Forum on the U.S.-Turkey Commercial Relationship: A Growing Partnership

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Conference Summary
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On May 10, 2012, the Jackson School of International Studies at the University of Washington in Seattle convened a policy conference with leading experts to discuss the commercial relationship between the United States and Turkey. Sponsored by the Jackson School of International Studies (JSIS), the Jackson Foundation and the Hollings Center for International Dialogue with assistance from the U.S. Department of Commerce, this forum provided attendees an opportunity to interact with senior Commerce Department and U.S. government officials and experts on Turkey’s economy, political landscape, trade networks, aerospace and information technology sectors, and international relations as they examined current challenges and opportunities in the U.S.-Turkey relationship and policy options for addressing those challenges. Ambassador Namik Tan, Turkey’s current ambassador to the United States, and Reşat Kasaba, director of the Jackson School, and George Gavrilis, executive director of the Hollings Center, provided a framework for the conversation in their opening remarks.

A major conference goal was to link the current research of leading academics with senior-level government officials, emulating the example set forth by Senator Henry M. Jackson whose inquisitiveness on international affairs compelled him to seek out the latest academic research to better inform policy decisions. The Jackson School of International Studies worked closely
with the Hollings Center and the Department of Commerce to craft the conference themes and topics addressed. Four key areas were chosen: Turkey’s changing economic landscape and the outlook for U.S. exporters, Turkey’s influence in the Middle East and Arab Spring, Turkey and commercial diplomacy, and the economic impact of domestic political developments. To fully explore these topics 17 presenters and moderators shared their expertise. The JSIS sponsored eight scholars, including four from Turkey, from a variety of academic disciplines: economics, political science, journalism, international relations, law, and civil society. The day-long conference was organized around four panels, and Jackson School scholars participated throughout the day.

Ambassador Namik Tan described the relationship between the United States and Turkey as robust, relevant and resilient. Robust because the two countries are collaborating on a variety of subjects: security, terrorism prevention, human rights, and fundamental freedoms. The relationship is relevant because the countries have remodeled this partnership into something new and bigger than the previous security-dominated relationship, adding efforts to expand economic exchanges. And resilient because the U.S. and Turkey alliance has transcended differences and keeps the bigger picture in focus. Turkey wants to be one of the top ten economies in the world by its 100 year anniversary in 2023, and Turkey’s leadership believes international relationships will be vital for this success. Ambassador Tan concluded his remarks noting that U.S. and Turkey relations are far from reaching their potential, particularly in the economic realm. The Turkish private sector has not been able to make the leap across the pond. Mutual commitment at the highest level can only provide an umbrella to provide the structure for the trade relations, and then it is up to private businesses to pave the way.

Speakers on the economic panel explored Turkey’s recent economic history to predict future growth in the next decade. Seyfettin Gürsel, professor at Bahçeşehir University’s Centre for Economic and Social Research, indicated Turkey’s high 8 percent growth rate was based on domestic demand and private investment and not on public expenditures. Gürsel believes this high growth rate is unsustainable in the short term, instead a growth rate of 5 to 6 percent may be possible if net exports can increase. Turkey’s economy has slowed this past year due to negative net exports. Turkey’s economy has several strong features including low public debt, low budget deficit, and a solid banking system. Turkey’s weak points are net negative exports, high current account deficit due to high oil imports, low private savings, high unemployment and high inflation. To combat these weaknesses and enable a soft economic landing, Gürsel recommended labor market reforms such as regional minimum wages and severance pay, fiscal reforms to fight tax evasion and new trade laws to enhance transparency. Hakan Taşçı, D.C. executive director at The Turkish Confederation of Businessmen and Industrialists, noted the bilateral economic relationship between Turkey and US has strengthened over the past five years. The 1980s reforms opened up Turkey’s economy and created a new merchant class, one
that is socially conservative but commercially progressive. The number of trading cities has increased from 4 in 2000 to 26 in 2012 - now 16 cities in Turkey export around the world. Internationally there has been a shift in the direction of exports i from Europe to the Middle East and Africa. For future growth, Turkey needs to enhance value and improve quality. To do so, Turkey must invest in education, diversify wealth, and focus on broad prosperity projects rather than just internal domestic issues. Finally, Taşçi echoed Dr. Gursel’s comments that the economy can have a soft landing if Turkey increases exports. Rick Lorenz, senior lecturer at the Jackson School, described Turkey as an energy poor country that has seen a doubling in its energy demands over the past decade with a five-fold potential future increase. Turkey has embarked on a new policy to pursue clean and sustainable energy sources by promoting incentives to develop renewable energies and decrease reliance on imported fossil fuels. According to Lorenz, hydropower has huge potential in Turkey, where only 18 percent of potential is exploited while 30 percent can be sustainably developed. The huge dams are already built in Turkey, so the focus is on small dam projects to increase growth in hydro energy and bring energy to rural areas. However, climate change and population growth will likely decrease Turkey’s water availability and possibly dampen hydro power output. However, this is an area for potential technical cooperation between the U.S. and Turkey where U.S. and Turkish scientists could share the latest scientific innovations used for basin modeling, development of integrated water management systems, and technological support for water development activities in the region at the International Center for Integrated Basin Development.

Three panelists discussed Turkey’s evolving role in the Middle East and the Arab Spring. Joel Migdal, professor at the Jackson School, described four trends in the Middle East: growing civil and uncivil society with increased civil participation and social violence, a bifurcation of the religious and secular fronts, continued intervention by outsiders due to importance of Middle East resources, and a change in the region’s primary powers. In the future as the U.S. pulls troops out of the Middle East, the U.S. will need to revert to its post-World War II strategy and use doctrines and effective partnerships to have influence in Middle East while limiting resources deployed and expenditures. Turkey is a non-polarizing actor and could act as a middleman and mediator to help bring stability to the Middle East over the next few years. Steven Cook, senior fellow at the Council on Foreign Relations, explained that it is important to recognize that there is more continuity to Turkey’s relations in the Middle East than most people expect. There are forces – economics specifically – that drive these relationships beyond politics. Turkey has realized economic opportunity also lies beyond the European Union. Since the Arab Spring Turkey has increased relationship with Islamic countries, and there is an ideological bent to collaborate with other Muslim countries. However, the Arab uprisings have demonstrated that there are significant limits to what Turkey can do in the Middle East. Arabs feel a sense of goodwill toward Turkey but there is still the history of the
Ottoman Empire and a different opinion on the relationship between state and religion. President Erdogan’s statements on secular politics were not received enthusiastically during his recent visit to Egypt. Beyond discussions of the Turkish model – Turkey’s enduring role in the Middle East will be an economic one. Turkey’s growing economy and fearless entrepreneurial nature will be an important legacy. Ayşe Zarakol, professor at Washington and Lee University, described Turkey’s resurgent interest in the Middle East as positive but with warning signs to watch. First, Turkey’s ambitions are greater than Turkey’s current capabilities. Turkey’s diplomatic knowledge is greater about Europe and the U.S. than the Middle East; this is changing but Turkey needs to build the knowledge base about the Middle East. Second, Turkey needs to address domestic problems; many communities such as the Kurds have not been transformed into this new political model and this may have an impact on foreign policy. Dr. Zarakol also noted that humility is needed in the region by both the U.S. and Turkey. This is an Arab story, and the Arabs are writing their own history. Turkey can use its newcomer advantage to provide stability in the region, providing it maintains a distance from certain camps and does not become associated with Sunni politics.

On the commercial diplomacy panel, Cherie Rusnak, director of Central and Southeast Europe at the International Trade Administration, U.S. Department of Commerce, noted that Turkey was one of the fastest growing economies in the world in 2011; it has tripled over the last 10 years. Bilateral trade is near $20 billion and growing with a 38 percent increase in exports from the U.S. to Turkey. Turkey imports materials from the U.S. to use in manufactured goods that Turkey then re-exports. The U.S. exports a lot to Turkey but the U.S. also invests a lot in Turkey, and a new investment scheme is targeting additional investment in Eastern Turkey. The U.S. would like to see more Turkish investment in the U.S. Turkey has a stable business environment that uses E.U. standards, a strategic location with access to regional markets, a strong banking community, and a young and educated workforce. Renewable energy, nuclear power, infrastructure, aerospace, health care, telecommunications, safety and automotive are promising sectors. Turkey’s main challenges are high unemployment, current account deficit, lack of transparency when requiring new technical updates, high piracy and trademark infringements, and an unpredictable customs process. Both the U.S. and Turkey’s government and business communities are working to improve commercial relations. Heather Pederson, senior director of International Operations and Policy at The Boeing Company and member of the U.S.-Turkey Business Council, reported air travel in Turkey continues to increase as the gross domestic product (GDP) rises. Boeing has been operating in Turkey for over 60 years and is positive on Turkey’s continued growth. Over the next 10 years Boeing predicts that Turkey will need to buy another 100 aircraft valued at $30 to $40 billion. Boeing is developing four prototype defense planes and will jointly promote these with Turkey. Working with Turkish companies, Boeing has placed $1.2 billion dollars’ worth of work into the Turkish economy and
several Turkish defense companies have been formed through Boeing’s offset program. However, several of the products produced by these companies are not competitive, and these companies need to streamline operations and cut costs to better compete in the global economy. Andrew Ko, senior director of U.S. Partners in Learning at Microsoft, described FATiH, a new policy to increase the use of technology in 42,000 schools by over 12 million teachers and middle and high school students across Turkey. The teacher uses, and controls the use of, educational technology in the classroom to enhance learning. Turkey will manufacture tablets and additional educational technologies in country, and they will introduce cloud-based technology. Turkey is positioning itself as a regional information technology (IT) hub, leveraging its 20 million students and 75 million people to create a skilled workforce. Carl Kress, regional director for the Middle East, North Africa and Europe at the U.S. Trade and Development Agency (USTDA), described how USTDA creates partnership between U.S. companies and Turkish project facilitators. Turkey is a priority for USTDA because Turkey has ambitious energy infrastructure plans to reduce their energy dependence, has a growing economy and is a strategic partner for the U.S. Turkey has tremendous potential in solar, wind and geothermal power. The Turkish government is promoting energy efficiencies in public facilities. Turkey has coal but also has concerns about emissions so would like to use clean coal technologies. Additional goals are to modernize the electricity grid, improve vessel safety on the Bosphorus, decrease emergency response time, and improve the communications system.

On the Politics of Turkey’s Economy panel, Etyen Mahçupyan, program advisor to the Democratization Program at the Turkish Economic and Social Studies Foundation (TESEV), explained that the development of a new middle class, an entrepreneurial and Islamic consumer class, is due to the creation of small and medium-sized companies throughout the country. Larger companies are still primarily based in the secular and western part of Turkey. The development of these small and medium-sized businesses in Turkey has changed the dynamic in terms of identity and geography. There is a new bourgeoisie that has the same political position as the current government, and the AKP’s political base is growing. The resulting tension between the secular community and the Islamic community is one of the major challenges facing Turkey. Mahçupyan described the change that began in the 1990s when globalization brought the self-critique of modernity to Turkey and the Muslim intellectuals. The models of the west were not successful at all in Turkey so the Islamists created new norms of transparency that in turn created an important new psychology of self confidence in the Muslim faith. After 2000, the process to join the European Union brought new universal values to Turkey. When the Islamic community looked at these values, they realized these values coexisted with the Koran and faith. A different atmosphere started because there was no singular way to act Islamic. There was a new understanding of religiosity, a plurality, defining religion in a new way. There is a midway, a hybrid, that is found with
Muslims between secularism and Islamism. This is the psychological ground of AKPs power. The AKP are more democratic but they are not democrats.

Sanem Güner, the Istanbul representative for the Hollings Center for International Dialogue, reported on economic challenges facing workers and women in Turkey. Turkey success story is unprecedented, and the small and medium size enterprises in Anatolia are part of the extraordinary growth. They transformed their communities as they grew: civil society bonds developed, infrastructure projects were built, and a new form of wealth was created. This group is called Green Capital – business owners from conservative backgrounds. However, as these small and medium-sized businesses grew and integrated with the global world they started acting like any other business, no longer seeing social welfare as their responsibility. Many workers complain of long working hours, lack of trade union rights, no minimum wage, underemployment and low wages for women, and a high number of workplace accidents. The government does not act because they prefer tangible outputs to show their power such as upscale housing and mall construction projects. Unfortunately, this desire for construction and consumerism has added to consumers’ appetites at the same time the AKP is trying to increase savings and dampen consumption to improve the current account deficit. According to Güner, the current government has a great opportunity to address these issues and the ability to do so.

Dilek Kurban, director of the Democratization Program at the Turkish Economic and Social Studies Foundation (TESEV) and an adjunct professor of law at the Political Science Department of Boğaziçi University, stated that any attempt to explain the economic development of the Kurdish region without looking at the political dimension would be misleading. Economic policies have always been used as a tool for taming, controlling, or penalizing the Kurds. Now economic policies are being used to win over the Kurds. The state has had a deliberate economic policy of “leaving Kurds behind”. In the initial phase policies were purposefully exclusionary and discriminatory while also selectively picking out certain groups of Kurds for assimilation. The second phase used the economy as the tool to address the grievances of the Kurds. The state’s response to Kurds’ democratic and socio-economic demands has been to show what the government has built in the region, which is actually limited to the Southeastern Project (GAP), a set of dams along the Tigris and Euphrates. According to Kurban, the project doesn’t even benefit the most impoverished or needy provinces. Beyond the public policy of leaving the Kurds behind there was a specific policy of destroying the region’s natural resources and preventing access to the region’s economic lifelines such as highlands and meadows for husbandry and agricultural production. These policies crushed the economy in the region and over one million people were displaced. The unintended consequence was to make a once self-sufficient community dependent on the government for welfare. Kurdish urban poor are perceived by Turkish society as an economic and social burden. And any attempts to improve the region were received suspiciously by the Kurds. Opposition to GAP and other dam-building
policies (hydroelectric power plants) must be very sobering for the government. It is not just Kurds in the southeast, but also people in the Black Sea coast (traditionally a stronghold of center right parties and has been a stronghold of the AKP for the past decade) opposing these dams for environmental reasons. The consequences of the state’s economic policies in the Kurdish regions are abject poverty and a double and tripling of urban populations due to displacement. There is a need to be more mindful and have a holistic outlook about Turkey’s economy and look beyond success stories like the Anatolian Tigers. If we had representatives of the Southeastern Business and Industrialists Association at this event, they would paint a totally different picture than that of TUSIAD or TUSKON. There is need for genuine affirmative action towards the Kurdish region. Democracy also means equality.

Over 100 scholars, Turkey hands, students, business representatives, government officials attended throughout the day. Jackson School alumni based in the D.C.-area were invited and several participated. National and international media organizations were represented including the Turkish Central News, Vatan Daily, Voice of America, Zaman Newspaper, and Ilhas News Agency. Conference speakers were interviewed by the media, including Voice of America. Additional detailed notes from the presentations are available upon request.