

Draft

International Conference on Public Policy 3

Singapore June 28-30, 2017

Panel T12P02 Global Corporate Power in an Age of Globalisation

Firms in Foreign Policy

Extending Nonmarket Strategy into International Relations*

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The political power of firms has elevated into the international level as a result of the rapidly globalizing world economy. However, the existing nonmarket strategy literature remains mostly confined within the public policy domain. This paper argues that corporate power now extends beyond national borders: firms become international political actors with the capacity to influence relations between governments. The central contribution of this research is to conjoin international relations with international business to create a more inclusive paradigmatic approach. I suggest a theoretical framework to explore the firm's impact on foreign policy making. By conducting a comparative study between Turkey and the UK via in-depth interviews, as well as with process tracing in certain foreign policy issues; I clarify the causal mechanisms of firms' involvement in international relations. The findings demonstrate that a sector's dependency on the country's foreign policy, institutional structures of foreign policy making, the strategic significance of the sector to a country's economic development and national security, as well as the firm's nonmarket capabilities are the most important factors that determine its influence on foreign policy.

***Draft version. This paper includes theoretical framework and initial findings of the empirical study. Please do not circulate or cite without author's permission.**

INTRODUCTION

The research on nonmarket strategy has been expanding over the past few years, encompassing various aspects of firm's political, social, cultural and legal environment. The ever increasing complexity of the business circumstances leads to the recognition that firms need to deal with governments, social groups, individuals and other nonmarket actors more attentively to maintain sustained competitive advantage (Bach & Allen, 2010). While the strategic management literature has a tendency to focus on the impact of nonmarket strategy on organizational performance, public policy domain provide perspectives on the implications for political, institutional and regulatory structures. From the nonmarket actors' point of view, regulating the political and social interactions with firms is an essential element of economic and societal development (Ordeix-Rigo & Duarte, 2009). Therefore, the nonmarket research continues to be an interdisciplinary field with the potential to bring about new paradigmatic approaches.

This study argues that one such approach, namely the international relations dimension of the nonmarket strategy, needs further theoretical development. Globalization has turned international relations into the study of a complex web of relations. Both the variety of actors such as governments, firms, and international organizations, as well as the interdependency of issues such as politics, business and security require new conceptual elaborations. However, progress in this respect lags behind. Our understanding of the interactions between firms and governments within the foreign policy domain is still limited, despite the calls from scholars that international relations and international business should "talk to each other" for a better understanding of why governments and firms behave in the way they do (Stopford, Strange, & Henley, 1991).

This paper aims to fill this gap by developing a general theory of the impact of private firms on foreign policy making and thereby influencing political relations between governments. *Therefore, the main purpose of this research is to explain the causal link between firms' nonmarket activities and variation in foreign policy outcomes. More specifically, this study aims to find out why firms influence foreign policy and what determines the level of their influence.* By keeping the focus on the firms' involvement in foreign policy, this study aims to extend the nonmarket theory into the field of international relations. Since

the issue is mostly business-to-government in extent, corporate political activity, a subset of nonmarket research, is of particular interest.

The scope of this study differs from the previous researches in the literature that attempt to generate a multidisciplinary framework supported by both international relations and international business fields (Lee & Ruel, 2012). Confusion may arise about seeming similarity with commercial diplomacy, though there are clear distinctions regarding research interests. The commercial diplomacy research concerns itself with the application of diplomatic tools to the field of business. According to Kostekci and Naray, the term is used in two different types of activities (2007). The first is to use diplomacy for trade policy making between countries. The second is to conduct activities that are supportive of business interests. Another field that involves similarities is economic diplomacy or the political economy of foreign policy (Kutlay, 2011, 2012; van Bergeijk, Okano-Heijmans, & Melissen, 2011). The field examines the impact of macroeconomic interests in shaping the foreign policy outcomes. The research question that this paper suggests significantly differs from these two areas by putting the focus on the firm's intention and ability to influence relations between governments in favor of its business interests.

The structure of this paper is as follows. The first chapter reviews the literature and provides an overview of the business impact on foreign policy. While there are cases where firms have had a significant influence on foreign policy making, the review demonstrates that the question begs a theoretical explanation. The second chapter deduces concepts based on the existing streams of research that can allow us to provide such an explanation. Therefore, in the second chapter, I suggest four hypotheses that will be tested throughout the empirical study. Those hypotheses aim to uncover why and what questions regarding the business influence on foreign policy. The empirical part consists of the analysis of interview findings and examination of archival research. I then discuss the findings in a general context and provide the main conclusions.

1. FIRMS IN INTERNATIONAL POLITICS: THEORETICAL AND EMPIRICAL CONSIDERATIONS

The analytical literature review in this chapter demonstrates two main findings. First, firms influence international politics by getting involved in foreign policy making processes of governments. Second, there is still a need for theoretical development to explain this phenomenon.

On March 26, 2014, the chief executive of Siemens Joe Kaeser met with the Russian President Vladimir Putin in Moscow and announced his company's "commitment to the long-term development of Russia."¹ The meeting took place at a time when the Western sanctions on Russia were imposed in the aftermath of its annexation of Crimea. Thus, a private firm's move to maintain business ties with the target country of a multilateral sanctions campaign put its success at risk. Mr. Kaeser aimed to maintain the 'business as usual' with Russia to protect his firm's shareholder value by getting involved in a matter of international politics. Reactions from Germany and the US followed shortly after the meeting. The US State Department spokesperson said in a press conference on March 27, 2014, that "if individual companies are looking to do business in Russia, they need to take a very serious look right now at the sanctions we have in place, they need to think about what sanctions might be coming."² German Economy and Energy Minister Sigmar Gabriel, Chancellor Angela Merkel's deputy, also commented on Kaeser's visit to Russia by saying that "German companies shouldn't sell out European values to protect business with Russia."³

Given the economic interdependency between the two countries and business interests that were at stake, German businesses would be tempted to influence the German foreign policy towards Russia. Such an indicator was made public in mid-May, when the German-Russian Chamber of Foreign Trade, in a letter to the German government that was leaked to Reuters, warned the German policy makers that "Deeper economic sanctions would lead to a situation where contracts would increasingly be given to domestic firms, projects would be suspended or delayed by the Russian side, and Russian industry and politicians would turn to

¹ "Siemens CEO meets Putin and commits company to Russia", *Financial Times*, 26 March 2014, <http://www.ft.com/intl/cms/s/0/6d774238-b506-11e3-a746-00144feabdc0.html>

² US Department of State Daily Briefing, 27 March 2014, <http://www.state.gov/r/pa/prs/dpb/2014/03/224055.htm>

³ "Siemens CEO Rebuked as German Business Defends Putin Partnership", *Bloomberg*, 31 March 2014, <http://www.bloomberg.com/news/2014-03-30/siemens-ceo-rebuked-as-german-business-defends-putin-partnership.html>

Asia, in particular China.⁴ It's admittedly difficult to prove the exact consequences of this event. Nevertheless, shortly after the declaration of German – Russian Chamber of Foreign Trade, German Foreign Minister Frank-Walter Steinmeier's made remarks that cooperation should be preferred rather than confrontation with Russia "[Germany] must avoid falling into an automatic [sanctions] mode, which leads only to a dead end and leaves no more policy options" demonstrating how foreign policy-makers take into account the interests and demands business actors.⁵

Similar events demonstrate the interrelatedness between firms' commercial interests and relations between governments. This observed phenomenon begs theoretical explanation. Noticing this gap, some scholars pointed out the need to develop a theory to specifically study the business influence on foreign policy. Stopford, Strange and Henley suggested the concept of 'triangular diplomacy' in 1991 to expand diplomacy beyond its traditional government-to-government framework (Stopford et al., 1991). Fuchs argues that "International relations urgently needs theoretical development that takes into the account the power of non-state actors, in particular, business (2005)." Bell suggests that it is not possible to understand the relations between business and government through either on the argument that capital mobility has reduced policy discretion of governments, or governments still have considerable control over the environment in which business operate (2013). He argues that business enjoys "structural power" in the international system, driven by the interaction between the two.

Similar to the academic interest, the first discussions about the impact of business in international politics emerged in the early 1990s. Jeffrey Garten, then US undersecretary of commerce for international trade (1993 - 1995), suggested that the US foreign policy and American businesses abroad are becoming highly interdependent and that "business drives a good deal of US foreign policy (Garten, 1997)." Policy makers depend on firms for economic growth, driven by trade and investment. Businesses need the political endorsement to deal with complex political, social, economic and security issues, especially when operating in 'high

⁴ German Lobbyists warn against harsher sanctions, *Moscow Times*, 18 May 2014, <http://www.themoscowtimes.com/article/500340.html>

⁵ 'It's a dead end': German FM joins chorus of discontent over Russia sanctions rhetoric, *RT*, 18 May 2014, <http://rt.com/news/159716-germany-sanctions-russia-criticism/>

risk - high return' emerging markets (Cavusgil, Ghauri, & Akcal, 2012). This increasing interdependency requires an evolution of institutional structures and decision-making procedures. Hocking describes this transformation as the replacement of national diplomatic systems by policy networks (Hocking, 2004). Public and private actors exchange information and roles according to issue areas, and diplomats mostly facilitate the flow of information. One-to-one diplomatic communication between policy makers is replaced by the complex network of interactions between public and private sector actors.

The changes in foreign-policy making processes affect policy outcomes in several countries. Research on the US foreign policy shows that it is “most heavily and consistently influenced by internationally oriented business leaders (Jacobs & Page, 2005, p. 107).” Therefore, individuals acting on behalf of their firms' business interests are becoming foreign policy actors in the US foreign policy network. Responding to this need, most firms “create internal ‘foreign policy’ units which develop diplomatic strategies, analyze emerging global issues that affect the company's interests, and manage relationships with external stakeholders (Muldoon, 2005, p. 354).” Not only the American firms that aim to influence American foreign policy conduct nonmarket activities. Foreign companies that do business in the US also need to take various political dynamics into account. Rotstein argues that the Canadian business is hypersensitive to Canadian government's relations with the US because the Canadian firms rely heavily on the American market as well as the opinion of American investors (Rotstein, 1984). To this end, firms actively participate in Canadian foreign policy making to ensure that American – Canadian political relations remain in a way that favors their business interests.

When it comes to firms' influence on foreign policy, similar patterns exist in countries with different political regimes. Russian business leaders hold tremendous power over foreign policy as a result of the country's political system (Stowe, 2001). The oligarchic system allows individuals commit themselves to a particular sector and act as the foreign policy actor in that area. The oil and gas industries have powerful lobbies in Moscow and influence Russia's relations with various countries, including the European Union (Pleines, 2005). Thus, the argument that Russian business leaders influence Russia's foreign policy towards members of Commonwealth of Independent States, but fall short in other areas is inaccurate. Pleine's

research demonstrates that among several sectors that depend on EU's trade regime including steel, car, and agriculture; oil and gas are the only ones with a meaningful impact on Russian foreign policy.

What explains Russian businesses' influence in foreign policy? Russia's rent-seeking economic and political system may have incentivized firms to become a part of the country's international political relations. However, the case of Australia shows that the characteristics of the political regime only cannot be the explanatory variable. Australia's relations with East Timor had a profound change when the Australian firm Woodside Energy asked for concrete policy changes from the East Timor government, including giving up on some of its maritime rights, to secure a stable regulatory framework (Hunter & Storey, 2008). Here a private firm got directly involved in a bilateral political issue that has significant consequences on the sector it operates in. Therefore, even though differences in political regimes might make a difference in some cases, what appears to be common in both Russian and Australian cases is the strategic impact of the firms operating in the energy sector.

Firms can also exert their influence on a particular foreign policy area, leveraged by the significance of their sector to the overall economic development or national security. Oh argues that American and Chinese firms play a critical role in bilateral and multilateral climate politics as a result of their ability to force stricter rules on green energy (2012). Their influence comes from the fact that alternative energy resources create employment. There seems to be a correlation between the socio-economic impact of a business and its influence in foreign policy making. The same process shows differing characteristics in some emerging markets. As a result of Republic of Korea's democratization process since 1986, Korean business has begun to enter into the once strictly closed Korean foreign policy making process (C. Kim, 2010). The outcome was "strengthening domestic support" for the free trade agreement between Korea and the US (KORUS FTA) by building advocacy networks (E. M. Kim, 2011). Since the free trade agreement is an essential component of bilateral relations between the two countries, it has played a significant role in transforming the overall Korean – American alliance. Turkey experienced a less remarkable transition since the liberalization of the Turkish economy in the 1980s, which created a window of opportunity for businesses to take active roles in policy making (Atli, 2011). By studying Turkish business organizations' involvement in

foreign policy making, however, Atli concludes that the Turkish businesses still do not assume an “autonomous” role in shaping foreign policy, and are rather in a supportive position of government’s international strategy.

The empirical cases reviewed above demonstrate that firms can have considerable impact in shaping foreign policies of governments, either as legal entities or through their managers. However, there still seems to be a need for theoretical development regarding the causes, means, and implications of business involvement in international relations. Jarvis supports this view by asserting that the field of international relations does not fully capture the growing role of firms in international politics:

“[...] the construction of boundaries separating the study of international relations from international business is detrimental to the long-term evolution of ideas, the betterment of knowledge, and an understanding of the technical means by which states, markets, and commercial actors reflexively interact. (...) [This paper] argues that as a consequence of the deepening complexity of the modern global political economy, the study of states and markets, the processes endemic to them and the actors who operate in them, requires a conjoining of international relations with international business in ways that comprise a fundamentally new and more inclusive paradigmatic approach (Jarvis, 2005, p. 202).”

The next chapter will suggest a theoretical framework to fill this gap.

2. THEORETICAL FRAMEWORK

Developing a theoretical framework that conjoins international relations with international business is primarily an attempt to explain real world phenomena - in this case, firms’ influence on foreign policy - that do not fit within the established research traditions due to its complexity. I aim to complement the existing knowledge in various fields by integrating concepts and elements from multiple research traditions. Therefore, the first part of this chapter will briefly explain the research approach and will systematically examine the concepts and theories to suggest new analytical constructs for studying the topic.

The first characteristic of the research is its interdisciplinary work, driven by the boundary-spanning role of the question. Such interdisciplinary explorations in similar disciplines formerly led to the emergence of the international political economy field. Before 1970, economics and political science were treated as two unrelated fields, “each with its view of international affairs (Cohen, 2008, p. 1).” Strange had underlined that the mutual neglect between international relations and international economics seriously hampered the whole study of international relations and suggested to build a theory of international economic relations (1970). Since the purpose of this study is to achieve a similar outcome by integrating with international business, it can be conceived as a sub-set of international political economy and as laying the groundwork for the field of “international political business”.

The second characteristic of the research is analytical eclecticism. Hirschman suggests that scholars should not pursue a ‘paradigm-focused’ approach and run the risk of ignoring certain factors that might be valuable to analyze the complex problems (Funk & Hirschman, 2017). Analytical eclecticism, therefore, seems an appropriate approach for this study, since it selectively utilizes theoretical constructs (Sil & Katzenstein, 2010). However, different theories are based on different paradigms, and the researcher has the responsibility to avoid ‘incoherence’ across disciplines that might be caused by incommensurability. Therefore, the theoretical framework suggested in this paper should meet the criteria of being consistent while answering a question of wider scope.

In line with the deductive research strategy, I will categorize the regularities observed in the previous chapter, make an interdisciplinary examination to suggest a theoretical explanation, and deduce hypotheses for each regularity to be tested in subsequent chapters. The categorization will follow the two main questions embedded in the topic, namely the reasons for firms’ involvement in foreign policy and the determinants of their influence. In other words, the first two hypotheses are directed to the “why” question, while the other two to “what.”

Dependence on international relations. The first reason that firms conduct nonmarket activities to influence foreign policy is related to its direct impact on their business results. As the empirical studies have shown, in every case where a firm is involved in international

politics there is a commercial interest at stake. Therefore, firms' dependence on international political relations is a central driver. The resource dependency theory suggests that organizations are not self-sufficient and are normally dependent on the contingencies in their external environment (Pfeffer & Salancik, 1978). Even though it has emerged as an intra-organizational concept, "the theory is found to be readily applicable to relationships between firms and government institutions (Frynas, Mellahi, & Pigman, 2006, p. 325)." Business executives are responsible for managing the dependencies in a way that they benefit their organizations (Griffin & Dunn, 2004). The primary goal of firms is not to reduce their dependence on governments, rather it is to decrease uncertainties caused by governmental policies (Getz, 2002). The most effective way to do it is to adopt a proactive approach and to try to shape them. Frynas and Mellahi argue that international business scholars conceptualize the business environment as given, and have little understanding of how it can be shaped via political means (Frynas & Mellahi, 2003). However, Pfeffer and Salancik note "the organization, through political mechanisms, attempts to create for itself an environment that is better for its interest" and that "organizations may use political means to alter the condition of the external economic environment (Pfeffer & Salancik, 1978, pp. 189–190)." Thus, the first hypothesis is deduced from the 'resource dependency' theory:

H1: The more a firm's business interests are dependent on political relations between governments, the more it will try to influence their foreign policies.

The Institutional Structures of Foreign Policy. Firms undertake nonmarket activities within certain institutional structures. According to institutional theory, organizations act in response or in compliance with their institutional environment (Getz, 2002; Zhilong Tian, Hafsi, & Wei Wu, 2009). The theory asserts that the rules, laws, and regulations determine firm's behavior more than competitive factors in the market. Policy makers' incentives to respond to business interests are also shaped by the institutional structures (Weymouth, 2012). Despite the significance of institutional characteristics to nonmarket strategies, Henisz and Swaminathan claim that we have limited knowledge on the causal link between institutional structure and firm performance, and argue that the way senior managers respond to the existing international institutional environment is a key determinant of their success (Henisz & Swaminathan, 2008). Therefore, firm behaviors in nonmarket environment

vary according to the institutional settings. As institutions evolve with the changing economic conditions, firms co-evolve with them to be responsive at local and international level (Cantwell, Dunning, & Lundan, 2010). Since foreign policy is an institutional output, this general theory can also be applied to the involvement of firms in foreign policy making. Thus, the following hypothesis is deduced from the institutional theory:

H2: Firms' involvement in foreign policy making is determined by the institutional structures.

Strategic sectors and political marketplace. Some sectors have more weight in economic development and national security than others. Such sectors are usually highly regulated and have cross-border consequences. Empirical studies have shown that firms operating in such sectors tend to have more influence in foreign policy making. The public choice theory provides insight into this reasoning. The public choice concept is based on the economic assumption that policy-makers are motivated by self-interest and heed to the demands of those who can give them the greater possibility to be re-elected. As Mueller puts it "Bureaucratic man pursues power. Economic man pursues profit. (Mueller, 2003, p. 362). In this sense, economic development and national security are the two main issues that arguably determine the chances of re-election. This is why governments are expected to take the demands that come from such sectors into consideration when deciding on foreign policy outcomes. The political process is like a market place, where governments are suppliers and private actors "purchase" government intervention. Thus, the hypothesis deduced from public choice theory applies this interaction into the field of international relations:

H3: Firms operating in sectors that are strategic to economic development and national security have greater leverage in influencing foreign policy.

Firm-level Characteristics. The last dynamic to be explored about the business impact on international relations is the capacity of firms. Some firms have greater political influence, caused by the strength of the market and nonmarket factors (Weymouth, 2012). Corporate Political Activity (CPA) theory provides insight into the topic of resource-based view. Big firms are usually politically more active, but the causal link between firm size and political

involvement is not undisputed (Drope & Hansen, 2006; Nownes & Aitalieva, 2013). Dahan suggests a detailed classification of firm capacity: firms' business expertise and financial resources are its main resources, while relational, organizational, recreational and political-administrative capability is among supporting resources (2005). Nonmarket capabilities such as firm's organizational functions and their assets (i.e., relational) might be more determining than Dahan argues (Lawton, Doh, & Rajwani, 2014). Firm-level attributes such as CEO commitment, stakeholder management, integration of market and nonmarket strategies are driving factors (Baron, 1995). Moreover, ensuring internal coherence of such capabilities and using them effectively are strategic management skills that determine firms' political influence (Oliver & Holzinger, 2016; Shaffer & Hillman, 2000). Thus, the firm-level hypothesis deduced from the CPA literature's resource-based view concept is as follows:

H4: Firms with the greater market and nonmarket capabilities have greater leverage in influencing foreign policy.

This chapter has suggested four hypotheses to develop a theoretical framework on why and to what extent firms can influence foreign policy making. The next chapter will propose the methodological approach to test them.

3. METHODOLOGY

This study has the ambition to develop a theoretical framework. I aim to suggest a theoretical construct by describing an observed phenomena, deducing hypotheses from the existing theories and then testing them via empirical research. The deductive research strategy is thus in accordance with this purpose (Blaikie, 2010). It helps limit the question being asked and therefore provides the researcher the ability to focus on developing new theoretical constructs. Deductive research is particularly useful in establishing whether or not there is a causal link between an independent variable and the dependent variable, rather than trying to explain "all the variation in the dependent variable (Anckar, 2008, p. 392)." In our case, the research is limited to finding out the causal link between "firms' nonmarket activities" and "variation in foreign policy outcomes."

Doz claims that social sciences and particularly the field of international business are in need of theory building, and that qualitative research is the most appropriate methodology to this end (2011). Hypotheses development and theory building require rich empirical descriptions. Qualitative methods are powerful in terms of data collection and analysis, especially when used for developing new or refining new theories (Shah & Corley, 2006). When it comes to the different methodologies within the qualitative research, case study is considered appropriate for theory building (George & Bennett, 2005; King, Keohane, & Verba, 1994). According to Eisenhardt and Graebner, the relevance of theory building from case studies comes from the fact that “it is one of the best (if not the best) of the bridges from rich qualitative evidence to mainstream deductive research (Eisenhardt, 1989, p. 25).” Therefore, the theoretical construct that this study suggests will be built upon comparative cases.

A major objective of theory building is to suggest generalizable conclusions. Most different cases design is thus adopted to meet this criteria. Seawright and Gerring state “most different cases that are broadly representative of the population will provide the strongest basis for generalization (Seawright & Gerring, 2008, p. 298).” Therefore, for the purposes of this study, a comparison between Turkey and the UK in energy and defense sectors seem appropriate. Turkey is an developing country whose institutional arrangements differ significantly from those of the UK (Cetin, Cicen, & Eryigit, 2016). According to North, formal and informal institutions structure the interactions between humans (North, 1990). The idiosyncrasies of Turkey are particularly salient when it comes to the relations between business and government (Keyder, 1987). The emergence of Turkish business class has largely been dependent on state policies to create a national bourgeoisie (Bugra, 1994b). But it also created policy-induced uncertainties and erosion of social legitimacy on behalf of the business class (Bugra, 1991, 1994a). The lack of state and business cohesiveness has resulted in somewhat confrontational relation between both sides, where the business class considers the state as the main source of wealth, while the state considers the business class as a mere tool of policy objectives (Ozel, 2015). The British example has clear distinctions with Turkey. The British institutional structure creates a distance between public and private sector, whose interactions are based on mutual interests rather than ideological lines. In contrast with the determining effects of Turkey’s informal institutions, the UK has formal effective institutions that arrange the relations between both sides.

The comparison between the two different cases is complemented by the cross-sectorial examination. Energy and defense sectors are selected due to their presumable relation with foreign policy outcomes. This study assumes that the two sectors are the most relevant because they are highly interconnected with international politics. Business performance in both sectors are dependent on foreign policy outcomes because of cross-border regulations and political considerations. This is why firms energy and defense firms are presumed to be involved in international political relations by trying to cause variations in foreign policy outcomes. Therefore, cross-country and cross-sector analysis provides the possibility of broadest possible comparison to study the subject.

The main data collection method of the study is conducting in-depth interviews with former and current business executives and government officials. The sample of interviewees is representative of the two countries and sectors to make cross-case comparisons. The secondary method is reviewing state archives and publicly available information. The two methods are complementary. In-depth interviews provides the possibility of gathering information that is not accessible to outside observers, though it also has limitations in terms of access to the right source of information, the power asymmetry with the interviewee, ensuring openness and receiving feedback (Welch, Marschan-Piekkari, Penttinen, & Tahvanainen, 2002). Archival research, on the other hand, provides the ability to identify whether there is a sequence of events subject to the hypotheses.

Operationalizing the key terms is important to clarify the causal links between the independent and dependent variables during the empirical research. Nonmarket activities refer to the set actions that a firm undertakes to shape its political, social and cultural environment in favor of its business interests. Variation in foreign policy indicates the difference that takes place in foreign policy outcome as a result of an outside intervention. Therefore, the research focuses on why and to what extent the nonmarket activities of firms cause variation in foreign policy.

The next chapter will study the hypotheses suggested in the theoretical framework within the methodological limits explained above.

4. EMPIRICAL STUDY

4.1. Sectorial Dependence on International Politics

The purpose of this section is to test the first hypothesis by analyzing the dependence of the Turkish and British energy and defense sectors on the foreign policies of their governments. Our analysis demonstrates that both energy and defense are highly dependent on government policies, both domestic and external. The findings indicate that dependence on foreign policy is a major driver of “why” firms attempt to influence foreign policy outcomes via nonmarket activities.

The dependence of Turkish energy sector on foreign policy is based on two main factors. The first one is the regulatory environment that makes the sector highly dependent on government policies. The Ministry of Energy and Natural Resources has the ultimate authority to determine the market conditions via regulations issued by the Energy Market Regulatory Agency (Cetin & Yilmaz, 2010). Despite the initial objective to provide “credible commitment” to market players in early 2000s, EMRA as an independent regulatory agency has become subject to the increasing political discretion of the government (Cetin, Sobaci, & Nargelecekenler, 2016). The overwhelming control of the government thus urges private firms to coordinate their commercial activities with the policy-makers via nonmarket strategies, both at home or abroad. The second factor is the decisive role of the government in shaping the international political system in which firms operate. Turkey’s geopolitical position between the energy suppliers and consumer markets makes its energy policies a strategic leverage for political relations (Mert Bilgin, 2010; *Strategic Plan 2015-2019*, 2015). Moreover, development of international energy projects such as natural gas pipelines (e.g., Blue Stream, TurkStream) and nuclear power plants (e.g., Akkuyu Nuclear Power Plant) are made possible via intergovernmental agreements (IGA), due to the political commitment required on the governmental level (Gokce Mete, 2017). This is why market strategies of energy firms cannot be disconnected from government policies. One central policy of the Turkish government is ensuring energy security, that is to ensure “the uninterrupted availability of energy sources at

an affordable price” (IEA definition), via diversification of energy resources and decreasing dependence on external resources⁶.

The dependence of private firms’ interests on the UK government’s policy outcomes is determined by the scope of their business. There appears to be a distinction between domestic and international domains. Unlike Turkey, energy firms are less dependent on the political preferences to do business in the UK, driven by the fact that the UK energy market is among the most liberalized ones as a result of the market reforms that the government introduced in the 1980s (Keay, 2016). The free market competition is considered as the most reliable way ensure the price for value for the consumers (*Energy Security Strategy, 2012*). Ofgem, the regulator that oversees the markets “to ensure low prices for consumers,” has the mandate to protect consumers’⁷ interests via regulatory competencies, in consultation with industry players⁸. This does not mean that the energy industry is independent of political considerations, including the UK government’s drive towards transforming into a low-carbon economy. However, unlike Turkey, government interventions seem to drive the creation of more competitive markets (Keay, 2016). On the other hand, the dependence on foreign policy becomes a critical component for private firms that operate internationally, mainly British Petroleum and Royal Dutch Shell.

Turkey’s defense sector has an inherent dependence on government policies. The development trajectory of the industry demonstrates that it’s driven by the combination of the preferences in economic policy and foreign policy. The Turkish state has established an institution in charge the defense sector in 1985, which later evolved into the current Undersecretariat for Defense Industry (SSM). The decision to establish SSM was motivated by two dynamics: economic development and independence in foreign policy. According to the law, SSM is responsible for the “development of a modern defense industry and

⁶ Presentation by the Ministry of Energy and Natural Resources Berat Albayrak to the Parliamentary Commission on Planning and Budget, 8 November 2016.

⁷ How we work. (2017, March 28). Retrieved April 4, 2017, from <https://www.ofgem.gov.uk/about-us/how-we-work>

⁸ Ofgem’s Regulatory Stances. (2016, December 19). Retrieved May 2, 2017, from <https://www.ofgem.gov.uk/publications-and-updates/ofgems-regulatory-stances>

modernization of the Turkish Armed Forces.⁹” The decision making the body of the industry is Defense Industry Executive Committee, composed of the Prime Minister, Chief of General Staff, Minister of Interior and Minister of National Defense. A separate fund called the Defense Industry Support Fund is fully controlled by the SSM and allocates financial resources for production and procurement. The private sector has become gradually involved in the defense sector and built foreign partnerships, as a result of the liberal economic policies of the Ozal governments in the 1980s (Karaosmanoglu & Kibaroglu, 2002). Though this policy marks a change from being a procurer to a producer, foreign partnerships also arguably make defense autarky much harder to achieve (Bağcı & Kurç, 2017). An important player in the industry is Turkish Armed Forces Foundation (TSKGV), which makes the Turkish Military a shareholder in the sector through affiliations with companies such as Aselsan (Military Electronic Industries), Havelsan (Software and Defence Company), Roketsan (Rocket Manufacturer) and TAI (Turkish Aerospace Industries). However, the Turkish government seems to be pursuing a policy to increase the civilian control and the share of private sector in critical fields. In any case, just like the energy sector, the Turkish state is both the market regulator and player. Its role, however, exceeds the national borders. The Turkish defense sector representatives demand from the government to lobby the foreign governments and encourage off-set agreements to stimulate government-to-government trade (*Savunma ve Havacılık Sanayi İhracatçıları Birliği Aama Konferansı*, 2012). Moreover, the private sector also demands to be involved in the coordination of export licenses to ensure foreign market penetration.

UK defense industrial base has gone through phases that gradually transformed its relationship with the government and reorganized the sector dynamics. The transformation meant both change and continuity (Dunne & Macdonald, 2002). The UK government’s strategy during the Cold War was to apply protectionism to help develop the domestic industry through its procurement policies. Despite the absence of a centrally organized formal defense industry policy, the government pursued a strategy to retain key defense capabilities in the UK by forming supportive relationships with certain contractors (Macdonald, 1999). While this strategy helped the UK defense companies to share the burden of high costs caused

⁹ Savunma Sanayi Müsteşarlığının Kurulmasına Dair Kanun (1985, November 7). Retrieved April 14, 2017. http://www.ssm.gov.tr/anasayfa/kurumsal/Documents/SSM_3238_tam%20metin.pdf

by the development of technologically sophisticated products, it also hampered competition in the sector (Bishop, 1999). The preferential trade terms had begun changing in the mid-1980s when the conservative government introduced the principle of market competition in line with Thatcher's policies. Though big players such as BAE systems have retained their dominant position through mergers, the period was marked with the privatization of the UK defense industry, unlike other countries in Europe where state-ownership still played a major role (Guay, 2005; Hopkinson, 2000). The MoD, which has always been the single biggest buyer of the defense industry, adopted a "hands-off" approach that forced the restructuring of the defense companies to remain competitive in the face of international competition. Even though competition has become the cornerstone of the MoD, the UK defense industry approach has also fostered closer consultation with the defense firms. The defense industry partnership between the UK government and the private firms has thus transformed the essence of dependence. While the industry was dependent on the MoD's procurement before the 1980s, it is now dependent on the UK government to encourage exports. According to the main British defense lobbying group ADS, the ability of the British government to form favorable political relations with foreign governments is key to boost UK defense exports, especially in the face of competition from more corporatist governments such as France. In addition to government-to-government lobbying, the UK government's export controls is another source of dependency for the British defense firms. The process requires cross-government teams between various UK governmental institutions such as MoD, FCO, and Department for Business, Innovation and Skills (UK Strategic Export Controls Annual Report 2015). UK government's political relations and principles (e.g., human rights abuses, internal repression) become an essential consideration for arms exporters, though there are controversies regarding the applicability of such rules due to "wider context of the relationship between arms companies and the UK state (Stavrianakis, 2008, p. 32)."

4.2. Institutional Structures of Foreign Policy Making

Turkish Foreign Policy Making

Turkish foreign policy has attracted a great deal of attention over the past decade. Despite the extensive literature on the topic, "the process of foreign policy-making is one of the least well-studied aspects of Turkish foreign policy (Hale, 2012, p. 205)." The goal of this section is

to analyze the institutional structures of Turkish foreign policy making and explore where the influence of firms could be situated. The analysis demonstrates that the influence of private sector on foreign policy making in Turkey is not institutionalized and remains as a conjectural factor. Its influence increases when Turkey adopts more integrationist policies and decreases when protectionism becomes the dominant paradigm, in accordance with the shifts of power among related institutions.

The impact of public and private institutions have been constantly reshuffling since the foundation of the Republic of Turkey. Though there is a formal structure in which roles and responsibilities are distributed according to the law, each political and bureaucratic actor constantly tries to increase its influence over the policy making process and thereby determine the policy outcome. Turkish foreign policy system is relatively closed but pluralistic (Efegil, 2001). By reviewing the content of the official documents of the National Security Council (NSC)¹⁰, I suggest two key factors to analyze Turkish foreign policy making: main foreign policy issue and domestic political balance. I argue that key actors such as the president, government, Turkish Armed Forces, foreign ministry, parliament and businesses carry influence to varying degrees depending on the circumstances determined by these two factors. The NSC is also the main institution where energy and defense matters are also discussed within the foreign policy context.

According to the Turkish Constitution, presidency and council of ministers are charged with determining the basic principles and goals of Turkish foreign policy. The Turkish Armed Forces (TSK), however, has enjoyed an almost unchallenged prerogative to influence the Turkish foreign policy for many decades. Content analysis of press releases between January 1984 and March 2016 demonstrate that foreign policy has always been one of the main topics on NSC's agenda, where TSK owned critical topics such as Cyprus, Kurdish issue (and relations with Kurdish factions in northern Iraq) as well as relations with Israel (Aksu, 2012). NSC has become the key institution through which Turkish military imposed its foreign policy choices and even

¹⁰ NSC's press releases since 2003 were made public on its website. The author obtained the press releases since 1984 upon official request to the General Secretariat of NSC.

monitored whether those policies were properly executed.¹¹ Its dominance has gradually declined as a result of the reforms enacted during the EU process and shift in domestic political balance in favor of the civilian¹² government¹³. MoFA is mostly given the role of execution in foreign policy issues. Additionally, the Ministry is also tasked with doing the preliminary work and suggestions to the government¹⁴. MoFA is also considered to have informal influence over foreign policy making due to its expertise and control over information, as well as its institutional strength (Uzgel, 2009). Parliament's role, on the other hand, is confined to declaring war and allowing Turkish troops to be dispatched abroad or foreign troops to be deployed in Turkey¹⁵. Foreign Relations Committee of the Parliament is tasked with legislating the approval of international agreements, overseeing organization of foreign ministry institutions and conducting diplomacy between parliaments.¹⁶

Within this constantly changing institutional structures of Turkish foreign policy, firms have gained greater influence during two main periods. The first one was Turgut Ozal's leadership as the prime minister and the president between 1983 and 1993. This was the first time when the voice of business was heard in foreign policy making. As a part of Turkey's economic policy to shift into export oriented economy, businessmen have started taking part in Ozal's foreign trips and even acted as special envoys for some key policy issues. Foreign Economic Relations Board (DEIK) was founded in 1986 as a sub-institution of Turkish Union of Chambers and Commodity Exchanges (TOBB) to help businessmen be involved in foreign policy issues. This period is seen as the beginning of commercial interests becoming a part of foreign policy making, which continued in 1990s to varying degrees¹⁷. The second conjuncture where firms had greater involvement in foreign policy was the first period of the AKP rule between 2002 and 2007, when the idea of "trading state" has gained importance. Turkey's national interests

¹¹ T.C: Resmi Gazete, 24 July 1981,

<http://www.resmigazete.gov.tr/main.aspx?home=http://www.resmigazete.gov.tr/arsiv/17410.pdf&main=http://www.resmigazete.gov.tr/arsiv/17410.pdf>

¹² In 2004, a former ambassador was appointed as the first civilian secretary general of the Council.

¹³ In 2001, the decisions of NSC were re-described as "recommendatory" and the word "primarily" was removed (<http://www.adalet.gov.tr/duyurular/2011/eylul/anayasalar/1982ilkson.pdf>)

¹⁴ "Law on Foundation and Responsibilities of the Ministry of Foreign Affairs (Nr: 6004)",

¹⁵ According to the Constitution Art. 92

¹⁶ Foreign Relations Committee of the Grand National Assembly of Turkey, https://komisyon.tbmm.gov.tr/komisyon_index.php?pKomKod=11

¹⁷ Turkish Industry and Business Association (TUSIAD) published a report in 1998 titled "Towards a New Economic and Commercial Diplomacy in Turkey."

could not be narrowed down to security matters anymore, they also included many economic and business matters (Kirisci, 2009; Kirisci & Kaptanoglu, 2011). Onis argues that there is a significant political economy factor behind Turkey's multidimensional foreign policy and business actors have become major actors of Turkish diplomacy (2011). Despite these developments, however, the structures by which Turkish foreign policy is made has not led to the emergence of institutions that made private firms an integral and independent actor in the decision-making.

British Foreign Policy Making

Being the pioneer of the industrial revolution and pursuing interests globally since many centuries, the UK has developed institutions that made foreign policy making a combination of a number of political, social and economic factors. The British political system allows the development of multiple foreign policies, as well as involvement of various stakeholders in the policy making process depending on the issue (Williams, 2004). Just like in Turkey, different actors attempt to influence the foreign policy in the UK with the goal of determining the outcome in their favor. The theoretical debate shows that the policy making process thus swings between centralization and decentralization in response to such attempts (Bevir, Daddow, & Schnapper, 2013). In other words, though there is no controversy regarding the fact that the British foreign policy has become more diverse over the past several decades, the debate still continues as regards to what best explains the institutional structures of its making.

On the one hand, it can be argued that the British foreign policy gets increasingly centralized as a result of the prime minister's growing role in the process. According to Ewelme, the relationship that determines the policy outcome is still between the prime minister and foreign secretary (2008). The personality of the prime minister thus becomes an important factor of British Foreign policy, as Tony Blair's decision to involve the UK in the Iraqi war exemplifies (Dyson, 2006). Blair's leadership had a decisive impact on the outcome of British foreign policy despite the fact that other factors were not supportive of joining the war. In addition to the leadership style, UK's "majoritarian institutional design" also means that

any new government can make substantial changes in country's foreign policy ideology, as well as whether a junior coalition partner can determine the policy outcomes (Brommesson & Ekengren, 2012; Oppermann & Brummer, 2014). On the other hand, decentralization is another force that pulls the decision-making of British foreign policy, driven by the desire of secretaries to "retain autonomy for their own departments (Williams, 2004, p. 912)." Notably, Ewelme was criticized for excluding the power of business groups and specifically arms manufacturers on policy outcomes (Ewelme, 2008). Just like the domestic politics, British foreign policy is also prone to be affected, to different degrees, by external influences, including public opinion, interest groups, media and private firms (Bevir et al., 2013; Radcliffe, 2004). Thus, firms operate in such a diverse decision-making environment to influence foreign policy outcomes.

Indeed, the United Kingdom of Great Britain and Northern Ireland (and its predecessors) has a long tradition of conjoining the commercial interests with its foreign policy¹⁸. The UK has benefited from its diplomatic network and business presence all around the world to achieve the political and business goals simultaneously. In the cases where the Foreign and Commonwealth Office (FCO) and private firms have different views regarding a topic of common interest, such as increasing British political influence in a country and grasping business potentials respectively, the two institutions have been able to find a common stance through coordination (Suonpää, 2015). Williams argues that the British private firms, alongside with diplomats, politicians and central bankers, play an important role in the development and execution of the foreign policy. Private firms have the double-sided role of contributing to the national economy, which is highly dependent on foreign direct investment, and acting as the agents of British foreign policy abroad. The British diplomatic institutions

¹⁸ The dialogue between Sir Walter de Frece and Neville Chamberlain is a good example:

Mr Frece: asked the Prime Minister whether he can assure the House that in all diplomatic negotiations tending to define the international policy of this country there is the closest inter-working and understanding between, on the one hand, the Foreign Office and, on the other, the Board of Trade, so that no serious diplomatic step can be taken without prior consideration of its effect on our commercial well-being; and whether this applies in particular to the Anglo-Japanese Alliance?

Mr. CHAMBERLAIN: My hon. Friend may rest assured that in all matters affecting them both there is close consultation between the two Departments referred to. In a question of such importance as that of which my hon. Friend makes special mention there need be no fear that the views of any Department will be ignored or overlooked.

have evolved towards greater integration of the commercial and political interests, especially since the Labour government's coming into power in 1997 (Lee, 2004).

The British paradigm to integrate political and business interest within the foreign policy has institutional implications. The UK government has founded a joint department between the FCO and the Department of Trade and Industry (which was later replaced by other departments), called UK Trade and Investment (Williams, 2004). Formed in 2003, UKTI had been tasked with promoting British exports to other countries, as well as attracting foreign direct investment into the UK. UKTI coordinated its strategy and activities with the FCO, having permanent employees and advisors in embassies and consulates worldwide. The UKTI was replaced by the Department of International Trade (DIT) in July 2016. The willingness of DIT to influence the British foreign policy has surfaced when a leaked message by its director to the Foreign Secretary demonstrated that his department had requested a formal restructuring between the two institutions to allow the DIT set the agenda of the foreign policy regarding business matters¹⁹, which was reportedly refused by the Prime Minister. The British approach to foreign policy making shows that it has a more established institutional structure to allow the private firms influence the policy outcomes.

4.3. The Strategic Significance of Sectors

The purpose of this section is to test the third hypothesis about the strategic importance Turkish and British energy and defense sectors to the economic development and national security of these countries. I argue that the level of importance will determine the level of influence of the firms operating in these sectors. The analysis demonstrates that influence of private firms over foreign policy making is positively associated with the level strategic significance of the sector that they operate in. The findings indicate that the market and nonmarket characteristics of the sectors is a major driver of "what" determines their influence on international relations. There is a positive association between the strategic importance of the sectors and the level of influence firms operating in these sectors have on foreign policy outcomes.

¹⁹ "Liam Fox tried to wrest control of Foreign Office duties from Boris Johnson," *The Guardian*, 14 August 2016, <https://www.theguardian.com/politics/2016/aug/14/liam-fox-attempt-wrest-control-foreign-office-duties-boris-johnson>

Energy is a strategic sector for Turkey due to three main factors. The first one is the crucial role it plays in the country's geopolitical power. Some of the energy projects are even deemed to be geopolitical assets, putting their role in energy relations in secondary place (Hoffmann, 2014). A key priority of the Turkish government is to become an energy hub, providing "the political influence in Europe and in the region due to the ownership of a key infrastructure route.(Coskun & Carlson, 2010, p. 214)." Thus, energy policy is not only a concern for a commodity, but also a tool to configure the geopolitical balance of power and turn Turkey into a regional hegemon (Aribogan & Bilgin, 2009; Triantaphyllou & Fotiou, 2010). Therefore, energy policy is an integral element of country's national security. The second reason is the correlation between energy security and economic growth. There are several studies that prove the correlation between energy consumption and GDP growth (Erdal, Erdal, & Esengün, 2008; Lise & Van Montfort, 2007; Sari & Soytas, 2004). This correlation obviously translates into economic development. According to the official figures of the MENR, Turkey's economy has grown annually by 4.8% on average between 2003 and 2014, while primary energy demand has grown annually by 4.12% on average during the same period.²⁰ The third reason is the perception of Turkish voters on energy. The research demonstrates that Turkish voters are highly sensitive to energy prices, which is determined by the government, and 15% of the voters indicate that energy policies play a crucial role in determining their electoral choices²¹. Thus, energy is a strategic matter for the electoral success of policy-makers.

The UK's energy strategy demonstrates that the significance of the industry to the country has different characteristics than those of Turkey. The main objectives of the UK's energy policy, namely economic effectiveness, energy security and environmental protection, are pursued by the government via incentivizing the private sector for further investments (Royal Academy 2015). Therefore, the market-driven energy sector in the UK does not have a major strategic importance as far as the its international relations are concerned. However, big energy companies have strategic importance²² to the UK's economy and national security.

²⁰ The official transcript of the presentation by minister Berat Albayrak to the General Assembly of the Turkish Parliament on the 2016 budget of MENR.

²¹ Public Opinion Survey conducted by Kadir Has University

²² BP's Impact on the UK Economy: https://www.bp.com/content/dam/bp-country/en_gb/uk/documents/bp-economic-impact-report-uk.pdf

Even though unlike Turkey (where energy is still a political commodity partly because the energy prices are dependent on Turkey's international relations) it has become a tradable commodity in the UK as a result of the pro-market energy policy paradigm, the UK government considers such firms as national assets (Kern, Kuzemko, & Mitchell, 2014). The strategic importance of the energy sector manifests itself in the governance of public institutions and private firms. The Department of International Trade has a strategic relations department that identify strategic firms and their counterparts in the civil service²³. Appointment of a trade expert as the chief of FCO was seen as the Labor Party's approach to allow business drive the British Foreign Policy²⁴. The exceptional consultations between the FCO and BP also demonstrates the willingness of the UK government to align the country's foreign policy with the company's business interests²⁵. A similar strategy is pursued by the BP by implementing the 'revolving door' tactics by bringing former high level civil servants on board²⁶. The "special relationship" between the UK's global energy firms and the government means political intervention in strategic business matters²⁷, such as preventing foreign takeover of national champion brands²⁸ and lobbying to foreign governments on behalf of them to ensure favorable conditions²⁹.

Turkey's defense industry is a highly strategic sector for the similar reasons that are valid for the energy sector. First, achieving autarky in defense capabilities is considered as the central pillar of an independent foreign policy. The process of development in the Turkish defense industry demonstrates its relatedness with country's foreign political relations, especially those with the United States. Turkish defense industry has been long dependent on

²³ Strategic Relations,

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/537412/SRM_List_for_GOV_UK_July_16.pdf. Retrieved 5 June 2017.

²⁴ Business to drive foreign policy as PM announces diplomatic reshuffle, *The Guardian*, 21 July 2010, <https://www.theguardian.com/politics/2010/jul/21/business-foreign-policy-pm-diplomatic-reshuffle>

²⁵ International Energy Unity, Foreign and Commonwealth Office

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467477/FOI_0505-15_FCO_high_level_dinners_with_BP.pdf. Retrived on 25 May 2016.

²⁶ Profile of Sir John Sawers, BP <http://www.bp.com/en/global/corporate/about-bp/board-and-executive-management/the-board/sir-john-sawers.html>. Retrived 2 February 2017.

²⁷ UK ministers make Gallic gesture to keep the British in BP, *Financial Times*, 25 April 2015 <https://www.ft.com/content/68d541c4-e9c311e4-a687-00144feab7de>

²⁸ UK Government warns BP over potential takeover, *Financial Times*, 26 April 2015, <https://www.ft.com/content/06a3207e-e901-11e4-87fe-00144feab7de>

²⁹ UK backs BP in federal contracts dispute with US government, *Financial Times*, 3 December 2013, <https://www.ft.com/content/f5332c16-5c2b-11e3-b4f3-00144feabdc0>

the military aids from the USA, as a direct consequence of becoming a NATO member in 1952 (Bağcı & Kurç, 2017). This reliance, however, has begun changing as a result of another significant foreign policy event, when the US President Johnson told the Turkish government in 1964 that NATO's security cannot be assured against the Soviet Union and the US military equipment cannot be used in case Turkey conducts a military intervention in Cyprus to end the ongoing conflict. The US arms embargo that lasted between 1974 and 1979 has led Turkey to adopt its the policy of developing of its own defense industry policy as of 1985 to gain the ability of pursuing an independent foreign policy (Mevlütöğlü, 2016). The second dynamic, namely the causal link between defense expenditure and economic growth, has become subject to research in the literature. Previous studies demonstrate that there is a positive link between Turkish military spending and real economic output (Halicioğlu, 2004). The causality is explained by the amount of investment and exports that defense spending leads to (Kalyoncu & Yucel, 2006). Strategic Plan of the Undersecretariat for Defense Industry also clearly indicates that its sectorial development is inherent component of the government's macro-economic strategic objectives as defined in the Development Plan (2014-2018) and Middle Term Program (2016-2018) (*Stratejik Plan 2017-2021*, 2017). According to the declarations of the Minister of National Defense, the industry provides high added-value exports, which has reached to 1,68 billion USD in 2016 (AA News). Regarding the third factor about the sector's impact on electoral behavior, there is no research that shows the link. However, an indirect causality can be established. The Turkish public has a strong preference for Turkey to be independent and act alone in international relations (KHAS Research 2015 + 2016). The government thus turns this point into a political communications strategy by emphasizing the link between the development of the defense industry and national independence³⁰ (Çağlar & Özkır, 2015, p. 36).

The defense industrial base is a strategic sector for the UK government and its foreign policy, resulting in the balance of interdependence between the two. The importance of government - industry cooperation is manifested in the institutions, appointments and their policies. The National Security Strategy and Strategic Defence and Security Review published in 2015 indicates that the defense industry is key to the three main strategic objectives of the

³⁰ TBMM Başkanı Yılmaz: "Seçmenin uyarısını ciddiye alacağız", *Milliyet*, 24 Ekim 2015
<http://www.milliyet.com.tr/tbmm-baskani-yilmaz-secmenin-uyarisini-sivas-yerelhaber-1030716/>

government: protecting the British people, projecting UK's global influence and promoting its prosperity (*National Security Strategy and Strategic Defence and Security Review 2015: A Secure and Prosperous United Kingdom*, 2015) The critical role that defense industry plays in the innovative capabilities of the UK manufacturing is also underlined (*UK Defence Outlook 2016*, 2016). With more than 142,000 employees, £24 billion turnover and £7.7 billion average exports per year, the defense industry plays an important role in the growth of the UK economy. As the manufacturing and services in the defense industry is becoming more international via partnerships, subcontracting and co-production, the UK government assumes a greater role in arranging international affairs in coordination with the industry representatives (Taylor, 1990). In order to benefit from the rapidly growing industrial base and its international connections, the UK government has increased the capabilities of the existing institutions and formed new ones to foster public-private-partnership, with the goal of "supporting the negotiation and delivery of government-to-government deals (*National Security Strategy and Strategic Defence and Security Review 2015: A Secure and Prosperous United Kingdom*, 2015, p. 77)" For instance, UK Defence Solutions Centre, an initiative by of the Defence Growth Partnership, a jointly funded platform by government and industry increase collaboration between the industry stakeholders³¹. (The DSC advocates for the UK defense industry and does not favor any particular firm.) British foreign policy towards the Gulf and especially Saudi Arabia demonstrates how this strategy is applied (Michou, 2012). Hopkinson argues that this is in part an outcome of the close cooperation between MoD and FCO (Hopkinson, 2000). Defence Security Organization of the Department for International Trade (formerly UKTI) is specifically tasked with coordinating these policies³² in various locations outside the UK.

³¹ UK Defence Solutions Centre - <http://www.ukdsc.org/about-ukdsc/>

³² Department for International Trade, Defence & Security Organisation, <https://www.gov.uk/government/organisations/uk-trade-and-investment-defence-and-security-organisation/about>. Retrieved 12 May 2017.

Discussion

This paper includes the literature, theoretical framework and initial findings of the empirical study on business influence on foreign policy making. The empirical study was based on in-depth interviews and archival research to test the hypotheses. The fourth hypothesis is currently under examination.

Even though the analysis is currently incomplete, initial findings demonstrate the possibility of developing a novel conceptual framework. The research has so far demonstrated that there is a theoretical gap to explain the already existing impact of private sector on international political relations.

Interview List

- Corporate Relations and Government Relations Manager, Turkish Energy Firm
- Advisor to the Turkish Energy Ministry
- Former Undersecretary of the Turkish Defense Industries
- Former Turkish Diplomat in Iraq
- Defense Advisor to the Department for International Trade (formerly UKTI)
- British Military Attache in Turkey
- Business Development Manager at Turkish Defense Firm
- Chairman of British Energy Advisory Group, former independent board member of BG
- Former Turkey country manager of American energy firm
- Chief economy editor of Turkish mainstream newspaper
- Former secretary general of Turkish Industry and Business Association

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