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** The surnames are listed in alphabetical order.*

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Journal of Global Analysis

Growth Dynamics in South Africa: Key Macroeconomic Drivers and Policy Challenges

By Themba G. Chirwa* and Prof. Nicholas M. Odhiambo**

Abstract

In this paper we examine which key factors at the macroeconomic level are associated with the economic growth performance of the South African economy. These drivers have been identified by assessing the economic events that occurred during the period 1960-2013. During this period, the South African economy went through two economic and political systems: an apartheid system that covered the period 1948-1993; and a democratic system from 1994 to date. Regardless of the economic system implemented, we find the accumulation of physical capital, human capital development, international trade, real exchange rate growth, and inflation as the most significant macroeconomic drivers of economic growth in South Africa. We also find that the weak performance of the South African economy in recent years has been grossly affected by declining trends in the accumulation of capital stock, low quantities and quality of human capital, worsening balance of payments position, and real exchange rate instability.

Keywords: South Africa; Open Economic Growth; Macroeconomic Drivers

JEL Classification: E65, O55

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Growth Dynamics in South Africa: Key Macroeconomic Drivers and Policy Challenges

Introduction

An important finding in a research studied in 2005 is that growth episodes are highly unpredictable and are associated with increases in investment, trade and real exchange rate movements. Though political regime changes and economic reforms are statistically significant predictors of a particular growth acceleration, no significant relationship is found between a couple of growth accelerations and political changes or economic reforms initiated. It is also argued that growth episodes within an economy's long-run growth path may be influenced by predictors such as external factors, domestic economic policies and political events.¹ In the same study, using a threshold of eight years as a sufficient period for a nation to attain a sustained higher economic growth path, out of 110 countries sampled, only 60 recorded at least one growth episode during the period 1957-1992. Within the sub-sample of Sub-Saharan African countries, no growth accelerations were experienced in the Republic of South Africa since the 1950s to early 1990s.² In fact, comparing real GDP growth within the study period, 1960-2013, the South African economy experienced almost the same economic growth rates during the apartheid period 1960-1993, with an average real GDP growth of 3.3% per annum (p.a.), and the period 1994-2013 where the economy recorded an average real GDP growth rate of 3.1% p.a.³

The South African economy, ranked 32 out of 184 countries, is one of the upper-middle income economies of the world. In 2013, the South African economy registered a real GDP per capita of US\$6,090 at 2005 constant prices.⁴ Regardless of attaining such a level of economic performance, the South African economy still experiences a volatile economic growth trajectory. The experience is in spite of having gone through a democratic transition in 1994, where expectations were high that such a transition from apartheid to a democratic dispensation would propel the economy to greater heights. This expectation arose when the international community lifted economic sanctions after South Africa ended its long and political armed struggle. Despite all such efforts, economic growth since the democratic dispensation in 1994 has been modest.⁵

Some scholars have identified other equally important macroeconomic variables that affected South Africa's economic growth trajectory. These include inflation, interest rates, exchange rates, and fiscal deficits.⁶ This raises the question as to what could have been the proximate and fundamental causes of such economic performance apart from the traditional neoclassical determinants of growth – accumulation of physical capital and human capital. In addition, what macroeconomic drivers are important that would have explained such a performance of the South African economy? This analysis cannot be achieved through a growth-accounting estimation only but through a thorough review of the economic policies adopted with an emphasis on historical perspectives.

The aim of the paper is, therefore, to examine the key macroeconomic drivers of economic growth in the Republic of South Africa during the period 1960-2013. These drivers are examined within the context of two political regimes that existed: the apartheid

regime through the period 1948-1993, and the democratic transition period covering the period 1994-2013. The rest of the paper is discussed as follows: Section Two examines the key macroeconomic drivers of economic growth identified, based on domestic economic policies and political conditions experienced in South Africa during the period 1960-2013. Section Three discusses policy challenges affecting the South African economy. Lastly, section Four concludes the paper.

The Macroeconomic Drivers of Growth in South Africa

Accumulation of Physical Capital

Investment is a fundamental determinant that is crucial to the development of any economy in the world. Growth accounting decompositions from the standard neoclassical growth theory, the endogenous growth theory, and the new growth empirical studies, all support the significance of accumulation of physical capital.⁷ The investment ratio has been one of the most important drivers of economic growth in the South African economy.⁸ South Africa's experience overall shows a declining trend in the accumulation of physical capital during the study period, 1960-2013. This is also supported by a declining economic growth trajectory that reached its lowest level in the 1980s, averaging 1.5% p.a. during the period 1981-1990. During the 1960s, real GDP growth in South Africa averaged 6.0% p.a.; but slightly dropped in the 1970s where the economy recorded an average growth rate of 3.4% p.a.⁹

During the 1960s and 1970s the growth in real GDP was attributed to the growth in mining, industry and manufacturing that improved significantly during this period rising from 37.8% of GDP in 1960 to 48.4% of GDP in 1980. However, the trend thereafter declined significantly from its peak in 1980 to 29.9% of GDP in 2013. The main contributing factor leading to the decline of investment in South Africa was due to political unrests, resource allocation inefficiencies, and divestment and disinvestment campaigns that came about as a result of the punitive sanctions imposed during the apartheid period 1948-1993.¹⁰ Even though the South African economy has a strong tertiary sector largely driven by developments in sub-sectors such as finance and insurance, real estate and business services, and general government services; the sector has not resulted in increased long-term capital stock. The growth in primary (agriculture), on the other hand, declined significantly from 11.2% of GDP in 1960 to 2.3% of GDP in 2013.¹¹

Figure 1 illustrates the relationship between total investments and economic growth in South Africa during the period 1960-2013.

Overall, the evidence shows a negative co-movement between real GDP growth and the growth in total investment in South Africa. During the apartheid era, total investment in South Africa declined from a maximum of 37.9% of GDP in 1980 to 18.8% of GDP in 1992. By the year 2006, total investment in South Africa recorded its lowest average at 16.8% of GDP. At the same time, real GDP growth declined from an average of 6.0% p.a. during the 1960s to 1.5% p.a. in the 1980s.¹³ After independence or post-apartheid era, real GDP growth recovered slightly as the economy grew at an average rate of 1.8% p.a. during the 1990s. This improved further to an average of 3.3% p.a. during the period 2001-2013. One of the contributing factors of such poor performance in the 1990s is due to the fact that the South African economy did not recover quickly from the declining trend in total investment which further deteriorated during the 1990s, averaging 20.5% of GDP. Growth in investment slightly improved during the period 2001-2013 to an average of 21.3% of GDP.¹⁴

Overall, the slow recovery in the accumulation of physical capital has contributed towards the weak growth performance of the South African economy. Investment, therefore, plays a significant role in the growth accounting process of the South African economy. As

Figure 1: Total Investment and Real GDP Growth in South Africa: 1960-2013¹²

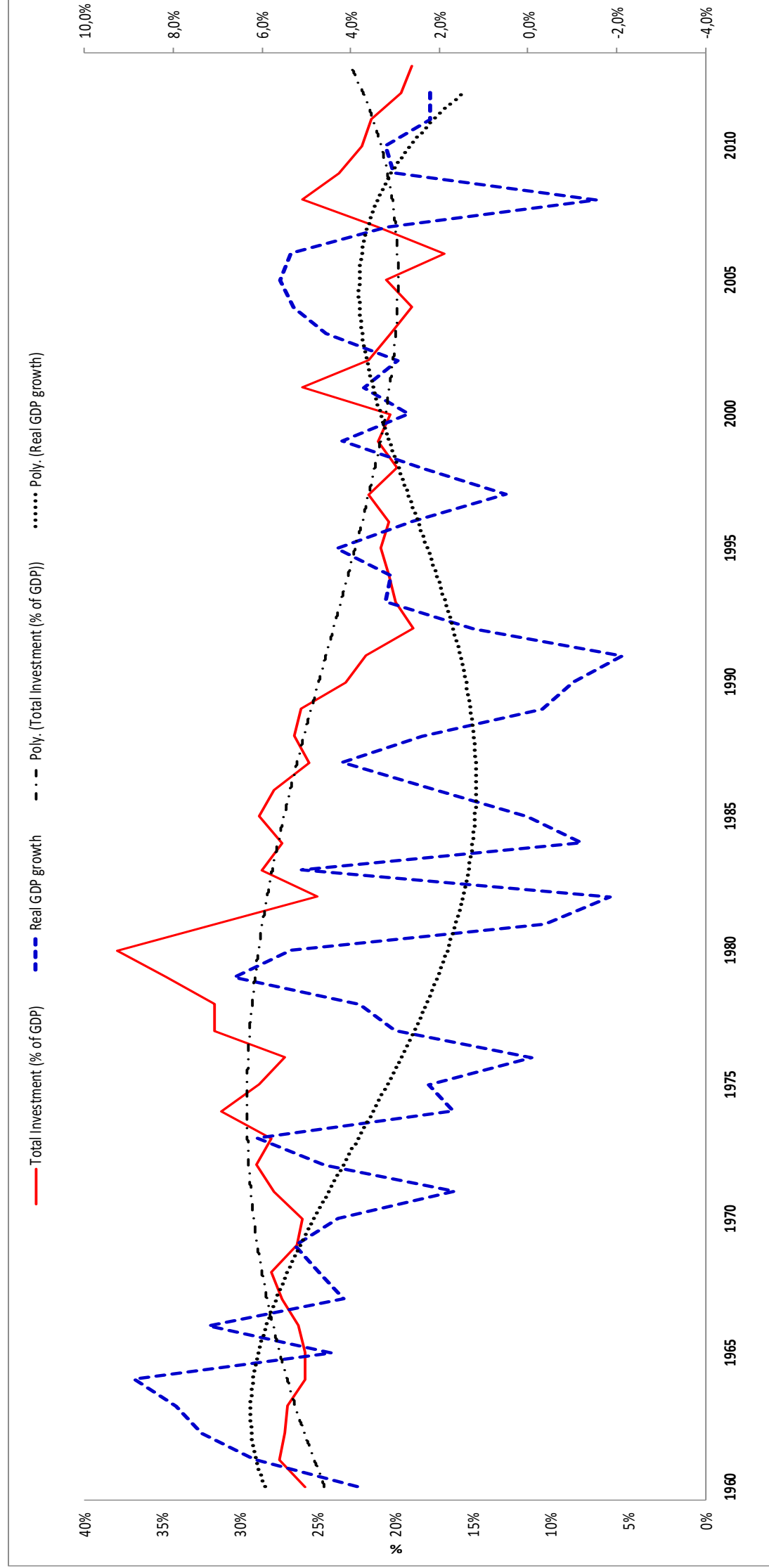
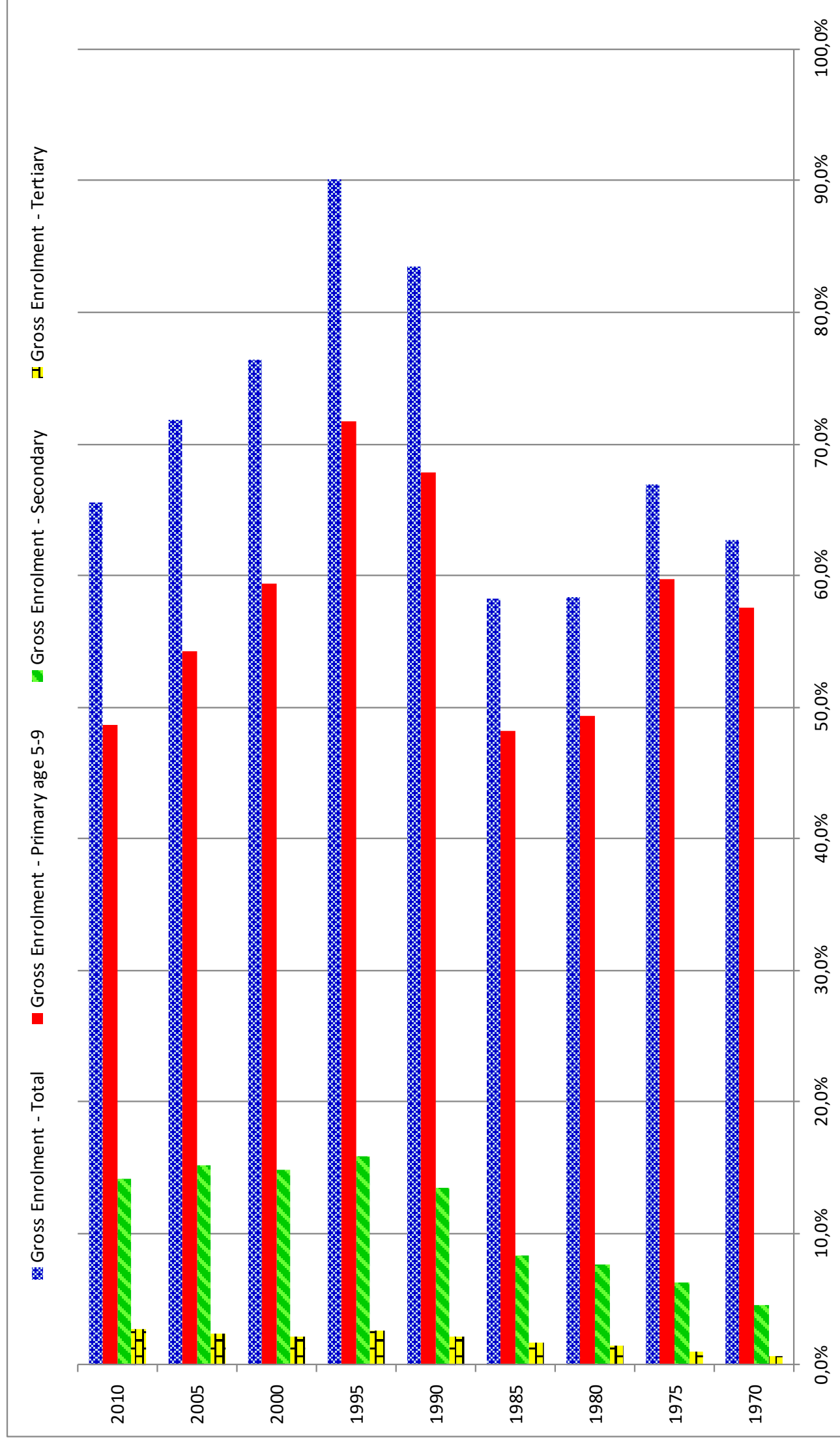


Figure 2: Gross Enrolment Rates in Primary and Secondary Education: 1970-2010²⁵





noted by some scholars, the level of physical capital accumulation is still low by international standards in South Africa to sustain high real growth rates and employment.¹⁵

Human Capital Development

In recent growth literature, a strong theoretical linkage has been established between human capital development and economic growth. The rate of human capital accumulation and the stock of capital are used as determinants of long-run economic growth in the Lucas and Romer models, respectively.¹⁶ Even though the Solow model assumes exogenous technology to be the key determinant of long-run economic growth, the human capital-augmented Solow model predicts that a country that has a high level of human capital accumulation experiences high per capita income.¹⁷ In South Africa, human capital development has been the central focus of South Africa's economic policy since 1994 and an important economic driver of economic.¹⁸ However, during the study period, 1960-2013, human capital was affected by labour market rigidities and repressive education policies that were implemented during the apartheid era.¹⁹ During this period, the growth in the supply of skilled labour was suppressed by restrictive labour laws such as the Bantu Education Act of 1953.²⁰

Human capital accumulation was also affected by the declining contribution of mining, manufacturing and industry that fell from an average of 48.4% of GDP in 1980 to as low as 29.9% of GDP in 2013. Similarly, the contribution of agriculture also fell considerably from 11.2% of GDP in 1960 to 2.3% of GDP in 2013.²¹ Mining, manufacturing and industries became more capital-intensive as a result of skill shortages and this meant that the demand for labour, therefore, moved from unskilled labour to skill-based.²² Another study also reported massive labour shedding, especially in the mining sector that almost halved, retrenching mostly unskilled workers.²³ Labour reforms that were initiated during the post-apartheid period also raised the real cost of labour in production. The strong union participation in wage determination intensified leading to the rise in real wages. Overall, the shortage of skilled labour was identified as a binding constraint of productivity in South Africa.²⁴

Figure 2 below illustrates human capital investments represented by enrolment rates of students as a proportion of total population at primary, secondary and tertiary levels in South Africa.

As illustrated in Figure 2, education in South Africa, just as in many developing countries in Southern Africa, concentrated on the provision of basic education. The trend, however, changed during the post-apartheid period where the oppressive education laws were repealed and the majority of black South Africans started to be enrolled in secondary and tertiary education. Between 1985 and 1995, gross enrolment rates at secondary level almost doubled from 8.3% of total population in 1990 to 9.6% of total population in 1995. By 2013, the gross enrolment rate at the secondary school going age to an average 15.8% of total population.²⁶

Even though tertiary education has also substantially increased since the 1970s, South Africa has a small population of citizens being enrolled in higher learning institutions each year. As of 2013, about 2.9% of total population aged 15-64 were enrolled at tertiary level, which is significantly low. In terms of labour force participation, about 11% of the work-force population completed tertiary education in South Africa.²⁷

In summary, skills and competencies of human capital have a significant influence on productivity and absorption of technology, which are fundamental for economic growth. Thus, a nation with a pool of well-educated people, especially with higher learning, is a prerequisite for attaining a higher level of labour productivity, which is an important factor

of economic growth.²⁸ Most importantly, a nation with a higher education attainment has significant impact on social outcomes such as fertility as well as increased investment in physical capital.²⁹ South Africa has been facing declining trends in school enrolments since gaining independence in 1994. This declining trend in human capital accumulation, as well as low quality education, has been one of the main contributing factors toward the weak performance of the South African economy.³⁰

International Trade

The level of international trade was identified as an important macroeconomic driver of growth in South Africa during the period 1960-2013. Trade is important to economic growth as it contributes towards the accumulation of physical capital and movements in human capital. Trade is also important to a nation as it brings about industrialization, which has been termed as a key concept needed for faster growth in developing economies.³¹ In South Africa trade has been an important macroeconomic driver of economic growth since the 1960s and an important contributor towards the development of its mining, manufacturing and industrial sectors of the economy. The South African government also adopted various forms of trade policies: one related to developing import-substitution industries which took shape in the 1950s and 1960s, and the other related to outward-looking policies of trade which became effective during the post-apartheid period.³²

It is argued that a nation's current account balance is an important macroeconomic measure for economies with a liberalized foreign sector. A current account surplus contributes towards a nation's gross domestic savings while a current account deficit erodes a country's level of gross domestic savings.³³ Furthermore, a current account balance is a net balance between the real sector and foreign sectors of an economy. As such, rather than illustrating a positive relationship between trade and economic growth, the relationship becomes negative.³⁴

Figure 3 below illustrates the relationship between the current account balance and real GDP growth in South Africa during the period 1960-2013. The primary vertical axis on the left represents the percentage change in the current account balance. The secondary vertical axis on the right represents the growth rate of real GDP.

As illustrated in Figure 3, there is a negative co-movement between South Africa's economic growth rate and the current account balance. During the period 1960-2013, as the South African economy grew at an average rate of 3.1% p.a., the current account balance recorded an annual average deficit of -1.0% of GDP.³⁶ During the golden period 1960-1976 where the South African economy experienced an annual growth rate of 5.0% p.a.; the current account deficit recorded was -2.0% of GDP p.a. During the period 1977-1993, which is regarded as a period when the South African economy stagnated, the economy recorded an average economic growth rate of 1.6% p.a. At the same time, the current account balance recorded a surplus that averaged 1.3% of GDP p.a. During the period 1994-2013, the South African economy grew at an average rate of 3.1% p.a., and at the same time, the current account balance registered an annual deficit of -2.2% p.a.³⁷

The evidence provided, thus, show a negative relationship between a current account balance and the rate of economic growth in South Africa. It has also been argued that the South African economy was caught up in a low equilibrium growth path due to supply-side constraints brought in due to the external sector. Domestic productivity has been relatively low as experienced by worsening balance of payments position especially from 1993 onwards.³⁸ In addition, South Africa's international competitiveness continued to decline since the 1990s as evidenced by the trade ratio (exports/imports ratio) that averaged 112.8% of GDP in the 1990s to 101.6% of GDP during the period 2001-2013. Though the

Figure 3: Current Account Balance and Real GDP Growth in South Africa: 1960-2013³⁵

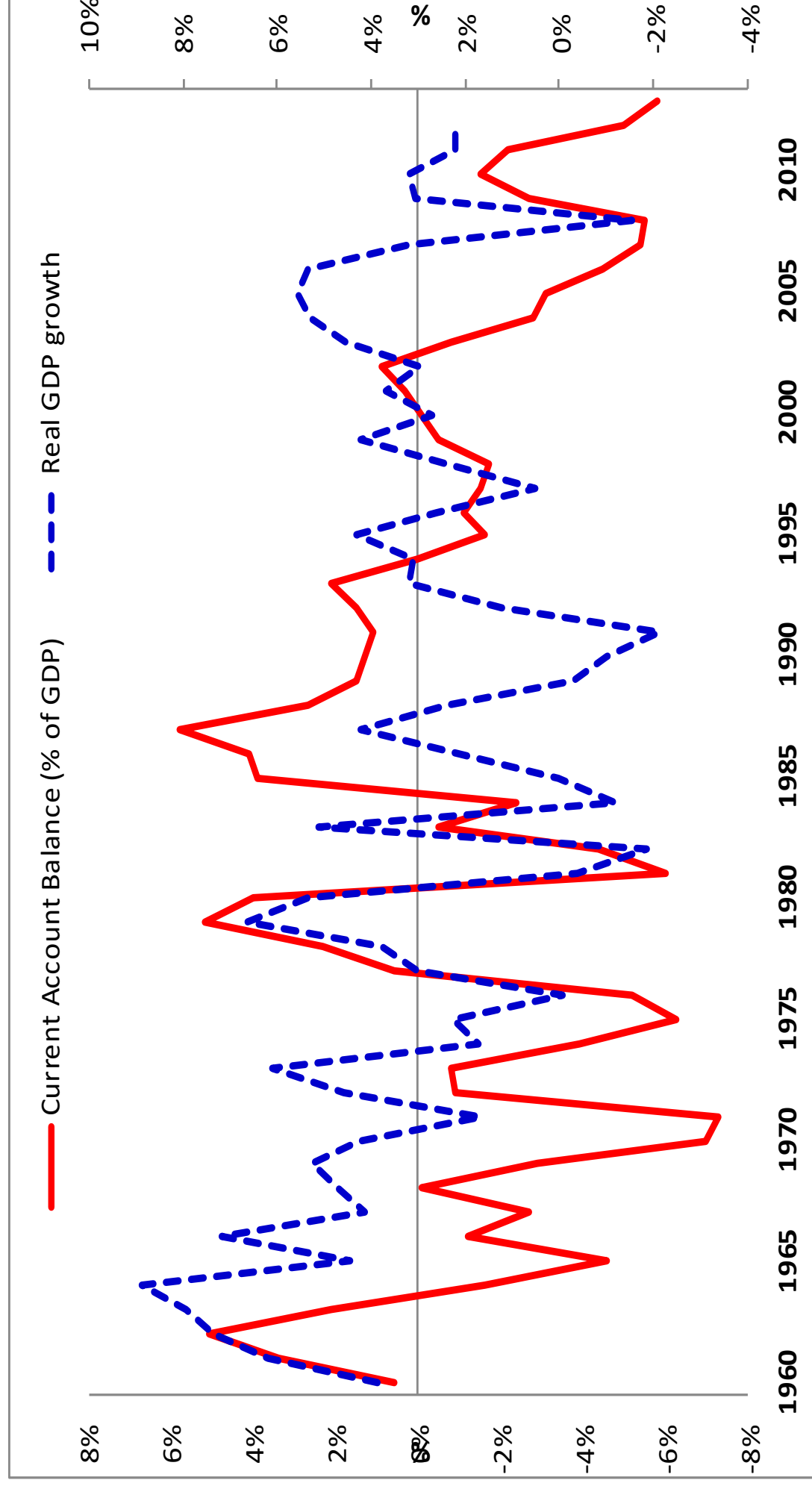
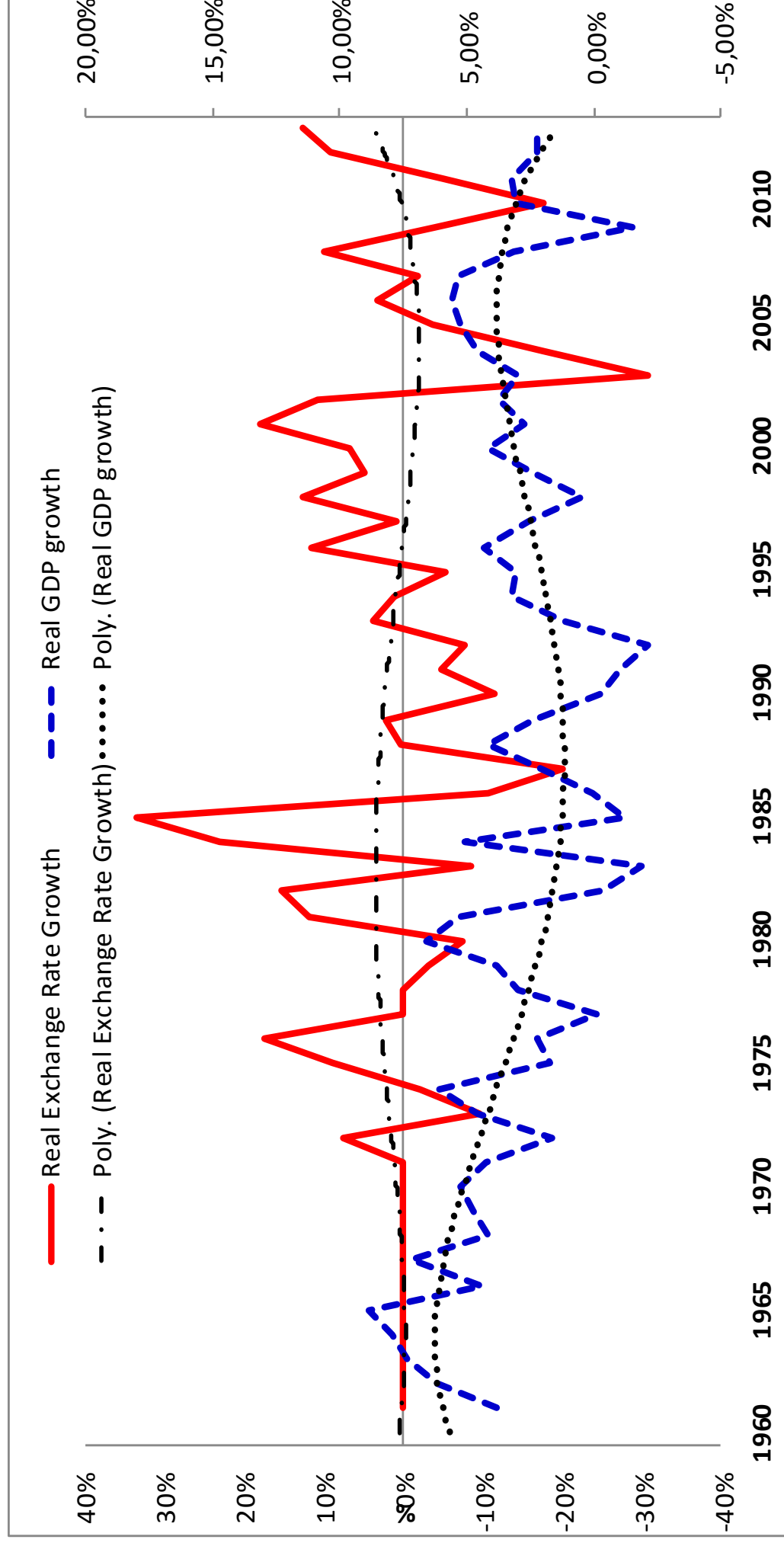


Figure 4: Inflation and Real GDP Growth in South Africa: 1960-2013⁴²





trend has been declining, the South African economy is still a net producer of goods and services on the international market.³⁹

Inflation

The fourth important macroeconomic driver of economic growth in South Africa is inflation. The linkage between inflation and economic growth has been studied extensively by a number of scholars and the evidence show a negative relationship between the two variables. It has been argued that a zero or low inflation rate is an essential condition for an economy to continue benefiting from sustained economic growth.⁴⁰ It is not surprising that the South African government adopted within its monetary policy a target to control inflation as an important macroeconomic driver of economic growth in the 1990s.⁴¹

Figure 4 presents the co-movement between inflation and growth in South Africa covering the period 1960-2013. The growth pattern on the left primary vertical axis shows the percentage change of inflation while the right hand side represents percentage changes in real GDP.

As illustrated in Figure 4, there is a negative co-movement between inflation and the level of economic growth in South Africa. During the period 1960-1973, the South African economy experienced low inflation rates that averaged 3.8% p.a.; during the same period, the economy recorded an average economic growth rate of 5.4% p.a. Between 1974 and 1992, the South African economy experienced an annual inflation rate of 13.7% while the economic stagnated growing at an average growth rate of 1.9% p.a. From 1993-2013, the South African economy recorded a low inflation rate that averaged 6.5% p.a., while the economy grew at an average rate of 3.1% p.a.⁴³ The evidence does support the argument that the level of inflation, thus acts as a tax on the economy. The stability of inflation is, therefore, an important macroeconomic driver of growth in South Africa.⁴⁴

Real Exchange Rate

The fifth important driver of economic growth in South Africa is the stability of the real exchange rate. A currency overvaluation or undervaluation has an effect on a country's economic growth path. In 2010, the South African government identified currency instability as being detrimental to its economic growth path.⁴⁵ An overvalued currency is associated with foreign exchange shortages, current account deficits and inflation, all of which have a negative effect on long-term economic growth. At the same time, though a currency devaluation may be good for promoting exports, it also raised the cost of important imports needed to boost domestic production especially for emerging economies.⁴⁶

There is a negative co-movement between the growths in real exchange rate and real GDP in South Africa. The evidence shows that during periods of high economic growth, the real exchange rate growth is stable. For instance, during the period 1960-1972, the South African Rand was under a fixed exchange rate regime that was supported by the Bretton Woods monetary agreement. During this period, the Rand parity rate was equivalent to R0.71/US\$ and remained fixed till in December 1971.⁴⁷ The period 1971-1985, is characterized as a period when the South African Rand was devaluated on a number of occasions in order to address ensuing balance of payment problems. During the early 1970s, the Bretton Woods system on fixed exchange rates was abolished. However, the South African authorities maintained the fixed exchange rate system where the South African Rand was pegged to the United States Dollar. In 1971, the South African Rand was pegged to the US Dollar. In 1972, the policy changed and the Rand was pegged to the British Pound. Later in the same year, the policy changed back to the US Dollar.⁴⁸

The first devaluation of the Rand was at a rate of 7.5% which was announced in 1972. Between 1972 and 1973, the South African economy experienced a stable foreign exchange sector and, based on projected sound economic environment, the Government announced an independent managed floating exchange rate system in June 1974. Under this new system, the South African Rand was pegged to a basket of currencies under a crawling-peg system. In June 1975, the South African Rand was re-pegged to the US dollar which ran till May 1979. Between 1975 and 1976, the balance of payments position deteriorated where the current account deficit recorded an average of -5.8% p.a. This put pressure on the existing foreign reserves and in 1976 the Government devalued that Rand by 17.6% from 0.74/US\$ to 0.87/US\$. The new value was maintained until 1979 when a dual exchange rate regime was established that introduced a crawling-peg commercial Rand and a free floating financial rand.⁴⁹

The introduction of this new system was made after recommendations adopted from the De Kock Commission interim report. In this report, the fixed exchange rate system that pegged the Rand to the US dollar was not conducive to the economic growth process of South Africa.⁵⁰ The dual exchange rate system was implemented by the South African authorities till January 1983. In February 1983 to August 1985, based on the recommendations made by the De Kock Commission, the South African authorities abolished the financial Rand and a unitary exchange rate with a managed-float of the Rand was introduced.⁵¹

In 1984, the South African economy faced a new wave of socio-political unrests which led to the imposition of financial and economic sanctions by the United States of America and the European Community. The punitive sanctions led to disinvestment and divestment campaigns which affected on a larger scale South Africa's ability to meet its international commitments. Foreign credit facilities were withdrawn and the Government had to respond by imposing restrictions on debt repayments. In September 1985, the dual exchange rate regime was reintroduced that combined a managed-float commercial rand and a free-floating financial Rand. The South African authorities also reintroduced exchange controls on capital transfers for both residents and non-residents. This system of exchange rate management continued to be in place till February 1995.⁵²

During the early 1990s, the punitive financial and economic sanctions were removed and allowed the South African government to become a borrower from the international capital markets. In March 1995, a unitary exchange rate system was reintroduced and the financial Rand was once again abolished. However, some exchange control mechanisms were still applicable especially on foreign investments held by South African residents. During the period 1996-1998, the South African Reserve Bank continued to intervene in the foreign exchange market in order to contain the depreciation of the South African Rand through the forward foreign exchange market. The unitary exchange rate mechanism with a managed-float Rand was maintained till January 2000. In February 2000, the South African Reserve Bank announced for the first time, a unitary exchange rate policy regime with a freely-floating Rand supported by inflation targeting framework. This system is still being implemented to date and the focus has moved from the exchange rate to inflation-targeting to ensure that real interest rates remained positive. This meant that the South African Reserve Bank ceased all its foreign exchange market interventions. However, some exchange control mechanisms are still being adopted.⁵³

In summary, real exchange rate growth is an important macroeconomic driver of economic growth in the South African economy. The evidence shows that though devaluations and revaluations are essential to stabilize the balance of payments position, instability of real exchange rate growth has been negatively associated with unsustainable economic growth rates in the South African economy during the study period.

Policy Challenges Affecting Economic Growth in South Africa

We identify four macroeconomic policy challenges that affected the South African economy, which may continue to have an effect on the future growth of the South African economy. These include: low accumulation of long-term physical capital; low rates of human capital development; worsening current account deficits; and real exchange rate instability.

Low Accumulation of Long-term Physical Capital

Traditionally, the accumulation of long-term capital stock has been the most important macroeconomic driver of economic growth for any country in the world. Both neoclassical and endogenous growth models have studied this driver extensively.⁵⁴ Some studies recommend that in terms of international standards, a country that accumulates annually an investment ratio to GDP of not less than 20% experiences higher economic growth rates.⁵⁵

Based on available data, the evidence from South Africa shows that overall the rate of physical investment has been declining over time. In the 1960s, the South African economy experienced high annual economic growth rates that averaged 6.0% p.a.; the highest rate was attained in 1965 that averaged 8.9%. Similarly, the investment ratio recorded was an average of 26.6% of GDP p.a.; the highest physical investment ratio to GDP was attained in 1980, averaging 37.9% of GDP. In the subsequent periods, the South African economy witnessed declining physical investment ratios and economic growth rates.⁵⁶ In the 1970s, there was a slight increase in the investment ratio that averaged 30.8% of GDP while the economy registered an average economic growth rate of 3.4% p.a.; the highest growth rate recorded was in 1974 at 6.1%. In the 1980s, the situation worsened and is regarded as a period when the South African economy registered its lowest rate of economic growth averaging 1.5% p.a. Similarly, the investment ratio had declined to an average of 27.0% of GDP; and recording an average of 18.8% of GDP below the recommended threshold in 1992.⁵⁷

During the post-apartheid period, the 1990s are regarded as a period when the South African economy was in transition towards recovery. During this period, the South African economy registered a slight improvement in the economic growth rate averaging 1.8% p.a.; but still the economy was caught up in a low growth path. The investment ratio continued to decline, averaging 20.5% of GDP, from 21.9% in 1991 to 20.3% of GDP in the year 2000. The situation improved during the period 2001-2013 where the economy grew at an average rate of 3.3% p.a. Though the investment ratio marginally improved to an average of 21.3% of GDP p.a. the South African economy registered the lowest investment ratio recorded during the study period of 16.8% of GDP in 2006.⁵⁸

The levels of investment in South Africa are, therefore, marginally within international standards and this is a cause for concern. We isolate two factors that may have contributed towards a low accumulation of long-term capital stock. The first relates to the declining contribution of the secondary sector to GDP – i.e., mining, manufacturing and industry sectors. During the period of study, the secondary sector in South Africa almost halved from an all-time maximum of 48.4% of GDP in 1980 to as low as 29.9% of GDP in 2013. During the apartheid period, 1960-1993, the investment ratio was affected by disinvestment and divestment campaigns brought in by punitive financial and economic sanctions imposed by the international community.⁵⁹

The second factor relates to the development of the tertiary sector that has increased from 45.4% of GDP in 1980 to as high as 68% of GDP in 2013. South Africa is regarded as having a well-developed financial sector in Africa.⁶⁰ The conditions generated in South Africa especially towards the end of the 1990s created a safe haven for credit booms

where the South African Reserve Bank floated its local currency to operate freely while at the same time adopting an inflation-targeting framework. The latter led to achieving low inflation but resulted in high positive real interest rates. Between 1994 and 1999, the South African economy experienced high positive real interest rates that averaged 9.6% p.a. During the period 2000-2013, real interest rates remained positive averaging 4.4% p.a.⁶¹

While many industrial economies such as the United States of America and other developed economies in Europe reduced their interest rates to almost zero, emerging economies like South Africa did not reciprocate the same way. This creates interest differentials that attract short-term rather than long-term capital inflows. The accumulation of short-term capital inflows (or hot money flows) puts pressure on the local currency which becomes overvalued thereby making local exports to be less competitive. As a result, the economy fails to attract the relevant long-term capital needed to sustain long-run economic growth.⁶²

The monetary policy on inflation-targeting pursued by the South African Reserve Bank adopted in 2000 has contributed significantly to high positive real interest rates in the economy.⁶³ High positive real interest rates, therefore, attract speculative short-term investments which put pressure on domestic inflation and overvaluation of the local currency. Given such a situation Central Banks are forced to intervene in a flexible exchange rate regime by buying dollars on the market to curb appreciation of the local currency thereby violating central bank independence.⁶⁴ The inflation-targeting policy, therefore, needs to be put under review to determine its effectiveness to attract the necessary long-term investments needed for sustainable economic growth in the South African economy.

Low Human Capital Development and Income Distribution

The second challenge affecting economic growth in South Africa has been the low level of skills and knowledge of the South African citizens and real wage rigidity. Human capital development plays an important role and has been one of the key determinant in economic growth models.⁶⁵ Labour productivity is associated with economic growth and depends heavily on the stock of well-educated people.⁶⁶

According to the Quarterly Labour Force Survey (QLFS) Statistics of 2014, it is estimated that 64.5% of the total labour force in South Africa have less than a secondary-level qualification; 24.6% have a secondary-level qualification; and 10.4% have a higher or tertiary level qualification. For those who are employed, 25.4% are skilled labour; 46.8% are semi-skilled; and 27.8% are unskilled labour. South Africa is, therefore, one of the countries in Southern Africa with a low level of skilled workers and a small proportion of the workforce who have attained a higher-level qualification. These issues collectively have an impact on labour productivity and the ability to absorb new technology.⁶⁷

Another challenge related to human capital development relates to real wage rigidity. South Africa is one of the countries in the world with strong labour unions and their existence have continued labour market distortions inherited from the apartheid regime through wage bargaining and rights to unskilled workers.⁶⁸ As such equilibrium wages are not determined by firms and the level of involuntary unemployment has remained above the natural rate of unemployment in the South African economy. Economists describe this situation as an economy facing an insider-outsider wage bargaining dilemma where employees that are part of a union benefit from high real wages that are not directly linked with labour productivity.⁶⁹ This has resulted in an increase in the real cost of labour in South Africa not consistent with labour productivity and involuntary unemployment has consistently remained high at an average rate of 25.4% in 2014.⁷⁰



In summary, in order for South Africa to increase labour productivity and hence economic growth, there is a need to improve skill levels of its citizens at the tertiary level. Furthermore, the influence of labour unions is to be mitigated if involuntary unemployment is to be reduced.

Increasing Current Account Deficits

The third challenge facing the South African economy relates to increasing current account deficits. A country that experiences a current account surplus is a net lender to the world. As such openness to trade is additive in this case and contributes towards improving a country's foreign reserves that are crucial in stabilizing a country's balance of payment position. The surplus generated from a current account balance act as a source of additional capital inflows needed to increase long-term investment and hence contribute towards the long-run economic growth process of a country. Conversely, a current account deficit erodes a country's foreign reserves, worsens its balance of payments position and becomes a net borrower on the international market. A current account deficit is, therefore, a source of capital outflows which is detrimental towards the accumulation of long-term capital and hence a sustainable economic growth trajectory of a country.⁷¹

During the period of study, 1960-2013, overall the South African economy registered a current account deficit that averaged -1.0% of GDP p.a.; the current account deficit worsened during the post-apartheid period, 1994-2013, averaging -2.3% of GDP p.a.; than the apartheid period, 1960-1993 that averaged -0.3% of GDP.⁷² The South African economy is, thus, a net lender and facing a net capital outflow position. One of the major contributing factors to a net capital outflow position has been South Africa's deteriorating trend of terms of trade. While the trade balance has significantly declined from a surplus of 3.0% of GDP p.a. during the 1960s to as low as 0.3% of GDP p.a. during the period 2001-2013; the terms of trend index in South Africa has declined from an average of 1.02 p.a. in the 1980s to an average of 0.76 during the period 2001-2013.⁷³ Though the South African economy is, therefore, a net producer of goods and services, it is a net borrower on the international market.

The other contributing factor has been real wage rigidities brought about by strong trade unions that have raised the real cost of labour. This has led to underutilization of existing capacity and increased the proportion of involuntary unemployment in the country that is currently at 25.4% of the workforce.⁷⁴ It is, therefore, recommended for the South African authorities to adopt strategies that would promote export expansion and reduce the structural and production bottlenecks that are restricting the growth in exports.

Real Exchange Rate Instability

The fourth challenge affecting the South African economy during the study period relates to the volatility of the real exchange rate. Real Exchange Rate growth, just like inflation, acts as a tax on the economy. Large overvaluation or undervaluation of the local currency has been associated with low economic growth rates. Overvaluations are associated with large current account deficits which lead to balance of payment crises which are detrimental to the economic growth process.⁷⁵ Elbadawi et al. (2011) in fact argue that any substantial real exchange rate misalignment that a country may face is costly to the economy.⁷⁶ As such, stability of the real exchange rate is, therefore, an important macroeconomic objective that a nation should adopt.

Though it is argued that currency depreciations may create economic incentives to boost local exports, wide depreciation margins also raise the cost of imports and doing business.⁷⁷ Since developing and emerging economies like South Africa depend on foreign capital to develop their local industries, wide margins of exchange rate depreciation may eventually hurt rather than boost the economy. The evidence shows that

real exchange rate growth in South Africa has been unstable and is associated with lower levels of investment accumulation and hence low economic growth. It is, therefore, recommended that policies that target the stabilization of exchange rate growth should be pursued by South African authorities.

Conclusion

The paper has examined the important macroeconomic drivers of economic growth in South Africa covering the period 1960-2013. The study has identified that the most important macroeconomic drivers that contributed to the economic performance of the South African economy include the accumulation of physical capital, human capital development, current account deficits, inflation, and the real exchange rate. The performance of these macroeconomic drivers has been influenced by events that occurred under two political regimes: apartheid regime that ran from 1960-1993; and the post-apartheid regime from 1994 to present day.

The apartheid regime was characterized with political unrests, labour market restrictions and imposition of punitive sanctions by the international community. The performance of the economy during this period was not impressive and declined from an average of 6.0% p.a. during the 1960s to an average of 1.5% p.a. during the 1980s. Investment ratios also declined significantly from an all-time high of 37.9% of GDP in 1980 to 18.8% of GDP in 1992. The South African economy also experienced high inflation rates averaging 9.7% p.a. between 1960 and 1993, with the highest rates experienced between 1974 and 1992 that averaged 13.7% p.a.

During the post-apartheid regime that commenced in 1994 to date, the country's focus was on reconstruction and development with an aim of reducing the inequalities that were inherited from the apartheid regime. During this period, the economy grew at an average rate of 3.1% p.a., though lower than projected target of 6.0% p.a. documented in the various economic policies developed during the same period. Investment ratios have also marginally improved averaging 21.1% of GDP p.a., which is at the minimum international standard of at least 20% of GDP.

The study has identified four main policy challenges that affected economic performance in South Africa during the study period. These include low accumulation of physical capital; low rates of human capital development; increasing current account deficits and real exchange rate instability. For long-term growth to be sustainable, it is important for the South African authorities to address these challenges as they are detrimental to the sustenance of the long-term economic growth trajectory. In addition, the evidence provided shows that when modelling economic growth in South Africa, it is important to include additional variables such as current account deficits, inflation and real exchange rate growth as important determinants of economic growth. This is in addition to the traditional determinants such as the accumulation of physical capital and human capital development that have been extensively studied in the economic growth literature.



Notes:

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Changing Dynamics of Turkish Regional Policy: Resistance for Multilevel Governance?

By Dr. Ali Onur Özçelik*

Abstract

This article is concerned with the relationship between Europeanization and regionalization processes in Turkey in the post-Helsinki Era of 1999. By considering European regional policy and its related pre-accession financial incentives as the most useful and appropriate empirical lenses, it offers an analysis of the causes and mechanisms encouraging regionalization process in Turkey during the EU accession process. Through the analysis of official documents and of in-depth interviews with relevant actors in the EU and Turkey, findings suggest that while some of the changes are considered as direct effects of Europeanization, such as the creation of territorial system according to NUTS classification, other developments are invoked by indirect mechanisms of Europeanization, such as the creation of regional development agencies (RDAs) and their role in regional planning and allocation of national funds. More importantly, the findings illustrate that although the EU's credibility has declined after 2005 and its regional policy, in the sense of the implementation of regional policies and management of structural funds, have shifted towards the more centralized model in the post-Lisbon era (for the 2007-2013 structural fund programme), developments in these areas in Turkey have gone to opposite directions, more accurately, through the more regionalized model. These changes not only reflect the pre-Lisbon practices of EU regional policy and structural funds underlining a spill-over effect resulting from the dissemination of EU practices and policies, but also contain the spices of Turkish administrative tradition.

Keywords: Europeanization, Multi-Level Governance, EU Regional and Structural Policy, Turkish Regional Policy



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Introduction

The European Union (EU) via its regional policy and structural funds has contributed to the territorial restructuring and to certain extent regionalization in member (and candidate) states in varying degrees. Principally, without suggesting any specific template, the EU's regional policy requires from member (and candidate) states to provide a better territorial management at regional level. This would lead to the eventual empowering of local and regional administrations in order to distribute EU financial incentives and implement regional policies. The link between Europeanization and regionalization has become more visible in the case of Central and Eastern European Countries' (CEECs) accession rounds. To conform to the EU regional policy, many CEECs have reconstructed their regional levels in conformity with the NUTS classification and created Regional Development Agencies (RDAs) corresponding to each NUTS II levels.¹

Considering these developments within the new entrants and applicant states, a burgeoning literature clustered around a general explanation of the transformative powers (or governance effects) of the EU membership conditionality and on examination of what has been changing in accession countries' regional policy as a result of Europeanization.² Because of its official candidate status to the EU since the Helsinki Summit of 1999, such process has not surprisingly affected Turkey. The adoption of the Nomenclature of Territorial Units for Statistics (NUTS) system in 2002 and the creation of two-pilot RDAs in 2006 can be seen as a clear sign of Europeanization affecting the traditional Turkish polity. Although the move towards governance and institution building at subnational level in Turkey has been accelerated after the landslide victory of the Justice and Development Party (AKP, Turkish acronym) in 2002, the link between Europeanization and regionalization has become insignificant in Turkey because of the low credibility of the EU membership after 2005 and the transformation of the financial incentives with the introduction of Instrument for Pre-Accession (IPA) after 2006. Despite such developments, Ankara has continued with its reform process in the context of regional policy. In so doing, Turkish RDAs did not have any problem involving regional policy process and the management of regional funds provided by the national grants. Against this backdrop, in considering the developments after 2005, this article seeks to explore three empirical questions: how can one best understand the impact of the EU in Turkish regionalization process when there is low membership credibility? If the EU level developments affect the national context, why does Turkey choose to continue with the reform process in this area? And finally, what are the possible resistances for a shift towards the multi-level modality?

The article unfolds in four main sections. The first section defines the EU's impact with regard to territorial politics in the context of regional policy in candidate states, including Turkey. Then, the following section summarizes the Turkish national context and its previous experiences on regional institutions and policies. The third section analyses the

process of regionalisation in Turkey and the role played by the EU conditionality in the aftermath of the Helsinki Summit of 1999. The fourth section seeks to understand the possible resistance for the creation of multi-level modality in Turkey. The final section concludes.

Defining the EU's Impact: Europeanization of Territorial Politics in Candidate States

During the accession process, the EU governs beyond its territory in a way that the accession states have to comply with the EU requirements through their political, legal and administrative.³ Although some criticized the insufficient nature of the conditionality principles⁴, it has largely become the central focus of studying the impact of the EU on domestic change especially after the Copenhagen criteria in 1993. Studies, particularly those employ the transformative power of the EU in a taken-for-grantedness tradition, have largely utilized the conditionality literature to examine the direct effects of Europeanization (coercive mechanism), which are largely positivist by nature. Two main reasons usually led those scholars working on EU-candidate relations to concentrate exclusively on downward causation: the asymmetrical nature of conditionality and the insufficient uploading capacity of candidate states.⁵ It may be the reason that Börzel considers that 'candidates must be Europeanized as a condition not a consequence of membership'.⁶ This not only mitigates the domestic impact of the EU but also highlights the importance of historical trajectories and the peculiarity of accession process.

The rationalist explanation is somewhat applicable for exploring the link between Europeanization and regionalization in candidate states. In taking the power asymmetry between the EU and applicant states into account, the analysis of the possible factors for the impact of Europeanization in reconfiguring regional governance in accession states often begins with the role played by the EU and its financial incentives.⁷ As Bruzst argued, the EU sets the rules governing its structural fund policies, attached positive and negative sanctions to these rules, and played an active role in creating conditions that could improve the chances of participating regional and national players to successfully play a role in the framework of the structural fund programmes.⁸ The candidate states are therefore required to comply with the *acquis* on regional policy.

In fact, on such a fundamental issue, like regional policy, it is likely to find a considerable variety of opinions. While some (especially those working on CEECs) may place their emphasis upon the capacities of national level, shaping the course of events, others may pay considerable attention to the extent to which domestic levels are enabled or constrained by form, function, and structure of the EU itself. Yet, by no means, none of which ignore the EU impact on the timing, tempo and substance of change or a critical juncture of change as well as its importance as a source of legitimacy for overcoming domestic opposition.⁹ According to Schimmelpfening and Sedelmeier, EU conditionality might be encompassing, but it might not be effective in particular issue areas or countries, and policy or institutional changes in particular issue areas might not be causally related to it.¹⁰ They also argued that conditionality is often used rather loosely in accounts of the EU's influence on the CEECs, without clear analytical specification, what it entails, and under what conditions it has an impact.

Although the regional policy is one of the biggest avenues for development aid (almost two-third of the EU budget) and seen as the major policy sphere because of its significant implications for the regional economic development of the candidates, there is no specific templates for the regional governance in the EU. The EU regional policies, accordingly, are seen as a guideline for the implementation process and 'it does not require transposition into national legislation'¹¹ and it depends on governments' decision. The ambiguity of the *acquis* on regional policy has led most candidate states not to prioritize regional policy in their preparations for accession negotiations causing different practices



in the principles of partnership, programming, subsidiarity and additionality. One of the direct results of this ambiguity is that there is no template for how regional governance must look in the member states. However, there are different alternatives for candidate states to find out the best practices of regional governance in member states to emulate or draw a lesson for. As a result, while the EU regional policy adds value to the national policies for regional development by promoting ownership of projects and help with targeting measures, on the other hand this template-free characteristic causes a differentiated effect of Europeanization on this specific policy sphere depending strongly on the domestic context.

Apart from the template-free characteristic of the regional policy, two caveats underline the importance of temporal dimension in the context of regionalization process in Turkey. First, the Commission after 2000 abandoned its previous emphasis on decentralization and instead encouraged the centralized administration of EU assistance by the CEECs in order to ensure the efficient utilization of allocated funds.¹² Even if a certain level of regionalization was promoted in the CEECs from the beginning, the Commission has paradoxically promoted centralization during the accession stages and for the first couple of years after the accession.¹³ As Bache noted, the absence of local and regional self-government and the legacy of centralism exerted important institutional barriers for those states.¹⁴ Thus, the Commission tried to reduce political resistance in order to keep the enlargement process on schedule. The EU was extremely worried about transparency in managing the structural funds through regional partners owing to the lack of their institutional and administrative capacity. As a direct result of this turn in fund management, as seen below, Turkish RDAs are still not able to allocate the EU's development aid undermining any genuine shift towards regionalization.

The second caveat lies in the nature of Turkish-EU relations. While Turkey appeared to be on the right track and started to progress perfectly towards the accession negotiations between 2002 and 2005, a rather different picture has started to emerge in the subsequent years. Due to the problems that emerged both in Turkey (i.e. the evasion of signing the additional protocol with Cyprus; shift in Turkish foreign policy dimension towards the neighbouring countries) and in the EU (i.e. political behaviour of German and French leadership on Turkey-EU relations; the enlargement fatigue of the EU, and more recently Euro-zone crisis), the accession negotiations have been proceeding slower than expected.¹⁵ As a reaction to such tension in the accession process, public support for the EU membership appeared to have declined by a considerable margin and the Justice and Development Party (AKP, Turkish acronym) government appeared to have lost some of its enthusiasm and its initial reformist zeal.¹⁶ More importantly, a large number of technical issues and standards relating to local and regional administrations are not yet disseminated or encountered to the lower levels due to the reservations on many accession chapters.¹⁷

Against the above backdrop, the central argument in this article is to focus both on the evolution of domestic level and EU level and examine how these developments in different levels of governments bring about change or shape the outcomes. Such consideration has two points of departure. In terms of regional policy and structural fund regulations (management, appraisal, evaluation, and monitoring), there is a dynamic process involved, meaning that not only national context evolves, but also what is coming down from the EU level changes in the course of time (i.e. the transformation of the EU's fund management). Hence, if Turkey were in this situation 20 years ago, it would have had different experiences. Similarly, if Turkey was the same, the EU was different or EU policies, requirements, and experiences were dissimilar. One direct result of this is that *timing* of accession states intersecting with the EU's policies is important to explain outcomes, which emphasizes the prominence of temporality. A second, related,

assumption is both the EU and Turkey has been evolving in relation to each other. True, a lot of what happens in the EU is not because of Turkey and vice versa. EU policies have been evolving because of the EU dynamics and Turkey's policies are evolving because of its own dynamics. Yet, there is also another third element, whether two of them evolved together a little bit because of the dialogue between two. In particular, Turkey's responses whether probably changes because of Turkish dynamics or whether probably changes because of the EU are important. Nonetheless, one can easily presuppose that the evolution of Turkish politics is more influenced by the EU than the evolution of the EU is not because of Turkey as there is an asymmetrical relations and Turkey is not a member state.

At first sight, one may argue that taking an applicant state as an active player is rather challenging because Turkey, as a would-be-member-state, does not have enough capacity and capability to shape the EU or upload its preferences to the EU level. What is assumed here, on the other hand, does not neglect or undermine the importance of asymmetrical relation between the EU and Turkey but it does address the lack understanding of top-down analysis that simply considers the applicant countries as a passive downloader without taking consideration the importance of domestic context as well as paying enough attention to the other external factors (inter alia IMF, OECD, World Bank, the Council of Europe) apart from the EU. Besides, even if the applicant status of Turkey allows one to focus on the downward causation primarily due to the asymmetric nature of conditionality, the phenomenon of conditionality is insufficiently understood within a narrowly positivist framework whereby EU conditionality is seen as a formal instrument for the transposition of the EU's rules, norms and institutional templates to the candidate states.¹⁸ In this respect, the idea of EU conditionality includes not only the formal technical requirements on candidates but also the informal pressures arising from the behaviour and perceptions of actors engaged in the political process, offers a deeper understanding of the enlargement process as a dynamic interaction between international incentives and rules and domestic transition factors.¹⁹

Overall, what is proposed here that pre-existing domestic structures as intermediating variables and internal developments together with other external factors should be considered in tandem with the impact of the EU. However, before going deeper into tracing the causes of domestic change in Turkish governance owing to the EU's regional and structural policy, let us first examine Turkish administrative system in general and its regional policy in particular before the Helsinki Summit of 1999. This is largely because the motivations behind *change or continuity* should be accommodated in national histories, institutional and political cultures. Once the power balances and administrative cultures are institutionalized in a given national setting, it is difficult to change it because of the path dependent character of such an administrative system.

Territorial Context and the Legacy of History in the Traditional Turkish Administrative System

A fundamental characteristic of the Turkish administrative system, before it met with the EU accession process during the 2000s, is that it had a lack of regional administrations equalling the NUTS II levels of the EU territorial system. The separation of regions in Turkey depends on their topography and climate conditions without any political reference because the concept of region is often considered within the security dimension of the Republic. The fear of separatism in mind, Turkey, with a 780.000 km² territorial area, consists of seven geographical divisions, equal to 81 provinces. With the exception of the authority for the development for the South Eastern Anatolian region (GAP, Turkish acronym) and branches of central units on some regions (i.e. General Directorate of Highways, and of State Hydraulic Works), there were no regional structures outside



Ankara until the creation of two pilot regional development agencies (RDAs) in 2006. There was no generally accepted territorial delineation of the Turkish regions, little or no sense of regional identity, no institutional focal point, and thus no defined policy networks (except for highly developed cities particularly in the west part of the country) at the regional level. Because of such misfit between the EU standards and Turkey, the impact of the EU on Turkish administrative system was the greatest, and so did the adaptational pressure.²⁰

The institutional hiatus at the meso-level represented an unusual case compared to other European states of a similar size. With a massive territorial scale, almost 78 million populations, and the deeply rooted interregional disparities, Turkey did not have any experience of decentralization and/or devolution to the regional level, as it had been a case in the most of EU members. One may argue that most of the structural limits of regionalization are to be found in the history of the local and regional problems in Turkey as its administrative system represents an excellent case of unitary states that has been highly centralized, allowing little administrative decentralization. Although it lacked the regional administrations, Turkey has no shortage of local administrations as the territorial administrative system in Turkey consisted of two levels, central and local. The central administration is the core of the administrative organization, both in structural and functional aspects. Local administrations in Turkey comprise 81 provinces, 30 large metropolitan municipalities and 2951 smaller municipalities. All these local units exist alongside the field units of central government.

Such characteristics of the Turkish administrative system displays close parallels with Napoleonic state tradition.²¹ It also contains various cultural elements of southern Europe societies in terms of clientelism, patronage, and weak civil society²², forming societal and institutional memory among provincial administrations. In this respect, from the institutionalist perspective, there is a clear continuity between the late Ottoman period and the early Republican time about the local administration understanding and the economic and political problems regarding the division of powers between central and local levels.²³ This is evidenced in the establishment of an administrative tutelage over the local government. The tutelage in question was exercised over their decisions, transactions, composition, and personnel.²⁴ Since rational consideration deriving from the bureaucratic code of the late Ottoman Empire was that the centre had to be as strong as possible partly against the periphery, that is to say, the provinces, before everything else.²⁵ This rational consideration regarding the strong centralism is not only a tradition that has been inherited from the Ottoman Empire, but it has also been developed and enhanced by the bureaucratic and military elites within the republican administrations during the consolidation of the nation state after 1923.²⁶

Strong central control at the local level surely suited the political context of the time and issues like the modernization of local administration, development of local democracy and the local capacity did not have major priority for the state elites.²⁷ By the 1940s, Turkey strove for an industrialization process under a central system. Both state norms and approaches to economic development in the new Republic resulted in a centralized governance system.²⁸ By the end of this period, transition from single party system to multi-party system (in 1946) and rapid urbanization in some parts of Turkey as a result of industrialization and technological developments in agriculture sector²⁹ necessitated the re-evaluation of intergovernmental relations, the division of labour and the redistribution of resources between central administrations and local administrations. Simultaneously, whereas the bureaucratic elites or 'bureaucratic ruling tradition'³⁰, were losing their power, the party-dominated polity became paramount in Turkish governance. This was, however, unstable as was evident in the 1960, 1971, and 1980 military interventions. In the wake of the multi-party era, the military as an ardent guardian of Kemalist ideology³¹ and

republican values had filled power vacuum left by the so-called bureaucratic ruling elites. It is here sufficient to remark that whenever political elites, irrespective of their ideology, embarked on undertaking the substantial reforms in Turkey, i.e. democratization, human rights, local administration reforms, and regionalization, they had to consider the resistance exerted by this Kemalist ideology and Republican values consisting the strong veto points. The most recent example for this resistance, albeit its importance diminished in the subsequent years, emerged during the substantive public administration reforms and particularly the creation of RDAs in Turkey between 2004 and 2006 (see below).

Oddly enough, despite the lack of regional institutions (except for the GAP) for a number of years, Turkey did have a tradition of regional policy unlike most of the CEECs. Since the so-called planned era started in 1960, regional development policies and targets based on sectoralist approach and public incentives used to be determined under the five year national programmes, which were a centrally development model.³² In such a regional development model, certain sectors were encouraged without any spatial consideration of regional or sub-regional dimensions. Dulupçu argued that the regional issues in these plans reflect 'one-size-fits-all atomistic understanding'.³³ Within which these regional plans were implemented by the traditional incentive programmes, especially in the certain Priority Regions for Development (PRD), in order to attract capital and firms to the lagging regions. These policies did not produce development for regions because of clientelist consideration for the selection of PRDs, insufficient use of public funds, and so forth. Furthermore, the service in charge of regional policy had very few people (25 officials) and no representatives in the regions.³⁴

During the planned era, some regional plans were developed by the State Planning Organization (now, the Ministry of Development) on an ad hoc basis. Furthermore, the first -five year development plan (1963-1967) underlined a need for regional units in between centre and local government to develop regional plans. These plans and regional arrangements were never realized because of the fear of separatism. Next to this, the unstable economic and political environment in Turkey as well as insufficient experts and data in regions deteriorated the problem even more. For officials from the Ministry of Development, the real problem was finding proper institutions to devolve this responsibility and to ensure that these institutions are able to control regional plans without politicization and direct national funds free of corruption. This highlights the *ownership problem* within the subnational level, i.e., who is going to control this process; and the extent to which these institutions become independent from the centre. To this end, the domestic political as well as lack of institutional culture is considered another problem for the regionalization in general and the creation of regional arrangements in particular.

Next to the regional development plans, various administrative reforms and research projects were conducted during the periods between 1950s and 1990s³⁵ in order to improve and enhance administrative systems and local government and to tackle the problems that local administrations encounter. Yet, due to the lack of political support, unstable coalition governments, economic crises (in 1994, 2001) and three military interventions (in 1960, 1971, 1980), some of these aforementioned programmes and reform packages could not be able to bring about a considerable change. The common concern of these reforms was, however, to restructure central administrations rather than cope with the local administrative structures.³⁶ Particularly, after 1980s, restructuring the administrative system was on the agenda but the protection of the national unity towards the rising face of political Islam and ethnic separatism³⁷ were the crucial aspects of Turkish political life. Yet, steps towards the neo-liberalization and democratization were advanced by the ever-growing relations with variety of international organizations, chiefly, the European Union, the Council of Europe, and the International Monetary Fund. Such transformation in state and adaptation to the globalization in general and Europeanization

in particular have caused certain economic and political crisis because of the unstable coalition governments. The economic crisis of 2001 can be given as the most recent and devastating example for such crises, which brought about certain changes to Turkish domestic arena. In corollary of the Economic Crisis of 2001, Turkey has confronted dual pressure not only from international factors (inter alia, IMF-Stand by Agreements, OECD Sigma Report) mainly led by the EU conditionality, but also from the growing acceptance of regional policy failure in some part of the bureaucracy.

To sum up, pressure for regionalisation has thus come from two directions. Externally there has been the EU imperative regarding the need to establish the institutions necessary to administer the *acquis* at a national level and to effectively participate in EU regional development programmes at the regional level. Internal pressures arise through the increasing recognition of the emergence of regional development disparities as the transition process unfolds.

The Creation of Regional Development Agencies and Relevant Administrative Reforms

This is not an all-encompassing study to rehearse the debate on how much change the EU has caused in the regionalization and decentralization process in Turkey as it has been done successfully elsewhere.³⁸ However, the nuance here is that the most recent administrative reforms and restructuring of the administrative system gained momentum through the EU accession process as it has provided an important stimuli and source of legitimacy to transform the Turkish administrative system. The move towards governance and institution building at subnational level was therefore accelerated after the Helsinki Summit of 1999. The majority of interview participants suggest that the EU, albeit the most dominant actor, was not exclusively responsible for the process of change in Turkish governance.

Interview findings revealed that several factors have facilitated this process and provided perfect timing and scope for change(s) in the dynamics of intergovernmental relations in Turkey.³⁹ These factors include the impact of other international organizations (IMF, OECD, World Bank, and the Council of Europe) and internal developments (dissatisfaction with existing policy, the success of single party government, the result of the economic crisis of 2001, and learning among state bureaucrats). It is, consequently, extremely difficult to address the counterfactual question of the degree to which territorial relations in Turkey would have changed in the absence of the EU impact. One may still argue that there is a considerable impact of Europeanization on the timing and tempo of the reform process by providing the necessary legitimization for the reformist Justice and Development Party (AKP) government.

The adoption of the NUTS system in 2002 and the gradual creation of RDAs corresponding to 26 NUTS II regions after 2006 may be seen as a clear sign of Europeanization affecting the traditional Turkish polity.⁴⁰ According to its organic law (Law No.5549), RDAs consist of a decision-making body, which is composed of representatives of local administrations in each province (provincial assemblies and municipalities) and chambers of commerce and/or industry, and headed by provincial governors. In the metropolitan regions, such as İstanbul, İzmir and Ankara, the decision body also includes representatives from non-governmental organizations and/or the private sector. Development Councils consist of 100 representatives from public and private sectors and civil society institutions. Their roles are simply consultative.

Given its role for bringing the representatives from public-private-third sectors together in one single administration, each RDA, at least in theory, is potentially a *unique* structure where the appointed-elected, central-local and public-private-civilian actors may work together and define and implement public policies at a regional level.⁴¹ RDAs formulate regional programmes, through participation with stakeholders but subject to approval by

the Ministry of Development. National funds for regional development are allocated to every region regularly on an annual basis for the first time. These are spent according to a grant scheme (implemented through call for proposals) administered by RDAs.⁴² Monitoring of the grant scheme is conducted jointly by the Ministry of Development and RDAs.

While the EU's regional policy, in the sense of the implementation of regional policies and management of structural funds, has shifted towards the more centralized model in the post-Lisbon era, developments in these areas in Turkey have gone in the opposite direction; more accurately, through the more decentralized model. Regarding decentralization and devolution especially in terms of participation of local administrations into the regional policy-making process as well as into the management of distribution of national funds, RDAs have gained important access to the policy-making process. These changes, however, reflect the pre-Lisbon practices of EU regional policy and structural funds. This is largely because the learning process among bureaucrats at the Ministry of Development led them to implement the preferences of the EU, even if it has shifted towards a more centralized model.⁴³ The transformation of national fund distributions resulting from the dissemination of EU practices also suggests that there is a trend towards the creation of multi-level modality in Turkey.

Within the context of multi-level modality, RDAs are expected to organize functional interests of the targeted regions to facilitate endogenous development (Law No. 5549) and to play a critical role in; income effect, growth effect, mobility effect, human capital effect, institutional capacity effect, synergy effect, and finally awareness effect (ibid). This is done by providing political insulation, transparency, accountability, participation, and dynamism for regional policy. These tasks rhetorically seem appropriate to the aim of EU's regional policy. Yet, in practice, there are enormous doubts on the future trajectory of RDAs and their contribution to the regionalization process in Turkey (discussed below).

One should also stress that whilst the AKP government provided support for the regionalization agenda, the kind of reforms they cherished most were in the realm of public administration. In the post-2002 era, a large vote differential combined with highly concentrated government was seen as a recipe for regional reform that maximizes political benefits for one dominant political actor. Besides, unlike the previous coalition government's futile efforts, the AKP government declared itself as 'a reform government'⁴⁴ and explicitly stated its will in realizing a comprehensive reform package covering reforms on a broad range of issues and sectors.⁴⁵ For instance, in the 58th, 59th and 60th government programmes, covering the period of 2002 to 2011, the AKP was adamantly arguing for comprehensive administrative reforms and decentralization.

As a solution to overcoming a centralist and solid hierarchical structure as well as empowering local administrations, both government programmes and the relevant reports prepared by the AKP elites have put considerable emphasis on the prominence of the 'European Charter of Local Self-Government' and 'the principles of subsidiarity'. All these endeavours came into existence in a comprehensive reform package called 'the Law on Basic Principles and Restructuring of Public Administration'. It aimed to apply the basic principles of 'new public management' such as participation, accountability, effectiveness and simplicity in bureaucratic transactions.⁴⁶ Additionally, it aimed to introduce the principle of subsidiarity into the Turkish administrative system in order to redesign the powers and responsibilities of the central and local administrative structures and central and local relations by giving more weight to the latter.⁴⁷ Thus, the early signs of Europeanization of Turkish local government were already seen regarding the common principles of local government across the Union.

The draft law undoubtedly signalled a radical change and transformation in the administrative structure, offering the framework and the instruments for the achievement of better governance and constituting a major step towards Turkey's EU accession process. However, unlike regional policy, the EU did not directly target the public administration system in Turkey, though through the OECD/SIGMA (Support for the Improvement of Governance in Management of Administration) programme one may see the subtle effect of the EU. As Koçak mentions, the EU has played a more indirect role in Turkey's administrative reform through the compatibility of its membership conditions.⁴⁸ It has generally encouraged decentralization with those of the more detailed and precise conditions of the IMF and the World Bank in return for providing Turkey with credit. Furthermore, in the context of subsidiarity, the European Charter on Self-Local Government was primarily employed during the preparation of reform packages in a benchmarking manner.⁴⁹

The draft law was, however, vetoed by the former President, Ahmet Necdet Sezer, on the condition that it was in breach of the constitution as it proposed limiting the powers and responsibilities of the centre and offering extended powers to the local administrations; weakening the organizational and functional features of the central administration, and violating deconcentration and administrative tutelage principles.⁵⁰ As a tactical manoeuvre, rather than bringing the same draft Law to the Parliament, the AKP government divided it into different parts such as a law on Metropolitan Municipalities, a law on Municipalities and a law on the Special Provincial Administrations.⁵¹ These reforms attempted to strengthen the capacity of local administrations and devolve some competences to the lower territorial tiers. In summary, after the Helsinki Summit of 1999, there has been a meaningful change in traditional Turkish governance, though in the context of decentralization and regionalization, large ambiguities remain. The next section explores them as they have potential limits on the creation of multi-level modality in Turkey.

Limits on Multi-Level Modality in Turkey

Considering the power shifts towards the lower territorial tiers, Turkey represents an apparent paradox when one compares it to EU standards due to its long-lasting centralist history. Given the importance of temporality and the domestic context, this part examines various restrictions on the way to decentralization and regionalization processes in Turkey and other obstacles derived from the EU context. The first obstacle concerns the territorial organization of state and the nature of decentralization and regionalization. The second lies in the underachievement of the reform because of political reasons (i.e. presidential veto and the shift in AKP government's stance). Finally, there are also structural changes in the EU context, underscoring the importance of temporality.

Regionalization without Regions and Provincialism versus Regionalism

Prior to the Helsinki Summit of 1999, the tradition of regions had not been formed yet, and it has not become a determining point. Such an institutional lacuna on a subnational level constituted a major misfit for EU standards. The fact that *regions* do not formally exist is probably one of the reasons why regionalization has been one of the most prolonged and intense debates in the history of the Turkish administrative system. In fact, before the EU accession process, there were attempts to merge some provinces in order to create larger and manageable units for the revival of regional dynamics. These would have fostered local and regional governance, and revitalized associational culture in the respective territories. The common consideration, however, was that the enlargement of provinces may lead to a situation whereby a province is completely inhabited by ethnic groups, which would jeopardize the unity and security of the nation.⁵² Besides, as Dodd emphasized, 'strong provincial governors are not a problem but an over mighty regional

governor could become one'.⁵³ To avoid this type of danger, it was suggested that there should not be a regional governor, but a committee of provincial governors in each region to act as a coordinating authority for the provinces in the region.⁵⁴ In the current situation, governors play a critical role in the executive committee of RDAs. One may interpret this as the centre desiring to keep at arm's length the relationship with the newly formed regional arrangements by appointing governors in charge of the Executive Committees in RDAs.

Problems are not only confined to the administrative management of and decision-making process for RDAs. During the very creation of RDAs, neither the Ministry of Development nor the State Institute of Statistics consulted with any local/regional stakeholders on the design of the regional setting.⁵⁵ The selection of the provinces to host the RDAs was not clear and the process was not sufficiently transparent.⁵⁶ The problem of creating coordination and transparency at the very beginning of the establishment of RDAs has cast enormous doubts on their future trajectory and contribution to the regionalization process in Turkey. Furthermore, in considering the administrative and financial structure along with the decision-making procedure, the majority of interview participants consider RDAs as the decentralized arms of the state for several reasons. First, the governor, as a paid official, is the chairperson of the administrative board. Second, the appointment of Secretary General is subject to the decision of the Council of Ministers. Third, decisions for the regional development policy and distribution of the national funds taken by regional stakeholders must be approved by the Ministry of Development. Finally, RDAs substantially depend on the national budget. Regarding alternative financial sources, it is sufficient to note here that RDAs have not been accredited as an operational body for the distribution of EU financial incentives.

In light of the above and taking a comparative perspective, the creation and management of RDAs and the successive reforms that gave birth to it seemed to be the perfect example of what Keating called 'administrative and technocratic regionalization'.⁵⁷ In this sort of regionalization, the process is depoliticized and there is no link to class interests. Hence, the regionalization process is linked to the development of planning, which may be considered a response to the EU accession process and the existing policy failure. This also represents an excellent example of regionalization *without* regions. Therefore, unlike several RDAs in the EU that are legally, administratively, historically, and financially well-entrenched in their respective domestic settings, RDAs have restricted abilities because of their bureaucratic and top-down nature.

Many interview participants believed that the creation and adaptation of RDAs to traditional Turkish governance is a *dynamic process* seizing two distinct features. First, the process may not only be progressive, but may well be regressive. This is because national governments have a right to close RDAs (as in the case of the UK) if they are not happy with their progress or because of other political considerations. This creates a legitimacy issue for the future of RDAs.⁵⁸ Second, dynamism also entails a learning process. A number of interview participants commonly pointed out that the RDAs have advanced their functions in learning by doing manner.⁵⁹ They, indeed, have often benchmarked from their equivalent in the EU arena.⁶⁰ Overall, RDAs are still at a formative stage of development and thus it is too early to speculate about their effectiveness and contribution to the regional development as well as to the creation of multi-level modality in Turkey. Apart from the two pilot RDAs, İzmir and Çukurova, which were established in 2006, the foundation of these regional institutions is a recent phenomenon as the remainder only started operating after 2008 and 2009. Once their institutionalization process has been accomplished, they are potentially expected to mediate different interests between national and local administrations in order for the latter's favour.

Interview participants in different cities commonly considered that RDAs are not a panacea for the entire historical and chronic problems of local and regional problems in Turkey. These problems, such as the insufficiency of economic resources and human resources are at the local level: the low level of social capital in the regions⁶¹; the lack or partial experience of local governance⁶²; and mistrust among actors and/or institutions involved in the governance process.⁶³ Here, one of the critical issues is to mediate overlapping local agendas among the stakeholders. Yet the management and implementation of regional policies and the division of responsibilities between state and non-state agencies have resulted in further complications at the subnational level as chambers of commerce, municipalities, governorships and special provincial administrations have vied for leading roles for the RDAs. To this complex institutional map at subnational level, one should also add the party political differences. As a result, RDAs may not immediately be a remedy for the chronic problems and it may be difficult for them to gather regional wherewithal for the political, cultural and economic aspirations on the EU level.

Another issue, particularly in the context of overlapping local agendas, is the importance of provincialism versus regionalism. This calls attention to the strong path dependency nature of Turkish governance inherited from the long Ottoman-Turkish tradition. For historical, political and institutional reasons, politics in Turkey has long been focused on the national and provincial levels, with very little in between. As a result, the strong path dependency for provincialism has been developed. Apart from RDAs in İstanbul, Ankara and İzmir, the rest is an example of polycentric city regions ranging from two to six cities. The experiences of the CEECs suggest that the lack of equivalence between the majority of RDAs and the provinces will lead to incoherence in the articulation of common regional interests.⁶⁴ This was highlighted numerous times in the interviews in Turkey. An example was given by an interview participant.⁶⁵ For him:

'[...] there is a role for RDAs to create regional awareness and provide competition for the regional development in their hinterland. However, there has been a provincial system for a long time. It is really difficult to change this. The competition among cities within the same RDA persists. There is no sense of a region. The adaptation of RDAs to the existing system is a dynamic one and we are still at the beginning of the institutionalization process. Unfortunately, we may not quite succeed in making cities think and act together'.

To sum up, while the purpose of this article is not to assess the general implications of regionalization or decentralization, the establishment of RDAs is an important part of the shift towards multi-level modality. Therefore, by exploring the potential value of the agencies as organizing interests on subnational level, the article helps to understand the likely outcomes of a broader trend.

Party Politics and Economic Deficiency of Local and Regional Administrations

The EU has constituted a source of legitimacy for the incumbent government to undertake the necessary reform in the field of public administration and regional policy. However, the reforms remained limited because of the Presidential veto as well as of the low credibility of the EU accession process. The rationales for the AKP government to comply with EU requirements with regard to regional reforms vary. As Ertugal argues, there are two key explanations. The first is the powerful incentive of EU membership, having access to the material and social benefits offered by the EU.⁶⁶ The second is that the aims of EU induced reforms are compatible with the ideology of the AKP. The incumbent government, rooted in 'a conservative democratic'⁶⁷ background, does not share the same state ideology with the former President, the military and large sections of the bureaucracy. Given that several politicians within the AKP government have local administration

experience (including the PM Erdoğan as he was the former mayor of the İstanbul metropolitan city), one may contemplate the incumbent government's favouritism towards the local administrations.

More importantly, one may argue that the AKP does not share the same sensitivities as the state elites about the relationship between decentralization and threats to the territorial integrity of the country.⁶⁸ This is considered as the most significant setback for decentralization or regionalization. Accordingly, the EU accession process as a source of legitimacy may be used mainly by the political elites vis-à-vis the existing veto players in the Turkish political system (e.g. President and main opposition party) in order to fulfil the EU's demand in terms of regional policy and structural funds. Above all else, for such sensitive issues like local administrations, democracy and human rights, as Börzel and Soyaltın mention, Europeanization appears to be the most effectual mechanism where domestic policy choices, e.g. to roll back the Kemalist legacy, align with the EU demands for change; and expressing dissatisfaction with previous policy failures drives domestic policy-makers to search for new policies that the EU may provide.⁶⁹ Likewise, as Öniş emphasizes, the AKP considered the EU as a necessary safeguard to protect itself against the hard-core Republicanist or secularist establishment in the sphere of domestic politics.⁷⁰

Although there seemed to be a fertile ground for decentralization and regionalization in the aftermath of the disappearance of strong veto players in 2008, the AKP government has conducted a policy of deconcentration. It has accordingly created patronage by expanding institutional structures (e.g. the creation of RDAs) and redesigning local administrations (e.g. the reform for Special Provincial Administration), rather than fully decentralized local or regional administrations. A think-tank organization in Ankara questioned this erratic behaviour of the AKP by describing it as 'One Step Forward, Two Steps Backward in Decentralization'.⁷¹

A number of interview participants during the fieldwork suggest two essential reasons for such a regressive shift in decentralization rhetoric of the incumbent government post-2005. The first and foremost reason lies in the legacy of history, particularly in the context of the antagonistic relations of centre-periphery and the enthusiasm of paid officials (i.e. governors or bureaucrats in central institutions) towards the administrative tutelage. Relating to the first point, the patron-client logic of the AKP government may not challenge some of the powerful opposition metropolitan municipalities (inter alia, İzmir, Antalya, Eskişehir, Adana and Diyarbakır), unless they re-centralize some of the devolved competences. In summary, since the Helsinki Summit of 1999, while there were periods of significant reforms in the context of public and local administrations, the overall Turkish administrative framework fundamentally remained in place.

Apart from the political drawbacks, the urgent issues dwell in the lack of financial capacity of local administrations in Turkey. As an example, the budget of RDAs (average €20.8 million per each RDA)⁷² is not sufficient for fulfilling their objectives. This was largely highlighted by the various interview participants irrespective of their professional expertise. The lack of financial resources is in fact a chronic problem for local administrations in Turkey. In his legal appraisal based study on the local reforms in Turkey in 2005, Marcou noted that:

'Local finance is the weak side of the administrative reform. At present, the share of own revenues in the budgets of municipalities and of Special Provincial Administrations (SPAs) is very low, and there is no local tax power. Local administration expenditure is in Turkey around 10% of consolidated budget and 4% of GDP, three quarters of which by municipalities, the rest by SPAs. This is rather low compared to other European countries, but not the lowest. This



percentage has been stable for ten years, with peak close to 5% between 1999 and 2001'.⁷³

Statistically, in their comparative analysis of Turkey and OECD Countries between 1998 and 2004, Ulusoy and Akdemir revealed that the ratio of local administration revenue in the entire public revenue is 12.97%, while the similar ratio of the average OECD countries is 25.36%.⁷⁴ However, restrictions on the process of regionalization on the whole and shift towards multi-level modality in particular are not only confined to the national context. Changes in the EU context certainly affect the motivations of SNAs and their interest in EU matters. During the fieldwork, it transpired that several caveats derived from the EU context have correspondingly undermined the creation of the multi-level modality in Turkey.

The Limits of Europeanization in Actual Practice in Turkey

The impact of Europeanization on the Turkish national context has gradually evolved over the course of time. This has often resulted in the limitations of Europeanization in actual practice in Turkey. This mainly because one of the departure points for the multi-level governance approach is the existence of overlapping competencies among multiple levels of political actors across those levels.⁷⁵ Because of several unopened and blocked chapters related to local and regional administrations, one may argue that the EU impact on local and regional administrations in Turkey has remained incomplete in a number of policy areas.

With the launch of IPA, the Commission has followed the centralization of power narrative in order to ensure the efficient utilization of allocated funds in applicant states. By giving such a mixed signal, the national governments in applicant states have strengthened their gatekeeping role during the management of IPA funds. Besides, more recently, they have started to extend the gatekeeping role during the implementation of international funds that certain local and regional administrations gained mainly from the EU level institutions. The immediate reaction of the centre was to control the funds that originated from the EU under the auspices of the Committee of Inspection under the Prime Ministry (Circular No. 2011/15). The incumbent government has become more concerned with the direct relation of opposition municipalities with the international organizations. This situation was mostly covered by the Turkish Media as the 'German Foundation File'. PM Erdoğan publicly criticized activities by a German foundation, 'without naming it, claiming it was signing business agreements with municipalities run by the main opposition Republican People's Party and Peace and Democracy Party though it claimed to be a foundation'.⁷⁶ It was repeatedly reported during the interviews in Ankara that the EU deliberately subsidizes and visits the southeast part of Turkey because the majority of Kurds live there.⁷⁷ By denying such claims, the officials from DG Regio explained that 'the basic logic behind the geographical coverage of the fund allocation is that the southeast regions satisfy the eligibility criteria of Objective 1 as they are under the 75 per cent threshold. This is the rule of the game and it is not specific for Turkey'.⁷⁸

With regard to the evolution of the partnership principle, Turkish RDAs are not able to allocate the EU's development aid reducing the direct interplay between the Commission and RDAs. Because of this direct relation, many local and regional administrations in Europe started to have a presence in Brussels through liaison offices or interregional networks.⁷⁹ In this respect, there is no institutionalized channel, or better to say access point, for subnational mobilisation for Turkish subnational administrations in Brussels and they are considered as an outsider to EU politics.

There is a further problem deriving from the changing nature of the partnership principle. To illustrate, in the 2004-2006 period, Plan and Implementation Units (PIUs) were

composed of only (centrally appointed) provincial governors and (locally elected) provincial assemblies with (locally elected) municipalities. In the IPA regulation, this was replaced with a Sectoral Monitoring Committee (SMC) of each OP. These SMCs, which are the only institutional channels for local and regional administrations to participate in EU fund management, include representatives not only from social and economic partners, but also from provincial governors, chambers of industry/commerce and universities on a rotating basis. The extension of the partnership horizontally through the other societal partners may undermine the privileged role of regional and local authorities. This is, indeed, one of the biggest problems in Turkey because of the overlapping local agendas at subnational levels. Such an overlapping local agenda is a particular obstacle for the RDAs to aggregate regional interests.

The insufficient financial incentives provided by the EU were also repeatedly criticized by a number of civil servants in Ankara. They commonly reported that, given Turkey's population and geographical size, the deeply rooted problems in economic and social cohesion, and its capacity to develop programmes and projects towards solving these problems, financial assistance by the EU is extremely limited.⁸⁰ As Ertugal argues, because of the fact that the budget for structural policies is not going to increase significantly in the next programming period of 2014-2020, the EU does not have enough incentive to exert informal pressure in this policy area.⁸¹ This point was raised several times during the interviews with state and non-state elites in Ankara. For example, an expert from the Development Bank reported that: 'the Commission is not willing to allocate massive resources to Turkey, given its size and population. It is for this reason that the EU takes things slower than other accession states, which undermines the on-going decentralization process in Turkey'.⁸²

Conclusion

This article focused specifically on the interplay between the EU and Turkey with regard to regional policy and financial incentives. A link between the EU's active (formal sphere of conditionality) and passive leverage and their impact on the Turkish domestic reform process may be captured within the context of Europeanization. It is largely true that a process of change in territorial relations in Turkey is fundamentally driven by endogenous factors, whose precise form and timing are intricately linked with the launch of Turkey's accession process. While the adoption of the NUTS system in 2002 and the gradual creation of RDAs corresponding to 26 NUTS II regions after 2006 may be seen as clear examples of legal and institutional changes affecting traditional Turkish polity, national dynamics in terms of party politics and dissatisfaction for the existing policies, on the other hand, were significantly affected by the degree and outcome of this process. Although changes in the dynamics of traditional territorial relations as well as the transformation of national incentive mechanism for regional policy fit the traditional Turkish administrative system, changes remain a good example of spill-over effect mirroring the EU practices.

Turkey, albeit not identical, displays some resemblances with the other previous and incumbent candidate states in terms of a legacy of strong statism, the weakness in democratic traditions, the absence of strong civil society and regional administration, and the bureaucratic centralist tradition. This suggests that it has faced the similar difficulty of its institutionalized administrative culture and so had the similar adaptational pressure deriving from the EU accession process. Yet, the Turkish case also holds crucial deviations both historically and in terms of its current situation, such as the lower credibility of the EU membership and the evolution of EU's incentive mechanisms over the years. More importantly, the continuation of the so-called 'Kurdish Problem' and the existence of the interest clashes between some municipalities and the central administrations have remained crucial setbacks for Ankara to exert red-lines on various

issues in its regionalization rhetoric. Under such conditions, one can easily predict that the reform process in the context of regionalization and decentralization has been progressed in line with the Ankara's standpoint but such transformations mirroring the EU's norms, standards, and regulations. Overall, because of certain restrictions derived from the national context and caveats dependent on the EU context, one may hardly speak of any genuine shift from a centralized/hierarchical structure to a multi-level modality.

Taking all the above discussions together, an evaluation of the decentralizing and regionalizing impact of the EU accession process in Turkey depends on whether the researcher prefers to see the glass as half-empty or half-full. Realist explanations would undoubtedly emphasize the proven ability of the national governments to reassert central power. Others may point out the pluralistic effect of EU financial incentives that has the potential to influence territorial relations in Turkey. Consequently, an ultimate judgment would be premature. A centralized reading of Turkey needs to be qualified because there are important elements of multi-level governance manifest in several policy networks. Moreover, while one is able to reach conclusions about the impact of EU regional policy on the intergovernmental relations in Turkey thus far, one also enters the caveat that the changes are recent and thus their long-term significance remains uncertain. Yet what the research has found is that the subnational impact of EU regional policy and its related financial incentives remain uneven and differentiated on the actors' preferences, attitudes and capacities. In this respect, the question of how the EU affects the territorial relations in Turkey should be supplemented with other questions, such as what has changed at subnational level to demonstrate subnational response to the impact of Europeanization and under what conditions does the impact of Europeanization make subnational actors mobilize across the EU arena? In doing so, changes at subnational level can reveal the direct and indirect effect of Europeanization on Turkish regional policy.

Notes:

1. James Hughes, Gwendolyn Sasse and Claire Gordon *Europeanization and Regionalization in the EU's Enlargement to Central and Eastern Europe: the Myth of Conditionality*, (Basingstoke: Palgrave Macmillan, 1994).
2. Heather Grabbe, 'How Does Europeanization Affect CEE Governance? Conditionality, Diffusion and Diversity', *Journal of European Public Policy*, Vol. 8, No. 4 (2001). Martin Brusis, 'European Union Incentives and Regional Interest Representation in Central and East European Countries', *Acta Politica*, Vol. 45, No. 1, (2010). Tanja Börzel and Thomas Risse, 'The Transformative Power of the Europe: the European Union and the Diffusion of Ideas', *KFG Working Paper*, No.1, (2009).
3. Frank Schimmelfenning and Ulrich Sedelmeier, *the Europeanization of Central and Eastern Europe*, (Ithaca, London: Cornell University Press, 2005). Ulrich Sedelmeier, 'Europeanization in New Member and Candidate States', *Living Reviews in European governance*, Vol. 6, No. 1, (2011). Tanja Börzel, 'the Transformative Power of Europe Reloaded: the Limits of External Europeanization', *KFG Working Paper* No. 11, (2010).
4. Hughes, Sasse and Gordon, *Europeanization and Regionalization*,
5. Grabbe, *How does Europeanization*, Sedelmeier, *Europeanization in Member States*
6. Börzel, *the Transformative Power*
7. Ian Bache et al., 'Europeanization and Multi Level Governance in South East Europe: the Domestic Impact of EU Cohesion Policy and Pre-Accession Aid', *Journal of European Public Policy*, Vol. 18, No. 1, (2011): 122-141.
8. Laszlo Bruzst, Multi-Level Governance—the Eastern Versions: Emerging Patterns of Regional Developmental Governance in the New Member States, *Regional and Federal Studies*, Vol. 18, No. 5, (2008): p. 615
9. Hughes, Sasse and Gordon, *Europeanization and Regionalization*, Conor O'Dwyer, 'Reforming Regional Governance in East Central Europe: Europeanization or Domestic Politics as Usual?', *East European Politics and Societies*, Vol. 20, No. 2, (2006): 219-253.
10. Schimmelfenning and Sedelmeier, *the Europeanization of Central and Eastern Europe*, p.3
11. CEC, 'Regular Report on Turkey's progress towards accession', COM (2004) 656 Final., CEC 'Regular Report on Turkey's progress towards accession', COM (2005) 561 Final.
12. Michael Baun and Dan Marek (eds.) *EU Cohesion Policy after Enlargement*, (Basingstoke: Palgrave MacMillan, 2008): p. 7, Michael W. Bauer and Tanja Börzel, 'Regions and the European Union', in H.Enderlein, S. Wälti and M. Zürn (eds.), *Handbook on Multi-Level Governance*, (Cheltham: Edward Elgar, 2010): p. 256.
13. Ebru Ertugal, 'Europeanization of Regional Policy and Regional Governance: The Case of Turkey', *European Political Economy Review*, Vol. 3, No. 1, (2005).
14. Ian Bache, 'Partnership as an EU Policy Instrument: A Political History', *West European Politics*, Vol. 33, No. 1 (2010): pp. 65-6.



15. Atila Eralp, 'The Role of Temporality and Interaction in the Turkey-EU Relationship', *New Perspectives on Turkey*, Vol. 40, (2008). Tanja Börzel and Diğdem Soyaltın, 'Europeanization in Turkey: Stretching a Concept to its Limits?', *KFG Working Paper*, No.36, (2012).
16. Ziya Öniş, 'Turkey's Encounters with the New Europe: Multiple Transformations, Inherent Dilemmas and the Challenges Ahead', *Journal of Southern Europe and the Balkans*, Vol. 8, No. 3 (2006).
17. Only one chapter, Science and Technology, has been so far closed. Twelve Chapters are open but still under the observation. Two Chapters were invited to present and Turkey has presented its negotiation position. Eight chapters are reserved as the additional protocol with Cyprus is the opening criterion for these chapters. 10 chapters are still being discussed in the Council.
18. Hughes, Sasse and Gordon, *Europeanization and Regionalization*
19. *Ibid.*
20. S. Yaman Koçak, Europeanization of Turkish Regional Policy, (*Unpublished PhD Thesis*, University of Sheffield, 2007). Ebru Ertugal, 'Multi Level Governance and Europeanization in Turkey', *Journal of South East European and Black Sea Studies*, Vol. 10, No. 1, (2010).
21. The Napoleonic state is an administratively centralized, unitary nation-state. For further detail see also, Asuman A. Çelenk, 'Europeanization and Administrative Reform: The Case of Turkey', *Mediterranean Politics*, Vol. 14, No. 1 (2009).
22. For North and South Europe division see Edward C. Page and Michael J. Goldsmith, (eds.) (2010) *Changing Government Relations in Europe*, 2nd Edition, (New York: Routledge, 2010).
23. Clement H. Dodd, *Politics and Government in Turkey*, (Manchester: Manchester University Press, 1969): p. 3.
24. Metin Heper, (ed.) 'Introduction', in *Local Government in Turkey: Governing Greater Istanbul*, (London: Routledge, 1989).
25. Şerif Mardin, Centre-Periphery Relations: A Key to Turkish Politics?', *Daedalus*, Vol. 102, No. 1, (1973): p. 183.
26. For detailed historical evaluations see, inter alia, Halil İnalcık, 'Turkey', in R. E. Ward and D. A. Rustow (eds.) *Political Modernization in Japan and Turkey*, (New Jersey: Princeton University Press, 1963). Mardin, *Centre-Periphery Relations*, Kemal H. Karpat, 'Structural Change, Historical Stages of Modernization, and the Role of Social Groups in Turkish Politics' in K. H. Karpat (ed.), *Social Change and Politics in Turkey: A Structural-Historical Analysis*, (Leiden: E.J.Brill, 1973). Metin Heper, *State Tradition in Turkey*, (Northgate: the Eothen Press, 1985), Bernard Lewis, *The Emergence of Modern Turkey*, 3rd edition, (Oxford: Oxford University Press, 2002).
27. Çelenk, *Europeanization and Administrative Reform*, p. 99
28. S. Yaman Koçak, Koçak, 'European Integration and Its Impact on Domestic Systems: Inferences for Turkey', *D.E.Ü.İ.İ.B.F Dergisi*, Vol. 20, No. 1, (2006).
29. Korel Göymen, *Türkiye'de Yerel Yönetişim ve Yerel Kalkınma (Local Governance and Local Development in Turkey)*, (İstanbul: Boyut Yayın Grubu, 2010).

30. Korel Göymen, 'Dynamics of Changes in Turkish Local Governance: Demise of the Bureaucratic Ruling Tradition', *Society and Economy*, Vol. 28, No. 3, (2007).
31. Kemalism, an ideology of reform named after Mustafa Kemal Atatürk, the former chairperson of Turkish Grand National Assembly and the first President (1923-1938) of the new state that embraced positivism, nationalist and solidarity components of statist-centralist thought of the previous decade. For further details see N. Şeker 'Vision of Modernity in the Early Turkish Republic: An Overview', *HAOL*, Vol. 14 (2007).
32. Serap Kayasu, 'Institutional Implications of Regional Development Agencies in Turkey: An Evaluation of the Integrative Forces of Legal and Institutional Frameworks', (42nd ISoCaRP Congress, 2006).
33. Murat A. Dulupçu, 'Regionalization for Turkey, an Illusion or a Cure?', *European Urban and Regional Studies* Vol. 12, No. 2, (2005):p. 109.
34. CEC 'Regular Report on Turkey's progress towards accession', SEC (2001) 1756.
35. Examples of these administrative reforms as follow: Neumark Report (1949); Barker Report (1950); Martin and Cush Report (1951); MEHTAP (1960); the Report of the Administrative Reform Consultation Board (1971); KAYA (1990). Furthermore, nine development plans have until now prepared by the SPO since its establishment in 1960.
36. Çelenk, *Europeanization and Administrative Reform*
37. Heper, *Introduction*
38. For example, see Dulupçu, *Regionalization for Turkey*; Ertugal, *Multi-Level Governance and Europeanization in Turkey*, Koçak, *Europeanization of Turkish Regional Policy*, F. Bafoil and Ayhan Kaya, *Regional Development and the European Union: A Comparative Analysis of Karabuk, Valenciennes and Katowice*, İstanbul: (İstanbul Bilgi Üniversitesi Yayınları, 2009).
39. The response from one interviewee is a good example of the general view of the majority of interviewees for the question of what is (are) the most important factor(s) that is/are responsible for the change in Turkish regional policy over the last decade. The respondent stated, 'it is impossible to assign only one factor to explain the entire change in the Turkish regional policy [...] we are not living in an isolated world. Factors for change are not independent from each other as everything interacts. However, the best we can do is to categorize what are the more dominant factors and what are the lesser ones in this interaction'(Interview: EU Team Players in Turkey, Department of Political Science and Public Administration, Süleyman Demirel University, Isparta, (31.03. 2011).
40. For the full discussion about the creation of RDAs in Turkey see Arnold Lagendijk, Serap Kayasu and Suna Yaşar, 'The Role of Regional Development Agencies in Turkey: From Implementing EU Directives to Supporting Regional Business Communities?', *European Urban Regional Studies*, Vol. 16, No. 4, (2009). Trevor Young-Hyman, 'the Potential for Effective Regional Development Agencies in Turkey: A Comparative Analysis', *Regional and Federal Studies*, Vol. 18, No. 4 (2009). Ebru Ertugal, 'Institutional Change and Europeanization: Explaining Regional Policy Reform in Turkey', *Policy and Politics*, Vol. 39, No. 2, (2011).
41. Uğur Sadioglu and Kadir Dede 'Effects of the Regional Development Agencies on the Role and Decisiveness of the Local Elites in Turkey', Conference Paper Presented at the EGPA-Conference, (Bucharest-Romania, September 2011).



42. Ebru Ertugal, *Institutional Change and Europeanization*
43. See for instance, Ertugal, *Multi-Level Governance and Europeanization in Turkey*
44. In the beginning of 2003, as an extension of AKP's promises, a series of official reports regarding a comprehensive reform package were produced by the Public Administration Basic Legislation Working Group. One of the most important reports prepared by this group was 'Change in the Administration for Managing the Change'. This report pointed at the strong central tutelage over the local administrations as well as lack financial capabilities of SNAs. This report was conducted by one of the most important AKP proponents, Prof Dr Ömer Dinçer, while he was a head consultant for the Prime Minister, in 2003.
45. Murat Okçu, Hüseyin Gül and Murat A. Dulupçu 'Turkey Towards the EU: In-Between State Centrism and Multi-Level Governance', Conference Paper Presented at 6th European Urban and Regional Studies Conference, (Denmark, 21-24 September, 2006).
46. Naim Kapucu and Hamit Palabıyık, *Turkish Public Administration: From Tradition to the Modern Age*, (Ankara: USAK, 2008): p. 196.
47. Aylin Güney and Asuman A. Çelenk, (2010) 'Europeanization and the Dilemma of Decentralization: Centre-Local Relations in Turkey,' *Journal of Balkan and Near Eastern Studies*, Vol. 12, No. 3, (2008): p. 255.
48. Koçak, *Europeanization of Turkish Regional Policy*, p. 114
49. Interviews: Head of Department, Ministry of Interior, General Directorate of Local Authorities, Ankara, (13.04.2011) and Secretary General, The Union of Municipalities of Turkey, Ankara, (26.04.2012).
50. Güney and Çelenk, *Europeanization and the Dilemma of Decentralization*
51. Interview: EU team player in Turkey, Department of Political Science and Public Administration Sabancı University, İstanbul, (16.11.2011).
52. N. Demiröz, 'Bölge Valiliği Üzerine' (Upon Regional Governorships), *Amme İdaresi Dergisi*, Vol. 23, No. 4, (1990).
53. Dodd, *Aspects of the Turkish State*, p. 260
54. *Ibid.* p. 261
55. Dulupçu, *Regionalization for Turkey*, p. 105
56. CEC, 'Regular Report on Turkey's progress towards accession', COM (2009) 533 Final.
57. Michael Keating, *the New Regionalism in Western Europe: Territorial Restructuring and Political Change*, (Aldershot: Edward Elgar, 1998): p. 14.
58. Interviews: EU Team Player in Turkey, Department of Political Science and Public Administration, Süleyman Demirel University, Isparta, (31.03. 2011) and EU team player in Turkey, Department of Political Science and Public Administration Sabancı University, İstanbul, (16.11.2011).
59. Interviews: Secretary General, Middle Black Sea Development Agency, Samsun, (21.11.2011), Secretary General, Karacadağ Development Agency, Diyarbakır, (29.03.2011) (28.11.2011) and Deputy Governor, Diyarbakır Governorship, Diyarbakır, (28.11. 2011).

60. For instance, during the creation of two pilot RDAs in Turkey, Italian experts have been consulted by both national and regional actors in Turkey (see Young-Hyman, 2009). Also, interview findings with the civil servants in the Ministry of Development suggest that English RDAs were taken as an example, given Turkey's administrative closeness with England.
61. Dulupçu, *Regionalization for Turkey*
62. Levent Köker, 'Local Politics and Democracy in Turkey: An Appraisal', *The Annals of the American Academy of Political and Social Science*, 540, (1995).
63. Fuat Keyman and B. Koyuncu, 'Globalization, Alternative Modernities and the Political Economy of Turkey', *Review of International Political Economy*, Vol. 12, No. 1, (2005).
64. Young-Hyman, *the Potential for Effective Regional Development Agencies in Turkey*, p. 389
65. Interview: EU Team Player in Turkey, Department of Political Science and Public Administration, Süleyman Demirel University, Isparta, (31.03. 2011).
66. Ertugal, *Europeanization of Regional Policy and Regional Governance*
67. This expression is stated in the AKP's 59th Government Programme, which was declared by the Prime Minister Recep Tayyip Erdoğan in Turkish Grand National Assembly in 18 March 2002. Yet many scholars usually name the AKP as Islamic Democrat or Muslim Democrat Party.
68. For instance, in one of his speeches, PM Erdoğan publicly explained that 'a state cannot be built upon fears'. (for the detail about this speech, see the following links, <http://www.posta.com.tr/siyaset/HaberDetay/Erdogan--Korku-uzerine-ulke-insa-edilemez.htm?ArticleID=8633>).
69. Börzel and Soyaltın, *Europeanization in Turkey*
70. Öniş, *Turkey's Encounters with the New Europe*
71. Emre Koyuncu and S. Serteser 'Yerelleşmede Bir İleri Bir Geri (One Step Forward, Two Steps Backward in Decentralization)', *TEPAV Policy Briefing*, Ankara, February 2012.
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probe into ties with German foundations' <http://www.business-turkeytoday.com/turkey-pm-erdogan-calls-for-probe-into-ties-with-german-foundations.html>, (accessed on 30th August 2012).

77. Interviews: Senior Planning Expert in General Directorate of Regional Development and Structural Adjustment, Ministry of Development, Ankara, (12.04.2011) and City and Regional Planner, Ministry of Development, the then Head of Department in General Directorate of Regional Development and Structural Adjustment, Ankara, (13.04.2011).
78. Interviews: DG Regio, (IPA Programme Managers), (Turkey Desk Officers), Brussels, (18.06.2012) and Deputy Head of Unit, IPA/ISPA, Accession Negotiations Team, DG Regio, Brussels (21.06.2012).
79. Carolyn Moore, *Regional Representation in the EU: Between Diplomacy and Interest Mediation* (Houndmills, Basingstoke: Palgrave Macmillan, 2011).
80. When compared to the level of pre-accession funding for the CEECs, the ratio of EU funds available for Turkey may be as little as 1:10 in terms of per capita figures (Ertugal 2010:95). This was also the case before the introduction of IPA. For instance, Bulgaria received in total around 300 million Euros per annum from the 2000-2003 period. The equivalent total for Turkey would be around 3 billion Euro per annum but in fact Turkey received 250 million Euro in 2004 and 300 million Euro in 2005.
81. Ertugal, *Institutional Change and Europeanization*, p.263. It is also stated in the Negotiation Framework in 2005 that the financial aspects of the accession of Turkey must be allowed for in the applicable Financial Framework. Hence, as Turkey's accession could have substantial financial consequences, the negotiations can only be concluded after the establishment of the Financial Framework for the period from 2014 together with possible consequential financial reforms. Any arrangements should ensure that the financial burdens are fairly shared between all Member States. This shows the extent to which the EU worries about the accession of Turkey to the EU. Derogations in this chapter are also exerted because of some other member states', France and Germany, objections.
82. Interview: Senior Specialist on Regional Development, Development Bank of Turkey, Loan Evaluation Department, Ankara, (07.04. 2011).

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Testing the Rentier State Theory: The Case of Azerbaijan

By Alper Almaz*

Abstract

This article shall focus on the political aspects of the resource curse theory, in particular the rentier state theory as a sub-theory of the resource curse. The rentier state is a political economy theory that seeks to account for state society relations in states that get most of their revenues, in the form of rents, from resource sector. Besides, the theory asserts that these rents have an effect on democracy, economic growth and security matters of the resource rich countries. Applying this theory to Azerbaijan shall contribute to Azerbaijan's political economy literature. In this paper, I argue that revenues generated from energy exports hinder democracy in Azerbaijan since they are used for fulfilling pockets of political elites and hampering emergence of any opposition to the dominant groups. In the very first part of the paper, the rentier state theory will be elaborated. More specifically, the concept of rentier state and how a rentier state behaves will be explained in detail so as to provide a framework for the case study of this paper. In the second part after giving a short brief about Azerbaijan's energy reserves and societal problems the rentier state theory will be applied to Azerbaijan in order to find out whether it suffers from the rentier state deficiencies. Indeed, the rentier effect and the repression effect of the theory will be analysed. In the final part, concluding remarks will be delivered with a laconic summary of the paper.

Keywords: Rentier State Theory, Azerbaijan, Energy Resources, Democracy



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Testing the Rentier State Theory: The Case of Azerbaijan

Introduction

A commonly debated problem worldwide is that many countries having rich natural resources experience an economic, political and social paradox. This phenomenon has been regarded as 'the paradox of plenty', 'the devil's excrement' or 'the resource curse'. In regardless of how it is called there is a general argument that resource abundant countries have suffered from low level economic performance and democracy problems. Indeed, different theories with different arguments have been put forward in order to explain whether there is a paradox of plenty. In this regard, the resource curse theory appears as a useful tool to analyse the effect of resources on democracy and economic performance in resource rich countries.

This article shall focus on the political aspects of the resource curse theory, in particular the rentier state theory as a sub-theory of the resource curse. The rentier state is a political economy theory that seeks to account for state society relations in states that get most of their revenues, in the form of rents, from resource sector. Besides, the theory asserts that these rents have an effect on democracy, economic growth and security matters of the resource rich countries. It should be noted that although the rentier state theory has traditionally been applied to the most of the oil rich Middle Eastern , North African and Latin American countries, the resource rich Caspian Region countries have not thoroughly analysed yet. Applying this theory to Azerbaijan shall thus contribute to the rentier state and Azerbaijan's political economy literature.

In this paper, I argue that revenues generated from energy exports hinder democracy in Azerbaijan since they are used for fulfilling pockets of political elites and hampering emergence of any opposition to the dominant groups. In the very first part of the paper, the rentier state theory will be elaborated. More specifically, the concept of rentier state and how a rentier state behaves will be explained in detail so as to provide a framework for the case study of this paper. In the second part after giving a short brief about Azerbaijan's energy reserves and societal problems the rentier state theory will be applied to Azerbaijan in order to find out whether it suffers from the rentier state deficiencies. Indeed, the rentier effect and the repression effect of the theory will be analysed. In the final part, concluding remarks will be delivered with a laconic summary of the paper.

Analysis of the Theoretical Framework

The Resource Curse Theory

Before the 1980s, the traditional view supported that there is a positive relationship between natural resource abundance and economic development. Indeed, geographer Norton Ginsburg asserted that 'The possession of a sizable and diversified natural resource endowment is a major advantage to any country embarking upon a period of rapid economic growth'.¹ Similar mentality was reflected by the famous development theorist Walter Rostow, claiming that natural resource endowments would enable developing countries to realize industrial "take off", just as Australia, the US and Britain

had managed to do.² There are also other scholars underlining the significance of having natural resource for economic growth in developing countries.³ Although dominant idea about the relationship between having natural abundant natural resource and development was optimistic until the 1980s, pessimistic views started to flourish among the political economy scholars.

Since the late 1980s, a considerable number of the literature has started to emerge and challenged the traditional view. The new approach, called 'the resource curse', suggested that countries having rich natural resources are likely to experience poor economic performance⁴ low level of democracy⁵ and conflicts within/between states.⁶ Indeed, Richard Auty, the first scholar introducing the 'resource curse' theory in his book "Sustaining Development in Mineral Economies: The Resource Curse Thesis", stated that "The new evidence suggests that not only many resource-rich developing countries fail to benefit from a favourable endowment; they may actually perform worse than less well-endowed countries. This counter-intuitive outcome is the basis of the resource curse thesis".⁷ Besides, Sachs and Warner's research on the analysis for the resource abundant countries' economic performance during 1970-1989 have paved the way for dramatic increase in the resource curse studies. As a result of their study, they showed that there is a causal relationship between natural resource intensity and economic growth.⁸

One should ask that what the reasons behind the emergence of resource curse are. To put it differently, what makes resources cursed rather than blessing for states? Although answers have varied in the resource curse literature, the rentier state theory appears as one of the best analytical tool to illuminate the causes that make resources cursed.

The Rentier State Theory

The rentier state theory can be regarded as sub-category research of the resource curse theory. Before delving into rentier state and its characteristics, it is crucial to provide a definition for the concept so as to understand properly the case study of this paper. According to Beblawi, in order to call a state as a rent-seeking or rentier state there should be certain characteristics, such as domination of rents in state economy, externality of rents and few people engagement in generation of rents.⁹ Therefore, rentier state can be defined as a state "where the rents are paid by foreign actors, where they accrue directly to the state and where only a few are engaged in the generation of this rent, the majority being involved only in the distribution or utilization of it".¹⁰ It should be underlined that although this definition may lead to the understanding that rents could be a product of loan or aid given by foreign actors, the rentier state concept has usually been applied to the countries generating rents from their rich resources. As an example of the rentier state Beblawi argues that most of the resource rich the Middle Eastern states, notably Saudi Arabia and Kuwait, can be regarded as '*par excellence* of rentier states as they have enjoyed resource rents enormously.¹¹ In addition to the Middle Eastern countries, North African and some of the resource rich Latin American countries such as Libya, Nigeria, and Venezuela are acknowledged as rentier states.¹²

Having provided the definition for the rentier state concept, it is of crucial importance to account for in what ways rentier state causes resource curse and elaborate the effects of rents on social, economic and political life in resource abundant countries. In order to analyse these issues, the framework developed by Michael Ross is employed in this article.¹³ Based on his framework, he argues that the effects of rentier state can be categorised under three groups, namely the rentier effect, the repression effect and the modernisation effect.



The Rentier Effect

Based on Ross's reasoning it can be argued that governments of the resource rich countries have tendency to use rents to alleviate social pressures, and in this way acquire greater independence vis-a-vis the public.¹⁴ He further contends that the rentier behaviour of the governments can be explained with 'taxation effect', 'the spending effect' and 'the group formation effect'. The following paragraphs discuss these three effects.

Firstly, the taxation effect assumes that as sufficient revenue generated from energy export is flowing to the state treasury, the governments are inclined to tax less, or none at all. Therefore, the public is less likely to demand for democracy and accountability. The reason behind the citizens' reluctance to raise their voices for democracy can be explained with historical practices. The general idea is that democratic representation and government accountability rose out of the ruler to impose new and higher taxes. In other words, there is a situation of 'without taxation there is no representation' in rentier states. It is thus argued that taxation system in rentier states makes citizens less demanding in terms of their political participation.¹⁵ Lack of political participation enables government to misuse his/her power in order to line his pocket through involving rent-seeking behaviour.¹⁶ Thus, it can be claimed that corruption of the state institutions is likely to occur due to the rent-seeking behaviour of the states. Besides, low level of taxation decreases willingness of state to satisfy the people's demands over democracy. This is why it can be concluded that rentier state suffers from democracy problems.

Secondly, the 'spending effect' posits that governments use rents on popular social welfare programmes (education, health etc.), subsidization of certain sectors (i.e. energy and agriculture), and creation of employment opportunities in the resource sector so as to legitimise their power.¹⁷ In addition to authority legitimisation through spending rents instead of free elections, the rentier states invest its energy revenues in patronage networks to avoid emergence of democratic demands from the citizens.¹⁸ Therefore, it can be asserted that authoritarian regimes are likely to maintain their powers in the rentier states as long as rents flow to state treasury. Besides, one can further claim that most of the citizens in rentier states become more obedient to the ruling elites owing to the government's spending on popular social programmes.

Thirdly, the 'group formation effect' suggests that rentier states have a tendency to use its "largesse to prevent the formation of social groups that are independent from the state and hence that may be inclined to demand political rights".¹⁹ To put it differently, emergence of opposition to status quo or independent social groups are very likely to be suppressed by the governments as they are perceived as a threat to the very existence of their states. Chaudhry explains the lack of civil society and independent civil institutions in rentier states, in particular Saudi Arabia, Iraq and Libya with the 'group formation effect' of the rentier state theory.²⁰ One can claim that the rentier behaviour thereby undermines a necessary precondition for a democratic state which is civil society presence.

All in all, in light of the explanatory factors for rentier effect, the taxation, spending, and group formation effects two generalisation can be put forward. First, revenues generated from energy export are likely to contribute to authoritarian regimes. Second, states that fund themselves through rents are inclined to be less democratic than governments financing themselves through taxes.

The Repression Effect

The people in resource abundant countries may demand democracy as much as the people elsewhere. However, resource revenues enable governments to spend more on internal security matters in order to reinforce their authority and hamper democratic aspirations. Besides, protection of the resource extraction is of crucial importance to the

rentier states as resources are the main source of revenue. This is because investing in security apparatus to protect resources is likely to happen.²¹ It is thus asserted that having larger military forces to strengthen autocratic government and protect resources is another characteristic for a rentier state.

According to Ross, there are two reasons behind presence of large military forces in rentier states.²² The first argument is that as governments in rentier states are more prone to suppress popular uprisings as they are regarded as a challenge to their authority. Hence, the more military forces they have the easier to repress oppositions. The second argument suggests that resource abundance might result in ethnic or regional conflicts not only within state but also between states.²³ More specifically, if energy resources are concentrated in a region populated by minority groups, resource extraction may lead to conflicts as everyone naturally competes for getting more from energy resources. Therefore, the central authority has large military apparatus to prevent eruption of any conflict in resource rich regions for the security of energy infrastructures.

Having explained the basic concepts and theoretical framework of this article next section will be devoted to analyse Azerbaijan in terms of its energy profile and application of the rentier state theory to Azerbaijan in order to identify whether it is a rent-seeking state or not.

The Modernisation Effect

Ross derived the modernisation effect from the work of Ronald Inglehart. Despite the fact that modernisation effect is not directly related with resource wealth, this effect argues that democracy is "collection of social and cultural changes—including occupational specialization, urbanization, and higher levels of education—that in turn are caused by economic development".²⁴ To put it differently, if economic development brought about by resource wealth does not pave the way for social and cultural changes, democratization will not take place. Ross utilized different quantitative methods so as to test Inglehart's arguments. Basically, there are two arguments derived from Inglehart's work. The first is that higher education levels will lead to emergence of more articulate public; the second is increasing occupational specialization will create more independent workforce which will definitely strengthening labour's bargaining power vis-a-vis political elites. In other words, if both (higher education levels and greater occupational specialization) happen, state will become more democratic.

Ross tested these two arguments and he found no direct causal relationship between democracy and urbanization and higher level of education. However, it can be argued that the modernization effect can still be used for explaining why many rentier states have a high level of GDP whereas having low levels of education and health conditions.

Applying the Rentier State Theory: The Case of Azerbaijan

Azerbaijan in Brief: Energy and Recent Societal Problems

Azerbaijan is a country that is abundantly endowed with oil and gas resources. Based on British Petroleum (BP) Statistical Review of World Energy 2013, proven oil reserves in Azerbaijan are estimated around 7 billion barrels equalling to 0.4 per cent of the world's confirmed reserves.²⁵ Besides, the same report points out that 31.5 billion cubic feet natural gas deposits are proven there.²⁶ Owing to its large oil and gas deposits, Azerbaijan has become a significant player in the world's future energy security. Especially, since its independence from the Soviet Union in 1991, Azerbaijan's has benefited from energy exports enormously. For instance, Azerbaijan's GDP has been growing spectacularly from \$1.3 billion in 1994 to \$25 billion in 2008. Besides, the oil and gas revenues coming from



exports amounting to %52 per cent of Gross Domestic Product (GDP) which is a significant contribution to the national economy of Azerbaijan.²⁷

Although it is expected that rising state revenues, since independence, would bring prosperity and democracy to Azerbaijan, it is otherwise proven. Indeed, it is asserted that Azerbaijan is becoming a country where the people confront with inequality and democracy problems. For instance, based on the Economist Intelligence Unit's (EIU) Democracy Index 2012, Azerbaijan is regarded as an authoritarian regime and ranked the 139th out of 167 countries in the world for economic and political freedom.²⁸ Another report released by Human Rights Watch puts forward that Azerbaijan performs low in term of human rights protection.²⁹ Indeed, same report further points out that political opposition activities and criticism of the government are unlikely to happen due to the government's suppressive behaviours on elites. In light of this brief information it is now appropriate to apply the theoretical framework to Azerbaijan in order to identify whether Azerbaijan is suffering from rentierism.

Is Azerbaijan a Rentier State?

As aforementioned, there are certain foundation characteristics, notably domination of rents in state economy, externality of rents and few people engagement in generation of rents that should be fulfilled in order to call a state as rentier.³⁰ It can be asserted that Azerbaijan fulfils the foundation characteristics put forward by Beblawi.

First, Azerbaijan is richly endowed with natural gas and oil resources.³¹ Second, revenues generated from energy export accounts for a considerable proportion of the country's GDP, as well as its total exports. Based on Azerbaijan State Institute of Statistics' Report of 2011, the share of crude petrol and oil products constituted %92 percent of Azerbaijan's total exports and %47.8 percent of its GDP.³² According to these figures, one can argue that Azerbaijan's economy is highly dependent upon rents generated from its energy resources. Third, the state holds a significant position in the production and redistribution of oil and gas revenues through the State Oil Company of the Republic of Azerbaijan (SOCAR). Even though the SOCAR is the most crucial player in national energy sector there are a number of western companies involved in resource production through 'Production Sharing Agreements'. Yet, SOCAR is the main player in energy politics of Azerbaijan.

Having revealed that Azerbaijan has foundation characteristics of a rentier state in terms of its definition by Beblawi the next part elaborates the effects of rentier state on Azerbaijan through employing theoretical framework articulated by Michael Ross (2011).

The Rentier Effect in Azerbaijan

As has been previously contended rentier states use rents so as to hamper demands for democracy and prevent the emergence of opposition to the ruling authority. Besides, rents utilisation by the government reinforces existence of autocratic regimes. Based on Ross's reasoning there are three distinct ways, namely, taxation, spending and group formation that cause rentierism.³³

Lack of a systematic and effective tax system is one of the characteristics that can be attributed to rentier states.³⁴ The reason why governments are likely to tax less or not at all in rentier states is that taxing may cause increase in demand for democracy, political participation and accountability. Besides, rents enable governments to ignore lack of effective tax system. Therefore, through taxing less rentier states aim to impede democratic aspirations of the citizens. In Azerbaijan, tax revenues in 2009, 2010 and 2011 constitutes %14.2, %12.2 and %12.2 of Azerbaijan's GDP respectively.³⁵ Compared to the percent of resource revenues which is %47.8 in 2001, in GDP, this shows that

taxation does not form a significant proportion of total GDP. As most of the state income comes from the energy exports, one can contend that the tax system in Azerbaijan is not of importance to maintenance of current authority and its economy. It should also be noted that tax enforcement in Azerbaijan is poorly carried out and undermined by inefficiency and corruption.³⁶

The Soviet System had created a political class, striving after the retention of power, and related privileges after the dissolution of the Soviet Union. This political class produced small group of elites. It is argued that they are the basis for the distribution of resource incomes in Azerbaijan.³⁷ Besides, they are claimed to control every arm of government and have shaped the political institutions to serve their own purposes.³⁸ Economically and politically strong these elites spend energy revenues for strengthening their own networks. Therefore, one can argue that the reason why the Aliyev family has been ruling the country since the early 1990s is the small political elites that support the family. Indeed, the constitutional change in 2009 enabling a lifelong presidency is likely to cause reinforcing ruling elites' authority and their rentier behaviours.³⁹

The 'spending effect' is another factor that contributes to reinforce the rentier states. In other words, it is concerned with how governments of rentier states maintain their power. As Ross put forwards that rents are spent by governments for preventing demands of the citizens.⁴⁰ Analysing Azerbaijan from this perspective "in the absence of an impartial judiciary and civil service, ministries form lines of patronage whose ability to deliver rewards (such as tax relief, relaxed regulation and preferential contracts) depend upon proximity to the Aliyev family and their cronies".⁴¹ Since the three key branches of government, Constitutional court, the Parliament and the executive, do not provide checks and balances, but facilitate corruption and cronyism, political elites are likely to misuse their powers in order to maintain their regime and provide benefits for their supporters.⁴² For example, the production sharing agreements with a number of western companies are claimed to be corrupted. Revenues generated from these agreements are used for enriching ruling elites, their family and their associates.⁴³

The 'group formation effect' is the third component explaining rentier state in this article. The general idea is that emergence of any groups challenging the ruling authority and demanding more democracy from the government is likely to be prevented in rentier states, because they view these kinds of civil society groups as competitors in the distribution of the rent and even in political power. Applying to this Azerbaijan, for instance, before the parliamentary elections of 2005 Rafik Aliyev, owner of the largest private oil company in the country, and Farhad Aliyev, a former minister of economic development were arrested over alleged coup attempts against the government.⁴⁴ However, opponents of this charge argue that since both had links to the Entrepreneurs Council, a business group that has been challenging the chair of State Customs Committee and his established network of corruption, they were suppressed and put into jail.⁴⁵ Ismailzade asserts that Farhad and Rafik Aliyev were perceived as a threat to the dominant political elites and their networks.⁴⁶ What is more, rentier states perform state control mechanisms over an area where opposition could emerge. In Azerbaijan religion and religious groups are two matters that governments are concerned with their potential to create oppositions to the dominant ruling elites.⁴⁷ This is because the government of Azerbaijan is eager to maintain a useful relationship with Sheikh ul-Islam Haji Allahshukur Pashazade - the head of the Spiritual Board of Muslims of the Caucasus in order to control religious groups.⁴⁸ Unlike other civil society groups, this organisation receives benefits from the government. Therefore, it should be noted that on the one hand the governments of the rentier state are likely to undermine existence of civil society groups, as in the case of suppressing potential opposing people; on the other hand, they support groups that can serve the interests of the dominant regimes.



The Repression Effect in Azerbaijan

The repression effect entails that the rentier governments are inclined to spend state income on security matters so as to strengthen their authority and retard democratization. Concerning Azerbaijan, it spends 4.6 percent of its GDP on its security apparatus.⁴⁹ Indeed, it is the fourth highest country who spent considerable amount of money relative to its GDP in the world for. As most of the GDP comes from the resource exports, one can assert that they facilitate military expenditure. The interesting thing with World Bank assessment of military expenditure in terms of GDP is that the countries behind Azerbaijan, namely, Oman, Algeria and Jordan are regarded as rentier states as well.

Ross provides two explanations for high military expenditure in rentier states.⁵⁰ First, it is resulted from the purpose to preserve ruling elites' authority and integrity of the government through suppressing domestic aspirations. Second, having large military apparatus aim to protect energy resources and related facilities that may be located in unstable territories. Applying these explanations to Azerbaijan, Human Rights Watch asserts that torture and maltreatment of prisoners who are against the government happen in Azerbaijan.⁵¹ For instance, a jailed journalist whose name is Novruzali Mamedov died in prison as he was claimed to be ill treated there.⁵² Besides, two prisoners died in 2001 when they were under custody. Last example is the death of Elmar Huseynov who had been criticizing political elites in term of their undemocratic policies and demanding for democracy and accountability.⁵³ The reason behind why they all died has remained shadowy. Therefore, it can be argued that ambiguous deaths of people under custody and ill treatment of them are general reflections of Azerbaijan's repressive regime. The second explanation that Ross provided for elucidating the repression effect can be linked to not only Azerbaijan's external security concerns but also need to protect pipelines closing to Nagorno-Karabakh, the disputed land with Armenia. Besides, the greatest security concern of Azerbaijan is about being compressed between Russian Federation and Iran as they are competing with each other so as to benefit from the energy resources in the Caspian Sea. The recent conflict between Iran and Azerbaijan over oil exploration rights in Sardar Jangal Oil field can demonstrate the need for spending more in military sector, because even a small war between the two can disrupt energy production and be detrimental to Azeri economy.

The Modernisation Effect in Azerbaijan

The modernisation effect propounds that wealth generated from natural resources undermines democratisation process of resource rich states by preventing rising education levels and occupational specialization. Although Ross did not find statistically important correlation between authoritarian behaviour of resource rich states and modernisation, one could claim that modernisation effect can account for why rentier states enjoy a high level of GDP while possessing low levels of education and health conditions.

Ross looked at the correlation between occupational specialization and democracy. So as to measure these two, Ross analysed "the number of men and women in the economy's industrial and service sectors as a fraction of the men and women in the economically active population".⁵⁴ In Azerbaijan, the number of people who work in elementary occupations⁵⁵ accounts for a third of Azerbaijani labour.⁵⁶ Keeping in mind that occupational specialisation requires considerable level of education, it can be seen that labour force in Azerbaijan is doing simple and routine tasks. Therefore, one could assert that absence of educated people who have occupational specialisation is likely to weaken democratic demand from the people. Put differently, economic development based on the oil and gas export fails to increase occupational specialisation that tend to hinder autocratic regime in Azerbaijan.

Conclusion

This paper tries to analyse the applicability of the rentier state theory to its non-traditional zone of application. Based on Ross's theoretical framework, this study shows that Azerbaijan indicates the symptoms of the rentier state. First, Azerbaijan's less reliance on taxation but more reliance on energy revenues has a negative impact on its citizens' democratic aspirations. Besides, poor enforcement of tax system in Azerbaijan illustrates that Azerbaijan is suffering from inefficient and corrupted state institutions as they do not carry out taxation system effectively. Second, this article shows that on the one hand Azeri government does not let the emergence of opposition groups, as the in case of imprisoned famous businessmen; on the other hand, the government has tendency to advocate the groups that reinforce its authority such as religious organizations. Third, relative to its GDP, Azerbaijan has spent considerable amount of money on security apparatus. Based on this article's framework, it is seen that the reason behind high security expenditure is to do with protecting major energy infrastructure that brings income to the state treasury and preserving the authority of the government.

However, one can argue that there should be other causes as well resulting in the resource curse or rentier state behaviour. Although this study does not take into account the presence of inefficient state institutions, historical legacy of the Soviet Union and weak democracy culture, incorporation of these factors into the rentier state theory could provide more accurate picture. To put it differently, inclusion of these factors while analysing resource rich states is of great significance to better understand political economy of resource rich states. Besides, these factors will enable us to comprehend why some resource rich countries (Azerbaijan, Libya or Iraq) are cursed but why other resource rich ones (Norway, Australia etc.) are blessed. Nevertheless, based on utilisation of Ross's theoretical framework it can be concluded that Azerbaijan is suffering from rentier state deficiencies and can be regarded as a rentier state.



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Başak İnce

Citizenship and Identity in Turkey-From Ataturk's Republic to the Present Day

(I.B. Tauris, June 2012, ISBN: 978-1-78076-026-1, ISBN10: 1-78076-026-4, 320 pp., \$95.00/£62.00)

As introduction of the book indicates, it is a well-structured academic research evaluating the controversial relations between 'citizenship and identity' given than multi-religious and multi-ethnic socio-political structure of Turkey. It applies Kymlicka and Norman's analysis method which has three dynamics of citizenship; legal, identity and civil virtue. She argues that rarely studied the third dynamic has made their method much more applicable and also beneficial in case of applied into Turkey's socio-political structure. Although it is a complete book, by providing conceptual frames, and methodology it is more likely to be an academic thesis.

The most striking point of the book is that it theoretically combines the relations between the concept of citizenship and implication of the way in which this concept is understood by ruling elites into the textbooks of the national education. With a comprehensive literature over the historical and theoretical background of "the concept of citizenship", by explaining liberal (France) and republican (German) ways of citizenship, the authors clearly indicates her being in favour of the notion of "civil virtue" as the third dynamic of citizenship in addition to being legal status and (national) identity. She explains what she meant by emphasizing the third dynamic is that it is the understating of tolerance for ethnic, religious, cultural, and linguistic differences among people. That is why stating that she has used Kymlicka and Norman's theoretical research of "citizenship." Furthermore, she believes that "constitutional patriotism", elevated by by Jurgen Habermas, might free from nation-state's citizenship and identity pressure on differences and also from pre-political core ethnic and Sunni Islam-based citizenship concept in Turkey and thus is conducive to probable co-existence of differences in terms of identities.

What makes the book distinctive is that it looks for "how the transmission socio-political and civic ideas has occurred through schools" by employing the 'Civil Education Across Countries' based on International Association for the Evaluation of Educational Achievement data, which has not applied into Turkey but other 24 countries. Taking the transition from single party to multi party system, the 1960 coup d'états and the 1980 coup d'état of Turkey as reference of chapters is quite meaningful as at the end of all these occasions, the state's Kemalism-dominated ideology slightly altered its way of understanding of citizenship although there is no complete abandonment. It also can be considered of an extension of the IEA study as analysing Turkey in terms of legal citizenship concept.

After the theoretical chapter, the author moves on practical explanations of the understanding of the concept of the citizenship' in Turkey. By using archival and first hand

data such as related laws and amendments, The party program of CHP (Republican People's Party) she shows that the concept of citizenship was not egalitarian as it was supposed, but at early dates of the republic, it was shaped by primary ethnicity (being ethnically a Turk and having Turkish culture), and then religion and lastly by territorial borders. That sort of the notion of citizenship, she argues, was inculcated by turkification of history, of education, language, and lately, economy through official and unofficial imposition. This chapter clearly indicates that ruling elites of the single party era employed religion against non-Muslims and ethnicity against non-Turks Muslim according to their requirements of forming a single secular-Turkish national. Together with having neither liberal nor republican concept of citizenship in practice, based on reliable sources such as text of books on civil duties in single party era, She argues that emphasising the uniqueness of and the highest quality of ethnic Turks within these books, the Republican elites created a hidden hierarchy among so-called 'equal citizenship' causing non-existence of civil-virtue among young generations. By doing so, the republican elites had seeded a superior psychology among ethnic-Muslim Turks against non-Muslim and non-Turkish Muslims. Furthermore, in terms of that the idea that citizens' rights were always affiliated with duties and that supremacy of community over individuals were covered all educational materials, she claims that these are another fundamental reason behind for not having civil virtue tolerating the other identities among 'equal citizens'! The next chapter engulfing the multi-party system era, from 1946 to 1960, seems to stress that just because of the atmosphere generated by "multi" system there had been a bit softness in all notions of citizenship. For instance, not officially but practically accepting of differences as long as they approve and behave so their Turkishness, more emphasize democratic values, especially voting and respecting nation's will were core flexibilities of the era. Regarding to school text books, the situation was almost the same, just a bit flexibility was practically given to the nationalism and secularism ideas but not officially tolerating differences was articulated.

Regarding to the period of 1960-1980, fluency in term of firstly looking for the much more liberal and right-based rather than duties-based articles, and then citizenship of different identities (Kurds as non-Muslim Turks, non-Muslims and Alevis as different sect from sunni-orthodox Islam) are quite clearly considered. Thanks to evaluation of the features of the 1961 constitution, their practical implications and eventually reflection of relatively more liberal concept of citizenship, civic virtues that these conditions brought are being analyzed at the end of the section. The author emphasizes the acceleration of individual-oriented liberties of the 1961 constitution while stating that the state structure based on strict nationalism and secularism preserved itself. From my point of view, as a root of political Islamist movement in Turkey, if National Outlook Parties (Milli Görüş Partileri) such as National Order and National Salvation Parties which played their roles between 1969 and 1980 have their place in this part of the book, I believe it would be much more comprehensive in terms of "primary or secondary citizenship" and of also Turkish political history. Furthermore, increased conscience of participating into civil politics in line with their prior identity might be given more places and worth to mention so that whether negative or positive ways, civic virtues as a third dynamic of the concept of citizenship could be examined a little more further.

The practical chapter of the book covering the time period of 1980-2010 explicitly indicates the understanding of ruling elites reflects itself into education from the legal regulations on "citizenship" to civic virtues within the textbooks of the schools. Again by relying on legal acts and regulation of the citizenship which has still emphasised and prioritized Turkish ethnic and Sunni Islamic origin by not sparing any rooms for distinct identities (non-Muslims, non-Turkish Muslims and non-Sunni Muslims), She rightly argues that state-centric approach has shaped the 1982 constitution in which there is no mention of



distinctive identities. Furthermore, it is an undeniable fact that there has been a tendency from denying other identities by excusing citizenship which makes everyone “Turkish” to approving the other components of the society in Turkey. Yet, legalization of this transformation is not proceeding in parallel with gradual changes among the minds of people. At the end of the chapter, that is why she rearticulates paramount significance of “civic virtues” in terms of changing people’ minds from single-oriented to multi-oriented approach regarding to different identities and tolerating them among the society.

“Nationalism in civic education textbooks in Turkey appeared to be defined as political nationalism based upon race is promoted. The word ‘Turk’ has no racial meaning but embraces everybody who lives in Turkey, the books argued, yet throughout, the ethno-cultural definition of Turk was emphasised more than the political one. The definition of ‘Turk’ did not include people tied to the Turkish nation through citizenship, but rather though ethnicity” (Ince, 2012, pp.184-85). This quotation taken from the conclusion part of the book is quite meaningful and a sort of summery of what the ruling elites of the republic of Turkey understood from the concept of citizenship. Because of this mind-set, the author suggests that features of being ‘Turkish’ have been unrealistically exaggerated while other ethnic, religious and sectarian identities have never been touched upon in textbooks throughout of the history of Republic of Turkey. Moreover, imposing the ideas that the integrity of the republic has been always in danger stemming from internal (Kurds, Alevi and non-Muslims) and external (Greeks, Russians, Europeans) threats within civic education constituted a generation lacking of civic virtues perceiving different identities as something tolerable within the society.

Eventually, just after the giving examples of countries which are analyzed by the IEA study and concluding that it is not an easy task to provide civic virtues within nation-state-centric state such as Greece, France and England, the author promotes the concept of ‘constitutional citizenship’ which, she believes, can guarantee the loyalty of distinct identity groups towards the states and suggests it as a solution for existent identity problems of Turkey which has been facing since its inception.

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Gerhard Böwering (Ed)

Islamic Political Thought: An Introduction

(Princeton : Princeton University Press, 2015, ISBN: 9780691164823, 289 pp., \$24.95/£16.95)

Until recently, the available introductions to Islamic political thought could barely satisfy students of Islamic studies. Most of these works were outdated, focused either on medieval or modern times and limited in the scope of treated problems or thinkers. Muslim political thought has evolved much since the nineties of the 20th century and the issue of pluralism, for example, is now taken seriously. The divide between medieval and modern political thought also has to be addressed in order to allow a full understanding of the reinterpreted past questions such as *sharī'a* and Caliphate. The book under review largely meets the expectations, producing an inclusive and updated book while covering both pre-modern and modern periods of Islamic political thought. It is, therefore, a very welcome publication. Furthermore, being written by senior scholars of Islamic studies, and internationally recognized experts in their own subfields, assures a distinctive excellence to the content. The book draws on the articles published in the *Princeton Encyclopedia of Islamic Political Thought*, co-edited by Gerhard Böwering in 2013.

The book comprises sixteen chapters, alphabetically and thematically organized. One can break down the entries into four units. The first elaborates on the foundations of Muslim political thought; it includes articles by Paul L. Heck (Knowledge), Gerhard Böwering (Muhammad and the Qur'an), Patricia Crone (Traditional political thought) and Devin J. Stewart (*Shari'a*). A second unit covers topics of authority, with the contributions of Roy Jackson (Authority), Wadad Kadi and Aram A. Shahin (Caliphate), Emad el-Din Shahin (Government) and Muhammad Qasim Zaman (*'Ulama'*). A third unit discusses issues of alterity including articles by Yohanan Friedmann (Minorities), Gudrun Krämer (Pluralism and tolerance) and John Kelsay (Jihad). Finally, Muslim political thought in the modern times has been explored by Armando Salvatore (Modernity), Roxanne Euben (Fundamentalism), Ebrahim Moosa and SherAli Tareen (Revival and reform) and Ayesha S. Chaudry (Women). The format is generally encyclopedic, summarizing the state of the art or the research on the given themes by the authors in their own fields. The articles by P. Crone (medieval political thought), Roxanne Euben and G. Krämer (modern political thought) stand apart with their comprehensive view of the map of Muslim political thought and their deep engagement with its major figures. They offer valuable insights into Muslim thought for a modern reader.

In most chapters, the authors have utilized a historical method. The introduction by Gerhard Böwering sets the tone for this approach as it clearly endorses a chronological order in the classification of Muslim political thought. Böwering divides this history into six periods: 1. Foundations (From Muhammad to 750). 2. The early middle ages (750-1055). 3. The high middle ages (1055-1258). 4. The late middle ages (1258-1500). 5. The early modern period (1500-1800). 6. The Later modern period (from 1800 to the Present). Such method allowed the authors to track the evolution of Muslim political thought from early Islam until modern times. Often, the turns of this evolution are spotted. Thus, the author can easily follow and benefit from this frame provided that it does not fall to a false sense of continuity. A drawback of this approach is repetition. For example, several authors extensively treated the theme of the caliphate in the chapters on authority, caliphate, government and traditional political thought. Some authors such as Ibn Taymiyya (d. 1328) pop up in several chapters in the book while al-Fārābī (d. 950) was mentioned in



one chapter on knowledge. Although the format is that of an introduction to topics of Muslim political thought, the final result is a selective history of this thought. Another consequence of the historical method is the little space the volume allots to the contemporary issues.

The main limitation of this book is the number of transliteration and factual errors. Here is a list of some examples. On page 30, it is stated that the Almoravids emphasized Ḥanbalī literalism, while it adopted the Mālikī school. The Ḥanbalī school never took ground in North Africa or Muslim Spain. On page 46, the date of Ibn Taymiyya's death is given as 1348 while it should be 1328. On page 70, the date of al-Juwaynī's death is given as 1105 while it should be 1085. On page 81, *shūrā* is translated as consensus while it is consultation. On page 85, *li-taṣbah* (in order to become) should be *li-tuṣbiḥ*. On page 108, the religious scholarly councils in Morocco are known as *al-Majālis al-ʿilmiyya* rather than *Majālis al-ʿilm*. On page 108, al-Hamdawi date's of birth 1957 is given as his date of death. On page 113, Muʿāwiya is transliterated as Muʿāwiyya. On page 120, *al-mujtamiʿ* should be *al-mujtamaʿ*. On page 131, it is affirmed that Sistani is reluctant to be drawn to worldly affairs while he issues dozens of *fatwas* about Iraqi politics. On page 208, Ibn al-Surayj should be Ibn Surayj. On page 210, the Muhammad Iqbal's date of death is given as 1939 while it is 1938. On page 213, Muhammad b. ʿAbd al-Wahhāb's date of death is given as 1787 while it should be 1792. On page 267, Shajarat al-Durr's date of death is given as 1259 while it should be 1257. On page 268, Bint Shatīʿ should be Bint al-Shāṭiʿ.

Taken together, these chapters make an outstanding introduction (and history) of Muslim political thought. With its detailed index (fifteen pages) and a list of further readings (mostly in English) at the end of each chapter, it is a highly accessible volume. Additionally, due to the book's clarity and engaging debates it can be used as an excellent teaching book. I highly recommend it for students of Islamic studies. Beyond this field, it can benefit anyone involved in the politics and the media of the Middle East.

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Roy H. Ginsberg & Susan E. Penska

The European Union in Global Security: The Politics of Impact

(Houndmills and New York: Palgrave Macmillan, 2014, ISBN: 9781137465009, 334 pp., £23.99pb)

As of June 1, 2015, the European Union has deployed eleven civilian missions and five military operations across the African continent, Europe, and the Middle East, all of them under the normative umbrella of the Common Security and Defence Policy. Even though the EU is still “inactive, underutilized, under-resourced, or absent” in some regions, it is not less true that over the past decade the EU has become a niche international security contributor and has the potential to grow into a global security provider. It is precisely the main thesis of *The European Union in Global Security: The Politics of Impact*, by professors R. H. Ginsberg (Skidmore College, USA) and S. E. Penska (Westmont College, USA).

The book can be divided into four blocks and a postscript. After the foreword by Javier Solana —the first EU High Representative for the Common Foreign and Security Policy (1999-2009)— and the review of the literature in the introduction, Chapter 1 firstly contextualizes CSDP operations from the historical, theoretical and evaluative perspectives. Secondly, the authors present two main analytical tools: a decision-making model to situate the CSDP within the map of the overall EU foreign policy, and an innovative scheme which combines three theoretical perspectives —neorealism, rational choice institutionalism and social constructivism— with multiple levels of analysis to explain why CSDP operations are launched.

Chapters 2 and 3 focus on the operationalization of the CSDP missions lifecycle to measure their internal and external impact, that is to say, the effects of these operations on the EU external action institutional architecture as well as on the host countries and societies. In particular, Chapter 2 starts exploring the four basic aspects of the EU crisis management system —mission catalyst, mission mandate, mission launch, and mission evaluation— and finishes by highlighting some controversial issues. Such is the case, for instance, of the “missions deployed without policies” (p. 63). After that, Chapter 3 provides a taxonomy to analyze the CSDP outcomes based on its functional, political, social and temporal dimensions, and shows the need to standardize the unintended significances of the operations as a part of their reporting and assessing criteria.

Chapter 4 is the largest part of the book. It exhaustively demonstrates the degree of strategic impact of the EU in the global security governance. With this guiding thread, Ginsberg and Penska scrutinize the influence —from both cognitive and empirical perspectives— of CSDP operations on the EU Member States as well as on other multilateral security providers such as the UN, NATO, and the African Union. In addition, they study the perceptions from the U.S. and Russia about the growing role of the EU in the international security affairs.

Before closing the manuscript with a reflection on the future prospects and main challenges of the EU crisis management system —e.g. the importance of generate a strategic culture, Chapter 5 reconstructs the CSDP from the two main variables which dominate the analytical approach throughout the book: institutional learning and international learning. While the former occurs when “the union and its members analyze the effects of action in order to make future improvements”, the latter refers “to how (or whether) the non-EU world comes to accept the union as a part of global security governance” (p. 40).



Both conceptual axis arise as the main reference of an outstanding academic work whose main value resides in the operationalization of the EU Foreign Policy in general, and the Common Security and Defence Policy in particular. On the one hand, this book is the result of a research effort that unquestionably achieve the aim of providing the theoretical basis needed for an in-depth evaluation of CSDP operations, unlike other more descriptive and prescriptive papers usually from think tanks. On the other hand, the framework provided by the authors, based on a comprehensive taxonomy and methodology for measuring the effects of such missions, enables researchers and analysts to carry out comparative analysis. Moreover, it allows them to dive inside the “black box” of the EU external action, which is depicted as a feedback model dependent on the internal and external contexts.

Another significant strength of this volume is that it constitutes an independent exercise conducted by American scholars outside the European institutions. Thus, it moves away from traditional biases which always tend to portray CSDP missions successfully, whereas the research incorporates a high percentage of interviews with principals and agents in the field from both the EU crisis management component and the Member States. In addition, both the didactic nature of the book —somewhat repetitive considering the cyclical replication of the main ideas and concepts— and the wide-ranging set of recommendations provided by the authors, make of it a useful reference guide not only for scholars but also for EU officials and decision-makers.

Indeed, the most recent conclusions of the Council of the European Union on CSDP are aligned with the main thesis of this work: “the EU and its Member States are assuming increased responsibilities to act as a security provider [and] enhancing their own security and their global strategic role”. The Council has also underlined the importance of cooperating with its partners, especially the UN, NATO, OSCE, African Union, League of Arab States and ASEAN, which can be seen as an unambiguous evidence of international learning. Regarding institutional learning, the Ministers of Foreign Affairs have emphasized the need of a “more efficient crisis management structures within the EEAS”, among many other recommendations. Besides, a new Commissioner’s Group on External Action was created in November 11, 2014.

It remains clear that the EU Foreign Policy and the Common Security and Defence Policy are both “works in progress” —as Ginsberg and Penska point out. The EU leadership appointed in 2014 seems to understand that facing the current strategic context, marked by instability, requires to enhance the effectiveness and visibility of CSDP. But it also demands analytical models and measuring tools to evaluate its internal and external impact, such as those provided in this comprehensive, well-structured and innovative contribution.

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Anna Grzymala-Busse

Nations Under God: How Churches Use Moral Authority to Influence Policy

(Princeton, New Jersey: Princeton University Press, 2015, ISBN: 9781400866458, 421 pp., \$29.95.)

Anna Grzymala-Busse's *Nations Under God* strikes at the heart of the ubiquitous "church-state divide" in modern, secular predominantly-Christian democracies asking – and providing compelling answers to – the question of why churches become "powerful political actors" in some states but not in others. The book's answer to this question centers on the ways in which churches gain "direct institutional access" in order to share sovereignty with governments. Ironically, countries with high levels of church attendance do not necessarily exhibit high levels of religious influence in the political arena. Rather, the most influential churches exist in states where nation and religion has "fused," equating the interests of the church with the national interest. This work complements well both Kalyvas' *The Rise of Christian Democracy* (1996) and Toft, Philpott, and Shah's *God's Century* (2011) in regards to understanding religion's relationship with politics, with the former covering the "how", "why", and "by whom" of the formation of Christian democratic parties, and the latter discussing the mutual dependence/independence of religious and political authorities.

Grzymala-Busse's qualitative analysis (supplemented with an appendix comprised of quantitative tests) is comprised of six cases, examined in pairs – the "Catholic Monopolies", Ireland and Italy; post-communist Poland and Croatia; and the United States and Canada, the most religiously diverse of the selected cases, spanning from the early 20th Century to today. Churches' moral authority may be manifested in the political arena through many distinct policy areas, but Grzymala-Busse focuses on five such areas – abortion, divorce, religion in schools, assisted reproductive technology, and same-sex marriage, due to the fact that Christian churches (whether Catholic or Protestant) have consistently and cross-nationally focused on these issues. The differential policy outcomes observed across cases in regards to these five areas allows one to compare the differential levels of church influence over policy outcomes.

To briefly overview the six cases – In Ireland, the Catholic Church enjoyed high levels of policy influence and moral authority, bordering on "hegemony", and to be Irish was to be Catholic, in stark contrast to the country's English neighbors. Through great involvement in the education sector, the church was able to ensure widespread public acceptance of the illegality of abortion and divorce for decades. Yet, by the time the issues of embryonic stem-cell research, IVF, and same-sex marriage came to the table in the early 21st Century, the church's moral authority had significantly eroded and such issues had begun to be debated more freely in the policy arena, with the revelations of sexual abuse among the clergy. Oddly enough, this institutional hegemony had eroded so significantly as to allow Ireland to legalize same-sex marriage in 2015. Italy, on the other hand, despite being home to the center of the Catholic world, has *not* experienced such a religious hegemony and institutionalization, due largely to the church's staunch opposition to Mussolini's fascist regime in the pre-war years as well as the fact that only 7% of students attended parochial schools (as opposed to 95% in Ireland). As such, national identity was unable to fuse with Catholicism, affording it relatively little policy influence.

In the Catholic communist states, the church, whilst being suppressed, was nonetheless gaining moral authority throughout the mid-20th Century, with that of Poland being the most significant. Under democracy in Poland, the church had such high levels of authority that even members of parliament avoided disagreement with and criticism of it, and



abortion and same-sex marriage were explicitly forbidden in the new constitution. In fact, in post-communist Poland, the church was able to utilize its built-up moral authority to *return* religion to schools and make abortion illegal where it previously had been freely available. Yet, as Poland's democracy became stronger into the 2010s, politicians began to rely less on the church, with parties becoming more autonomous. Similar to Ireland, sexual abuse allegations were a factor in this. In Croatia, Catholicism and nationalism had likewise fused, and in the aftermath of Croatia's succession from Yugoslavia, the church had become the de-facto official religion of the new state. However, despite relatively high moral authority, the church was not afforded institutional access as it had been in Poland, due in part to the ruling party's reliance on nationalist war-time rhetoric more heavily than on theological rhetoric, thus not allowing the church much institutional access.

The concluding pair of cases are the only two in which Catholic hegemony is nonexistent. Rather, Evangelicals are largely at the forefront of policy debates in the United States and Canada. Familiar to American readers, the marriage of "Judeo-Christian" and American identities makes for a high degree of fusion of religious and national identity, a feature absent in Canada. The coalition of conservative Christians and the Republican Party has strongly opposed abortion, consistently attempting to restrict its legality in the post-*Roe v. Wade* era, advocated for the teaching of creationism and abstinence-only sexual education in schools, and passed through Congress the Defense of Marriage Act, which exempts states from recognizing same-sex marriages performed in other states. In Canada, such religious-national fusion never materialized due to the extant division between French-speaking Catholic Canada and English-speaking Protestant Canada. In Canada, in contrast to the aforementioned cases, politicians actively sought to *remove* religion from schools, and despite often mirroring the trajectory of American opinion on the other four issues, the political system and the church have been almost wholly separate.

One potential shortcoming of the book is the lack of inclusion of a case or cases of strong institutional barriers to church involvement in the political system, such as in France. Would the argument still hold true in such instances? The discussion of institutionalized secularism remains rather limited; as an example, it is unclear in the case of Canada whether the country's relatively high level of secularization is the cause of comparatively low church influence or the result of it. Further, greater integration of the theory with the briefly mentioned "political economy of religion" literature may have provided for more insight into the role of the state as a suppressor of religious influence in the form of institutional barriers. Can churches gain sufficient moral authority in such countries? Is there any remedy, of sorts, to secularize a country in which there is a high degree of fusion between religious and national identity? As noted by the author, *Nations Under God* does not claim to be applicable to non-Christian democracies, yet application of this theory to such states would make for a prudent avenue for further research.

It is refreshing to examine the ways in which the church interacts with social policy in this wide range of cases, especially in light of the often-inflamed discussions of such issues here in the United States. This book is to be celebrated not only for its breadth, but also for its unique theoretical contribution to the study of religion and politics in Christian democracies in regards to the church itself as a political actor, as well as for its accessible yet eloquent prose.

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