investments in Libya or on trade with Syria to ensure Turkey’s regional power. Aside from these examples that indicate the external limits of the foreign policy of the

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Trading State, the case of the relations between Turkey and the KRG show the internal limits of the Turkey’s Trading State’s foreign policy. The Kurdish conflict remains a national, regional, international and transnational issue and shows the limits of the economy by stressing the need for implementation of decision makers in policy solutions. The case of Turkish-Kurdish relations, compared by a Kurdish businessman of Turkey to a “honeymoon period”, permits one to ask if a successful foreign policy isn’t likely to turn into a failure of domestic policy. In fact, these international issues are connected to a minority question at national level: the Kurdish question.

In the summer of 2012, Turkey’s relations with its eastern neighbors, Iraq and Syria, appeared to be seriously affected by the effects of popular uprisings in Arab countries. This is also the case regarding relations with Libya. Even if Iraq was not as directly affected by the uprising as many other Arab countries, political instability and the governmental changes in Baghdad weakened Iraqi-Turkish relations. As for Syria, the country is in the middle of a political and humanitarian crisis due to armed clashes between insurgents and the Baathist regime of the Assad family that has applied an intensive oppression since March 2011. Turkish-Syrian diplomatic relations are frozen, and even they carry the risk of armed conflict, while they had, under other circumstances, gone through a period of unprecedented cooperation under A. Davutoglu’s zero problem policy with the neighbors of, and especially the Trading State’s foreign policy that made Syria a major market for Turkish products in recent years.

However, this crisis moment in Syrian-Turkish relations is heavily influenced by changes in the political structure in most Arab countries and is not directly related to Turkey’s choices. Once this crisis has passed, Turkey may at any time reactivates its Trading State policy in adapting itself to the new realities of its neighbor. Whereas, Turkey’s Kurdish question remains a domestic policy issue that could at any time affect Turkey’s relations with her neighbors as well as with her Western allies. Even if at the present moment Turkey’s relations with the KRG built through the economic activities of businessmen seem to be more stable, they are directly exposed to the influence of the evolution of the Kurdish question on the national level.

42 Interview with Abdullah Alagöz, Istanbul, 06.05.2009
The economy and the Trading State’s foreign policy reach their limits when faced with this political and social phenomenon that requires the intervention of the government and civil society for a political solution. The two examples which are cited by R. Rosencrance in *The Rise of Trading State*, to illustrate his remarks on the Trading State: Japan and Western Germany adopted international trade as an essential tool in their foreign relations, as well as to ensure their power in a “Trading World” where economic interdependence is the rule and determines the relations between states. They also had to ensure the national order, the stability of domestic policy, and to promote democracy. For example, West Germany had to deal with the integration of East Germany in its economy and the authorities rebuilt the German political system in agreement with the evolution of the EU. It was by solving their domestic problems after the fall of the Berlin Wall that this industrialized country with a strong economy could continue to keep its place in this Trading World that links states through interdependence.

When we analyze the evolution of relations between Turkey and the KRG at the macro level, the objectives of the state seem to be met, despite security issues linked to the Kurdish question in Turkey and in the region. Indeed, the relatively positive attitude of the state vis-à-vis the activities of Turkish or Kurdish businessmen for the implementation of a foreign policy vis-à-vis the KRG based upon economic interdependence and the good relations of entrepreneurs with the Turkish and Kurdish governments indicates the willingness of the Turkish state to introduce businessmen as a group of central stakeholders regarding the process of the application of its foreign policy. The state sometimes includes them in the decision-making process in this domain. The activities of Turkey’s entrepreneurs in the KRG are therefore in line with the foreign policy of the Trading State and put the economy at the service of politics. Yet, the activities of businessmen, the relationships they develop with the KRG and above all the human and social exchanges which are multiplying between the Kurds of Turkey and those of Iraq, the motivations of Turkey’s Kurdish businessmen, their demands and their expectations that have as a principal motivation to contribute to the economic development of the south-eastern region of Turkey generate a debate on the Kurdish

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question in Turkey and indicate the limits of the Trading State’s foreign policy. All these elements centralize the Kurdish question in Turkey and its place as the main obstacle to the Turkish diplomacy’s regional power objectives, show as such the boundaries of the choice of putting the economy at the service of politics and how politics prevails over the economy in a context that is marked by a major conflict in the region.

The Kurdish conflict in the Middle East and especially the chronic non resolution of the Kurdish question in Turkey damage the relationship between the state and the business as a key issue by limiting Turkey’s ability of being a Trading State and the action of businessmen that is yet becoming increasingly important in foreign policy. Turkey remains certainly a Trading State, a very pragmatic Trading State on international level, but which is constrained by its internal problems, a Trading State that appears liberal and covers a multitude of non-state actors in its foreign policy but that refuses to take into account the claims of these actors at the national level (basically Kurdish businessmen’s demands for the regional development of the South East). It is a semi-open Trading State by its limited capacities of integrating non-state actors, in short, it is a conservative Trading State which may return to the traditional elements of a foreign policy dominated by internal conflicts that were the subject of the use of force as well as the domestically and internationally.

The Trading State’s foreign policy of Turkey allows Turkish authorities to build new forms of cooperation with neighboring countries and avoid certain regional conflicts, such as the Kurdish question by "healing effects" of the trade that produces interdependence. But it remains a policy exposed to the demands of domestic politics restricted by the demands of the public opinion and may become unmanageable if it does not include all stakeholders affected by the consequences of the trade and if it is not supported by the majority of actors who influence foreign policy.

Trading State policy, which serves basically, as R. Rosecrance states to conform in a better way to the particularities of the global system that produces economic interdependence since the 1980s, has direct impact on domestic politics in the case of Turkey. The case of relations between Turkey and the KRG allows us to underline the "side effects" of this policy for a country which has the objective to become a regional

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44 ibid.
power in its foreign policy but which resists to the evolution of its democracy at the national level, regarding the demands of the minority.
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