

Skidmore College Speech:  
Globalization and Development: Turkey: a case Study

Greetings to all honored guests, distinguished faculty and inquiring students:

It is a great pleasure for me to speaking in front of such an august house. As a citizen of the nation of Turkey, I am here to today not only as representative of my country but also as an envoy of dialogue between different peoples and nations; I truly believe that it is only when we open the doors to communication that we can begin to understand one another and address the issues facing this world.

Globalization: a short history

The topic at hand is Globalization and Turkey. As it is likely that each one of us in this room has a different idea or notion about the term, I thought it would be appropriate to begin with a definition from an English dictionary. Miriam and Webster define globalization as, “the development of an increasingly integrated global economy marked especially by free trade, free flow of capital, and the tapping of cheaper foreign labor markets”. That being said we can note that as a term, globalization is approaching “middle age” in that it came into being nearly 49 years ago when it was first published in *Spectator* magazine in 1962. The term was made even more popular by communications expert Marshall McLuhan in the book *Gutenberg Galaxy* which dealt with communication technology. It is clear however that the phenomenon, while nameless for decades before its birthday would suggest, was in practice for years.

As we known, our definition from above only touches lightly on the meaning this terms has to various peoples and institutions because there are a variety of technical and political meanings. This being said, it is possible that globalization has produced many different “histories”. While many of you are cognizant of the impacts globalization has had on your own nation, that is to create different economic, social even political opportunities, I would posit that the other “histories” of globalization and how its varied impacts can change a developing nation such as Turkey, are unknown to you. Perhaps to give a more visual description of globalization, we can reflect on a movie from 2008, *Babel*, which depicted the increasing connectedness of citizens in seemingly unconnected nations of this planet. As the film suggests there are arguably positive and negative impacts of this phenomenon, we can also posit and as the film echoes, it depends on which point of view one has of these relative terms.

As we know, nation states were the dominant bearers of the past cycle of globalism. We saw how national economies and cultural identities were created and transferred over the last two centuries. At the end of the 19<sup>th</sup> century and beginning of the 20<sup>th</sup> the world was pulled closer together but the first fifty years of the 20<sup>th</sup> century filled with political and economic events that impeded the volume and possibility of international trade. With Breton Woods, significant

institutions such as IMF, World Bank and the General Agreement on Tariffs and Trade (later the WTO), that would change the face of trade were created. Rebuilding programs in the aftermath of WW2 greatly increased international trade and investment. With cross-border transactions at all level occurring at greater and greater rates, by the 1970s the positive and negative impacts of these trade flows and investments were more and more apparent.

As we know these tighter and tighter connections fueled initially by trade began to overlap into other areas as well, not limited to by including social and political mergers. While it may not have been apparent at the time globalization was also undergoing significant changes. We can see that globalization in its current incarnation is creating a world with greater and greater interconnectedness as well as one dominated by global mass culture. The suggestion of a global village is one that technological, social, commercial and political mergers also support.

#### Turkey, Istanbul and Globalization's Impact

Focusing more clearly on Turkey, it is clear that the impacts of the last wave of globalization have been felt by both its institutions and citizens. The last two decades in Turkey have been particularly influential in terms of globalization. This includes political, economic and cultural changes that have occurred over this time. What is significant to point out is that globalization has come to the country in regionally disproportionate ways. We can readily point to the globalization of Istanbul and its surrounding Marmara region; it has increasingly become essential to trade in the regional as well as globally. Located on the Bosphorus, a waterway that connects the Black Sea with ties to the Caucasus, Ukraine and Russia, Istanbul also has an outlet to the Mediterranean Sea, with ties to Europe, Africa and the Middle East; the city is truly a crossroads. We can point to the naming of Istanbul as the "2010 European Capital of Culture" as evidence of its ties to economies and societies beyond its borders.

Yet the case of the rest of Turkey is not so clear in terms of globalization. While the phenomenon has come to large cities in the country, such as Izmir and Ankara, smaller non-industrial regions are farther and farther from the periphery of globalization. This polarity has certainly become an issue for the country both economically, socially and politically. As we can see in many developing countries there is a large discrepancy between rich and poor in Turkey. One example of this disparity is that while some regions of eastern Turkey are struggling to provide electricity and indoor plumbing to its residents, Istanbul's skyline is home to major icons such as the Ritz Carlton and Trump Towers.

To step back in time just for a moment, we need to take a long look at Turkey's contact with "the outside" world to truly understand how globalization has had an impact. Turkey's involvement in WWI was disastrous and led to some serious consequences for the country. A long period of self-inflicted political and economic isolation followed that was not lifted until 1980. A military coup saw the institution of economic liberalization and structural adjustments that previous

were lacking. This major push for change was “reformist” Turgut Özal, the first Prime Minister and then President of Turkey. Prior to these changes there were policies that were protectionist and import-substitution based. The change to a more liberal and market-oriented approach was necessary because the Turkish economy was suffocating under limits on growth. The Ozal government attempted to solve the malaise in the Turkish economy by opening up the Turkish economy to the world capitalist system. This integration saw a welcoming of foreign capital and consumer goods while simultaneously propping up the nascent retail industry.

This significant change in policy meant speedy growth in the amount of MNCs which brought large amounts of foreign capital, especial to the Marmara region, including Istanbul. One surprising statistic according to Tokatli, is that “95% of firms receiving foreign capital were founded after 1980 and 75% of these are located in Istanbul”. What this demonstrates is that in some ways Istanbul has been the beneficiary of globalization in terms of FDI. Yet on the other side of the coin we can say that it has also been the recipient of many outside ideas and individuals. A concept that has shaped how Istanbulites have begun to think and perceive their city as opposed to the rest of the country.

With the influx of economic wealth the service sector especially began to develop in Istanbul. In the 1990s something interesting began to happen in Istanbul. The sector which had brought Turkey and Istanbul into the age of globalization was the manufacturing industry, especially textiles. As Turkey was used to the side of globalization that saw external companies and individuals coming into the country it was quite ironic that in less than a decade, the country was embarking on its own globalization on a smaller scale; but we will address that later. The increased wealth saw a great increase in the investment in the service industry as well as luxury consumption. We can point to the dizzying increase in deluxe hotels, shopping centers and boutiques, department stores, fast-food chains (foreign, as well as Turkish chains), cafés, ethnic and world cuisine restaurants as evidence of increasing wealth and consumption.

The increase in foreign ideas and images can also be seen on a social scale as well with the entertainment sector. While prior to the 1980s foreign television shows or even access to music was rare, individuals in Istanbul and increasingly other cities, there is greater availability international film festivals, classical music, jazz, opera, and theater, as well as sports such as international soccer and basketball tournaments, and the Formula 1 car race.

As Istanbul and Turkey have gradually become richer over the past two decades there has been the rise of the new “middle class”. With this we have also seen a “communication explosion”. In the post-Özal era, the cell phone and the internet, both representative of this transformation, have played a significant role.

Yet there are some issues with globalization that are unique to Turkey. It would appear that Turkey’s relationship with globalization in political, economic and

cultural areas is a bit of a hybrid. Rather than being a purely one-way relationship, which is quite common in many countries that come to globalization as developing nations, it is as if Turkey is picking its relationship carefully with globalization. Rather than just accepting the effects of globalization we see that there are frequent interactions between Turkey and such supra-national institutions as the European Union (EU) and the IMF. The Turkish government is aware of its importance and relevance to the overall global system and it is willing to play an active role in its development. As a “shot caller” we can see that the nation state is still alive and well in Turkey. The model of globalization which we presented earlier in the talk may actually not exist fully in Turkey. The global village concept that exists in other regions may not have yet developed.

One aside I would like to mention is how the more integrated connections made by Turkey via globalization had an impact on Turkey’s economy in early 2000. As we know there was a mild global recession during this period felt by some countries more than others.

### Globalization and the 2001 crisis

The 2001 major crisis in Turkey was due to poor fiscal management on the part of the government. Yet there were actually 2 crises one in 2000 and a more serious one in February 2001. The fact that the first one was not dealt with in time compounded the problems in 2001. Continued spending without reigning in much needed reforms saw the lira decrease substantially in value and lead to inflation rates of nearly 35%. This had dire consequences for the financial sector in that capital was frozen and FDI came to a virtual halt. Unemployment reached 30% in some locations and the effects on individuals were disastrous. Having an unhealthy trade balance, not enough exports and a large dependence on imported energy sources did not assist the situation. It must be stressed that these three events were consequences of Turkey’s increasing integration with the global capitalist system. The country, with out proper planning participated in a system that it had not experience with.

Yet as a result of this crisis Turkey was put on the road to improved financial health. The IMF was consulted and from 1999 to 2002 there was a net assistance of \$20.6 billions issued to Turkey to help improve the economy. The solutions to the crisis however were seen in three different ways. First was a new type of fiscal austerity that targeted achieving a 6.5 percent surplus for the public sector as a ratio to the GDP. The second was a contradictory monetary policy by an independent central bank, aimed exclusively at price stability, by inflation targeting, and thirdly the structural reforms consisting of many of the customary IMF demands: privatization, large scale layoffs in public enterprises, and abolition of any form of subsidies.

After nearly 3 years of these spartan measures, Turkey was able to regain some semblance of a functioning economy. A footnote that should be added is that the reforms in 2001 helped the country weather the 2009 global financial crisis. While

it was not unscathed, Turkey was able to prevent another bottoming out of the lira by sticking to its policy of responsible spending and reformed fiscal policies. We can see that after the first major crisis, Turkey was able to learn some important lessons that assisted it with the next global crisis. The experience that Turkey has had over the course of its three decade relationship with the global economy has helped it decide which aspects of globalization it would like to participate in and which aspects it does not want.

### Globalization and Turkey's Future

To conclude we can say that globalization is a fact, it is not a matter of "if" but rather a matter of "when" and to "what degree" it will happen in a country. Perhaps it would be appropriate to end with a quote from the WTO, President Pascal Lamy, "one of the dimensions of globalization is that world economies open doors to each other – in other words, the free movement of foreign capital and finding appropriate spots for investment". We can see that over the past three decades Turkey like all other regions of the planet are increasingly feeling the effects of globalization. While we know that globalization has brought economic advantages to Turkey it has also brought up some serious questions such as how modern urban centers in Turkey are differing from rural areas or how outside ideas will influence change cultural paradigms. What we do know is that globalism will continue to impact Turkey and that the effects may not be initially seen. As Lamy has stated globalization is about opening doors to each other, Turkey, which has shown its willingness to participate in globalization, will continue to be both a contributor and beneficiary of the system.

Thank you for your time and attention