Transformation Trajectory of the G20 and Turkey's Presidency: Middle Powers in Global Governance

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Abstract

This study presents a theoretically informed account of the institutional evolution of the G20 since its foundation in the aftermath of the Asian financial crisis in 1997. In so doing, it highlights the strategic intentions of the Bush-Obama administrations in the U.S. and their counterparts in Europe to design and empower the G20; as well as the reactions of the major emerging powers who saw the G20 as a platform to challenge the status quo from within, and “middle powers” trying to intermediate in between. Afterwards, the main items of Turkey’s political and economic agenda as the rotating president of the G20 in 2015 are highlighted. In this context, the respective position of the G20 within the global governance architecture and Turkey’s demands to include issues such as energy, food security, development of small and medium sized enterprises (SMEs) and institutional links with the least developed countries (LDCs) will be taken under the spotlight.

Key Words

G20, Global Economic Governance, Middle Powers, Turkey.

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Introduction

Since the formation of the Bretton Woods regime of managing international economic relations, there have been numerous historical conjunctures during which the institutional and normative foundations of this regime have been questioned. With the impact of financial globalization and the increasing frequency of global financial crises since the 1990s, attempts to problematize and question the Bretton Woods regime on the one hand and alleviate its operational deficiencies on the other became increasingly more pronounced. In this context, the closed-circuit cooperation mechanisms among the advanced industrialized countries such as the G7, which provided informal platforms of policy coordination and conflict resolution among a select group of countries, have started to look a bit anachronistic in view of the rapidly changing balances of the world economy. Therefore, the formation of the G20 first as a technical cooperation platform among the major Central Banks and Finance Ministries in the aftermath of the Asian financial crisis represented
decision-making clubs” of advanced industrialized countries, the G20 opened a new window for participatory global governance by bringing together the 20 largest and systemically important economies across the world.

Despite their structural reservations, emerging powers such as the BRICS countries and second generation middle powers such as the MINTs or MIKTA countries attached great importance to the G20 as a paramount platform where they could directly express their demands for global governance reform to leading global platforms. Turkey has not been an exception to this general rule. As an emerging power located in the midst of strategically important regions of the Balkans, Caucasia, the Middle East and North Africa, Turkey greatly has valued the G20 since its inception as a crucial platform of global economic governance. Given Turkey’s growing diplomatic activism and expanding economic relations with regions such as Latin America, East Asia and Sub-Saharan Africa over the course of the last decade, the rotating presidency of the G20 in 2015 was seen as a great opportunity to improve the country’s global profile even further. The political leadership also perceived this Presidency as an opportunity to reflect Turkey’s main emphasis in diplomatic relations on development issues by trying to form linkages between the members of the G20 and the least developed countries (LDCs) in different geographies.
Against this background, this study is predicated on a fundamental research question that explores the respective capacity of middle powers such as Turkey to instigate structural and long-term changes in global governance platforms exemplified by the G20. To this end, the article presents a theoretically-informed account of the institutional transformation trajectory of the G20 since its foundation in the aftermath of the Asian financial crisis in 1997. In so doing, it highlights the strategic intentions of the Bush and Obama administrations in the U.S. and their counterparts in Europe to design and empower the G20; as well as the reactions of the major emerging powers who saw the G20 as a platform to challenge the global status-quo from within, and the position of “middle powers” trying to intermediate in between. The study also evaluates the considerable expansion in the policy agenda and institutional remit of the G20 over the course of the 2000s and highlights the performance and legitimacy debates that this expansion stimulated. Afterwards, the main items of Turkey’s political and economic agenda as the rotating President of the G20 in 2015 are highlighted. In this context, the respective position of the G20 within the global governance architecture and Turkey’s demands to include issues such as energy, food security, development of small and medium sized enterprises (SMEs) and institutional links with the least developed countries (LDCs) are taken under the spotlight. The particular contribution of the study centers around the potential production of generalizations concerning middle power diplomacy within global platforms in the light of both the possibilities and limits of Turkey’s middle power diplomacy within the G20.

Historical Transformation Trajectory of the G20

Even though the historical roots of the G20 as an informal international platform that brings together the largest and “systemically important” economies in the world to discuss pressing issues in financial governance go back to 1999, the real impetus for its institutionalization and elevation to the leader’s level was provided by the global economic crisis in 2008. Expectedly, the profound and deep impact of the global crisis sent a series of shock waves across the global economy, leading prominent observers to predict that its consequences would be more devastating than the Great Depression in the 1930s. Given the depth and magnitude of the initial crisis and the fact that it originated from the Global North in contrast to major previous financial crises, it became apparent that existing informal coordination mechanisms such as the G7 were unable to deal effectively with the challenges created by the crisis. Advanced industrial economies that...
entered the crisis conjuncture with structural problems in their financial sectors and were urgently expected to initiate radical reforms acted in slow motion to kickstart a restrained move for recovery. In the immediate post-crisis period, moderate employment growth in the U.S., continuing economic stagnation in Japan despite the expansionist policies of Abe government and the European sovereign debt crisis which triggered levels of unemployment in some countries hovering around Great Depression levels continued to underscore the fragile nature of the global economy.¹

While the growth momentum was temporarily restored in the emerging economies outside the core of the global system between 2010 and 2012, serious concerns of recession were revived with lackluster growth and declining global demand after 2013. The pace of exchange rate adjustment and potential asset price bubbles in China, which also witnessed declining growth, also caused serious concerns, along with a new round of currency wars between the United States, the European Union and the emerging markets to keep their economies competitive under tense conditions.

This was hardly surprising as the multipolar global structure reflected a sophisticated network of flows between established industrial economies and emerging economic powers whereby non-state actors played a prominent role alongside nation-states. Therefore, multifaceted forms of interaction were established between the transnational market economy and the neo-Westphalian system of competing nation states.² The perceptive change in the major parameters of the ‘unipolar global political economy’³ dominated by the US in the context of the ‘embedded liberal compromise’⁴ of the post-war era and two generations of neoliberalism since the 1980s (forms of Washington and Post-Washington Consensus) acquired a new impetus with the global economic crisis after 2008. In retrospect,
the key policy lesson to be derived from the substantial impact of the global crisis was that the rapid evolution of global financial markets and the integration of the global financial system far outpaced the development of comprehensive international regulatory frameworks. In other words, the expansion and intensification of international financial integration proceeded under a serious deficit in global governance which was deliberately neglected for a long time by prevalent actors in the system. Up until the explosion of the global crisis, international financial markets went through an accelerated process of integration thanks to advancements in legal and technical infrastructure, whereas macro-prudential regulation and supervision, intended to prevent crisis tendencies, were taken rather lightly by national authorities. Ideologically, on the other hand, the continued prevalence of the revamped neoliberal globalization rhetoric provided a useful discursive support for this policy failure.

As the institutional design and control of the whole G20 process was carefully completed under an Anglo-American compact, the image of participative multilateralism was conceived politically useful for the White House.

In this environment, major investors and institutions dealing with financial mediation skillfully exploited the existing legal and regulatory gaps in frameworks between relevant authorities within countries and across different national jurisdictions. The natural consequence of excessive risk-taking and insufficient global regulatory oversight was an accumulation of systemic risks threatening the sustainability of the global financial system and vibrancy of the real economy. The widespread sensation of panic in the immediate aftermath of the global crisis highlighted the importance of preparing the right international regulatory framework “before” the advancement of global financial integration on the ground. To put it differently, it became commonsense to raise the idea that “globalizing regulation” has to be seen as an inevitable counterpart and balancing act to the “globalization of capital markets”. What this meant especially for the theory and practice of global economic governance was the rise of yet another wave of neo-regulationism in the context of existing and novel institutional structures.

The recognition concerning the urgent necessity for more effective regulatory oversight was especially strong in the United States as the global financial meltdown that started in October 2008 was widely perceived as an American product due to the contagion effect of the sub-prime mortgage crisis and
the collapse of key private financial institutions such as Lehmann Brothers and AIG. In order to stimulate a shared and participatory response by all crucial players in the global economy and alleviate the image of a “declining hegemonic power”, the American administration swiftly instigated a strong and high-level diplomatic campaign. However, given the kind of vulgar unilateralism that the Bush administration followed under a strict neoconservative ideology in geostrategic matters such as the military invasions of Afghanistan and Iraq, the inclusive diplomatic endeavor that led to the elevation of the G20 to the leader’s level as the leading global forum on economic governance was both a surprising and smart move. By creating an umbrella organization at the leader’s level and enhancing the restrictive club of G7 by including rising powers led by China, India and Brazil in the heart of the governance framework, the United States administration successfully created a sense of “complex interdependence” and shared responsibility for the future of the world economy, while deliberately paving the way for debates of multipolarity in the global system. On the other hand, as the institutional design and control of the whole G20 process was carefully completed under an Anglo-American compact, the image of participative multilateralism was conceived politically useful for the White House. That is why the Obama administration continued its enthusiastic support for the G20 process in the aftermath of the presidential elections.

Successive U.S. administrations acknowledged responsibility both for causing the contagion and dealing with the repercussions of the global financial crisis through expanded forums of international cooperation. American efforts for the establishment of a high-level coordinating body that would engage with global economic governance started with initiatives aimed at forming linkages with existing institutional establishments. Most notably, the decision to hold a special meeting of the G20 Finance Ministers on the margins of the semi-annual meetings of the World Bank and IMF after 2008 constituted a watershed decision to determine the future configuration of the group. The more technically-oriented group comprised of the Finance Ministers and Central Bank Governors of the G20 members was already coming together under the aegis of the IMF since the immediate aftermath of the Asian financial crisis in 1999. In this context, innovative policy entrepreneurs, such as the Canadian Prime Minister Paul Martin, performed a crucial function of convincing the major global actors to elevate the Forum to the leader’s level.

However, when Paul Martin and the U.S Treasury Secretary Lawrence Summers tried to come up with a list of countries that ought to be included
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three summit meetings were held in Washington D.C. (2008), London (2009) and Pittsburgh (2010). Closed circuit institution building reached its zenith when the leaders of the member states recognized the G20 as the “premier forum for international economic cooperation” (read as global economic governance) and established the Mutual Assessment Process (MAP), which sought to promote “strong, sustainable and balanced growth” through multilateral review of and consultations on members’ policies. 

From the perspective of debates on “reordering and multipolarity” in the global system, the formation of the G20 as a top-level coordinating body reflected an ambitious but realistic vision to open up the management of global economic governance at the zenith of power. Given the insufficiency of informal coordination mechanisms such as the G7 to cope with the impact of the global economic crisis, the decision to bring
together 20 leading powers, including representatives of the Global South such as the BRICS countries led by China, and MINTS such as Turkey, Indonesia and Mexico, was an unavoidable one.

As the emerging market economies have grown and increased their clout within the global economy, the Bretton Woods system, with its exclusionary rules and institutional structures, have increasingly been called into question for no longer reflecting the global balances of economic power, nor the responsibilities that various countries needed to exercise for the management of the world economy.

In retrospect, the coordination performance of the newly elevated G20 was impressive in its capacity as a rapid reaction force following the global crisis. Symbolically, one of the most important achievements of the G20 was to transform global financial governance from an operational area seen as a sole preserve of the Global North to a shared operational area between the Global North and the South. Both the Washington and London Summits witnessed the production of concrete action plans, which included crucial steps to improve financial oversight and regulation by reforming existing financial institutions and creating new ones such as the Financial Stability Board (FSB). From the perspective of emerging powers, the G20 also became a powerful international platform on which various proposals for the reform of global financial architecture including IMF reform were voiced with rigour, even though most of these proposals could not be realized due to congressional resistance in the U.S.

The evolution of the policy agenda of macroeconomic coordination within the G20 went through three successive phases over the last few years. In the first one, which comprises the period from the Washington to Pittsburgh summits, the policy focus was on stimulating the global economy across the board by supporting growth and alleviating financial fragilities. All the G20 members were requested to contribute to the collective effort to the extent permitted by their domestic fiscal situation, as fighting against the global recession was accepted as a common public good. In the second phase, which comprises the period from the Toronto to Cannes summits, the policy agenda shifted towards a more complex and comprehensive set of policy objectives with the aim of combining continued support for growth and budgetary consolidation, while avoiding a resurgence of acute global imbalances.
In the last phase, which comprises the period from the Cannes Summit to the present, the focus of the policy agenda shifted to the alleviation of the European sovereign debt crisis and potential contributions to its solution from the rest of the world’s leading economies. During the transition from the earlier to the later stages, disagreements among the G20 membership as well as between the members and non-members became more pronounced. Especially in this final phase, frictions among the G20 members have increasingly surfaced in view of the substantial financial contributions demanded to bail out ailing European economies.16

Challenging the Status Quo From Within: The Attitude of Emerging Powers towards the G20

In understanding the attitude of emerging powers towards the G20 it is imperative to look at the evolution of the rules that govern and shape global economic engagement. Needless to say, these rules do not simply include formal black-letter law such as the main rules and regulations concerning international trade, but include accepted norms of behavior that keep the international economic system operational. Both the formal rules and normative principles impacting on the functioning of the global political economy in its current configuration were determined by the Euro-American compact following the Second World War. But the liberal assumption that these rules also served other nations by providing common goods and ensured global growth and prosperity was kept as the ideational basis of the original and revamped Bretton Woods systems. For much of the post-war period, the agreed rules of international finance were determined by the Financial Stability Forum and Bank for International Settlements (BIS) dominated by the U.S., Great Britain and Germany. The international principles of financial crisis resolution were determined by the IMF and World Bank, dominated by the global powers in the G7. The framework rules of international trade were determined by the General Agreements on Tariffs and Trade (GATT) system, also dominated by the G7 and Western powers, which triggered increasing rejections from emerging powers up until the foundation of the World Trade Organization (WTO) in 1995.

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needed to exercise for the management of the world economy. There have already been fundamental changes to governance and membership of the rule-setting bodies (middle powers such as Canada and Australia especially pushed for these changes), but permanent change in governance structures in a way to give more voice and representation to emerging powers was needed. Therefore, the formation of the G20 and its elevation to a leader’s-level forum was a crucial indication of at least formalistic inclusion of the emerging economies into global economic decision-making.

In this context, unlike previous attempts to reform the G7 group of developed states from inside, the formation of the G20 provided formal equality to emerging powers in global governance with the established actors of the global economic system. Confirmation of this elevated status for the emerging powers was visible through the assumption of rotating Presidency of the G20 Finance Ministers group by India in 2002; China in 2005 (despite its partial financial integration); South Africa in 2007; and Brazil in 2008 in the midst of the global financial crisis. In the following years, the respective responses of emerging powers to the new formulation of the G20 has varied considerably. To begin with, it was commonplace to portray the large emerging powers within the group of BRICS as the major winners from the institutional elevation of the G20 because they acquired the opportunity to bargain with the conventional powers on a level playing field. In this respect, the elevation of the G20 to the political leader’s level was interpreted as an unprecedentedly successful attempt by the major emerging powers to extend their participation in key institutions of global governance. The BRICS countries, led by China, were particularly satisfied for being included in this new platform of international cooperation as their formal status and bargaining power was elevated. But at the same time, they followed a smart “hedging strategy” by following multiple policy agendas in different institutional bodies and carefully tried to keep them isolated from each other.

The roots of this reluctance on the part of emerging economies to lend full commitment to the G20 process could be traced back to the memories of other exclusionary institutional experiments such as the GATT regime.

Therefore, the choice of the BRICS countries was to follow a relatively low profile within the forum and to avoid leading the G20 on a number of key initiatives by taking responsibility on an individual or group-based fashion.
Especially China, India and Brazil followed an approach to the G20 reminiscent of their attitude within the World Trade Organization, where they interfered into motions which seemed in open conflict with their essential national interests, but avoided acting as policy entrepreneurs who proposed innovative cooperation models. Being perfectly aware that the G20 process was principally an Anglo-American initiative and the policy agenda was determined in the Atlantic axis, the major emerging powers in the BRICS preferred to keep their alternate options for international and regional cooperation open.

Comparatively speaking, the roots of this reluctance on the part of emerging economies to lend full commitment to the G20 process could be traced back to the memories of other exclusionary institutional experiments such as the GATT regime. As known, the GATT system was structured as a “rich men’s club” where negotiations were held on an invitation-based and secretive “green room” meetings among the systematically important actors such as the U.S., E.U., Canada and Japan. Historically, this kind of exclusionary decision making on issues that would influence the majority of developing countries has triggered widespread resentment and resistance against the GATT and encouraged developing countries to focus on alternative platforms within the United Nations over the course of the 1960s and the 1970s, such as UNCTAD and UNDP.19 In turn, the reform of the international trading system witnessed the creation of the WTO as an inclusive platform, which includes emerging powers along with the established ones and with improved transparency procedures for the smaller and poorer countries. Although the G20 was constructed as a relatively inclusive forum of global governance compared to the GATT, it was still seen to be lacking the transparency and accountability elements that would be required from any international institution aspiring to acquire widespread legitimacy.20

As the main motivation which brought the BRICS countries together stemmed from their common desire to become insiders and founding actors within the central institutions of global governance, declaratory calls regarding support for the G20 were maintained in a measured manner. But this support was confined to the conception of the G20 as an instrument of realizing the more pressing issue of equality of representation in central institutions of global governance. Therefore, various declarations of the BRICS group often recognized the G20 as a crucial global coordination mechanism to realize macroeconomic policy coordination and ensure growth, while calling for a radical reform of the international monetary and financial systems in a way to increase the say of the emerging markets and developing
countries, especially with reference to critical issues such as the IMF’s quota system.  

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Therefore, it was not surprising to see that despite declaratory calls raising the “same boat spirit” between developed and developing countries within the G20, the sense of common economic destiny was largely confined to the immediate aftermath of the global financial crisis. Once the worst of the financial calamity was over, national economic priorities and ambitions for international competitiveness prevailed over superficial calls declaring the need to maintain a strong and stable financial system. Nonetheless, the BRICS countries, while criticizing some of the operational principles of the G20, avoided giving the image of a rival grouping and instead preferred to act as a lobby group within the G20 with limited commitment for making sacrifices for global stabilization. However, the complex nature of the composition of the countries involved in the G20 meant that most of the critical issues concerning global economic governance triggered the formulation of cross-cutting cleavages around which there emerged mixed and ad hoc coalitions of established and emerging powers.

This state of affairs was totally understandable as the G20 process itself has become the institutional site for a number of conflicts within the global political economy: G20 members included countries with a current account surplus versus current account deficit countries; there were members who were seen responsible for currency manipulations, as well as members whose currencies were manipulated; there were established democracies versus authoritarian regimes; developed versus developing economies, and so on. Moreover, it is still questionable whether the emergence of the G20 as more than a rapid reaction force against the global crisis is doing any good to the existing institutional structures of global governance. There is a strong case arguing that the attitude of the G20 to “stand above” formal institutions such as the WTO, IMF and World Bank with specific policy responsibilities triggers unnecessary turf wars among technocrats, and makes the solution of technical problems even more difficult.

In effect, the G20 has been trying to be active in agenda setting in international trade and macroeconomic management issues without the ownership of the majority of its members. In some cases, it
even tried to get involved in geopolitical confrontations exemplified by the decision to exclude Russia from the 2014 Summit over its invasion of Ukraine. But the BRICS countries successfully countered this motion and displayed that they will not shy away from protecting existing alliances and sub-coalitions within the G20 platform when the going gets tough. These experiences in sensitive geopolitical issues such as conflict zones around the Black Sea and Middle East regions must constitute policy lessons for the Turkish Presidency to calibrate their expectations as the management of the group is carried out throughout the year 2015.

Building Bridges Through Diplomacy: Middle Powers in the G20

In the conventional genre of the international relations literature, the term *middle powers* is often used to indicate those nation-states that are not expected to act effectively in the global system via unilateral actions; but may be able to exert a systemic impact in small groups or alliances through multilateral institutions. These nation-states are not generally considered as major global powers, but they still possess crucial coalition-building capacities with the global and regional actors, which gives them increased clout. When the general trends in the aftermath of the Second World War are evaluated, there are apparent commonalities that characterize middle power behaviour including: a commitment to work through multilateral institutions and a rules-based international system; selecting niche areas on which specific foreign policy priorities are focused; engaging in intensive conflict resolution activity; and trying to contribute to regional and global public goods. The basic rationale underlying the tendencies of middle powers is to curb the unilateral temptations and club behavior of great powers in the global system. However, successful execution of such international engagement obviously requires a host of material and human resources, an innovative diplomatic elite core and a national ambition to play a high-profile and visible role in international platforms.

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In this theoretical context, it needs to be emphasized that a number of middle powers have effectively utilized the G20 as a suitable international platform to raise their global visibility and effectiveness. In
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general, these were relatively developed emerging economies that were not as sizeable in terms of population or geographical extension as the major emerging powers of China, India or Russia. This category of middle powers fits nicely with the newly established MIKTA group of countries, namely Mexico, Indonesia, South Korea, Turkey and Australia, as well as the traditional middle power, Canada. As this select group of countries had more to gain from following the code of conduct within the G20, they exercised agency within the complicated G20 framework and acted as policy entrepreneurs between established and emerging powers in critical conjunctures. Successful examples of middle power diplomacy within the G20 were witnessed during the co-presidency of Canada and South Korea in 2010, the Mexican Presidency in 2012, the Australian Presidency in 2014 (and possibly, the current Turkish Presidency in 2015). In an environment where the established powers have formed institutional groups such as the G7 and major emerging powers through the BRICS group of countries, such middle powers had a much greater incentive to get actively involved in G20 processes, since they were potentially more vulnerable to structural shifts and shocks in the world economy. Indeed, as the heterogenous group of the G20 ran into various bottlenecks, middle powers utilized these as opportunities to emerge as innovative policy entrepreneurs. Moreover, institutional innovations such as the Troika of the G20 provided new avenues for the impact of middle powers on global governance through participatory decision making.

Compared to the hedging strategy of the BRICS countries, middle powers acting as insiders in the G20 showed a high degree of commitment to the activities of the forum. More often than not, they were able to increase their policy effectiveness by focusing on specific and targeted activities within the G20 and forming coalitions through various working groups. Therefore, middle power diplomacy traditionally focused on coalitional activity with established and emerging powers on specific issues during the day-to-day running of the G20 governance, rather than the high-politics of summit diplomacy. After all, in the context of a volatile and shifting global order, it would be too simplistic to conceptualize the internal politics of the G20 by looking at the dichotomy of established versus emerging powers. The middle powers, for their part, exert considerable influence on the policy agenda and act as practical stabilizing forces within the forum by diffusing conflicts on specific issue areas. So far, the most effective forms of middle power diplomacy have been realized by South Korea and Australia, whereas potentially important middle powers such as Turkey and Indonesia have been comparatively...
less effective in determining the policy agenda and diffusing conflicts. However, both of these countries possess great potential to leverage their systemic and geostrategic importance into middle power diplomacy and Turkey’s Presidency of the G20 in 2015 constitutes a great opportunity to increase her influence in this respect.

Arguably, South Korea displayed the most exceptional attitude of diplomatic assertiveness among the middle powers in the advancement of niche issues in the context of the G-20 process. In that respect, South Korea’s successful middle power diplomacy, if studied carefully, might offer crucial lessons for the political leadership and technocratic figures responsible for policy implementation in Turkey. In retrospect, South Korea’s success in policy entrepreneurship resulted from careful strategic planning, targeting the right issues and setting traceable policy targets. By utilizing conventional instruments of middle power diplomacy, such as quiet shuttle diplomacy and issue-based mediation, South Korea surprisingly exerted a political weight which went beyond Japan, China and India within the G20. This is clearly illustrated with Seoul’s success in convening the first G20 summit outside the Anglo-Saxon world in 2010. Under its presidency, South Korean leadership developed policy proposals which could be acceptable for both the developed and developing countries at the same time such as the proposal to boost domestic demand in China to support global growth, or strengthening the IMF’s crisis prevention role by expanding emergency funds to be offered to developing countries in times of potential financial crises. As a country which realized a fast structural transformation over the course of the last decades, South Korea also acted as a “bridge-builder” between the advanced industrialized and newly industrializing countries with significant human development needs.

The commitment of innovative middle powers such as South Korea to open-ended international processes such as the G20 is expectedly far greater than that of the larger emerging powers such as the BRICS countries, which practically limit their presence to a blockage function. Countries such as Australia, Indonesia, Mexico, and Turkey have a large stake in acting as innovative policy entrepreneurs and making substantial intellectual contributions to ongoing global policy debates, so that they could exert a weight above their actual material capacity in the global system between established and emerging powers. However, this priority obviously necessitates a narrowed policy focus on specific issue areas in which there is a realistic chance of finding compromises.

From a different vantage point, the thematic strategy followed by smaller but systematically important countries
such as Singapore and Switzerland, which constitute the core of the Global Governance Group (3G), is also illuminating. As soon as the G20 platform was elevated to the leader’s level, Singapore, as a non-member, took the initiative to arrange inclusive meetings with non-members, especially those which were placed under intense pressure in the context of decisions against offshore financial centres. The form of smart economic diplomacy adopted by the political leadership in Singapore aimed to form more equitable relations with the G20 forum through the 3G initiative. From the perspective of global governance, on the other hand, the involvement of smaller countries to discussions on specific aspects of global governance provided an additional dimension of international legitimacy to the G20. The Obama administration tried to widen up this legitimacy window further by including representatives from economic agencies of the United Nations to the G20’s Sherpa meetings. But as far as Singapore was concerned, policy advocacy on a specific issue area such as offshore financial centres allowed this small but effective state a de facto “insider status” within the G20, as a result of which it was invited to successive G20 summits by the host countries. Singapore, along with countries that had a vested interest in negotiating financial issues and offshore financial centers, such as Switzerland and Lichtenstein, joined the group of rule makers in the context of global economic governance through platforms such as the Financial Stability Board (FSB), rather than staying as passive rule takers.

Expanding Mandate, Shrinking Legitimacy: Structural Problems of the G20

Following the Pittsburgh Summit (2010), the policy agenda of the G20 began to gradually expand into various policy areas including energy security, climate change, poverty alleviation, job quality, trade and investment. The expansionist trend in the institutional remit and mandate of the G20, which crystallized in the post-Pittsburgh period, has largely continued unabated so far. In the meantime, the Cannes Summit (2011) was convened amid high expectations concerning effective steps in critical issues of global governance, including the management of the Eurozone crisis. But developments in the aftermath of the Summit proved that those expectations were largely premature and unwarranted as far as the institutional capacity of the G20 was concerned. Especially the emerging powers led by the BRICS countries, despite formally collaborating with their Western partners for global stability within the G20 framework, proved
decisions and follow up those decisions with independent action through a spirit of mutually beneficial cooperation. In the long-term, the institutional effectiveness of the G20 will remain dependent on entrenching a common understanding that such cooperation is vital to achieve global stability and prosperity. Leaving aside the sense of collective responsibility and voluntary cooperation, there is no supranational authority or legal framework to enforce the G20 decisions and agreements via existing international institutions which operate with rather circumscribed remits. 30

Frankly speaking, continued expansion in the policy agenda of the G20 following the global economic crisis created an unavoidable sense of agency-creep and decline in institutional credibility and effectiveness. In this process, regular compliance with the G20 policy proposals generally came from advanced industrial economies, particularly in areas relating to prudential macro-economic policy measures in line with their national interests and limited reform of international financial institutions. Hence, the ambitious vision stated at the Pittsburgh Summit to make the G20 the Central Forum of Global Governance had to be downgraded as the group was increasingly stuck in national debates in sensitive areas such as trade, employment, property rights and development. There emerged a vicious institutional circle whereby the

Especially the emerging powers led by the BRICS countries, despite formally collaborating with their Western partners for global stability within the G20 framework, proved extremely reluctant when it came to share the substantial financial burden of reviving the European economy.

Although the effort which culminated in the construction of the G20 forum represented one of the most important achievements in international diplomacy and cooperation, the mere existence of the forum did not guarantee a solution to the profound problems of global financial governance, regulation and institutional reform. The crux of the G20’s effectiveness was the willingness of its members to formulate common decisions and follow up those decisions with independent action through a spirit of mutually beneficial cooperation. In the long-term, the institutional effectiveness of the G20 will remain dependent on entrenching a common understanding that such cooperation is vital to achieve global stability and prosperity. Leaving aside the sense of collective responsibility and voluntary cooperation, there is no supranational authority or legal framework to enforce the G20 decisions and agreements via existing international institutions which operate with rather circumscribed remits. 30

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G20 began to lose its original purpose and direction as the initial urgency of the global financial crisis has gradually abated. The leading members of the group in the Western world constantly tried to reshape its operational mandate within a broader policy agenda. However, an ever-broadening policy agenda without clear institutional mechanisms proved increasingly less realistic and further undermined the authority and credibility of the forum.

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In this vein, developments in the field of international trade provide ample material displaying the reel-politique aspects of the institutional limitations of the G20. The global financial crisis in 2008 did not trigger marginal forms of protectionism and beggar-thy-neighbour policies comparable to the levels in the 1930s, largely as a result of the coordination efforts by the G20. However, the success of the G20 to maintain the relatively liberal nature of the international trading system amidst the crisis was not reflected into the advancement of the complicated trade negotiations among its members in the context of the Doha Round (The Doha Development Agenda) of the World Trade Organization. Despite calls from the G20 to conclude the Doha round in a reasonable time frame, specific disagreements on a plethora of issues continued in the light of varying national interest definitions. Similarly, the G20’s decision to focus on critical issues such as global value chains and food security proved controversial and attracted strong criticisms at the World Trade Organization Conference in Bali in 2013. Therefore, it seems that there is an inverse relationship between the perceived legitimacy and effectiveness of the G20 as an international governance platform, and the scope of its designated mandate, which shall be taken into consideration while contemplating its future under the Turkish presidency.

On the other hand, although the G20 was presented to the global public opinion as an inclusive global governance platform, the emerging powers were not included in the early stages when the institutional structure of the group was designed. This exclusivity created certain problems of legitimacy and representation from the inception of the forum and triggered various criticisms from non-members. For instance, as a non-member from Europe, Norway was among the most vocal critics of the G20, frequently
questioning the mandate of this platform to take decisions with potentially global implications. Moreover, it was stated that the G20 did not have clear criteria for membership; members were hand-picked from among the 20 largest and systemically important countries in the world economy, but the notion of “systemic importance” was defined by a handful of core economies. More importantly, unlike the informal groupings like the G7 that were essentially defined as “discussion clubs”, the G20 assumed a self-designated formal position as the institutional hub of global financial governance, so that other technical institutions such as the IMF and the World Bank were given directions. Non-members, including some of the advanced but smaller economies such as Singapore, Switzerland and Norway, were also expected to follow the decisions made by the group in the name of protecting global stability. From another angle, the exclusionary nature of G20 membership meant that not a single country from among the least developed countries (LDCs) was included in this elite group, as a result of which most urgent issues of global development were not reflected into the policy agenda. This issue constitutes a clear window of opportunity for the Turkish leadership despite debates about the over-extension of the mandate.

Despite hitherto mentioned limitations of legitimacy, so far the practical value of the G20 has resulted from the willingness of leading political actors to engage with the pressing problems of the post-crisis period that could exert a destabilizing impact on the whole global economic system. However, the underlying tendency of the Western leaders to expand the scope and mandate of G20 operations into critical areas such as development, food and energy security, governance reform and anti-corruption measures, triggered widespread resistance from members and non-members alike. The lesson for the Turkish leadership is that the future vision of the G20 should be drawn in a realistic manner by taking the issues of legitimacy and effectiveness into account and developing more inclusive strategies.

Turkey’s Role as the G20 President: Middle Power, Agenda Setter and Bridge Builder

Turkey has been an integral part of the G20 process since its inception in 1999 in the immediate aftermath of the Asian financial crisis. Turkey’s inclusion in the G20 was not surprising as it was within the largest twenty economies with respect to its share of world GDP at purchasing power parity (PPP), as well as its population. But its substantial economic size and statistical significance notwithstanding, Turkey’s inclusion also reflected a strategic decision on the part of the founding fathers of the G20 in
view of its various crucial assets. As a regional power located in the midst of the Balkans, Caucasus, the Mediterranean and the Middle East, Turkey was equipped with precious historical, economic, cultural and political ties with numerous countries in its surroundings and beyond. Being a manufacturing-based economic powerhouse in the Middle East, it possessed the largest national economy in the Muslim world in both current prices and PPP measures, followed by Indonesia. Moreover, it had institutional ties with the Western world as a member of NATO, the OECD and the Council of Europe, while pursuing accession negotiations for full membership with the European Union. As far as global financial governance is concerned, Turkey has had a long-term relationship with the IMF and the World Bank, first as a debtor country in the context of stabilization programmes and later as an active and constructive player in the international scene. Therefore, from the inception of the G20, Turkey’s involvement in this major platform of global economic governance was wholeheartedly supported by the founders, who conceived Turkey’s membership as an opportunity to bridge Asian countries with Europe; and developed countries with developing countries.33

From the perspective of shifting global power balances in the world system, it seems plausible to categorize Turkey as a middle power reminiscent of other G20 members such as Australia, Mexico, Indonesia and South Korea (MIKTA). Turkey’s rising foreign policy activism, intensive visibility in international platforms, and conflict resolution initiatives over the course of the last decade reflected most of the predominant features of classical middle power behaviour. In this sense, holding the rotating presidency of the G20 provides novel opportunities for Turkish policy makers to carry the diplomatic weight of the country from the field of conventional interstate diplomacy to economic diplomacy and increase Turkey’s gravitas through the G20 as the leading platform of global economic governance.

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As far as prudent financial and macroeconomic governance is concerned, Turkey has drawn many lessons from the crises in the 1990s and the twin financial crises it experienced in 2000 and
2001. In the context of a stabilization programme dubbed “The Programme for Transition to a Strong Economy,” the entire national framework of macroeconomic and financial regulation went through a radical overhaul in the first decade of the new millenium under Economy Minister Kemal Derviş and later under successive AK Party governments. Major improvements were achieved with regard to capital adequacy and liquidity ratios, enhancement of deposit-based funding and the political autonomy and professionalization of the Central Bank (TCMB). Furthermore, the strengthening of autonomous regulative bodies such as the Banking Regulation and Supervision Agency (BDDK), Financial Markets Boards (SPK) and the insertion of stricter licencing for new financial institutions, revitalized the banking sector as a major sponsor of sustainable growth. In some areas, the financial regulatory architecture in Turkey became even more robust than that of some of the advanced industrialized countries, a fact which has been frequently stressed in admiration following the global economic crisis. Despite the negative impact of the global crisis in 2008-2009, Turkey showed one of the best crisis-exit performances in the world following China, and maintained its position within the G20 as a confident and respected economic actor with sound fundamentals.

**Turkey’s Potential Contributions to the G20 Agenda**

As the G20 is a predominantly leader-driven international platform, the most important advantage of holding the rotating presidency and hosting the summit meetings is to oversee and contribute to the agenda formation processes throughout the year. Therefore, the G20 presidents usually try to add new items to the standard financial/economic G20 agenda to leave their mark on global governance debates. As a proactive and ambitious middle power, it is only normal that Turkey will follow a similar path and bring some of the pressing global issues that are normally dealt with by the United Nations or other international organizations to the G20 agenda. But before moving on to Turkey’s priority agenda items under its presidency, some procedural clarifications are in order.

When it comes to the internal coordination of the G20 process within the Turkish state mechanism, the G20 Summits are conventionally attended by the Turkish Prime Minister in charge, rather than the President, at a given point in time. At the meeting of Finance Ministers, Turkey is represented by the Coordinating Economy Minister, who is generally appointed as the Deputy Prime Minister at the same time.34 The
more technical meetings of G20 Deputy Finance Ministers is attended by a top-level economy bureaucrat responsible for the management of the Turkish treasury, operating under the Prime Ministry and Coordinating Economy Ministry, namely the Undersecretary of Treasury. Finally, the Turkish Sherpa, indicating the political representative of the country’s leadership, is a top-level diplomat from the Ministry of Foreign Affairs. 35 Over the years, there emerged a de facto division of labour between the Undersecretary of Treasury, who coordinates Turkey’s financial and economic agenda within the G20 including external relations with the IMF and the World Bank on a technical level; and the Sherpa, who undertakes the coordination of the broader political and diplomatic agenda that incumbent governments wish to bring to the attention of the G20 members.

Regarding most of the controversial policy issues on the G20 policy agenda concerning international trade rules and poverty alleviation issues, Turkey’s position has approximated to the position adopted by developing countries and emerging markets.

Depending on the international conjuncture and pressing global matters, the agenda items pursued by the Sherpa have included a wide range of issues such as international development challenges, climate change, migration, epidemics, human trafficking and so on. The historic speech made by Prime Minister Ahmet Davutoglu at the G20 Summit in Brisbane at the end of 2014, gave the first indication on the issues that the Turkish leadership wanted to bring to the international agenda, including the Middle East peace process, migration flows from Syria and Iraq, the Ebola epidemic in Africa, development challenges facing the least developed countries (LDCs) and global coordination on food and energy security. Specifically, the issue of supporting small and medium sized enterprises (SMEs) to foster global growth is selected as the main theme to be pursued under the Turkish Presidency, cross-cutting all other agenda items. 36

Turkey’s Respective Stance on Economic Agenda Items of the G20

In retrospect, Turkish economy bureaucrats and diplomats have followed the fundamental policy debates on the reform of global governance architecture within the G20 with great interest since its inception and tried to make substantive contributions. Turkey’s respective stance within this global platform has predominantly reflected
its national identity as an emerging market with substantial developmental needs. Therefore, regarding most of the controversial policy issues on the G20 policy agenda concerning international trade rules and poverty alleviation issues, Turkey’s position has approximated to the position adopted by developing countries and emerging markets. However, when it came to the issues related to the modernization of the global financial system, Turkey has stood firmly with the core countries in the G7 and constantly stressed that a sharp split between the developed and developing countries concerning financial reform would seriously harm the G20 process.

Ankara is especially interested in seeing a comprehensive quota reform that would transform the IMF to a more representative international institution and a doubling of the IMF’s total quota allocations so that its institutional capacity could be enhanced dramatically.

For instance, in view of the robust nature of its financial sector following comprehensive regulatory reforms in the 2000s, Turkey fully supported the G20 agenda on global financial oversight and regulation, which assumed very limited intervention into international financial flows. Yet, just in line with its optimum middle power attitude, Turkey also tried to play a constructive role within the G20 as a member of the OECD group of industrialized countries and an emerging market, and tried to alleviate the concerns of emerging markets over the destabilizing impact of short-term capital flows.

Turkey’s emerging market identity is most visible when it comes to debates concerning a radical overhaul of the Bretton Woods institutions in a way to give more voice, power and responsibility to the emerging markets in global governance. Turkish delegations have continued to press for a second round of more radical quota reform in the IMF along with major emerging powers, despite it being one of the four countries that took best advantage of the \textit{ad hoc} quota increase in 2006.\textsuperscript{37} Ankara is especially interested in seeing a comprehensive quota reform that would transform the IMF to a more representative international institution and a doubling of the IMF’s total quota allocations so that its institutional capacity could be enhanced dramatically. In this sense, structural reform of the Executive Board of the IMF, where the European Union is overrepresented, is a related issue. However, with Turkey’s entrance into the Executive Board of the IMF in 2012, this issue was relegated into a secondary position of national strategic importance.
One of the major financial topics for Turkey’s G20 Presidency concerns the respective position of the international credit rating agencies in the world economy and prospects for better global regulation.

On the other hand, Turkey stands shoulder to shoulder with the BRICS countries and emerging markets in questioning the contentious “gentlemen’s agreement” between Europe and the U.S., which assumes that the Managing Director of the IMF shall be from Europe; while the President of the World Bank shall be from the U.S. In line with Turkey’s principled and inclusive foreign policy line, the Turkish delegations stress that top management positions of international institutions should in principle be open to individuals from all nationalities from the developed and developing world, so that existing levels of organizational legitimacy and policy ownership could be improved. Moreover, Turkey supports the position of South Korea and similar middle powers in pushing for a more open, transparent and objective eligibility criteria for IMF financial assistance through channels such as the Flexible Credit Line, which was designed as a more flexible crisis prevention and resolution instrument based on ex ante conditionality for well performing economies. Likewise, as a developing country which had to endure 19 IMF Stand-by Programmes as a result of recurring financial and macroeconomic crises before the achievement of a sustained growth path in the 2000s and seizure of credit relations in 2008, Turkey is rightly sensitive towards the intrusive character of IMF conditionality. It supports initiatives to reduce the political and economic intrusiveness seen in the application of IMF conditionality and argues that there should be more national ownership for effective crisis prevention and response.

One of the major financial topics for Turkey’s G20 Presidency concerns the respective position of the international credit rating agencies in the world economy and prospects for better global regulation. The debate concerning the methodologies, institutional alignments and links of international credit ratings agencies is a hotly debated topic in Turkey, as it is in numerous emerging markets negatively affected by allegedly unfair ratings evaluations and double standards. Many emerging economies have expressed serious concerns about the scientifically questionable methodologies; different evaluations between similar cases in different conjunctures; as well as the lack of transparency and accountability of these institutions in assessing major banks and treasuries with crucial consequences. Turkey will certainly utilize its G20 presidency as a perfect opportunity
globally coordinated financial transaction (or Tobin) tax (FTT) to control speculative attacks and promote development, decision-makers in Ankara adopted a negative stance arguing that such transnational taxes would only increase costs in the global financial system. This rather conservative approach towards international financial controls has a lot to do with the existence of a sound deposit insurance system in Turkey (TMSF) and the fact that the state did not have to bail out any banks during the global economic crisis.

Since the elevation of the G20 to a global governance forum at the leader’s level, Turkey’s official position regarding the institutional remit of this global platform has been crystal clear. Turkey has consistently advocated that the overall political agenda of the G20 Summits must be broadened considerably so that this crucial platform could play determining roles in development-related and humanitarian issues beyond narrow technical debates on global financial governance.

Finally, Turkey supports the G20/OECD initiatives that were started by Germany and France against the abuse of banking secrecy rules for the purposes of tax evasion and transferring financial resources illicitly to offshore tax havens. This is also quite normal given that the Turkish state institutions are eager to establish tighter domestic control mechanisms over companies and individual investors attempting to stay in the grey economy or realize tax fraud via illicit transfer of funds abroad. However, despite its willingness to toughen up the rules against tax evasion and illicit transfers, Turkey stood distanced from categorical controls on international financial flows. For instance, with regard to debates in the G20 to institutionalize a globally coordinated financial transaction (or Tobin) tax (FTT) to control speculative attacks and promote development, decision-makers in Ankara adopted a negative stance arguing that such transnational taxes would only increase costs in the global financial system. This rather conservative approach towards international financial controls has a lot to do with the existence of a sound deposit insurance system in Turkey (TMSF) and the fact that the state did not have to bail out any banks during the global economic crisis.

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responding to the global crisis. Therefore, there was always close attention to the organic way in which the expansion of the policy agenda was carefully managed.

Conclusion: The Turkish Presidency and the Future of the G20

Despite positive symbolic steps to create a more inclusive global governance architecture since 2008 by giving more voice and representative presence to the emerging powers in the world economy, institutional reform has proved to be an elusive process. As it stands, the G20 is still struggling to be a relevant top-level platform for the fiercely contested realm of global governance, despite the rather grandiose political rhetoric and exaggerated expectations on the part of various actors. Following the early success of the exit strategy after the global crisis, in which both established and emerging powers had a common stake, the coordination capacity of the G20 has remained at low levels. There are various reasons underlying this weak institutional effectiveness, such as those stressed in the study including the lack of mutual trust between established and emerging powers; the lack of concrete institutional restructuring in the IMF, WTO, the World Bank and the BIS; as well as deeply entrenched problems of legitimacy and “agency creep” generated by the ever-expanding mandate of the G20.

Outside its core technical goal of providing financial stability, the G20 was not successful in articulating a view of long-term, sustainable and balanced development in a way that facilitates international dialogue in a globally coherent way.

In this study, we summarized the historical trajectory of the G20’s institutional evolution, underlined the expansion in the mandate and remit of the platform and looked at the opportunities and limits of potential contributions by the Turkish Presidency. We emphasized the fact that the increasingly apparent “legitimacy deficit” of the G20 towards non-members can only be overcome by adopting a more inclusive policy attitude especially regarding development issues. It was also stressed in the study that in the case of critical regional problems such as the protracted Euro-crisis, the respective contribution of the G20 through top-level policy coordination remained rather negligible, as emerging powers avoided to take up the substantial burdens of rescue packages. The current institutional configuration and ownership/legitimacy problems of the platform creates serious structural limitations. Outside its core technical goal of providing financial stability, the G20 was not successful in articulating a view of long-term, sustainable and balanced development...
development in a way that facilitates international dialogue in a globally coherent way. Prevention of systemically destructive competition requires efficient mechanisms of global governance and the most crucial contribution the G20 process could make is to help bridge the gap between the national and the global, in full cooperation with the existing global international institutions, as well as engaging the world of academia, civil society and think tanks.

It was also highlighted that a number of “middle powers” effectively utilized the G20 as a suitable international platform to raise their global visibility and effectiveness. Compared to the hedging strategy of the BRICS countries, middle powers acting as insiders in the G20 showed a high degree of commitment to the activities of the forum. They were able to increase their policy effectiveness by focusing on specific and targeted activities within the G20 and forming coalitions through various working groups. Therefore, middle power diplomacy traditionally focused on coalitional activity with established and emerging powers on specific issues during the day-to-day running of the G20 governance, rather than the high-politics of summit diplomacy.

One of the key points underlined in the study was that the underlying tendency of the Western leaders to expand the scope and mandate of G20 operations into critical areas such as development, food and energy security, governance reform and anti-corruption measures, triggered widespread resistance from members and non-members alike. The key policy lesson deduced in the study for the Turkish leadership was that the future vision of the G20 should be drawn in a realistic manner by taking the issues of legitimacy and effectiveness into account and developing more inclusive strategies.

These type of initiatives towards increased inclusiveness shall be seen as “Turkey’s responsibility towards the Global South” and are likely to constitute the backbone of Turkey’s strategy to expand the G20 agenda both politically and economically.

Concerning the potential contributions and visionary openings of the Turkish Presidency at the G20 it was argued that the transformation trajectory of the G20 policy agenda over the course of recent years matched the aspirations of Turkish governments, whereby the G20 became established as a long-term coordinating platform for global economic governance, rather than a short-term and technical financial crisis response unit. Moreover, as part of Turkey’s proactive foreign policy of inclusive engagement with developing countries...
in many regional geographies, increasing the weight of development issues in the G20 agenda has been warmly welcomed since the Seoul Summit in 2010. In this respect, Turkey’s calls to establish an institutional platform that would bring the G20 member countries together with the least developed countries (LDCs) in Sub-Saharan Africa and elsewhere found strong reflections. Normatively, these type of initiatives towards increased inclusiveness shall be seen as “Turkey’s responsibility towards the Global South” and are likely to constitute the backbone of Turkey’s strategy to expand the G20 agenda both politically and economically.
Endnotes


21 The Spokesperson of the Chinese Delegation Talks of the Fourth BRICS Summit, at http://om.chineseembassy.org/eng/xwdr_2_1_1/t919323.htm (last visited 1 July 2015).


26 Cooper, “Squeezed or Revitalized?”, pp. 963-984.


34 In the recent Turkish case, this figure has been Mr. Ali Babacan, who acted as the Coordinating Economy Minister in successive AK Party governments since 2002 and was perceived as a trustworthy policy maker by international financial circles.

35 Ambassador Mrs. Ayşe Sinirlioğlu, Deputy Undersecretary of the Ministry of Foreign Affairs, is acting as the Sherpa during Turkey’s Presidency during 2015.


