DISCUSSION PAPER

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PUBLISHER

TRT WORLD RESEARCH CENTRE

SEPTEMBER 2018

TRT WORLD İSTANBUL

AHMET ADNAN SAYGUN STREET NO:83 34347

ULUS, BEŞİKTAŞ

İSTANBUL / TURKEY

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Introduction

It is no secret that Turkey is looking for new friends. Following the outbreak of the ongoing dispute with the US, Turkey's President Erdogan said, "Turkey has alternatives" and "failure to reverse this trend of unilateralism and disrespect will require us to start looking for new friends and allies" (Erdogan, 2018). Now that Turkey's conflict with the US has expanded to the economic arena, Turkey has started to look in earnest for new, more reliable economic partners. In that respect, BRICS (association of five major emerging economies including Brazil, Russia, India, China and South Africa) came high on the list of viable alternatives for Turkey. A few weeks ago, Turkey attended the 10th BRICS summit in South Africa as a non-member guest. During the summit, President Erdogan openly stated Turkey's desire to be the sixth member of the BRICS. He even proposed a new name for the grouping if Turkey joined: BRICS-T (Sengupta, 2018).

Turkey has been a NATO ally for last six decades and is a candidate for full membership to the EU. Needless to say, there has been ups and downs in Turkey's relations with the 'West' and especially the US, but being a neighbour of Iraq, Iran, Syria, the European Union, and the Soviet Union (until its collapse), Turkey has been considered as a strategic member of the Western alliance for most of its modern history. This also meant strong economic ties with European countries and the US in trade, finance, and investment as well as following the economic paradigm prevailing in the West instead of the Soviet bloc or other developing countries. Turkey has depended on advanced industrial economies for financing its economic growth and the lion's share of its trade volume while following the 'Western model' in its economic structuring and policy making. For the better or worse, this seems to have worked well for Turkey until recently.

However, Turkey's relationship with the US has been going through a re-evaluation and a potential re-definition in recent years. Turkey feels disappointed with American foreign policy, and consequently drifts away from the West. Now, we have clearly entered a new era in Turkey's foreign policy where Turkey openly challenges American hegemony in the world economic order and western countries' dominance over international institutions such as the UN and the IMF. Most recently, the supremacy of the dollar in the world financial system has been a target of Turkish administration as well (Al Jazeera, 2 September 2018). Turkey is looking for new alliances with other major developing countries such as China and Russia, on the basis of a more just and multipolar relationship. Considering that Turkey is currently experiencing some economic turbulence, in part due to the cracks in Turkey-US relations, the need to have new and 'better' friends has become even more salient.

According to some, a potential BRICS membership may be a viable alternative for Turkey to 'supplement' its trade and finance relations with the West. In this paper, I discuss, not the causes or the effects of Turkey's divergence from the West, but what a potential BRICS membership would economically mean for Turkey in the current context, and whether this is a viable option for the country in the long run. Turkey may benefit a lot from substantial economic ties with the BRICS economies but given its current structure and capabilities, BRICS is still an unlikely substitute for Turkey's relations with the West. The Western world continues to be the source of science, innovation and technological advancement, and has strong institutional structures. Increasing trade volume and deepening financial relations will certain contribute to the growth trajectory and stability of Turkish economy, however, the best advantage Turkey stands to gain from substantial economic ties with the BRICS is potential leverage Turkey may gain from having alternatives to Western dominated institutions and alliances.

Why Turkey wants New Friends?

Relations between the US and Turkey have deteriorated over the past several years. Now, two NATO allies are in the midst of an open conflict. The deterioration arguably began with US support for the PYD (and its military wing YPG) in Northern Syria, an organization known to have substantial ties with the terrorist organization PKK, which Turkey has been fighting against for last 40 years. That tension escalated when US started to openly arm the PYD in 2014 while their affiliates were carrying out suicide bombings in Turkish cities. Then came a further disagreement over another terrorist organization: FETO (i.e. Gulenist movement). Fethullah Gulen, the leader of the organization which orchestrated the failed coup attempt in July 2016, continues to live in the US as the US administration refuses to extradite Gulen and other senior members of the organization. Serious claims about US's involvement with the coup attempt is also a source of tension between Turkey and the United States.

The problems in US-Turkey relations do not stop there. Turkey, along with a few other European countries, has a significant trade relationship with Iran. With the escalation in Syrian politics over the PYD, the US administration suddenly decided that Turkey's trade with Iran was no longer acceptable. In March 2017, the vice president of Halkbank (a state bank of Turkey) got arrested during a visit to the US over allegations of managing and coordinating Turkey's trade with Iran. Turkey of course strongly protested this move. The rift between two countries has been further exacerbated by Turkey's deal to purchase the S-400 air defence systems from Russia – which is a first among NATO countries. This led the US to suspend sales of F-35 fighter jets to Turkey even though Turkey has invested one billion dollars in the project. On the top of all these, in response to Turkey's detention of an American pastor on espionage charges in 2016, the US recently imposed sanctions on two Turkish ministers (Synder, 2018).

These tensions have also affected the economic relationship between the two allies. President Trump has doubled tariffs on imports of iron and aluminium from Turkey and threatened Turkey with further economic sanctions. Specifically, these sanctions are expected to

Top Export Destinations of Turkey (billion $)		Top Import Origins of Turkey (billion $)	
Germany	15.12 (9.7%)	**China**	23.37 (11%)
United Kingdom	9.61 (6.2%)	**Germany**	21.30 (9.6%
United Arab Emirates	9.18 (5.9%)	**Russia**	19.51 (8.8%)
Iraq	9.06 (5.8%)	**United States**	11.95 (5.4%)
United States	8.66 (5.6%)	**Italy**	11.31 (5.1%)
Italy	8.48 (5.5%)	**France**	8.07 (3.6%)
France	6.59 (4.2%)	**Iran**	7.49 (3.4%)
Spain	6.31 (4.1%)	**Switzerland**	6.90 (3.1%)
Netherlands	3.86 (2.5%)	**South Korea**	6.61 (3.0%)

Table 1: *Turkey's imports and exports by country in 2017* ***Source:*** *UN comtrade database*

include a large fine on Halkbank for violating US sanctions on Iran, or blocking financial institutions from giving credit to Turkish banks and companies. This comes at a time when the Turkish economy is already suffering economic turbulence. Following the Fed (The US Federal Reserve)'s monetary tightening and growing regional risks, hot money has been escaping Turkish economy for some time now. American sanctions accelerated the capital outflow further deepening Turkey's problems. Consequently, the Turkish Lira lost 20% of its value within a few weeks and put Turkey on the brink of a currency crisis.

Of course, this is not the first time Turkey is having a conflict of interest with the US. However, what makes this current crisis in Turkey-US relations different than previous episodes is that, rather than seeking to solve the immediate issues as soon as possible Turkey is more interested in pursuing a deeper change in its relations with the US, and the 'West' in general, one that is more reflective of Turkey's growing economic and geo-political significance in the global balance of power. This change may involve both more independence and influence for Turkey in its relationship with the developed countries of the North Atlantic alliance. What Turkey is seeking is more of a structural change and a diversification of its economic relations, rather than short-term solution to the current crises. The Turkish government is willing to form substantial economic ties with other economic powers so that Turkey may enjoy greater freedom in its economic and geopolitical decision-making, and become more resilient against imposition of any policy agenda from outside in the future.

Turkey's need for more diversified economic relations goes beyond political concerns. In order to create a stable and affluent economy, Turkey needs to form more diversified trade and finance relations with other major countries. First, following the 2008 global financial economic crisis, the Turkish economy was hit by falling demand for its export products due primarily to the deteriorated purchasing power in developed countries. As it is shown in table 1, almost all the top export destinations of Turkey are advanced economies of the West, including Germany, the United Kingdom, Italy, the United States, and France. When the global financial crisis hit these countries in 2008, leading to a major deterioration of purchasing power, total demand of these economies, especially for imported goods, was significantly reduced. Consequently, Turkish exports to these economies shrank (Bulu & Gurler, 2013). That is also when Turkish policy-makers came to a realization that Turkish exports were overly dependent on the fluctuation in Western economies, most of which are correlated with each other.

Second, as it is very vividly demonstrated in the recent problems of the Turkish and Argentinian economies, most emerging market economies are overly responsive to the changes in the monetary policy of the US. After the 2008 financial crisis, the Turkish economy, along with other emerging markets, enjoyed favourable liquidity conditions because investors were running away from crisis-hit developed economies. Now that the US economy is recovering from the crisis, The US Federal Reserve (the Fed) has tightened its monetary policy by increasing interest rates and pulling investors back to the US economy. Consequently, developing economies have experienced a capital outflow. This does not only make credit more expensive due to higher interest rates but also leads to devaluation of local currencies, leaving companies in developing countries in trouble because most of them are indebted in dollar. Essentially this is a currency crisis triggered by the global flow of the dollar.

Obviously, emerging countries' financial problems cannot be entirely blamed on the Fed, however it should be admitted that shifting monetary policies of central banks in developed countries - most importantly the Fed – can lead to the deepening of business cycles and can even result in recession in developing countries (Devlin & French-Davis 1995). This is mostly because the dollar continues to be the main medium of exchange and unit of account for international transactions. More than half of all global currency reserves and trade is in dollars, which allows the Fed to single-handedly control the supply of currency and global liquidity conditions. In 1965 French Finance Minister Valéry Giscard d'Estaing referred to this as an "exorbitant privilege" (Sachs, 2018). As it was previously observed in Latin America in 1980s and East Asia in 1990s, credit boom-bust cycles in developing countries are reinforced by the Fed's decisions to increase and reduce global liquidity of dollar.

But the real power of the dollar is that it gives the US a way to monitor and control non-Americans trading with or financing each other. The dollar's role as the world's main international currency allows US to directly or indirectly limit global liquidity transfers (e.g. flow of funds related to terrorism, narco-trafficking, and other illegal activities). Most recently, it has become a habit for US administration to use this power as an instrument of international politics through sanction programs, as in the cases of Russia, Iran, Sudan etc. Das (2018), for instance, says "The mere threat of prosecution can destabilize finances, trade and currency markets, effectively disrupting the activities of non-Americans." One way or another, the Fed has the potential to destabilize trade and finance in emerging market economies, intentionally or otherwise, which is a troubling reality for countries like Turkey. This is obviously why President Erdogan recently declared Turkey will pursue non-dollar transaction in trade and investment and said, "We need to gradually end the monopoly of the dollar once and for all by using local and national currency among us" (Al Jazeera, 2 September 2018).

Last but not least, Turkey needs to diversify its financial resources. Turkey has a comparatively low savings rate, which means its considerably high economic growth in recent decades had to be financed through foreign credit (Hevia, 2010). Stubbornly high current account deficits over two decades have translated into a growing external debt stock, mostly to investors and credit institutions from developed countries. This is partly why the Turkish economy is overly sensitive to threat of sanctions coming from the US to block the flow of credits to Turkey. Now that liquidity conditions of the US economy is being constrained and Turkey is in a major conflict with the American government over regional politics, government is looking for new sources of credit. In the current crises, Qatar and China have become useful for overcoming Turkey's current liquidity problems. However, this is not the first time Turkey experiences financial turbulence following a loss of confidence in financial markets, nor will it be the last. Therefore, Turkey needs to deal with its dependency on Western institutions to finance its growth once and for all so that the US loses leverage in political bargaining.

We should recognize too, that Turkey needs to deal with not only the short-run effects of the financial turmoil but also its long-run dependency on foreign credit for financing its economic growth. This requires a major restructuring of the economy towards more productive, sophisticated, and high value-added production and better paying trade arrangements with trade surplus in the long run rather than finding new credit. In that regard too, new economic allies may contribute to Turkey's struggle to deal with its long known current account deficit problem. Turkey may benefit from having new friends with higher capacity in physical and human capital to collaborate in order to escape from its continued dependency on Western economies for trade, finances and cutting edge technologies.

Most recently, it has become a habit for US administration to use this power as an instrument of international politics through sanction programs, as in the cases of Russia, Iran, Sudan etc. Research says that the mere threat of prosecution can destabilize finances, trade and currency markets, effectively disrupting activities of non-Americans.

What the BRICS is All About?

BRICS is a grouping of biggest emerging market economies, first named by Jim O'Neill in 2003, the former chairman of Goldman Sachs. They represent some of the most populous and economically significant countries in the world. The original four members of the grouping (BRIC: Brazil, China, Russia, and India) are among the ten most populous and eleven largest economies (in terms of GDP) in the world (see table 2). South Africa joined later in 2010 as the 5th member, adding 'S' to the acronym, and is considerably smaller than the original four members both in population and economic size. By 2017, BRICS countries collectively constituted over 41% of the global population and 30% of the global Gross Domestic Product (GDP) in PPP terms (Reddy et al., 2017). The main promise of the grouping is that bilateral relations among BRICS countries are conducted on the basis of non-interference, equality, and mutual benefit, and that member countries cooperate in reforming international financial institutions to better include their interests.

	Population (million) (ranking)	GDP (billion $) (ranking)	GDP per capita ($)	GDP growth (2008-2017)
China	1386.3 (1)	12237.7 (2)	8827	8.26%
India	1339.1 (2)	2597.4 (6)	1940	7.04%
Brazil	209.2 (5)	2055.5 (8)	9821	1.59%
Russian Federation	144.4 (9)	1577.5 (11)	10743	1.19%
South Africa	56.7 (25)	349.4 (32)	6161	1.77%
Turkey	**80.7 (19)**	**851.1 (17)**	**10540**	**5.09%**

Table 2: *Main economic indicators of BRICS countries and Turkey (2017)* ***Source:*** *World Bank*

During the period between 2008 and 2017, the BRICS accounted for more than half of global growth and averaged During the period between 2008 and 2017, the BRICS accounted for more than half of global growth and averaged a 5.4% growth rate in per capita terms while global average was only about 1.7% (measure in 2015 $PPP). Furthermore, they recorded a growth in trade while world exports and imports have both shrunk. The BRICS share of world trade has nearly tripled within last two decades. BRICS countries' share in the global Gross Domestic Product (GDP) is 30% in PPP terms compared to only 16% in 1997 and 22% in 2007. This is roughly the same as the combined economic weight of G7 countries (see table 3, Reddy et al., 2017). According to some, these statistics clearly marks the emerging of BRICS as a new centre of gravity in the global economic order (Wilson & Purushothaman, 2003).

One of the defining characteristics of the grouping, beyond member countries' substantial economic sizes, is that they challenge the established hegemonic structure in the international economic order. The BRICS countries are expected to continue to be the central source of economic dynamism until 2030, and they are seeking ways to ensure that de jure institutional arrangements of international financial institutions, such as the World Bank and IMF, closely follow the de facto changes in the global power balance and better account for the growing economic weight of emerging economies. In 2016, for instance, BRICS countries managed to secure a reform in voting-share at the IMF, which gave them more power and greater say at the lender of last resort (BRICS post, 28 January 2016). This is of course an event of historical significance. The BRICS countries continue to push for more inclusiveness and multilaterism in international institutions. The rising powers of the 21st century wants to rebalance current power relations so that their interests are better represented in international institutions (Atli, 2018). Note that this echoes Turkey's message to the US and other developed countries.

The BRICS countries know very well that pressuring well-established global institutions is not enough to achieve better representation. An important action in that regard was the creation of two new development banks by the BRICS countries. In 2014, the New Development Bank (NDB, also known as the BRICS Bank) was launched with $100 billion initial capital, equally shared among founding members. Unlike the IMF and World Bank, the NDB gives equal voting rights to the all member countries. The main objective of the NDB is "to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies, as well as in developing countries" (NDB website, history, 10 September 2018). The emphasis on financing 'other' emerging and developing countries, such as Turkey, clearly presents a potential to replace, or at least challenge, the World Bank's role as the leading international institution for financing productive investments in developing economies. Meanwhile, China has created the Asian Infrastructure Investment Bank (AIIB). The NDB and AIIB are now the first major global financial instruments independent from the Bretton Woods system.

The BRICS countries are also interested in using their own currencies to conduct trade and investments, not only among themselves, but also with other developing countries. Gradually increasing volume of trade among emerging and developing economies provides the opportunity to use the New Development (BRICS) bank as a platform for developing the role of a new international currency and new monetary instruments (Chin, 2014). China and Russia have in fact already started to conduct trade using their own currencies. This allows BRICS countries to diversify their foreign reserves and reduce the transaction costs of using the US dollar for trade (e.g. hedging costs). Chen Yuan, then chairman of the Chinese Development Bank, said at the BRICs summit in 2011 that 'it is in the interest of all to practice lending and settlement in local [their own national] currencies' (Wang, Li, & Ma, 2011; Wang, 2011).

Recently, using local currencies instead of dollar became even more of a priority for member countries Russia and China. The US administration continues to abuse the international currency status of the dollar by sanctioning Russia and waging a trade war against China in order to gain political leverage. This accelerates the move away from dollar and has the potential of undermining dollar's role as the main funding currency (Sachs, 2018). The Official statement of the sixth BRICS summit in 2014 clearly said "International governance structures designed within a different power configuration show increasingly evident signs of losing legitimacy and effectiveness." While the US dollar is losing its status as a stable and reliable international currency, the BRICS initiative to generate alternative reserve assets can lessen the constraints faced by emerging and developing countries in financing trade and investment. If BRICS countries' currencies become global, it would give enormous political and economic power to these economies while depriving the US administration of its "exorbitant privileges" (Maradiaga, Zapata, & Pujula, 2012), something Turkey is certainly interested in.

In 2014, BRICS also created a rival to the IMF. The $100 billion Contingency Reserve Arrangement (CRA) was created to provide additional liquidity protection to member countries during balance of payments problems where member countries are being adversely affected by global financial pressures. Unlike the NDB, the CRA is not equally funded: China provides 40% while Brazil, India, and Russia provide 18% and South Africa 6% of the initial capital. It is known that emerging economies are particularly

	Shares of World GNP (2005 $PPP)			Growth Rates of GNP per Capita (2005 $PPP)		
	1997	2007	2017	1988-1997	1998-2007	2008-2017
World	100.0%	100.0%	100.0%	1.4%	2.8%	1.7%
USA	23.0%	20.8%	18.2%	2.0%	2.0%	%0,7
Europe	27.0%	23.3%	19.1%	1.8%	2.3%	%0,6
Other Developed Countries	14.5%	12.5%	10.8%	2.5%	1.8%	8.0%
BRICS	15.4%	21.9%	30.4%	2.1%	6.7%	5.4%
Other Emerging Countries	17.7%	18.9%	18.4%	1.5%	3.2%	1.1%

Table 3: *Comparative statistics of BRICS and other countries (1997-2007)* ***Source:*** *Reddy et al. (2017)*

vulnerable to changes in global liquidity conditions especially if they do not have effective capital controls (Biziwick,Cattaneo, & Fryer, 2015). This of course deeply resonates with Turkey, and other developing countries, which have gone through currency issues following the tightening of monetary policy by the Fed. The CRA is meant to be a global financial safety net alternative to the existing international monetary and financial arrangements such as IMF, and intended to reduce dependence on the US and the dollar (Guzman, 2018).

Lastly, BRICS has also been planning to launch its own international payment system for some time. As it currently stands, the majority of international interbank messages use the Belgium-based SWIFT network (the Society for Worldwide Interbank Financial Telecommunication) to send and receive information about financial transactions. At the 2015 BRICS summit, Russia initiated consultations for a payment system that would be an alternative to the SWIFT system, engendered by concerns that SWIFT may become a tool for sanctioning Russia over the Ukraine crisis. Russian Deputy Foreign Minister Sergey Ryabkov said, "a transnational multilateral payment system that would provide greater independence, would create a definite guarantee for countries on risks associated with arbitrary decisions made by countries that have current payment systems under their jurisdiction" (RT Business News, 17 June 2015). China has already developed its own alternative payment system called CIPS (The Cross-Border Inter-Bank Payments System). This is an even further back-up network for China to send and receive information in a reliable way.

SWIFT's global payment system provides the US with data on international economic activity happening in the world at any time. This gives unprecedented control over global economic activity and makes it much easier for the US to aim sanctions on targeted financial entities whether it be sanctioned countries (e.g. Russia, Cuba, Iran, Sudan...) or corporations doing business with them. The US administration has not refrained from using this power to fiercely persecute international banks and companies in the past (Das, 2018). In 2012, for example, SWIFT cut off Iranian banks that were the subject of western sanctions over Iran's nuclear programme. SWIFT also allows for easy detection of banks and companies doing business with sanctioned countries. In 2014, the US imposed a record fine of $9 billion on French bank BNP Paribas in fines for violating sanctions against Iran, Cuba, and Sudan. In addition, regulators banned BNP for a year from conducting certain US dollar transactions (Reuters Business News, 1 July 2014). Other international banks including HSBC, Standard Chartered Plc, and Commerzbank AG have all paid large fines for similar breaches.

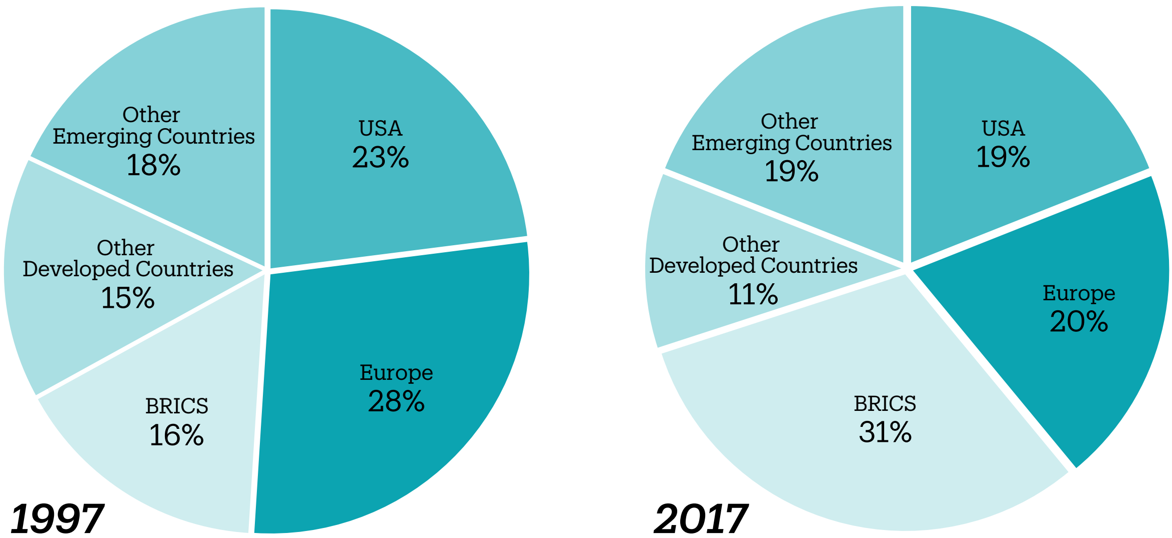

Figure: *Shares of World GNP (2005 $PPP)* ***Source:*** *Reddy et al. (2017)*

What BRICS can offer to Turkey?

Turkey can benefit from potential membership to the grouping in a number of ways. First, BRICS provides an alternative channel of financing (Yang and Mwase, 2012). Considering the problems Turkey is facing, it is apparent how important it is for Turkey to have alternative credit channels. In times of crisis, countries need to secure the continuation of capital inflow and foreign direct investment in order to reposition themselves back on the trajectory of sustainable growth. As the IMF has been ruled out -at least implicitly- as an option by the Turkish government, when the next shock comes access to development loans from the New Development Bank (NDB) and liquidity protection from the Contingency Reserve Arrangement (CRA) may play critical role for Turkey. This would not only insure Turkey against short run fluctuations, but also increase the confidence of the private investors in the Turkish financial markets in general.

Having alternatives brings about not only more space in investment financing but also political leverage against the US in times of diplomatic crisis (Moghadam, 2011). After all, the BRICS institutions (NDB, AIIB, or CDA) were all intended to create alternatives to existing multilateral lending institutions, such as IMF and World Bank, which are seen as biased in favour of the Western world. This is exactly what Turkey is looking for. The US administration's recent threat of sanctions once more made it apparent that Turkey needs other options to by-pass the Bretton-Woods institutions' enforcement of conditions and the IMF's hegemony over matters of emergency assistance. BRICS may be that option when Turkey is seeking emergency loans. This erodes the soft power in geopolitics the US exerts through the IMF.

Finding more credit may provide Turkey with more space in the short run but does not really solve its problems in the long run. In order to overcome its well-known and very problematic current account deficit, Turkey needs to restructure its economy in order to generate a trade surplus. Turkey's exports have gradually increased in recent decades but this has not been enough as the country continues to import more than it exports. An important reason for this is that, as is characteristic of most middle-income countries, the Turkish economy continues to depend on low paying labour-intensive industries. Turkey needs to transition into more sophisticated and high value-added production so the gap between country's imports and exports can close. This requires the transfer of better technologies and know-how along with a focus on the right sectors. Russia has abundant expertise in military industry, and higher education in science and technology, while China and India have taken the lead in R&D and software engineering in the developing world. Turkey hopes to gain from the technology cooperation with BRICS so that it can accomplish its transformation to a higher stage of economic development without exceedingly depending on Western economies (Sengupta, 2018).

The Turkish government seems to have specifically focused on two fields in order to close the gap between exports and imports: the defence industry and energy. Turkey currently produces 65% of its military requirement compared to only 5% two decades ago. Turkey's cooperation with Russia in defence technologies is actually one of the reasons (or outcomes) of Turkey's diplomatic problems with the US. As a NATO ally, Turkey's arsenal has been traditionally composed of US made weapons and missile technologies. However, in accordance with its ambitious plans to improve its domestic capability in military production and the share of domestic production in its military requirements, Turkey has become more interested in technology transfers rather than the mere purchase of weapons. As the US has been unwilling to cede as much intellectual property rights as Turkey seeks, Russia and China have become more attractive options for Turkey to cooperate with. That's also why Turkey settled on purchasing the S-400 from Russia instead of US made Patriots after the US refused to provide more know-how about the Patriot missile technology (Synder, 2018).

Half of Turkey's current account deficit is due to energy imports, which has doubled in last two decades. Lacking its own energy resources, Turkey paid $37.19 billion for its energy imports in 2017 (TurkStat, 2018). Fast economic growth requires more energy resources, which widens the country's current account deficit. This brings us to other ways Turkey may cooperate with the BRICS countries. Russia is currently building Turkey's first ever nuclear plant while China has undertaken the establishment of the third. At the 10th BRICS summit in Johannesburg, Erdogan said there is no reason whatsoever for not working with the Chinese for a fourth nuclear plant (Atli, 2018). In renewable energy too, BRICS provides great opportunities. A major focus of New Development Bank is renewable energy loans to developing countries. In particular, the NDB has earmarked 60% of its lending to renewable energy investments. This is another area, especially solar energy, where Turkey has made some aggressive investment in recent years. So, there appears another opportunity for Turkey to cooperate with the BRICS countries.

Furthermore, the NDB aims to provide significant credit for other infrastructure needs of developing countries (e.g. electricity, water, transport, and telecommunications). After two decades of huge investments, Turkey does not have an infrastructure deficit, but it still has immense capacity in construction that is looking for new investment opportunities abroad, as the domestic market is fast approaching to the exhaustion point. While developing countries usually has huge infrastructure gaps, existing development banks are able to finance only 40% of the needed funds (Desai & Vreeland, 2014). Following NDB's efforts to fill the investment gap, demand for infrastructure is expected to rise sharply in low income countries (McKinley, 2018). Hence, the NDB's loans to fund the infrastructure investments gap in developing countries can give Turkey a channel to utilize its capacity in construction sector. However, Turkish companies will need to compete Chinese giants first.

On the demand side, BRICS offers other opportunities for Turkey. The large populations of the BRICS countries, despite their low purchasing power and high savings rate, mean more consumers and a potentially large demand base. Consumption in the BRICS is high and increasing at a faster rate than it is in the developed economies where the final demand has been stagnant since the 2008 global financial crisis (Yamakawa Ahmed, & Kelston, 2009). Therefore, potential trade cooperation with BRICS economies can provide Turkish companies with a much larger market enable Turkey to diversify its export destinations. Turkey's trade with the BRICS countries reached $60.7 billion by 2017 ($7.3 billion in exports and $53.4 billion in imports). Turkey's imports from BRICS members have been consistently rising, and at the moment, the current account deficit with China is the highest (see table 1; TurkStat, 2018). A potential BRICS membership may enable Turkey to export more to these markets and narrow the trade deficit.

However, it should be noted that given the current structure of the Turkish economy, BRICS markets have little to offer for Turkey's exports. Large populations also mean more workers and cheaper labour, which is why BRICS countries mostly specialize in labour intensive products and have considerable competitive advantage in such sectors. Similarly, what still defines the Turkish economy is labour-intensive production. This is unlikely to pay off for Turkey unless the country accomplishes its target to produce more capital intensive goods with more value added. Then, better trade relation which involves buying low value-added primary good and selling more sophisticated technological products may be a well-paying investment for Turkey.

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Conclusion: Is BRICS a viable alternative to the 'West'?

A potential BRICS membership offers a lot of opportunities to Turkey. First, diversifying its trade destinations, especially towards countries with large populations and hence market sizes, would give Turkey a much bigger space for export-driven growth. Second, BRICS provides an alternative channel of finance for countries like Turkey. This has proven to be important during the current tensions that Turkey is experiencing with the West, particularly with the United States. Third, Turkey may benefit from technological cooperation to advance its industrial production and improve its level of technological sophistication. Energy and military technologies are two potential fields of collaboration, which hold significant potential for Turkey's efforts to transform its economy to a higher stage of development.

Perhaps even more importantly, BRICS can be supportive of Turkey's vision for a new global order. What Turkey wants is to position itself as an independent global actor which does not excessively depend on any axis of power, while also avoiding isolation from global trade and finance. Turkey has come to a point where it has to make a choice between protecting its rights and interests as an independent sovereign nation or abiding by US hegemony in its region and the world. The current state of the world economic order represented in the Bretton Woods institutions and the supremacy of dollar in the world financial system gives the US huge potency to coerce and compel other nations to align their economic and geopolitical policies in line with the American interests. A more equitable and participatory system such as BRICS may be liberating for Turkey in many ways and could give Turkey more freedom in its economic and political decision-making.

Ironically, establishing and maintaining better ties with BRICS may even help Turkey to rebalance the power relations with developed countries and ultimately resolve the ongoing conflict with the US. The rising tensions between Russia and the US over Syria and Ukraine summons the memory of the Cold War, when the two superpowers fought proxy conflicts for global dominance. Today, the trade war with the Chinese adds another dimension to US's confrontation with other major powers. Under these circumstances, a country as geopolitically critical as Turkey becomes even more important for the West. If Turkey seriously seeks to shift the centre of gravity away from the West and towards Russia and China, the West may pay a heavy price for losing an important ally especially in the current state of affairs in global politics. This is certainly not a risk which Western countries can look over. Therefore, the Turkish government's initiatives to find new friends in Eurasia, such as a potential BRICS membership, provides a constant reminder of Turkey's geopolitical importance to the Western countries and ultimately strengthens Turkey's hand.

However, it should be clearly stated that a total departure from the Western norms and institutions is not a feasible option for Turkey, at least in the short run. BRICS economies have a certain weight in the global economy which makes them impossible to ignore in any global or regional discussion. However, the overwhelming majority of global wealth is still concentrated in the Western hemisphere where most of the international trade takes place and finance capital is controlled and directed. Moreover, industrialized countries and especially the US still drive the productivity growth through innovation and technological advancements. Turkey, as a country with no considerable natural resources unlike Russia and Brazil and no vast population unlike India and China, depends on productivity enhancing innovations and technologies for providing its citizens with better standards of living and improving its economic power as a nation. Turkey should continue to benefit from advanced economies of the West in finance, trade, and innovation.

There is certainly great value for Turkey in joining BRICS. The Turkish economy stands to benefit from a larger export market, alternative channels of finance, and technological cooperation to advance its industrial sophistication. However, BRICS is no substitute for Turkey's relations with the EU and the USA because these countries are still the source of innovation and productivity growth in the global economy through R&D. Detachment of Turkey from developed markets would lead to deterioration of competitiveness and innovative capacity of Turkish companies as well as losing a large market for Turkey's labour intensive products. Despite frequent ups and downs, Turkey still maintains strong and institutionalized relations with the West. Turkey's link with the BRICS should not be about replacing its ties with the West but further strengthening them by improving Turkey's power and importance in the global governance via alternative alliances.

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