



Seeking Autonomy in the Semi-periphery: Neomercantilism and Diversification in Turkey

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Accepted: 24 May 2024 / Published online: 26 September 2024
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Abstract

This article considers Turkey as an archetypal example of the semi-periphery, neither entirely beholden to international rules and norms nor free to set them. We focus on three leading export sectors – textiles and garments, automotives and infrastructure – and analyze how the Turkish state and associated industrial firms have worked to navigate the complicated demands of cost-competitiveness while increasing the production of value-added goods. We find that the Turkish state and firms have adopted a mix of strategies for integrating with export markets, combining neoliberal adherence to the rules and norms of Western markets through global value chains with neomercantilist efforts to direct cross-border trade and investment toward the Balkans, Middle East, and Central Asia. Although neoliberalism and neomercantilism are traditionally treated as opposing approaches to international economic integration, we find that, for semi-peripheral countries like Turkey, these strategies are not contradictory but rather complementary, as they reduce exposure to the volatility and dependence upon Western markets. While the success of these efforts varies across industries and types of firms, we suggest that such dualistic approaches may be a key strategy for semi-peripheral countries seeking to minimize their dependence on Western markets while exerting economic influence in their near abroad.

Between the 1980s and the mid-2000s, Turkey was an enthusiastic adherent of international economic integration, pursuing a strategy of export-oriented industrialization geared at the European Common Market. From the mid-2000s, however, Turkey's

Special Issue on Firm-centred approaches to overcoming semi-peripheral constraints
Guest Editors: Sonja Avlijaš and Kira Gartzou-Katsouyanni

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strategies of trade and investment became more ambivalent. While they have not abjured adherence to patterns of trade and investment as a low-cost producer and supplier largely to Europe, Turkish firms have sought to diversify their product and export markets toward the east and south, focusing on capturing market niches in the Middle East, the Balkans, and Central Asia. The Turkish state has supported these efforts. This dualistic strategy is a far cry from the singular focus on integration with Western markets. Why is this the case?

We argue that the Turkish case elucidates classic conditions of the semi-periphery, being sufficiently outside the core, and thus without the wealth and power to determine global rules, but with enough leverage to exert influence over markets in the Balkans, Middle East and Central Asia. Turkey's experience with looking solely to Western markets and actively seeking European Union membership, from the 1980s to the 2000s, meant that it suffered from the uncertainties inherent in this reliance. It confronted numerous currency crises, exposure to volatility in demand due to European recessions and competitive threats from lower-wage producers deeper in the periphery. As a result, Turkey has sought to diversify its geoeconomic portfolio by maintaining its previous ties to Europe, while also developing neomercantilist strategies of accessing markets to the east and south. Turkey's response to the drawbacks of neoliberal globalization, in the form of integration with Western markets, represents a prototypical response to the semi-peripheral condition; it is not rules-taking or rules-making, but rather applying different sorts of rules in relation to different markets. It reflects a recognition of the political geography of the global semi-periphery: that Turkey is peripheral in relation to the European Union, but powerful in relation to regions in its near-abroad.

Neoliberalism and neomercantilism have traditionally been treated as opposing approaches to international economic integration. The former means adherence to a set of universal rules that facilitate the construction, persistence and deepening of markets across borders. The latter refers to the exercise of state power to ensure economic dominance vis-à-vis other nations. In this article, we contend that, for semi-peripheral countries like Turkey, these strategies are not contradictory, but rather complementary. Turkey's commitments to the rules and norms of Western markets allow it to remain a key supplier to Europe, while the exercise of its geopolitical influence enables access to markets in the Balkans, Middle East, and Central Asia that would otherwise be difficult to penetrate by purely neoliberal approaches.

These dynamics operate at the level of the firm. Turkish companies, like those in other semi-peripheral countries, suffer manifold pressures: to reduce costs and/or increase value-added for buyers in the West, to follow the directives of multinationals that seek low-wage export platforms, and to navigate in an environment with significant exposure to supply, demand and macroeconomic shocks. Given these pressures, some Turkish firms have been able to cooperate with the state in establishing and maintaining relationships in relatively closed markets where such firms have more control, while others have continued to pursue strategies of coordination with Western multinationals and importers.

This study highlights the complementarity of neoliberal and neomercantilist strategies by evaluating the ways in which the state and firms engage with one another in different sectoral contexts. It focuses on three leading export sectors in Turkey: textiles and garments, automotives, and infrastructure and construction services. Textiles and garments represent early international integration focusing on European

markets; while some Turkish manufacturers have sought to diversify away from reliance on Europe, such diversification is constrained because of limited markets for higher value-added textiles in the Middle East and Central Asia. Automotives represent a major export sector following the global value chain (GVC) model, as multinationals have identified Turkey as a low-cost platform for production and export to Europe. As such, it represents a least-likely case for deviation from neoliberalism. Recently, however, Turkish firms have sought to increase production in particular segments east- and southward, decreasing their reliance on Europe following precipitous drops in demand associated with the Eurozone crisis and more recent supply chain disruptions. Infrastructure services, normally characterized as a non-traded sector, have seen significant export growth. Turkish firms, in close association with the state, have been able to secure contracts in the Middle East, the former Soviet Union, the Balkans, and, most recently, sub-Saharan Africa; this sector represents a pure form of neomercantilism, with no obvious neoliberal analog. More generally, Turkish exports over the last two decades have seen a marked shift from Western markets (Europe, North America) to the Middle East, Former Soviet Union, and the Balkans (MEFSUB) (Fig. 1).

This article also emphasizes the ways in which different types of exporters engage with different global market structures in varied ways. The neoliberal approach assumes that firms are simply “takers” of market rules determined by multinationals and international norms; this is indeed the case for developing country exporters seeking access to wealthy markets. But in Turkey, as in other countries in

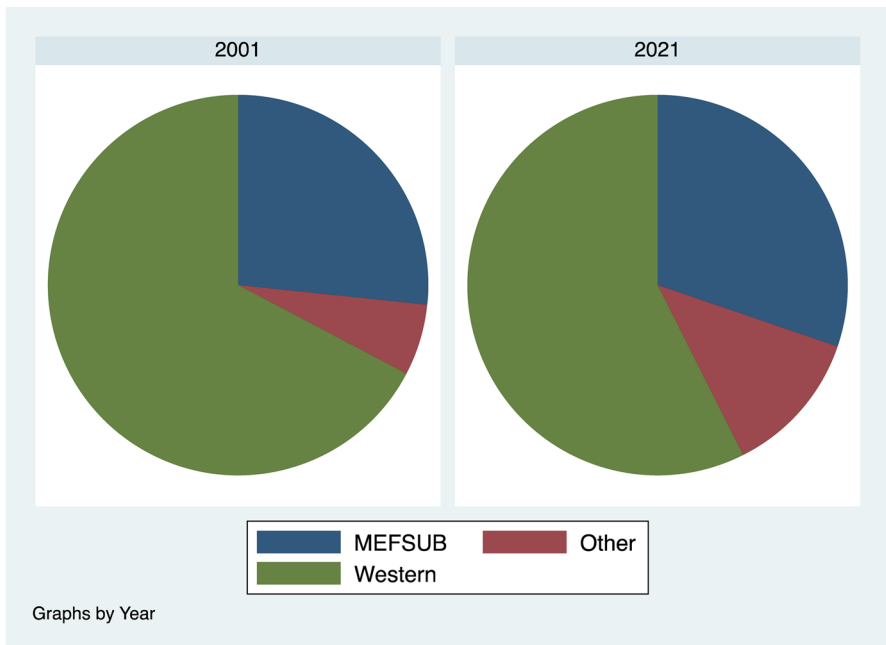


Fig. 1 Export value by destination, in 2001 and 2021. Source: Observatory of Economic Complexity

the semi-periphery, many exporters are small and medium enterprises who seek to gain access to markets in the developing world, in which relationships and informal institutions are important. In such cases, state influence can facilitate market access rather than simply maintaining a “supportive environment” for capital and providing specific public goods. As a result, we see the deployment of varying institutional strategies in order to reach different markets and thus diversify away from complete reliance on the West.

Theoretical Background

In postwar theorizing of the political economy of national development, scholars treated as fraught the relationship among trade, foreign investment, and industrial development. Classical dependency accounts found any form of international economic integration to be the source of *underdevelopment*, and counseled autarkic forms of capital accumulation and investment geared toward import substitution as a result (Gunder Frank 1967). From the 1960s, there was a recognition of the potentially positive role of trade and especially foreign direct investment (FDI) in providing the technological inputs for more advanced forms of manufacturing, as long as the state was sufficiently powerful to shape international engagement and technological transfer in line with national priorities (Evans 1979; Johnson 1984; Amsden 1989; Wade 1990; Woo-Cumings 1991; Haggard 1991). The most successful Newly Industrialized Countries (NICs) succeeded in producing for export markets as well, following the logic of the product cycle (Vernon 1971; Kurth 1979). However, the majority of developing countries, especially those outside East Asia, found the deepening of industrialization from light consumer to consumer durable and capital goods preclusively expensive and politically challenging (O’Donnell 1988). As a result, programs of industrialization stagnated by the end of the 1970s. The debt crises of the early 1980s represented a disruptive shock that undermined the material foundations of state-directed development for most countries. International agencies and domestic reformers reached a policy consensus that limited government intervention in the pursuit of industrial development: in other words, neoliberal reform (Kahler 1985; Pastor 1989). At the same time, the anomalous successes of Taiwan and South Korea suggested development models that focused on export-led industrialization as a plausible path to escape debt traps, rent-seeking, and stagnation in the domestic economy (World Bank 1993).

From the mid-1990s, greater institutionalization of the world economy, represented by the formation of the World Trade Organization (WTO), created new rules for developing countries to access Western markets. Wade (2003) suggested that WTO norms would lead to a shrinking of the “development space” for countries seeking to emulate the East Asian model, which had involved significant state guidance in export markets as well as selective implementation of trade instruments. However, until the 2000s, policy recommendations for the periphery and semi-periphery were essentially the same: that they should reorient their economies toward the manufacture and export of goods and services based on comparative advantage, while keeping trade barriers low and adhering to rules, norms, and best

practices seen as necessary for international competitiveness and attracting foreign investment (see Büthe and Milner 2008).

Associated with this integration, the emergence of global value chains (GVCs) transformed how production for the international economy was organized (see Gereffi 2018). In sectors as diverse as textiles and clothing to automotives and electronics, “lead firms” became necessary gate-keepers for accessing export markets. Firms in developing countries needed to form and maintain relationships with these Western multinationals to receive valuable contracts for the production of components or branded goods. GVC integration replaced export-led industrialization as the mantra for development (World Bank 2020).

The GVC model represents hierarchical differentiation of development trajectories, however. For poorer developing countries, such as Bangladesh or Cambodia, GVC integration has meant securing orders for low value-added goods such as knitwear, based on low-wage competitiveness and flexibility (Arnold 2010). For countries in the semi-periphery, however, GVC integration has offered a broad range of opportunities and constraints, based on their associated firms’ ability to produce higher value-added components and finished goods for world markets. These countries also faced the constant challenge of wage competition, however. A handful of countries in the semi-periphery—including Turkey, Malaysia, South Africa, Brazil, and even poorer European countries like Portugal, Greece, and Poland—were better-positioned to take advantage of the opportunities afforded by the disaggregation of production across borders.

The transition to the GVC model transformed the relative importance of states and firms in determining development trajectories. Between the 1970s and early 1990s, the state could direct relationships with both multinationals and the domestic bourgeoisie through the selective allocation of resources, such as export subsidies, and strategic negotiation over market access and technological transfer (Evans 1979). Under the model of GVC integration, however, domestic firms take the lead in establishing and maintaining relationships with lead multinationals, and seek to climb up the chain by producing higher value-added components or subcontracting and organizing more significant segments of the production process (Gereffi et al. 2005). States have been relegated to subordinate roles in enabling firms to integrate and upgrade, by providing tax breaks, creating special economic zones, ensuring flexible labor markets and delivering public goods such as vocational training and infrastructure.

Even some of the most promising economies in the semi-periphery, with relative successes in export growth, state facilitation, and a focus on GVC integration and upgrading, have found their trajectories stagnate, however. Gill and Kharas (2007, 1) have identified the “middle-income trap”—defined as being “squeezed between the low-wage poor-country competitors that dominate in mature industries and the rich-country innovators that dominate in industries undergoing rapid technological change”—as a serious threat for such countries (see also Gill and Kharas 2015). China’s dominance in manufacturing, the anxieties of wage competition, and the continuing reliance on branding and intellectual property—as these remain the province of Western multinationals—contribute to this condition (Schwartz 2017; Paus 2020; Naseemullah 2022a,b). Policy analysts have tended to focus on what middle-income

countries might do to escape the trap, including greater investment in research and development and tertiary education (Eichengreen et al. 2013). Political economists have suggested that the institutions formulated for import-substituting and export-led industrialization are no longer fit for purpose (Doner and Schneider 2016). They locate the middle-income trap as arising from domestic sclerosis and resulting political conflicts over the allocation of capital and investment.

Commentators thus tend to see wage competition and the limitations on the upgrading of skills as the major challenges facing middle-income countries, which can be overcome through enhancements in state capacity and institutional innovation. By contrast, we argue that semi-peripheral countries like Turkey face serious structural constraints if they solely rely on international integration of this kind to determine their development trajectories. For all its faults, Turkey had been an avid pupil of both export-led industrialization and global integration through GVCs. Its proximity to the highly institutionalized markets of the European Union represented a best possible case for semi-peripheral development in the neoliberal mode. However, as we outline below, Turkey has suffered repeatedly from both stagnation—“running fast just to remain in place” (Paus 2020, 660)—and crises associated with the vulnerability of reliance on European markets. It represents a key case among semi-peripheral countries for the ambivalent nature of success in the neoliberal model of development.

As a result, some countries in the semi-periphery have sought to diversify away from their reliance on GVCs and neoliberal market integration. Neomercantilism represents an alternative conceptual framework for international integration. Defined as the exercise of state power across borders to enhance exports, manage strategic imports and exercise influence through foreign direct investment (Hirschman 1980[1945]), neomercantilism explicitly links statecraft and marketcraft in the international economy. It views crossborder markets not as sets of rules and norms within which buyers and sellers interact, but rather as a zero-sum field of domination and submission in global economic affairs (Gilpin 2001).

Given this alternative conceptualization of the global economy, part of growth and development means extending influence over other countries. Neomercantilist strategies in a neoliberal age involve ambitious states deliberately fashioning relationships of trade and investment with target countries, thereby orienting these relationships to maximize national benefits. In this vein, we see countries adopting such strategies by capturing foreign markets, making deals with foreign governments for major public contracts, even while undertaking measures to promote export industries and protect the domestic economy. We illustrate these strategies in relation to the Turkish case.

Despite obvious relevance to semi-peripheral countries, neomercantilism was relegated to the peripheries of policy and scholarly discourse, because many found its emphasis on the state as a strategic agent in world markets to be unpalatable and inconsistent with globalization. Yet elements of neomercantilism are at the heart of the strategies of successful developers, not least the East Asian developmental states (Cumings 1984). Increased attention to “geoeconomics” is important for understanding the political economy trajectories of other export-oriented economies, including Germany (Koddenbrock and Mertens 2022). Neomercantilism has long

been an important set of strategies for later-developing economies seeking to catch up and marshaling resources both within and beyond borders to pursue trajectories of development (Hamilton 2007 [1793]; List 1856; Gerschenkron 1962; Hirschman 1979).

For most scholars and commentators, neoliberal and neomercantilist paradigms represent conflicting approaches to crossborder economic integration. We argue, by contrast, that neoliberalism and neomercantilism can be complementary in the case of semi-peripheral countries. These countries have the capacity and feel the necessity to operate in different kinds of global markets simultaneously, through a logic of diversification of products, markets, and risk. For instance, China achieved membership in the WTO to facilitate access to Western markets, even as the Belt and Road Initiative forged a neomercantilist form of integration with economies throughout Asia less than a decade later. Large and politically powerful countries like China, and even smaller ones like Turkey, have pursued regional neo-mercantilist strategies of increasing influence over markets in their near-abroad. Doing so does not detract from their still-serious efforts to maintain and even enhance linkages with Western markets, however. Countries with significant capacities are likely to view poorer countries in their near-abroad as part of their natural orbit or sphere of influence. They seek to form relationships of dependence to secure privileged access to their markets. These relationships go against the neoliberal grain, yet might serve as critical alternatives when Western markets predicated on neoliberal rules prove unreliable.

Further, this complementarity can be a result of pragmatism at firm and sectoral levels as much as strategic planning. The vulnerabilities and constraints of the neoliberal model, and particularly GVC integration, mean that even successful countries of the semi-periphery can be trapped between technological dependence on multinationals and wage-competition from below. Countries can seek to diversify away from the risks associated with reliance on a handful of product categories within GVCs, oriented toward Western markets. Neomercantilist strategies represent a key form of diversification for firms and sectors. To become a dominant exporter and investor in autocratic countries, for example, transparency and rules-following is likely to be less effective than political negotiations involving states, their firms and key intermediaries. This disjunctured relationship to different kinds of international markets is reinforced in the state's relationship to different kinds of domestic firms seeking to operate abroad. This is in part why there is greater heterogeneity of exporting enterprises in semi-peripheral countries, where firms of different sizes active in various sectors seek to enter different segments of the same export markets (Naseemullah 2017).

Neoliberal and neomercantilist approaches to integration suggest different relations between the state and capital. In the former, firms take the lead in establishing and maintaining relationships with multinational buyers and end-producers, and the state is expected to facilitate by providing public goods, from education and training to the rule of law, once it commits to global trade and investment regimes. In more peripheral markets, however, the state and favored firms partner in providing governments and their clients with particularistic benefits in exchange for privileged market access. While this certainly raises the specter of corruption (Ang 2020), it also represents a

means for firms and the state to participate in markets to which they would ordinarily not have access and thus diversify risks in export markets.

Some of the scholarship on the political economy of national development recognizes variations within the universe of national enterprises seeking to compete in global markets. The global economy is a large and varied field, subject to a number of different institutional rules, formal and informal in nature, that require specific firm strategies (Cammett 2007; Fuller 2016; Naseemullah 2017). Neoliberal conformity, based on the rules set out by multinationals and GVCs to gain access to Western markets, represents the modal form of such institutional strategies. In developing country markets, however, the national reputation of the governments implicitly supporting their entrepreneurs can open doors or close them. In other words, there are firm-level analogs to state-based neomercantilist strategies.

In sum, many aspirant semi-peripheral countries, such as Turkey, use both neoliberal and neomercantilist strategies in their export-led growth trajectories. Neoliberalism is evident in continued ties with multinationals and production under contract for Western markets, following the GVC model. But firms and government agencies seek to establish influence over regional markets—in Turkey’s case, the Middle East, the Balkans, and Central Asia—through a number of measures that we will describe in sectoral case studies below.

Turkey: Semi-peripheral Development

From the formation of the Turkish republic in 1923, Turkey has remained a prominent country on the periphery of Europe. The meaning of its semi-peripheral condition has, however, changed over time. In the following, we provide an overview of four successive phases of Turkey’s industrial development. The first, associated with the import substitution of light consumer goods, involved trade and industrial policies that accumulated capital and focused resources on national champions (Waterbury 1999). A second period in the 1960s and 1970s, characterized by industrial deepening, included investments in consumer durables, heavier industries and capital goods, such as automobiles and steel. With the debt crises of the 1980s, Turkish economic policy turned toward international markets. This third phase, in the 1980s and 1990s, was driven by state support for export orientation and focused on labor-intensive industries, particularly textiles and apparel. A fourth phase of industrial development and integration with the international economy has emerged since the mid-1990s, associated with industrialists’ preparations for the 1996 entry into the European Customs Union. Local producers’ integration with global value chains (GVCs) has yielded the resulting diversity across industries that one would expect. More recent ambivalence toward global integration over the last decade has fueled the dynamics that we discuss in this article.

From Empire to Subjugation to Economic Nationalism

During the late nineteenth century, the Ottoman Empire integrated into the world economy in a subordinate position, with late and ineffectual efforts at

industrialization. This included unequal trade and increasing European control over the state fisc through a series of capitulations (Pamuk 1981, 1987). The Ottoman Empire itself was dismembered by the Allied Powers following World War I. Between this dismemberment, the succeeding war for independence and the exchange of populations stipulated by the Treaty of Lausanne, Turkey lost 70 percent of its industrial bourgeoisie and 75 percent of its industrial working class (Keyder 1987, 1994; Ravndal 1926, p. 161). Even after the establishment of the modern Turkish state, liberal tariff policies continued by agreement with European powers at Lausanne.

Turkey escaped from this position of subordination in 1929, with the lapsing of Lausanne-era liberal trade policies, such that average tariffs increased from 13 to 46 percent in 1929 to over 60 percent by the late 1930s. Further, the Great Depression ended the system of world trade as the United States and Europe erected tariff barriers, accidentally enabling import substitution (see Singer 1949; Prebisch 1959). Under *étatisme*, the Turkish government founded Sümerbank (1933) and Etibank (1935) to guide industrial investment and ensure self-sufficiency in the “three whites”—flour, sugar, and cotton textiles—and the “three blacks:” coal, iron, and petroleum (Wyatt 1934). Significant industrial investment and diversification ensued, albeit without the economic competition desired by international observers (Thornburg 1949; Boratav 1981). State investments in railway expansion that aimed to integrate newly founded provincial state enterprises into the broader national economy supported new industrial enterprises (Rivkin 1965). Following international trends, Turkey adopted trade policies that protected infant industries (Birttek 1985).

For the thirty years following World War II, Turkey pursued a policy program of import-substitution industrialization (ISI), alternating between permissive and restrictive approaches to private investment. This continued even after the transition from one-party rule under Atatürk’s Republican People’s Party (CHP), to two-party competition. In the 1950s, the Democrat Party, under Adnan Menderes, supported private industry even while expanding the public sector (Hershlag 1968). The Korean War boom enabled the development of consumer goods industries, such as textiles and food processing, yet the decade ended with economic and political turmoil, as Marshall Aid dried up and various social groups, particularly students, called for greater democratization of the political system.

The Deepening and Diversification of Industrialization

Turkish politics during this period involved elections, with some restrictions on parties and the press, punctuated by military coups in which the civilian government was overthrown and a new one set in place, with varying levels of military involvement in governance. The first such coup, in 1960, saw Menderes forced from power and executed, followed by a new constitution and elections.

Following the 1960 coup, the state took a larger role in directing industrialization, establishing the State Planning Organization the same year (Milor 1990). The state sector expanded dramatically, while Turkey’s largest conglomerates also grew

significantly under government patronage (Buğra 1994). The objective of state direction was to encourage the production of capital goods and consumer durables, in order to lessen Turkey's reliance on manufactured imports (see Hirschman 1958).

From the mid-1960s, Turkey saw increasing engagement with multinationals. There was some evidence of successful diversification under an alliance among the state, local capital and multinationals (see Evans 1979), particularly in automobiles and household appliances. These ventures received significant government support. The formation of durable interest representation through the Turkish Industry and Business Association (*Türk Sanayicileri ve İş İnsanları Derneği*, TÜSİAD) structured business-government relations (Buğra 1994). Between 1962 and 1977, there was significant capital accumulation, manufacturing growth was over 10 percent per year and GNP grew at over 7 percent (Pamuk 1981).

The 1970s represented a fraught period, however, with fragile political coalitions unable to cope with increasing violence between urban militias of the Marxist left and nationalist right. During this period, government debt ballooned as a result of spending in order to keep coalitions together. Despite this spending, there were increasing political fractures and polarization.

Turkey represented a precocious example of the crisis of import substitution that engulfed other NICs in the early 1980s. The energy shock of 1979 precipitated a deep and widespread financial crisis in Turkey. Higher interest rates meant that the debts incurred to private lenders for industrial development suddenly became unsustainable. In August 1979, 250 international banks restructured \$2.6 billion in debt—the largest private bank rescheduling at the time (Pamuk 1981). Rescue packages mandated the liberalization of the economy and the dismantling of ISI, but without solving chronic problems of debt.

Neoliberal Reform and Export-Oriented Industrialization

Unsurprisingly, these economic difficulties reverberated through a still-fragile political system. A military coup in 1980 brought an end to this instability. In 1983, Turgut Özal's Motherland Party (ANAP) won a parliamentary majority in elections held that year.

Under Özal, Turkey embarked on export-oriented industrialization through greater integration into the global economy. Following a 33 percent devaluation of the Turkish lira, the government adopted a series of export subsidies that ran as high as 40 percent for industrial goods (Öniş and Webb 1992). Trade liberalization followed in the mid-1980s (Taymaz and Voyvoda 2012).

The Turkish government took a significant step toward global integration as a semi-peripheral economy by joining the European Customs Union in 1996. Turkey sought a place as a low-cost producer for the European market, while aspiring to use greater investment from European firms to undertake value-added production, thereby attempting to climb up GVCs (Gereffi 2018). In order to effect this integration, the government undertook policy adjustments to attract foreign investment.

Despite relative consensus on industrial strategy, political incoherence among a variety of coalition governments undermined its effectiveness. Moreover, financial

liberalization failed at resolving Turkey's underlying macroeconomic vulnerabilities; rent-seeking dominated the financial sector (Cizre-Sakallıoğlu and Yeldan 2000). Unstable coalition governments, concerns about corruption, the ineffective management of the 1999 earthquake, and especially the currency crises of 2000–2001, in which the lira lost more than half its value, led to widespread disaffection with the political establishment (Öniş 2009). This combination of events led to the electoral success of the Justice and Development Party (*Adalet ve Kalkınma Partisi*, AKP), the successor to a series of banned Islamist parties.

The AKP initially continued policies of global and particularly European economic integration and export promotion, overseeing a decade and a half of significant industrial growth and increases in per capita income. Following the financial crisis of 2001, the Turkish state undertook a program of privatization, creation of new regulatory agencies, and the introduction of central bank independence. The AKP's policies facilitated production for export while distributing key welfare goods and services, further legitimizing the state (Dorlach 2015; Dorlach and Savaşkan 2018). In the 1990s, Turkey had been considered a basketcase; by 2011, the international community was singing its praises as a successful developer through international integration and export orientation. The World Bank (2014) praised the country, including its reforms of the financial sector (Öniş and Kutlay 2021). Turkey was the apt pupil of neoliberalism during the 2000s and early 2010s.

Neoliberalism's Discontents

By the late 2000s, Turkey's development trajectory, closely associated with global and European integration, showed signs of faltering. Though Turkey had applied for membership in the European Union in 2005, conflicts over human rights issues and the Cyprus question created insuperable obstacles, and accession negotiations stalled by the 2010s. As Turkey's prospects for EU accession faded, the supposed benefits of transformative investment that were evident for new members in Central Europe became more remote. It became clear that Turkey would remain a low-cost producer at the continent's periphery. Moreover, the collapse of export markets during the Eurozone Crisis and associated recession uncovered critical vulnerabilities. Turkish exports were highly dependent on demand from the European market; the EU remains the destination for about 40 percent of exports, and during the late 2000s and early 2010s, these markets contracted considerably.

Additionally, export-oriented manufacturers confronted increasing challenges in the tension between cost-competitiveness and the movement into higher value-added production. This was particularly intense for the so-called "Anatolian Tigers," small- and medium-scale export-oriented enterprises, which were noted for their comparatively low levels of productivity and human capital and reliance on labor squeezing to remain competitive (Filiztekin and Tunalı 1999).

These factors invited greater skepticism regarding the sustainability of Turkey's status as a semi-peripheral country on the borders of Europe. Turkey could leverage a distinct set of regional cultural and diplomatic relationships for economic ends, however. From the mid-2000s onward, Turkey has invested

significantly in deepening relationships to its near-abroad following a neomercantilist path that sought to diversify the risks of neoliberal strategy relying on European integration. In so doing, it sought to gain access to markets in nearby states for Turkish goods and services.

Turkey's neomercantilist pathways have reached across three regions. To the east, it sought to build relations with the post-Soviet countries of Central Asia that share common Turkic linguistic and cultural attributes. These countries, previously reliant on Russia for providing manufactured imports and resource exports, began turning to Turkey to diversify away from their own dependence stemming from the Soviet era. This is especially the case with automobiles and infrastructure development (Kutlay 2011). Turkey had traditionally been excluded from close economic ties to Central Asia by the Iron Curtain, but following the collapse of the Soviet Union, new and potentially lucrative markets opened up that required political and diplomatic means to access. More recently, this has included greater trade and investment with Russia itself. Beyond Central Asia, Turkey has close trade and investment ties with Balkan countries, including Bosnia-Herzegovina, Albania, Montenegro, Serbia, and Kosovo (Government of Turkey 2024).

Turkey's involvement in the economies of Arab countries was a product of profound changes in the region, first during the OPEC Crisis of 1973–1974 and then following the Iraq War of 2003 and the Arab Spring. Turkish industry has provided much of the engineering capacity to build up the metropolises of the Gulf and supplied key manufactured goods for less wealthy countries in the region. As a response to lobbying by industrialists, the Turkish government signed free trade agreements with a number of low-income Middle Eastern countries, such as Egypt, Morocco, Tunisia, and Palestine, with a deal with Lebanon undergoing ratification (Government of Turkey 2024). As we demonstrate below, these arrangements, while appearing to take the form of (neoliberal) preferential trade arrangements, are in reality negotiated terms for particular, privileged access for one country to the exclusion of others. Whereas previous initiatives of integration concentrated on European markets, this diplomatic and commercial effort represented a new strategy of accessing the markets of poorer countries.

The relative success of Turkish manufacturers, in concert with the Turkish state, to diversify away from European markets coexists with serious vulnerabilities evident in the economy since the late 2010s. Following a decade of robust growth and declining inequality under the AKP, Turkey finds itself in a weaker position over the last decade. GDP per capita has fallen from \$12,500 in 2013 to \$8500 in 2020, though the last few years have seen an uptick in growth. Inflation remains stubbornly persistent, eroding living standards and heightening inequality. At one level, these macroeconomic weaknesses can present a long-term threat for production. At another, both neoliberal and neomercantilist strategies signal pragmatic responses on the part of firms and the government to diversify away from the domestic economy. Such pragmatism is evident in other semi-peripheral contexts as well (Fuller 2016).

Textiles and Garments: Classic Neoliberalism

Textiles and garments have long been a key export sector for Turkey. In 2020, garments and textiles exports accounted for \$31.3 billion, representing about 13 percent of total exports (OEC 2023). Export markets in textiles and garments, as with other sectors, are highly variegated, not just in export destination but also the level of value-added and production organization. While aspects of this industry have been able to use neomercantilist strategies in order to enter key markets, exports remain focused on Europe and thus locked into neoliberal frameworks. As such, this presents the weakest case for the potential of neomercantilist strategy.

The textile industry has often started programs of industrialization, not least in the developing world. The nascent Turkish Republic was no exception. Building upon a rich history of craft-based Ottoman textile production, the Turkish state took explicit measures to promote textile manufacturing under the supervision of Sümerbank in the 1930s. With the Democrat Party's victory in 1950, the Turkish state pursued a dual strategy of enhancing public enterprises while encouraging private investment. Several of today's leading conglomerates expanded their investments in the textile industry during this period. At the same time, deepening industrialization allowed greater production of textiles in Anatolian cities and towns.

Textiles, as one of Turkey's leading industrial sectors, was a principal recipient of the government's export-promotion strategies in the 1980s. Devaluation of the Turkish lira, in addition, made Turkish textiles attractive to export markets. In 1980, Turkish textile exports were \$130 million; by 1990, they were \$2.8 billion (Duruiz and Yentürk 1992, p. 135).

The development of textiles and especially garments in the 1990s was implicated in changes in the international political economy. New forms of globalization and particularly trade competition led buyers from international brands to seek new sites of production, based on extant manufacturing capacity, low labor costs, and the availability of raw materials. New patterns of production accompanied global integration, with global value chains (GVCs) led by H&M, Hugo Boss, and other multinational firms with popular brands (Tokatli and Kizilgün 2004). Turkey was assisted by greater connections with an increasingly integrated Europe, joining the Customs Union in 1996. As a result, a number of Turkish clothing manufacturers were able to evolve from mere "cut-and-stitch" assembly to the full-package production capacities that scholars have identified as the essential step to upgrading within the apparel GVC (Tokatli and Kizilgün 2004).

Despite its relationships with the European market, Turkish exports faced increasing competition from East and South Asia following the 1997 Crisis (Arnold 2010). Other low-wage producers in eastern Europe, such as Romania and Bulgaria, were already competitors. More serious was the phasing out of the Multifiber Arrangement (MFA) in 2005. This had kept low-cost producers like Bangladesh and China from dominating markets (UNCTAD 2005; USITC 2004). In the mid-2000s, Turkish exporters confronted the challenge of upgrading their product profiles and ascending the value chain, before being priced out entirely. Many textile and garments manufacturers ended up going out of business.

GVCs provide opportunities to firms willing and able to upgrade, however. Turkey enjoys not just greater institutional access to European markets, but also short lead-times relative to low-cost manufacturers in East, South and Southeast Asia (Cochrane 2022). This proximity allowed some firms to effectively transition from the ready-to-wear model to “fast fashion,” which required more organization and flexibility (Tokatli et al. 2008; Tokatli and Kizilgün 2004). Several Turkish firms responded to these challenges by upgrading their capacities to meet value-added production requirements. Firms based in Istanbul increased their capacities in design, moving into segments of the value chain traditionally associated with lead firms, by establishing international brands, such as Mavi (Tokatli and Kizilgün 2004; Neidik and Gereffi 2006). However, this was often contingent upon relocating production to lower-cost regions, including foreign direct investment (FDI) to the Balkans and Central Asia.

The result is a bifurcated sector. At one extreme, we have valuable brands with their own retail facilities that pursue their own FDI strategies in order to manufacture in lower-cost countries. At the other, we have household workers who subcontract, ultimately from multinational buyers, for piecemeal-like embellishments. Stuck in the middle are those enterprises who seek to maintain regular relationships with international buyers while keeping their wage costs low, for instance, by hiring Syrian refugees.

Even though we see some evidence of Turkish enterprises pursuing FDI in neighboring countries, the textile and garment sector is ultimately not a fruitful one for neomercantilism, for three reasons. First, while certain segments of the industry have increased exports to the Middle East, Central Asia, and the Balkans—57 percent of the export of knitted fabrics, for example, are destined for these markets in 2021 (OEC 2023)—the most valuable segments, including designer goods, are exported to Europe. Turkish exports of textiles and garments to Europe remain 80 percent of total exports in value terms (OEC 2023). Export diversification in the higher value-added segment is constrained by the sluggish growth of middle-class consumption in the Middle East and Central Asia. Second, the government is largely disinterested in supporting the industry in any strategic manner because of its lack of technological spillovers and political influence. Third, there is warranted skepticism that Turkish firms would use other countries simply as a platform for exploitative, low-wage production. Turkey’s textiles and garments industry is a success, but it is deeply integrated into neoliberal international sectoral structures, in which international brands have a defining influence. Thus, neomercantilism has limited purchase here.

Automotives

Automotive goods—cars, tractors, trucks, and parts thereof—is a key export sector for Turkey, representing \$25.9 billion and 11.1 percent of exports (OEC 2023). It has also been a relative success story: in 2001, the sector exported only \$2.59 billion, representing 7.8 percent of total value. Turkey has become a major export platform of both vehicles and components. In 2008, it was the fifteenth largest motor

vehicle producer in the world; as of 2021, it was the first in commercial vehicle production in Europe, and the fourth in auto production in Europe. At the same time, the automotive industry has sought new markets in the Middle East and Central Asia that provide a means to decrease reliance on European markets and maximize variation in production profiles among small and medium enterprises. These represent key neomercantilist strategies that are informed by experiences of crises in demand from European markets.

Like many semi-peripheral economies, Turkey sought to move from light consumer goods to consumer durables and capital goods, making a domestic automotive sector a long-term priority. Manufacturing under import-substitution was closely connected with the needs of the military. In the 1950s, Türk Otomotiv Endüstrileri and other concerns assembled military trucks and jeeps under license, providing a foundation for manufacturing trucks, jeeps and later, passenger motorcars (Kurtgözü 2023, 285). Beginning in 1959, the Koç conglomerate began producing trucks and in 1966, Ford-licensed motorcars. Joint ventures (JVs) between Oyak and Renault and Tofaş and Fiat followed in 1971. Beyond assembly, a Marmara-based automotive component sector grew in the 1970s, beginning with producing spare parts for the domestic market.

During the 1960s and 1970s, industrial strategy emphasized import-substitution: that more of the components of vehicles would be manufactured within Turkey. The economic crises of the late 1970s hit the sector hard. In 1975, automotive production reached 67,291 vehicles, but by 1981, production had fallen to 25,306 (Erdoğan 1999). In response, the Turkish state reoriented the economy toward liberalization and export orientation. The resistance of domestic companies, both individually and through TÜSİAD and Automotive Manufacturers Association (*Otomotiv Sanayii Derneği*, OSD), maintained customs duties for EU car imports at between 81 and 154 percent as late as 1989 (Erdoğan 1999; Langbein and Markiewicz 2020, p. 1113). In comparison to textiles and garments, the Turkish state has played a more proactive role in furthering the interests of the sector, in ways that presaged neomercantilist strategies in later decades.

From the 1990s, Turkish entry into the European Customs Union transformed the industry. Because automobiles were classified by the Turkish state as a “sensitive” sector, its liberalization was carefully managed with European negotiators. This included a ten-year ban on the import of used vehicles from Europe and a five-year transition period to the final Common Tariff schedules. This meant that European companies seeking greater access to the Turkish market needed to engage with Turkish companies. Further, Turkey’s 1994 financial crisis, and the subsequent devaluation of the lira, limited the demand for European imports. Ultimately, the influence of large domestic firms dominating the industry meant that the Turkish state could not discipline the sector’s principal actors, who “routinely violated performance requirements attached to the subsidies” (Langbein and Markiewicz 2020, p. 115; see also Öniş 2004; Biddle and Milor 1997).

Over the next two decades, the growth of Turkey’s automotive sector was marked by the expansion of existing players in addition to the entry of new multinationals. Multinationals that established significant production capacity were given tax incentives (Erdoğan 1999). A number of multinationals established domestic production

during this period, including GM/Opel (1990), Toyota (1994), Honda (1997), and Hyundai (1997), through joint ventures with domestic companies with knowledge of how to navigate bureaucratic hurdles and with political connections necessary to secure state protection (Taymaz and Yilmaz 2017, p. 11). Unlike in the clothing sector, these local partners were major conglomerates with close ties to the state, expanding production in the existing automotive industrial clusters of Izmit, Bursa, and Aksaray.

A second phase of externally integrated industrial development emerged as the Customs Union enabled Turkey to become a production platform for export back to Europe, following the model of the product cycle (see Vernon 1971; Kurth 1979). This involved upgrading capacities, given the lack of international competitiveness of Turkey's automotives. Greater investment and technological deepening was required. This involved state coordination through the Ministry of Industry and Trade, who worked with industry representatives, universities and standards agencies to ensure that producers complied with EU regulations. Turkey's pursuit of European Union membership assisted greatly in this upgrading. Total investment in automotives doubled between 1996 and 2000, with new vehicles increasing from 20 to 50 percent over that period (Taymaz and Yilmaz 2017, p. 15).

These investments had significant dividends. Toyota made Turkey a major platform for production to the European market (Langbein and Markiewicz 2020, 1119). Multinationals and the state collaborated in establishing research and development, testing and engineering facilities, such as the Gebze Tubitak-MAM Technology Free Zone (TEKSEB) (2007). There was also funding from the EU Research and Innovation Framework and subsidized loans from the European Investment Bank, including \$1.2 billion cofinance for European multinational investment between 2002 and 2015 (Langbein and Markiewicz 2020, p. 1119). There has been over \$17 billion in investment by 250 global suppliers seeking a low-cost production base since 2003. In 2021, 73 percent of automotive manufacturing in Turkey is destined for export markets.

At one level, Turkey represents a rare and privileged case of relative success in a dependent market economy framework, in which the sector is determined by external actors in cooperation with subordinate domestic conglomerates (see Nölke and Vliegenthart 2009). Up until the last decade, Turkish automotives represent an unambiguous success story for export orientation in a late-developing economy, following the advent of the present global trade and investment regime. This is a perspective consistent with neoliberal strategies of growth.

However, the dependence on external actors represents critical vulnerabilities for continued growth and development. Vehicle production and export relies on the importation of complex components; automotive growth has occurred without the associated development of a technologically sophisticated Tier-I components industry, with the parts manufactured in Turkey being relatively labor-intensive and low value-added. The upgradation of components has stagnated relative to competitors such as Poland and Romania (Langbein and Markiewicz 2020, p. 1111–1112). Moreover, the industry's dependence on European markets represented a liability during the Eurozone Crisis; production fell 63 percent and exports by 62 percent in the first two months of 2009 (Kennedy 2009). Access to components can also

present an obstacle. COVID19 Pandemic-related supply chain problems impacted an industry dependent on imported microchips in the early 2020s (Daily Sabah 2021b). While export markets have rebounded in 2023, volatility remains a concern.

As a result, Turkish firms and the state have been keen on finding alternative markets. We have seen a turn toward marketing Turkish-made automobiles in Russia, the Balkans, Central Asia, and the Middle East. The government has established special commercial arrangements for auto manufacturers, including with Lebanon, Qatar, Sudan, and potentially Moldova and North Macedonia (Daily Sabah 2022). While Turkey is a relatively weak player and thus a taker in the context of negotiations with Europe-based multinationals, it has both historically and geopolitically greater influence with countries in its near-abroad. These arrangements focus less on rules and transparency and more on producing vehicles for particular market conditions and managing bureaucratic hurdles in market access.

In addition to alternative markets reducing the vulnerability of reliance on Europe, the government and firms are also seeking to limit product vulnerability. Developing countries are more in need of reliable, low-cost vehicles for the movement of goods and groups of people, which is a specialty of Turkish auto firms. This form of diversification has already seen some success. Turkey exported over \$1.5 billion in buses, minibuses and commercial vehicles in 2020, targeted mostly to Europe. However, exports to Morocco were up 66 percent and Georgia up 96 percent, making these the fourth and fifth largest markets in these segments; in addition, Turkey has increased exports of buses and commercial vehicles to Saudi Arabia 4.5 times the previous year and to Egypt an astonishing 84 times that of previous sales (San 2021; Daily Sabah 2021a). Turkish products are sold at lower costs and with fewer regulatory hurdles than goods assembled in Europe. When not exporting to Europe, Turkish national firms as well as components subcontractors have greater leeway to ignore the strategic plans of the multinationals and develop relationships with other firms or public agencies that represent key purchasers in developing countries.

Trade in automotive goods between Russia and Turkey has been significant. In 2017 and 2018, automotive exports to the Russian Federation amounted to \$328 million and \$454 million, respectively (Tan 2022). Russia has served as the most diversified market for the sector, with demand for passenger cars, commercial vehicles, buses and trucks of different sizes, and automotive components. Russia's invasion of Ukraine in 2022 has complicated this trade. On the one hand, both Ukraine and Russia are important components suppliers. On the other, Turkish companies have continued to supply Russian counterparts with components worth tens of millions of dollars, despite sanctions (Malsin 2023). Other post-Soviet countries are less affected: Turkmenistan and Uzbekistan have become significant export targets, especially given Turkey's cultural ties to the region (Hurriyet Daily News 2023).

Recently, the AKP government has invested political and economic capital in developing a Turkish-made electric vehicle, the Togg. It represents a symbol of economic nationalism, while notionally engaging with net-zero targets. This vehicle has been designed by a consortium of five Turkish companies, with one of Erdoğan's closest supporters being a key director (Langbein and Markiewicz 2020, p. 1121). State support in addition to private investment has gone into the project,

with estimates of \$3.5 billion by the government through direct and indirect support (Mordue and Sener 2022, pp. 770–773). Localization of components was a strategic priority, with a target of 51 percent of components manufactured locally at the outset, rising to 68 percent by 2025 (Mordue and Sener 2022, p. 781). For all this economic nationalism, however, Turkey's limited technological capacities has meant that many of the most valuable components will be imported from abroad (Mordue and Sener 2022, p. 781).

Neomercantilism is part of the broader program of the AKP. While the Togg has been showcased as a car for ordinary Turks and even destined for European markets, in reality, much of its marketing has been directed south- and eastward. The Turkish industry and technology minister personally delivered the Togg to the presidents of Uzbekistan and Azerbaijan, thus highlighting the personal ties between the leadership of these countries (Hürriyet 2023). The lower cost of the Togg relative to other EVs may make it more attractive for middle-income countries such as these, but political ties are also a factor in market-making. The production and export of the Togg has also involved more deliberate state intervention, coordination and investment than what would have been allowable under European rules. In other words, in relation to the Togg and more generally, industrial policy is possible in relation to supporting exports to other middle-income markets, whereas production for Europe is more constrained.

More generally, Turkey's middling place in the automotive value chain, despite production volumes, suggests hazards for the sector if it relies fully on Europe. As Langbein and Markiewicz (2020) emphasize, Turkish automotive exports are situated in low-cost passenger car models, commercial vehicles, and low-value components. Growth for the sector can benefit from expansion into markets beyond Europe, therefore. The application of neomercantilist strategies, diversifying away from reliance on European markets and value chains, thus represents a means to limit long-term vulnerability.

Infrastructure and Construction Services

Distinct from both textiles and automotives, the infrastructure construction and civil engineering sector, especially in semi-peripheral countries, was traditionally considered non-traded. However, Turkey has become a leading exporter of these services. From \$2.2 billion in 1986 (Tavakoli and Tulumen 1990, 84), Turkey exported contracting services worth \$30.7 billion in 2021, with the largest share of projects going to the Russian Federation, followed by Iraq (Turkish Contractors Association 2023). Turkey is now in the top ten countries providing large-scale infrastructure investment, both in the number of projects and in the volume of investment it directs (World Bank Private Participation in Infrastructure Database, cited in Yağci 2021, p. 773). Five Turkish firms are among the top ten largest internationally guiding global infrastructure projects, with Turkey as the third largest exporter after China and the United States (World Bank 2018, cited in Yağci 2021, p. 773). Turkish infrastructure firms are therefore important both domestically and in export markets in the Middle

East and in the former Soviet Union, and now increasingly sub-Saharan Africa (Calabrese 2020).

Unlike textiles and automotives, where exports are dependent on global value chains (GVCs), primary targets for export and foreign investment in the sector are not westward but rather toward the Middle East, Central Asia, and Africa. In this way, Turkey is both cooperating with and imitating the archetypal neomercantilism of China's Belt-and-Road Initiative. These investments are variegated, signifying the diversification benefits of neomercantilism: power plants, railroads, roads, bridges and tunnels, water treatment facilities, and airports. They also signal a form of industrial upgrading; Turkish firms have become architects, designers and investors "carrying out market research and feasibility studies; preparing the financial package for the owner; and designing, constructing, and offering maintenance and repair services for the facilit[ies]" (Calabrese 2020). It signifies a sector in which industrial development and upgrading has occurred without substantial integration into GVCs (Gereffi 2018).

Like textiles, clothing, and automotives, the Turkish infrastructure and construction industry received a boost from state investment and guidance under ISI. When the state shifted its focus from the extant railroad system to national highways in the 1950s, the modern industry was formed (Rivkin 1965). Highways provided a means for farmers to bring their goods to market, while enabling Turkish agricultural commodity exports. The Turkish highway project was funded by the Marshall Plan, as the US sought to enhance Turkey's development as a frontline state in the Cold War (Coşar and Demirci 2009). The US also provided technical expertise for highway planning and execution, which was touted as "probably the most fundamental project" for the promotion of economic development in Turkey (Kerwin 1950, pp. 196–8). Large infrastructure development that enhanced connectivity among different regions was closely associated with modernization theory (Lerner 1958; Adalet 2018).

Involvement between the US and Turkey laid the basis for the adoption of American technology in infrastructure development (Schippers 2007). Three of the largest Turkish construction companies in Turkey were established in the late 1950s or 1960s. Technological transfer and the density of backward and forward linkages (Hirschman 1958) spurred competencies in a number of related activities. In particular, construction demand along with natural resources incentivized the domestic production of cement, ceramics, glass and steel.

Along with other semi-peripheral countries, the Turkish state emphasized educational programs and research in engineering and architecture (Katsarakis et al. 2007). ENKA İNŞAAT (founded 1957), reputed to be Turkey's largest construction concern and a major exporter specializing initially in highway construction, grew because of public sector contracts. It is therefore not surprising that during the heyday of state-directed development in the 1960s, infrastructure development was a central pillar of development strategy, involving private firms as well as public agencies. Of course, the highway project and associated agricultural modernization spurred growth in tractors and trucks, as discussed above.

Construction and infrastructure differentiate between concerns that operate only domestically and those that have significant international business. We focus on

the international in this paper. For the domestic industry, in Turkey and most other countries, political connections tend to be paramount because of the state's involvement. Projects have been implicated in corruption scandals. For instance, five of the largest domestic firms—Cengiz, Kalyon, Kolin, Limak, and MNG—referred to by the opposition as the “gang of five” because of their intimate connections with the governing party, have been implicated in manipulating tenders and evading taxes (Buğra and Savaşkan 2014; Karatepe 2016; Gürakar 2016; Tahiroğlu 2022). While domestic actors have international projects as well, the politics of rent-seeking in domestic construction and infrastructure are different from the politics of export promotion. The former involves straightforward quid-pro-quo relationships based on state governance over zoning, regulations, and public contracts.

In export markets, however, the state often must expend diplomatic capital to secure contracts and thus focus on strategic priorities and promote national champions, as well as cultivate relationships with foreign governments, rather than simply rely on open market competition for international tenders. As such, it represents an archetypical case of neomercantilism. To be fair, the centrality of state decision-making in infrastructure and construction may preclude fully neoliberal governance in the sector. Scandals in sites as disparate as New York City and Doha highlight the discretion of government officials in arranging contracts. Nonetheless, the Turkish state's efforts to cultivate regional and culturally affiliated markets represent a clear case of Turkey's neomercantilist strategies.

Turning back to the export segment, Turkey's first forays into international markets for infrastructure development in the 1970s displayed hallmarks of semi-peripheral development. Turkish firms executed projects in Libya, Kuwait, Iraq, and Saudi Arabia following the 1970s' oil boom (Tavakoli and Tulumen 1990). The state supported such efforts through financing from public financial institutions and more directly through tax breaks and the provision of foreign currency (Tavakoli and Tulumen 1990, p. 85). While these firms entered into regional markets as low-cost bidders, by the late 1980s, they diversified into management consultancy, turn-key project implementation, and joint ventures and upgraded from small-scale and labor-intensive to large-scale and technology-intensive projects (Kaynak and Dalgic 1992; Gökmen and Temiz 2012; Calabrese 2020).

Turkey's financial crisis of 2001 spurred the industry to seek emerging markets (Akiner and Akiner 2009). This expansion included both venerable enterprises from the ISI era and newer entrants and has expanded Turkish involvement not just in the Middle East but also to the former Soviet Union. By 2010, this included more than \$20 billion in Russia, \$3.6 billion in Azerbaijan, and \$628 million in Kazakhstan, in addition to \$35.5 billion in the Middle East, where Turkish firms claimed a large portion of infrastructure projects (Kutlay 2011, p. 78). In keeping with neomercantilism's emphasis on cultivating new markets in the near-abroad, former Soviet countries accounted for 55 percent of exports in the sector in the 2020s (Calabrese 2020). The Balkans have also emerged as a site for potential expansion; a regional agreement for Turkish investment has recently been made for constructing a highway linking Belgrade and Sarajevo (Kenez 2021). The successes of Turkish investment and contracts in these regions may be due to Turkey's geopolitical influence.

The Turkish state, particularly under Erdoğan, has leveraged Turkey's geopolitical influence to secure contracts in a range of countries with which it has traditional cultural ties (Öz 2001). The state has also helped favored companies to secure credit in the international market, providing tax incentives and exemptions, and relaxing public procurement practices (Calabrese 2020; Esen and Gumuscu 2018). This has also entailed patron-client relationships between the ruling party and politically favored firms.

Neomercantilist strategy is not without its drawbacks, chief among them the risks of political instability, conflict, and financial crises in target countries. For instance, in 2016, firms operating in Iraq faced bankruptcy due to Turkey's strained relations with the al-Maliki government. Turkish operations in Russia have been complicated by financial crises and then geopolitical tensions (Calabrese 2020). Significant construction contracts with the Qaddafi regime were voided after the regime was overthrown in 2011 (Dryad Global 2021). These episodes reveal the limits on neomercantilist strategies, when engaged in creating and sustaining new markets based on cultural and personalistic ties, when these ties fray.

Cross-border infrastructure investment occupies a strange space in the dynamics of semi-peripheral development, especially as construction itself is often simply dismissed as a non-traded activity. Complex international politics and economics are intertwined with the export of infrastructure and construction services, a sector which does not align with the neoliberal paradigm. In this sector, neomercantilism does not emerge as a response to the vulnerabilities of integration, as in automotives, but rather naturally bridges geopolitical contexts and business-government relations. As such, the centrality of politics in the internationalization of infrastructure makes neomercantilism an important framework for sectoral governance; the Turkish experience shows us that it can also be a strategy for other semi-peripheral countries.

Conclusion

For semi-peripheral countries, globalization represents a double-edged sword. On the one hand, global economic integration affords opportunities for production and export absent in earlier periods of inward-looking industrialization. On the other, middle-income countries that pursue integration through global value chains can find themselves stuck at intermediate stages of value-added production, with technology, intellectual property, and branding closely guarded by western multinationals and with wage competition from below. In this context, some semi-peripheral countries, particularly those with influence in their region, seek to diversify industrial development using neomercantilist strategies and target non-Western markets, while not fully abandoning neoliberal practices of GVC integration. Of course, the success of these efforts varies across sectors. Government support for these very different types of export promotion is ultimately complementary rather than competing, as markets in the near-abroad are important for providing alternatives to reliance on GVCs, multinationals and Western markets. Turkey is a country that represents the complementarity of these strategies.

Acknowledgements We wish to thank Sonja Avlijaš, Kira Gartzou-Katsouyanni, anonymous reviewers, and all the participants of the special issue workshop at the LSE in March 2023 for their advice and suggestions.

Data Availability Not applicable.

Conflict of Interest The authors declare no competing interests.

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