SOVEREIGN WEALTH FUNDS IN THE CONTEXT OF SUBORDINATE FINANCIALISATION: THE TURKEY WEALTH FUND IN A COMPARATIVE PERSPECTIVE

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ALİ MERT İPEK

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____

Prof. Dr. Yaşar Kondakçı
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science.

____

Prof. Dr. Ayşe Ayata
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science.

____

Assoc. Prof. Dr. Galip Yalman
Supervisor

Prof. Dr. Ebru Voyvoda (METU,ECON) __________________________

Assoc. Prof. Dr. Galip Yalman (METU, ADM) __________________________

Prof. Dr. Hasibe Şebnem Oğuz (Başkent Üni., SBUİ) __________________________

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last name: Ali Mert İpek

Signature :

ABSTRACT

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İpek, Ali Mert
M.S., Department of Political Science and Public Administration
Supervisor : Assoc. Prof. Dr. Galip Yalman

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As state-owned investment institutions, sovereign wealth funds (SWFs) are important actors in today's global finance. In the last few decades, not only the total number of SWFs around the world increased dramatically, but also the total value of assets under management of SWFs reached considerable levels. Therefore, it is not surprising that there has been a proliferation of studies undertaken by scholars with a quest to make sense of these institutions, especially since the mid-2000s. The great majority of these works, however, fall short of developing a genuine explanatory framework to the extent that they carry certain shortcomings of the mainstream scholarship. In this respect, this thesis aims to overcome these drawbacks in studying SWFs by drawing insights from the critical international political economy tradition. It accounts for the emergence and spread of SWFs in the developing and emerging capitalist economies particularly, and provides a comparative analysis of the Turkey Wealth Fund (TWF). The thesis argues that the raison d'etre of SWFs and their significance could only be understood meaningfully in the context of complex dynamics of the hierarchically-organised world market in contemporary capitalism, and subordinate character of

financialisation in these countries. In this regard, it concerns the underlying social relations and historical specificity of SWFs in capitalist development to investigate the similarities and varieties among them in the different parts of the world. The thesis also put the TWF under close scrutiny to discuss its place in the political economy of neoliberal transformation and financialisation in Turkey.

Keywords: Sovereign Wealth Funds, Globalisation, Financialisation, Neoliberalism, Turkey Wealth Fund.

ÖZ

TABİ FİNANSALLAŞMA BAĞLAMINDA ULUSAL VARLIK FONLARI:
KARŞILAŞTIRMALI BİR PERSPEKTİFTE TÜRKİYE VARLIK FONU

İpek, Ali Mert
Yüksek Lisans, Siyaset Bilimi ve Kamu Yönetimi Bölümü
Tez Yöneticisi: Doç. Dr. Galip Yalman

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Devlet sahipliğinde yönetilen yatırım kuruluşları olarak Ulusal Varlık Fonları (UVF) şüphesiz ki günümüz küresel finansın önemli aktörlerdir. Son birkaç on yıllık dönemde, sadece dünya çapındaki mevcut UVF'lerin sayısı önemli ölçüde artmakla kalmamış, aynı zamanda UVF'lerin idaresi altındaki varlıkların toplam değeri kayda değer düzeylere ulaşmıştır. Bundan dolayıdır ki özellikle 2000'li yılların ortasından itibaren bu kuruluşları anlamlandırmak gayesiyle bilim insanları tarafından yürütülen çalışmaların çoğalması şaşırtıcı değildir. Fakat ortaya konan eserlerin büyük çoğunluğu, ana akım yaklaşımların belli başlı eksikliklerini taşıdıkları ölçüde hakiki bir açıklayıcı çerçeve geliştirmekte yetersiz kalmaktadır. Bu bağlamda, bu tez, eleştirel uluslararası siyasal iktisat anlayışından yararlanarak UVF çalışmalarında ana akım çalışmaların eksiklerini aşmayı hedeflemektedir. Bilhassa gelişmekte olan ve yükselen kapitalist ekonomilerde UVF'lerin ortaya çıkışını ve yaygınlaşmasını açıklamakta, Türkiye Varlık Fonu'nun (TVF) karşılaştırmalı bir analizini sunmaktadır. Bunu yaparken, tez, UVF'lerin günümüz dünyasındaki öneminin ve bu kurumların varoluş sebeplerinin yalnızca modern kapitalizmde hiyerarşik bir biçimde örgütlenmiş dünya pazarının karmaşık dinamikleri ve bahsi geçen ülkelerdeki

finansallaşmanın tabi mahiyeti bağlamında manalı bir içimde anlaşılabileceğini öne sürmektedir. Bu bakımdan, tez dünyanın değişik bölgelerinde tesis edilmiş UVF'ler arasındaki farklılıklarının ve benzerliklerinin tahkik edilmesi amacıyla bu kurumların kapitalist gelişmedeki tarihsel özgüllükleri ve temel teşkil eden toplumsal ilişkiler ile ilgilenmektedir. Bunun yanı sıra, çalışma TVF'yi yakından inceleyerek, bu kurumun Türkiye'de finansallaşmanın ve neoliberal dönüşümün siyasal iktisadı içindeki yerini tartışmaktadır.

Anahtar Kelimeler: Ulusal Varlık Fonları, Küreselleşme, Finansallaşma, Neoliberalizm, Türkiye Varlık Fonu.

To my beloved mother

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LIST OF ABBREVIATIONS

ACEs	Advance Capitalist Economies
AKP	Justice and Development Party (*Adalet ve Kalkınma Partisi*)
BDDK	Banking Regulation and Supervision Agency
CBRT	Central Bank of the Republic of Turkey
CIPE	Critical International Political Economy
DECEs	Developing and Emerging Capitalist Economies
EU	European Union
EEA	European Economic Area
GCC	Gulf Cooperation Council
IFSWF	International Forum of Sovereign Wealth Funds
IMF	International Monetary Fund
IPE	International Political Economy
IR	International Relations
KAP	Public Disclosure Platform
OECD	Organisation for Economic Co-operation and Development
PIDF	Market Stability and Equalization Fund
SMEs	Small and Medium-size Enterprises
SWF	Sovereign Wealth Fund
SWFI	Sovereign Wealth Fund Institute
TWF	Turkey Wealth Fund
UK	United Kingdom
UNDP	United Nations Development Programme
US	United States of America
WB	World Bank
WTO	World Trade Organization

CHAPTER 1

INTRODUCTION

1.1. Research Rationale, Motivation & Contribution

1.1.1 A Brief Portrait of Sovereign Wealth Funds Today

Sovereign wealth funds (SWFs) is a spectre that has long been stalking international and national medias, business circles and governments across the globe, according to Yi-chong (2010), a scholar of international political economy (IPE) who intends to describe this special type of investment vehicle in his study. It would be appropriate to suggest that the reason why Yi-chong prefers such description is two folds: on the one hand, there is an emphasis on the growing importance of SWFs in contemporary capitalism; on the other hand, it is an endeavour to draw attention to the intellectual and policy-making puzzle posed by the sudden rise of these institutions in a historical era supposedly characterised by incontestable dominance of 'globalisation forces' at both international and domestic levels.

SWFs grew in size and number undoubtedly in the last two decades. In retrospect, there has been a proliferation of these government-owned investment vehicles in different regions of the world since the beginning of new millennia especially. Total number of SWFs in this regard considerably increased from 21 in 1997 to 49 in 2007, and to 77 in 2018. It is convenient to say that such increase has largely been driven by worldwide geographical diffusion of these institutions. By the 2000s, SWFs were no longer predominantly located in the economies, which primarily built upon the extraction and export of natural resources, and hosting SWFs traditionally. Moreover, during the same period, the amount of global SWF assets has also mounted up dramatically, reaching to $7,45 trillion in 2018 (Preqin, 2018). Our research, based

on the data provided by the Sovereign Wealth Fund Institute (SWFI) which is a US-based global financial data vendor corporation and a consulting firm, estimates that the total assets of SWFs jumped to $8,10 trillion by March 2019 (See Appendix)

Under these circumstances, it is apposite to suggest that PriceWaterhouseCoopers (2016), a multinational professional services network and consulting firm located in the United Kingdom (UK), predicts in this respect that these sovereign investors will continue to expand in significance and exercise more economic power to shape future trends in the world market. Furthermore, it should not be disregarded that new countries join the club of the states having SWFs with each passing year. Turkey's newly founded SWF, the Turkey Wealth Fund (TWF), is the latest one in this respect, and the others like Bangladesh, India and Romania is in the process of either planning or launching their funds (Milhench, 2017).

1.1.2. SWFs: Trojan Horses or White Nights?

Historically, it is a clear-cut fact that SWFs are not novel institutions that emerged in the 21st century international financial system as they have roots in the mid-1950s. It was the last decade, however, they caught attention with scepticism, especially on the part of media outlets, business circles and/or policy-makers in the advanced capitalist economies (ACEs)[1] with the establishment of new SWFs in growing numbers by the

[1] To make sense of social and economic differences among the countries, there have been several attempts to develop a categorisation system by scholars or policy-makers since the second half of the last century especially. Perhaps the terms of developed/developing countries in this respect are the most widely used ones in the literature to place countries into groups, although the line between these two labels has always been subjected to fierce debates (Nielsen, 2013). For operational and analytical purposes usually, the International Financial Institutions (IFIs) and International Organisations such as World Bank (WB), International Monetary Fund (IMF), United Nations Development Programme (UNDP), and World Trade Organisation (WTO) have been using different classification systems to demonstrate the development level of countries. 'Developed' and 'developing' countries therefore take different names in these taxonomies. (Nielsen, 2011). For instance, according to the World Bank's categorisation, that is exclusively based on income level, as measured by GNI/Capita, there are four groups of countries including *low-income* and *lower-middle income* (for developing countries), *upper-middle income* and *high-income* countries (the developed ones). On the other hand, the IMF prefers the call the developed countries as advanced economies and the others as either emerging markets or developing economies. Although the IMF says that its classification is not based on strict criteria, the advanced economies in this regard broadly refer to highly industrialised countries with a high level of GDP per capita. In Marxian-inspired and/or critical IPE research tradition, on the other hand, these countries are often labelled as the *core*, *first world*, or *global North* whereas the developing countries are usually called as the *periphery*, *third world*, or *global South*. This thesis rejects the use of the classification systems developed by IFIs according to income and/or GDP levels since they are not fully capable of highlighting the historically-formed hierarchical relations between different nations.

developing and emerging capitalist economies (DECEs)[2] that allegedly have 'poor democracy and human rights records.' There has been collective intellectual effort since then in this respect to make sense of these institutions. It is hard to say, however, that the conundrum posed by SWFs is overcome completely. Concerns about them are far from disappearing despite the thriving knowledge and intense fruitful political and academic debates concerning their governance, motives, resources, or investment strategies.

In this regard, it is possible to propound that the perception and presentation of SWFs in the mainstream narratives have been primarily shaped by the recent political and economic developments in contemporary capitalism. Initially, their image was nothing but an extremely aggressive hostile predator for many in the ACEs. There has been a strong tendency among sceptics especially in this respect to underline the non-transparent character of these institutions and claim that SWFs are something for Europeans or Americans to fear. Having compared them to a Trojan horse controlled by the political authorities of authoritarian regimes, it has been a common argument in such accounts that SWFs predominantly established in the DECEs might have a hidden and hostile agenda aimed at invading or destroying the Western economies and threatening their sovereignty (Yi-chong, 2009).

Global financial crisis in 2008, however, appeased the suspicions as many SWFs in the DECEs like Singapore's Temasek Holdings, China Investment Corporation or South Korea's Investment Corporation took a responsibility willingly to bolster the international financial system by providing necessary liquidity to the Western banks such as the Citigroup or Barclays in time of distress. Ironically, SWFs, so to speak, 'became the white knights of the global financial system' by propping up the major financial institutions at the heart of the capitalist system (Katsomitros, 2019). Nevertheless, it was seemingly not enough to retain some commentators or specialists

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Instead, in order to indicate the relative position of countries in relation to global production networks and international monetary and financial system, the thesis uses the concept of advanced capitalist economies (ACEs), referring to a group of countries that holds a dominant position in the hierarchy of the world market. This group in this sense includes G7 countries, the European Economic Area (EEA) members, and other mature economies of Oceania region such as Australia and New Zealand. On the on the other hand, in this thesis, the developing and emerging capitalist economies (DECEs) refers to the countries that are not part of the first group.

[2] See Footnote 1.

to keep emphasising that those investment decisions were essentially driven by politics, signalling more deep-seated anxiety about the government ownership of SWFs.

1.1.3. Mainstream Scholarship in IPE/IR and SWFs

It is apparent today that the surge of SWFs in global finance has been naturally accompanied by the mounting up of relevant literature on these institutions, especially in IPE and international relations (IR) disciplines to the extent that their unique position at the intersection of popular discussions concerning globalisation, state sovereignty, and financial transformation makes them valuable objects for a social inquiry that aims to develop a comprehensive understanding as regard to not only the characteristics of the current global economic landscape but also the future trajectory of capitalism. There is a substantial body of literature in this regard, including significant social researches focusing on different aspects of SWFs such as their investment strategies, governance, or stated objectives.

It is important to note that the SWF literature is characterised by the assumptions derived from mainstream scholarship in IPE/IR though. Two seemingly conflicting and contesting camps of IPE/IR theories in this respect predominantly shape the understanding on SWFs. On the one hand, what this study prefers to call, the market-centric accounts tend to grasp *SWFs as rational market actors, albeit the sovereign ownership, whose behaviours necessarily have been shaped by the overarching imperatives of the international economy since the process of globalisation poses systematic constraints on nation-states.* The transformative aspect of market relations on a global scale, according to this standpoint, cannot be disregarded in analysing SWFs since the highly integrated world economy inherently discourages politically biased investments by reward and punishment mechanisms.

On the other hand, as it comes to known as in the critical IPE literature, the statist-institutionalist current usually underlines the significance of SWFs in terms of *the reassertion or preservation of state sovereignty, especially in the DECEs resorting to institutional innovation as a reaction, against the globalisation process that*

allegedly serves the ideological, political and economic hegemony of the West, and the United States (US) in particular. For such perspective, the state as an autonomous unit rather preserves its pivotal role in international politics and economy in the current age, chiefly thanks to its transformation capacity. Thus, there is a tendency within this standpoint either to underline the incompatibility of SWFs with liberal international order by arguing that they represent an emerging state capitalism in the DECEs, or to emphasise the SWFs' role in the resurgence of state activism with geoeconomic, geopolitical and geostrategic implications by pointing out supposedly (neo)mercantilist motives.

1.1.4. The Turkey Wealth Fund (TWF)

It is apposite to suggest that the latter state-centric position is what characterises the very limited literature on the Turkey's newly established SWF at the same time. Turkey Wealth Fund was founded in August 2016 by the Government of Turkey with the Law No. 6741 'Amendment of the Law on the Establishment of the Turkish Wealth Fund Management Joint Stock Company.' Soon after its establishment, in February 2017, the public assets of Turkey that had been previously owned by the Treasury, including several companies in strategic sectors, valuable licenses and real estates, handed over the Fund. As of 2017, therefore, it was estimated that the value of assets in the TWF's portfolio was amounting to $40 billion, which remained in the same level in the previous two years. Today, the management of the Fund is directly controlled by the President of Turkey, who was appointed as Chairman of the Board of Directors by himself, although the TWF had been linked to the Prime Ministry prior to political system change in Turkey by the constitutional referendum of 2017.

The establishment of the TWF in the second half of the 2010s was rather a surprising development for many in Turkey given the fact that the country neither is a resource-abundant economy nor has been running current account surplus. Considering that the *raison d'etre* of SWFs is traditionally understood in relation to the investments of foreign exchange assets, derived from primary commodity exports (including oil, gas, and natural resources) or trade surpluses, in international financial markets, it is not inadequate to ask why a country that does not possess the accumulated excessive

foreign currency reserve decided to establish a SWF. It is still unclear not surprisingly for general public today why Turkish government took such a step.

It would not be wrong to assert that the TWF remains as an enigma in Turkish political economy too. There is however a tendency to treat the Fund as nothing but another development, signifying a deviation from 'market-friendly and pro-democratisation programme' of the post-2001 period in Turkey to the extent that it represents the increasing scope of political discretion in the economic policy-making. Newly emerging scholarly attempts to make sense of TWF in this respect generally put forward that the creation of the TWF is one of the elements of 'rupture' in the 'late' Justice and Development Party (*Adalet ve Kalkınma Partisi* - AKP) rule that is supposedly drifting apart from neoliberal policy agenda swiftly with the challenge of emergent authoritarian state capitalism in Turkey.

1.1.5. Contribution of the Study

Notwithstanding that the SWFs literature is growing both in Turkey and around the world by new studies undertaken in different social science disciplines, the great majority of these works fall short of providing genuine explanatory framework since these interpretations carry certain shortcomings of the mainstream scholarship. This thesis in this respect intends to challenge the existing different perspectives on SWFs in general, and the TWF particularly. Hence, it makes two major contributions to the literature: First of all, it embarks upon the development of a critical perspective concerning the place, role and importance of these investment vehicles within the complex dynamics of contemporary capitalism. Critical IPE studies, and the Marxist tradition in particular, frankly speaking, did not pay satisfying attention to SWFs so far. The number of critical social inquiries conducted to understand these sovereign investors in a comprehensive way is little if any (cf. Overbeek, 2012; DeRock, 2015). This thesis in this sense aims to fulfil the void by developing a historical materialist account of SWFs. Hence, it problematizes the changing dynamics of capitalism and the reconfiguration of state-market relations in the last few decades and discusses SWFs within the context of internationalisation of capital and financialisation in the DECEs.

Secondly, the study of SWFs from a critical vantage point that seeks to reveal the underlying historically-formed social relations behind the rise of these institutions by following the premises of Marxian political economy, the author of this study thinks, would also be helpful to put the TWF under close scrutiny in an attempt to account for its place in the political economy of Turkey. Given the fact that only three years passed since its inception and there has been no major activity and transaction of the Fund, it is not surprising that the TWF has been studied insufficiently regardless of the theoretical orientation of scholarly works. There is an urgent need in this respect to develop an understanding on the Turkish case. This thesis humbly attempts to take steps in this direction, although the author is well aware that there are particular limitations for in-depth study regarding the Fund due to non-transparent information disclosure. Nevertheless, it is believed here that approaching to the issue is still significant as the study of existing knowledge about the TWF not only enable us to observe it more closely from a critical viewpoint but also provide us an opportunity to understand what kind of transformation Turkey has been going through more deeply.

1.2 Research Questions & Methodology

1.2.1. Research Questions

For such purposes briefly outlined above, our research is mainly conducted to give answers to the following questions about SWFs in general:

a) *why the developing and emerging market economies, mainly concentrated in certain parts of the world, did choose to establish sovereign wealth funds in the first place at a particular time of their social and economic development?*

b) *what are the historical and socio-economic conditions at both international and domestic levels that ultimately enabled the proliferation of SWFs across the globe in different national contexts?*

c) *is there any relationship between the establishments of SWFs in growing numbers and the financial transformation in the developing and emerging capitalist countries, and if there is, how it could be understood?*

The thesis also approaches to following questions about the case of Turkey:

a) *to what extent the Turkey Wealth Fund is really a sovereign wealth fund, and, what are the differences, if there is any, between the Fund and other examples in the world today?*

b) *why the Government of Turkey decided to establish the TWF, and what is(are) impetus(es) behind such a decision if contemporary features of the political economy of Turkey in relation to the changing dynamics of world economy are considered?*

1.2.2. Research Methodology

This thesis, so as to achieve its objectives and answer the abovementioned questions, embarks upon the development of a theoretical framework, that is firmly adequate to undertake the research. Therefore, it is of utmost importance that a methodological approach must be specified to provide a foundation to such framework. It is in this sense clearly necessary to distinguish what is meant by research methods and research methodology as a starting point, because these are often confused with each other. The former, as Bukve maintains (2019, p. 2), implies a choice regarding 'a question of technique, that is, of what techniques should be used to select, collect, and analyse data on the research phenomenon.' On the other hand, the latter, as Olsen & Morgan (2005, p. 257) suggest, refers to 'a combination of techniques, the practices we conform to when we apply them, and our interpretation of what we are doing when we do so.' Hence, given these descriptions about them, it is possible to suggest that the question of the research method is traditionally understood as the choice of either qualitative or quantitative methods to collect and analyse data in a research project, and the methodology is primarily concerned with the philosophical underpinnings of the research.

Social research methodology in IPE as well as IR discipline has long been dominated by *positivist* philosophy of science, that posits an epistemological stance in which the knowledge-generation is confined to 'observable things' out there without any value judgments (Jäger et al., 2016).[3] Positivism in this regard rests upon the belief that there is an objective reality, and the universally valid knowledge of it can be captured in a value-free way. The positivist approach, however, as this thesis suggests, fail to provide an appropriate methodological foundation in theorizing SWFs to the extent that it inadequately grasps the state and market as distinct 'things', therefore, reduces the analysis to the identifiable and observable actions of states and policy-makers in the domain of economics which supposedly has no intrinsic political aspect. In this respect, the complex historical and social dynamics of contemporary capitalism within which SWFs have been established and amplified is not taken into the account. They thus have been fallaciously portrayed in a descriptive and ahistorical manner. Contrary to the positivist tradition, this thesis essentially intends to go beyond what is explicitly apparent about SWFs. To do so, it employs the methodology of Marxist critique of political economy, that is built upon historical materialist perspective and internal relations philosophy.

It requires us, first and foremost, to embrace a methodological holism that assigns primacy to the complex social whole (reality), rather than abstract individual by replacing the concept of 'thing' with the concepts of 'relation' and 'process' (Ollman, 1992). In doing so, it allows us to treat the SWF phenomenon as a part of wider network of social and economic relations that is in essence subject to constant change with the historical developments of capitalism. This perspective hence enables the research to reveal the historical specifity of these institutions and explain the underlying reasons behind institutional commonalities and varieties among SWFs in different parts of the world. Furthermore, the methodological approach adopted here provide a significant opportunity to use both qualitative and quantitative methods simultaneously to the extent that the ultimate objective of the research is not about obtaining value-free results as it is the case in the positivist methodology. That is to say, it permits the endorsement of 'a relatively wide range of research methods' depending 'on the nature of the object of study and one wants to learn about it.'

[3] For further discussion on positivist methodology, see Chapter 3.

(Sayer, 2000, p. 19). This thesis in this respect widely uses both qualitative and quantitative secondary data for the empirical substantiation in the analysis. Official statistics published by the International Financial Institutions (IFIs) such as World Bank, the International Monetary Fund, the Turkish Statistical Institute and the Central Bank of the Republic of Turkey, and the data on SWFs provided by private data vendor companies like the Sovereign Wealth Fund Institute (SWFI), the Sovereign Wealth Center, and by SWFs themselves, are significant resources from which this thesis largely benefits. Furthermore, the thesis also relies on secondary sources gathered from official documents from IFIs, international organisations and various government agencies of different states, newspapers and journal articles, annual reports of SWFs, publications by academics and research papers.

1.3. Structure of Thesis

The thesis is consisting of six chapters. The next chapter (Chapter 2) begins with the extensive literature review on SWFs. First, it presents existing scholarly and practical knowledge about these institutions. The chapter in this respect outlines the attempts to define SWFs in the literature as a starting point, and thereafter, it focuses how these institutions have been tried to put under international regulation by both IFIs and the Western states. Secondly, the chapter pay attention to how SWFs differs from each other in terms of their objectives, financing resources and political dimensions despite the general characteristics they have. Descriptive and more interpretive classification endeavours in this respect is summarised in this part. Thirdly, the Chapter 2 engages with different perspectives on SWFs in the mainstream scholarship. It discusses how SWFs in relation to state-market relations is understood and what the implications of the rise of these institutions is analysed in the literature. The thesis identifies five major theoretical line of arguments in this respect, and in the last part of the chapter, it critically assesses these studies by briefly demonstrating their weaknesses.

The Chapter 3 in this regard starts with the most problematical aspect of SWF analyses in the literature, that is the state-market dichotomy. It displays how such binary opposition prevails in SWF studies, and discusses how it could be overcome. The chapter thus, firstly, outlines the premises of Marxist methodology and historical

materialism in details, which would guide the research throughout the rest of the thesis. Secondly, the chapter contends that SWFs could only be comprehended meaningfully within the context of complex dynamics of economic and political landscape in the world today. The chapter suggests that any attempt aimed at understanding of SWFs must commence with identifying the fundamental and distinguishing characteristics of contemporary capitalism. In the chapter, therefore, it is argued that financialisation and internationalisation are two key concepts providing important insights about the rise of SWFs. In this respect, thirdly, it problematizes what these processes brought about in the historical development of capitalism and intends to discuss how the uneven integration into the internationalisation processes and subordinate character of financialisation of the DECEs provided a basis for the establishment of SWFs and shaped these institutions accordingly.

After developing a theoretical framework, the thesis genuinely aims to demonstrate the emergence and the rise of SWFs across the developing and emerging countries from a historical perspective in the Chapter 4. To do so, the chapter, firstly, begins with the earlier examples of SWFs throughout the history and continues to explain the role of oil crises in the 1970s in triggering the establishment of these institutions, especially the commodity-based ones in the Gulf region of the Middle East. Secondly, the role of Asian financial crises of 1997-8 in shaping political economy of the East Asian states, is discussed in the chapter. This part in this respect investigates SWFs as a part of the reconfiguration of the domestic economies in the region after the crises. Thirdly, the chapter focuses on the relationship between the changes in the world economy during the 2000s, chiefly characterised by rising global commodity prices, and the newly created SWFs in these years. Fourthly, in the chapter, the question that how SWFs reacted against the global financial crisis of 2008 is considered to explore their increasing role in global finance more closely.

The Chapter 5 takes up where the previous chapter left off in the historical timeline. It, therefore, focuses on the period from 2013 onwards, and primarily accounts for the foundation of the Turkey Wealth Fund. These years are important in the sense that it has been characterised by the downfall in the prices of both primary commodities and manufactured goods. Given the fact that these two phenomena have

been acting as catalyst for the expansion of SWFs and the creation of new ones for a long time, it is not surprising that there were very few new SWFs created in those years. What is perplexing in fact that Turkey with no abundance of natural resources and the presence of trade surplus has decided to establish a SWF. This chapter, in this regard, first of all, aims to outline what is known about the TWF by portraying its governance, legal background and portfolio. Secondly, it approaches to question that can the Turkey Wealth Fund be classified as a SWF by comparing the Fund with other examples. The chapter in this respect reveals that, in the world today, Turkey is a unique case in which significant assets owned by its SWF. It is argued in this chapter that simply pointing out what TWF lacks is not sufficient to put aside such institution in analysing SWFs. Instead, as the chapter aims to show, the Fund exemplifies a new motive of establishing a SWF, that is the borrowing motive. The chapter in this regard aims to make sense the TWF by discussing how the interplay between the changing global dynamics and the management of economy at domestic level required the establishment of the TWF to a large extent.

CHAPTER 2

LITERATURE REVIEW: SOVEREIGN WEALTH FUNDS

2.1. Introduction

Sovereign wealth funds fell under international media spotlight in the last decade for the first time, igniting intense debates amidst the global financial turmoil. These government-owned institutions, mostly established in the emerging and developing economies, has engendered fears for many in the West by their growing investments across the globe. As Weisman (2007) puts it, it has been the fear of political backslash and economic instability to which these funds may lead by using the dollar holdings for acquiring companies, real estate, banks and other assets, especially in the United States. 'The problems these SWFs portend are enormous', according to Buchanan (2007) for instance, since the surge of these investment vehicles signifies a reversal in the trend of the privatisation of publicly owned assets in the 'free world.' For himself (ibid.), 'these funds are all owned by or answerable to regimes, whose agents can direct these vast funds into assets not to produce maximum income, but maximum strategic benefit to the regime.' On the other hand, there are also scholars or politicians whose attitudes towards SWFs are much more welcoming on the ground that mistrust and scepticism may prevent to see the reality that these institutions have no natural incentives to destabilize global economy or pursue purely strategic objectives. In an interview, for example, Robert M. Kimmitt, the former deputy US Treasury secretary, he stated that 'when I was in China and Russia, I was struck by the degree to which, although I was talking to government officials, it was like talking to asset managers', in order to demonstrate how SWFs are not seemed to be shaped by political motivations, but rather acts on sound financial practices (Weisman, 2007).

Although more than ten years have passed since these earlier discussions about the place of SWFs in world economy and international politics, they still continue to be among the most controversial issues. It is apparent in this respect that the subject of SWFs is one of the key topics in contemporary IPE/IR. This chapter in this regard aims to provide an extensive literature review about SWFs. It begins with a brief discussion on how SWFs are defined in the literature. It is significant to note that it is still a controversial topic as there is no precise agreement today among those concerned with SWFs regarding what exactly defines these institutions. This part aims to be an entrance point for the research because it enables us to have a common understanding to a certain extent about what is the subject in hand. Secondly, the chapter presents how the SWF literature categorises these institutions according to different factors and dimensions. It complements the first part by displaying the identifiable characteristics with direct observation in a comparative manner. The section demonstrates that SWFs cannot be understood properly if they are treated as a homogenous group of institutions in which each entity basically replicates the others more-or-less. These investment vehicles in fact greatly differ both from the other kind of state-owned institutions and among themselves, and they enjoy diverse objectives, motives, financing resources and governance structures. The third section of this chapter focuses on different perspectives related to the place of SWFs in contemporary capitalism. It investigates the core arguments of theoretically informed arguments about the interactions between nation-states, markets and SWFs. The last part is devoted to the critical assessment of the SWF literature. It briefly engages with the dominant perspectives in the literature to reveal their weaknesses, and question their adequacy and relevance to the study of SWFs.

2.2. Definition of SWF and International Regulation

It was in 2005 for the first time with his thought-provoking article called '*Who holds the wealth of nations?*', Andrew Rozanov, a Managing Director and Head of Sovereign Advisory at Permal Group, coined the term 'Sovereign Wealth Fund' (SWF) to define what he refers to as 'a different type of entity altogether' which had been making an appearance on a global scale with a spectacular growth in numbers especially since the beginning of new millennium. To Rozanov (2005), these

emerging public-sector players were neither reserve assets supporting national currencies nor traditional public-pension funds, but they have come to represent a new type of institutional investor in the global financial system that is typically set up as a by-product of national budget surpluses with diverse objectives like insulating the economy and budget from excess volatility in revenues, generating necessary resources for social and economic development, or assisting the monetary authorities for the sterilisation of unwanted liquidity.

More than a decade later, however, there is still no substantial agreement upon what is meant by sovereign wealth fund precisely, nevertheless, there have been a series of attempts to overcome definitional challenges. Rozanov (2011) indeed had to admit that his initial effort to provide a definition for these "sovereign-owned asset pools" by demonstrating "what these funds are not, rather than what they are" was vested with a serious weakness since "it is just too vague to be applied on its own." Therefore, for himself, a simple and rule-based classification system exhibiting different types and distinct characteristics of sovereign wealth funds was necessary to come up with a more structured and analytically robust definition which would supplement broad and universal nature of it. Notwithstanding this concern as regard to the need for more precise and universally accepted definition was also recognized in academic, political and/or business circles once these institutions started to be registered on the radar screen, these endeavours widely vary as to which aspect has been chosen to be emphasised for the identification of SWFs (Yi-chong & Bahgat, 2010).

There have been at least four groups of researchers and scholars with different backgrounds and priorities since the mid-2000s in the attempts of defining SWFs (Grünenfelder, 2013, pp. 16-18). The first group was consisting of market actors such as consulting firms or global investment banks whose business operations are naturally affected by the rise of SWFs (Gelpern, 2010). Fernandez & Eschweiler (2008) working for JP Morgan, for instance, see SWFs briefly as special government vehicles which utilise public funds in financial instruments differently from the central banks in terms of the investment in riskier assets. These market participants, in general, tend to highlight the investment horizons, asset composition and

investment strategies of SWFs (cf. Jen, 2007a; Lopez, 2015). Morgan Stanley, an American multinational investment bank, for example, identifies five characteristics of SWFs, namely long-term investment horizon, high-risk tolerance, no explicit liabilities, high foreign currency exposure, and sovereign ownership (Jen, 2007b).

Secondly, there has been a strong incentive on the part of the recipient countries to make sense of these institutions as a result of intensifying pressures from their respective civil society organisations and/or media outlets. It is definitely not surprising given the fact that SWF investments in the financial markets and/or non-financial corporations of these states at the beginning has sparked intense debate about their real motives. Several official reports and/or government-sponsored publications have been produced in this respect so as to outline characteristics of these institutions and provide a suggestive definition. As Clay Lowery (2007), an Acting Under Secretary for International Affairs, puts it, the United States (US) Department Treasury defines sovereign wealth fund as an "*investment vehicle which is funded by foreign exchange assets, and which manages those assets separately from official reserves.*" Furthermore, the US Government Accountability Office (GAO) (2008, pp. 2-3) lists four criteria that define SWFs:

i. these investment vehicles have to be government-sponsored or government-chartered;
ii. there must be an investment in assets other than sovereign debt outside the establishing country;
iii. they should not function as a pension fund;
iv. these institutions are funded by governments through the transfers of budget or trade surpluses, or revenues from the commodity wealth.

The European Commission (EC), the executive body of the European Union (EU), seemingly felt the necessity of developing a common approach to SWFs as well, considering the increase of SWF investments in the member nations. For the EC (2008, p. 2), SWFs are "*state-owned investment vehicles, which manage a diversified portfolio of domestic and international financial assets.*" The EC (ibid., p. 9) at the same time set out some major governance principles for SWFs in its approach. SWFs,

accordingly, should have (a) an internal governance structure characterised by clear separation and allocation of responsibilities, (b) principles of internal governance to assure integrity, (c) operational autonomy to achieve its stated objectives, (d) publicly disclosed general principles governing its relationship with political authority, (e) and risk-management policies.

Academic in-depth discussions, thirdly, regarding the rise of SWFs were indispensable part of attempts to comprehend the nature of these institutions. Scholars from diverse disciplines such as international relations, public administration, politics, international law, and economics have greatly contributed to the understanding of this global phenomenon. Following sections of this chapter engage with the contributions in the literature. Thus, it is for now enough to mention that the concerns shared by policy-makers or market participants due to the obscurity of SWFs were also conducive to the beginning of academic studies in large numbers around the world. Apart from scholarly endeavours, there has been also an intellectual effort by think-tanks, private research organisations and/or data corporations whose search for a definition was able to produce the most commonly-used ones. The SWF definition provided by the Sovereign Wealth Fund Institute (SWFI), an US-based global financial data vendor corporation and a consulting firm, is an example of this kind that many researchers encounter in the policy papers, reports and academic studies. According to the SWFI (2019), sovereign wealth fund is:

> "a state-owned investment fund or entity that is commonly established from balance of payment surpluses, official foreign currency operations, the proceeds of privatizations, governmental transfer payments, fiscal surpluses, and/or receipts resulting from resource exports. The definition of sovereign wealth fund excludes, among other things, foreign currency reserves held by monetary authorities for traditional balance of payments or monetary policy purposes, state-owned enterprises (SOEs) in the traditional sense, government-employee pension funds (funded by employee/employer contributions), or assets managed for the benefit of individuals."

The last group engaged in defining SWFs includes international organisations and supranational bodies. Despite the fact that the individual attempts of market actors, nation-states, scholars or research corporations were noteworthy in terms of approaching the urgent question of how to identify the emerging phenomena of SWFs at the time of uncertainty, they in fact did not carry out a mission to come up with a

definition that helps to produce a regulatory framework at the international level simultaneously. This mission has been accomplished by international and/or supranational institutions to a certain extent. On the one hand, the Organisation for Economic Co-operation and Development (OECD) in this respect did not wait long to present its own definition. As Blundell-Wignall et al. (2008) express, the OECD defines SWFs as "*pools of assets owned and managed directly or indirectly by governments to achieve national objectives*." These distinguishable objectives may include, for the OECD, the promotion of political and strategic goals, the asset diversification, the stimulation of industrialisation, and/or the intergenerational distribution of wealth. Moreover, the OECD (2008) remarks that SWFs in their investment policies and the recipient countries in their treatment of foreign investors should apply some key principles such as transparency and predictability, proportionality and accountability in order to resist protectionism pressures and foster mutually-beneficial situations. By following these principles and guidance for investment policy measures shaped by high standards of transparency, risk management, disclosure and accountability, according to the OECD, SWFs would contribute to greater confidence on the part of recipient governments, and consequently, be able to enhance the effectiveness in fulling responsibilities to their owners and shareholders.

On the other hand, the International Monetary Fund (IMF) was far more concerned with addressing the challenge of drafting a regulation for the activities of SWFs so as to alleviate immediate worries of the advanced economies and reassure that the sovereign investors responsively follow the codes of conduct. Such a challenge was largely overcome by the International Monetary and Financial Committee (IMFC) of the IMF in 2007 when it is underlined that the key issues surrounding the sovereign wealth funds need to be further analysed for investors and recipients while recognizing their important role in international financial markets. The following establishment of the International Working Group of Sovereign Wealth Funds (IWG) as a voluntary organisation with the meeting held on by the representatives of Sovereign Wealth Funds in 2008 after the discussions with other international organizations such as the IMF and G20 in this sense was a significant development

not just for launching a dialogue on identifying best practices, but also establishing a consensus on the definition of sovereign wealth fund.

According to the '*Generally Accepted Principles and Practices (GAPP)-Santiago Principles*' (2008), a document released by the IWG to establish a framework for the conduct, governance, and accountability of SWFs and voluntarily endorsed by all members of the International Forum of Sovereign Wealth Funds (IFSWF), the successor organisation of the IWG consisting of thirty-one members currently, sovereign wealth funds are defined as:

> "special purpose investment funds or arrangements, owned by the general government. Created by the general government for macroeconomic purposes, SWFs hold, manage, or administer assets to achieve financial objectives, and employ a set of investment strategies which include investing in foreign financial assets. The SWFs are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity exports." (p. 27)

The GAPP-Santiago Principles also explicitly provide three key specifications that define an SWF. That is to say, to be legitimately classified as an SWF, an institution at the disposal of government must have these elements (see Table 1).

Table 1.

Three key elements that define an SWF according to the GAPP-Santiago Principles

Element	Explanation
Ownership	SWFs are *owned* by the *general government*, which includes both central government and subnational governments
Investments	The investment strategies include investments in *foreign financial assets*, so it excludes those funds that solely invest in domestic assets
Purposes & Objectives	Established by the general government for macroeconomic purposes, SWFs are created to invest government funds to achieve financial objectives, and (may) have liabilities that are only broadly defined, thus allowing SWFs to employ a wide range of investment strategies with a medium- to long-term timescale. SWFs are created to serve a different objective than, for example, reserve portfolios held only for traditional balance of payments purposes. While SWFs may include reserve assets, the intention is not to regard all reserve assets as SWFs.

Source: Adapted from International Working Group of Sovereign Wealth Funds (IWG) (2008).

Furthermore, sovereign wealth funds, the GAPP-Santiago Principles (IWG, 2008) regulates, should have clearly defined policy purpose (2nd Principle). They are required to act in coordination with domestic authorities for the purpose of ensuring consistency with the overall macroeconomic policies (3rd Principle). In relation to their funding, withdrawal and spending activities, Santiago Principles set out, there must be publicly disclosed policies, rules, procedures and arrangements (4th Principle). Besides, SWFs most importantly are expected to have operational independence in a governance framework designed to facilitate accountability (6th Principle). Lastly, in their competition with private entities, according to the GAPP-Santiago Principles, SWFs should not seek advantage of privileged information or inappropriate influence by the broader government (20th Principle).

To Rozanov (2011) it is not surprising that this framework offered by the IFSWF in the GAPP-Santiago Principles has become more genuine and authoritative than others due to the fact that it strikes 'a reasonably good balance between precision and breadth' in 'a clear and solid framework for any formal discussion' while being affirmed by a forum of SWFs having affiliation with the IFSWF. Nonetheless, the definition within the framework of Santiago Principles carries an artificial look as it explicitly excludes a group of SWFs which remain outside the scope of the formal definition owing to the fact that either (i) they primarily or exclusively invest in domestic markets (e.g. Vietnam's State Capital Investment Corporation and Bahrain's Mumtalakat Holding Company), or (ii) they are monetary authorities with excess foreign exchange reserves managed or viewed as sovereign wealth (e.g. Saudi Arabia, Hong Kong and Singapore) (Rozanov, 2011). Therefore, this thesis primarily uses the definition and the list of SWFs provided by the SWFI that includes 77 SWFs by March 2019 since the vast majority of the literature discusses these institutions in a way that encompasses the ones left outside by the IFSWF.

2.3. Classifications of SWFs

Definitions provided by different agencies or organisations indicate that SWFs have some general characteristics in common that could be outlined as follows; (a) the most important aspect of SWFs is that they are owned by sovereign states; (b) they

generally seek for long-term investments through financial markets abroad; (c) their resources must be managed separately from the official reserves of central banks. However, it must be noted that they are not only the sovereign investment vehicles owned by nation-states. Hence, to be more precise about SWFs, it is also significant to underline how they differ from other government-owned investment entities like state-owned enterprises (SOEs), pension funds or central bank's official reserves as they are often confused with these other institutions (Ping & Chao, 2009).

First of all, unlike the traditional government pension funds that generate revenue from the contributions made by the members of the community or social security taxes, SWFs under the control of the central government capitalize on forex reserves or export revenues.[4] In addition, the information disclosure is more open in government pension funds compared to the SWFs making them less transparent (Ping & Chao, 2009). Also, having been funded by the beneficiaries, the government pension funds must hold sufficient liquidity for periodic payments whereas the SWFs are not required to do so (Curzio & Miceli, 2010). This last point also differs SWFs from central banks as they do not have short-term liquid assets (Caner & Grennes 2010). Besides, as active investors with diverse portfolios including stocks, bonds or other high-risk assets, SWFs are oriented to seek for value-enhancing activities whereas the nation-states' monetary authorities usually steer for 'value preserving' with their monotonous investment portfolios (Ping & Chao, 2009). Lastly, in terms of legal structures, SWFs acting as business entities do not have to be just as SOE which is a corporation regulated by the general company law; they may take other forms like an entity under a specific public law or simply a pool of assets (ibid.). (For detailed comparison, see Table 2)

Notwithstanding the elaboration concerning how SWFs differ from other government-owned entities is essential to approach the questions surrounding them,

[4] Here it must be noted that what is meant by traditional government pension fund connotates a particular type of pension fund historically managed as a part of national social security systems. The OECD distinguishes the Social Security Reserve Funds (SSRF) from the Sovereign Pension Reserve Funds (SPRF) on the ground that the SSRFs are composed of employer's or employee's contributions and there is a periodical distribution of benefits to the members of the scheme whereas the resources of SPRFs -which are autonomous reserve funds under the legally direct ownership- come from direct fiscal transfers made by the government and there is no direct liability to pensioners. Our comparison in this regard intends to indicate difference between the SSRFs and SWFs.

it should not lead to the misunderstanding that they are a homogenous group of institutions. Grünenfelder (2013, p. 32) observes that "*as analysts started to zoom in on the funds, they realized that whilst SWFs had a stock of shared characteristics strong enough to call for a common moniker, they also differed in many ways.*" They have in fact different financing resources, motives and/or purposes. These aspects are usually taken as starting points in the literature to categorise these funds. It is plausible to note that the categorisation of objects of inquiry has long been seen as an effective way of generating knowledge in social research. Typlogies in this respect are put into work to compare and categorise ideal types to develop a better understanding on their differences and/or similarities (Lauffer, 2011, p. 47). The classification of SWFs, therefore, has been prefered because it not only serves to such a general purpose, but also helps to reach a consensus for setting up general rules regarding their domestic regulation and/or international standards (Bassan, 2015).

First of all, it has been commonplace in the literature to classify SWFs according to where do their *financial resources* come from. Two groups of SWFs in this regard could be identified: *commodity-based funds* and *non-commodity funds.* The first group of SWFs, the commodity-based funds, are established by the resource-rich countries to reach diverse goals within their macroeconomic policy setting. The revenue extracted from the export of raw materials, especially petroleum or natural gas, constitutes the main financial resource of these type of SWFs. The rationale behind the creation of these investment institutions is much related to stabilizing volatile prices of raw materials (Reisen, 2008) or avoiding the Dutch disease (Frynas, 2017). This type of SWF is mostly located in the Middle East or established by countries like Russia or Norway. On the other hand, the financing resource of the non-commodity funds depends upon, what Reisen (2008) calls, the 'structural saving surplus' rather than merely commodity earnings. That is to say, this type of funds derives financial resources from the balance-of-payment surpluses as well as the revenues generated by privatisation mechanisms or other fiscal proceedings (Curzio & Miceli, 2010). The East Asian countries experiencing the accumulation of foreign exchange reserves like South Korea, Singapore or PR China usually establish these non-commodity funds to decrease the economic vulnerability to the fluctuations in the international financial markets (Helleiner & Lundblad 2008).

Table 2.
Comparison of SWFs and other Government-owned Entities

	Sovereign Wealth Funds	Government Pension Funds	Monetary Authorities	State-owned Enterprises
Owner	Central government	Members of the pension scheme	Central government	Central/local government
Source of Found	Forex reserves / export	Contribution from community members	Forex reserves	Government grants / corporate profits
Investment Purposes	Value enhancement (primary) and strategic goals (secondary)	Alleviate future pension funding pressure	Value preservation/ currency stabilization	Value enhancement / profit making strategy
Investment Portfolio	Diverse	Diverse	Monotonous	Industrial sector prone
Investment Horizon	Long	Long	Possibly short	Long
Government Holding Stake	Complete	Not obvious	Complete	Significant but not complete
Information Disclosure	Varied – mostly non transparent	Highly transparent	Non transparent	Varied – listed companies need to meet disclosure requirements

Source: Adapted from Ping & Chao (2009)

Another classification, secondly, is posited by the IMF in the GAPP-Santiago Principles. Five types of SWFs in this respect are distinguished in accordance with their *policy objectives*, which vary with regard to the macro-fiscal objectives pursued by governments (Al-Hassan et al., 2013): (a) *Stabilisation funds* primarily aims to insulate the economy and the national budget against price fluctuations. Having been founded especially in resource-rich countries, these funds are institutional innovations for states to tackle the challenges related to the possible negative shocks on the government expenditure stemmed from the diminishing raw material (resource) related revenues (Sugawara, 2014). Balding (2012, p. 8) treats these institutions as "*a government account designed to smooth public expenditures and consumption by setting aside revenue during periods of rapid growth that then could be drawn on during economic contractions*"; (b) *Savings funds* are basically set up for the future as they have goals including the distribution of wealth across generations as well as mitigating the possible Dutch disease through converting non-renewable assets into diversified financial portfolio. To that end, these funds usually

invest the inflows from resource-related revenues in foreign capital assets with high-risk return profile (Lücke, 2010); (c) *Reserve investment funds (corporations)* are the sovereign institutions whose assets composed of large stockpiles of foreign reserves which are usually utilised in profitable investments abroad to earn higher return on reserves and/or reduce the carry cost of holding them (Clark et al., 2013); (d) *Sovereign Development Funds (SDFs)* or simply *development funds* are a specific type of SWF carrying a development strategy and mission with investment mandates. These funds are thought to be useful to ignite the sustainable economic growth and development particularly in low- and middle-income countries by prioritizing socio-economic projects -usually in the infrastructure sector- and/or promoting specific industrial policy (Dixon & Monk, 2014). While SDFs might directly contribute to development in their homelands through allocating resources to local, sub-national or national projects and/or stimulating domestic demand in tandem with the macroeconomic policy framework of the country (Das et al., 2009), they could also promote development in other emerging and developing countries by private equity investments (Sansito, 2008); (e) *Sovereign pension reserve funds -shortly SPRFs-* has emerged in the advanced economies especially as a governmental response to the problems associated with the ageing population which creates future economic expenditure and vulnerability (Das et al., 2009). SPRFs have been established to service the governments so as to effectively cope with the potential fiscal pressures in the future, that might arise from the high social and economic costs of the worsening age-dependency ratio, through prefunding social security benefits with their operations in the global financial market (Yermo, 2008). Unlike the normal pension schemes, these institutions are directly owned by governments and the general population -or members of community/beneficiaries- do not have legal ownership right over these reserve funds (Blundell-Wignall et al., 2008).

It would not be misleading to argue that these typologies listed by the IMF are beneficial for the researchers interested in developing an understanding on SWFs as long as they provide insights regarding how they differ among themselves in the sense of explicit objectives. These differing objectives embraced by SWFs around the world also advise us about to what extent investment horizons, risk/return trade-offs, as well as asset management strategies, vary accordingly (Gordon & Niles,

2012). Nonetheless, there are some important points concerning the taxonomy of SWFs that need to be underlined. First of all, it ought to be reminded that these distinctions are not as rigid as they seem since there is always a possibility of an alteration in the objectives of an SWF over time, "particularly if the conditions that gave rise to the SWF in the first-place change." (Shields & Villafuerte, 2010, p. 43) Furthermore, SWFs may seek to achieve multiple goals at the same time depending on the country-specific circumstances as in the cases of Norway (stabilisation/savings), Australia (savings / pension reserve), and Kazakhstan (stabilisation/savings/development) (Al-Hassan et al., 2013). More importantly, it must be underlined that these classifications whether based on financing resources or explicit policy objectives are merely descriptive. This is what has urged the other academic studies to develop more interpretive classifications.

Schwartz's (2012) in this sense argues that "conventional analyses of SWFs ask the wrong questions because they define SWFs using nominal rather than essential characteristics." (p. 518) For Schwartz (ibid.), these attempts to define and classify the phenomenon illuminates less than they obscure since the term of SWF is generally used as a nominal label covering three distinct types of organization, which are, as he puts them, 'apples', 'lobsters', and 'bliss potatoes.' Therefore, what should be done is an inquiry, for himself, that disaggregates these investment vehicles according to their essential functions driven by distinct economic and political logics under diverse types of state formation and institutionalised power relations in different societies. Schwartz (ibid.) in this regard outlines three sets of SWFs: (a) apples, or *SWFs of rational capitalism*, like the Norwegian GFP-G, in principle intends to buffer the economy against volatility in resource-rich countries. They also aim to diversify the economy against the 'Dutch disease' and distribute the wealth intergenerationally (Amineh & Crijns-Graus, 2017); (b) lobsters, or *developmentalist SWFs*, on the other hand, are "*the old development banks in modern clothing*" (Schwartz, 2015, p.155) that finance the development of local industry, penetrate the foreign markets, perform the technology transfer, and gain political access to protected markets. In the long-run, this type of SWFs also plays a crucial role in financing the private sector or nurturing local firms that would be able to survive on their own in the future; (c) lastly, bliss potatoes -or *patrimonial SWFs*- are 'personal' vehicles through which

particular economic benefits are attained by political favours and events. The investment strategies of these SWFs are marked by 'political capitalism' and 'domestic patrimonial authority' in Weberian sense, and therefore, they seek to maximise the private profits of politically powerful individuals. In this respect, "*their 'sovereign' status is a convenient legal fiction*" (Schwartz, 2012, p. 518).

Similarly, in their endeavour to propose another metric for the categorization of SWFs different from commonly used typologies based on either source of funding or stated objectives, Clark et al. (2013) underline the importance of the role these institutions play as regard to state sovereignty. To these authors in this respect, *post-colonial SWF* is a diplomatic instrument used by the postcolonial states as an engagement tool with more powerful states, multinational corporations and/or the institutions of global governance so as to increase the state capacity by participating in power and interest networks, and in turn, cover their historically 'perceived sovereignty deficit.' *Rentier SWF*, on the other hand, is an institution that assures the domestic sovereignty of rentier state in the long-term through providing external rents to be used as a mean of increasing the state capacity and preserving the status-quo. Thirdly, for Clark et al. (2013), *productivist SWF* is a tool of the countries aspiring to strengthen their relative position in complex global production networks by strategic investment decisions that primarily target the market where value is captured. These funds thus have developmental policy objectives for their respective national political economies and domestic sovereignty. *Territorialist SWF*, on the other hand, intends to develop and ensure "*the continued dominance of local assets within broader global networks of production, R&D and distribution*" (Dixon & Monk, 2012, p. 112). Notwithstanding that it shares similarities with the productivist one in many respects, the latter is a strategic investor more specifically whereas the former essentially focuses on increasing domestic firms' competitiveness. Lastly, *moralist SWF* aims to face intergenerational justice issues that might have a serious negative impact on domestic sovereignty over the years. For instance, demographic ageing and environmental degradation are two prominent contemporary challenges that need to be overcome, predominantly in advanced economies.

2.4. Different Perspectives on SWFs in Mainstream Scholarship

Governments in both ACEs and DECEs have established SWFs with diverse motives in many different forms to achieve a variety of objectives while financing these institutions by various sources (Truman, 2010). SWFs have diverse legal bases, investment policies, institutional arrangements and operational practices (Hammer et al., 2008). As Cohen (2009a) puts it, they are "*remarkably diverse, varying along a number of dimensions.*" (p. 715) The recent attention paid to SWFs in the last decade particularly by scholars dealt with this variation through identifying these motives, governance structures, resources and objectives. It would not be misleading to argue that these meaningful efforts to make sense of why countries tend to establish SWFs and what do they do with huge amount of money in the global economy have been triggered by the broader concerns regarding the role of the state in international political economy although the issues simply related to SWFs are significant in their own right. Kirshner (2009a) in this sense conveniently asks that "*what is the problem: S, W, or F?*" (p. 311)

Yi-chong (2010) outlines these concerns under four headings: (a) increasing number of SWFs; (b) growing size of these institutions; (c) their lack of transparency; (d) and the government ownership. He (2019), however, underlines that for many the last point –'S', the 'sovereign ownership'- is the most important topic in the debates about SWFs as it is often assumed that the political influence over these investment institutions allegedly hampers their management independently in accordance with the requirements of 'market capitalism'. Therefore, it is not surprising that the discussions in the mainstream scholarship, consisting of theoretically informed contributions from different disciplines, about their increasing prominence is often reduced to the question that whether SWFs are economically-driven profit-seeking institutions regardless of their ownership structure or politically-driven strategic investment vehicles owned by 'authoritarian regimes' or 'flawed democracies' to pursue geopolitical, geoeconomic and/or geostrategic objectives (Yi-chong, 2010).

Studying the SWFs in terms of the economic and/or political power relationships in international politics and/or world economy is a significant concern for contemporary

IPE/IR, however, it is appropriate to propound that existing theoretically informed interpretations carry serious shortcomings as they can be easily situated in the one-dimensional axis between market-based perspective and state-centric explanations (Overbeek, 2012). Before turning to a critical assessment of these approaches, it is important to investigate their core arguments concerning the complex relationship between state, market and the rise of SWFs in the age of so-called globalisation. In doing so, first, general assumptions of different IPE/IR theories about globalisation, state and market are discussed in the following part, and then, the question that how SWFs are analysed within those theoretical frameworks is answered secondly.

2.4.1. Liberal Tradition in IPE/IR and the Market-Based Perspectives on SWFs

2.4.1.1. The Fundamental Tenets of Liberal Perspective in IPE/IR

It is accurate to suggest that the debate on the interplay between globalisation process, world market and the state has revolved around two ends along a continuum. On the one end of the continuum, there are scholars whose stance towards globalisation has been often labelled as liberal due to their strong emphasis on the transformative aspect of the (global) market relations over the state in the recent decades. It does not mean that there is no difference among those embracing the liberal standpoint in their works. This variety, however, does not prevent us from seeing what unites liberal perspectives in IPE/IR at the same time. First and foremost, it is the abstract, pre-social, and utility-maximizing individual that is analytically accepted as an entry point in the studies within the liberal tradition of IPE/IR. Individuals' preferences or desires provide a basis for the construction of explanatory framework in these works (O'Brien & Williams, 2013). These studies in this regard demonstrate a heavy reliance on the methodological individualism, that is embodied in the orthodox neoclassical economics. (cf. Keohane, 1988; Blyth, 2009). Secondly, there is a strong adherence to positivist epistemology in liberal perspectives that calls for generating the testable (falsifiable) hypotheses deduced from theory to discover laws. (Paul, 2010). Thirdly, liberals are pluralist in the sense that they accept the possibility of multiple sources of power in international system.

2.4.1.2. Globalisation and the Triumph of Market Forces

Having founded upon the fundamental principles listed above, the liberal IPE in its broadest sense, tends to treat the changes in international politics and economy in the last few decades as the process in which national/domestic institutions have become more deeply subjected to extraterritorial and transnational interactions. That is to say, for liberal perspective, the world market forces took precedence over national state in a highly integrated global economy. According to this standpoint, as Strange (2000, p. 128) asserts, 'where states were once the masters of markets, now it is the markets which, on many crucial issues, are the masters over the governments of states.' This is what globalisation brought about in these accounts. It has been often as a process transforming 'the nature of human society' and largely replacing 'the sovereign state system with a multi-layered and multilateral system of global governance' (Rosenberg, 2005, p. 2). Therefore, there is no longer the predominance of national state in the configuration of socio-economic affairs as new epoch brought remarkable shift in the site of economic and political processes towards 'beyond' the national boundaries as opposed to earlier periods (Ohmae, 1995; Sassen, 2000; Strange, 1996). For liberals in this regard, new world order, 'involving networks of interdependence at multicontinental distances, linked through flows and influences of capital and goods, information and ideas, people and force' (Keohane & Nye, 2011, p. 225), creates constraints for sovereign states in international system to a large extent. Put it differently, the world market, that is shaped now by the dominance of TNCs, the development of new communication and information technologies producing enormous capital and goods mobility, the acceleration of financial transactions on a global scale, and the emergence of knowledge-driven, service, post-industrial production, compels states to comply their behaviours with the imperatives of global economy today.

2.4.1.3. SWFs as Rational Market Actors

Considering these general assumptions of the liberal tradition about the state-market relations in globalisation age, it is not surprising that there is a strong tendency among liberal scholars to see *SWFs as rational market actors whose behaviour are essentially driven by economic motives under the constraints of global markets*

(Overbeek, 2012). It is widely shared by scholars that the image of SWFs portrayed by the Western media, policymakers and/or intellectual circles is delusive as the reality differs from the arguments derived from incoherent scepticism and mistrust. Contrary to sceptics who treat the growing of SWFs as a potential security threat to the financial structures of the ACEs, especially prior to the financial meltdown in the United States, it has been commonplace to purport in this perspective that they behave alike other institutional investors in global financial markets with profit-maximization goal, irrespective of the government-ownership.

To Avendaño & Santiso (2009), for instance, SWFs are dynamic institutional investors in today's global financial landscape, and there is no strong evidence to claim that their investment decisions are politically biased. Epstein & Rose (2009) similarly considers the suspicions over SWFs as 'overly dramatic', underlining that these institutions act as 'model investors' and have no natural incentive to pursue political ends. Rose (2008) argues that there is a variety of political, economic and regulatory factors that eliminate or mitigate the risk of SWFs being used as a political tool. These factors, in this respect, compel the SWFs to act 'hyper-cautiously' to avoid the detrimental responses from the recipient countries against their operations. On the other side, for Greene & Yeager (2008), potential overreacting policy responses from investee countries against the SWF investments may have unintended adverse consequences for the world economy as it is likely to impede cross-border investments.

Megginson et al. (2013) suggest that SWFs facilitating cross-border investments as principally or purely commercial investors have positive impact on the global financial markets as well as the target country's economic development. Butt et al. (2008) similarly remark the benefits of SWFs for the world economy, arguing that they also play important role in stabilizing financial markets. Das (2009) underlines that their lack of interest in speculative activity and the long-term investment horizon makes SWFs powerful 'stabilizing force' in global financial affairs. For the national economies they invest, on the other hand, Baker (2010) argue, SWFs help to increase market liquidity, lift asset prices and reduce corporate borrowing costs. On the firm level, in addition, Kotter & Lel (2008) put forth that these profit-oriented passive

actors may bring benefits to the target companies if they enjoy high transparency level as the market participants react positively to the SWF investments under such circumstances.

2.4.2. State-Centric Accounts in IPE/IR and Different Interpretations of SWFs

2.4.2.1. SWFs as Institutional Initiative for Financial Statecraft

'Many globalizers believe that the world is increasingly ruled by markets', yet they 'underestimate the extent to which the new looks like the old', according to Kenneth Waltz (1999, p.695,700), a prominent neorealist scholar in IR discipline. It is indeed such faith in the superiority of market forces against the states in the 'new era' what unifies different viewpoints within liberal current in IPE/IR. Waltz (1999, p.700), however, remarks that there is no fundamental qualitative change in international system, and 'politics, as usual, prevails over economics.' This statement is an excellent summary about how globalisation is treated on the other end of the continuum. Contrary to liberal accounts, this is the proposition of *realist school* in IR that emphasises the primacy of politics rather than stressing upon the economic relations too much (Gilpin, 1971). It is at the same time a common point in all different realist analyses.[5] Realism in general terms presents an 'anarchical'[6] international system in which the state as a unitary actor and primary unit of analysis rationally acts to maximize its power in a zero-sum game. That is to say, for realists, states essentially aim to survive under the conditions of unpredictable future and anarchy by relying only on themselves. National security in this respect becomes ultimate purpose of states, for the realist accounts, as rational foreign policy requires a desire for survival. Waltz (2001, p. 206) suggests that states 'play the game of power politics' that they 'are forced to play so long as survival remains a goal' in a condition

[5] Gilpin (2001) identifies two major realist interpretations of international relations. On the one hand, there is what he calls 'state-centric realism' that begins with the behaviours of individual states by following traditional analyses of Machiavelli and Morgenthau. On the other hand, for him, 'structural (neo)realism' or 'system-centric realism' sees the international system the main determinant in shaping state behaviour.
[6] Anarchy in realist IR theory connotates to the absence of centralized superior authority which can limit or shape the actions of sovereign states.

of anarchy. Power politics in realist paradigm thus is synonymous with international politics (Mearsheimer, 2013).

The scholars who maintain the relevance of neo-realism in IR theory to the study of financial policies and development, in this respect, employs the term of 'financial statecraft' in their works lately to analyse the strategies pursued by the states in international monetary and financial relations (Roberts et al., 2018), and treats *SWFs specifically as institutional initiative for financial statecraft.* In his seminal work, Baldwin (1985) claims that statecraft in international relations refers to an attempt on the part of national governments to influence other actors by relying on propaganda, diplomacy, military capacity and/or economic resources. Traditional policies such as tariff discrimination, embargo, taxation, direct purchases or providing aid within this context are seen as the instruments of 'economic statecraft' in the international system (ibid.). Financial statecraft is thus regarded as a subset of economic statecraft (Armijo, 2019), connotating 'the intentional use, by national governments, of domestic or international monetary or financial capabilities for the purpose of achieving ongoing foreign policy goals, whether political, economic or financial' (Armijo & Katada, 2015, p.43). However, it should be kept in mind that modern international financial statecraft, Armijo & Katada (ibid.) underline, goes beyond targeting the specific foreign state as it aims to shape the governance and institutions of global finance as well.

This privilege of financial statecraft, however, no longer solely belongs to powerful states, Armijo (2018) remarks, as financial power and influence have been diffusing to the DECEs in international system especially since the global financial crisis which had a damaging impact on the neoliberal economic paradigm and the leading role of the ACEs by exposing their fragilities. That is to say, it has been often argued that the global finance and capital have competing multiple centres now, not only in Western hemisphere but also in the Middle East and Asia with different priorities, motivations and values. Accordingly, the countries like China and Russia have been thought to be wielding financial resources increasingly to exert more power and influence in inter-state relations (Rediker & Crebo-Rediker, 2007). Therefore, it is argued that these emerging powers not surprisingly have started to employ financial

or monetary resources much more in recent decades so as to influence international currency & capital financial markets in accordance with their political objectives.

Kamiński (2017) suggests that the scope of these intentional state actions for foreign policy objectives, i.e. statecraft, encompass a variety of instruments, including SWFs as 'investment arms of countries.' These institutions managing large reserves, according to Armijo & Katada (2015), have been developed to support foreign policy goals of the emerging powers in particular. SWF investments in this respect are thought to be contributing to (a) increasing political influence in a specific foreign state or create leverage on a host country (e.g. Chinese investments in Costa Rican government bonds in exchange for severing diplomatic ties with Taiwan or Gaddafi's efforts to break resistance from several African countries against the his project of African Union by Libyan SWF investments), (b) exercising control over strategic resources or critical infrastructure (e.g. significant Chinese investments in the U.S. financial institutions or foreign acquisition of energy companies), (c) attaining access to privileged knowledge in sensitive areas such as technology and defence (e.g. Malaysian SWF's pursuit of high technology investments) (Kamiński, 2017).

2.4.2.2. SWFs as (Neo)Mercantilist Institutions

Realist logic in IR, as discussed above, purports that states always ask 'who will gain more?' before engaging in economic interactions among them. (Waltz, 1979, p. 105). This focus on relative gains is what distinguishes realism from liberal tradition, which presumes that states are more concerned with absolute gains. For realists, relative gain as a comparative measure refers to a situation in which wealth and power of a particular state can only expand at the expense of others, and it is far more important than absolute gains (Waltz, 2001). This disharmonic view of international economic relations in fact has intellectual roots in classical mercantilism as a political doctrine and ideal-type of economic policy.[7] Although mercantilist views had different impact on scholarly studies and/or policy-making in different periods of world history in

[7] Drezner (2010) outlines three classical mercantilist policy prescriptions as follows: (i) states should ensure positive balance of trade to obtain precious metals (gold and/or silver); (ii) states should import commodities and export manufactured goods to secure such balance; (iii) commerce should always serve the augmentation of state power.

different degrees, mercantilism started to be mentioned as 'the economic sibling to political Realism' (Hough, 2004, p.100) in the 1970s when IPE manifested itself as a distinct discipline. This is why 'the first realist wave of IPE studies' is often labelled 'as merely the latest wave of mercantilism' (Drezner, 2010, p. 8).

Mercantilism in the broadest sense means a different way of organizing the state-market relations than the liberal model calls for (Rodrik, 2013). Contrary to the liberal perspective, it basically gives primacy to the state over markets on the ground that 'economic activities are and should be subordinate to the goal of state building and the interests of the state' (Gilpin, 1987, p.31). For mercantilists, the international economy is a zero-sum game wherein 'rational' state must secure maximum wealth and power for its own interest at the expense of others by pursuing different strategies (O'Brien & Williams, 2013). Mercantilism, in this regard, presents a particular understanding of how power and wealth is related independent of time and space. Viner (1958, p. 186) argues that: (i) power requires wealth as an essential mean to achieve objectives; (ii) power at the same time is absolutely necessary to acquire wealth; (iii) they both are proper ultimate goals of national policy; (iv) there is a long-run harmony between these two ends. Mercantilist policy hence is traditionally attributed to the pursuit of export surpluses so as to obtain precious metals which are thought to be demonstrating the wealth and power of a nation (Hettne, 1993). However, these precious metals, for Hamilton-Hart (2014), corresponds to foreign currency assets acquired in the form of forex reserves in today's international economic affairs. For this reason, the protectionist policies on a host of levels are required to pursue the mercantilist strategy of achieving the export-led economic growth and the current account surplus for national economic development, and therefore, national security (Hettne, 2014).

From a mercantilist standpoint, this strategy of protectionism has involved a variety of policies throughout the history of capitalism, nonetheless, the discouragement of domestic consumption and the control of capital mobility among many others have essentially come to the forefront enough to characterise the contemporary pursuit of promoting capital development and increasing foreign reserves, that is often conceptualised as 'neomercantilism' in the literature (Belesky & Lawrence, 2018;

Okeke et al., 2018). Aizenman & Glick (2007) suggest that SWFs may seem like an unintended consequence or a by-product of the accumulation of international reserves derived from the persistent current account surpluses in developing and emerging economies. However, according to the mercantilist scholarship, these institutions have naturally become a part of state power as an instrument at the disposal of sovereign governments, especially that of emerging powers, to challenge the status quo in the international economic order shaped by liberal principles and values (Overbeek, 2012). Gilson & Milhaupt (2008) maintain that *SWFs function as a mechanism of state involvement in economy, and thus, they are in essence important components of new mercantilism that seeks for maximizing the value of the country as a unit with the increase in the role of the government as a coordinator and/or direct participant in this effort.* Given their disadvantaged position in the playing field compared to the advanced economies, developing countries, these scholars (2008, p. 1346) lay stress, aim to 'ensure that company-level behaviour results in country-level maximization of economic, social, and political benefits' by acting through SWFs.

2.4.2.3. SWFs as Institutions of 'Investor States'

Realist/mercantilist political economy is no doubt presents a state-centric account of social inquiry about socio-political and economic relations in the world today. Globalization in this respect is not something that transcends nation-states, but a process conditioned by themselves according to this perspective. It would not misleading suggest that there are also other scholars who share a profound scepticism towards globalisation arguments especially in comparative politics field. For Hirst & Thompson (2000, p. 98), for instance, globalisation 'has a powerful image that mesmerizes analysts…It is a fashionable concept, a dictum in the prescriptions of management gurus, and a catch-phrase for journalists and politicians of every stripe.' It is nothing but a myth, for many sceptics whose studies are primarily based on a statist-institutionalist framework. Globalist assumptions putting adjectives like 'diminished', 'defective', or 'hollow' in front of the state, Evans (1997) suggests, are dubious in the recent contemporary analyses. They are in fact, he (ibid.) adds, the upshot of an ideological construction, which have no explanatory value providing a ground to speak on 'the eclipse of the state'. The state in this regard as an autonomous

unit, for statist-institutionalists, rather preserves its pivotal role in the international economy as it continues to retain power and capacity to pursue its own objectives, which are not straightforwardly constrained by the global market-forces.

Evans (1997, p. 67) in this respect asserts that the connection between state power and globalisation process 'is not as straightforward as it might first appear'; the perceived evaporation of state authority due to 'economic globalisation' does not reflect actual reality since the transnational capital needs capable states as much as domestically-oriented business. The operations of the international monetary and financial systems, or trade, for himself, would quickly descend into chaos without responsible actors in the interstate system. The reason behind the assumption that globalisation does dictate eclipse, Evans (ibid., p. 74) argues, is 'the Anglo-American ideological prescriptions that have been transcribed into formal rules of the game, to which individual states must commit themselves or risk becoming economic pariahs.' L. Weiss (2005a) likewise holds that it is unwise and misleading to think that the state is now simply a superannuated residual authority with less capacity and responsibility since the economic integration brought 'state-augmenting' and 'state-reinforcing' effects in key policy areas at the same time. Hence, the state is neither loser nor winner of our time, within this perspective, as what has been witnessed seems more like the growth of the state and the global corporations and multilateral institutions hand-in-hand. Weiss (ibid., p. 346) argues that 'transnational and national economic interaction have surged together, not one at the expense of the other…and contemporary global networks remain intimately entwined with the domestic structures of nation-states.' It implies that globalisation is rather a process of 'structural and political entwinement', i.e. mutual reinforcement, rather than of power displacement.

For Weiss (2012), the states' major role in contemporary global political economy has become more visible especially after the financial crisis in the last decade as their role has been apparently valorised with the new areas of state activism rather than diminished in accordance with the expectations fostered by 'globaliser-cum-neoliberal' approaches. *The proliferation of sovereign wealth funds during the 2000s in this respect is grasped in term of the manifestation of state activism in a new form*

and the state's involvement in the economy as an investor (Weiss, 2012). These 'investor states', according to this perspective, not only aims to deal with financial volatilities in global markets by utilizing the SWFs as "insurers of last resort in underwriting domestic economic growth and consumption", but also pursue developmental goals by SWF investments in high impact and growth areas (Weiss, 2012, p. 33-34). To demonstrate this new active investor role of national governments in global financial markets, Helleiner & Lundblad (2008) similarly posit SWFs at the centre of discussion concerning the impact of capital mobility in the international system. For them, at the height of 'globalisation' during the 1990s, it was very clear that a substantial body of IPE literature tended to see the increasing capital mobility as an inevitable consequence of global financial integration which supposedly led to the erosion of states' policy autonomy (cf. Andrews, 1994; Strange, 1996; Cohen, 1998; Cerny, 1999). It has been common in those accounts that the global finance and capital mobility systematically constrains the state policy-making by either punishing or rewarding its behaviours (Alami, 2019). However, for Weiss (2005b), states have the capacity to transform itself into investors so as to become a market player and benefit from capital mobility. Thereof, Helleiner & Lundblad (2008) point out that the rise of SWFs recently indicates the intensification of this phenomenon in the sense that the state authority is asserted in global finance through being part of the very structure of capital mobility rather than responding externally or regulating it. Especially developing and emerging economies in this respect, these scholars (ibid.) assert, have achieved the greater potential to have an impact on the priorities of global markets by becoming a significant component of it thanks to the agency of SWFs.

2.4.2.4. SWFs as Instruments of (New) State Capitalism

It is apparent that SWFs are naturally come under close scholarly scrutiny as a part of renewed interest in the role of state in economic affairs at both domestic and international levels. Especially, the recent developments in world economy after the traumatic events in 2008 indeed has further sparked the intense debates about how extensive state involvement in the wake of global financial crisis can be grasped. For many, like realists in IPE/IR or neo-Weberian institutionalists, national states have

always been there, therefore, talking about 'return' of them is not meaningful. For other scholars, however, it is more appropriate to talk about the resurgence of state power, implying the emergence of *state capitalism in a new form.* Although there is no precise consensus about what exactly defines state capitalism (Alami & Dixon, 2019), there is a strong tendency to purport that it '*represents a genuinely new development different from mercantilism or a paradigmatic change towards a new type of capitalism*' in which institutions like SWFs reflects its novelty (Aligica & Tarko, 2012, pp. 359-361).

In this respect, contrary to the liberal standpoint that emphasises the rational character of SWFs as market actors, it has been argued that *SWFs are the manifestation of the resurgence of state power* and its increasing control over markets on a global scale. The government-ownership of these investment institutions in fact, for many, is the crux of the issues surrounding them rather than being a non-essential aspect. From such a perspective, the growing significance of SWFs in terms of asset size and numbers signals that 'the state back in business' with new means of intervention in economies (Kurlantzick, 2016). Hence, it is frequently argued within this context that the more visible and increasing role of the state in managing the economy both domestically and internationally via different tools including SWFs poses a serious question about the future trajectory of contemporary capitalism as it brings the prevalence of neoliberal consensus under scrutiny particularly after the global financial crisis of 2008 (Şimşek & Eren, 2018). Here the concept of 'state(-led, -permeated) capitalism' as a category of analysis has been deployed to provide plausible explanations regarding the active government involvement (or state activism) in the economic sphere, especially for the developing and emerging countries,

Bremmer (2011) defines state capitalism as "*a system in which the state dominates markets, primarily for political gain*" (p. 65). Musacchio & Lazzarini (2014) likewise suggest that the exercise of government influence over the economy by different means is the defining element of 'state capitalism.' It is thereof necessarily contrasting with the free-market-based capitalism of the Western-dominated liberal economic order in these accounts. Kurlantzick (2016) asserts that it is a real potential

and threatening alternative that undermines the very basis of the existing order. As a contender to the Western vision, Nowacki & Monk (2018) lay stress, state capitalism has been gaining legitimacy at an unexpected level across the world. Notwithstanding McNally (2013) share this perspective that state capitalist practices visibly contradict with neoliberal market principles, he also notes that state capitalism of our age quite differs from earlier instances like the political economy frameworks characterised by socialist central planning, on the ground that the former features purely practical political gains as opposed to the latter which was driven by some ideological principles. The activist role played by the governments of the emerging market economies such as China, Russia and Brazil in this sense has been depicted as examples of 'refurbished state capitalism.' Nölke (2014) accordingly put forward that this activism of 'third-generation late developers', aimed at not only protecting themselves from global competition but also improving their relative position in the international economy by using sophisticated policy tools, denotes 'state capitalism 3.0', representing the new wave of state capitalism in the world history.

Therefore, it would not be misleading to propound that there is a tendency among the advocates of state capitalism to differentiate new forms of state intervention. SWFs in this sense appears as investment vehicles that enhance the state activism of the new era. As McNally (2013) portrays, SWFs undoubtedly have become '*the major plank of contemporary state capitalism*.' Bremmer (2011) observes that the political authorities use intermediary institutions to manage state capitalism, and along with the others like state-owned enterprises (SOEs), national oil and gas corporations (NOCs) and privately-owned national champions, SWFs under the direct influence of the governments perform this task through using the profits generated from strategic investments abroad. They are mainly 'piggy banks' of new state capitalism that help to the recapitalisation of the state sector and financing the infrastructure development, Bremmer (2008) advocates. Lyons (2008) in a similar vein argues that the state capitalism cannot be understood properly if the efforts of the governments to make strategic overseas acquisitions are not taken into account. SWFs as the government-controlled asset pools, therefore for himself, are the constitutive aspect of state capitalism especially in the developing and emerging countries as they strive

to increase their influence on global financial markets by making strategic investments in sensitive areas within the developed countries.

2.5. Critical Assessment of SWF Literature

SWF literature is mounting up with each passing year, although it is still relatively thin as compared to the other state-owned institutions. Even so, there have been significant contributions to the understanding of such phenomenon. This chapter illustrates that SWFs have been subject to scholarly and or practical interest from academics from diverse disciplines as well as international organisations. Research interests seem to concentrate on three key themes; defining, classifying and making sense of these institutions in relation to international politics, world economy and globalisation. Firstly, there have been a series of initiatives to provide a definition of SWFs. It may seem quite odd at first glance that these attempts to define SWFs took place nearly a half century after their emergence in modern sense.[8] However, it is the historical conjuncture that has provoked these endeavours; SWFs have ironically gained prominence in global finance just after the so-called triumph of globalisation forces. The attempts aimed at overcoming the definitional challenge, therefore, are driven by some sort of pragmatism. Our review illuminates that the task of defining the SWF contains the task of regulating these institutions within itself.

Secondly, this last point also applies to the question of classifying the SWFs. Descriptive classifications in the literature especially (e.g. those focusing on financing resources and/or explicit objectives) made by whether international bodies or individuals enjoy same motivation. This assessment does not downplay the informative aspect of such a categorisation. The point is rather that these typologies are not instrumental if the real concern is about developing a sophisticated and comprehensive account of SWFs. Interpretive classifications, on the other hand, is more responsive to what is missing in the descriptive ones as they go step further by looking at the 'essential' functions of these institutions. How SWFs function in tandem with different underlying motives to realise 'macro objectives' if there is any in this regard is here under close scrutiny. They in this respect incorporate social,

[8] For historical investigation of SWFs, see Chapter 4.

political and economic power dynamics into the analysis. Although this contribution deserves praise, it must be noted that such an effort, however, remains weak due to the problematical methodological foundations.

Our study, thirdly, identifies that there are various theoretical interpretations regarding what does the rise of SWFs tell us about the interactions between politics and economics, states and markets, international and national politics. On the one hand, those suggesting that SWFs may act as benign market actors underline how economic rationality takes precedence over any other premise. This perspective puts forward that such rationality directs SWFs to structure their governance according to the standards established by the international regime and pursue financial investments in conformity with the market principles. There is here a priori acknowledgement of that the market principles in essence are the organizing elements of all societal relations. Hence, the corruption and/or rent-seeking potential of state involvement by no means is refused. It seems that the focus is rather directed towards the regulation of SWFs to circumvent such capabilities, connotating some sort of second-best solution in developing a policy dealing in the current situation. For the liberal current, accordingly, the overarching impact of economic logic to mitigate political risk at the global level should not be underestimated, and SWFs have a salient tendency to act as professional responsible investors with a profit-maximization goal if they are closely supervised by the regulatory institutions.

This liberal standpoint above apparently excludes crucial aspects concerning the social and political power relations in considering SWFs because of the implicit acceptance of the basic assumptions of neoclassical economics. Furthermore, there is a careful effort to underscore the determinative influence of international level over national context in this perspective. On the other hand, political rationality appears as a vital point in the state-centric analyses at different levels of abstraction. Whether SWFs represent a new mechanism of state capitalism, or an instrument of neomercantilism, or an institution of investor states, or an initiative for financial statecraft, what is crucial to these interpretations is that politics (state power) predominates economics (market relations) and that SWFs investments made by nation-states in global markets are the incarnation of such logic. Hence, it is

commonplace to assert that the rise of SWFs implies the resurgence of the state (power) vis-à-vis the market forces. Furthermore, at the international level, the status-quo of the liberal economic governance based on the ultimate belief in the effectiveness of free markets is in this respect thought be challenged by the late developers whose economic activities are overwhelmingly characterised by strong state intervention. This distinction resembles what Van der Pijl (1998) calls the conflictual relationship between the liberal 'Lockean Heartland' and 'Hobbesian contender states'. It means that the contest for wealth in the world economy more-or-less mirrors the power struggle in 'international relations', which is understood in terms of the interactions between "(ontologically prior) national units" (Overbeek, 2012, p. 146). The state in this respect remains as a static 'black box' (Jessop, 2016), isolated from its generative social relations (Budd, 2013).

It seems that all theoretically informed assessments locate SWFs at the centre of 'a sort of tug-of-war between market forces and state attempts to control or direct them' (Underhill, 2000, p. 806). These explanations obscure more than they reveal about the real significance of SWFs in contemporary capitalism. This problematical aspect essentially stems from the positivist-empiricist methodological and epistemological foundations of IPE and IR theories in making sense of these institutions. Binary oppositions between international and national, and/or, politics and economic prevails in the mainstream IPE/IR studies due to these foundations, and they cause substantial deficiencies in the understanding of SWFs. First of all, the mainstream scholarship notably address things-as-they-are and take institutions and social relations for granted instead of 'calling them into question by concerning themselves with their origins' (Cox, 1981, p. 129). Burnham (1995, p. 136) suggests that 'the state is fetishised whilst the market is dehistoricised and viewed as a technical arena in which the 'external' state intervenes' in these works. (quoted in Bieler & Morton, 2006, p. 157). This is why the study of SWFs in the literature is often reduced to the identifiable actions of states and policymakers. It is a serious shortcoming since it makes the mainstream approaches in IPE/IR *ahistorical* in nature. To the extent that the historical development of capitalism with its complexities and contradictions is neglected, they consequently fall short of explanatory power and adequacy to account for why states chose to establish SWFs in the first place.

Furthermore, the mainstream accounts not just neglect historical context but also rule out the spatial dimension of capitalist development in their analyses. Notwithstanding acknowledgement of the uneven playing field in inter-state relations, scholars tend to perceive the issue in terms of state capacity and power disparity rather than the underlying dynamics of uneven geographical development of capitalism on a world scale (see Harvey, 2002). They in this respect inevitably fail to genuinely make sense of the SWF establishments, especially in developing and emerging countries, within the context of the variation of practices, instruments, institutions and policies in different national political-economic conditions (Alami, 2018), which are inherently shaped by 'the systemic processes of capital accumulation and uneven integration into the global economy' (Taylor, 2014, p. 130). These drawbacks at the same time typically breed intentional trivialisation or complete disregard of diverse domestic political-economic underpinnings in analysing SWFs owing to the exclusive reliance on the pre-formed states as unitary actor behaving according to its power and capacity with pre-given rationalities.

CHAPTER 3

POLITICAL ECONOMY OF SOVEREIGN WEALTH FUNDS

3.1. Introduction

Our critical assessment of the SWF literature in the Chapter 2 reveals that the existing interpretations of these institutions carries certain serious shortcomings. Binary oppositions between politics and economics, and between international and national levels are what characterise these different perspectives on SWFs. They as such foster an understanding based on directly observable features without taking into the account neither the underlying social relations nor historical specificity of SWFs in capitalist development. It means that SWFs merely appears as institutions exclusively controlled by political authorities to achieve a broad array of objectives, which for some, may have potential to damage the well-functioning of international economy. Ollman (1992, p. 11), however, reminds that the reality is always more than what is simply observed, and 'focusing exclusively on appearances, on the evidence that strikes us immediately and directly can be extremely misleading.' There must be an attempt to uncover the essential relations in this respect, that 'unlike phenomenal forms, need not be transparent to direct experience and observation.' (Yalman, 2010, p. 110)

Capturing the SWFs within the complex dynamics of contemporary capitalism in this respect requires a theoretical exegesis adequate to the task that does not calculate on untenable dualisms. There must be an analysis of SWFs, therefore, that grasps them from a holistic and historical perspective. For such purpose, SWFs should be located within the configuration of economic and political landscape in the world today, that is fundamentally characterised by *'globalisation, neoliberalism and financialisation'* (Epstein, 2005, p. 3). In doing so, it is of utmost importance that each of these notions

must be revisited from a critical vantage point to remove ambiguity surrounding them and clearly display what are the underlying impetuses behind the creation of SWFs in the contemporary capitalism. This chapter, thus, intends to embark upon the development of an alternative understanding on SWFs based upon the premises of Marxian political economy and historical materialism in a social inquiry so as to fulfil such mission.

To do this, first of all, the mainstream conceptualisation of globalisation in the IPE/IR literature should be put under close scrutiny. Considering that SWFs are usually discussed in terms of the significance of sovereign ownership in the era shaped by the dominance of globalised markets over nation-states, a critical inquiry should re-examine the question that how the relationship between globalisation and the state can be understood in a way that overcomes the pitfalls of mainstream scholarship on the issue. This chapter in this regard, initially, intends to provide an explanatory framework about globalisation and the state based on historical materialist perspective that overcomes state-market dichotomy. It would serve us to discern that *the rise of SWFs as state-owned institutions cannot be simply seen as the reassertion of state sovereignty against markets; because the state has always been there in making of 'global' capitalism.*

The chapter, secondly, dwells on the historical importance of neoliberal turn in the capitalist development for our discussion. Given the fact that *SWFs are essentially financial investment vehicles that operates across the globe for diverse objectives and they have grown substantially in the last four decades with the reorganisation of world market that allows the unrestricted spatial mobility of capital,* any attempt to make sense of these institutions must include a critical understanding on how financialisation and internationalisation has come to predominantly characterise the current phase of capitalism especially with the ascendancy of neoliberalism as a system of accumulation that is strongly influenced by the US hegemony in international political economy. It is here in this respect suggested that *SWFs should be seen as historically-specific institutions that emerged at certain period of capitalist development*.

This chapter, however, explicitly notes that the deepening of internationalisation of capital with the neoliberal turn underpinned by financialisation has different implications for the transformations in the DECEs. Hence, it is significant to investigate what are these implications for our study since *if few exceptions are put aside SWFs are primarily developing and emerging country phenomenon; these sovereign investors overwhelmingly originates in the economies that occupy subordinated positions in the hierarchy of world market*. Thirdly, this chapter in this sense contends that *the emergence of SWF as an institutional innovation is directly related to the subordinate financialisation in the DECEs,* that manifests itself mainly in the form of the vast accumulation of foreign exchange reserve as a result of the increasing capital flows and/or current account surpluses. More precisely, *these institutions, on the one hand, are products of a reaction on the part of DECEs to create an mechanism to avoid, or alleviate, the detrimental effects of subordinate financialisation on their economies; on the other hand, paradoxically, they function as a vehicle that channels the accumulated wealth to ACEs via international financial markets.*

3.2. Overcoming State/Market Dichotomy: Historical Materialist Perspective

3.2.1. State/Market Dichotomy in Mainstream Approaches

Our discussion in the previous chapter on different perspectives in IPE/IR and other disciplines concerning the relationship between politics and economics, and between international and national spheres reveals that the mainstream scholarship reproduces *the state/market dichotomy* in certain ways. It means that the world is divided into autonomous and discrete parts to which states and markets as self-organising components of society correspond (Bruff, 2011). They, put it differently, are understood as 'distinctive domains, with their own logics and principles' (Yalman, 2016, p. 240), and interacting with each other only externally. This distinction as 'a common denominator' is in fact what unifies competing accounts (Erol, 2016) that "conceals the simple fact that economic development is a complex amalgam of processes and outcomes derived from capital accumulation, where state and market—

and their interaction—are themselves attached to the economic and political relations and interests which act upon them." (Fine, 2013, p. 25).

Historically, this view of the state and market as opposing and distinct forms of social organisation is deeply rooted in the intertwined processes of 'desocialisation and dehistoricisation' of economic relations (Milonakis & Fine, 2009). Prior to the *marginalist revolution* of the 1870s 'the science of economy' had been seen as part of wider social context. There had been a sort of methodological holism attributing to primacy to the social whole in the works of classical political economy as a unified social science. Marginalists however, as Milonakis & Fine (ibid., p. 8) put it, have detached the economics from its social and historical context by replacing the holistic methodology with the methodological individualism. This distinction between the economic and non-economic had broad implications for social sciences in general, and particularly, it shaped the understanding of the way in which social relations are conceptualised. Burnham (1994, p. 223) remarks that marginalists have redefined the economics as the science of rational action which studies the behaviours of 'isolated utility maximizing individuals expressing their subjective preferences in a taken-for-granted market situation.' This methodological shift has featured, first and foremost, abstract individual as a primary unit of social and economic life; secondly, it has limited the scope of economics with the market relations and universalised the basic conceptual principles in terms of content and application (Milonakis & Fine, 2009, p. 110).

On the other hand, there has been consolidation of neoclassical economic thought, that follows the principles established by the marginalist revolution, in the 1930s with the introduction of *positivism* into economic methodology. This development was a product of the triumph of a particular perspective concerning what social scientific research is about. Positivist philosophy of science in this respect started to dominate social inquiries to the extent that it was able to impose certain principles that any 'scientific' research should necessarily follow. It also brought further disassociation of 'sciences' with clear boundaries. Positivism in broad sense envisage a scientific social inquiry in which knowledge-generation is confined to 'observable things' out there without any value judgments (Jäger et al., 2016). These observable objects at

the same time constitute what is the real in positivism. Positivists, therefore, reduce the question of what the world consists of (ontology) to the question of how humans can understand this reality (epistemology) (ibid.). This is, what Bhaskar (2008) calls, *epistemic fallacy*, connotating to the misidentification of ontology with epistemology. Contrary to positivist assumptions, Bhaskar (ibid.) however, insists that there is always an *implicit ontology* in practice behind any methodological approach.

Mainstream studies in IPE/IR in this regard share a commitment to the positivist/empiricist epistemology and implicit *atomistic ontology*, (Gill, 1993) that conceptualise the social universe "in terms of abstract individualism, whereby primordial units—whether individuals or states—compete for relative shares of wealth and power-conferring resources." (Ayers, 2008, p. 4) For instance, according to the orthodox scholars especially, the generation of scientific and reliable knowledge that is testable against external evidence is the achievement of IPE (Amoore, 2002). On the other hand, for many, IR scholarship should be seen as "an objective inquiry that is concerned with uncovering verifiable facts or regularities of world politics and is based on valid scientific research techniques" (Jackson & Sørensen, 2007, p. 281). These points indicate that there are 'real objects and forms of agency' that are objective and ontologically isolated from each other (and externally related) in the field inquiry due to the epistemological and ontological foundations of the mainstream scholarship (Cafruny et al., 2016). These foundations thereof form a basis for the adherence to binary oppositions like state/market and/or international/national divide.

3.2.2. Historical Materialism and Marx's Methodology

It is apparent that mainstream approaches reflect the characteristics of '*problem-solving theory*' which 'takes the world as it finds it' (Cox, 1981, p. 128-129). On the other hand, it is of utmost importance that *a critical inquiry* should be made to revisit the reality as relations and process by replacing the common-sense notion of 'thing' (Ollman, 1992, p. 13). These relations, however, ought not to be comprehended as 'logically independent of one another where each *relatum* is taken as a self-subsistent entity apart from the other' (Bieler & Morton, 2018, p. 12). As opposed to the

atomistic and mechanistic understanding, the social reality should be seen as a whole (Jäger et al., 2016), comprised of 'complex network of internal relations, within which any single element is what it is only by virtue of its relationship to others' (Sayer, 1987, p. 19). This philosophy of internal relations hereby helps us to elude the pitfalls of mainstream scholarship by demonstrating that how seemingly independently constituted and separate, therefore, externally related components of social life, e.g. politics and economics, are in essence mutually constitutive, historically constructed, and therefore, internally related (cf. Bruff, 2011; Macartney & Shields, 2011; Cafruny et al., 2016). A relational ontological understanding in this respect is a 'hallmark of historical materialism' (Bieler & Morton, 2018, p.13), that is in sharp contrast to the conventional Western modes of thinking on the scientific research in social sciences (Brien, 2015).

Historical materialism, for Sayers (2015, p. 27), 'presupposes the philosophy of internal relations', and this notion of internal relations along with the idea of totality or unity are foundational in Marx's materialist conception of history and the critique of political economy. There is a methodological holism in Marx's works, assigning primacy to the social whole or totality instead of abstract individual, and Marx intends to reveal the true essence of things by going behind the mere appearances (Milonakis & Fine, 2009, p. 13). All science, Marx (quoted in Jessop & Wheatley, 1999, p. 98) remarks, 'would be superfluous if the outward appearance and essence of things directly coincided.' This divorce between form (appearance) and reality (essence) in fact is the central aspect of Marx's dialectical investigation (Fine & Saad-Filho, 2004). His method of inquiry begins with surface appearances as immediate reality surround us. The appearances however both represent and conceal certain fundamental aspects of complex social relations as they are only part and parcel of the reality itself (ibid., p. 5). Departing from 'real concrete', Marx reaches 'concrete-in-thought' as 'the reconstituted and now understood whole present in the mind' through the method of abstraction that breaks 'the whole into the mental units with which we think about it' (Ollman, 1992, p. 24). This vantage point, as Harvey (2018) puts, enables the radically different interpretation of the world through the lenses of Marx's methodology.

His contributions to the understanding on 'the economic law of motion of modern society' (Milonakis & Fine, 2009, p. 13) in this respect genuinely 'attempts to explain why phenomena take the forms in which they appear' (Yalvaç, 2010, p. 179). In doing so, Marx reveals 'the hidden essence in capitalist life' (Ollman, 2014, p. 577), by exposing that 'value-producing' process of labour and the social relations of production are simply turned into the economic categories under the CMP (Yaffe, 1973, p. 188). For Marx, economic categories 'bourgeois economy' such as value, money etc. are 'only the abstract expressions of the real, transitory, historic, social relations' and 'only remain true while these relations exist' since they are not eternal categories but 'historical laws which are only laws for a particular historical development.' (quoted in Thompson, 1978, p. 54). That is to say, 'they are forms of thought expressing with social validity the conditions and relations of a definite, historically determined mode of production' (Holloway, 2019, p. 234)

3.2.3. Non-Reductionist Marxist Theory of the State

Central to Marx's historical materialist account is the comprehension of capitalism 'as an epochal and historically specific set of social relations' (Teschke & Wenten, 2016, p. 157), in which surplus value production, i.e. class domination or the relationship between capital and wage-labour, takes a 'purely' economic form. Considering that the class struggle is the dynamo of all history of social development of humankind in Marx's historical materialism, such account illuminates how class struggle is historically form-determined in different historical societies. Surplus value production in this regard is the particular historical form assumed by the class struggle in capitalist societies (Holloway & Picciotto, 1991). Class domination in capitalism, i.e. capital relation, is however mediated by the commodity exchange between the 'free labourer' and the capitalist. It means that as long as the wage-labourer sale his/her labour power freely in the market and the capitalist turn his/her money into capital in this process, there is no direct physical subjection of the worker to the appropriator of surplus production in this respect.

This is what distinguishes capitalist social relations from pre-capitalist societies as 'the immediate process of exploitation' does not involve direct use of physical force

anymore (Holloway & Picciotto, 1991, p. 101). Wood (1995, p. 44) remarks that 'surplus extraction ceases to be an immediately political issue' in capitalism. It is the point at the same time where 'economic' and 'political' spheres are separated in a fantastic manner. The market itself, as Wood (1981) maintain, has become as a significant force that imposes 'impersonal systemic requirements' in the course of the emergence of capitalism due to the 'detachment of economics from politics.' Notwithstanding that 'the impersonal laws of the market' regulates the relationship between the appropriators and the producers, and makes both dependent on the market to reproduce themselves, the capitalists however still needs the state power, i.e. 'extra-economic coercion', to underpin their economic power as long as the state provides predictability and stability to support the process expropriation in a legal and institutional framework (Wood, 1981).

This historically-determined separation of economics and politics is then both real and illusion (Holloway & Picciotto, 1991, p. 102); On the one hand, the state only exercises the extra-economic coercion since the locus of economic power does not directly correspond the political power in capitalism. There is a private surplus appropriation mediated by the market that appears a socially disembodied and technical sphere in this regard (Rosenberg, 1993, p. 91). On the other hand, the state appears an autonomous entity due to such institutional separation, and it conceals the class struggle under the mask of 'neutrality' to the extent that the state is 'seen as a thing standing apart from other things' (Holloway & Picciotto, 1991, p. 102). Put differently, the state acquires a phenomenal form as neutral public institution that stands 'alongside and outside bourgeois society' (Holloway & Picciotto, 1978, p. 23). Poulantzas (2000, p. 26) in this respect underlines that this 'formal' separation does not mean a real externality between the state and the economy, instead it 'is nothing other than the capitalist form of the presence of the political in the constitution and reproduction of the relations of production.'

The state in capitalist societies therefore is not an impartial political entity independent of civil society. Nor it is simply entitled to maintain the general external conditions of capitalist production. The (capitalist) state is 'rather a relationship of forces, or more precisely the material condensation of such a relationship among

classes and class fractions, such as this is expressed within the state in a necessarily specific form.' (Poulantzas, 2000, p. 128-129) The state is a social relation in this sense (Jessop, 2018, p. 45), and it is by no means class-neutral despite its appearance as 'a representative of the general will and interest' (Poulantzas, 2000, p. 156). The class character of the state becomes evident with its role in the creation, maintenance or restoration of the conditions for the contradictory continuity of capital accumulation (Jessop, 2018, p. 56). These endeavours denote the 'presence-action' of the state within the economy (Poulantzas, 2000, p. 19), rather than being external to the capitalist relations of production and the class struggle.

3.3. Reframing Globalisation as Internationalisation of Capital

As opposed to the relational understanding outlined briefly above, the mainstream theoretical approaches tend to rest upon the false dilemma that fallaciously treat the state either as a thing-instrument or a subject (ibid., p. 131); this erroneous 'eternal counterposition' (ibid. p. 129), on the one hand, leads the globalist standpoint to take recent economic trends as an *explanan* and declare the state as a victim and/or a passive agent constrained by global developments in economic sphere. The myths of a nascent cosmopolitan democracy and equalizing world market in this respect masks the persistent underlying contradictions of capital accumulation on a world scale and the role of nation-state in managing these contradictions; therefore, there is a selective blindness on the uneven development of capitalism that reproduces the existing patterns of hierarchical organisation of the world market characterised by the relations of domination between states (Albo, 2004). On the other hand, the sceptic assumptions are inclined to grasp the state as an *explanan* and portray it as an autonomous institution that has *sui generis* powers at both domestic and international level. Although the latter position in globalisation debate is rightful in telling that 'national' still matters against the deterritorialisation claims, it obscures the capitalist social relations to the extent that the state is not considered *explanandum* itself (Yalman, 2010, p. 119), and it misleadingly presents both the space of state action and the space of capital accumulation as primarily national (Oğuz, 2015, p. 337). Historical materialist analysis based on a relational perspective on the state however delivers a radical alternative thinking against these misinterpretations: what should

to be done is to reframe the globalisation as *internationalisation of capital* to efface the ideological veneer surrounding the globalisation paradigm. To do so, it is imperative to begin with unfolding the core characteristics of capitalist development in a historical perspective and demonstrate the interplay between nation-state and the world market throughout the historical process.

Capitalist development, as Poulantzas (1974, p. 147) point out, has been characterised by a double tendency from its beginnings: the capitalist mode of production establishes its dominance and is reproduced within a social formation, and it extends to the exterior spaces simultaneously. First and foremost, such dominance means, as Marx demonstrates in *Capital I*, the production in capitalist societies is not made for the immediate use (for *use-value*) like pre-capitalist social formations; products instead take commodity-form in capitalism as they are primarily produced for exchange in the market (for *exchange-value*) (Saad-Filho & Fine, 2004). Capitalism in this sense is a system of generalized commodity production for profit. Marx indicates that it is the labour, however, that essentially creates surplus value in the production process, and capitalist profits ultimately depends on 'the exploitation of immediate, direct or living labour' (ibid., p. 39). Such an exploitative relationship between 'free' workers selling their own labour power as a commodity itself and the capitalists as 'free' owners of the means of production illuminates that the capital deployed to produce commodities in the pursuit of profit embodies a historically specific set of social relations (Ghosh, 2012). Capital, however, 'constitutes itself as a self-valorising subject' when this social relation with wage-labour is established (Screpanti, 1999, p. 20). That is to say, once surplus value is appropriated within spatially specific places of production in the CMP (Albo, 2004, p. 91), there is its constant reinvestment to purchase the labour power and expand the means of production for 'increasing the amount of value accumulated as money.' (Albo, 2012, p. 85). It is the 'increase of value for the sake of value', denoting that 'capital, being self-expanding value is essentially a process' involving the reproduction of value and the production of new value (Saad-Filho & Fine, 2004, p. 54). This 'conversion of surplus value into capital', for Marx, is what defines 'the accumulation of capital' at the same time. Put it differently, there would not be any accumulation at all if the

capitalist did not invest the certain portion of surplus value so as to create new surplus value through the productive process.

Capital is a social relation in this regard, rather than being merely a thing or a simple resource. It involves 'the production and appropriation' as well as 'the accumulation of surplus value' (Saad-Filho & Fine, 2004, p. 54), and it is as a process in a state of constant motion to reproduce itself as value (Fine & Harris, 1979). In *Capital II*, Marx describes such motion by the circuit of capital in which capital as a social relation successively assumes different forms of *money*, *productive* and *commodity* capital. These forms thus are moments in the movement of capital to self-expand itself, constituting their respective circuits. Marx, however, divides the circuit of capital into two sphere; *the sphere of production* and *the sphere of exchange*, and locates the circuit of productive capital, i.e. the activity of the production of new commodities by the means of production and the labour power, into the former while the latter includes the circuits of money capital and commodity capital, i.e. the activities of buying new commodities as inputs for the production and selling the final products in exchange of money (Fine & Harris, 1979). These spheres, however, should not be understood as completely distinguished activities, for Marx's account, as 'the circuit of capital implies the necessity of their unity' (ibid., p. 5). Their unity, the circulation of capital as a whole, is in fact what makes the accumulation of capital possible in this respect. Capital accumulation in this regard, on the one hand, is contingent upon the reproduction of capital relation, i.e. the exploitation of the labour by the capitalist, and on the other hand, it is subject to the fierce competition between different capitalists insofar as the capitalist production is essentially characterised by the pursuit of profit rather than being set out to meet the needs of human satisfaction or happiness. Competitive imperatives in this respect, on the one hand, drives the tendency towards the concentration and centralisation of capital, and on the other hand, compels the capitalists to constantly search for expanded market whereby the circuit of capital may be completed and realised (ibid., p. 147). This is why, in *Grundrisse*, Marx (1973, p. 408) maintains that the concept of capital itself contains the tendency to create the world market, therefore, 'every limit appears as a barrier to be overcome.'

Likewise, in *Communist Manifesto*, Marx & Engels (2008, p. 38) underlines that: 'the need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.' Panitch & Gindin (2012, p. 4) within this context reminds us that the deepening of economic ties within and between particular territorial spaces is the core aspect of capitalist development. Capital accumulation, therefore, as Fine & Harris (1979, p. 147) suggest, necessarily produces both the spatial expansion beyond national boundaries that dissolves the pre-capitalist social formations and the *internationalisation of capital* due to the competitive imperatives acting as a motor-force. Internationalisation in this regard, Hanieh (2016, p. 19) explains, basically means the conquest of the whole earth by capital that seeks the ways of increasingly rapid, unrestricted and free flows across the world. It is in this sense an inherent tendency within the process of capital accumulation, which 'always occurs within the context of world market' (Albo, 2012, p. 87). Palloix (1977), however, warns us that internationalisation of capital cannot be truly understood by a functional analysis alone, that treats the internationalisation simply as a movement of capital beyond national borders. Such interpretation, for himself (ibid., p. 20), remains purely descriptive and it is not enough to define the process of internationalisation; therefore, there should be also a structural viewpoint in the analysis, that 'considers the process of internationalisation to be included in the very movement of capital itself, as internal and essential, at the very heart of the contradictory process of the expansion of capital.' (ibid., p. 17) Internationalisation thus refers to the self-expansion of capital through assuming different forms, which 'can no longer be fully realized inside of a single capitalist social formation' (ibid., p. 20).

Internationalisation of capital in this respect assumes three different forms by the expansion of the circuits of commodity, money and productive capital respectively (cf. Palloix, 1975a; Fine & Harris, 1979; Albo, 2004). As Ivanova (2013, p. 64) puts it, the outward expansion of these forms of capital has been the major driver of the internationalisation process with its consecutive and overlapping stages in the historical development of capitalist social relations. In retrospect, there has been the internationalisation of commodity capital initially through the intensification of international trade in the 19th century. The search for expanded market on the part of

national capitals to realise the capital accumulation has sparked this process of increasing export of goods (and later services) produced by capitalist firms for the sale on the world market (Fine & Harris, 1979). Internationalisation of money capital, secondly, has begun to accompany the internationalisation process of commodity capital in the latter half of 19th century as the latter not only led to the increasing demand for loans to promote exports with the development of modern banking and credit system but also generated mass profits that can be reinvested in foreign outlets for more profits through the export of capital in diverse forms including foreign portfolio investments (Ivanova, 2013). Lastly, the productive capital has become internationalised especially after the World War II with the emergence of multinational corporations (MNCs) controlling the production processes which are divided into and located within different national spheres. It is appropriate to argue that internationalisation of production represent a crucial turning point in the history to the extent that it has come to shape contemporary capitalism profoundly.

Bryan (1995, p. 427) notes that internationalisation of capital emphasises the spatial mobility of capital; it involves the spatial expansion of capital transfers as well as individual capitals. The former in this respect includes financial investments and commodity trade, whereas the latter refers to the MNCs or transnational corporations (TNCs). It is the unprecedented intensification of such spatial mobility of capital lately in fact what constitutes the very basis of globalisation arguments as discussed above in the first section of this chapter. Nation-states within this context is thought to be withering away or considerably losing the control of their economies in the face of the recent developments in international economy such as trade liberalisation and financial deregulation etc. There is an obvious tendency in this regard to see internationalisation as deterritorialisation of social relations, shared by not only the globalist stance but also the certain school of thoughts within the Marxist tradition.[9] It is however misleading to argue that the internationalisation of capital either suppresses or by-passes nation-states (Poulantzas, 1974, p. 167). Notwithstanding that 'the circulation of commodities and the distribution of value in exchange flows is potentially not bound to any particular place' (Albo, 2004, p. 91), Tsoukalas (1999,

[9] For extensive review and the critique of deterritorialisation claims made by some Marxist scholars, see Oğuz (2005).

p. 58,67) suggests, the exploitation of labour as the defining element of capitalism, i.e. the production and appropriation of surplus value within the overall process of capital accumulation, have to take place within the national boundaries of 'specific societies organised as sovereign states' rather than in a 'trans-territorial vacuum', since the juridically-given territorial context consistently ensures the extended reproduction of capital accumulation by providing the necessary mechanisms within the coherent socio-economic and legal environment. Panitch (1994) in this respect underlines that internationalisation of capital (or so-called globalisation process) did not diminish the role of the state by no means. It is rather 'a *historical* and *geographical* process mediated by *states'* (Oğuz, 2005, p. 5). 'The role of the state has been continuous', Palloix (1975b, p. 12) holds, 'but it has varied during the different phases of internationalization, depending upon what the internationalization of capital has implied for the management or sanction of the law of value by the state'. (quoted in Oğuz, 2005, p. 12)

3.4. The Post-War Capitalism and the Ascendancy of Neoliberalism

Marxian political economy, as discussed above, so far inform us that capitalism, on the one hand, is a social system that is driven by the competitive imperatives to accumulate capital within the context of world market in all times and spaces. On the other hand, however, it has always been conducive to differentiation prompted by 'temporally and spatially specific processes of accumulation and stratification, and particular class relations necessary for the production of value' (Albo, 2012, p. 85). It is, therefore, crucially required to both interrogate the CMP with its distinct 'laws of motion' as an abstract-formal object and investigate the diverse historical forms varying across time and place so as to study capitalism from a critical perspective (ibid.). Then it is a significant question that how such differentiation could be captured in a given conjuncture? The prism of *the systems of accumulation* (SoA) enables us to investigate the historically-specific variations of capitalist development in this sense (Saad-Filho, 2019, p. 6).

The SoA, as Saad-Filho (ibid.) suggests, is 'the instantiation, configuration, phase, form, or mode of existence of capitalism', that expresses 'the form of the capital

relation at a specific time and place' as it is 'determined by the class relations encapsulated in the mode of extraction, accumulation and distribution of (surplus) value, and the institutional structures and processes through which those relations reproduce themselves, including the political forms of representation.' Such an understanding thus provide an opportunity to draw an explanatory framework for the '*contemporary*' capitalism by accounting for the recent developments in the world economy, characterised by new features, patterns and conditions of production, appropriation and distribution of value within the overall process of capital accumulation (i.e. economic reproduction), and the reconfiguration of class relations along with the restructuring of state (i.e. social and political reproduction), while taking the general laws of the CMP into account (Albo, 2012, p. 85). That is to say, it enables us to identify the *current* phase of capitalist development by distinguishing the specific modalities of capital accumulation (the ways in which capital is accumulated and restructured) in this epoch and the accompanying the social structures (the forms of the state and social domination) (Fine, 2016, p. 160). It is appropriate to suggest that *neoliberalism* as 'a mode of existence' and 'a material structure of social, economic and political reproduction' is what defines contemporary capitalism today in this regard (Fine & Saad-Filho, 2017, p. 2)

3.4.1. Political Economy of Postwar Capitalism

In retrospect, the triumph of neoliberalism was a response to the breakdown of its predecessors in the post-War period, which were the Keynesian-social democratic consensus in the global North and the developmentalism in the global South (Saad-Filho, 2011). Keynesianism, prior to the rise of neoliberalism, had been 'the hegemonic system of accumulation and the structure of socio-political domination during the golden age' of capitalism after the War (Saad-Filho, 2007, p. 90). It had aimed to have restored capital accumulation on a world scale after the years of turmoil in the world politics and international economy by facilitating the international investment and world trade with the establishment of the *Bretton Woods System* (BWS) as a coordinated attempt to deliver necessary institutional framework under the strong influence of US hegemony and the dollar as a world money (Alami, 2019b;

Clarke, 1988; Ivanova, 2013; Saad-Filho, 2019).[10] The Bretton Woods arrangement at international level, Saad-Filho (2007, p. 92) underlines, integrated the national Keynesian compacts into the global accumulation process.[11] There were two key aspect of the political economy of postwar capitalism in this respect, marking the global capital accumulation under the US domination: the internationalisation of productive capital and the accompanying increasing role of international finance (Panitch & Gindin, 2005). Powell (2018, p. 14) suggests that the latter has both underpinned and exploited the former in the process of internationalisation.

First of all, the *internationalisation of productive capital* in this era of capitalist development, supplementing the expansions of commodity and money capital that began earlier, as Hanieh (2011) maintains, has come to signal a fundamental change in the configuration of capitalist production. This transformation in the wake of the World War II in this regard, first and foremost, included the dramatic rise in the variety and quantity of goods and services produced across the globe thanks to the new scientific methods and technological innovations stimulating the development of industrial sectors like petrochemical industry and automobile production (ibid.). Put it differently, the scale and scope of production has started to expand significantly in this period. Secondly, the transformation brought the spatial reorganisation of production at the same time. It means that the production processes have been disaggregated and distributed over a variety of different geographical spaces (Bonizzi et al., 2019, p. 4). Corporations in this sense began to restructure and relocate the factories and other production facilities outside their host countries to expand the market share and remain competitive (Woodley, 2015, p. 5). Poulantzas (1974, p. 158) points out that the internationalisation of production as 'the development of the bases of exploitation of a particular capital (or of several capitals in combination) in

[10] Ikeda (1996, p. 43) remarks that the expansion of international trade acted as the engine of growth in the postwar period. He (ibid.) puts that the world exports expanded 9.6 times between 1950 and 1986 compared to the 1.23 times expansion between 1913 and 1950. Ikeda (ibid.) also indicates that the increase in the export of manufactured goods was %281 from 1963 to 1979.

[11] Saad-Filho (2007, p. 92) argues that Keynesian compacts at domestic level had been shaped by the economic policies, on the one hand, that prioritise easy monetary policies and expansionary fiscal policies with the heavy involvement of the state in managing the national economy. On the other hand, Keynesianism had been built upon the institutionalisation of social integration of working class by the settlement of social democratic political compromise, contributing to the achievement of political stability to a large extent in the advanced capitalist economies. Holloway (1996, p. 7) in this respect suggests that such integration constituting the central aspect of Keynesianism was essentially denoting to the acknowledgement of the working class' organisational strength.

several nations', however, has been shaped by the decisive dominance of American capital. This dominance in fact became the hallmark of the era since the process of the creation of production networks on a global scale has been driven by the growing predominance of American MNCs whose enormous growth was largely built upon the exploitation of profitable investment opportunities successfully (most notably foreign direct investments) in the process of the capitalist reconstruction of Europe and Japan after the War (Panitch & Gindin, 2012, p. 112-113).[12]

The development of MNCs across the world, however, brought along the *internationalisation of finance* at the same time. Internationalisation of production and finance were parallel and symbiotic developments, as Hymer (1972, p. 99) notes, since the intensifying international trade and FDIs by MNCs increased the demand for the short-term and/or long-term loans that encourages the international banking and the integration of capital markets. The development of international capital market, in turn, has provided MNCs an access to the savings of societies across the globe, enabling them to foster corporate operations further on a world scale and undertake larger and long-term investments (ibid.). Clarke (1988, p. 217) maintains that the supply of credits by the international financial system greatly contributed to overcoming the barriers that impede the capital accumulation after the Second World War. Notwithstanding that the cross-border investments and increasing world commerce has largely fuelled the global expansion of financial activities including the growing significance of financial flows, the international operations of finance as well as the domestic financial systems were subjected to a range of regulations and controls under the international monetary and financial architecture of the Bretton Woods system. 'Financial repression' in the postwar era, as Lapavitsas (2013, p. 306-307) puts it, was about 'a system of regulation applied to both money and finance, domestically as well as internationally,' and it mainly included the controls on the prices and quantities of credit, the range of functions that financial institutions were allowed to undertake, and the cross-border money-capital flows.

[12] Hanieh (2011, p. 30) points out that the share of US in the industrial production of ACEs was about %60 by 1952. Also, Ikeda (1996, p. 48) in this regard remarks that the FDI outflow of the US rose from $11.8 billion in 1950 to $51.8 billion in 1966, amounting to the more than 4 times increase in sixteen years.

3.4.2. Neoliberal Turn

Financial development in the 'golden age' of capitalism, fuelled by the high levels of investments in both domestic and international economy, and the growth of trade, output and productivity along with new technologies in the fields of transport and telecommunications, as Saad-Filho (2007, p. 93) maintains, has paved the way for the accumulation of financial assets (i.e. purely financial speculative accumulation) that bypasses the state regulation by breaching the control of finance and money. That is to say, there had been an erosion of capital controls in the 1960s and the 1970s, as Panitch & Gindin (2009, p. 18) put it, due to the revival of global finance whose capacity was largely expanded by the internationalisation of trade and direct foreign investment. The emergence of the Euromarkets providing an unregulated space for financial processes in this respect undermined the very basis of the Keynesian system of accumulation, that had been regulated internationally within the framework of Bretton Woods system. Secondly, although the growth of the credit system and the large amount of credit supply during the long boom of the postwar era had enabled the expansion of production at unprecedented levels as well as the sustainment of capital accumulation, by the end of the 1960s, such expansion led to the overaccumulation of capital that marked the unravelling of Keynesianism (Clarke, 2001). As Hanieh (2011, p. 40) argues, the beginning of the 1970s has witnessed the emerging problems of accumulation that took the form of falling rates of profit and rising inflation. This crisis of capitalism, however, was not simply an economic crisis, but also a crisis of the capital relation (Saad-Filho, 2007, p. 94). It means that there had been intensification of class struggle to the extent that the overaccumulation of capital led to the erosion of profits, and an attempt to confine these struggles within the institutional configuration of Keynesianism by inflationary policies led only to the worsening of the crisis as it created more monetary and financial instability.

It is appropriate to suggest that the economic slowdown in the 1970s as a result of the declining rates of profit and productivity growth along with the increasing working-class militancy provided a material basis for the neoliberal transformation to resolve the problems of capital accumulation. The triumph of New Right ideology with the conservative political forces especially in the UK and US at the beginning

of the 1980s, secondly, meant the abandonment of the postwar model of accumulation in favour of neoliberal system of accumulation by a set of 'correct' and 'naturally desirable' macroeconomic policy reforms (Saad-Filho, 2019, p. 193). However, as Albo (2005, p. 2) warns us, neoliberalism should not be basically seen as a set of market-oriented policies which were developed according to the 'golden rules' of the orthodox neoclassical economics and implemented by the New Right governments; rather its ascendancy historically was about the shift in the balance of class forces in essence. Neoliberalism in this respect 'is the social form of rule specific to this stage of capitalism' (ibid.), that restored and imposed the rule of capital in every aspect of social life across the globe by the systemic use of state power under the ideological disguise of minimal state (cf. Harvey, 2007; Saad-Filho, 2019).[13]

Neoliberal transformation, albeit certain variations in different national contexts, commonly included: (i) the establishment of tight fiscal and monetary policies by tax reforms and public expenditure cuts to pursue inflation targeting; (ii) the trade liberalisation to promote specialisation in order to achieve comparative advantage, stimulate exports and increase domestic and international competition; (iii) the liberalisation of domestic finance and international capital flows, including foreign direct investment to attract foreign capital and increase savings; (iv) the labour market flexibility to reduce employment costs; (v) the protection of property rights by a well-functioning legal system (Saad-Filho, 2019, p. 193). Considering these policy shifts of the new era, Powell (2018, p. 13) remarks that neoliberalism has superseded the postwar model of accumulation by 'inaugurating a new period in the development of the world market' in which the rapid liberalization of trade and financial flows led to the internationalisation of the circuits of capital at unprecedented levels. Albo (2005,

[13] Neoliberalism, as discussed in the previous chapters, is often associated with delusionary 'libertarian' ideas, and misleadingly presented as the retreat of the state in favour of the expansion of the market, that is supposedly prone to function effectively by nature in delivering prosperity and progress if there is not any distortion stemming from the external interventions. These neoliberal assumptions indeed are historically what have been underlying the illusion of globalisation (deterritorialisation claims, the image of borderless globe and the loss of state sovereignty) as discussed earlier. The last forty year of capitalism, however, characterised by the reform programmes both in the ACEs and DECEs in fact evinces that the dominance of neoliberal paradigm did not necessarily bring the withdrawal of the state, contrary to the strong theoretical arguments and rhetorical emphasis put by the neoliberal-cum-globalist accounts in this direction. Nor it has been able to provide a convenient solution to the problems of flagging capital accumulation, although it has usually been portrayed as a set of policies, institutions and/or practices that would supposedly flourish the social and economic development in a substantial way. Neoliberalism in this respect, as Harvey (2007) maintains, has never been able to produce generative effects, but it has rather entailed the destructive and redistributive impact on the social relations.

p. 2-3) in this regard argues that 'neoliberalism has come to encompass the world market and the institutions governing the international state system' and 'it is registered in the increased internationalization and financialization of capital' which led to the expansion of foreign exchange transactions and secondary markets and the growing disciplinary role of global finance over national economic transactions.

3.5. Financialisation and Sovereign Wealth Funds

Financialisation in this respect, as Saad-Filho (2019, p. 220) underlines, is the most salient feature of neoliberalism that makes it to be considered as new and separate stage of capitalism. Although financialisation has been described and conceptualised in different ways in the literature, in its broadest sense, it refers to 'the increased weight of financial markets within contemporary capitalism.' (Hanieh, 2016, p. 1228).[14] However, it would be misleading to reduce it to the widespread influence and the increasing presence of finance with the extended size and scope of financial sector. Lapavitsas (2013, p. 10) maintains that there have been deeper characteristic changes within the capitalist accumulation, especially in mature economies, that ultimately gave rise to the finance and marked 'the financialization as a structural transformation of contemporary capitalism.' There have been three tendencies in this regard, according to Lapavitsas (ibid.), including (i) the involvement of non-financial businesses in financial transactions independently, (ii) the concentration of banking practices that prioritise transactions in open financial markets to obtain profits from financial trading, and (iii) the increasing reliance of individuals and households on the formal financial system for accessing the vital goods and services.

Identifying the fundamental tendencies of financialisation is no doubt crucial to develop an understanding on the current phase of capitalist development. These common tendencies, however, do not imply that there would not be any differences in terms of economic and social forms among individual countries, even in the ACEs (see Lapavitsas & Powell, 2013). These variations in content and form of financialisation definitely also apply to the developing world. As Güngen (2012, p. 8) underlines that financialisation has been developing in an *uneven* and *combined*

[14]

manner from the beginning. It means that *financialisation in the DECEs, on the one hand, has emerged on the basis of interests of domestic actors, and on the other, as a result of the imposition of world market imperatives,* (Isaacs & Kaltenbrunner, 2018); *therefore, it entails specific features that reflects a subordinate character in the hierarchy of the world market* (cf. Alami, 2019b; Bonizzi et al., 2019; Lapavitsas, 2013; Powell, 2013). It is in this respect apposite to suggest that the rationale behind the establishment of sovereign wealth funds as institutional investors, the role these investment vehicles play in global finance, and their implications for world economy today can be only understood meaningfully within the context of such subordinate character of financialisation in the DECEs given the fact that the existence of SWFs is directly linked to the large amount of foreign exchange reserve accumulation, which is a significant aspect of neoliberal turn and financialisation in the global South, although there are certain differences in terms of motives underpinning the reserve accumulation. These motives vary according to historically- and spatially-determined national contexts in which SWFs are created.

3.5.1. Reserve Accumulation and SWFs

Griffith-Jones & Ocampo (2012) in this regard rightfully argue that the rise of SWFs is a part of broader process of reserve accumulation, and the determinants of the latter phenomenon in different parts of developing world is crucial to grasp the former as it has a substantial impact on the motives of SWFs. These scholars (ibid.) in this respect differentiates four major motives that drive the accumulation of foreign exchange reserves, which has been a remarkable feature of international financial system since the 1970s. First of all, as Griffith-Jones & Ocampo (2012) put it, there has been a strong *wealth substitution motive* in the countries that run current account surpluses due to the extraction and export of natural non-renewable resources. SWF investments by countries in this respect is made with the intention of transforming the assets accumulated by the exploitation of illiquid natural resources into financial assets so as to avoid 'resource curse' or 'Dutch disease' (Urban, 2011). On the other hand, *resilient surplus motive* belongs to the economies which are not mainly dependent upon the export of natural resources but still have the current account surpluses that are resilient to growth and exchange rate appreciation (Griffith-Jones,

2011). These countries accumulate foreign exchange reserves as a result of either the over-competitiveness of the country in production of tradable goods and services, which may be due to the undervaluation of domestic currency voluntarily as a protective measure to the export-oriented manufacturing sector, or the capacity to secure the high levels of savings (Griffith-Jones & Ocampo, 2012; McKenzie, 2011).

Table 3.
Basic motivation for the accumulation of foreign exchange assets by developing countries

Financing Resource	Long-term Current account Surplus	Short-term Current account Surplus	Capital flows
Commodities	Wealth substitution	Counter-cyclical (prices)	
Non-Commodities	Resilient surplus	Counter-cyclical (volumes)	Self-insurance

Source: Adapted from Griffith-Jones & Ocampo (2012)

Thirdly, many countries in the global South has *counter-cyclical motive* in accumulating reserves thanks to the temporary current account surplus that may stems out of two different circumstances, including (i) the cyclical swings in real exports (volumes) and the cyclical swings in external prices (commodity prices in particular). Griffith-Jones & Ocampo (2012) argues that both situations, however, may lead to the overheating of domestic economy, and consequently, result in the real exchange rate appreciation. SWFs in this respect aims to smooth the boom/bust cycles in the domestic economy (Ocampo, 2017), by using the returns of investment made with the reserves accumulated during the 'good' times. Lastly, (strict) *self-insurance motive*, Griffith-Jones & Ocampo (2012) underlines, underlies the same purpose with the previous one for SWFs: the protection of the country from financial instabilities. However, it is applied 'when the source of the abundance of foreign exchange is the capital rather than the current account' (Griffith-Jones & Ocampo, 2012, p. 74). The external shock against which certain measures are taken in this instance does not stem from the considerable variance in the commodity prices and/or the trends of trade, but rather from the excessive capital flows. SWFs in developing countries with open economy in this regard function as a self-insurance mechanism against the risk of capital flow reversibility.

3.5.2. Financialisation in the DECEs

Notwithstanding that Griffith-Jones & Ocampo's study (2012) offers us significant insights about why developing and emerging economies have increasingly been accumulating foreign exchange reserves in the last decades, and how such phenomenon characterises the functioning of SWFs accordingly, it provides only limited understanding to the extent that the historical and material conditions that compels these countries to accumulate reserves in the first place are not present in the analysis. Hence, it is of utmost importance to point out that the underlying causes of the reserve accumulation, out of which SWFs obtain resources, should be analysed within the context of *subordinate financialisation* in the DECEs. To do so, it is imperative to make sense of the closely related processes of liberalisation of trade, finance, and capital movements in the DECEs within the context of neoliberal turn in capitalist development.

First of all, it is a significant development in the history of capitalism that the process of internationalisation of production, that began after the Second World War with the increasing presence of American MNCs in the Europe and Japan, has been deepened by the creation of global production networks and value chains after the economic liberalisation wave as a part of neoliberal transformation in the world economy; the DECEs within this context have started to become the host of production activities of MNCs or TNCs in pursuit of higher levels of profitability. As Hanieh (2011, p. 40) argues that the overaccumulation crisis manifesting itself in the form of the falling rate of profits by the early 1970s did not signal a reversal of the process of internationalisation of capital, which had been a significant component of political economy of postwar era; instead, the deepening of internationalisation of capital has been embraced by large conglomerates in the core countries by expanding production overseas. This expansion brought about the fully integration of the DECEs into the world market by linking them into the global value chains as low-wage production zones and/or supplier of raw materials, and/or exporter of migrant labour. Such integration, however, has been materialised in an uneven manner, forcing these

countries to adopt export-led growth strategy with the imposition of Washington Consensus principles in the global South.

Secondly, internationalisation of production in a way that integrates the DECEs to world market by global production chains, however, could not be possible without the opening of domestic economies in the DECEs to international capital flows, which has been mostly enforced by the Washington Consensus as an integral part of the process of neoliberal transformation. This liberalisation of capital movements in this respect has often been legitimised on the ground that the capital flows from the developed countries to the global South would promote development. The main arguments of neoclassical economics in this respect has been advocated to maintain that the lifting the international restrictions on the movement of capital is necessary for the flow of savings from capital-abundant countries to the less developed countries facing capital-scarcity. Soederberg (2004, p. 16-17), however, underlines that the neoliberal orthodox belief that 'financial liberalization leads to the same economic benefits as free trade in goods and service' was proved to be wrong by the recent developments in DECEs in the 1990s, including Brazil, Turkey, Russia and Argentina, to the extent that the 'free cross-border flow of private capital, particularly in the form of foreign portfolio investment and short-term capital, have led to at least two problems for the South: (i) a greater vulnerability of the economy to risk, financial volatility and crisis; (ii) a growing imposition of restrictions on policy autonomy which may result in increased economic and political problems.'

3.5.3. Subordinate Financialisation and SWFs

Lapavitsas (2013) in this respect suggests that there are two key interrelated reasons concerning why the DECEs have accumulated reserves: (i) the exchange rate policies adopted by the DECEs which run the current account surplus as a result of export-oriented growth strategy; (ii) the intention on the part of the DECEs to reduce the vulnerability to any possible shock stemming from the reversal of private capital flows. On the one hand, it is appropriate to argue that there has been an increasing specialisation after the liberalisation of international trade, that varies according to historically and geographically specific factors. Lapavitsas (ibid.) argues that two

groups of DECEs comprised of countries with current account surpluses have emerged especially since the 2000s; the first group is consisting of developing countries who increased their shares in international manufacturing and earned substantial surpluses from exports of consumer and intermediate goods to ACEs (e.g. China, South Korea etc.); the second group is mainly comprised of primary commodity exporters whose surpluses has largely driven by increasing global commodity prices (e.g. Russia and Gulf countries). Especially the first group, however, have attempted to prevent exchange rates from rising by adopting an exchange rate policy that results in the reserve accumulation. As Choi (2018) remarks, the sufficient reserve assets are required to maintain the competitiveness for export-oriented developing countries. Yet, the policy of hoarding reserves cannot be misleadingly labelled as mercantilist practice as many in the mainstream scholarship purports, since 'developing countries have been encouraged to integrate their economies further in the world market' and 'reserve accumulation is a practice foisted upon developing countries by the logic of international markets, not by some outdated doctrine' (Lapavitsas, 2013, p. 258).

On the other hand, the DECEs have been accumulating massive amounts of foreign exchange reserves to hedge against capital account shocks. This is essentially due to the number and severity of financial crises these countries have experienced in the last decades as a result of far-reaching domestic financial market deregulation and capital account liberalisation (Cho, 2014). Foreign exchange reserves in this respect have been seen as a self-help or self-insurance measure by the DECEs to cope with financial volatility in the international economy, and it has been indeed actively enforced by the international financial institutions (IFIs) by setting out specific rules about the necessary levels of reserves (Lapavitsas, 2013). Painceira (2012, p. 215) argues that although such phenomenon allows the DECEs to participate in global finance more actively, it brings enormous social and economic costs for these countries. Lapavitsas (2013, p. 243) in this respect underlines that the accumulation of reserves is the most remarkable aspect of subordinate financialisation, which stems from 'the hierarchical and exploitative nature of interactions in the world market.' Sovereign wealth funds established in the DECEs in this regard represent a mechanism to eliminate the detrimental effects of subordinate financialisation on

their economies in essence by utilizing the accumulated reserves in global financial markets. By same token, the operation of SWFs plays a critical role in channelling the accumulated wealth in the DECEs to the developed countries, especially the US, to the extent that their investments return reserve assets back to the financial markets in the latter.

3.5.4. Financialising the State: Sovereign Wealth Funds

In international economy and global finance today as discussed above, SWFs are important actors that, on the one hand, has emerged as a result of financialisation process in uneven manner in the DECEs, and on the other, actively contributed to further deepening of the process by being an instrument of financial integration with the world market. However, they are also representing another aspect of neoliberal financialisation: *financialisation of the state*. As earlier discussed in this chapter, the rise of neoliberalism underpinned by financialisation in capitalist development by no means led to the disembodiment of markets from the state. As opposed to the neoliberal-cum-globalist accounts, as Lapavitsas (2013b, p. 794) puts it, such change in the political economy of contemporary capitalism 'would have been impossible without active and continuous intervention by the state' since the process of financialisation has always been dependent upon the state involvement. In doing so, however, states themselves had to be restructured according to the imperatives of new architecture of international monetary and financial relations. Güngen (2012, p. 12) in this respect underlines that such restructuring of the state in order to both contribute to the financialisation and contain the contradictions stemming out of the process is what constitutes the financialisation of the state.

The restructured state in this regard, as Güngen (2012, p. 98-99) remarks, (i) provides a legal-political framework that complies with the financialisation process, (ii) construct and deepens the financial markets by internalizing the exigencies of capital accumulation especially in the DECEs, (iii) take a role in assuming the losses of financial sector to prevent economic depressions and revitalise the financial sector by supplying banks with liquidity and capital. Karwowski & Centurion-Vicencio (2018, p. 6), in a similar vein, outlines four ways concerning 'how financialisation works *in*

and *through* public institutions and policies.' First of all, these authors maintain that financial motives have been increasingly adopted by public institutions in the process of financialising the state. Secondly, the public entities, Karwowski & Centurion-Vicencio underlines, have started to promote and create investment instruments and new financial markets by engaging in financial innovation. Thirdly, for these scholars, states themselves have become active participants in the financial markets and they started to act like private corporations to engage in financial accumulation. Lastly, they argue that governments have begun to contribute, directly or indirectly, to the financialisation of everyday life of their respective ordinary citizens. Considering these dimensions, it is appropriate to suggest that SWFs appears as an important aspect of financialisation of the state. Whether commodity-based or non-commodity based, or whatever purposes they have, the establishment of SWFs in this respect, first of all, has been surrounded by financial motives, regardless of being purely economic or political. They are, secondly, institutional instruments that have been created by the states so as to engage in financial investments. Most importantly, SWFs are institutions through which the states themselves have become active participant in global financial markets.

CHAPTER 4

SOVEREIGN WEALTH FUNDS IN A HISTORICAL PERSPECTIVE

4.1. Introduction

It is quite interesting to notice that all scholarly attempts to identify SWFs did surface in the very late phase of their development. The new millennium, so to speak, has witnessed the rediscovery of these government-owned institutions by the public. Yet, they have long history, and even for some, it could be traced back to the 19th century on the ground that there are striking similarities between some historical state-related investment vehicles and contemporary SWFs in terms of their mandates (Braunstein, 2014). Yi-chong & Bahgat (2010), for example, describes France's *Caisse des Dépôts et Consignations* (CDC) as the first instance of a SWF. It was established in 1816 as a quasi-independent 'special' entity with a saving mandate to manage overseas tax-exempt funds. Similarly, the *Texas Permanent School Fund* (TPSF) established in 1854 with the intention of funding the public-school system of the state is referred as the oldest SWF by the Sovereign Wealth Fund Institute (2019). Rose (2011) asserts that, along with the TPSF, the others like the *Michigan Permanent School Fund* (MPSF) -established in 1835 to fund the school system- and *the New Mexico Land Grant Permanent Fund* -established in 1898 to manage revenues acquired from the extraction of natural resources- can also be seen as older relatives of SWFs.

However, in modern sense, the history of SWFs goes back to mid-1950s (Buteica & Petrescu, 2017). This chapter in this sense aims to develop a historical perspective to the development of SWFs in the modern period, starting from the 1960s until today, to demonstrate how financialisation and internationalisation processes come into play to characterise the SWFs in different national contexts. For such purpose, the analysis

of historical development of SWFs is divided into four subheadings: (i) First, the earlier examples of SWFs that emerged between the 1960s and the 1990s are discussed in the chapter. It is plausible to argue that these SWFs were mostly commodity-based type with chiefly wealth-substitution and counter-cyclical motives, and they were predominantly established in the oil-rich countries of the Middle East; (ii) Secondly, the SWFs created in the Asia just before or after the financial crisis of 1997-98 is given in this part of the thesis. This period, starting from the early 1990s, has witnessed the proliferation of non-commodity-based SWFs with major motives including resilient surplus or counter-cyclical motive; (iii) Thirdly, the growing size and number of SWFs during the 2000s is analysed in the chapter. In this respect, it is suggested that the rising global commodity prices in particular together with the advance of the world commerce in volumes led to the creation of new SWFs and the expansion of the existing ones. Hence, the motives these newly founded institutions have varied according to their respective host countries' way of integration with the world market; (iv) Lastly, this chapter analyses the crucial role of SWFs before and after the global financial crisis of 2007-8 in stabilizing world economy. In doing so, it aims to show how supposedly malign institutions helped to rescue the Western-dominated financial system in international economy.

4.2. Earlier Examples of SWFs: From 1960s to 1990s

4.2.1. The Modern Pioneers: Kuwait and Kiribati

It is widely accepted in the literature that the Kuwait Investment Board (KIB) is the first commodity-based SWF set up in 1953, eight years before the independence from the United Kingdom, as an autonomous governmental body responsible for managing the country's assets. Kuwait was the main producer of crude oil in the Persian Gulf region back then (McLachlan 1980), and the petroleum had become the significant source of revenue for the country by the increase in commercial exports to the world market. Khouja & Sadler (1979) demonstrates that Kuwait's crude oil production had risen from 5,9 million USD in 1946 to 314 million USD in 1953 (amounting to more than 150 million USD increase in government oil revenue) when the KIB was established. These figures of the Kuwaiti economy have kept increasing in the

following decades, (the government oil revenue, for instance, has reached to 9802 million USD in 1974), and not surprisingly, the Kuwaiti economy found itself heavily dependent on a single finite resource (Bahgat, 2010).

As the oil revenues have increased, the Kuwaiti government took further steps to maintain a saving system and protect its economy from external factors. First, the KIB was rebranded as the Kuwait Investment Office (KIO), a decade later in 1965 after the independence. However, through the KIO, Kuwait continued to save its oil revenues in London-based banks and in sterling, notwithstanding that the motivation behind such a decision was about increasing the Kuwaiti authority over the management of the revenues as a part of economic independence from its former colonial master. Secondly, during the 1970s, alongside the KIO, Kuwaiti government decided to establish another SWF (the Reserve Fund for Future Generations -FGF-), and the destination of SWF investments was started to concentrate in New York. Finally, in 1982, the Kuwait Investment Authority (KIA) was created by the Kuwaiti government as a more sophisticated body to manage growing investment returns and oil revenues as a result of the rise in the prices after the oil crises and increasing SWF operations (see Table 4). It would not be wrong to suggest that all these endeavours on the part of the Kuwaiti governments was a realisation of the need to diversify the economy by converting its surplus revenues to financial investments so as to reduce reliance on 'exhaustible fossil reserves, thus lessening the effects of price oscillation' (Quadrio Curzio & Miceli, 2010, p.4), and to build up savings for the future (Hassan, 2009, KIA 2019).

Table 4.
Kuwait's government income between 1971 and 1977 (million KD)

	1971	1972	1973	1974	1975	1976	1977
Net Balance of Current Account Transactions	421	449	980	2137	1939	2140	1794
Oil Receipts	528	549	1085	2369	2289	2615	2587
Investment Income	109	126	141	203	334	441	429

Source: Adapted from Khouja & Sadler (1979)

Notwithstanding the size of the country's economy is much smaller and there is no oil reserves in its soil, the Republic of Kiribati's the Revenue Equalization Reserve

Fund (RERF), the second SWF in the history founded by the United Kingdom's colonial administration in Gilbert Islands (now Kiribati), was established shortly after Kuwait in 1956 with a similar objective, that is using the revenue generated from the export of phosphates –a non-renewable source- through investments made in international financial markets with the intention of removing the obstacles to the economic development stemming from narrow economic base and geographic isolation while avoiding the uncertainty and volatility of the revenue, and that of promoting the intergenerational distribution of wealth (Le Borgne & Medas, 2007; Hassan, 2009; Curzio & Miceli, 2010)

4.2.2. The Oil Crises, the Gulf Countries and the First Wave of SWF Establishments

The subsequent historical developments in fact have triggered other states to follow a similar path with earlier examples of Kuwait and Kiribati. In this regard, the shock oil price increases in the 1970s were significant turning points, becoming the main impetus behind the creation of more SWFs having look-alike motives. In retrospect, two major events in this period, the oil embargo decision taken by the Arab members of the Organization of Petroleum Exporting Countries (OPEC) in 1973 (first oil shock) and the Iranian Revolution of 1978-79 (the second oil shock), have resulted in a dramatic decline of oil production, that is a shortfall corresponding to %7,5 and %7 of global output respectively (Hamilton, 2011). Not surprisingly, average annual oil price per barrel has sharply increased to $40 in 1980 from $3 per barrel in 1970, amounting to more than %1000 rise in a decade. Despite the fact that these oil crises had severe macroeconomic consequences for the global economy, the net oil export revenues of the OPEC countries have grown apace throughout these years, reaching almost $600 billion in 1980. It meant 3.5 thousand US dollars per capita net oil export revenue for the OPEC countries, which is the highest level in the history (see Figure 1).

This rise in primary commodity export revenues was also conducive to rapid accumulation surplus in the current accounts of the members of the OPEC, unfolding the necessity of channelling petrodollars back to the oil-importing countries by international investments in order to 'create diversified resources of income other

than oil…to counterbalance the depletion of this raw materials, and its price fluctuation.' (Quadrio Curzio & Miceli, 2010, p.5) The Kingdom of Saudi Arabia, for instance, the biggest winner of huge inflows of export revenues at that time, has preferred to either buy American Treasury bills with its new revenue or place them in the banks of the Eurodollar area rather than spending domestically alone (Covi, 2014). The other OPEC members have also sought to invest their dollar liquidity in the short-term and the long-term capital markets of the Western countries. On the Eurodollar market, the reports provided by the Bank of International Settlements (BIS) and other studies carried out by scholars demonstrate that the deposits of oil-exporting countries passed the $10 billion in 1972, starting with $0.8 billion in 1964, and reached to $22.8 billion in 1974 (Kopper, 2009). The purchases of British and U.S. bonds by OPEC members were along similar lines in this period, amounting to $4.4 billion in 1976 after %400 rise in the two previous years (ibid.).

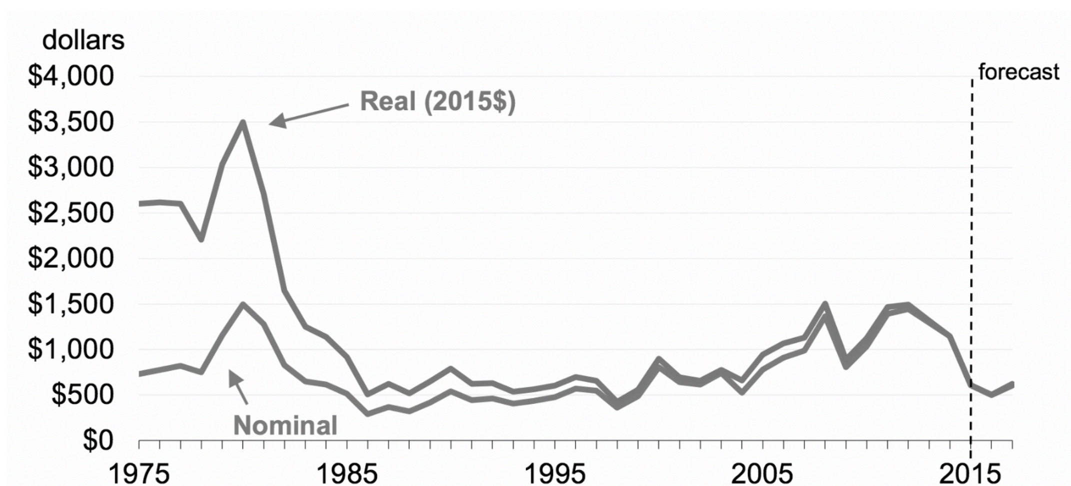


Figure 1. *OPEC per capita net oil export revenues*. Adapted from OPEC Revenues Fact Sheet 2016.

Under these historical circumstances, it was not surprising that some of the oil-rich Arab countries of the Gulf have started to see SWFs as a new tool for investments abroad as their accumulated total reserves reached substantial levels after long boom in the 1970s. (See Table 5.) The establishment of Abu Dhabi Investment Authority (ADIA) in this sense by Sheikh Zayed bin Sultan Al Nahyan of the United Arab Emirates (UAE) in 1976 mirrored Kuwait's investment vehicle, the KIA, in terms of managing oil revenues (Abdelal, 2009). A decade later the Abu Dhabi International Petroleum Investment Company specializing in energy related industries was also

founded with similar objectives. The Kingdom of Saudi Arabia's Public Investment Fund, the State General Reserve Fund of Oman, the Libyan Arab Foreign Investment Company, and the Investment Agency of Brunei were other examples of SWFs launched in this period.

Table 5.
Total Reserves minus gold in the Middle Eastern Countries in between 1973 and 1981 (current USD$)

	1973	1977	1981
Saudi Arabia	3.747 million $	29.902 million $	32.235 million $
Libya	2.023 million $	4.786 million $	9.002 million $
Kuwait	380 million $	2.883 million $	4.067 million $
United Arab Emirates	91 million $	800 million $	3.202 million $
Oman	47 million $	289 million $	744 million $

Source: World Bank Data Bank

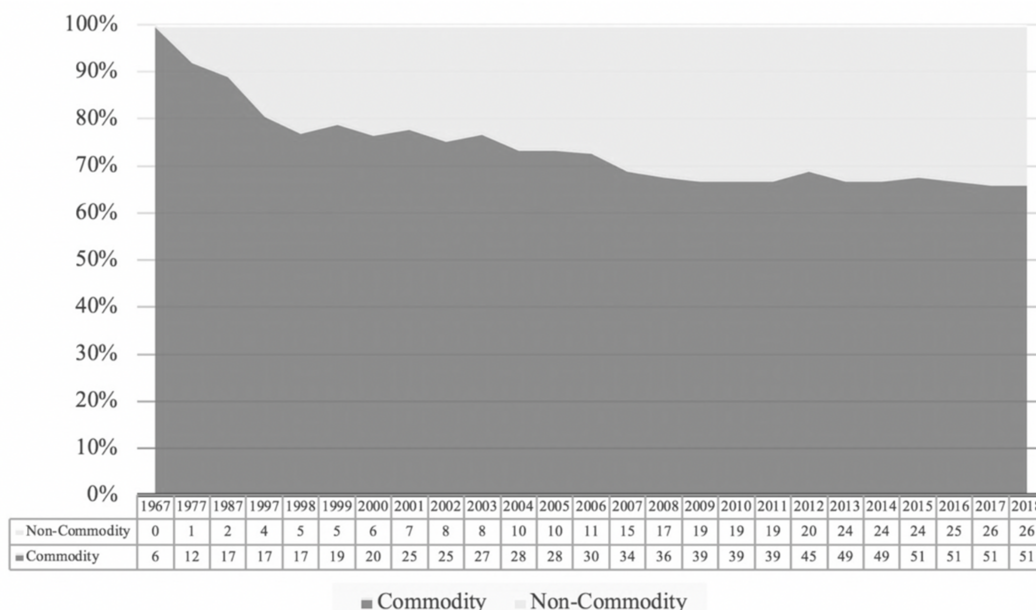
Although the establishment of these institutions by their respective governments has been apparently driven by *wealth substitution* and *counter-cyclical motives*, their function in petrodollar recycling tell us more about their role in global capitalism and financialisation in both the host countries and the ACEs. As Hanieh (2011, p. 43-45) puts it, (i) these investments directing the petrodollars into the North American and European banks (often based in Euromarkets) greatly helped to the consolidation of financialisation trends in the ACEs, and the reproduction of global economy as a whole given the fact that they have been given as loans and other forms of credit to multinational companies or other borrowers; (ii) moreover, it became explicit that the GCC countries' role in international economy was no longer simply limited to the hydrocarbon exports since they have also become significant active actors in global financial circuits by their financial investment capacities. This transformation, however, reflects the subordinate integration of the Gulf countries into the world market. Put it differently, first of all, the source of revenue, i.e. the hydrocarbon production, has always been externally oriented rather than according to national or domestic needs of these countries. Secondly, the internationalisation of capital within the context of postwar political economy has further restructured the productive capacity of the Gulf countries, making it 'element link' in the international productive circuit as the new developments in international economy (i.e. growing importance of petrochemical industry etc.) has required the hydrocarbon production in larger volumes (ibid., p. 54). Finally, in turn, these countries have resorted to establish

SWFs so as to both benefit from growing oil revenues and protect themselves against any possible sudden drops in commodity prices. The SWF investments of the Gulf countries in international financial markets, however, essentially contributed to channelling the accumulated wealth back to the developed countries, especially the US. These SWF activities in the US markets, taking the form of direct investments or equity, bond and other asset purchases have become crucially important, particularly in the 2000s, in the times of crises as discussed below.

4.3. 1997-98 Asian Financial Crises and SWFs in the 2000s

4.3.1. The East Asian Non-Commodity based SWFs

Although earlier examples of SWFs were mainly based upon the commodity exports mainly from the resource-abundant countries of the Middle East, in the 1990s, there has been a proliferation of a new type of SWF with the acceleration of so-called globalisation process (See Figure 2).



	1967	1977	1987	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Non-Commodity	0	1	2	4	5	5	6	7	8	8	10	10	11	15	17	19	19	19	20	24	24	24	25	26	26
Commodity	6	12	17	17	17	19	20	25	25	27	28	28	30	34	36	39	39	39	45	49	49	51	51	51	51

Figure 2. *Number of SWFs according the funding resources.* Source: Sovereign Wealth Institute

This new type, i.e. non-commodity-based SWF, has been started to be established by the East Asian countries particularly in a political and economic environment at

international level characterised by severe financial crises in the global South during these years. The Asian financial collapse of 1997-98 particularly has critical importance in this respect because of the fact that such a traumatic event naturally pushed the many government in the East Asia to take precautionary steps against any further economic meltdown. It is thus significant to understand the nature of the Asian financial crisis before any assessment about the SWFs established in the region.

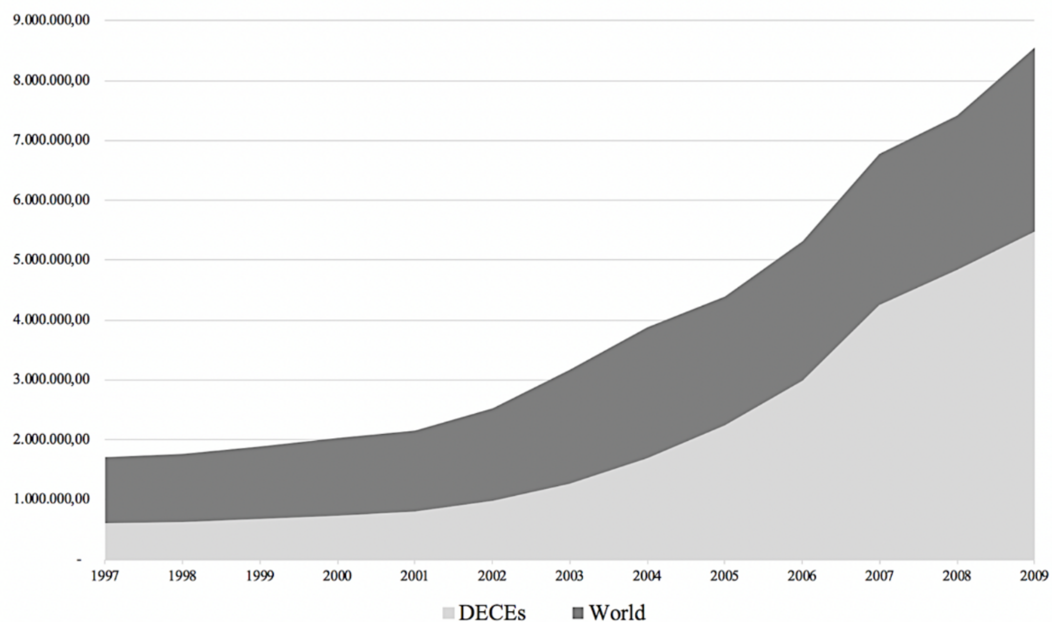


Figure 3. *Global Reserve Accumulation, US$ (1997-2007)*. Source: IMF International Financial Statistics

The Asian debacle has often been presented as a result of prevailing cronyism and policy mismanagement in these countries by the Western narrative, that is largely built upon the perceptions of the US government and the IMF. For this perspective, it was the lack of appropriate domestic preconditions that underpinned the crisis in this regard. However, as Bedirhanoğlu (2007, p. 1240) argues, this vantage point was rather denoting to a strategic attack on the part of the IFIs under direct influence of the US government to shift 'attention from the ills of financial liberalisation to the crony state–business relations.' Painceira (2012) in this respect suggest that the financial crises in developing world throughout the 1990s should be seen as a result of the liberalisation of international and the capital markets, leading to the huge capital inflows to the global South. Soederberg (2005, p. 939) within this context

explains that 'it was possible to borrow funds in New York at 5% or 6%, and invest them in emerging markets at 12% or 14%—or even higher' in those years.

Notwithstanding that a large inflow of hot money due to the financial liberalisation in the East Asian countries could help them to achieve high rates of growth for a certain time by attracting foreign investors in the pursuit of high returns, 'Asian economic miracle' had to face with disastrous outcomes when there was a sudden reversal of capital flows acting as catalyst for financial crises.[15] The East Asian financial crisis of 1997 in this respect rose awareness on the part of developing countries to pursue policies that aims to have large current-account surpluses so as to increase the amount of accumulated foreign exchange reserves as a precaution (Subasat, 2016). Helleiner & Lundblad (2008, p. 64) maintain that these exchange reserves were deemed as necessary measure by developing countries, guaranteeing that they would never again be vulnerable to international financial markets' in which 'global hot money -idle capital- seeks immediate returns without concern for conditionality, long-term financial commitment or managed risk' (Woodley, 2015, p. 166).

By the growth of foreign reserves at unprecedented level in the aftermath of the crisis, some countries in the East Asia have chosen to create SWFs to manage a portion of these reserves (Helleiner & Lundblad, 2008). For instance, SWFs in countries like the Hong Kong, the PR China or South Korea, have been established in this period for financial investments abroad, especially in the financial markets of ACEs, by following earlier models of Singapore's Temasek Holdings and the Government of Singapore Investment Corporation (GIC).

4.3.2. Singapore

In retrospect, Singapore was a pioneer country in the region which established its SWFs at the end of 1970s and the beginning of the 1980s to invest its growing

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[15] It is often suggested in the mainstream literature and the IFIs such as the World Bank that the success of the East Asian economies was due to the implementation of 'free market' policies as a part of Washington Consensus and neoliberal transformation. However, as Amsden (2003) and Wade (1990) indicates, there would not be any economic advance in these countries if there wasn't well-coordinated and extensive state support.

reserves stemming from high rates of savings into the high-yielding and long-term financial assets. Temasek and the GIC had been founded in 1974 and 1981 respectively by the Singapore government 'to preserve and enhance the international purchasing power of the reserves' for the future (GIC, 2019), 'deliver sustainable value over the long-term', and 'generate sustainable returns beyond the present generation' (Temasek, 2019). Notwithstanding that the foundation of both Temasek and the GIC dates back to the 1970s and 1980s, they experienced substantial growth after the 1990s, especially in the 2000s (for instance, for Temasek see Figure 4). Such growth of these SWFs, however, would not be occurred without the presence of current account surplus in Singapore. It is remarkable that the country's current account balance dramatically increased to $61 billion in 2011 from $4 billion in 1991, amounting to more than 15 times increase in twenty years.

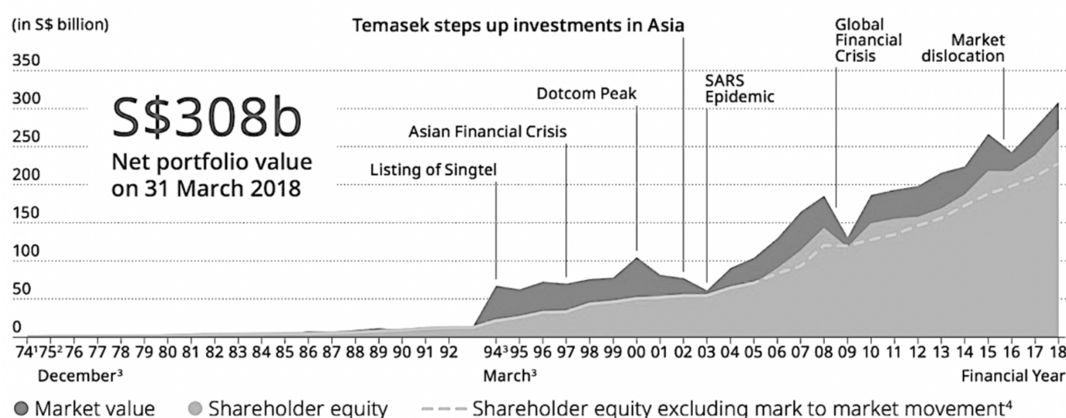

Figure 4. *Temasek Net Portfolio Value since its Inception*. Adapted from Temasek Overview 2018, Shaping Tomorrow

It is apposite to suggest that such current-account surplus has largely been driven by Singapore's enduring efforts to attract a huge influx of foreign investment and export manufactured products to the developed countries. Yeung (2005, p. 88) in this respect reports that 'net foreign investment commitments in Singapore's manufacturing sector grew tremendously from S$88.6 million in 1963 to S$6.3 billion in 1999, representing a more than seventyfold increase over a period of three and a half decades', and by 1997, Singapore was hosting 16.910 TNCs 'over 300 of which were in the manufacturing sector.' In 2000, as Sjöholm (2014, p. 4) shows, Singapore was the largest FDI receiver among the Southeast Asian countries with %58 share of FDI inflows to the region. These increasing FDI inflows were directly related to the

process of financial opening in Singapore, that had been going on since the late 1960s when Asian-dollar market was established, and that had been culminated with the removal of capital controls in 1978 (Zhang, 2003). No doubt, FDI inflows played a crucial role in the accumulation of foreign currency reserves in the country, especially in the 1990s thanks to the worldwide liberalisation of trade and capital movements. However, as Tolentino (2003, p. 371) remarks, the bulk of these reserves has been recycled through foreign portfolio investments and the rapid expansion of Singapore-based FDI by state-owned corporations, putting Singapore in a position of a net capital exporter since the 1990s. Temasek Holdings and the GIC in this respect have been significant government investment agencies, recycling accumulated reserves in order to both gain higher returns from investments abroad and preserve Singapore's competitiveness. These Singaporean SWFs, however, as earlier discussed in the previous chapter, cannot be solely seen as an investment vehicle surrounded by *counter-cyclical* and *resilient surplus motives* to the extent that the destination of their investments reveals a substantial wealth transfer to the ACEs. For instance, the geographical distribution of the GIC portfolio is illustrative in this sense, demonstrating that 65 percentage of the GIC investments has been made in the US, the UK, the Eurozone countries, Japan and Australia (see Figure 5). Similar trends concerning SWFs that reflects subordinate financialisation are also observable in other Asian cases such as South Korea and PR China.

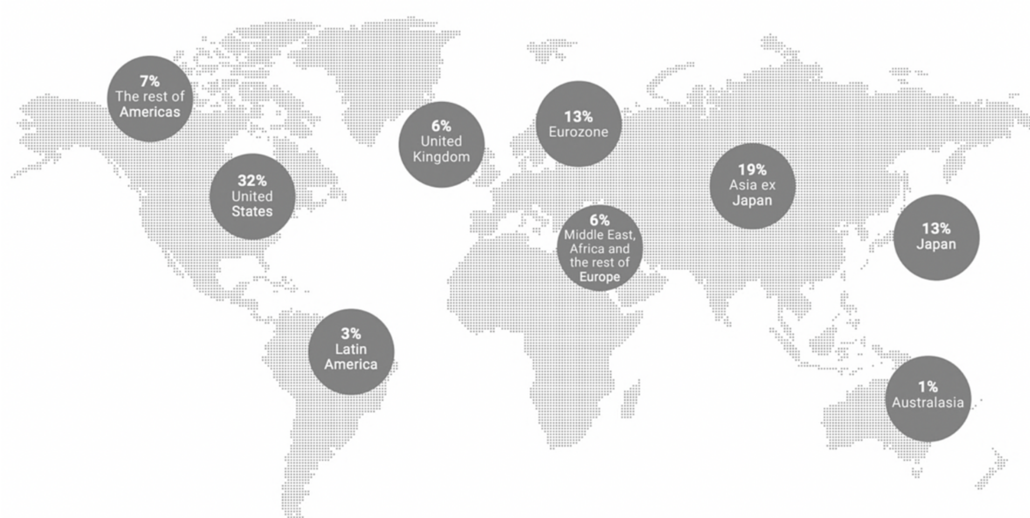

Figure 5. *Geographical Distribution of the GIC Portfolio by 31 March 2018*. Report on the Management of the Government's Portfolio for the Year 2017/18

4.3.3. South Korea

South Korea is another East Asian country in which the economic development model has long been characterised by export-oriented growth strategy since the 1960s, and whose SWF, i.e. the Korea Investment Corporation (KIC), has been fundamentally shaped by the characteristics of uneven integration of South Korea into international economy, especially with neoliberal financialisation. It is important in this respect to briefly investigate how South Korean political economy has come to be restructured under the strong and decisive influence of the US and the IFIs imposing the strict application of neoliberal reform programmes. Choi (2012, p. 110) remarks that South Korea historically has gone through two phases of neoliberalism, and the Asian financial crisis had considerable impact on the initiation of the second one. Prior to the crisis, Choi (2018, p. 5) underlines, there had already been growing pressure on the South Korean government for financial liberalisation and the opening of markets, and as Kwon (2004) puts it, a number of financial internationalisation and liberalisation measures had started to be implemented in the early 1980s. As a turning point in the political economy of South Korea, the economic collapse in the East Asia hitting South Korea severely as well by the late 1990s, however, led to the acceleration of financial liberalisation process with new reforms packages forced by the IMF as a precondition for financial bailout (Park & Doucette, 2016).

Financial liberalisation in South Korea has included many policy measures, yet the foreign exchange market liberalisation and the opening up of the domestic financial market completely to foreign investors were two most important changes in the post-1997 era (Kalinowski & Cho, 2009). Financial openness with the capital account liberalisation eliminating the restrictions on cross-border capital flows, however, on the one hand, made South Korea more vulnerable to volatile swings that had been the major reason behind the crisis ironically, and on the other, created a risk of exchange-rate appreciation, which is detrimental for competitiveness of the country given the that the new financial architecture of South Korea left export-oriented accumulation untouched. Considering these conditions of the post-Asian financial crisis period, as Choi (2018, p. 8) underlines, the South Korean government 'had to accumulate large-scale reserve assets in order to secure export competitiveness and prepare for the

foreign exchange crisis.’ For Park (quoted in Choi, 2018, p. 6), in the case of South Korea like other DECEs, enhancing foreign exchange reserve assets is not only an insurance policy to avert from another devastating financial crisis that may be derived from the sudden outflow of foreign capital, but also it helps to maintain the domestic firms’ export competitiveness by devaluing domestic currency. As Choi suggests (ibid.) that the investment of accumulated reserves in foreign financial markets, especially in the US due to international power of its capital and the US dollars position as quasi-world money, to fulfil these tasks, is what subordinate financialisation about.

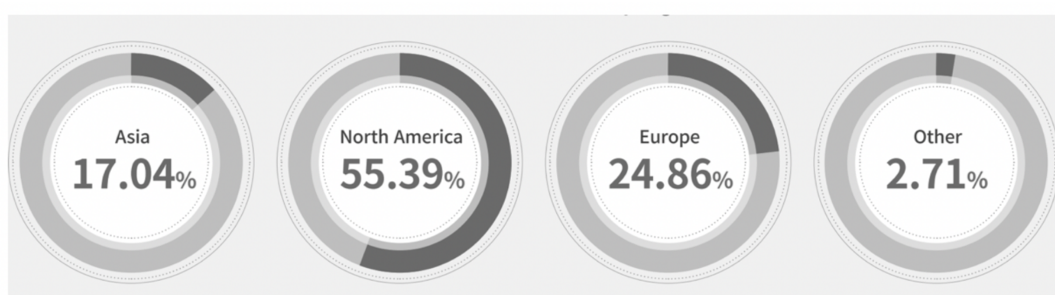

Figure 6. *The KIC’s Investment Status by region by 2017*. Adapted from 2017 Annual Report Sovereign Wealth Fund of Korea

The KIC has been functioning in tandem with the objectives discussed above since its inception, and essentially, contributes to the wealth transfer by its investments. Officially, it has been established in 2005 by the South Korean government ‘to conduct effective management of assets which are entrusted by the Government, the Bank of Korea, etc., and thereby contribute to the development of financial industry’ according to Korea Investment Corporation Act, Article I (KIC, 2019). The KIC’s Annual Report 2017 (KIC, 2017) states that ‘consistent stable investment returns within an appropriate level of risk to preserve and increase the value of Korea’s sovereign wealth’ is the investment objective of this government-owned investment vehicle. Having embraced these explicit objectives, the KIC has grown quickly in the last fourteen years. Its total assets dramatically increased from $1 billion in 2006 to $42,9 billion in 2011, and to $134,1 billion in 2017. Investments in fixed-income instruments and equities has been constituting major part of its total assets, ranging between %75 and %90 from 2009 to 2017. According to the report (ibid.), as of 2017, the KIC was investing in 64 countries, 35 currencies, 19.385 equities, 9.607 fixed-

income instruments and 296 funds. However, it is remarkable that more than %70 of its investments has been made in North America and Europe, revealing that how the operations of the KIC were functional in the wealth transfer to the developed world (see Figure 6).

4.3.4. People's Republic of China

PR China is hosting four SWFs today, including the SAFE Investment Company, National Social Security Fund (NSSF), China Investment Corporation (CIC) and China-Africa Development Fund (CADF). Among these SWFs today, the CIC is the biggest Chinese SWF managing the assets whose value is approximately amounted to 941 billion USD by 2019 (see Table 6). The CIC was established in 2007 'as a vehicle to diversify China's foreign exchange holdings and seek maximum returns for its shareholder within acceptable risk tolerance' (CIC, 2017). Its main goal in this respect has been described as managing the part of foreign exchange reserves, which had been previously controlled by the People's Bank of China (PBoC) and its subsidiaries. It would not be misleading to argue that the fundamental shift in the political economy of PR China and its subsequent subordinate integration to the world market, characterised by neoliberal financialisation along with the creation of global production networks, has been naturally conducive to such accumulation of currency reserves, and therefore, the development of conditions that enable the establishment of SWFs.

Table 6.
China's SWFs list by March 2019

SWF Name	Assets (USD in billions)	Year	Origin
SAFE Investment Company	441,00	1997	Non-Commodity
National Social Security Fund	57,90	2000	Non-Commodity
China Investment Corporation	941,40	2007	Non-Commodity
China-Africa Development Fund	5,00	2007	Non-Commodity

Source: Sovereign Wealth Fund Institute

A brief historical investigation demonstrates that since the 1970s, along with the process of deepening of internationalisation of production and finance, PR China has gradually become a rising economy in the East whereby the gravity of global productive capacity is now located after shifting from the mature economies in the

West (Lapavitsas, 2013b, p. 793). Panitch & Gindin (2013, p. 147) remark that the successful integration of PR China into global capitalism shows all the elements of 'globalization' in the clearest manner, including 'the transformations in the global division of labour, the development of competitive networks of production, and a new financial architecture to facilitate accelerated financialization.' Overbeek (2016, p. 318) points out that the opening of Chinese economy after the death of Chairman Mao has perfectly coincided with neoliberal transition in the world, enabling PR China to adopt export-oriented development model as a result of both reshuffling internal social forces inside the country and the imperatives of world market. The World Bank data in this respect indicates that China's exports of goods and services grew $23billion in 1982 to $79 billion in 1992, to $247 billion in 2002, and to $1257 billion in 2007, amounting to %11, %16, %23 and %35 of GDP respectively (See Table 7). Guo & N'Diaye (2009) demonstrate that PR China's global market share in term of goods export has reached to %9,3 in 2008 from %3,5 in 1999.

Zheng & Yi (2007) in this context argue that the export-oriented model of economic development in PR China launched with the opening-up policy and reforms has been what drove the vast accumulation of foreign currency reserves in the last forty years. In between 2000 and 2007 especially, as these scholars underline, there had been a dramatic upsurge of the country's foreign currency reserves as a consequence of high growth rates, increasing FDI flows and augmenting volume and revenues of good and services exports, exceeding $1,5 trillion in 2007 for instance.

Table 7.
People's Republic of China, Export of goods and services statistics

	1982	1987	1992	1997	2002	2007
Exports of goods and services (BoP, current US$)	$23 billion	$46 billion	$79 billion	$141 billion	$247 billion	$1257 billion
Exports of goods and services (% of GDP)	%11,02	%12,48	%15,66	%19,49	%22,64	%35,41

Source: World Bank Data Bank

However, for the Chinese economy running large current account surplus and steadily building up foreign exchange reserves, as Cognato (2008, p. 13-14) asserts, 'the opportunity cost of holding such large reserves was very high' since 'most of the

reserves were parked in the US Treasury and Agency bonds, which are highly liquid and safe but provide relatively low returns' (see Figure 7). It has been estimated by UBS that PR China could only earn the return of reserve investments ranged between %2 and %4 during the period of 2003-2006, signalling inefficient use of capital for an economy that has been growing over %10 per year (ibid). Moreover, the enormous pile of money in the form of accumulated reserves, most of which were dollar-asset holdings, left China to vulnerable to any risk of devaluation in the US dollar (ibid.) However, Cognato (ibid.) maintains that, if the Chinese government had decided to 'move of the reserves out of the dollar' against such risk, there would be the accelerated 'loss in value of the remaining dollars', therefore, PR China was in 'a hostage situation whereby the very size of the reserves forces China to maintain the policies that cause the reserves to continue to grow.'

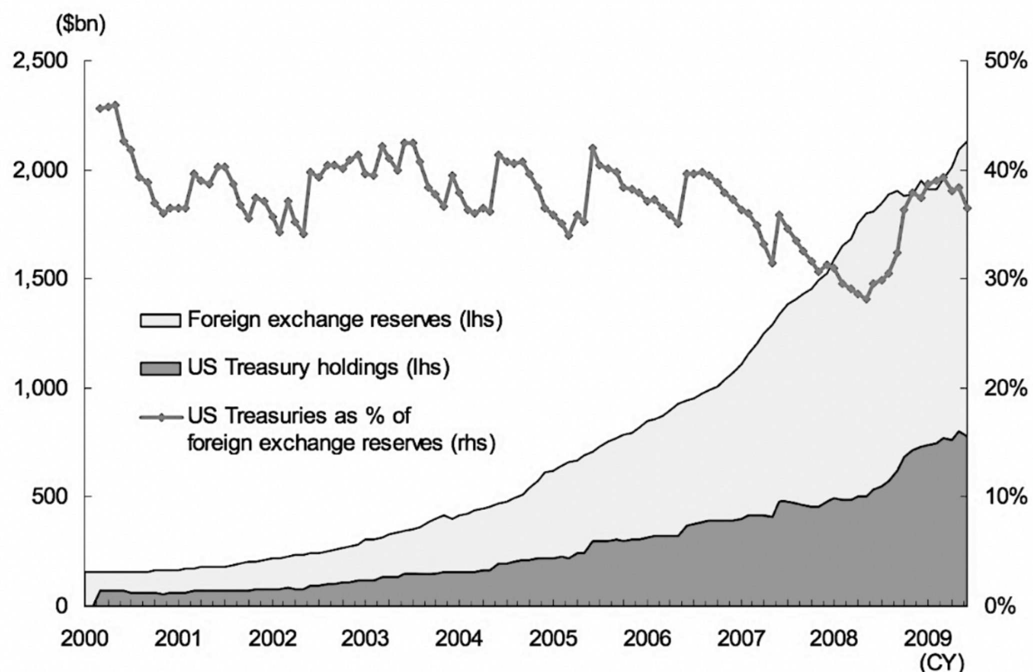

Figure 7. *China's foreign exchange reserves and the US Treasury holdings*. Adapted from Sekine (2009)

The establishment of the CIC as a result of a broad consensus among both political and intellectual circles in PR China, was a policy response in this regard against the growing currency risk and the low rates of returns (Stitsart, 2014). The CIC therefore provided an opportunity to invest in international financial markets, which are riskier than US Treasury Bonds but delivering higher yields, and to spread the risk by the

diversification of investments. However, it should be underlined that the CIC did not abandon the investments in the US. Instead, this specialised agency controlled by the Chinese government kept investing in the US with growing numbers, although other regions in the West also started to receive significant amount of Chinese investments. Nonetheless, the activities of the CIC after its establishment present that it became another channel through which the systemic transfer of value from developing to developed countries is actualised (Painceira, 2012, p. 193). Our research on the data of investments made by the CIC in the last twelve years reveals that it targeted various industries predominantly in North America and Europe, including financial services, infrastructure, energy, real estate or commercial services (see Table 8). Especially, the financial services industry in the US, most notably corporations such as Morgan Stanley, Blackstone Group and JC Flowers has received significant investments from the CIC. The CIC also directed the Chinese foreign exchange reserves to notable infrastructure and energy investments.

Table 8.
Highlights of Selected the CIC Investments in the last 15 Years

Target Name	Target Country	Target Industry	Year	Deal Value (US$ MM)
Morgan Stanley	USA	Financial Services	2007	5579
Blackstone Group LP	USA	Financial Services	2007	3000
J.C. Flowers	USA	Financial Services	2008	3200
Morgan Stanley	USA	Financial Services	2009	1243
Visa Inc.	USA	Financial Services	2009	156
Apax Partners Permanent Capital.	UK	Financial Services	2009	294
AES Corp.	USA	Infrastructure	2010	1581
Kemble Water Holdings Ltd.	UK	Infrastructure	2012	1349
National Grid plc. Gas Distribution	UK	Infrastructure	2017	1200
Peace River Oil Partnership	Canada	Energy	2010	817
GDF Suez SA	France	Energy	2011	3273
ENGIE E&P International SA	France	Energy	2017	1039
Logicor Europe Ltd.	Europe	Real Estate	2017	13780

Source: Sovereign Investors Institute's Sovereign Wealth Center

4.4. New Wave of SWFs in the 2000s and the Global Financial Crisis

Whereas the Asian financial crisis with severe economic and political consequences stimulated the creation of new SWFs in the East Asia, increasing global commodity prices in the 2000s contributed to the expansion of these institutions in the oil and

natural gas-rich countries. The total number of SWFs started to increase substantially in this respect after the new millennium (see Figure 8).

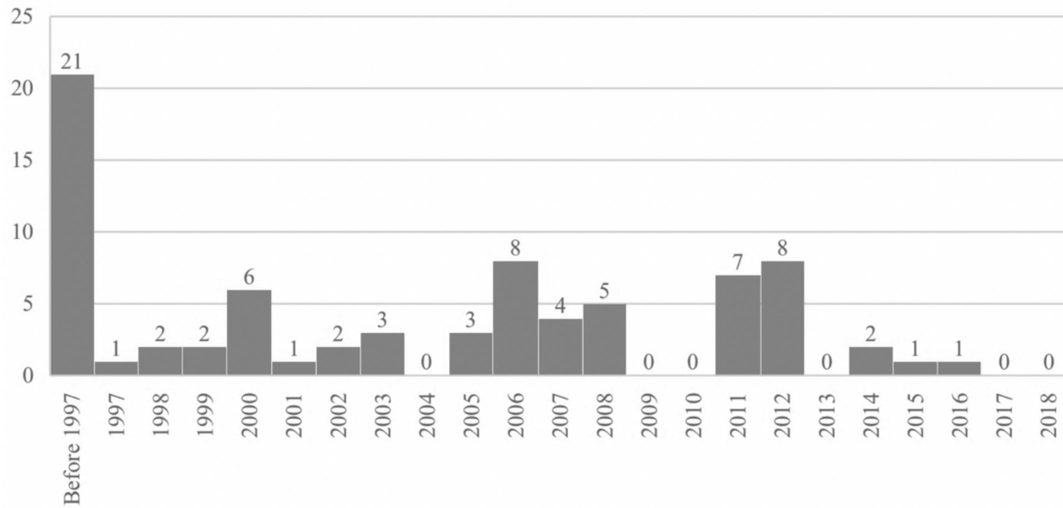

Figure 8. *The Establishment of SWFs by Year*. Source: Sovereign Wealth Institute

These two developments, i.e. the increasing numbers of both commodity and non-commodity SWFs in different of the world, were in fact highly related to each other at the same time. Hanieh (2011, p. 90) suggests that the rapid economic development in the Asia by the last quarter of 20th century, which had been largely driven by the export-oriented growth strategy the countries in the region embraced and the spatial reorganisation of productive capacity in the world economy, caused to the dramatic increase of world energy consumption. The major East Asian countries such as China, South Korea as well as India in this respect have become significant consumers of oil and natural gas. Global energy statistics indicates that the share of Asia in the world consumption of energy has risen to %24 in 1990 to %34 in 2007, amounting to more than 2000 Mtoe increase (see Figure 9). The growth of PR China in this respect contributed to such dramatic rise extremely since the country's share increased from %9 in 1990 to %17 in 2007. From 2000 and 2006, World Energy Outlook (IEA, 2007, p.54) research estimates that PR China was alone responsible for %45 of the global increase in energy use.

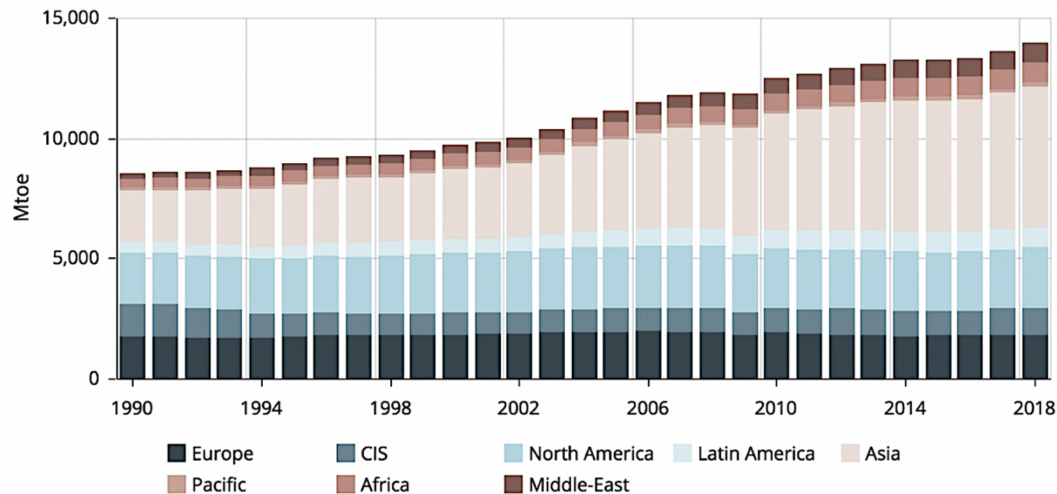

Figure 9. *World Energy Consumption between 1990 and 2018*. Source: Global Energy Statistics Yearbook 2019

However, the increase in demand in that period was far ahead of oil & gas supply especially. In retrospect, in the 1990s, there had been efforts to rehabilitate of the already-existing capacity to meet rising demand for primary commodities. Although these initiatives helped to keep global commodity prices at lower levels, they caused to the deterrence of investments to create new supply capacity (World Bank, 2008). Therefore, by the beginning of the 2000s, the mismatch between the growth trend of demand and supply capacity emerged, and consequently, it led to a sharp up-turn in the primary commodity prices (see Figure 10). Crude oil price per barrel in this regard increased from $18 in 1998 to $38 in 2003 and to $107 in 2008.[16]

The hike of commodity prices during these years has naturally allowed to the increase of foreign exchange reserves of resource-rich countries particularly and induced the second wave of SWF establishments in the Middle East as well as Russia and other countries. Put differently, as Curzio & Miceli (2010, p. 9) maintain, 'oil-exporting countries, including those of the Gulf Cooperation Council (GCC), benefitted from this significant increase in the price of oil and gas, pouring revenues into funding their SWFs.' In this context, the countries including Qatar, the United Arab Emirates, Bahrain, Oman, Iran, Azerbaijan have either created new SWFs or expanded the resources and activities of the existing ones.

[16] These figures are February 2019 inflation adjusted prices

Figure 10. *Crude Oil (petroleum) & Natural Gas Price Index between 1991 and 2008.* Source: International Monetary Fund

Qatar Investment Authority (QIA) is one of the most remarkable examples of SWFs established in this period. The QIA has been founded in 2005 with 'the objective of investing Qatar's surplus revenues' (QIA, 2016, p. 8), and it is still only the one Qatari government owns today. It carries a mission of securing 'the financial prosperity of Qatar's future generations by preserving and enhancing the longterm value of Qatar's funds and supporting the development of a competitive Qatari economy, facilitating economic diversification and developing local talent' (ibid.) These explicit objectives indicates that the QIA is driven by intergenerational wealth transfer and economic diversification motives. As Sheikh Hamad bin Khalifa Al Thani, a member of the ruling royal family and the former Emir of Qatar (1995-2013), puts it by his interview in Financial Times, the Qatari 'energy sector won't last forever' and 'to secure a good life for future generations' the accumulating money must be invested in (quoted in Al-Ghorairi, 2010, p. 159).

Likewise, the other GCC member, the United Arab Emirates (UAE) established the Mubadala Investment Company (Abu Dhabi) and the Emirates Investment Authority (Federal) in 2002 and 2007 respectively to pursue similar purposes. The Mubadala, as the CEO Khaldoon Khalifa Al Mubarak (Mubadala, 2019) remarks, 'focused on delivering financial returns for the shareholder through various methods, including investing in new sectors; reaching into new geographic markets; and monetizing assets when and where it makes sense', in order to attain sustainable development and economic diversification. Similarly, the Emirates Investment Authority (2019) specifies its objective as 'deliver long term, sustainable financial gains for the continued prosperity of all UAE Nationals' by 'investments across multiple

economic sectors, asset classes and geographies.' Since their inceptions, these two SWFs have experienced a substantial growth; the Mubadala manages $226 billion valued assets by 2019 while the total amount of assets valued at $34 billion is under the control of the Emirates Investment Authority (SWFI, 2019).

Although the explicit objectives of these funds point out various motives, including wealth substitution or counter-cyclical ones, in appearance, the bulk of the destination of SWF investments from the GCC countries during the 2000s is almost same with other examples from the East Asia: the financial system of the West and the European or US companies. Hanieh (2011, p. 97) underlines that approximately %50-70 of the petrodollars, between 2002 and 2007, from oil-exporting countries of the region were mostly recycled to the US equities and bonds. Through analysing the US Treasury International Capital (TIC) data, Sturm et al. (2008, p. 43) estimates that the GCC holdings in US securities was the most rapidly growing ones, compared to the other regions, since there was a more than %50 increase in a year between 2005 and 2006, amounting to the rise from $161 billion to $243 billion. These flows from the Middle East, as Hanieh (2011, p. 97) argues, were significant in the sense that they largely contributed to the sustainment of high levels of debt by the US in the post-2000 era.

Notwithstanding that the SWFs from different regions across the global have experienced the tremendous growth in terms of the asset size starting from the beginning of the 2000s, the global financial crisis of 2007-8 had negative impact on these sovereign investors as well due to the downfall in commodity prices and the decline in export volumes. Put differently, as Balin (2010, p. 3) points out, the lower oil prices and the shrinking global trade marked a slowdown in inflows from their sovereign governments. Furthermore, given the fact that the majority of SWFs investments were in the US financial markets, these institutions thus suffered from the heavy loses. Nevertheless, SWFs did not hesitate to bolster financial and banking sector amidst the crisis. At the onset the crisis in summer 2007, different SWFs begun to invest substantial amounts in Western financial institutions, and these investments continued in the following years despite the heavy criticisms the SWF managers received due to their 'unwise' investment decisions. They, so to speak, have become 'saviours' of international financial system even before the bank bailout of 2008.

Table 9.
Examples of SWF Investments to Financial Services Industry in the Advanced Economies during the Financial Crisis of 2007-08

SWF Name	SWF Country	Target Name	Target Country	Target Industry	Date	Deal Value (US$ MM)
Abu Dhabi Investment Authority	UAE	CitiGroup Inc.	USA	Financial Services	27.11.07	$7500
Government of Singapore Investment Corporation	Singapore	CitiGroup Inc.	USA	Financial Services	01.15.08	$6880
Kuwait Investment Authority	Kuwait	CitiGroup Inc.	USA	Financial Services	01.15.08	$3000
Korea Investment Corporation	South Korea	Merrill Lynch & Co. Inc.	USA	Financial Services	01.31.08	$2000
Kuwait Investment Authority	Kuwait	Merrill Lynch & Co. Inc.	USA	Financial Services	01.31.08	$2000
Temasek Holdings	Singapore	Merrill Lynch & Co. Inc.	USA	Financial Services	02.05.08	$600
Government of Singapore Investment Corporation	Singapore	UBS AG	Switzerland	Financial Services	03.05.08	$10339
International Petroleum Investment Company	UAE	Barclays Plc.	UK	Financial Services	25.06.08	$5000
Qatar Investment Authority	Qatar	Barclays Plc.	UK	Financial Services	06.25.08	$2858
Temasek Holdings	Singapore	Barclays Plc.	UK	Financial Services	06.25.08	$393
Temasek Holdings	Singapore	Merrill Lynch & Co. Inc.	USA	Financial Services	07.29.08	$3400
Qatar Investment Authority	Qatar	Credit Suisse Group AG	Switzerland	Financial Services	10.16.08	$2858
Qatar Investment Authority	Qatar	Credit Suisse Group AG	Switzerland	Financial Services	10.16.08	$1518
Qatar Investment Authority	Qatar	Barclays Plc.	UK	Financial Services	10.31.08	$4845
Libyan Investment Authority	Libya	UniCredit SpA	Italy	Financial Services	11.16.08	$693

Source: Sovereign Investors Institute's Sovereign Wealth Center

Empirical data provided by the Sovereign Wealth Center demonstrate the extent of these high-profile SWF investments made into the Western financial institutions (see Table 9). On the one hand, the East Asian SWFs, including Singapore's Temasek Holdings, the Government of Singapore Investment Corporation (GIC), the Korea Investment Cooperation and the China Investment Corporation, and on the other hand, the Middle Eastern SWFs, including the Kuwait Investment Authority, the Abu Dhabi Investment Authority, and the Qatar Investment Authority, have supplied the financial institutions by providing necessary liquidity with their investments.

For instance, in 2007, first, the Citigroup sold the equity units valued at $7.5 billion to the Abu Dhabi Investment Authority. This investment, according the CEO Win Bischoff, was thought to be beneficial for the multinational investment bank to the extent that it would enable the bank to 'access capital in an efficient manner', 'pursue attractive opportunities and grow its business' (Citigroup, 2007). A year later, the

bank received $6,88 billion investment from the GIC too through the completion of private offering in line with its objective to raise capital by selling securities. The Citi also was able to secure the Kuwait Investment Authority's offer in the same offering, which was amounting to $3 billion. Merrill Lynch, another investment bank from the US, similarly was target of SWF investments in this period. In 2007, Singapore's Temasek bought the bank's shares. This sell, for John Thain, the Merrill's CEO, was a part of the program, which aimed 'to solidify the company's financial position' (NBCNews, 2007). In 2008, the Merrill Lynch also received $4 billions of investment from Korean Investment Cooperation and Kuwait Investment Authority together.

CHAPTER 5

CRITICAL OBSERVATIONS ON THE TURKEY WEALTH FUND

5.1. Introduction

Our historical investigation of SWFs across the globe in the Chapter 4 indicates that the historical development of these institutions in diverse national contexts has been driven by both the changing dynamics of world economy with the internationalisation processes and subordinate integration of the DECEs to the financial transformation that has been continuing since the late 1970s, albeit at different paces in different periods. What unities the countries that possess the SWFs is, however, related to the economic surplus due to the current-account surplus and excessive foreign exchange reserves they have. Then, it is a definitely meaningful question that why a particular country decides to establish a SWF even if it does not possess the wealth derived from either the export of strategic natural resources or the trade surplus thanks to the export-oriented growth strategy. It is apparent that this is the question that concerns the Turkish case. Hence, the Turkey Wealth Fund (TWF), not surprisingly, has been subject to serious controversy since its inception in 2016. In the last years, a variety of arguments has been made by the commentators, scholars and politicians to make sense why the Government of Turkey took such a step. Nevertheless, it is hard to say that the ambiguity surrounding the TWF passed away. Considering that the TWF as a private corporate body under the direct command of the President is now holding and controlling legally the whole public assets of Turkey that had been previously owned by the Treasury, the issue indeed deserves the scholarly attention more closely from a critical perspective.

In this regard, this chapter aims to shed light on the TWF and its place and meaning within the context of political economy of Turkey lately. Thus, it begins with putting the TWF under close scrutiny by asking first what we know about the Fund. That is to say, the chapter initially deals with gathering and outlining the existing information concerning the TWF. The first part in this respect concentrates on the foundation of the TWF, its legal background, governance structure, missions and objectives, and portfolio. After portraying the general features of the TWF, the chapter embarks upon developing a comparative perspective. Thus, secondly, it dwells on the question that to what extent the TWF differs from its counterparts. Such a question in this sense requires us to discuss whether it is appropriate to consider the TWF as a sovereign wealth fund. In doing so, however, the chapter does not solely rely on what officially the TWF claims. Nor it seeks a definitive answer by evaluating the Fund with a pre-built checklist. Rather, the chapter contends that the TWF should be analysed against the backdrop of the historical conditions of financial transformation in an emerging market economy and the transformation of economy management in Turkey recently in tandem with the process of changing imperatives of the world market from 2013 onwards. In this regard, thirdly, the chapter investigates these transformations and conditions to demonstrate their impact on the establishment of the TWF. It is here believed in this respect that this unique case of the TWF, which is the most recently established one in the world today, may be representing the emergence of a type of sovereign wealth fund with a never-before-seen motives and patterns.

5.2. Turkey Wealth Fund: What We Know?

The Turkey Wealth Fund has been created by the enactment of ‘the Law no. 6741 on Establishment of Turkish Wealth Fund Management Company and Amendments in Certain Laws’ thanks to the AKP’s majority votes in the Grand National Assembly of Turkey on August 26, 2016 (Official Gazette 26.08.2016 numbered 29813). The Law (Article 1) incorporated the Turkish Wealth Fund Management Company, that is subject to private laws, to establish and manage the TWF, and its sub-funds if considered necessary. It has provided ₺50 million of founding capital, paid by the Privatization Fund of the Privatization Board of Turkey (as per Article 2/5). The Law also authorised the Prime Minister to appoint the Chairman of the TWF Management

Co. and the members of Board of Directors (Article 1/7), and the Council of Ministers to determine the procedures and principles concerning the operation and organisation of the Company (Article 3). ‘The Decree of the Council of Ministers 2016/9429 dated 17.10.2016’ in this respect has specified the Company’s permitted activities, operational principles, organisational structure, income, sources and other provisions. Furthermore, in the following year, all public assets the Treasury had traditionally owned transferred to the TWF (Official Gazette 05.02.2017 numbered 29970), by other decrees of the Council of Ministers ‘regarding the Institutions, Resources and Assets Transferred to Turkish Wealth Fund’ issued on January 24, 2017 (Decree No: 2017/9756), and ‘regarding the Transfer of Assets to Turkish Wealth Fund’ issued on January 31, 2017 (Decree No: 2017/9758). In May 2017, moreover, for the first time, four sub-funds that are tied to the TWF have been established, including TWF Market Stability and Equalization Sub-Fund (*TVF Piyasa İstikar ve Denge Alt Fonu*), TWF Small and Medium Enterprise (SME) Financing Sub-Fund (*TVF KOBİ Finansman Alt Fonu*), TWF License and Concessions Sub-Fund (*TVF Lisans ve İmtiyaz Alt Fonu*), and TWF Mining Sub-Fund (*TVF MADEN Alt Fonu*) (Turkey Commercial Registry Gazette dated 01.06.2017 and numbered 9338).

The introduction of the presidential system in Turkey by a constitutional referendum held in 2017, however, brought significant changes about the TWF as well. In this regard, after the presential election in June 2018, the phrases of ‘the Prime Minister’ and ‘the Council of Ministers’ written in the Law No. 6741 have been replaced by ‘the President’ with the amendments according to Article 157 of the Decree Law no. 703 dated 02.07.2018 (Official Gazette 09.07.2018 numbered 30473). On September 11, 2018, on the other hand, the President of Republic of Turkey was specified as the Chairman of the TWF Management Co. as per the Presidential Decree no. 2018/162, and new members were appointed to the Board of Directors of the Company as per the Presidential Decree no. 2018/163 (Official Gazette 12.09.2018 numbered 30533). Prior to the latest amendment, the Chairman Mehmet Bostan had been in charge since the establishment of the Fund until his dismissal in September 2017 (Coşkun, 2017), and the Board of Directors had been comprised of five members including Yiğit Bulut (the chief economy advisor of the President) and Himmet Karadağ (the head of the Istanbul stock exchange). As of 2019, Recep Tayyip Erdoğan, the President of the

Republic of Turkey and the leader of the ruling party, the AKP, is the Chairman of the Company, and the Board of Directors, apart from the Chairman, is consisting of Berat Albayrak (the Minister of Treasury and Finance), Salim Arda Ermut (the Head of Investment Office of the Presidency), Rifat Hisarcıklıoğlu (the President of the Union of Chambers and Commodity Exchanges of Turkey (TOBB)), Hüseyin Aydın (the Chairman of the Banks Association of Turkey (TBB) and the CEO of the Ziraat Bank), Fuat Tosyalı (member of the executive board of the Foreign Economic Relations Board (DEİK)), Zafer Sönmez (the Head of the Turkey and Africa region of Malaysian Investment Fund Khazanah), and Professor Erişah Arıcan (independent member of Borsa Istanbul) (Daily Sabah, 2018).

Today, under the management of this Board of Directors, the TWF Management Co. is authorised to pursue the following activities at primary and second national and international financial markets as per Article 3 of the Law No. 6741:

- the sale and purchase of shares of domestic and foreign companies, the shares and debt instruments belonging to issuers established in Turkey and abroad, precious metals and commodity based issued capital market instruments, fund participation units, derivatives, lease certificates, real estate certificates, specially designed foreign investment instruments and other instruments,

- all kinds of money market transactions,

- the evaluation of real estate and rights based on real estate together with all kinds of intangible rights) all kinds of project development, project-based fund raising, providing external project credit and transactions providing fund by way of other methods,

- all kinds of commercial and financial activities,

In carrying out these activities, as a company that is subject to private law according to the Law No. 6741, the TWF and other companies or sub-funds established by the TWF Management Co. are exempted from: (i) income and corporate tax (Article 8/1);

(ii) taxes, fees, contribution rates and approval fees received as municipality revenue (Article 8/2); real estate tax, land registry and cadastre revolving fund costs (Article 8/2); deposit payment obligations in all kinds of lawsuits and execution proceedings (Article 8/2); stamp tax, and banking and insurance transactions tax arising from any activities and transactions (Article 8/3); legislations, implementations and restrictions applied for public institutions and establishments which hold more than half of the capital or which are incorporated with a private law, including state economic enterprises (Article 8/4); and several others (see GSG Attorneys at Law, 2016, p. 4). Most importantly, however, Article 8/5 of the Law immunes the Company and the TWF from the audit of the Turkish Court of Accounts, a constitutional body operating on the behalf of the parliament and performing 'audits, trials and guidance in order to contribute to accountability and fiscal transparency in the public sector (Turkish Court of Audits Strategic Plan 2019-2013, p. 59). In this regard, as per the Article 6 of the Law No. 6741, the TWF or sub-funds are subject to independent audit. The independently audited financial statements and activities, however, are required to be audited by three central auditors appointed by the President and the report must be summitted the President (Article 6/2). Finally, the Law requires an inspection and audit of the Company's financial statements of previous year by the Planning and Budget Commission of the Parliament (Article 6/3).

Having built upon the legal framework outlined above, the Turkey Wealth Fund owns several assets in its portfolio today. The TWF's portfolio is consisting of companies, licenses, and real estates (TWF, 2019): First of all, the assets controlled by the TWF includes the total or partial shares of The Treasury in the Turkish Airlines (Türk Hava Yolları A.O.), Türk Telekomünikasyon A.Ş., Ziraat Bank (Türkiye Cumhuriyet Ziraat Bankası A.Ş.), Halk Bank (Türkiye Halkbankası A.Ş.). Furthermore, there are also the shares of Turkish Petroleum (Türkiye Petrolleri A.O.), Petroleum Pipeline Company (Boru Hatları ile Petrol Taşıma A.Ş. – BOTAŞ), the Post and Telegraph Organization (Posta ve Telgraf Teşkilatı A.Ş. – PTT), TÜRKSAT (Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş.), Borsa İstanbul, Kayseri Şeker Fabrikası A.Ş, and the companies, namely the Turkish Maritime Enterprises (Türkiye Denizcilik İşletmeleri A.Ş.), Eti Maden General Directorate (Eti Maden İşletmeleri Genel

Müdürlüğü), Çay İşletmeleri General Directorate (Çay İşletmeleri Genel Müdürlüğü – ÇAYKUR).

Table 10.
The Turkey Wealth Fund Portfolio

	Asset Size ($billion) (*)	Treasury Shares (%)	Publicly held shares (%)
Companies			
Turkish Airlines *Türk Hava Yolları A.O. (national flag carrier airline)*	15,8	49,1	50,2
Türk Telekom *Türk Telekomünikasyon A.Ş. (telecommunications company)*	7,6	6,7	13,3
Ziraat Bank *T.C. Ziraat Bankası A.Ş. (state-owned bank)*	96,9	100	-
Halk Bank *Türkiye Halkbankası A.Ş. (state-owned bank)*	60,0	51,1	48,8
Turkish Petroleum *Türkiye Petrolleri A.O. (oil industry company)*	0,4	100	-
Petroleum Pipeline Company (BOTAŞ) *Boru Hatları ile Petrol Taşıma A.Ş.*	5,3	100	-
Post and Telegraph Organization (PTT) *Posta ve Telgraf Teşkilatı A.Ş. (postal services)*	1,1	100	-
Türksat Satellite Com. and Cable TV Operations Co. *Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş.*	0,6	100	-
Borsa İstanbul *Borsa İstanbul A.Ş. (stock exchange)*	2,2	73,6	-
Eti Maden General Directorate *Eti Maden İşletmeleri Genel Müdürlüğü (mining sector)*		100	-
Çay İşletmeleri General Directorate (ÇAYKUR) *Çay İşletmeleri Genel Müdürlüğü (tea producer)*	0,9	100	-
Turkish Maritime Enterprises *Türkiye Denizcilik İşletmeleri A.Ş.*		49	
Kayseri Sugar Factory Inc. *Kayseri Şeker Fabrikası A.Ş*		10	
TCDD İzmir Port *TCDD İzmir Limanı*			

Licenses	
Milli Piyango *(national lottery)*	license to organize Piyango, Hemen-Kazan, Sayısal Loto, Şans Topu, On Numara, Süper Loto and other permitted similar lottery games in accordance with the relevant legislation which are played in return of cash.
Horse Racing	Licenses to organize national horse races, right and entitlements of receiving mutual betting on national or international organized horse races for a duration of 49 years from 1 January 2018 and onwards.

Real Estates

1. The immovable properties and building and facilities thereof that are assigned to Ministry of Food, Agriculture and Livestock serving the purpose of organization of horse race and actually used for this purpose.
2. Various immovable properties owned by the Treasury located in Antalya, Aydın, Istanbul, Isparta, İzmir, Kayseri and Muğla

Source: Turkey Wealth Fund & PriceWaterhouseCoopers (2017)
Notes (*): These assets size values are provided by PriceWaterhouseCoopers (2017) according to the latest financial statements by the date of publication.

Secondly, the TWF owns the license to organise Piyango, Hemen-Kazan, Sayısal Loto, Şans Topu, On Numara, Süper Loto and other permitted similar lottery games as well as the national horse races right and entitlements of receiving mutual betting on national or international organized horse races. Thirdly, there are several immovable properties the TWF possesses in the country's different cities. (for further details Table 10).

5.3. Is Turkey Wealth Fund Really a Sovereign Wealth Fund?

Although the public assets listed above have been transferred to the TWF, in the General Preamble of the Law Draft regarding the 'Establishment of Turkish Wealth Fund Management Company and Amendments in Certain Laws' (Date: 01.08.2016 Number: 31853594-101-1310-3105), it has been asserted by the AKP government that the TWF would eventually transform itself into a structure which is capable of generating its own resources in the course of time. For the pro-government media, such transfer was about strengthening the TWF with the 'giants' of Turkish economy, that would supposedly help the Fund to increase the total value of its asset to ₺200 billion in a very span of time (Akşam, 2017). On the other hand, the opponents have often claimed that, for instance, such a step rather meant the realisation of the dreams of governing Turkey as a private corporation immune from public oversight, and the TWF symbolizes the 'New Turkey Inc.' as a conglomerate exclusively controlled by the boss-President (Yaşlı, 2017). Furthermore, in international media, the TWF has been treated as 'a sovereign wealth fund – without the wealth' despite the handover of government's stakes in big state-owned companies (Milhench, 2017). Therefore, it would not be misleading note that there are two crucial issues that is still subject to fierce debate: (i) what is the purpose for the establishment of the TWF by the AKP government, and (ii) whether the TWF could be classified as a SWF, and if it is a SWF as claimed by the Fund itself, what kind of SWF it is? To engage with different standpoints as regard to the TWF within the context of these questions, and develop an alternative perspective, first of all, it is significant to clearly see how the Fund itself and the government representatives present the raison d'être of the TWF.

After underlining the point that Turkey is the only country in G20 without a SWF, the AKP government in this regard claimed in the General Preamble of the Law Draft that the establishment of the TWF would contribute to:

- Turkey's growth rate by %1,5 in the next ten years
- the acceleration of growth and deepening capital markets
- the dissemination of the use of Islamic finance assets
- the creation of hundreds of thousands additional employment opportunities by future investments
- the support of domestic companies in strategic technology-intensive sectors like defence, aviation and software on the basis of project and capital so as to assist them to become global actors
- the financing of the mega infrastructure projects like highways, Canal Istanbul, third Bridge over Bosphorus Strait, third International Airport in Istanbul, and the Nuclear Power Plant without increasing the public sector debt
- the increase in the sector share of participating financing
- the direct investments in the strategic sectors abroad such as petroleum and natural gas, which are crucial to Turkey, without being bound up with legal and bureaucratic restraints
- the efforts of Turkey to have a more voice in international arena by serving as an instrument of Turkish foreign policy agenda

Furthermore, the General Preamble of the Law Draft notes that:

> 'in the periods of economic fluctuations that emerge as a result of the increasing financial-risk at home and abroad, the rising demand of domestic investors for foreign exchange and the asset withdrawal of foreign investors leads to decrease in liquidity in the markets and the concern about financial stability. For the solution of these problems, a strong sovereign wealth fund in which public funds are managed in a consolidated manner would act as a stabilizer in an environment characterised by financial stress, build up the confidence in the markets by making the size and power of the country's savings more visible, and increase international credibility of our country.'

Numan Kurtulmuş, the Deputy Prime Minister in 2017, similarly underlined that:

> 'Those forces who intends to hinder the growth of Turkey have been resorting to some operations...on the one hand, the reports of credit rating agencies, and on the other, the speculative attacks on the foreign exchange rates in Turkey...these are just few of these [operations]. We're taking measures to prevent them. The Turkey Wealth Fund is one of the significant instruments today in this respect that would strengthen the economy by ensuring the protection of Turkish economy against external assaults and supporting the big projects to be carried out from now on.' (Sabah, 18 February 2017)

Although this stabilisation motive had been present in the General Preamble and mentioned by the AKP politicians, the Law No. 6741 do not mention it. Instead, it basically states that the TWF has purpose of '*providing capital market's instruments depth and diversity, bringing domestic public assets in economy, procuring external source, taking part in strategical, large-scale investments*.' On the other hand, the Turkey Wealth Fund Management Co. (2019) officially describes its mission as follows: '*our mission is to develop and increase the value of Turkey's strategic assets and consequently provide resource for our country's primary investments*.' In this regard, it (ibid.) lists five main objectives, which are:

- 'contributing to economic growth by ensuring value increase of key public assets,
- supporting the development of assets suitable for participation financing,
- actively deepening capital markets by supporting introduction of a variety of products,
- attracting further investments to Turkey and providing capital for new investments,
- establish and manage Turkey Wealth Fund and sub-funds with the aim of further developing strategically important industries and participating in large scale investments.'

In this respect, Zafer Sönmez, the Board Member and Managing Director of the TWF, remarks that:

> 'the [Turkey] Wealth Fund is not a bank; it does not grant loans. It is not a central bank; it does not determine monetary policy. It is not the Treasury; it does not take on debt. It does not receive cuts from your salaries. It is not a privatisation administration. All these institutions have different authorities

> and roadmaps, and they are all precious. The [Turkey] Wealth Fund, is a strategic investment platform of Turkey, and it is a financial powerhouse. Hence, it seeks for returns on capital. To do so, it seeks after increasing the value of the companies in its portfolio, contributing to Turkey's strategic investments, and how Turkish domestic corporations could become regional and global leaders' (Sabah, 2019a).

In the light of these statements and official documents, it is appropriate to argue that there is a bulk of purpose list presented by the AKP government regarding the TWF, and there is no priority given to any of them in a clear manner; therefore, it is not apparent for what ultimate goal the TWF has been established as Kayıran (2016) remarks. Nevertheless, it is still possible to identify two major macro-objectives embraced by the TWF, including *stability* and *development* goals. Kayıran (ibid.) in this respect suggests that the TWF might be seen as a *development fund* owing to the fact that this type of funds generally aims to attain both development and financial returns. Konukman & Şimşek (2017) likewise argue that on the one hand, the TWF is a *sovereign development fund (SDF)*[17], according the IMF classification based on macroeconomic policy objectives, given the fact that the Fund prioritizes domestic investments (especially in infrastructure sector) in order to achieve economic growth and development and it seems refraining from foreign investments; on the other hand, it is both *productivist and territorialist SWF*[18] in terms of geopolitical purposes, in tandem with the classification system developed by Clark et al. (2013), since the TWF's objectives are oriented towards national development (productivist aspect) as well as supporting the competitiveness of domestic firms, both at abroad and home (territorialist aspect).

However, it should be noted that any attempt to classify the TWF, according to its explicit objectives, remains largely descriptive; therefore, there appears to be an only partial understanding that does not go beyond what is clearly apparent about the Fund. Furthermore, starting from asking what kind of SWF is the TWF by whether simply accepting the self-identification or the recognition by international institutions such as the IFSWF[19] may obscure more fundamental problem related to the Fund: it does not resemble any SWF in the world today as regard to financing resources. That is to

[17] See Chapter 2, Classifications of SWFs
[18] See Chapter 2, Classifications of SWFs
[19] The TWF is official member of the IFSWF.

say, the TWF differs from other sovereign investors to a large extent since there is no financing resource that SWF specialists, economists and/or IPE/IR scholars used to encounter very often. First of all, unlike the countries traditionally hosting SWFs like the Gulf states in the Middle East and utilizing their large natural resource reserves by transforming them into financial assets by these institutions, Turkey is a resource-scarce country (see Table 11). It is crystal clear fact that Turkey has been importing energy to meet its energy use. Besides, total natural resources rents were only %0,64 of Turkey's GDP in 2014.

Table 11

Energy import & export statistics of Turkey in comparison to Qatar, UAE and Russia

	Turkey				Qatar	UAE	Russia
	1997	2002	2008	2014	2014	2014	2014
Energy imports, net (% of energy use)	60,29	67,51	70,64	74,21	-398,9	-183,8	-83,67
Total natural resources rents (% of GDP)	0,28	0,21	0,64	0,31	30,55	24,25	13,27
Raw materials export product share to world (%)	11,16	6,97	5,54	7,47	16,60	22,36	38,15
Fuel exports (% of merchandise exports)	0,74	1,92	5,85	3,76	87,81	42,50	69,87

Source: World Bank Data Bank & World Integrated Trade Solution (WITS) Statistics

On the other hand, the TWF has been classified as *non-commodity fund* by the SWFI (2019); however, Turkey has not been running current account surplus either for a long time (see Table 12). Instead, in the last two decades, Turkey's current account deficit has jumped to $39billion in 2008 from 0,6 billion in 2002, and to $74billion in 2011. Unlike the East Asian countries, for instance, whose non-commodity SWFs have been built upon the large stockpile of foreign exchange reserves due to the trade surplus, the domestic production in Turkish economy is dependent on imported goods and its economic growth has been largely driven capital inflows in the last decade (Akçay & Güngen, 2019).

Table 12.
Balance of Payment and Related Statistics of Turkey in comparison to PR China, South Korea and Singapore

	Turkey			PR China	South Korea	Singapore
	2001	2008	2017	2017	2017	2017
Current account balance (BoP, current US$) ($million)	3.76	-39.425	-47.347	195.117	75.231	49.092
Current account balance (% of GDP)	1,87	-5,16	-5,56	1,61	4,92	15,93
Net trade in goods and services (BoP, current US$) ($million)	5.773	-34.009	-39.017	217.010	76.859	82.230

Source: World Bank Data Bank

Griffith-Jones & Ocampo (2012, p. 247) argue that the rationale for SWFs ought to be understood first by beginning with the current account and the underlying reasons for a current account surplus; however, 'if there is no current account surplus, it is difficult to rationalize the creation of SWFs' as such, and 'a SWF merely created on the basis of borrowed reserves (or, more broadly, borrowed liquidity), we can think of it really as a form of financial intermediation, as it would not involve really the management of net foreign exchange assets.' In stark contrast to both non-commodity and commodity fund owning countries, Turkey fits well into this situation: a country without current account surplus has established a SWF (see Figure 11). However, it is hard to 'rationalise' the foundation of the TWF only when historical specifity of these institutions is ignored. Put differently, SWFs are dynamic investment institutions that have always been subject to a transformation in terms of its motives, purposes or financing resources (or, more broadly, the rationale of being) in tandem with the changing political and economic landscape of host countries that has been historically shaped by the characteristics of the integration with the world market (i.e. subordinate financialisation in the DECEs). The TWF in this respect represents the emergence of a new form of SWF that is built to 'attract finance from overseas and invest it at home to stimulate growth' (Milhench, 2017), and to avoid further financial vulnerabilities in an economic crisis environment; therefore, the rationale of the Fund can only be understood within the context of subordinate financial transformation in Turkey and its limits and consequences in the last few decades.

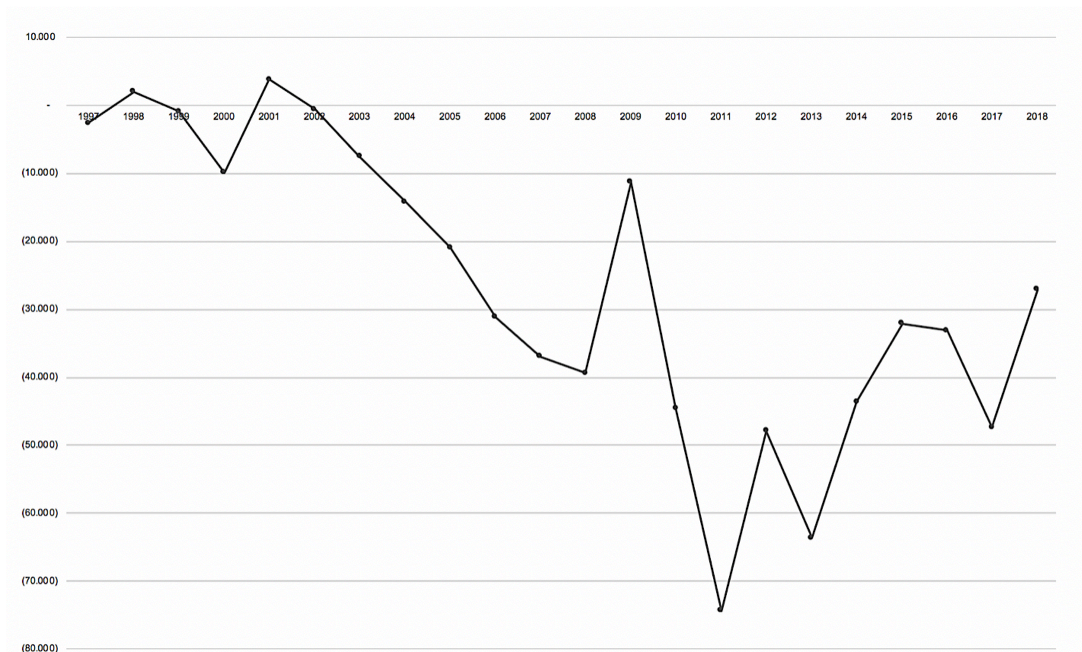

Figure 11. *Turkey Current Account Balance (million $) (BoP, current $) between 1997-2018*. Source: World Bank Data Bank

5.4 A Brief Historical Background: Neoliberal Financialisation in Turkey

In its modern history, the political economy of Turkey has gone through remarkable transformations, and the 1980s, starting from the inauguration of 24 January 1980 stabilisation programme, in this respect have witnessed substantial changes in the orientation of Turkish economy. Prior to this period, Turkey had been following an import substitution industrialisation (ISI) strategy; however, the structural adjustment programme in the beginning of the 1980s brought about a shift from the inward-oriented accumulation to outward-oriented accumulation regime by the triumph of neoliberal transformation that glorifies the market forces instead of state intervention (Bedirhanoğlu & Yalman, 2010). Oğuz (2008, p. 105) remarks that the outward-oriented accumulation in Turkey, first of all, had been characterised by the '*accumulation through export promotion and wage suppression*' in between 1980 and 1989, and then secondly, it started to be shaped by '*accumulation based on inflow of international money-capital*' from 1989 to the late 1990s. The former, as Oğuz (ibid.) underlines, had been based on the liberalisation of commodity trade and accompanying export promotion, on the basis of participating to 'international division of labour by specializing in the production of labour-intensive goods' (p.

106), as well as the wage suppression to support the export-oriented regime by the establishment of authoritarian statism after military coup d'état in 1980[20]; whereas, the latter emerged as a response to culminating fiscal deficit due to the rising real wages in the late 1980s, and was characterised by the capital account liberalisation that took place in 1989 (p. 110).[21]

The liberalisation of external capital flows in this regard initiated at the same time what Akçay & Güngen (2019, p. 6) prefer to call *the first phase of dependent financialisation* in Turkey. This development was significant in the sense that, as Yalman et al. (2019, p. xiii) put it, 'after the capital account liberalization of 1989, Turkey started to align itself towards finance-led growth, moving away from its earlier export-led growth pattern, and gradually becoming embedded into the global financial network.' During this period that had lasted until the 2001 economic crisis, like other developing countries in Global South, Turkey begun to offer high interest rates to attract foreign capital, and the banks established and controlled by the capital groups largely benefitted from lending the money at higher interest rates to state, which was the principal borrower (Becker, 2016, p. 94). Put differently, by establishing commercial banks, the capital groups that had reached the certain level of accumulation and had been aspiring for participating in the global circuit of capital, started to obtain credits denominated in dollar from international markets at favourable rates, then convert them into Turkish lira and invest in high-yielding government debt instruments (Karaçimen, 2013, p. 108; Oğuz, 2008, p. 111). The shift in the orientation of big capital towards the accumulation of money-capital meant that the private sector in Turkey throughout the 1990s has directed funds to speculative areas by driving them away from productive investments (Hoşgör, 2016, p. 120). Akçay & Güngen (2019, p. 6) rightfully suggest in this respect that although Turkish capital groups have generated 'gargantuan revenues' from this opportunity of accumulation of state fictitious capital, the Turkish economy has become more

[20] The wage suppression, as Balkan & Yeldan (2002) note, was instrumental for not only lessening the production costs, but also squeezing of the domestic absorption capacity.
[21] Oğuz (2008, p. 100) further underlines that financial liberalisation was not only solution to growing fiscal deficit since it could also be financed by the establishment of more fair tax system that would be eventually detrimental to big capital groups; hence, the decision to liberalise the capital account clearly demonstrates the class character of the state.

crisis-prone due to the fact that such 'financialised accumulation model was highly dependent on capital inflows and highly volatile.' (Becker, 2016, p. 95).

Therefore, it is not surprising in this regard that the Turkish economy had to face with adverse consequences of successive economic crises in 1994, 1998/99 and 2001. The boom/bust cycles in international capital flows during the 1990s, as Akyüz & Boratav (2003) maintain, have produced large swings in Turkish financial markets due to the heavy dependence on 'hot money', and resulted in increased financial instability and crises. However, each time solution to the crisis has been found in the further deepening of 'finance-led form of neoliberal development' and the further repression of the labour by the aggressive policies of right-wing parties (Marois, 2012, pp. 107-109). Yalman (2016, p. 256) in this respect argues that 'intermittent crises have been conducive to the further entrenchment of the neoliberal policy agenda rather than undermining its credibility'. In this regard, it is appropriate to propound that rather than being seen as merely dysfunctional moments in the globalisation age, these economic crises should be comprehended as 'organic moments in the reproduction of social relations of production as well as in the reassertion of the hegemony of the dominant class in the absence of credible counter-hegemonic alternatives' (Bedirhanoğlu & Yalman, 2010, p. 116). The 2001 economic crisis in this respect has come to represent the changing configuration of state/society relations and the further separation of economy from politics in Turkey that had been under process since the early 1980s (Öniş & Bakır, 2007, p. 148; Yalman, 2016, p. 256).

In the wake of the crisis, several market-oriented reforms under the new economic programme was started to be implemented in Turkey. These economic reforms that had planned before its rise to power[22], were continued to be strictly carried out by the first AKP government under the supervision of the IMF. The government in this regard has aimed to pursue tight fiscal policy, decrease public debt, achieve extra-budgetary surplus, adopt anti-inflationary stance and ensure foreign capital inflows by high interest rate and strong Turkish lira policies (Akça, 2014b, p. 17) These goals further required the technocratisation and centralisation of economy management, (Akçay, 2003), and accordingly, comprehensive reforms, what is often defined as

[22] see the Strengthening the Turkish Economy: Turkey's Transition Program (2001)

second-generation market reforms, has put into place in tandem with the framework of Post-Washington Consensus, which introduced new principles like 'transparency' and 'good governance' for the establishment of 'appropriate institutions' (Marois, 2012). In this regard, the post-2001 era at the same time marked the beginning of the second phase of dependent financialisation (Akçay & Güngen, 2019, p. 7), or what Becker (2016, p. 96) calls as the mass-credit-based financialisation. The rise of consumer credit and household indebtedness, as new financial phenomena in Turkey, has characterised this period, and become a defining feature of the last decade in this respect (Akçay & Güngen, 2019; Becker, 2016).

There have been several factors, as Karaçimen (2013) points out, that led to the process of debt-led financialisation; first of all, in the 2000s, the excessive liquidity conditions and lower interest rates at global level significantly reduced the external financing costs for the banks and corporations in the DECEs, and thus, the reliance of corporations in Turkey on the domestic banks diminished thanks to the increasing borrowing from international sources at low cost; secondly, the reorganisation of banking sector with new rules and regulation after the crisis in a new financial and monetary policy framework substantially decreased the profits of domestic banks that they used to obtain through financing the public debt in the 1990s. Therefore, the banking sector in Turkey had to find new outlets for profitable lending, and especially in international environment allowing the banks to expand consumer credit due to the easy access to foreign funding opportunities, they carefully directed their activities towards consumer credits. Not surprisingly, as Karaçimen (ibid., p. 13) notes, the total share of consumer loans and credit card debt to GDP in Turkey dramatically increased to %15,6 in 2010 from %1,8 in 2002, indicating 'a rapid surge in household sector borrowing from financial institutions.' Akçay (2018, p. 13), however, reminds us that the role of declining working-class incomes cannot be disregarded in the turn to a debt-based consumption model after 2001, since in a political economy setting whereby the real wage growth was very low the consumption credits significantly contributed to creating demand and sustaining even increasing consumption (Becker, 2016, p. 97). Vural (2019, p. 271) remarks that sustained economic growth in Turkey throughout the 2000s had been largely driven by such increase in consumption, which itself was heavily dependent on greater household indebtedness and borrowing.

On the other hand, as Yeldan (2007, p. 8) notes, while high interest rate policy was fruitful to attract foreign capital inflows, the overvaluation of Turkish lira manifested itself in commodity trade and current account deficits since the traditional Turkish exports lost their competitiveness and the newly emerging export lines were heavily 'import-dependent assembly-line industries', which used 'the advantage of cheap import materials, get assembled in Turkey at low value added and then are re-directed for export.' Hence, starting from 2003, the current account deficit of Turkey begun to rise dramatically, and the FDI inflows and private sector's external borrowing have become major sources of financing the deficit in the post-2001 era (ibid.). Rather than the public sector, the non-financial private sector in this regard started to drive the accumulation of foreign debt after the crisis. It is illustrative that Turkey's external debt substantially increased to $290.3 billion in 2008 from $129.5 billion in 2002, and as Karaçimen (2013, p. 159) underlines, %75 of the increase was coming from the long-term borrowing of private sector, which largely benefitted from the excess liquidity at global level and low costs of financing. Non-financial corporations within the private sector in this respect was responsible for '60% of the aggregate increase of private external debt over the post-2001 period' and accounting 'for 70.9% of the total stock of private debt by 2008', as Bedirhanoğlu et al. (2013, p. 170) reveal.

After a short period following the global financial crisis of 2008, which led to sudden reversal capital flows, the external debt stock of private sector, however, continued to rise as a result of the interest rate cuts and quantitative easing programs in the ACEs. That is to say, once again, favourable international conditions in the post-crisis period, which were conducive to the surge in net capital flows to the global South, enabled the countries like Turkey to keep financing their deficits by external sources. The Turkish government in this respect has largely contributed to this process by liberalising the 'regulations on borrowing in foreign exchange-denominated loans, especially for non-financial corporations in Turkey' so as to 'provide a breathing space' for these enterprises (Akçay & Güngen, 2019, p. 9). There has been a sharp increase FX-denominated debt of private non-financial corporations in this respect after the 2008 crisis. By February 2011, as Karaçimen (2013, p. 161) remarks, the share of foreign currency to the debt of corporate sector was amounting to %59. In

addition, it is plausible to note that the FX-denominated loans borrowed by the non-financial enterprises, whose capacity fell short of accessing the international financial markets, from Turkish banks also helped the acceleration of this process, and the banking system begun to assume a new intermediary role (Akçay & Güngen, 2019, p. 9). However, as Güngen (2012, p. 176) underlines, the increasing foreign currency liabilities of non-financial corporations created important vulnerabilities against any currency shocks. For Turkish economy, such fragility has become more apparent with the tightening of financial conditions for the DECEs particularly after 'the first tapering announcements by the FED in 2013, which led to a renewed withdrawal of funds from these countries' (Kaltenbrunner & Painceira, 2017, p. 8).

5.5. Making Sense of the Establishment of the TWF

The case of Turkey as briefly discussed above, albeit variations in different historical periods, is an instructive example to illustrate that financialisation in the DECEs has always been blossomed within the hierarchical nature of the international monetary and financial system; therefore, the forms of financial transformation in the DECEs have been largely shaped by the international economic conjuncture, and naturally, these economies have been more vulnerable to the changes in the world market. They, that is to say, have been subject to subordinate financialisation that sorely compels them to adjust the domestic policy frameworks in tandem with the imperatives of international economy. The post-2013 era in this respect have been marked by a clean break from its predecessor (the years between 2008 and 2013), and the developing and emerging economies had to deal with rapidly changing economic conditions at global level. Prior to 2013, the loosening financial conditions due to unconventional monetary policies adopted in the ACEs in the post-2008 crisis economic recovery process had led to a trend characterised by the money-capital flows to the DECEs as a part of global search for high-yielding on the part of investors; however, this trend got disrupted in 2013 owing to the combination of several factors, including 'the end of the commodity boom, the worsening of the Euro crisis, the US Fed "taper tantrum," and a looming crisis in China.' (Alami, 2019b, p. 14). From 2013 onwards, hence, the policy makers in the countries of the Global South, that had been treated

usually as the engines of growth on a world scale after the global financial crisis, started to find themselves in a quandary.

First of all, the end of a-decade-long commodity boom meant that there are no longer soaring prices of commodities and energy to contribute to the economic growth of the developing and emerging economies like they used to enjoy in the previous years. Put differently, before 2012-13, the boom had been fuelling the economic growth of Global South, however once the prices begun to suddenly drop, the macroeconomic fundamentals of these countries started to deteriorate given the vital importance of export earnings in driving their economies. In 2015, the World Economic Outlook (2015) published by the IMF estimated that 'the weak commodity price outlook could subtract almost %1 point annually from the growth rate of commodity exporters', and 'in energy exporters, the drag is estimated to be larger—about 2¼ percentage points on average.' Besides, the economic slowdown in China after the political authorities have largely shifted their priority towards a stable consumption-led growth model from investment-driven model, secondly, further led to declining growth rates in the DECEs since it was the most important impetus behind the positive economic trends especially in the commodity-dependent economies during the 2000s (Ocampo, 2013). Thirdly, by the announcement of the Federal Reserve of the US in 2013 that it would bring an end to the quantitative easing programme, it became apparent that there are external vulnerabilities of emerging markets in which large volumes of money-capital had poured previously. This decision by the US had a huge impact on the economies of Global South and these countries were badly hit due to the fact that in the following period together with increasing interest rates in the ACEs, the step taken by the US has led to the 'rapid currency depreciations, increases in external financing premia, declines in equity prices, and reversal in capital flows' in the DECEs (Mishra et al., 2014 p. 4), which had witnessed the largest increase in their current account deficits and appreciation of their real exchange rates before 2013.

Therefore, as it has been underlined by the Council of Foreign Relations (influential US think-tank focusing and specializing in international affairs and foreign policy) in 2015, 'once-booming countries like Brazil, India, Indonesia, South Africa, and Turkey in mid-2013 were dubbed the "*Fragile Five*" due to the mounting pressure on

their currencies', as these 'darlings of international investors over the past decade, attracting capital to their fast-growing industries and delivering a boost to the global economy' started to suffer from capital flight. In this respect, over the last six years, Turkey has been trying to cope with the adverse implications of these developments in international economy, and as Akçay & Güngen (2019) maintains, there has been an intensification of crisis tendencies in three distinct episodes since 2013 in Turkey, which eventually resulted in the 2018 currency and debt crisis. For the authors (ibid.), first of all, during the years of 2013-2014 amidst the political instability stemming from the Gezi Park protests and the breakdown of informal ruling coalition between the AKP government and the Gulen organisation due to the corruption allegations, Turkey responded the worsening international economic environment for the DECEs with the increase in policy interest rate by the Central Bank of the Republic of Turkey (CBRT) in order to keep rising inflation under control and the increasing capital flows in this regard helped the government to 'overcome the first economic bottleneck of the post-2013 period' (p. 12-13); on the other hand, in mid-2016 again amidst the political turmoil mainly prompted by the failed coup attempt, Turkey was confronted with the problems of interest rate hike and small currency shock for the second time; however this time, the solution has been 'the state-sponsored credit expansion from late 2016 onwards' by providing huge amount loans to the SMEs, that was not only useful to prevent the economic recession but also to gain the popular support for the constitutional referendum (p. 13-14).

Notwithstanding that the AKP government was able to overcome the bottlenecks two times by embracing a postponing strategy rather than formulating a new economic model against the crisis of accumulation (Akçay & Güngen, 2018), in 2018, Turkey could not escape from experiencing a severe debt and currency crisis as a result of both worsening international and domestic conditions. That is to say, on the one hand, the process of global financial tightening that have been going on since 2013, and on the other, the ways that the AKP government deal with deteriorating economic trends engendered the crisis of 2018. Prior to crisis, in 2017 (between March and October in particular), Boratav (2019, p. 317) remarks that the display of Turkish economy was almost same with the usual characteristics of the country's economic relations in the last thirty years (i.e. Turkey was running current account deficit, the 'domestic

bourgeoisie' was exporting capital to outside world, the external financing needs were being met by foreign capital inflows); however, in the first eight month of 2018, such outlook of Turkish economy completely changed as there was a dramatic decline in capital inflows and a rapid rise in domestic capital export, which led to net capital outflow. When capital inflows dry up abruptly (sudden stops), Eichengreen & Gupta (2016, p. 1-3) maintain, both financial and real effects manifest themselves; first, 'the exchange rate depreciates, reserves decline (not unexpectedly), and equity prices fall, and thereafter, 'GDP growth decelerates, investment slows, and the current account strengthens.' It would not be misleading to suggest that the trajectory of the economic crisis of 2018 in Turkey followed such path.

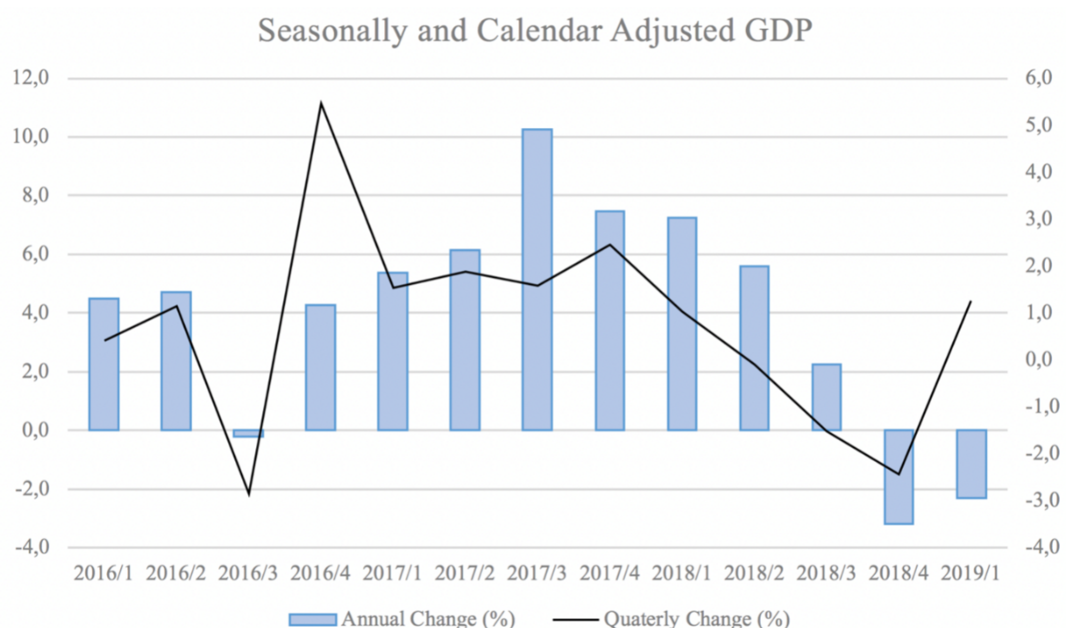

Figure 12. Turkey's seasonally and calendar adjusted GDP (percentage change between 2016 and 2019). Source: Turkish Statistical Institute data

In this regard, as Akçay & Güngen (2019, p. 16) demonstrate by using the CBRT data, compared to 2017 (March-October), net foreign portfolio investment decreased by approximately $29000 million in 2018 (March-October) whereas the residents' portfolio and other investment abroad increased by more than $19000 million in the same period. The sudden stop of capital inflows combined with the radical increases in resident money outflows, therefore, brought the depreciation of Turkish lira, which reached the peak level in mid-2018 (Turkish lira lost value by %23 against the US dollar in August alone), especially after the intensifying diplomatic crisis between

Turkey and the US. However, it would not be appropriate to argue that the political uncertainty in foreign affairs per se was the underlying reason behind the substantial decrease in the value of Turkish lira. It is a common misunderstanding, however, presented largely by the pro-government mainstream media in Turkey, and ardently supported by the prominent AKP cadres through declaring that the fluctuations in the Turkish lira 'have nothing to do with economic fundamentals' and the country is in middle of 'economic war' against the 'external forces' (the US in particular) trying to undermine the independence of Turkey and its future (Pamuk, 2018). However, as Oyvat (2018) underlines, the reality of economic downturn has been tried to be concealed by using the diplomatic crisis as a scapegoat, and it must be reminded that there had already been %20 of depreciation in Turkish lira against the US dollar even before the tensions in international relations.

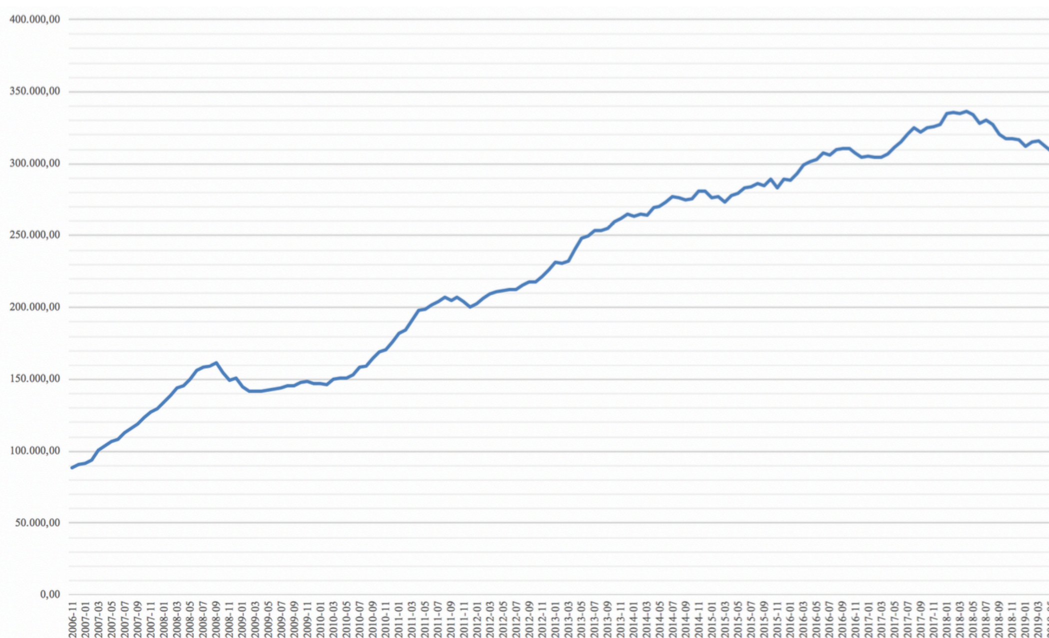

Figure 13. Foreign Exchange Liabilities of Non-Financial Companies in Turkey (between 2006 and 2019). Source: The Central Bank of the Republic of Turkey

The depreciation, not surprisingly, put private corporations in Turkey into a difficult position given the fact that they have been accumulating FX-denominated debt since 2008 especially (see Figure 13). Their debts in foreign exchange currency, as Oyvat (ibid., p. 9) points out, 'increased by 21% in terms of Turkish Lira' in this regard. It is remarkable also that Turkey's gross external debt stock increased from $301.7

billion in 2011 (first quarter - %37,8 of GDP) to $453.9 billion at the beginning of 2019 (%60,6 of GDP) according to the official statistics published by the Treasury and Finance Ministry (2019), and apparently, it has been predominantly driven by the external indebtedness of the private sector.

On the other hand, although Turkish lira begun to slightly rise against the USD from September 2018 onwards, according to the seasonally and calendar adjusted GDP figures published by the Turkish Statistics Institute (2019), Turkish economy, which had started to contract in the second quarter of 2018 (-0,1% quarterly change), continued to keep negative trend in both third and fourth quarters (-1,5% and -2,4% quarterly changes respectively)[23] (see Figure 12). Especially, the decline in the construction sector due to the currency appreciation and surging interest rates led to contractionary effect on GDP growth. According to the Turkish Statistics Institute (2019) figures, the sector contracted by -5,6%, -8,7% and -10,9% in the last two quarters of 2018 and the first quarter of 2019 compared to same period in previous year.[24] As Sönmez (2018) underlines the shrinking housing demand and home sales, and increasing construction costs (especially soaring prices of construction materials) owing to the slump of Turkish lira and high interest rates, were the underlying causes of the sharp downturn. However, as Çelik & Karaçimen (2017, p. 83) maintain, the sector is significant for Turkey in the sense that its share in the fixed capital investments is about %43 on average, and therefore, as Gül et al. (2014) remark, it would not have been possible to achieve high growth rates without a substantial expansion of construction sector in Turkey, considering its pivotal place in the capital accumulation strategy in the last decade. On the other hand, as Yeşilbağ (2016) suggests, the 'locomotive role' of construction sector in Turkish economy is also noteworthy in terms of not only economic aspect (i.e. triggering the process of accelerated growth and reducing unemployment with new job opportunities given its labour-intensive structure), but also political dimension (i.e. rebalancing the power relations among capital fractions through nurturing the organically-linked business groups) for the two-decade-long AKP rule. Yet, it must be reminded that it has been the very characteristic of the construction sector in Turkey that its growth has been

[23] These figures represent percentage on the previous quarter.
[24] Gross domestic product in chain linked volume, index and percentage change (2009=100)

largely dependent on external debts. The OECD Economic Survey-Turkey (2018, p. 32) in this respect underlines that 'construction firms' debt also remains among the highest in the business sector, and their interest cover ratios are among the lowest.' Therefore, it is not surprising that the construction became one of the most fragile and troubled sectors in Turkey after the crisis of 2018.

It would be appropriate to argue that it is not a coincidence that the TWF conducted its first publicly-known transactions amidst the crisis of 2018 and the subsequent period. Put differently, it has become a significant aspect of the response to mounting problems of Turkish economy on the part of the AKP government. It should be noted that although it had been established in mid-2016, the Fund did not carry out any major activity until the first months of 2019. Instead, there had been several distinct promises and plans, as the government officials often expressed. For instance, Nihat Zeybekçi, the former Minister of Economy, explained in 2016 how the Fund plans to obtain revenues by putting the mega infrastructure projects on international markets, as follows:

> "For example, the Treasury will be receiving 25 billion in 25 years from the Third [Istanbul] Airport, amounting to 1 billion per year. The Treasury will be asked to hand over such revenue to the Fund now. The Fund will offer these resources to international markets. The projects like Canal Istanbul will be also offered in the same way...by turning all real estates and immovables properties to [financial assets]...,and then collect the money through Borsa Istanbul or international markets. In this way we expect that [the TWF] will reach *300 billion* asset size" (Saraçoğlu, 2016).

In the last three years, however, neither the government nor the Fund administration did not take a step in this direction despite such ambitious objective with regards to the future of the TWF. On the other hand, within the context of the problem that the construction sector had been facing, for example, the President of Turkey underlined in 2017 that:

> "I am aware of all distress [in the sector]...We have established a new institution which, I believe, will contribute to the solution of problems...the [Turkey] Wealth Fund would give a serious support to our contractors as well in their projects like it would help any business in producing, working and growing Turkey." (Ay, 2017).

Not surprisingly, these statements have risen expectations for the representatives of construction sectors. In an economic environment that is unfavourable for the sector, as discussed above, such hope has been reflected in the Report of Construction Sector Analysis published in January 2017 by the Turkish Contractors Association (2017, p. 4):

> "in terms of a long-term perspective, it has been expressed by a variety of economists that the decision regarding the establishment of a sovereign wealth fund [in Turkey] carries a potential to write a new and positive story in the following years...and...to the extent that it is managed in an effective, transparent and sustainable way, the Turkey Wealth Fund may play a role in producing satisfactory outcomes, not only for the growth performance and the endurance of financial system, but also for the construction sector and infrastructure investments."

Yet, the question that how and by which means the TWF could support the sector remains unknown. Nevertheless, it must be reminded in this regard that, as Himmet Karadağ (the former Deputy Chairman of Turkey Wealth Fund Management Co.) made public in October 2017, providing zero-interest loans as a financing opportunity to 'meritable investments' in Turkey is part of the Fund's future activity plans (Takvim, 2017). Still, there has been no further report of transaction by the TWF on this issue. However, it is possible to argue that these statements are important, because they indicate that the establishment of the TWF is a part of broader concerns on the part of the government about how to cope with deteriorating economic conditions.

In this respect, despite the limited information about its details, the first publicly-known transaction of the TWF at the end of 2018 is more illustrative. As it has been revealed by Karakaya & Ersoy from Bloomberg (2018), Turkey's inactive SWF had a plan to issue a large bond in 2019, and the Fund hired the Industrial Commercial Bank of China and the Citigroup Inc. so as to coordinate a 1 billion-euro syndication loan, that 'would most likely be short term in nature with a maturity of 2 years.' Although the TWF did not deny the news about such plan publicly, the question that whether it was able to get a loan remains unanswered since the Fund did not give further details either. Nor the AKP government clarified to what purpose the Fund seeks a loan. Yet, what is obvious that unlike the other examples across the globe,

Turkish SWF took a never-before-seen step in this regard by searching borrowing opportunities abroad. Put differently, it would not be misleading to suggest that the TWF has been used to create a borrowing channel by putting up the public assets of Turkey as collateral, and as Akçay (2017) underlines, to the extent that the companies under the control of the TWF are state-run enterprises with a government payment guarantee, they are deemed useful for the Fund to obtain long-term loans at lower interest rate more easily. In the context of the political economy of Turkey in the last few years as briefly discussed above; it seems that the AKP government has treated the Fund as a sort of solution and mechanism to make the external borrowing easier for Turkey given the tightening of external financial conditions, decreasing capital inflows to the country and increasing FX-denominated debt of private financial and non-financial corporations.

On the other hand, by the beginning of 2019, the AKP government took another step in utilizing the TWF as a part of policy responses to the economic distress in Turkey that has been going on since mid-2018 especially. As earlier mentioned, the economic growth in Turkey has been driven by the household indebtedness and borrowing for a long time, and the credit expansion has played major role in the last decades in this respect. Yet, after the currency shock in 2018, there has been a sharp interest rate hike in Turkey to stabilise Turkish lira, which itself resulted in the profound credit crunch and the acceleration of contraction of Turkish economy. In order to stimulate the growth, revive the economy and avoid further decline in household spending in this regard, especially ahead of the upcoming local elections in March 2019 and the following Istanbul's re-run election in June 2019, the policy makers adopted a series of measures, including the restructuring of loans and credit card debts by the state- and TWF-owned public banks in particular. For instance, in January 2019, the Halk Bank announced that it would launch 'a low-interest rate campaign for citizens to pay off their credit card debts' by following two other state-run banks, namely the Ziraat Bank and the Vakif Bank, which had declared similar campaigns earlier after the government took an initiative in this direction (Hürriyet Daily News, 2019).

Furthermore, for the corporations under the debt stress, as Akçay & Güngen (2019, p. 17) point out, a debt restructuring scheme was published in October 2018 by the

Banks Association of Turkey (TBB) 'to smooth the process while Turkish banks entered into negotiations with corporations, resulting in restructuring worth 20 billion USD in 2018.' The TBB in this respect 'recommended banks to restructure loan debts below 15 million Turkish Liras ($2.43 million) for a 24-month instalment due with a six-month non-payment period.' (Hürriyet Daily News, 2018). Besides, in May 2019, the Ministry of Treasury and Finance declared a financing package, which is worth to 30-billion Turkish lira (some $5.4 billion), for around 12000 companies operating in the medium-high-technology and high-technology products and sectors (Ergocun, 2019), and by August 2019, the total amount of loans issued by three Turkish state-owned banks, including Vakif Bank, Ziraat Bank and Halk Bank, has reached 1.7 billion Turkish liras ($306.1 million) in this regard (ibid.). Moreover, in order to revitalise the beleaguered construction sector, which has been strategically important for the Turkish economy and the AKP rule as discussed above, these banks under the direction of the government also have resorted to a loan rate discount with intention of increasing demand for mortgage loans. First, in December 2018, the Ziraat Bank was set to begin offering mortgages at rates less then 1 percent monthly so as to finance the housing sales. Few months later again, in August 2019, 'the three big lenders', two of which are the TWF-owned, slashed the mortgage rates to boost the construction sector particularly by lowering housing loans to 'a monthly 0.99% for loans up to TL 500,000 with maturities up to 180 months.' (Daily Sabah, 2019).

It is apparent that the state-run banks of Turkey have become significant dimension of the economic recovery programme designed by the AKP government, especially in connection with the credit expansion. However, it must be reminded us that the refunctioning of credit mechanisms after the dramatic downfall naturally requires a recapitalisation of the banking sector in Turkey. Therefore, it was not an unimagined development that the Minister of Finance, Berat Albayrak, announced in April 2019 that as a part of the Reform package, 'Turkey will deliver 28 billion lira ($4.9 billion) to recapitalize state banks and that private banks could increase their capital if needed' via (Toksabay & Kucukgocmen, 2019).

Table 13.
The amount of government debt securities issued to support the state-run banks in April '19

Bank	Amount
Ziraat Bank *(T.C. Ziraat Bankası A.Ş.)*	€1.4 billion
Halkbank *(Türkiye Halk Bankası A.Ş.)*	€900 million
VakifBank *(Türkiye Vakıflar Bankası T.A.O)*	€700 million
Turk Eximbank *(Türkiye İhracat Kredi Bankası A.Ş.)*	€150 million
Development and Investment Bank *(Türkiye Kalkınma ve Yatırım Bankası A.Ş.)*	€150 million
Subtotal	€3.3 billion
Ziraat Participation Bank *(Ziraat Katılım Bankası A.Ş.)*	€100 million
Vakif Participation Bank *(Vakıf Katılım* Bankası A.Ş.)	€100 million
Emlak Participation Bank *(Emlak Katılım Bankası A.Ş.)*	€200 million
Subtotal	€400 million
Total	€3.7 billion

Source: (Anadolu Agency, 2019)

A few days later after the announcement of the Minister, the details for launching the recapitalisation of state lenders were revealed; accordingly, it was planned that the Treasury would issue government debt securities worth €3.7 billion for both state-run lenders (€3.3 billion of the securities consisting of five-year zero-coupon bonds – with a 4.61% annual interest rate) and state-run participation banks (€0.4 billion of the securities consisting of interest-free five-year bonds) (Anadolu Agency, 2019) (see Table 13 for further details). In the last days of April 2019, these banks started to announce that they signed an agreement to borrow the amounts listed in the Table 13 above. However, what was unusual in the statements of banks particularly, and in the government's endeavour in general that these government debt securities, first, were issued to the sub-Fund of the TWF, which is the Market Stability and Equalization Fund (PIDF), and then the PIDF sold the securities to the banks to buy these lenders' 'perpetual bonds or provide loans to strengthen their capital.' (Reuters, 2019). For example, on 24 April 2019, the Halkbank released the following material event disclosure via the Public Disclosure Platform (KAP) (2019):

> 'The Head Office [which has been granted the authority to borrow loans by the Board of Directors as per the previous public disclosure dated 16/04/2019], as approved by BDDK on April 19, 2019, and under Article 7 of the BDDK Regulation on Bank Equities, has exercised its authority to sign a subordinated loan agreement with the Turkey Wealth Fund Corporation's Market Stability and Equalization Fund to borrow 900 million Euro to be accounted as part of the Additional Tier 1 and duly executed the relevant transaction on April 24, 2019. The agreement shall operate on a rolling, fixed-rate basis with the earliest prepayment option and the first interest payment set for the end of year 5.'

Similar material event disclosures were also published via the KAP as regard to the subordinated loan agreements between the PIDF and other state lenders, including the Vakif Participation Bank, the Turk Eximbank, and the Turkey Development and Investment Bank. These most recent transactions of the TWF demonstrates that the Fund has become a financial intermediary this time in the hands of the government as a part of its strategy to deal with the consequences of economic problems that the country faces today.

5.6. Is Turkey Drifting Apart from Neoliberalism?

It has been three years since the TWF was established by the AKP government on 26 August 2016 in the aftermath of failed coup attempt in Turkey. Nonetheless, it would not be an exaggeration to claim that what is known about the Fund is still too little. No doubt, non-transparent governance of the TWF particularly, which is linked to the country's shrinking accountability in general, makes it difficult for both scholars and general public to understand the place of the Fund in the political economy of Turkey lately. Such non-transparency and non-accountability often breed dubious claims at the same time that the establishment of the TWF and its exclusive control by the government is another deviation from neoliberal agenda to which the AKP under the leadership of Erdoğan committed once. Put differently, it is generally assumed that there is no place for such an institution, which is inherently open to politically biased decisions in the economic policy-making, in the neoliberal development model, and therefore, the existence of the Fund is naturally in stark contrast to the market-friendly and pro-democratisation programme that had been readily implemented by the AKP in the post-2001 period. In this regard, there is a tendency among Turkish scholars to treat the TWF as an element of 'rupture' in the 'late AKP era' (e.g. Öniş, 2019).

This so-called qualitatively distinct epoch of the AKP rule has often been associated with the reversal in the implementation of the Post-Washington Consensus principles and the rise of state capitalism simultaneously in Turkey especially after 2010 within a global context, which is now allegedly characterised by a transition to new global policy paradigm whereby there are 'alternative avenues of economic expansion and finance' and the 'countries like Turkey are less dependent on traditional Western

institutions like the IMF, the World Bank and the EU.' (ibid., p. 5). In this respect, it has been often asserted that the shift brought the replacement of democratisation mission and the adherence to rule-based economic policy (i.e. the internalisation of good governance practices and the depoliticisation of economic management within an 'appropriate' institutional framework) by authoritarian tendencies together with the increasing scope of political discretion. That is to say, it has been claimed that the AKP leadership 'that had earlier supported the economic opening, made an about-face once it became sufficiently powerful, and gradually the de jure and the de facto control of the ruling cadre of the AK party intensified, amplifying corruption and arbitrary, unpredictable decision-making' (Acemoglu & Ucer, 2015, p. 2).

For such standpoint regarding the political economy of Turkey in the recent years, therefore, the country 'is gradually deviating from the modern capitalism' since 'there is a structural contradiction between modern capitalism and crony capitalism' (Keyder, 2014) on the ground that the former is based upon the triumph of economic rationality whereas the latter is shaped by allegedly malignant political interference. The TWF under control of the political authority, which is inclined to authoritarian tendencies, hence within such domestic context, is treated as another mechanism of discrimination in favour of or against particular business groups. This is why Yeldan (2017), for instance, evaluates the TWF in terms of rising crony capitalism in Turkey by pointing out rentier or clientelistic practices inside the country and remarking that the 'Company', *alias* the Fund, would function with the aim of rewarding particular groups while punishing the others. This interpretation is very much in line with what the Economist (2016) observes concerning Turkey that 'business without friends in government' have been suffering in Turkey's 'Erdoganomics' since 'they do not have privileged access to material and/or non-material deals.' Similarly, Öniş (2019, p. 11) asserts that the TWF, as an experiment of state capitalist institution building, is 'a massive fund under central direction [of the government], which would be able to finance politically popular mega construction projects, while raising deep problems of transparency and accountability at the same time.'

However, it should be underlined that the potential use of the TWF for favouritism in the state-business relations would not be sufficient to depict the Fund as a moment

in drifting apart from neoliberalism in Turkey because of the fact that neoliberalism, and cronyism and rent-seeking are not mutually exclusive, as it has been propounded by the neoliberal-cum-statist accounts. The conceptualisation of neoliberalism as a coherent policy agenda and seeing the state-market relationship as binary opposition while neglecting the historical specificity these problems[25] in this sense provide a basis for the misunderstanding that neoliberalism excludes political intervention, discretionary policies and favouritism inherently, and therefore, that the market reforms must be delivered to limit political influence and put an end to these practices. The last few decades, however, prove that far-reaching and recurrent market-friendly reforms failed at finding a solution to the issue, and neoliberal discourse on corruption rather significantly helped to legitimise the reassurance of the rule of capital by these reforms (Bedirhanoğlu, 2007). As Boratav (2016) points out in this regard, 'unlike neoliberal expectations, rent-seeking and generation/appropriation of substantial rents did not disappear with the elimination of government intervention' and 'international as well as Turkish evidence show that new patterns of rent-seeking under neoliberal regimes (and consequently corruption) have flourished.' (p. 3).

Therefore, it would not be misleading to argue that the arguments reducing the TWF to simply an avenue and a mechanism for corrupt political behaviours and activities in an authoritarian regime downplay and conceal its importance in the financialisation of the state, which is one of the most salient features of neoliberal era. In this regard, first of all it is important to remind that SWFs are not institutions as exogenous to neoliberal development; instead, SWF establishments are indeed outcome of the subordinate financialisation in the DECEs, which stemmed from 'the hierarchical and exploitative nature of interactions in the world market.' (Lapavitsas, 2013, p. 243). The Turkish case in this respect demonstrates that the way of country's integration with the world market throughout the internationalisation process in a subordinate manner has a decisive impact on the foundation and driving motivation of its own SWF; that is to say, while these processes compelled the other DECEs to accumulate wealth in the form of foreign exchange reserves and utilise them through SWFs, they led to the emergence of a new type SWF in Turkey with a borrowing motive to meet

[25] See Chapter 3 for in-depth discussion regarding the pitfalls of state-market dichotomy in a social inquiry.

the country's increasing need for attracting foreign resources to finance its growing external debt.

However, it should be underlined that SWFs, on the other hand, become instrument of financialisation through state intervention and the financialisation of the state in domestic context. The Turkish case is illustrative in this sense: firstly, considering that financialisation of the state includes the construction and deepening of financial markets (Güngen, 2012, p. 98-99), the TWF declares in its mission and objectives that it would assume such role; secondly, the establishment of TWF clearly indicates how financial motives have been embraced by public institutions and how the public entities promote financial instruments and engages in financial innovation, which are the ways of financialising the state (Karwowski & Centurion-Vicencio, 2018, p. 6); thirdly, as Güngen (2012, p. 98-99) puts, such phenomenon calls for the state to take a role in assuming the losses of financial sector to prevent economic depressions and revitalise the financial sector by supplying banks with liquidity and capital. This is what the TWF has been doing in Turkey since the beginning of economic crisis in mid-2018. The latest transactions of the Fund aimed at recapitalising the state lenders to continue credit expansion as a part of the crisis management strategy on the part of the government are confirmative examples in this regard.

CHAPTER 6

CONCLUSION

Sovereign wealth funds are state-owned financial investment institutions, managing a diversified portfolio comprised of international and domestic financial assets which are derived from various sources including the balance of payment surpluses as most commonly observed. These sovereign investors have a long history, dating back to the mid-1950s in the modern sense. However, they have experienced a substantial growth in terms of both their absolute total number across the globe and the asset size in the last three decades amidst the profound transformation of international politics and economy. Hence, by the 2000s particularly, they come under the spotlight since the transactions SWFs carry out reached considerable levels and created 'strategic' concerns on the part of the advanced capitalist countries in the West.

In this regard, initially there has been a scholarly effort increasingly to approach the question of how to define these institutions. Therewithal, notable attention has been paid to understand the differences between diverse SWFs around the world, and to reveal both explicit and 'real' objectives of these investment vehicles. Thus, within a relatively short span of time, there appeared to be a body of literature, predominantly focusing the issues concerning the definition of the SWF (by providing either descriptive or interpretive definitions) or the classification of these investment institutions (by reviewing their financing resources or explicit policy objectives). It would not be inappropriate to conclude that these attempts have been largely driven by a pragmatic interest, which aimed at contributing to the establishment of a regulatory framework at international level in the face of escalating disquiet after increasing presence of these 'state-owned' institutions in international economic order shaped by 'liberal principles and values.'

Sovereign wealth funds, therefore, matter today not just because these government-controlled institutions did surface on the world market with considerable numbers and have become too big to ignore over the years, but they have broader implications for the study of social relations at different levels in contemporary capitalism. SWFs at first recall good old question once again: what is the role of the state in economy? They do that however in a peculiar way by putting the state into the centre of global finance. The introduction of these sovereign investors with huge assets under control into the financial markets is a noteworthy development. However, considering that absolute truths of 'globalisation consensus' are already being shaken more visibly in the world nowadays, it not surprisingly further fuels uncertainty about how to grasp the current configuration of the global economic landscape and the position of nation-states within the international system in relation to the changing dynamics of the world market.

In this context, there are two major theoretical accounts regarding the place of SWFs in contemporary global affairs. On the one hand, the market-centric viewpoints tend to see SWFs as rational market actors, regardless of the ownership structure on the ground that 'globalisation' process poses systematic constraints on the behaviours of nation-states and these investment vehicles hence conduct activities under the overarching imperatives of highly integrated international economy, which naturally discourages politically-biased investments by the mechanisms of reward and punishment. On the other hand, the state-centric interpretations, albeit certain differences among them in terms of their orientation and choice of conceptualisation, claim commonly that SWFs represent the pivotal role of the state as an autonomous unit in world economy. There is, therefore, a strong tendency in these analyses to underline the incompatibility of these institutions with liberal international order and emphasise geoeconomic, geopolitical and geostrategic implications of the rise of SWFs in the hands of 'emerging powers.'

It would not be an exaggeration to suggest that no contemporary phenomenon better demonstrates the complex interplay between the international and domestic spheres, states and markets than the unprecedented growth of SWFs recently. However, the aforementioned existing mainstream studies fall short of establishing an explanatory

theoretical framework for such interplay, and thus, the place of SWFs within it owing to the certain shortcomings. First of all, despite their disagreements in appearance, they share a commitment to same methodological and epistemological foundations. The positivist/empiricist stance in this regard is what underlies these works, leading to addressing things-as-they-are in a framework that is shaped by binary oppositions. Therefore, the issue is often reduced to observable and identifiable actions of policy-makers and states, which only 'externally' relate to the 'fetishised' market relations. They remain in this respect descriptive accounts to a large extent, which neglects the historical context providing a basis for the establishment of SWFs in the first place.

To critically investigate the underlying causes of SWFs establishments, concentrated mainly in the developing and emerging capitalist countries, our study in this respect contends that a holistic and historical perspective should be employed. In doing so, therefore, it is of utmost importance that the deficiencies of mainstream scholarship stemming from the state-market and international-national dichotomies must be overcome in studying SWFs, and they should be captured within the complex dynamics of contemporary capitalism. At this point, the premises of Marxian political economy and historical materialist understanding in a social inquiry offer significant opportunities to achieve such objectives to the extent that they allow us to study the components of social relations, e.g. political(state) and economic spheres(market), as historically constructed, internally related and mutually constitutive by going beyond surface appearances. Thus, such methodological standpoint enables us to transcend the view that SWFs are in the middle of a sort of tug-of-war between nation-states and market forces, and call them into question by concerning the origins and place of these institutions in the development of capitalism.

In this regard, it is appropriate to contend that the emergence and proliferation of SWFs could only be understood within the context of internationalisation of capital and subordinate financialisation in the DECEs. Therefore, first of all, as opposed to ahistorical analyses of mainstream scholarship, it is necessary to underline that SWFs are historically-specific institutions, which emerged at specific period of capitalist development shaped by the internationalisation of capital. Marxian political economy informs us that internationalisation of capital is an inherent tendency within capitalist

development, connotating to the expansion of circuits of productive, commodity and money capital as a result of competitive pressures and constant search for expanded markets on the part of capitalists to realise capital accumulation. Historically, the outward expansion of these circuits occurred in consecutive and overlapping stages, and the period starting with the end of Second World War has been characterised by the internationalisation of all three forms of capital. Internationalisation of productive capital and internationalisation of finance as parallel and symbiotic developments in this era in fact signalled a fundamental change in the worldwide configuration of capitalist social relations, marking the beginning of increasing cross-border mobility of capital and spatial reorganisation of productive capacity.

These two features of the post-war capitalism eventually provided a basis for the rise of SWFs. In this regard, the deepening of these processes with the neoliberal turn, on the one hand, caused the establishment of global production networks and global value chains through which the DECEs were fully integrated into the world market in a subordinated manner as low-wage production zones or supplier of raw materials, or exporter of migrant labour. The imposition of Washington Consensus in the global South especially, in this respect, compelled these countries to adopt an export-led growth strategy. On the other hand, such integration could not be possible without the opening of domestic economies in the DECEs to international capital flows. The lifting of restrictions on the movement of money capital in this sense created greater risk of financial crisis and volatility for these countries because of the fact that capital inflows were mainly short-term and merely searching for financial yields. Therefore, the domestic financial and monetary architecture in the DECEs become subjugated to international money and capital markets, which has been under heavy influence of the US hegemony since the mid-twentieth century, chiefly thanks to the role of dollar as quasi-world money and the dominance of American MNCs and TNCs in the world.

In this context, it would not be misleading to conclude that the liberalisation of trade, finance and capital movements as a part of neoliberal transformation in the global South underlay the emergence of the phenomenon of reserve accumulation, out of which SWFs obtain resources. The accumulation of foreign exchange reserves is one of the most remarkable features of subordinate financialisation, which refers to the

distinctive form of financialisation in the DECEs originated from the aforementioned features of the process of internationalisation of capital, reflecting the hierarchically-organised structure of the world market and the systemic reproduction of uneven development. Why these countries have accumulated excessive reserves is deeply related to the two interrelated reasons in this sense; (i) the exchange rate policies adopted by the DECEs running the current account surplus, which have been stemming from the export-oriented growth strategy (not simply as a mercantilist policy choice but rather as a consequence of imperatives embedded in the logic of international markets in era of neoliberalism); (ii) the intention on the part of the DECEs to reduce the vulnerability to any possible shock that might be created by the reversal of private capital flows.

In this respect, it is apposite to suggest that the emergence of SWFs as an institutional innovation is primarily related to the uneven integration of the DECEs into the internationalisation process and the subordinate character of financialisation in these countries to the extent that these institutions are products of a reaction on the part of DECEs to create a mechanism to avoid and alleviate its detrimental impact on their economies. Yet, it should be noted specific features of subordinate financialisation varies according to historical and geographical factors, that shapes the motives behind the creation of SWFs at the same time. Our historical investigation on SWFs, in this respect, demonstrates that these sovereign investors are not homogenous group of institutions. It is, no doubt, possible to identify SWFs according to explicit financing resources or motives they have, like many mainstream studies did in the recent years, including both the publications of IFIs or scholarly endeavours. However, it is appropriate to argue that they would not be enough to understand these institutions meaningfully in terms of their similarities or differences. Nor are they by themselves useful if the concern is to provide an explanatory framework about the significance of SWFs from a critical perspective.

Therefore, historical conditions in the different periods of capitalist development within which SWFs were created and developed must be taken into account in any inquiry to the extent that they essentially determine what these institutions represent and how they act. In this regard, having based on the analysis of different cases from

different parts of world, our study reveals that all the examples of SWFs share a common point: the countries that host these investment institutions has been running a current account surplus. However, they differ from each other in terms of the source of such surplus and how it has been attained throughout the last sixty years. It hence is very much related to the processes of integration these countries with the world market in diverse historical settings. From 1950s to 1990s, the first SWFs established particularly in the Gulf region, in this respect, largely reflects the characteristics of integration through the hydrocarbon exports. Hence, these oil-rich Arab states has been utilising their SWFs to diversify their economies and protect themselves from sudden price fluctuations in commodity prices; however, in essence these institutions take part in petrodollar recycling through which the accumulated wealth is transferred back to the ACEs.

On the other hand, in contrast to the commodity-based SWFs of the Middle East, the East Asian funds have not been based on the export of natural resources as its financing resources; rather, they have emerged out of the trade surplus these countries enjoy as a result of the export-oriented growth strategy, which is inherently linked to the spatial reorganisation of global productive capacity in the process of internationalisation of capital since the 1970s. Yet, it is important to underline that although such strategy and process enabled the East Asian economies to achieve significant growth, financial liberalisation from 1990s onwards particularly and following adverse financial crises compelled these countries to build up large foreign exchange reserves by allocating significant part of export revenues as a protective measure against the possibility of capital outflows. The non-commodity SWFs located in these countries in this regard, on the one hand, have been assigned the role of management such portion of reserves. However, on the other hand, in reality they paradoxically took part in the systemic transfer of value by investing these revenues in the advanced capitalist economies.

Although historically these investment institutions have been built upon the wealth derived from excessive foreign exchange reserves of countries, in the late half of the 2010s, a SWF was established in a country, which is not similar to the other examples. It has been three years since the Turkey Wealth Fund was created by the Government

of Turkey on 26 August 2016 in the aftermath of failed coup attempt. Nonetheless, it would not be wrong to state that what is known about the Fund is still too little. No doubt, the non-transparent governance of it, which is closely linked to the country's shrinking accountability in general, makes it difficult for both scholars and general public to understand the place of the Fund in the political economy of Turkey lately. Especially, the question that why Turkey decided to establish a SWF remains as a conundrum for many. The reason why the foundation of the TWF led to bemusement is also very much related to considerable divergence of the Turkish case from other countries hosting a variety of SWFs.

That is to say, Turkey is neither a resource-rich country, like the Gulf states or Russia etc., which accumulated massive wealth in the form of foreign exchange reserves thanks to commodity-price booms to a large extent, and aspiring after insulating its economy against price fluctuations or distribute the wealth intergenerationally. Nor it is a country that runs large trade surplus due to the export-led growth strategy, like the East Asian countries, and accumulates reserves rapidly in order to buffer the economy against sudden capital flow reversals or preserve its 'competitiveness.' Considering that these features (or broadly the presence of current account surplus), are considered as requisites to establish a SWF, the case of Turkey in this respect is often improperly studied on the ground that the TWF is even might not be a SWF in real terms. However, as our study argues that these features should not be taken simply as given in an ahistorical manner, and they are not independent of the host countries' position in relation to financialisation and internationalisation processes in the world market in the last few decades.

Hence, the raison d'être of the Turkey Wealth Fund could only be understood in the context of the integration of Turkey to the world market in the process of neoliberal financialisation. In doing so, however, it is appropriate to conclude that neither the law regarding the establishment of the TWF (as well as the decrees issued by the government subsequently) nor the official statements made by the Fund regarding its mission and objectives provides us with a clear outlook to make sense of it. Not just because they remain descriptive, but also it seems, so to speak, that the TWF is for everything that the government needs according to them. Put differently, the

government and the TWF present us a list comprised of a wide range of distinct purposes. Therefore, by starting from these explicitly stated objectives, it is not possible to reach satisfactory conclusions about the TWF. Instead, by studying the TWF within the historical context of political economy of Turkey, our study reveals that the subordinate financial transformation in Turkey and its consequences for the Turkish economy is what fundamentally constitute the underlying reason behind the establishment of the Fund and shapes the activities of it. In this context, it is apposite to suggest that while the process of subordinate financialisation and deepening of internationalisation of capital since the 1970s led to current account surplus in some other DECEs -therefore shaping the reasons behind the establishments of SWFs in a such way- Turkey's economic growth model has been characterised by greater household indebtedness and increasing external borrowing, especially since the 2001 crisis. Although such model was successful to deliver growth thanks to the favourable international conditions, which were allowing huge capital inflows to global South, after 2013, particularly with the end of the quantitative easing programs and the rise of interest rates in the ACEs, the economic vulnerabilities of Turkey have become much more apparent. Therefore, it was not surprising that this period has witnessed the mounting economic problems in Turkey, especially in the absence of huge amounts of foreign capital inflows to meet external financing needs like the country had enjoyed in the previous years. The Turkish SWF has been established within such economic environment and it carried out its first transaction by searching borrowing opportunities abroad. In this respect, lastly, it is convenient to conclude that the TWF has been established with a never-before-seen borrowing motive by the government, and it has become a significant institution used as a part of policy response to the worsening economic conditions in the country.

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APPENDIX A

FULL LIST OF SOVEREIGN WEALTH FUNDS BY MARCH, 2019

Full List of Sovereign Wealth Funds by March, 2019

Country	SWF Name	Assets*	Origin
Norway	Government Pension Fund – Global	1074.6	Oil
China	China Investment Corporation	941.4	Non-Commodity
UAE (Abu Dhabi)	Abu Dhabi Investment Authority	697	Oil
Kuwait	Kuwait Investment Authority	592	Oil
China (Hong Kong)	Hong Kong Monetary Authority IP	522.6	Non-Commodity
Saudi Arabia	SAMA Foreign Holdings	515.6	Oil
China	SAFE Investment Company	441	Non-Commodity
Singapore	Government of Singapore Investment Co	390	Non-Commodity
Singapore	Tamasek Holdings	375	Non-Commodity
Saudi Arabia	Public Investment Fund	360	Oil
Qatar	Qatar Investment Authority	320	Oil & Gas
China	National Social Security Fund	295	Non-Commodity
UAE (Dubai)	Investment Corporation of Dubai	233.8	Non-Commodity
UAE (Abu Dhabi)	Mubadala Investment Company	226	Oil
South Korea	Korea Investment Corporation	134.1	Non-Commodity
Australia	Australian Future Fund	103	Non-Commodity
Iran	National Development Fund of Iran	91	Oil & Gas
Russia	National Welfare Fund	68.5	Oil
Libya	Libyan Investment Authority	66	Oil
US (Alaska)	Alaska Permanent Fund	65.7	Oil
Kazakhstan	Samruk-Kazyna JSC	60.9	Non-Commodity
Brunei	Brunei Investment Agency	60	Oil
Kazakhstan	Kazakhstan National Fund	57.9	Oil
Turkey	Turkey Wealth Fund	40	Non-Commodity
Malaysia	Khazanah Nasional	38.7	Non-Commodity
US (Texas)	Texas Permanent School Fund	37.7	Oil & Other
UAE (Federal)	Emirates Investment Authority	34	Oil
Azerbaijan	State Oil Fund	33.1	Oil
New Zealand	New Zealand Superannuation Fund	26.6	Non-Commodity
Ireland	Ireland Strategic Investment Fund	24.5	Non-Commodity
US (New Mexico)	New Mexico State Investment Council	20.2	Oil & Gas
Oman	State General Reserve Fund	18	Oil & Gas
US (Texas)	Permanent University Fund	17.3	Oil & Gas
East Timor	Timor-Leste Petroluem Fund	16.6	Oil & Gas
Chile	Social and Economic Stabilization Fund	14.7	Copper
Canada	Alberta's Heritage Fund	13.4	Oil
Russia	Russian Direct Investment Fund	z13	Non-Commodity
Bahrain	Mumtalakat Holding Company	10.6	Non-Commodity
Chile	Pension Reserve Fund	9.4	Copper
US (Wyoming)	Permanent Wyoming Mineral Trust Fund	8.0	Minerals
Peru	Fiscal Stabilization Fund	7.9	Non-Commodity
Algeria	Revenue Regulation Fund	7.6	Oil & Gas
Mexico	Oil Revenues Stabilization Fund of Mexico	6.0	Oil
Oman	Oman Investment Fund	6.0	Oil
Bostwana	Pula Fund	5.5	Oil

Trinidad & Tobago	Heritage and Stabilization Fund	5.5	Oil
China	China-Africa Development Fund	5.0	Non-Commodity
Angola	Fundo Soberano de Angola	4.6	Oil
US (North Dakota)	North Dakota Legacy Fund	4.3	Oil & Gas
Colombia	Colombia Savings and Stabilization Fund	3.5	Oil & Mining
US (Alabama)	Alabama Trust Fund	2.7	Oil & Gas
Kazakhstan	National Investment Corporation	2.0	Oil
US (Utah)	Utah – SITFO	2.0	Land & Mineral
US (Idaho)	Idaho Endowment Fund Investment Board	2.0	Land & Mineral
Nigeria (Bayelsa)	Bayelsa Development and Investment Co.	1.5	Non-Commodity
Nigeria	Nigerian Sovereign Investment Authority	1.4	Oil
US (Louisiana)	Louisiana Education Quality Trust Fund	1.3	Oil & Gas
Panama	Fondo de Ahorro de Panama	1.2	Non-Commodity
Bolivia	FINPRO	1.2	Non-Commodity
Senegal	Senegal FONSIS	1	Non-Commodity
Iraq	Development Fund for Iraq	0.9	Oil
Palestine	Palestine Investment Fund	0.8	Non-Commodity
Venezuela	FEM	0.8	Oil
Kiribati	Revenue Equalization Reserve Fund	0.6	Phosphates
Vietnam	State Capital Investment Corporation	0.5	Non-Commodity
Gabon	Gabon Sovereign Wealth Fund	0.4	Oil
Ghana	Ghana Petroleum Funds	0.4	Oil
Mauritania	National Fund for Hydrocarbon Reserves	0.3	Oil & Gas
Australia	Western Australia Future Fund	0.3	Minerals
Mongolia	Fiscal Stability Fund	0.3	Minerals
Equatorial Guinea	Fund for Future Generations	0.08	Oil
Papua New Guinea	Papua New Guinea Sovereign Wealth Fund	n/a	Gas
Turkmenistan	Turkmenistan Stabilization Fund	n/a	Oil & Gas
US (West Virginia)	West Virginia Future Fund	n/a	Oil & Gas
Mexico	Fondo Mexicano del Petroleo	n/a	Oil & Gas
UAE (Sharjah)	Sharjah Asset Management	n/a	Non-Commodity
Luxembourg	Intergenerational Sovereign Fund	0	Non-Commodity
Russia	Reserve Fund	0	Oil
Source: Sovereign Wealth Fund Institute			
Note (*): Assets values are USD in billions			

APPENDIX B

TURKISH SUMMARY/TÜRKÇE ÖZET

TABİ FİNANSALLAŞMA BAĞLAMINDA ULUSAL VARLIK FONLARI: KARŞILAŞTIRMALI BİR PERSPEKTİFTE TÜRKİYE VARLIK FONU

Ulusal Varlık Fonları (UVF), en sık olarak gözlemlendiği biçimiyle ödemeler dengesi fazlası dahil olmak üzere, çeşitli kaynaklardan elde edilen uluslararası ve yurt içi finansal varlıklardan oluşan farklı alanlara yönlendirilmiş bir portföyü yöneten kamuya ait finansal yatırım kuruluşlarıdır. Yakın geçmiş ortaya koymaktadır ki modern anlamda tarihleri 1950'lerin ortalarına kadar uzansa da bu fonlar dünyada son dönemde içinden geçilen ve ana akım çalışmalarda çok fazla sorgulanmaksızın küreselleşme diye tarif edilen ve tanımlanan uluslararası siyaset ve küresel ekonomideki köklü dönüşümün ortasında hem sayısal olarak artmışlardır hem de kontrol ettikleri varlıkların toplam değeri bakımından kayda değer bir büyüme göstermişlerdir. Bu nedenle, hiç de şaşırtıcı değildir ki UVF'ler bilhassa 2000'li yıllara gelindiğinde gerçekleştirilen yatırımların önemli düzeylere ulaşması ve bu yatırımların artan bir biçimde Batı ekonomilerine yönelmesi sonrasında en başta gelişmiş kapitalist ülkelerdeki medya kuruluşları olmak üzere, politika yapıcılar ve iş insanları gibi çevrelerde 'stratejik' kaygıların vuku bulmasına yol açmış ve dikkatleri üzerlerine toplamışlardır.

UVF'ler hakkında Truva atı benzetmesi tam da bu bağlamda ortaya çıkmıştır. Çeşitli yayın kuruluşlarında çalışan birçok yorumcu veya uzman ve önde gelen birtakım siyasetçiler bu tabiri kullanırken UVF'lerin bazı otoriter ve hesap verilebilirlikten uzak gelişmekte olan veya yükselen piyasa ekonomilerindeki hükümetler tarafından keyfi bir biçimde gelişmiş piyasa ekonomilerini hedef almak için kullanıldığını ve

özde bu kuruluşlarının yatırımlarının iktisadi rasyonaliteden uzak bir biçimde, bu ülkelerin jeopolitik ve jeoekonomik amelleri tarafından şekillendirildiğini iddia etmişlerdir. Fakat ironik bir biçimde, çeşitli UVF'lerin (örneğin Singapur tarafından kontrol edilen Temasek Holding veya Güney Kore'nin Investment Corporation) 2008 küresel finansal krizi öncesinde ve esnasında Citigroup, Barclays gibi Batı-merkezli finans kuruluşlarına zor zamanda ihtiyaç duyulan gerekli likidite desteğini yatırımları aracılığıyla sağlaması yine aynı ülkelerde bu sefer bu kuruluşların kurtarıcı, imdada yetişen beyaz şövalyelere benzetilmesine sebep olmuştur. Fakat UVF'ler hakkındaki (özellikle var olduğu öne sürülen veya reddedilen ve ilk bakışta kendini ele vermeyen hakiki motivasyonları ve küresel ekonominin bugünü ve geleceğindeki yerlerine dair) yoğunlaşan tartışmaların aradan geçen on yıldan fazla süreye rağmen görece daha geniş ve belirgin bir uzlaşmaya zemin hazırladıklarını söylemek mümkün değildir.

UVF'ler üzerine yapılan akademik çalışmalarda tam da böylesine bir tartışmanın süre geldiği bir zaman diliminde yeşermiş ve sayıları her geçen yıl artmakta olan yayınlar ve araştırmalar bu kuruluşların çeşitli yönlerine değişik açılardan yönelmişlerdir. Özellikle iktisat, siyaset bilimi, uluslararası ilişkiler ve uluslararası siyasal iktisat gibi farklı disiplinlerden araştırmacılar bu kuruluşların ne biçimde tanımlanacağı, nasıl sınıflandırılacağı ve/veya teorik bir çerçeveden daha genel anlamda devlet-piyasa ilişkileri bağlamında nasıl yorumlanacağı gibi sorulara yoğunlaşma eğilimindedirler. Bu bağlamda ilk olarak bu çalışmanın literatür taraması göstermektedir ki uluslararası örgütler, egemen devletler, özel düşünce kuruluşları veya akademisyenler arasında UVF'lerin genel bazı ortak özellikleri hususunda hem fikir olsalar da tam olarak bu kurumların nasıl tanımlanacağı noktasında belirgin bir uzlaşı bulunmamaktadır. IMF (Uluslararası Para Fonu), OECD (İktisadi Kalkınma ve İşbirliği Örgütü) gibi örgütler, ABD (Amerika Birleşik Devletleri), AB (Avrupa Birliği) gibi devlet veya devlet toplulukları, SWFI (Ulusal Varlık Fonları Enstitüsü) gibi araştırma organizasyonları UVF'lere dair farklı noktaları öne çıkaran tanımlamalar sunmaktadırlar. Yine de en geniş anlamıyla UVF'lerin şu üç temel vasfa sahip oldukları tespit edilmektedir: (a) egemen devletler tarafından sahip olunması ve münhasıran kontrol edilmesi; (b) genellikle yurt dışı finansal piyasalarında uzun vadeli yatırımlar peşinde olmaları; (c) merkez bankaları tarafından kontrol edilen resmi parasal rezervlerden bağımsız ve münferit bir biçimde kendi kaynaklarını idare etmesi.

Bunula beraber, ikinci olarak, literatür UVF'lerin müşterek niteliklerinin yanında bu kurumların birbirilerinden belli başlı bazı açılardan fazlasıyla farklılaştığının da altını çizmektedir. Başka bir ifadeyle söylemek gerekirse, UVF'ler kesinlikle homojen bir kurumlar topluluğu olarak anlaşılmamalıdır. Bu noktada, bu kuruluşların nasıl tasnif edileceği sorusu gündeme gelmektedir ki muhtelif çalışmalar farklı çıkış noktaları üzerinden böylesine bir çabaya dahil olmuşlardır. UVF literatüründe en sık rastlanan sınıflandırma biçimleri bu meyanda GAPP-Santiago Prensipleri çerçevesi içerisinde bilhassa IMF tarafından ortaya konan finansal kaynaklarına ve/veya sarih iktisadi ve toplumsal hedeflere göre yapılanlardır. Finansal kaynaklara göre UVF'ler bu noktada emtia fonları (petrol, doğal gaz gibi tabii kaynakların satışı sonrası ihraz edilen gelir ile) veya emtia-dışı (ticaret fazlası sonucu biriken yabancı para rezervi ile) fonlar olmak üzere ikiye ayırılmaktadır. Öte yandan, UVF sahibi hükümetlerin politika hedeflerine göre bu kuruluşlar istikrar fonları (ülkenin iktisadi durumunu ve ulusal bütçeyi gerçeklemesi muhtemel emtia fiyatlarındaki dalgalanmalara ve olumsuz dış şoklara karşı koruma sağlamak için), tasarruf fonları (özellikle yenilenemeyen tabii kaynakların ihracatı sayesinde elden edilen gelirin ve oluşan varlığın kuşaklar arası dağıtımını temin etmek için), rezerv yatırım fonları (fazla döviz rezervlerinin yüksek kazanç elde etmek gayesiyle yurt dışı finansal piyasalarında değerlendirilmesi ve böylesine bir döviz rezervini elde tutmanın getireceği maliyetin ortadan kaldırılması için), emeklilik ihtiyat fonları (bilhassa gelişmiş kapitalist ülkelerde son yıllarda kendini gösteren yaşlanan nüfus problemi karşısında gelecekte ortaya çıkma olasılığı bulunan ve bütçe üzerinde baskı yaratacak emeklilik yükümlüklerinin finansmanını sağlayabilmek için) ve kalkınma fonları (bir ulusal kalkınma misyonu ve stratejisi altında toplumsal-iktisadi projelerin -başta altyapı sektör alanında olmak üzere- desteklenmesi ve yürütülmesi için) şeklinde beş farklı gruba sınıflandırılmaktadırlar.

Tüm bu UVF'leri tanımlama ve tasnif etme çabaları araştırmacılar ve kamuoyu için bir ölçüde bilgilendirici ve onları anlamlandırma hususunda her ne kadar yol gösterici olsa bile şu noktanın altı açıkça çizilmelidir ki bu uğraşlar çoğu zaman betimleyici olmanın ötesine geçememektedir. Dahası hatırlamakta fayda vardır ki esas itibariyle literatürdeki bu yöndeki çabaların büyük bir kısmı hali hazırda var olan bu kurumlara karşı endişelerin yönlendirdiği bir çeşit UVF'leri uluslararası seviyede düzenleyici

bir çerçeve içerisine yerleştirme gayretlerinin önemli parçasıdırlar. Diğer bir ifadeyle, piyasa ilişkilerinin toplumsal yaşamın tüm süreçlerine ve alanlarına hâkim olduğu ve piyasa güçlerinin ulus-devletler karşısında sözde geri çevrilmesi mümkün olmayan bir zafer elde ettiği varsayılan sözümona küreselleşme döneminin ortasında devlet sahipliğindeki bu yatırım kuruluşlarının geniş bir coğrafyada büyümesi ve güç kazanmasının yarattığı şaşkınlık ve bunu takip eden kaygılar UVF'lere yönelik tüm araştırma motivasyonlarına (tanımlama ve sınıflandırma sorunsalları da dahil olmak üzere) şekil vermiştir. UVF'lerin teorik bir perspektiften son yıllarda dönüşen devlet-piyasa ilişkileri bağlamında ele alınmasıyla ortaya konan yorumlar ve açıklamalar da böyle bir itkinin ürünü olduğunu öne sürmek yanlış olmayacaktır.

UVF literatüründe bu kurumları kuramsal bir çerçeveden açıklama girişimlerinin de tam olarak bu endişelerin yersizliği veya tam tersine haklılığı üzerinden geliştirildiği tespitini yapabiliriz. Bu noktada ana akım uluslararası ilişkiler ve uluslararası siyasal iktisat kuramlarının literatüre baskın bir şekilde yön verdiğini söylemek de anlamsız olmayacaktır. Bu çalışmanın literatür taraması meydana koymaktadır ki UVF'lere dair çeşitli kuramsal yaklaşımları iki ana grupta özetlemek mümkündür. Bir tarafta, piyasa-merkezli bakış açısı olarak betimlenebilecek doğrultuda UVF'leri tahlil eden akademik çalışmalar küreselleşme sürecinin ulus-devletlerin davranışlarına yönelik sistemik bir şekilde kısıtlamalar getirdiği zemininde, mülkiyet yapısının ne olduğuna çok fazla fark etmeksizin UVF'leri rasyonel piyasa oyuncuları görmek eğilimindedir. Bu görüşe göre ziyadesiyle bütünleşmiş uluslararası piyasalar ödül ve cezalandırma mekanizmaları aracığıyla UVF'lerin ulus-devletler tarafından siyasi amellere hizmet edecek şekilde kullanılmasını caydırmaktadır.

Diğer taraftan, aralarında birtakım farklılıklar taşımalarına karşın devlet-merkezli yaklaşımlar olarak gruplandırabilecek çalışmalar UVF'lerin ulus-devletler kontrolü altında faaliyet göstermesinin önemini bizatihi belirtmekte ve bu kurumların son yıllardaki yükselişinin uluslararası sistemde bir yandan genel anlamıyla ulus-devletin piyasalar karşısında geri dönüşünün bir göstergesi olduğunu özellikle vurgulamakta öte yandan küreselleşme sürecinin ve bu sürecin temel yapı taşı olan bilhassa Batı ülkelerinin hakimiyeti altındaki liberal iktisadi düzenin geçerliğinin sorgulandığı bir dönemde 'yükselen güçlerin' elinde yeşeren UVF'lerin jeoekonomik, jeopolitik ve

jeostratejik yansımalarına dikkat çekmektedirler. Örneğin, neo-realist uluslararası ilişkiler kuramın küresel finansta son dönemde yaşanan gelişmeleri açıklamaktaki güçlü yanlarını öne çıkaran bazı çalışmalar UVF'lerin nasıl ülkelerin bir çeşit dış politika aracı haline geldiğinin ve bu yönde kullanıldığının altını çizmektedir. Benzer şekilde, devlet-merkezli yaklaşımlar içinde UVF'lerin bazı merkantilist ihtiraslarının bir kurumsal bir sonucu öne sürülmektedir. Yine bağımsız bir değişken ve özerk bir özne olarak devleti tahlillerinde ele alan birtakım çalışmalar, UVF'lerin özellikle gelişmekte olan ve yükselen piyasa ekonomilerinde ortaya çıktığını iddia ettikleri ve mevcut neoliberal düzenle tam bir uyuşmazlık içinde olduğu varsayılan yeni devlet kapitalizminin bir enstrümanı olduğunu vurgulamaktadırlar.

Fakat yukarıda sözü edilen ana akım yaklaşımlar (hem piyasa-merkezli hem de devlet merkezli bakış açıları) görünürdeki farklılaşmalarına karşın esas itibariyle kuramsal çerçevelerini üzerine inşa ettikleri metodolojik temel açısından ortaklaşmaktadırlar. Ki tam da bu temelden kaynaklanan bazı sorunlar bu yaklaşımların UVF'ler hakkında hakiki bir açıklayıcı çerçeve geliştirmesinin önüne de geçmektedir. Başka bir deyişle, ister piyasa güçlerine vurgu yapsın isterse devletin merkezi rolüne işaret etsin, ana akım yaklaşımlar pozitivist/ampirist duruşa bağlı kaldıkları ölçüde, yöntemsel olarak şeyleri oldukları gibi ele almakta ve ikili karşıtlıklar tarafından şekillendirilmiş bir kuramsal çerçeve sunmaktadırlar. Bu yüzdendir ki çoğunlukla UVF'ler var olduğu ön kabul edilen devlet ile piyasa güçlerinin arasındaki şiddetli mücadelenin ortasına yerleştirmektedir. Bu sebeple bu kurumların ortaya çıktığı tarihsel bağlamın niteliği göz ardı edilmekte ve UVF'ler ve bu kurumların faaliyetlerinin önemi betimleyici bir biçimde politika yapıcıların gözlemlenebilir davranışlarına indirgenmektedir. Tam da bu noktada kapitalizmin çelişkili tarihsel gelişiminin göz ardı edilmesi ve UVF'lerin bu tarihsellikten uzak ve ayrıksı bir biçimde değerlendirilmesi, ana akım çalışmalarda özellikle her şeyden önce neden devletler bu kurumları kurmaya yöneldi veya ihtiyaç duydu sorusuna eksik bir şekilde yaklaşılmasının nedenleri olduğunu öne sürmek yanıltıcı olmayacaktır.

Özellikle gelişmekte olan ve yükselen piyasa ekonomilerinde UVF kuruluşlarının altında yatan gerekçeleri eleştirel bir biçimde incelemek gayesiyle, tezde yürütülen çalışma bu bakımdan, ana akım çalışmalardan farklı olarak bütünsel ve tarihsel bir

perspektifin yerleştirilmesi gerektiğini ileri sürmektedir. Tarihsel materyalist anlayış ve Marksist siyasal iktisat bu noktada toplumsal ilişkileri oluşturan siyaset ve iktisat gibi bileşenlerin anlaşılmasında yüzeydeki görünüşlerin ötesine geçerek bunların tarihsel olarak inşa edilmiş, içsel bir biçimde ilişkili ve karşılıklı kurucu olduklarını gösterdiği ölçüde ana akım yaklaşımların eksiklerinin aşılmasında önemli bir olanak sunmaktadır. Böyle bir metodolojik zemin üzerinde UVF'ler kapitalist gelişme sürecindeki kökenleri ve yerleri dikkate alınarak sorgulanabilmektedir.

Böyle bir çıkış noktasından hareketle şunu önermek uygun olacaktır: UVF'lerin ortaya çıkması ve yaygınlaşması yalnızca sermayenin uluslararası süreci ve bununla ilişkili olarak kapitalist gelişmekte olan ve yükselen piyasa ekonomilerindeki tabi finansallaşma bağlamında kavranabilir ve anlaşılabilir. Bu sebeple, ilk olarak, ana akım çalışmaların tarih dışı tahlillerinin aksine, UVF'lerin kapitalist gelişme içinde sermayenin uluslararasılaşması sürecinin şekillendirdiği belirli bir dönemde ortaya çıkan tarihsel olarak özgül kurumlar olduğunun altının çizilmesi gerekmektedir. Bu sermayenin uluslararasılaşması süreci, Marksist siyasal iktisat çalışmalarının bizlere gösterdiği gibi, kapitalizme içkin olan bir eğilimdir ve rekabet baskısı ve sermaye birikimin gerçekleşmesi için sermayedarlar tarafından daimî bir genişletilmiş bir pazar arayışının neticesinde meta-para-üretken sermaye döngülerinin genişlemesini ifade eder. Kapitalizmin tarihinde, sermayenin üç formunun döngüsünün genişlemesi birbirini izleyen ve örtüşen aşamalarda meydana gelmiştir. Bu bağlamda, İkinci Dünya Savaşı'nın sona ermesinden sonra başlayan süreç tarihsel olarak mühimdir çünkü bu dönemde özellikle en son olarak üretken sermayenin uluslararasılaşması ve bununla ilintili bir biçimde finansın uluslararasılaşmasının hız kazanması dünya ekonomisinin yapısı ve düzenlenişinde önceki dönemlere nazaran önemli değişikler getirmiştir.

Bu iki paralel ve sembiyotik olarak görülebilecek gelişmeler sermayenin sınır-aşırı hareketliliğinin artması ve dünya çapında üretken kapasitenin mekânsal olarak yeniden örgütlenmesini beraberinde getirmiştir ve bunlar nihayetinde UVF'lerin yükselişine zemin sağlamıştır. Şöyle ki bilhassa 1970'li yılların sonu itibariyle neoliberalizmin egemen hale gelmesiyle ile birlikte hem üretken sermayenin hem de finansın uluslararasılaşması sürecinin derinleşmesi bir yandan yükselen piyasaların

ve gelişmekte olan ülkelerin dünya pazarına düşük düşük-ücretli üretim alanları, ham madde tedarikçileri ve/veya göçmen işçi ihracatçısı olarak küresel üretim ağları ve küresel değer zincirleri aracılığıyla tamamen entegre olmasını sağlamıştır. Özellikle çevre ülkelerde Washington Oydaşmasının genel ilkelerinin ve politikalarının bir nevi dayatılması ve uygulatılması bu ülkelerde ihracata yönelik büyüme modelinin benimsenmesini zorunlu kılmıştır. Öte yandan, böylesi bir entegrasyon biçimi ulusal ekonomilerin uluslararası sermaye akımlarına açılması olmadan mümkün olamazdı. Para sermayenin hareketi üzerindeki engellerin kaldırılması fakat ülkeye giren sermaye akımlarının çoğunlukla kısa-vadeli ve basitçe finansal getiri peşinde olduğu göz önünde alındığında gelişmekte olan ülkeleri ve yükselen piyasaları finansal krizlere daha korunmasız bir hale getirmiştir. Tam da bu sebeple, bu süreç içerisinde bu ülkelerdeki yurtiçi para ve sermaye piyasaları 20.yy. ortasından beri Amerikan hegemonyası (özellikle doların üstlendiği dünya parası rolü ve Amerikan çokuluslu şirketlerin dünya pazarındaki tahakkümü sayesinde) altındaki uluslararası piyasaların hükmü altına girmiştir.

Bu bağlamda, küresel Güney'deki neoliberal dönüşümün bir parçası olarak ticaretin, finansın ve sermaye hareketlerinin serbestleştirilmesinin, UVF'lerin kaynaklarını oluşturan yabancı para biriminde rezerv birikimi fenomeninin ortaya çıkışının altında yattığı sonucuna varmak yanıltıcı olmayacaktır. Nitekim döviz rezervlerinin birikimi bu ülkelerde görülen tabi finansallaşmanın en önemli özelliklerinden biridir. Tabi finansallaşma en genel anlamıyla kapitalist gelişmekte olan ve yükselen piyasa ekonomilerinde ortaya çıkan ve sermayenin uluslararasılaşması süreçlerinin çevre ülkelerdeki yukarıda bahsedilen yansımalarından doğan özgül bir finansallaşma formu olarak tarif edilebilir. Bu ekonomilerdeki finansallaşmanın tabi mahiyeti bu açıdan hiyerarşik olarak örgütlenmiş dünya pazarının yapısını ve eşitsiz gelişimin sistemik yeniden üretimini yansıtmaktadır. Döviz rezerv birikimi bu açıdan ana akım çalışmalar da öne sürüldüğü gibi basitçe bir ihtiyari merkantilist politika seçimi değil bu eşit olmayan ilişki biçimini bir doğal sonucudur. Çevre ülkeler döviz biriktirmedir çünkü bir yandan uluslararası ekonominin yeniden düzenlenişin bir sonucu olarak takip ettikleri ihracata dayalı büyüme modeli buna izin vermektedir öte yandan tam da aynı sistemin getirdiği finansal serbestleşme ve dışa bağımlılık onları dış şoklara karşı önlem almaya itmektedir.

UVF’lerin kurumsal bir inovasyon olarak ortaya çıkışı bu noktada bu ülkelerin tabi olarak dünya pazarına entegrasyonun sonuçlarına karşı aldıkları önlemlerle yakından ilişkilidir. Fakat şunun altı çizmek gerekiyor ki bu süreç ülkelerin coğrafi ve tarihsel koşulları tarafından da şekillendirilmiştir ki UVF’lerin hangi motivasyon ve hedefle kullanıldığı tam da bu noktada belirlenmektedir. Tarihsel olarak UVF’lerin gelişimi incelendiğinde karşımıza gelişmekte olan ve yükselen piyasa ekonomisi ülkelerinden oluşan UVF sahibi başat iki adet ülkeler grubu çıkmaktadır. Bunlardan ilki petrol veya doğal gaz gibi tabii kaynak zengini ülkelerdir. Özellikle Orta Doğu’nun Körfez ülkeleri başta olmak bu kaynakların dünya pazarına ihracatına dayanan ekonomilerde verilen cari fazla ve bunun sonucu ortaya çıkan döviz rezerv birikimi geçen zaman içinde kurulan UVF’lerin temel mali kaynağını oluşturmuştur. Nitekim 1950’li yılların ortasında kurulan ve modern anlamda ilk UVF kabul edilen Kuveyt’in sahip olduğu Kuwait Investment Authority (KIA) böyle bir zemin üzerinde yükselmiştir. Dönemin en önemli petrol ihracatçısı olan Kuveyt elde ettiği gelirle kurduğu KIA aracılığıyla hem ülke ekonomisinin gelir kaynaklarını çeşitlendirmeyi amaçlamış hem de emtia fiyatlarında yaşanabilecek düşüş zamanlarının ülke ekonomisinde yaratacağı sıkıntıların önüne geçmeyi hedeflemiştir. 1970’li yıllarda yaşan petrol krizleri ve emtia fiyatlarındaki hızlı yükseliş diğer Körfez ülkelerini de benzer şekilde UVF kurmaya yöneltmiştir.

Bu dönemde Birleşik Arap Emirlikleri, Suudi Arabistan, Umman gibi ülkelerin yanı sıra Libya’da kendi UVF’lerini kurarak yükselen petrol gelirlerini bu kuruluşlar aracılığıyla değerlendirme yoluna gitmişlerdir. Yine aynı şekilde 2000’lerin başından itibaren yaşanan küresel emtia fiyatlarındaki patlama ile Katar, Rusya gibi ülkeler UVF sahibi ülkeler grubuna katılmışlardır. Birçok UVF çalışması bu tip kaynak zengini ülkelerin UVF kurmasındaki temel motivasyonun ve hedefin ‘varlık ikamesi’ veya ‘karşı-döngüsel politika’ ile ilişkisini vurgulamaktadır. Görünüşte bu tespitler yanlış olmasa da gözden kaçan nokta şudur ki bu UVF’lerin kuruluşu özde sermayenin uluslararasılaşması sürecinde küresel ölçekte üretken kapasite yeniden şekillendirilirken bu ülkelerin dünya pazarına eşitsiz bir biçimde hammadde ihracatçısı olması ile ilgilidir. Sermayenin uluslararasılaşması süreci ilerledikçe ve derinleştikçe dünya pazarında ortaya çıkan daha yüksek miktarlardaki hidrokarbon

üretimi ihtiyacı bu tip ülkelerin kendi ekonomilerini (ulusal ihtiyaçlardan öte artan yurtdışı talebin doğrultusunda) petrol ve/veya doğal gaz üretimine yoğunlaştırmaya itmiştir. Fakat, tabi entegrasyonun temel bir özelliği olarak, bunun sonucunda elde edilen gelir ve döviz rezervleri petrodollar döngüsü ile tekrardan Batı'daki finansal piyasalara varlık transferi gerçekleştirecek şekilde geri dönmüştür. UVF'ler bu noktada tabi entegrasyonun sonuçlarına önlem olarak kurulsa da paradoksal olarak varlık transferine hizmet etmişlerdir.

Özellikle ticaret fazlası veren Doğu Asya ülkelerinde kurulan UVF'lerin de temelde benzer bir biçimde hareket ettiklerini iddia etmek yanlış olmayacaktır. 1980li yılların ortası ve 1990lı yılların başında ilk olarak orta çıksa da 1997 Asya Krizi'nde sonra yaygınlaşan ve çoğalan emtia-dışı varlık fonlarının diğer grup UVF'lerin aksine kaynağı tabii kaynakların ihracatı ile yaratılmamaktadır. Bu UVF'lerin mali kaynağı ticaret fazlası sonucu ortaya çıkan döviz rezervlerinin bir bölümünün hükümetlerce bu kuruluşlara aktarılması ile oluşmaktadır. Ana akım UVF literatüründe neden çoğu Asya bölgesinde yer alan bu ülkelerin döviz rezervi biriktirdiği ve UVF kuruluşunu tercih ettiği soruları çoğunlukla bu ülkelerde hâkim olduğu öne sürülen merkantilist yaklaşımın bir sonucu olduğu ile ilişkilendirilmiştir. Buna göre uluslararası piyasada değersiz para biriminlerinin getirdiği rekabetini korumak isteyen bu ülkeler ihracat sonucu büyük miktarlarda biriken döviz rezervlerini UVF'ler aracılığıyla izlenen bu merkantilist politikaya uygun olarak yurtdışı finansal piyasalarda değerlendirerek hem para birimlerinin değerlenmesinin önüne geçecek hem de olası bir sermaye girişlerindeki bir duraksamaya karşı önlem alacaklardır. Fakat gözden kaçırılan nokta şudur ki ticaret fazlası ve ihracat odaklı büyüme modeli basitçe iradi olarak takip edilen bir merkantilist politika olmaktan öte 1970'lerden beri süre gelen sermayenin uluslararasılaşması sürecinde küresel üretim kapasitesinin mekânsal olarak yeniden yapılandırılmasının sonucudur. Öte yandan, ülkeye yönelen sermaye hareketlerindeki problemlere karşı alınan önlemler olarak UVF'ler tam da tabi finansallaşmanın bir sonucu olarak karşımıza çıkmaktadır.

Tarihi ve coğrafi koşullar bu iki grubu ve içindeki örnekleri farklılaştırsa da kurulmuş UVF örneklerini birleştiren ortak noktanın kuruldukları ülkelerdeki cari hesap fazlası olduğunu kolaylıkla tespit edebiliriz. Bu noktada şu soru önem kazanmaktadır: cari

işlemler bilançosunda fazla olması UVF kurmanın ön şartı olarak kabul edilebilir mi? Bu soru diğer tüm örneklerden farklılaşan bir vaka olarak Türkiye Varlık Fonu'nun (TVF) anlaşılmasında önemli bir nokta teşkil etmektedir ki hem Türkiye kamuoyu hem de akademisinde TVF'nin kuruluşunun yarattığı şaşkınlığının ve halen sürmekte olan muammanın altında da bu yatmaktadır. Gerçekten de Türkiye ne Körfez ülkeleri veya Rusya vb. örnekler gibi tabii kaynak ihracatından ve emtia fiyatlarındaki artışlar sayesinde büyük ölçüde döviz rezervleri biçiminde servet biriktiren, ekonomisini fiyat dalgalanmalarına karşı yalıtmayı ya da zenginliği nesiller arası biçimde dağıtmayı amaç edinen kaynak zengini bir ülkedir ne de Doğu Asya ülkeleri gibi ihracata dayalı büyüme stratejisi nedeniyle büyük ticaret fazlası veren ve ekonomiyi ani sermaye akışı değişikliklerine karşı korumak veya ekonominin 'rekabetçiliğini' muhafaza etmek amacıyla hızlı bir biçimde rezerv biriktiren ve bunları uluslararası piyasalarda değerlendiren bir ülkedir.

Fakat Türkiye'nin diğer vakalarda bulunan ortak özellikten mahrum olmasından yola çıkarak TVF'nin gerçek anlamda bir UVF olmadığını öne sürmek yanıltıcı olacaktır çünkü bu yukarıda da tartışıldığı gibi tarihsel bağlamı dışlayan herhangi bir tahlil açıklayıcı kuvvetini yitirmektedir. Dolayısıyla, TVF'de diğer vakalarda olduğu gibi ancak ve ancak ülkenin neoliberal dönemde yaşadığı tabi finansallaşma sürecinde ve Türkiye'nin sermayenin uluslararasılaşması sürecinde dünya piyasasına nasıl entegre olduğu bağlamında anlaşılabilir. Bu bağlamda, Türkiye'nin siyasal iktisat tarihinin yaklaşık son kırk yıllık dönemini incelediğimizde şunu öne sürebiliriz: 1980 sonrası periyotta başlayan bağımlı ve tabi finansallaşma ile Türkiye öncelikle 1980'li yıllar boyunca ihracatın özendirildiği ve ücretlerin baskılandığı dışa dönük bir büyüme modeli benimsemiştir. Bunu takip eden dönemde, 1980'li yılların sonundan itibaren birikim modeli 1990'lı yılların sonuna kadar sürecek bir şekilde uluslararası para-sermayenin ülkeye girişi üzerine kurulmuştur. Fakat yabancı sermayenin ülkeye girişinin kritik önem teşkil ettiği bu model değişik yıllarda ekonomik krizler üretmiştir. Fakat her seferinde kriz sonrası takip edilen çözüm finansallaşmanın daha derinleştirilmesi olmuştur. 2001 krizi sonrası iktidara gelen AKP hükümetleri de bu politikayı takip etmiş ve bu yıllarda Türkiye ekonomisi giderek daha fazla hane halkı borçlanması ve kredi genişlemesine dayalı bir büyüme modeline evrilmiştir.

Fakat Türkiye ekonomisinde üretim yapısının özellikle aramallara ithalat bağımlılığı bu dönemde ödemeler dengesinde problemlere sebep olmuş ve Türkiye hızla cari açık veren bir konuma evrilmiştir. Başka bir ifadeyle ekonomik büyüme döviz biçimdeki para sermaye akışına bağımlı hale gelmiştir. Ancak şu belirtilmelidir ki böylesine bir tabi finansallaşma içerisinde bu büyüme modelinin başarı ancak küresel siyasal ve iktisadi konjonktürün yarattığı olumlu likidite koşullarına bağlıydı ki özellikle 2001-2013 dönemi arasındaki yüksek büyüme rakamlarını bu sayede elde edilebilmiştir. Fakat 2013 yılından itibaren özellikle Amerikan Merkez Bankası'nın 2008 krizinden sonra uygulamaya koyduğu miktarsal genişlemenin sonlandıracağını açıklamasıyla beraber son yıllarda özellikle finansal veya finansal olmayan özel sektör kurumlarının biriktirdiği özellikle döviz biçimindeki borca karşın ve biriken bu borcun uluslararası finansman kaynaklarına erişim ile karşılanması olanağı ortadan kalkmaya başlayınca özellikle 2018 krizi ile kendini gösteren ekonomik kriz ortamında Türkiye hükümeti yeni borçlanma kanalları bulma ihtiyacı duymuş öte yandan daralan ekonomiyi devlet bankaları aracılığıyla sağladığı düşük faizli krediler ile dar boğazdan çıkarmaya çalışmıştır. Çalışmamız TVF'nin bu iki noktada da hükümet tarafından kullanıldığı göstermektedir. İlk olarak, Türkiye'nin kamusal varlıklarını bir açıdan teminat göstererek uluslararası piyasalardan hükümet TVF aracılığıyla borçlanma arayışına girmiştir ki bu daha önce hiç görülmemiş bir motivasyon ile bir UVF'nin kullanışına işaret etmektedir. Öte yandan, ekonomik krize karşı alınmaya çalışılan önlemler bağlamında yine hükümet devlet bankalarının yeniden sermayelendirilmesi ihtiyacını TVF aracılığıyla gerçekleştirmiştir. Bu nokta bize göstermektedir ki nasıl sermayenin uluslararasılaşması süreci içerisinde gelişmekte olan ve yükselen piyasa ülkelerinde ortaya çıkan tabi finansallaşma bugüne kadar UVF sahibi olan ülkelerde kendini cari fazla ve aşırı miktarlarda döviz birikimi olarak gösterdiyse tarihsel ve mekânsal bağlam içerisinde bu tür bir finansallaşma Türkiye gibi bir ülkede UVF kuruluş motivasyonunun yeni borçlanma mekanizması olarak belirlenmesinde en önemli rolü oynamıştır.

APPENDIX C

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YAZARIN / AUTHOR

Soyadı / Surname : İPEK
Adı / Name : ALİ MERT
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TEZİN TÜRÜ / DEGREE: **Yüksek Lisans** / Master ■ **Doktora** / PhD ☐

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