Part I

Turkey in the Western Alliance: History and Institutions

Chapter One

Relations between Turkey and the Organization for Economic Cooperation and Development[1]

Filiz Cicioğlu and Şükrü Cicioğlu

Following World War II (WWII), the main driving force behind the birth of international organizations was an urgency to cooperate among countries that had experienced two great wars in such short intervals. Over time, international organizations established to serve economic, political, and military purpose, increased in both number and quality. Influenced by the diminishing effectiveness of globalization and the weakening of the nation-state concept, international organizations, non-governmental organizations, and multinational corporations emerged as new actors on the international stage. In such an environment, countries targeting economic cooperation also made an effort to strengthen their common interests.

Organizations established in this framework aimed to contribute to the economic development of their member countries. In this context, the Organization for Economic Cooperation and Development (OECD) is one of the most important global organizations, aiming to provide support to its members. Although its work persists with a technical identity which appears to be distinct from political issues; there is no doubt that this organization is a remarkable establishment in the international system. OECD countries control 60 percent of the world's national income, 76 percent of the world trade, 19 percent of the world population, and 95 percent of world development aid. This makes the OECD worth examining in terms of its domain and its activities.[2] As one of the founding members, Turkey has been actively involved in activities within this organization as a result of its integration with the western world.

This chapter will first examine the OECD's historical development and institutional structure, and will subsequently focus on Turkey's position within the organization. Lastly, we will examine Turkish-OECD relations.

---

1 The authors would like to thank to Ahmet Üçağaç and Gloria Shkurti for their contributions to this paper.

2 Attila, Acar İbrahim. "Gelişmiş Ülkeler Arasında İşbirliği ve Dünya Ekonomik Forumları." *Ekonomik Entegrasyon Küresel ve Bölgesel Yaklaşım*, Osman Küçükahmetoğlu vd. (ed.), Bursa: Ekin Kitabevi, 2013, p. 291.

History of the OECD

WWII caused a great deal of economic destruction for developed European countries. After the war, the European Economic Cooperation Agreement was signed on April 16, 1948 (following the Paris Conference held in 1947 for the coordination of the Marshall Plan and the liberalization and development of trade between European countries) in the framework of the Truman Doctrine. As a result, the Organization for European Economic Cooperation and Development (OEEC) was established in 1948. After only ten years, the organization was losing its effectiveness as European economies began recovering with the help of the Marshall Plan, and certain OEEC members were forming the European Economic Community (EEC). The changing world conditions increased unity and solidarity among Western countries. Thus, even though it had completed its mission, the OEEC was not dissolved, but instead enlarged with the admission of the United States and Canada. In this notion, the OECD emerged as an organization uniting the western industrial countries on both sides of the Atlantic.[3]

The conference aiming to reform the OEEC was held on May 24-25, 1960. The OECD was formally established[4] in Paris on December 14, 1960, under President T. Kristensen, with the signing of the "Convention on the Organization for Economic Co-operation and Development" by 20 founding members, 18 of which were European,[5] and the two other members were the U.S. and Canada. Other countries soon joined the organization: Japan in 1964, Finland in 1969, Australia in 1971, and New Zealand in 1973. In the post-Cold War period, the OECD received requests for full membership by several post-Communist states. Within this scope, the Czech Republic (1995), Poland and Hungary (1996) were admitted to the organization. Following the membership of countries like Mexico in 1994 and South Korea in 1996, Slovakia became a member in 2000. In 2010, Chile, Estonia, Slovenia, and Israel gained full membership. Eventually, with Latvia, which became a member in 2016, the organization now totals 35 full member countries.

---

[3] OECD, *Better Policies for Better Lives: The OECD at 50 and Beyond*, 2011. http://www.oecd.org/ about/47747755.pdf. Also see: Engin Öztürk M. Büşra, *Uluslararası Ekonomik Entegrasyonlar ve Kuruluşlar*, Bursa: Ekin Kitabevi, 2016, p. 79.

[4] "About the OECD: Who does what." OECD. Accessed March 17, 2017. http://www.oecd.org/about/whodoeswhat/.

[5] Austria, Belgium, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and the U.K.

In addition to its full members, the "Non-Member Countries Cooperation Center" within the organization has worked with many non-member countries and regions. Initiatives such as the Chinese Program, Asia Program, Eurasia Program, Russia Program, South-East Europe Program, Latin America Program, and Brazil Program have constituted important activities of the OECD and non-member countries.

The most important OECD membership requirement is the acceptance of the values and principles of a pluralistic democracy and free market economy based on human rights. In the last years, the general approach of OECD members was to develop framework programs for non-member countries, rather than to accept new members.[6]

During the Cold War period, Mediterranean countries such as Greece, Turkey, Spain, and Portugal, whose economies were largely based on agriculture, seem to have had less economic development compared to other Western industrialized countries.[7] Despite differences in their economic development, three of these countries, (with the exception of Turkey), have been granted full membership to the EU for the same reason.[8] This situation brings up the question whether OECD membership is more political in nature. When looking at OECD membership in the post-Cold War era, the membership of former Soviet countries is particularly noteworthy; states that declared independence after the dissolution of the Soviet Union considered accession to the OECD very important for their domestic development.

The Objectives and Activities of the Organization

The mission of the OECD is to promote policies that will improve the economic and social well-being of people around the world. Today, OECD helps governments around the world to:

---

[6] Akbulut Hakan, "Ekonomik Kalkınma ve İşbirliği Teşkilatı," *Uluslararası Ekonomik Sorunlar Dergisi*, Sayı:5, http://www.mfa.gov.tr/ekonomik-isbirligi-ve-kalkinma-teskilati.tr.mfa.

[7] Because of the Cold War, statistics show that Greece, Portugal, and Spain have an average per capita GDP that is about 1.5-2 times lower than Germany's GDP per capita. For more information on these statistics, see: https://data.oecd.org/gdp/gross-domestic-product-gdp.htm

[8] Karluk Rıdvan, *Uluslararası Ekonomik ve Mali Kuruluşlar*, Ankara: Turhan Kitabevi, 1998, p. 31.

- Restore confidence in markets and the institutions that make them function;
- Re-establish healthy public finances as a basis for future sustainable economic growth;
- Foster and support new sources of growth through innovation, environmentally friendly "green growth" strategies and the development of emerging economies;
- Ensure that people of all ages can develop the skills to work productively and satisfyingly in the jobs of tomorrow.[9]

In line with these objectives, the activities of the OECD differed according to changes in international economic policies. For example, while monetary policy had occupied the OECD's agenda in the 1960s, the energy crisis brought about by the oil crisis and the demolition of the Bretton Woods system were at the forefront of the OECD's attention in the 1970s. This was followed by the creation of world-wide information gathering and rules on environmental and investment policy issues, high unemployment in the 1980s, and the collapse of the Eastern Bloc in the 1990s.[10]

The OECD provides a platform for member countries to coordinate their national and international policies, giving them the ability to compare policy experiences, seek solutions for their common problems and identifying the best legislation and implementation methods through the sharing of best practices. Aside from macroeconomic review and analyses, the OECD contributes to the development of both member and the nonmember countries in structural areas such as education, population aging, retirement and insurance systems, migration, environment, climate change, sustainable development, and development aid. While these recommendations and studies are not legally binding, the "peer pressure" to support reform processes makes the OECD's work important for its members.[11]

The OECD's main field of work remains economic analysis. However, comparative analyses of economic factors in fields such as education, population aging, retirement and insurance systems, migration, environmental and water issues, climate change, sustainable development, and develop-

---

[9] "About the OECD" OECD. Accessed March 17, 2017. http://www.oecd.org/about/.

[10] Karagül Mehmet, *Uluslararası İktisadi Örgütler ve Az Gelişmiş Ülkeler*, İstanbul: Nobel Yayıncılık, 2014, p. 137.

[11] OECD Türkiye Daimi Temsilciliği, İktisadi İşbirliği ve Kalkınma Teşkilatı ve Türkiye, http://oecd.dt.mfa.gov.tr/images/localCache/1/frqd4xyo3pags3ruhkwu34nbTurkey%20brochure_Turc_visa3.pdf.

ment assistance also constitute important data sources for both member and non-member countries.

Structure of the Organization

The OECD is not an international entrusted authority such as the International Monetary Fund (IMF) or the World Trade Organization (WTO). It is a permanent forum for harmonious negotiation and coordination of economic, social, and financial practices of member countries, and acts as a platform for determining rules that need to be followed for the resolution of common problems. Every year, OECD members review developments in the world and local economies during framework meetings, whose results the OECD subsequently publishes.[12]

The OECD has three main bodies: The Council, the Committees, and the Secretariat. The Council, the highest decision-making body, is made up of member-state representatives and the European Commission. The Council convenes once a year for two-day meetings under a rotating presidency of member countries. Decisions are taken with consensus and shared with the public through press releases.[13]

The Committee counts representatives of all 35 OECD member countries who meet in specialized committees to advance ideas and review progress in specific policy areas, such as economics, trade, science, employment, education, and financial markets.

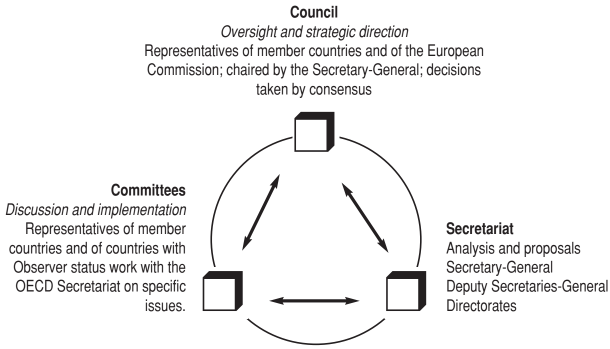
The third body is the Secretariat. Angel Gurría currently heads the OECD Secretariat and is assisted by one or more deputies. Gurría also chairs the Council, providing a link between national delegations and the Secretariat. The Secretariat, located in Paris, is made up of 2,500 employees who support the activities of the committees, and carry out the work in response to priorities decided by the OECD Council. The staff includes economists, lawyers, scientists, and other professionals. Most staff members are based in Paris but some work at OECD centers in other countries.

---

[12] OECD, *Better Policies for Better Lives*: *The OECD at 50 and Beyond*, 2011. http://www.oecd.org/about/47747755.pdf. Also see: Uysal Doğan, "OECD: Ekonomik İşbirliği ve Kalkınma Örgütü", *Uluslararası Örgütler ve Türkiye*, Şaban Çalış vd. (ed.), Konya: Çizgi Kitabevi, 2006, p. 156

[13] "About the OECD: Who does what." OECD. Accessed March 17, 2017. http://www.oecd.org/about/whodoeswhat/.

Figure 1.1 Who Drives the OECD's Work?



Source: "About the OECD: Who does what." OECD. Accessed March 17, 2017. http://www.oecd.org/about/whodoeswhat/.

OECD–Turkey Relations

Turkey became a founding member of the OECD in an effort to integrate with the Western world after World War II. Along with becoming a NATO member in 1952, Turkey was eager to align itself with non-security focused international organizations established by Western countries. In this context, following its founding membership in the Council of Europe in 1949, Turkey was also a founding member of the OECD.[14] These affiliations aided Turkey's quest for EEC membership and proved allegiance to the Western bloc in a bipolar world system.[15] Especially until the 2000s, mostly through the OECD, Turkey achieved macroeconomic stability, improved the quality of its social services, and protected the weak members of the society. These contributions facilitated Turkey's access to global markets and supported Turkey's market competitiveness.[16]

---

[14] Turkey's OECD membership can be attributed to Marshall Plan benefits. Marshall aid, offered to European countries in June 1947, was rooted in American interests to revive the European economy and help it establish itself as a strong trading partner, and also to strengthen Europe politically against further Soviet expansion. Turkey's inclusion under the Marshall Aid program and subsequently its participation in the European Recovery Program (ERP) raises questions about Turkey's eligibility for Marshall aid, and Turkey's role and achievements under the ERP. See: Üstün, Senem. *Turkey and the Marshall Plan: Strive For Aid.* University College London: M.A. Thesis, 1997. http://dergiler.ankara.edu.tr/dergiler/44/1569/17035.pdf

[15] Altunışık Benli, Meliha and Özlem Tür, *Turkey: Challenges of Continuity and Change.* New York: Routledge, 2005, p.105.

[16] Nadolski, Dora J. *The Etatist Turkish Republic and Its Political and Socio-Economic Performance from 1980-1999.* United Kingdom: University Press of America, 2008, p. 8.

One of the institutional structures showing cooperation between Turkey and OECD is the OECD Istanbul Private Sector Development Center, which was established with the decision of the OECD Council in 1994 for countries in Turkey's geographical proximity.[17] The other body is the OECD Multilateral Tax Center (OECD Ankara Multinational Tax Center), which organizes tax seminars for experts from countries in the Balkans, the Middle East, Central Asia, and Russia.

From 1986, Turkey became part of the OECD Capital Movements and Liberalization Codes of Invisible Current Transactions and from 1976, part of the International Investment and Multinational Enterprises Declaration, with commitment to comply with the provisions of these OECD regulations.[18] In this context, the Turkish lira (TL) is convertible both within the country and abroad, through legislation established in 1989. The Turkish lira became a foreign currency and the obstacles for the entry and exit of financial capital into and from Turkey were removed. In 2003, the Foreign Direct Investment Law was adopted by the Turkish Grand National Assembly, making foreign investors subject to equal conditions as domestic investors. In this framework, concerns about foreign investors' profit transfer and the right of ownership were removed.

In the next section, we will elaborate on three separate periods in the relations between Turkey and the OECD.

1962–1978 Period

"Turkey's Long-Term Development Issues Working Group," which played an important role in Turkey-OECD relations, was established on July 10, 1962. Along with 19 member states, representatives from the EU Commission, the European Investment Bank, the IMF, and the World Bank, the work of this group was headed by the OECD Secretary General. The task of the group was to investigate opportunities to provide flow of foreign capital in order to examine Turkey's medium-term economic policies. Another task of this working group was to elect the Chairman of the "Aid Consortium for Turkey," created on July 12, 1962.[19]

---

[17] Countries: Turkey. OECD. Accessed March 13, 2017. https://www.oecd.org/turkey/.
[18] Countries: Turkey. OECD. Accessed March 13, 2017. https://www.oecd.org/turkey/.
[19] Karluk, Rıdvan, *Uluslararası Ekonomik ve Mali Kuruluşlar*, Ankara: Turhan Kitabevi, 1998, pp. 48-49.

This Consortium consisted of 15 OECD members, and representatives from the IMF, World Bank, the EU, and the European Investment Bank, as observers, aiming to harmonize cooperation and aid policies of the OECD countries that wished to provide development loans to Turkey. Turkey's economic and fiscal policies, and amount of aid required and available were monitored on an annual basis. Exact amounts of aid, classified as program credit, project credit, and debt postponement credit, were determined through bilateral agreements with donor countries following the meetings. The loan maturities were at most 25 years after a 7-year grace period.[20]

In the 1960s, when Turkey entered the planned development period, it needed to increase its resources to 3 percent in order to finance its share of foreign debt in the Gross National Product (GNP). The OECD, through the Consortium, received most of the foreign debts. In January 1962, before the Consortium was established, the OECD provided 50 million dollars to support the financing of the First Five-Year Development Plan, planned to be implemented in 1963.[21] Between 1962 and 1971, Turkey asked for 2.878 billion dollars, and the Consortium committed 2.555 billion dollars, with 2.311 billion dollars that were in fact allocated.[22] In September 1962, the EEC countries provided Turkey with about 300 million dollars' worth of financial aid within the OECD framework. In 1965, the OECD countries issued 70 million dollars in March, 335 million dollars in May, and 400 million dollars in June. This credit was to be used in the financing of foreign debt and development plans. The "very excellent" evaluation of the prepared Development Plans was justification for this aid. In 1969, the Dutch government provided a 3.5 million loan guilder (approximately 2 million dollars) within the framework of the OECD.[23]

1978–2000 Period

The Military Memorandum of March 12, 1971, the political turmoil (frequently changing administrations, terrorist activities, increased tension

---

[20] Özerdem, M. İzzet, *Yatırımlar ve Yatırımları Gerçekleştirmek İçin Kredi Veren Kuruluşlar*, http://www.maden.org.tr/resimler/ekler/18ef6127e442148_ek.pdf.

[21] The main contract was an agreement of 83.5 million dollars, or the total foreign deficit of Turkey. Of this sum, 50 million dollars were provided by the IMF.

[22] Zerenler, Muammer, "Devletin Dış Borçlanmasının Türkiye Ekonomisine Etkileri," *Selçuk Üniversitesi, Sosyal ve Ekonomik Araştırmalar Dergisi*, Sayı: 5, 2003, p. 206.

[23] Fenmen, Nermin, "Kuruluşundan 12 Eylül'e Yakın Tarihimize Yakın Bir Bakış", *ODTÜ Bülteni*, Eylül 2005 Sayısı Eki, Ankara, pp. 12-23.

in universities), and economic instability (oil shocks, large defense spending due to the Cyprus Peace Operation, increased cost of imports) led to a spike in the country's foreign debt levels. In addition to the Consortium, on May 17, 1978, the "Turkey's Working Group on Foreign Debt" was established within the OECD. Members of this group, (same as in the Consortium), worked to resolve Turkey's foreign debt problem. In this framework, approximately 1.2 billion dollars of state-guaranteed commercial debt, (to expire after July 1, 1979), was postponed through the signing of the Record of the Consolidation of Turkey's Trade Debts. Protocols related to the postponing of Turkey's 3 billion-dollar debt for the years 1980-1982, (including those procured from OECD members in 1978-1979), were signed on July 23, 1980, with a provision that the three-year stand-by arrangement with the IMF was maintained.[24] In 1980, a second aid package of 1.2 million dollars was issued and after three months, the Working Group approved export loans worth 3 billion dollars to Turkey.[25]

During the early 1980s, loans from official and international institutions constituted a significant part of Turkey's external debt. This was due to various stabilization programs especially due to loans provided through the OECD Turkey Consortium. However, in 1982, this situation began to change, and especially after 1983, the majority of debt was owed to national commercial banks instead of international institutions.[26] When compared to other financing sources, low-cost and long-term credits from OECD countries often led to short-term and more costly resources in this process.[27] Turkey's borrowing can be explained by the increasing need for external sources and global cyclical fluctuations (such as the Latin American and Mexican crisis), rather than preference.

By the 1990s, the share of debts from international bond markets increased.[28] These changes in debt structure and the end of the mission

---

[24] Açba, S. "Türkiye'de Cumhuriyet Dönemi Dış Borçlanma", *Türkiye İktisat Dergisi*, Haziran, 1989, p. 240.

[25] Acar İbrahim Attila, "Gelişmiş Ülkeleri Arasında İşbirliği ve Dünya Ekonomik Forumları", *Ekonomik Entegrasyon Küresel ve Bölgesel Yaklaşım*, Osman Küçükahmetoğlu vd. (ed.), Bursa: Ekin Kitabevi, 2013, p. 306.

[26] Sarı, Müslim, "Dış Borç yönetimi ve Türkiye Uygulamaları", *Merkez Bankası Dışilişkiler Genel Müdürlüğü Uzmanlık Yeterlilik Tezi*, 2004, p. 51.

[27] Kılıçbay, Ahmet, *Türkiye Ekonomisi*, Ankara: Türkiye İşbankası Yayınları, 1984, p. 153.

[28] The share of loans in Turkey's external debt portfolio decreased steadily between 1989 and 2008, excluding in 2002, and fell to its lowest level in 2008 with 44.2 percent. The share of international institutions owning Turkey's debt fell from 16.8 percent in 1989 to 12.3 percent in 2000. After 2000, debt levels began to rise again, and foreign debt increased to 36.5 percent in 2002, but then dropped to 14.3 percent in 2016. The share of bond debts

of the Aid Consortium and the Working Group in 1993[29] led to a weakening of relations between Turkey and the OECD between the mid-1980s until 2000. On the other hand, institutional reforms such as the External Debt Strategy Detection Group established in 1988 and the Foreign Debt Usage Monitoring Committee established in 1998 raised three key issues as a result of reforms in many OECD countries (and some developing countries) in debt management: Ensuring that debt management is not exposed to political repression, technical maintenance of debt management personnel, and technical infrastructure.[30]

The Post-2000 Period

Since the 2000s, there has been a revival in relations with the OECD in connection with the national reform process. In this context, after 26 years, Turkey has chaired the Council of Ministers of the OECD in 2012. Turkey also hosted important OECD meetings in 2013, such as the meeting of Ministers of Education, the Ministerial Conference on Universal Health Inclusiveness, and the Global Forum on Knowledge Economy. In addition, Turkey also chaired the 2013 Ministerial Meeting of the International Energy Agency, which is operated under the OECD framework. Turkey has been in close cooperation with the OECD during the G20 Presidency in 2015.[31]

Since 1998, the OECD initiated the "Reform in Regulations of Voluntary Country Investigations." The office of the Turkish Prime Minister has undertaken several actions to include Turkey in this framework and in 2001 Turkey was included in the list of countries to be investigated (in economic and social areas), along with Canada, the United Kingdom, and Poland.

---

in foreign debt increased steadily in the period between 1989 and 2008, except for 2002. In 1989, the weight of the bonds was 6.7 percent and in 2006 it reached 55.8 percent. Loans in Turkey's foreign debt portfolio are declining, but loans are increasing towards the compound market. In other words, the lending to international institutions and government institutions is decreasing, but the weight of the market within the lending is increasing. See: Koçak, Aysun, "Küresel Dönemde Türkiye'nin Borç Yapısındaki Dönüşüm," *Maliye Dergisi*, Sayı:157, Temmuz-Aralık 2009, p. 79.

[29] The duration of the Consortium is fixed, meaning that it is possible to establish additional Stand-by Agreements (SBA) with the IMF to resolve Turkey's instability and to increase the levels of financial integration as well as to obtain funding from international financial markets.

[30] Ateş, G. *Borç Yönetim Ofisi ve Türkiye Uygulaması Üzerine Bir Çalışma*, Hazine Müsteşarlığı İnceleme Dizisi, Ankara, 2002, p. 7.

[31] http://www.mfa.gov.tr/iktisadi-isbirligi_ve-gelisme-teskilati-_oecd_.tr.mfa.

Reports published on Turkey[32] in the 2000s were completed simultaneously with domestic changes and the transformation of the Turkish economy. After the economic crisis of 2002, which was one of the most severe crises in Turkey's history, the country quickly recovered and recorded one of the highest economic growths of all OECD members. The report emphasized that the rate of economic growth, standing at 8 percent in 2002 and at 6 percent in 2003, would exceed the government's target. While it is stated that Turkey has "three traps"[33] which caused the crises and contributed to instability in its economic growth, the new monetary and fiscal policies adopted in close cooperation with the IMF and the World Bank had opened up the opportunity to overcome these difficulties.

The report published in 2006 was much more positive than the one in the previous year. OECD Secretary General Jose Angel Gurria, (who made a speech on this report), congratulated Turkey for its outstanding economic performance. According to the report, Turkey following the economic reforms and programs it has implemented, had become one of the fastest growing countries in the OECD. He also emphasized that living standards in Turkey had reached average OECD-levels. Underlining that Turkey should not miss this economic growth opportunity, Gurria advised that the credibility of the Central Bank should be strengthened and that interest rates should be lowered by monitoring the current account deficit, encouraging foreign direct investment (FDI), decreasing the informal economy, increasing employment, and aligning the education system with the job market.[34]

In the 2008 Report, the OECD made four recommendations:

1. Increase transparency of the public financial system, with the goal of creating a macroeconomic framework independent from political conditions;
2. The Central Bank, which keeps interest rates high in order to reduce inflation to single-digit figures, needs to be supported;
3. Guarantees that the underground economy was being eradicated is on Turkey's main microeconomic agenda;
4. Increased investment in education.[35]

---

[32] Trade policy peer reviews in the fields of education, environment, corporate governance, agriculture, local development, investment, science and technology, and anti-corruption.

[33] These traps were identified as: "low confidence, poor governance, and the size of the informal sector." See: http://www.oecd.org/turkey/economicsurvey-turkey2004.htm.

[34] "2006-10-18 Oecd Türkiye Raporu." Türkiye Cumhuriyeti Avrupa Birliği Bakanlığı. 4 Temmuz 2007. http://www.ab.gov.tr/39507.html.

[35] "OECD Türkiye Raporu: Güçlü YTL ekonomide sorun yarattı", *Milliyet*, 17 Temmuz

The 2010 report stated that the ongoing economic recovery provided a favorable environment for structural reforms, and that stronger growth, higher income and savings, and social and political stability could be achieved with wide-ranging reforms. However, the report also pointed to two fundamental structural weaknesses, which threatened the sustainability of long-term performance. Firstly, international price competition had worsened during the period of economic recovery and this had increased the current deficit. Secondly, the need for the training of the young and dynamic population, and a labor force with adequate technical and professional equipment needed by the market.[36]

The main developments that stood out in the report in 2012 were reflections on the ongoing economic crisis in Europe and the forecasts of Turkey's growth rate. Turkey's economic growth rates recorded in 2012 were expected to gradually improve as confidence and international conditions improved. The report stated that if uncertainties deepened in the Eurozone, if oil prices rose more rapidly than expected, or if the investor's worries arose from imbalances, risk premiums could increase, foreign financing could become difficult to find, and growth could become lower. On the other hand, growth could become stronger if the international environment was more moderate than anticipated.[37]

According to the 2014 report, Turkey's economy was expected to grow in the years to come. But the internal consumption (funded by external financing) has been expected to remain overly dependent. Turkey was advised to rebalance its growth, inflation, exchange rates, and credit levels through sustainable monetary and financial policies. Although indicators of income inequality, poverty, and material deprivation in Turkey had decreased; education levels, work/life balance, environmental quality, and subjective well-being were all below the OECD average. Part of this gap was explained by the absence of the required humanitarian capital and the extent of the informal sector. In addition, the report concluded by drawing attention to the steps Turkey needed to take in the area of environmental

2008, http://www.milliyet.com.tr/oecd-turkiye-raporu—guclu-ytl-ekonomide-sorun-yaratti-ekonomi-894489/.

[36] "Ekonomik İşbirliği ve Kalkınma Örgütü—OECD - 2010 Türkiye Raporu Yayımlandı", *İktisadi Kalkınma Vakfı*, http://www.ikv.org.tr/images/upload/data/files/ekonomik_isbirligi_ve_kalkinma_orgutu_%E2%80%93_oecd_-_2010_turkiye_raporu_yayimlandi.pdf.

[37] "OECD: Türkiye bu yıl yüzde 3.3 seneye 4.6 büyür", H*ürriyet*, 23 Mayıs 2012, http://www.hurriyet.com.tr/oecd-turkiye-bu-yil-yuzde-3-3-seneye-4-6-buyur-20608787

policy. Following this, Turkey signed the Kyoto Protocol in 2009, but was late to determine a national target for greenhouse gas emissions.[38]

According to the 2016 report, new reforms should aim to strengthen economic resilience and social cohesion, improve the business environment, and increase the capacity of Turkish companies to participate in global value chains. Even though Turkish policymakers passed through a difficult period, conflicts continue on Turkey's southern border. Despite tensions in the eastern regions of the country, trade restrictions with Russia, and the influx of millions of refugees into the country, Turkey's economy was expected to grow at around 4 percent in 2016. The report recommended Turkey to continue following macroeconomic policies aimed at reducing inflation, increasing domestic savings, improving women's participation in the labor force, and increasing FDI.[39]

Upon request from Ankara, (in addition to reports published by the OECD every two years), the OECD recently began to conduct specific ad hoc studies. These field studies were classified as reviews of regulatory reform, such as reforms of Small and Medium Sized Entreprises (SMEs), basic education, institutional governance, pilot work, e-government, Istanbul metropolitan area surveys, environmental, health, innovation, and agriculture.

In recent years, the OECD stepped up its Turkey focus through education, environment, corporate governance, agriculture, local development, investment, science and technology, anti-corruption, and trade policy peer reviews—all of which are relevant to the EU accession process.[40]

Conclusion and Recommendations

Turkey identified the Westernization perspective as its foreign policy parameter since the late Ottoman period, and has continued its Western commitment during the establishment of the Turkish Republic. Since WWII, Turkey has taken a place in the Western bloc by becoming a member of many international organizations. While it did not become a NATO member until 1952, Turkey was a founding member of the Council of

---

[38] Aydın Anzak, Gülçin, "OECD Ekonomik Araştırmalar: Türkiye 2014", *Anahtar Dergisi*, Eylül 2014, Sayı: 309.

[39] http://www.oecd.org/turkey/economic-survey-turkey.htm.

[40] Öğütçü, Mehmet, "Internatıonal Organizations in Transformatıon: Why Does the OECD Matter for Turkey," *Turkish Policy Quarterly*, Volume: 6, Number: 4, Winter 2007/2008, p. 32.

Europe and the OEEC (later the OECD). Turkey's OECD membership is an important part of its economic partnership with both the Western European states and the global powers on the other side of the Atlantic. During the Cold War period, Turkey had a debtor-creditor relationship with the OECD, similarly to other Mediterranean countries such as Greece, Spain, and Portugal. The West was willing to act as a creditor because at the time, there was a critical need for a reliable partner in the Eastern Mediterranean.

The periods when Turkey partially moved away from the Western bloc coincided with the weakening of the creditor-debtor relationship with the OECD. This resulted in Turkey's struggle to improve its economic development. The promotion of institutional reforms in the 2000s resulted in improved relations with the OECD. At the same time, it also revitalized Turkey's relations with international financial institutions. Turkey's main goal was to accelerate the integration process towards a free market and competitiveness. In addition, OECD membership plays a useful role in upgrading Turkey's technical and governance standards and promoting regional integration, which in turn enhance the EU accession process already underway on a separate track.

OECD membership is expected to contribute greatly to Turkey's efforts to integrate with the world economy in the 2000s. Turkey has become a donor country to the World Bank[41] and has repaid its debts to the IMF,[42] but should take the OECD special reviews and country reports into account in order to rank higher in the world economy and to adjust its economic policies in the accordance to these criticisms. As a medium-size power, Turkey can multiply its impact in the global system through enhanced and focused engagement with international organizations, including the OECD. Turkey's contribution to the OECD will undoubtedly remain important. It would be appropriate to realize this increase in the form of funding specific projects in line with determined priorities, and Turkey should maintain its dialogue with economic institutions. Thanks to these steps taken by Ankara, OECD membership is believed to enable Turkey to establish a stronger position in both the development of its economic policies and its international relations.

---

[41] "Contributor Countries." IDA. http://ida.worldbank.org/about/contributor-countries.

[42] "Turkey pays off the last installment of its debt to IMF." http://aa.com.tr/en/turkey/turkey-pays-off-the-last-installment-of-its-debt-to-imf/246440