POLITICS OF NEW DEVELOPMENTALISM: TURKEY, BRICS AND BEYOND

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Introduction

This chapter explores the transformations in the international order and the responses of emerging powers to the on-going shifts with specific reference to Turkey and BRICS (Brazil, Russia, India, China and South Africa). The global diffusion of power and the accompanied rise of non-Western economies are contributing to the emergence of a new world *dis*-order. This chapter offers a push-and-pull framework to account for the changing forms of state-market relations in the developing economies in a changing global system.[1] It maintains that internal crises of the neoliberal economic paradigm constitute the "push" dynamics for countries located in the periphery of global capitalism and liberal international order.

This chapter, furthermore, suggests that the "pull" dynamics also inform the emerging economic and political regimes in the developing countries. Accordingly, in the post-hegemonic era, emerging great powers – such as China and Russia – seem to have demonstration effects for developing countries with their distinct economic and political models – defined by some researchers as "state capitalism." The chapter suggests that new forms of developmentalism in the emerging great powers make their way to other late-developers with particular reference to the Turkish political economy.

The rest of the chapter proceeds as follows. The following section focuses on the internal crises of liberal market economy and liberal democracy. The third section discusses the rise of BRICS with particular reference to alternative developmental models put into implementation in these polities. The fourth section discusses the paradoxes and contradictions of state capitalism in the emerging world with reference to the Turkish case. The final section concludes the chapter.

The Crisis of Neoliberalism

One of the "great debates" of contemporary international affairs is the hegemonic transformations and the future of the liberal international order. A quasi-consensus already emerged among political scientists suggesting that the liberal international order is under a severe test since its institutionalisation in the post-1945 period (Acharya 2018). Even though the nature, properties,

[1] The push-and-pull framework was first sketched out in Öniş and Kutlay (2017).

and possible outcomes of the current transformations are topics of intense debate, few scholars dispute the fact that the U.S. no longer represents a textbook definition of hegemony. For instance, Nye (2015), in his analysis of the U.S. hegemony in the 21st century, argues that the current international system resembles a "complex three dimensional chessboard." On the first layer of the chessboard, which refers to military capacity, he suggests that the U.S. supremacy still prevails, as its military is significantly mightier than other emerging powers including China. According to 2017 SIPRI data, for instance, the U.S. military spending with $610 billion was almost three times as much as China ($228 billion). In fact, the U.S. military expenditure is more than the combined spending of the next seven states.[2]

On the second layer of the chessboard, which refers to the distribution of economic power, it appears that the U.S. is not as powerful as it used to be a few decades ago. The emerging countries, especially BRICS, increase their share in global production constantly. Although, the U.S. still has the largest economy in the world according to several indicators, its relative share is in decline. Among the emerging powers, China has become the most aggressive player that increases its relative share in the global economy as the gravity of economic activity gradually shifts to the Asia-Pacific region. It has even been claimed that "in market exchange rate terms, China will overtake the U.S. in 2028 despite its projected growth slowdown" (PwC 2015). In overall terms, the share of BRICS is expected to increase to almost 38 percent in purchasing power parity terms as of 2030.[3]

On the final layer of the chessboard, which refers to the realm of transnational relations, a wide network of players including different types of non-state actors operate in a complicated manner. According to Nye, it does not seem possible to label the nature of relations as "unipolar" or "multipolar" at this dimension, since power is highly diffused and the number of actors taking part is diversified (Nye 2015). The main problems at this level also make the concept of polarity meaningless as transnational issues such as terrorism, financial crimes and migration require the cooperation of all states regardless of their power capacity.

The current transformations in the international system, however, go beyond the debates on polarity. As suggested by some scholars, the international transformations also hint the emergence of alternative "orders" at the regional and international levels (Flockhart 2016; Acharya 2018). The shifting discourse on developmental paradigms is arguably one of the areas in which one can observe the paradigmatic shifts that undermine the existing international order. In this regard, the 2008 global financial crisis marked a critical watershed that discredited the neoliberal governance model and accelerated the rise of alternative developmental paradigms.

In 2008, the U.S. economy plunged into a severe deadlock, which also revealed the economic and political crisis of the liberal order. The sub-prime mortgage crisis that erupted in the U.S. economy swiftly turned into a full-fledged financial turmoil. In a short period, the crisis hit the shores of the European economies and the entire Euro area became the focal point of global recession. Greece was cut off from the markets due to the mounting public debt burden and massive credibility problems of the Greek government. The Troika (European Commission, IMF and European Central Bank) bailed out a number of European economies including Ireland, Spain, Cyprus, Greece and Portugal (Hall 2012). The Eastern European members, who joined the EU in 2004, also encountered insurmountable economic difficulties as they were left behind in

[2] Data retrieved from SIPRI database: http://visuals.sipri.org
[3] Data retrieved from https://developingeconomics.org/2017/09/27/the-brics-and-a-changing-world/.

fierce competition across Europe (Krastev 2015). Despite massive bailout packages and several reforms put into implementation, the crisis-ridden EU members are still in the throes of economic stagnation and political decay at the time of writing.

The 2008 economic turmoil was not the first crisis of the neoliberal globalisation project that became a standard template after the collapse of Keynesian policies in the mid-1970s. As a matter of fact, the 1990s witnessed the dramatic collapse of several emerging market economies in Latin America, Asia and Eurasia. However, the financial crises in the 1990s and early 2000s all occurred in countries located in the periphery of global capitalism such as Mexico, Argentina, Russia and Turkey. The predominant narrative at the time was that the sources of financial crises in these economies were mainly domestic in the form of economic inefficiency and political cronyism, rather than the inherent contradictions and failures of the neoliberal paradigm imposed on peripheral economies. In the Asian crisis, for instance, the domestic moral hazard arguments mainly focused on crony capitalism and the flawed nature of industrial policies as the main reasons of financial debacle (Frankel 1998; Chang 2000). Therefore, although conventional economic wisdom – called the Washington Consensus – was subject to certain reforms and revisions, the main parameters of neoliberal paradigm remained intact (Öniş & Şenses 2005).

The 2008 financial crisis, in this sense, marked a watershed that put the entire credibility of the neoliberal paradigm into a severe test. The crisis reached all major corners of transatlantic economies that constituted the centre of global capitalism. What exacerbated the crisis of the liberal order was that the post-crisis measures put into implementation were either incremental or focused too much on proximate causes, so that structural faultlines that paved the way for unprecedented financial havoc remained unaddressed (Wolf 2015). As a matter of fact, the immediate reaction of the governments to arrest financial meltdown was impressive (Öniş & Güven 2011). For instance, the U.S. Congress passed a $787 billion-worth stimulus package, whereas China undertook a plan that amounted to half trillion dollars in the wake of the crisis. The U.S. Federal Reserve cut interest rates to almost zero and played the maestro role to clean the toxic assets poisoning the U.S. and European financial markets (Tooze 2018). Similarly, the IMF and World Bank took proactive measures to mitigate the aftershocks of the crisis. The IMF's lending commitments reached quarter trillion dollars in the most acute days of the financial turmoil, while the World Bank more than doubled its lending capacity by increasing it to $58.5 billion in two years following the crisis (Öniş & Kutlay 2012). The IMF also adjusted its lending practices by adopting a more flexible conditionality policy through new types of loans such as the Flexible Credit Line and Extended Credit Facility (Güven 2018).

The immediate response of the governments in advanced economies and the proactive role played by international financial institutions, however, were not accompanied by major structural reforms that fixed the root causes of the 2008 financial crisis. As demonstrated by several researchers, one of the main factors that led to the 2008 crisis was the financialization of unregulated global economy during neoliberal globalization in the form of over-leveraged banking system and unsustainable levels of debt.[4] Crotty (2009) points out that the value of financial assets skyrocketed dramatically in comparison with industrial production. In the U.S., for instance, "the value of all financial assets grew from four times GDP in 1980 to ten times GDP in 2007" (Crotty 2009, 575-76). The financial sector debt also increased significantly from 22 to 117 percent of GDP between 1981 and 2008 (Crotty 2009, 575-76). The financialization of

[4] For a discussion on financialization, see Krippner (2005). On the regulatory failures and credit crunch in 2008, see Gowan (2009).

advanced economies and the accumulating debt of the households and public finances within lax and fragmented financial supervision system, in turn, paved the way for the accumulation of fiscal and financial risks.

The neoliberal paradigm, defined with reference to the deregulation-liberalization-privatization trio, "promoted global economic integration without paying adequate attention to prudential mechanisms on a global scale" (Öniş & Kutlay 2012, 14). The post-crisis measures, however, were not focused on financialization as the major multi-facetted problem in the global economy (Wolf 2015). The robust regulatory mechanisms ensuring effective surveillance of financial markets were not established – although the discourse on strict regulation of the financial architecture became part of the policy repertoire at the initial stages of the post-crisis intergovernmental negotiations at the G20 meetings. On the contrary, post-crisis measures mainly prioritized excessive austerity especially in the European economies (Blyth 2013). The structural problems of the liberal economies remained unaddressed in the post-2008 period, the sluggish economic recovery in several European countries and the dwindling purchasing power of citizens due to adverse impact of the austerity policies further jeopardized the legitimacy of the liberal market economy.

Politics of New Developmentalism

The problems of the liberal market economy has also been accompanied by a set of "pull factors". As discussed in the introduction, the rise of emerging great powers, such as China and Russia, is not only transforming the balance of power in global politics. Rather than passively absorbing conventional paradigms on the receiving end, the emerging states socialize in the international system with reference to an alternative set of norms, values and policy paradigms. In effect, the problems of liberal market economy and liberal democracy opened new spaces to alternative developmental discourses in the emerging world. In a period where democratic efficiency and economic growth waned in the advanced Western countries, alternative political economy paradigms in the non-Western world gained traction in countries even located in the periphery of Europe.

The failure of advanced economies in dealing with the financial crisis unleashed a wave of scepticism about the merits of liberal market model to sustain economic growth and distribute wealth in an efficient manner. The democratic regression in several European countries (such as Poland and Hungary) and the rising nationalist-populist tendencies in the U.S. along with Western European states are illustrative. As such, the internal tensions of liberal market economy and liberal democracy seem to be reducing the allure of the mainstream paradigm in several non-Western states. It is apt to point out at this stage that state-market relations in emerging powers vary significantly across different cases (Becker 2014). The divergence is discernible even within the authoritarian members of BRICS (China and Russia). Nevertheless, one can suggest that the political stance of emerging great powers (mainly the Russia-China axis) demonstrates a set of common tendencies, which refers to a new developmental path in comparison to liberal market economies.

New developmentalism first emerged in the early 2000s as an alternative to the Washington Consensus. Disillusioned with the chronic balance of payment crises and failures to ensure stable economic growth under neoliberal orthodoxy, scholars in the global South searched for alternative developmental strategies (Bresser-Pereira 2011a; 2011b). New developmentalism differs from the conventional wisdom in a number of important ways. First, the equilibrium in state-market relations is tilted in favour of the former in the new developmentalist models. The liberal frameworks attribute a residual role to the state in terms of production and distribution of resources. However, new developmentalist models envisage a more hands-on approach as the state is considered not only as an actor that kick-starts the economy in the wake of recessions, but also as a "market maker" that actively organizes domestic political economy. The strategic investments in key industries that underpin the research and development base of national economies, the establishment of public-private partnerships to invest in mega infrastructure projects, and the creation of large scale sovereign wealth funds that consider not only market opportunities but also strategic priorities of the states have become common economic policies of state-led capitalist models (Bremmer 2010, 52). On the foreign policy front, neo-mercantilist variants lead to the interpretation of trade and investment linkages as an extended form of political power relations. Thus, foreign economic instruments are often considered as geo-economic tools to constrain the policy preferences of the target states – especially in the fields of energy and finance (Rediker 2015).

That being said, new developmentalism is different from the statist import-substituted industrialization strategies implemented in the developing countries during the 1960s and 1970s. The new developmentalism embraces open markets and advocates integration with globalization processes. Furthermore, export-pessimism inherent in the old developmentalist models is replaced with an export-oriented competition strategy. As Bresser-Pereira (2011a, 117-18) indicates, "while old developmentalism was relatively protectionist, new developmentalism is not; whereas old developmentalism was based on import substitution, new developmentalism is export-led." The new developmentalist perspective proposes the internationalization of domestic firms in an open economy setting, but argues that states can play critical roles in arranging competitive exchange rates, designing sector-specific subsidy schemes, creating investment opportunities, reducing economic inequalities and ensuring fiscal stability (Bresser-Pereira 2011a: 120).

Second, as Bremmer (2010) underlines in his book, where he offers the term "state capitalism" rather than "new developmentalism", alternative developmental models that are on the rise especially in emerging powers rely on political governance models that do not easily sit together with the basic tenets of liberal democracy. One should state at the outset that emerging powers in general and BRICS in particular do not form a unified bloc in terms of predominant political regime types. However, the most powerful emerging powers rely either on competitive authoritarianism or on non-electoral systems. In Russia and China, for instance, political systems are characterized by strongman regimes devoid of proper institutional checks-and-balance mechanisms that constrain the power of rulers.

The rule of law, strong instruments ensuring property rights and lenient political culture encouraging freedom of expression appears to be rare commodities in the state capitalist models (Bremmer 2010). The main emphasis is put on the importance of "order and stability", rather than "rights and freedoms." It appears that the state capitalist models, with exclusive emphasis on "rapid development" and "national sovereignty", consider strong executive systems as the safest route to swift decision-making and policy formulation. The rapid economic development and political assertiveness of emerging great powers such as Russia and China increase the allure of these perspectives undergirding illiberal governance models in other countries as well. The prime minister of Hungary, Viktor Orban, for instance, indicated this in a rather straightforward manner: "I don't think that our EU membership precludes us from building an illiberal new state based on national foundations." As such, Orban referred to Russia and China as successful nations with illiberal political systems (The Budapest Beacon 2014).

The Rise and Fall of Regulatory State in Turkey

The push-and-pull dynamics in global political economy inform state-market relations in several states including Turkey, a country geographically located at the intersection of Europe and Asia. The transformation in Turkish political economy over the last two decades is illustrative to account for the major shifts in developmental ideas at the global level. This section focuses on the main political parameters of development policies in Turkey with reference to two broad episodes that cover 2001-2008 and post-2009. These two periods also coincide with the rise and fall of regulatory state policies crafted in line with the modified version of the Washington Consensus.

The Turkish ruling elite adopted the "regulatory state paradigm" in the aftermath of the 2001 economic crisis (Bakır & Öniş 2010). The 2001 turmoil was by far the deepest economic shock the country encountered in its peacetime history (Kutlay 2018, 72-74). The crisis, however, triggered a series of fiscal and financial reforms along the lines of post-Washington consensus under the aegis of the IMF. A comprehensive set of institutional reforms were put into implementation that led to the establishment of nine independent regulatory bodies along with the legal independence granted to the Central Bank (Özel 2014, 170). The economic reforms instigated by the coalition government in the crisis episode were adopted by the Justice and Development Party (JDP), which swept the votes in the 2002 general elections.[5] The 2001-2008 period also witnessed significant rapprochement with the EU as Turkey started membership negotiations in 2005. The EU candidacy process and membership negotiations further consolidated the regulatory state paradigm. Also underpinned by extraordinarily favourable global liquidity conditions, the growth rates in this period averaged 7 percent accompanied by notable improvements in fiscal balance, public debt ratios, financial indicators and inflation (Öniş & Kutlay 2013). For instance, the fiscal deficit was reduced from 11.4 percent of GDP in 2002 to 1.6 percent in 2007. Similarly, the total public debt decreased from 71 percent of GDP to 40 percent in the same period (Güven 2016, 1006).

If the 2001-2008 period refers to the rise of regulatory state paradigm along the lines of liberal economy model in Turkey, the post-2009 developments have marked its gradual decline thanks to the domestic and global political economy shifts. The 2008 global financial crisis, as discussed in the preceding section, also influenced the perspectives of the policymakers in Turkey concerning developmental policies. In fact, the regulatory state paradigm prioritized the regulation of the financial system and fiscal discipline of the state, rather than endorsing proactive industrial policy strategies. Given that the 2008 financial crisis jeopardized mainstream economic policies and opened up new spaces to alternative policy sets, Turkish policymakers also adopted an increasingly hands-on approach in the field of industrial relations. As such, the government designed an industrial strategy document in 2012 and launched several incentive packages to support private sector firms investing in high technology sectors (Kutlay & Karaoğuz 2018).

The post-2009 period also witnessed the consolidation of political power in the hands of the ruling elite in a way that contributed to the ascendance of electoral majoritarianism. Especially following the 2011 general elections, in which the JDP increased its vote share third time in a

[5] The JDP has been ruling the country as single party government since then.

row, political checks-and-balance mechanisms were eroded in a gradual manner that had repercussions beyond politics. The new developmental discourse taking roots in the aftermath of the 2008 financial crisis made its way to the Turkish political economy as well. In the post-2009 era, the Turkish government adopted an increasingly lukewarm attitude to regulatory institutions. Their independence was first *de facto* curtailed and then *de jure* political control over those regulatory bodies was codified by a decree (Özel 2014, 170). The de-delegation of authority was a clear reflection of the shifting sands as those regulatory institutions were institutionalized under the aegis of the IMF and EU. It was, therefore, not a coincidence that Turkish policymakers did not renew the IMF stand-by agreement after protracted negotiations once it was concluded in May 2008.

Turkey's relations with the EU also deteriorated due to disagreements over the Cyprus issue and shifting priorities of the parties in this period. After the rapid improvements in early 2000s that led to substantive reforms in the fields of democratization, human rights, protection of minorities and fundamental freedoms (Aydın-Düzgit & Keyman 2012, 3), Turkey-EU relations first stagnated with the decision of the European Council in 2006 to freeze eight negotiating chapters and not to close any of the others until Turkey opened its ports to the Greek Cypriot vessels and ships. The credibility of the EU, following this decision, has been heavily questioned in Turkey as it was considered as a sign that "the country is being treated unfairly" (Aydın-Düzgit & Keyman 2012, 3). The shifting priorities of the parties also contributed to the on-going stagnation in Turkey-EU relations. Whereas the EU felt compelled to focus on institutional restructuring following the Euro crisis, relations with the Middle Eastern countries started to occupy an increasingly important place in Turkey's foreign policy agenda.

Parallel to the transformations in the international system, Turkey's relations with the Russia-China axis also improved significantly in the post-2008 period. In 2017, Turkey's trade volume with Russia and China increased to $50 billion, although Turkish-Russian relations temporarily deteriorated in the 2015-2016 period due to the downing of a Russian SU-24 fighter jet that violated Turkey's airspace near the Syrian border.[6] Russia and China also became increasingly important investors in the Turkish market particularly over the last couple of years as they sealed multi-billion worth agreements with Ankara in the field of energy and defence industry. Turkey is also looking for opportunities to take an active part in China's prestigious Belt and Road Initiative (BRI). Turkish policymakers, on different occasions, expressed genuine interest in joining the governance institutions in which the Russia-China axis plays dominant roles. As such, Turkish President Erdoğan indicated Shanghai Cooperation Organization (SCO) as an alternative for Turkey in addition to his willingness to join BRICS (Sputnik Turkey 2018). Turkish president also proposed "BRICST" as an alternative name for the group – if and when Turkey joins (Munyar 2018).

In a post-hegemonic international system characterized with ample uncertainties and instabilities, states frequently recalculate foreign policy priorities and try to adjust to the alliance patterns. The emerging middle powers such as Turkey also constantly search for ways to improve bilateral and institutional ties with other rising powers – especially in an era when the Western economies struggle to sustain robust growth. In this context, Turkey's deepening ties with the global South should not come as a surprise. However, this chapter maintains that the nature of transformation in the Turkish case appears to go beyond the diversification of foreign economic and political

[6] For an analysis of the crisis between Russia and Turkey, see Erşen (2017).

relations. Instead, Turkish political economy over the last decade seems to be shifting toward a new paradigm with implications in terms of the configuration of domestic institutions.

The Challenges of State Capitalist Models

The discussion so far suggests that economic orthodoxy implemented in the emerging countries appears to be giving way to alternative political economy paradigms. That being said, alternative developmental models have their own internal contradictions and constraints apparent in the Turkish case as well. In this regard, two challenges stand out: question of sustainability and asymmetric interdependence.

The first challenge concerns the sustainability of economic growth in the emerging powers. Although different forms of state capitalist models have become increasingly popular in the post-crisis period, their long-term sustainability proves controversial.[7] The main puzzle is whether emerging powers will be able to find a way to ensure the co-existence of illiberal political institutions with sustainable economic development. As discussed in the previous section, the strongman regimes and illiberal forms of policy-making are considered as more preferable routes to rapid economic catch-up. The strong executives, in this context, are usually justified on the ground that they fasten bureaucratic decision-making processes and facilitate the efficient allocation of resources. The main problem with this interpretation is that sustainable development in the 21st century requires high-value added production infrastructure, which necessitates education systems promoting critical thinking, rule of law ensuring private property and strong regulatory institutions avoiding arbitrary allocation of state resources (Acemoğlu & Robinson 2012). The politics of illiberalism, however, is likely to enfeeble inclusive institutions that boost sustainable growth (see below).

The recent developments in Turkish political economy demonstrate the importance of inclusive institutions. The evidence so far suggest that industrial policies and incentive schemes put into implementation in the post-2009 era did little help in narrowing down Turkey's historical developmental gaps (Kutlay 2018a, 107-09). The Turkish economy still suffers from structural deficiencies in the form of low savings rates, low value added production and chronic current account deficits making it dependent on foreign capital flows. Güven (2016) points out that the predominant pattern in the Turkish economy should best be described as "deficit-led growth" – heavily relying on foreign capital to boost private consumption. As savings fall short of investments, Turkey needs to attract foreign capital to finance domestic consumption and economic growth. The most desirable way to overcome deficit-led growth is to improve Turkey's high-value added production base. As it stands, Turkey's industrial production capacity in high technology products is rather thin as the share of high-tech exports over manufactured exports is barely above 2 percent – a ratio well below other BRICS (see figure 1). Turkey's dependence on foreign capital appears to be one of the structural impediments for Turkish policymakers to keep consumption sustainable in the long run.

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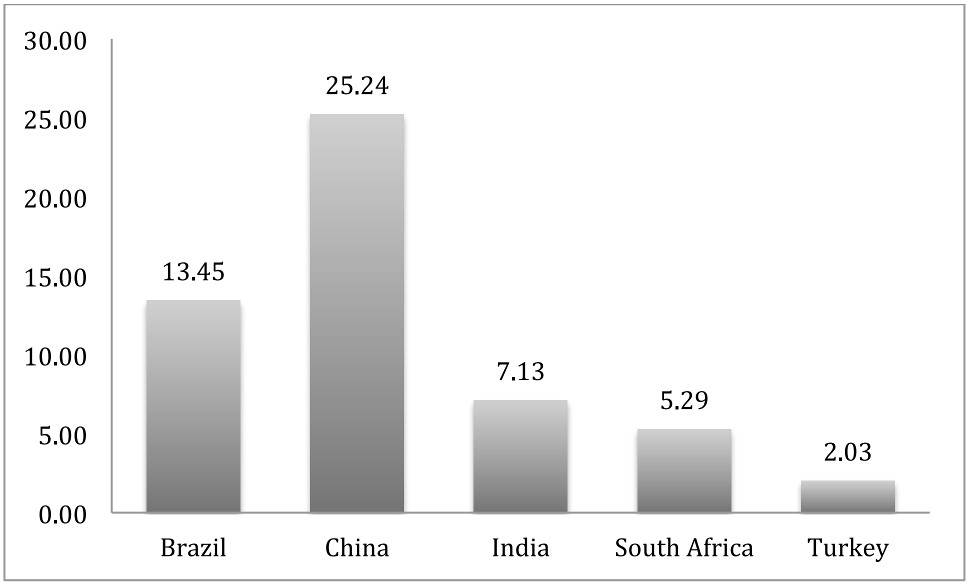
[7] This part partially draws on Kutlay (2018b).

Figure 1. High tech exports over manufactured exports (%)



Source: World Bank Development Indicators (2016)

Turkey's grim export performance in high technology products is partially associated with the problems in the education system. The literature suggests that a well-designed education system encouraging creative thinking promotes research in frontier technologies (Yilmaz 2015). On that note, Turkish students are generally among the lowest performers in PISA tests in comparison to their OECD peers.[8] The poor quality of the education system leads to chronic human resources problems, which in turn, hampers overall productive performance in high technology sectors. On a broader scale, according to some scholars, high quality and sustainable growth is causally linked to the nature of political institutions (Acemoğlu & Robinson 2012). Accordingly, inclusive institutions that limit the political power that is accumulated in the hands of ruling elites uphold rule of law, while ensuring the participation of large segments of the society in a pluralistic political order provides a favourable background to economic development. Acemoğlu and Üçer (2015), for instance, argue that the establishment of inclusive institutions as part of the EU conditionality informed Turkey's development performance during the 2002-2007 period. The same argument suggests that the institutional regression over the last decade undermined the quality of economic growth. If the argument holds true, ensuring sustainable economic development in the long run appears to be a challenging task in an extractive institutional setting prevalent in illiberal polities.

The second challenge concerns the nature of interdependence between the emerging powers, especially the ways in which emerging middle powers develop their relations with emerging great powers. The level of interdependence between Turkey and BRICS is an illustrative case in point. Trade interdependence between the parties deepened significantly over the last decade. Turkey's total trade with BRICS increased to more than $60 billion in 2017 – almost 38 percent of Turkey's total trade with the EU. However, the export-import balance is highly skewed in favour of the BRICS group, as Turkey's total export to those countries in the same period was just $7.3

[8] For comparative analysis, see the OECD data: http://gpseducation.oecd.org/Helpers/GenerateHTML (arrived on 5 November 2018). The data belong to PISA 2015 survey.

billion. Given that Turkey's total trade deficit was almost $77 billion in 2017, it is remarkable that BRICS accounts for 60 per cent of this trade deficit (Atlı 2018). Turkey's foreign trade relations with the EU appears to be on a more balanced and sustainable path as Turkey's total exports to the EU covers 87 percent of its total imports from the EU, a figure which is just 13.6 percent with regards to BRICS.

The current account deficit is one of the structural problems of the Turkish economy and the increasing volume of trade with BRICS does not help closing this gap due to the massive trade deficit especially with Russia and China.[9] Furthermore, the bulk of foreign direct investment to Turkey originates from the Western economies. According to 2017 data, 67 percent of the total foreign direct investment to Turkey came from the U.S. and the EU countries. The BRICS countries, even though they have become much more important for Turkish economy, do not (yet) appear to be in a position to replace the Western economies in terms of foreign investments and technology transfers.

Table 1. Turkey's current account deficit, trade deficit, and FDI figures

	2008	**2010**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
CAD (% GDP)	-5.1	-5.8	-5.5	-6.7	-4.7	-3.7	-3.8	-5.6
Trade deficit (billion $)	70	72	85	100	84	63	56	77
FDI (billion $)	19.9	9.1	13.7	13.6	13.1	18	13.3	11

Source: Ministry of Treasury and Finance, https://www.treasury.gov.tr

In summary, a brief analysis of Turkey's trade and investment relations with BRICS demonstrates that the asymmetric nature of interdependence poses challenges for Turkish firms in a world where the gravity of foreign trade and investments are gradually shifting to the non-Western markets. The criticism of the Western-led liberal international order seems to unify Turkey and the BRICS. However, Turkey needs to improve its technological capacity to produce high-value added production and cope with the rising competition in the non-Western world, which in fact requires closer ties with the Western regional organizations to sustain the uninterrupted flow of high-quality foreign direct investment.

Conclusion

The new forms of developmental strategies in emerging great powers posit a different model than state-led import substituted industrialization strategies. The states adopting different versions of state capitalist model pursue a more hands-on approach in an open political economy setting. BRICS, for instance, have been eager to integrate with the world economy. However, the ways in which this takes place depicts a different path from the standard neoliberal template. As Ban and Blyth (2013, 241) suggest "BRICS attempt to balance their adoption of select parts of the Washington consensus template while defending and often reinventing the relevance of state-led development policies under the guise of being compliant with the Washington compliance." Selective industrialization policies, public-private partnerships, and the use of key economic resources such as sovereign wealth funds for geopolitical purposes appear to be the distinctive aspects of the new political-economic template adopted by emerging powers. The state capitalist models are also inclined to different forms of illiberalism, since electoral majoritarianism and

[9] For an analysis of Turkey's asymmetric economic relationship with Russia, see Köstem (2018).

strong executives are constantly praised as an alternative to liberal democracy and political pluralism.

The most powerful members of BRICS – China and Russia – appear to be the most assertive representatives of this emerging paradigm. In a post-western international order, state capitalism seems to make its way into other countries as well. This chapter placed the transformation in Turkish political economy over the last decade within this broader framework with particular reference to the push-and-pull dynamics in the international affairs. To be clear, neoliberal policies still carry significant weight in Turkish political economy. However, the growing emphasis on alternative developmental paths, growing scepticism about the liberal values and norms, and increasing emphasis on South-South cooperation imply that the current transformation reflects more than an edited version of orthodox policies. Finally, this chapter demonstrated that new developmentalist models suffer from internal contradictions and certain constraints, which are also discernible in the Turkish case. In this regard, the incompatibility of long-term sustainable economic development within an extractive institutional framework appears to be the major challenge for emerging states seeking status in global politics.

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