The Afro Eurasian Studies has been established in summer 2011 to offer a respected peer-reviewed outlet for the scholarly research in social and administrative sciences, which would shed light on the history and the current state of economic, political and social dynamics of Africa, Europe and Asia. The journal welcomes original manuscripts in English on a range of subject matters including economics, finance, management, political science, public policy and international relations with particular focus on the Afro Eurasian region.

Covid-19 pandemic challenges the world economic and political structure more than two years. Since then, economic and financial vulnerability, imbalances, and the instability of the macroeconomic indicators are still rising cyclically. The recent Covid-19 crisis fundamentally questioned the crisis management skills and mechanisms of the international and regional institutions. Africa and Eurasia have also adversely affected from this changing paradigms. Thus, the new issue “Post Pandemic World: Recovery or New Economic Design?” focused these reflections on those areas and countries as well.

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As a culmination of the research experience accumulated over the years, the Economic and Social Research Centre within MÜSİAD has embarked upon the challenge of publishing an international journal. Thus the Afro Eurasian Studies has been born in Turkey, at the epicentre of Afro Eurasia, out of a desire to contribute to the international discourse on the new dynamics of the region.

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Mali Performans, Yönetişim Kalitesi Ve Ekonomik Büyüme İlişkisi: Sahra-Altı Ülkelerinden Kanıtlar

Öz

Anahtar Kelimeler: Mali Performans, Kamu Harcamaları, Yönetişim Kalitesi, Ekonomik Büyüme, Dinamik Panel Veri Analizi

The Relationship Between Fiscal Performance, Governance Quality, And Economic Growth: Evidence From Sub-Saharan Countries

Abstract
Many studies in recent years have focused on the relationship between the government's ability to manage and economic performance indicators. There is ample empirical evidence that factors such as the presence of corruption, violence, and terrorism in a country, and the quality of institutions controlling the market affect the success of economic policies. Similarly, the issue of how the public debt stock affects economic growth has been the central question of many studies. Especially in recent years, the violence, terrorism, and separatist wars that have emerged in Africa have led to the intensification of studies on the continent. In addition, there are many studies supporting that the climate of insecurity created by the violence and terrorist incidents in the continent is the cause of the failure of governance in Africa. Governance failure is also an indicator of ineffectiveness in the formulation and implementation of public policies. This study focuses on investigating the effects of fiscal performance and governance quality on economic growth in Sub-Saharan African countries. In the study, data from 25 sub-Saharan African countries for the period 2002-2019 were used. According to the results of the analysis, as public expenditures increase in the mentioned countries, economic growth decreases. In terms of the focus of the study, it has been found that as fiscal performance and governance quality increase, economic growth also increases. As a fiscal performance indicator, the arithmetic average of the public's domestic and external debt stock was calculated and included in the analysis. An increase in the fiscal performance value means an increase in the country's debt stock.

Key Words: Fiscal Performance, Government Expenditure, Governance Quality, Economic Growth, Dynamic Panel Data Analysis


Introduction

In cases where public expenditure exceeds its revenue, this deficit is made up by borrowing. This borrowing requirement can be covered by internal or external debt. Especially in underdeveloped and developing countries, the need for borrowing is higher. In these countries, borrowing is important for the sustainability of the economy. However, besides its positive effects, it is emphasized that high public debt increases economic growth in underdeveloped and developing countries only to a certain extent (Griffin & Enos, 1970). The question of the limit of borrowing is also controversial. According to Reinhart & Rogoff (2010), negative effects occur when the ratio of public debt to GDP reaches 90%. This threshold is calculated by Caner & Koehler-Geib (2010) as 77%, by Cecchetti, et al. (2011) as 85%, and by Egert (2015) as 20% to 60%. Many studies are proving that especially the increase in external debt will negatively affect economic performance and increase the fragility of the economy (Alesina & Tabellini, 1989; Pattillo et al., 2002; Cerra, et al., 2008; Reinhart and Rogoff, 2010; Navarro-Ortiz & Sapena, 2020). In the existing literature, public debt reduces economic growth by causing a decrease in savings and capital accumulation. Endogenous growth models point to a similar conclusion (Greiner, 2012).

Theoretically, economic growth is promoted as long as the funds obtained with foreign debt are used in productive areas. However, this view is highly controversial. Empirical studies show that the impact of borrowing on economic growth varies from country to country. For example, the use of funds obtained through borrowing in inefficient sectors has a detrimental effect on economic growth. This is true for all resources. Therefore, the negative impact of public debt on economic growth is greater in countries that do not have good governance indicators.

Institutional quality has a strong impact on the relationship between external debt and growth. However, the mediating effect of governance quality on this relationship is limited. When a country’s debt burden exceeds a certain level, high governance quality cannot help reduce the negative impact of debt (Mensah, et al., 2018). (Cordella et al., 2010) found that in countries with high debt but good policies and institutions, governance quality can offset the negative effects of borrowing as long as the debt is less than 25% of GDP, while this threshold is lower in countries with high debt and poor governance quality.

Whether debt is a blessing or a scourge depends on how countries use the borrowed capital. While funds obtained through borrowing contribute to the economy if used wisely and moderately, if used ineffectively, they lead to a debt burden instead of contributing to the economy. Governance quality, on the other hand, has come to the fore in the literature in terms of explaining the differential impact of borrowing on economies (Acemoğlu & Robinson, 2008; Qayyum, et al., 2014, Lartey & Kemoe, 2022). Cordella et al. (2010) compared countries with weak institutions and
countries with strong institutions. According to the study’s findings, high governance quality mitigates the impact of external debt on macroeconomic indicators. Acemoğlu, et al., (2003) argue that institutions have an impact on economic outcomes and that countries with good governance tend to grow faster.

Both foreign capital and governance quality are important factors in the development process of low-income countries. Public expenditures that exceed their revenues increase the dependence of economies on foreign capital. Moreover, not only foreign funds promote economic growth but there is also a need for good governance that can create high-quality institutions that increase productivity (Agnor & Montiel, 2010) (Kemoe & Lartey, 2022).

Hypothetically, one can assume that good governance quality stimulates economic growth. Moreover, allocating debt according to the principles of efficiency and effectiveness can, thanks to high governance quality, mitigate or eliminate the negative effects of debt on growth. Studies on the relationship between economic growth, borrowing, and governance quality are quite new. Most studies focus on underdeveloped and developing countries. These countries have high borrowing needs and low governance quality.

There is a widespread view in the literature that external debt will harm economic growth. However, good governance or the quality of institutions can mitigate these negative effects. For example, in a country where institutions are corrupt and the rule of law is weak, government funds, including borrowed funds, may be channeled into unproductive investments. Therefore, good governance and well-functioning institutions can help to acquire external debt and transfer it to productive sectors (Mensah et al., 2018, 476). In their study covering sub-Saharan African countries, Kemoe & Lartey (2022) showed that while an increase in public debt harms economic growth, this effect decreases when there is an increase in governance quality captured by anti-corruption or government activity.

Studies on this topic have focused only on the impact of external or domestic debt on economic growth. In this study, a fiscal performance index was created from the combination of domestic and external debt and included in the model along with the governance quality index. In the next part of the study, explanations and results related to the empirical analysis are given.

2. Data and Methodology

This section presents the methodology of the study and the results of the analysis. The effects of fiscal performance and institutional quality on growth were examined in 25 sub-Saharan African countries over the period 2002-2019 using a dynamic panel data analysis. The two-stage System Generalized Moments Method (GMM), one of the dynamic panel data analysis methods developed by Arellano and Bover (1995) and Blundell and Bond (1998), was used for the analysis. The equation established in the dynamic panel data analysis is as follows:
The dependent variable “PGDP” in equation 1 refers to the growth rate of GDP per capita, and the independent variable “PGDPit-1” refers to the lagged value of GDP per capita. Other independent variables are respectively “FISCAL” financial performance, “GOVEX” public expenditure, “INSQUAL” institutional quality, “LABFOR” labor force participation rate, and “GFCF” gross fixed capital formation, “TRADE” trade openness. The subscript “u” represents the error term, “i” is the unit size, and “t” is the time dimension. The independent variable “FISCAL” in the equation consists of the ratio of public debt to GDP and the ratio of external debt stock to GNP, which are indicators of financial performance. (Roubini and Sachs, 1989; Edin and Ohlsson, 1991; IMF, 2006; Yalçın, 2017; Fabgemi, 2020). The 25 Sub-Saharan African countries included in the analysis are respectively, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Comoros, and Congo Dem. Rep., Congo Rep., Gabon, Guinea-Bissau, Kenya, Madagascar, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda. Table 1 shows the data set and sources used in the study.

Table 1 Data sources and definition

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Variable</th>
<th>Definition</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>PGDP</td>
<td>Growth</td>
<td>GDP per capita growth (annual %)</td>
<td>World Bank</td>
</tr>
<tr>
<td>FISCAL</td>
<td>Fiscal</td>
<td>Public debt to GDP</td>
<td>World Bank IMF</td>
</tr>
<tr>
<td></td>
<td>Performance</td>
<td>Public debt to GDP</td>
<td>World Bank IMF</td>
</tr>
<tr>
<td></td>
<td></td>
<td>External debt stocks (% of GNI)</td>
<td>World Bank IMF</td>
</tr>
<tr>
<td>GOVEX</td>
<td>Government</td>
<td>Government final consumption</td>
<td>World Bank</td>
</tr>
<tr>
<td></td>
<td>Expenditures</td>
<td>expenditure (% of GDP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Voice and Accountability</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Political Stability and Absence of Violence</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Government Effectiveness</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Regulatory Quality</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Rule of Law</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Control of Corruption</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td>INSQUAL</td>
<td>Institutional</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quality</td>
<td>** Voice and Accountability</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td>Index</td>
<td>** Political Stability and Absence of Violence</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Government Effectiveness</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Regulatory Quality</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Rule of Law</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** Control of Corruption</td>
<td>World Bank (WGI)</td>
</tr>
<tr>
<td>LABFOR</td>
<td>Labor Force</td>
<td>Labor force participation rate</td>
<td>World Bank</td>
</tr>
<tr>
<td>GFCF</td>
<td>Gross Fixed</td>
<td>Gross fixed capital formation growth (annual %)</td>
<td>World Bank</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Formation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRADE</td>
<td>Trade</td>
<td>Trade (% of GDP)</td>
<td>World Bank</td>
</tr>
<tr>
<td></td>
<td>Openness</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In creating the fiscal performance variable, the variables were first normalized to the same scale and then combined into a single index by assigning an equal weight (50%) to each variable. **The variables that make up the index are the percentile rankings from 0-100. Principal component analysis (PCA) was used to create a single index from the variables. The index is referred to in the study as the “Institutional Quality Index.”


The INSQUAL variable consists of six indicators of the Worldwide Governance Indicators (WGI), published by the World Bank since 1996 and recognized as indicators of governance. When the variables representing components of the same structure are included together in the equation and a high correlation is found between the variables, the problem of multicollinearity may occur. For this reason, the index of institutional quality was determined using PCA. The main advantage of assessing institutional quality with an index is that the key variables of the WGI dataset can be combined into a single index that represents their characteristics. (Dabbous, 2018:73).

Before composing the institutional quality index with PCA, Bartlett’s sphericity and Kaiser-Meyer-Olkin (KMO) tests apply to check the adequacy of the data. Bartlett’s sphericity test controls whether all correlations are equal to zero, while the KMO test compares the observed correlations and partial correlations between the main variables. It is emphasized that the calculation of Bartlett’s and KMO tests is performed before PCA. If the null hypothesis of Bartlett’s test is rejected and the KMO value is significantly higher than 0.5, the data are suitable for analysis (Budaev, 2010:475).

After checking data adequacy, a rotation solution is performed with PCA for six governance indicators. The eigenvalue coefficients of each component determined by PCA should be greater than or equal to 1. In addition, the variance explained by the components with an eigenvalue coefficient greater than 1 should be cumulatively greater than 60%. (Banda and Kumarasam, 2020:10-11).

The factor loadings are another criterion for the suitability of variables for analysis. Factor loadings explain the relationship between variables and items. This coefficient is considered when variables are included in the analysis. If the value of the factor loading is between 0.30 and 0.59, it means a medium level, and 0.60 and more means a high level (Büyüköztürk, 2002: 473-474).

In the study, the fiscal performance variable consists of public debt to GDP and external debt stocks (% GNP). A single indicator of fiscal performance formed from these two variables should not be expressed in the same unit. Since the two varia-
bles have different weights, the indicator resulting from the addition of the variables leads to the problem of combining “apples with oranges.” The calculation of the Z-score is one of the common methods to solve this problem. The equation of the normalization process Z-score, with a zero mean and a unity standard deviation, follows: \( Z = \frac{X - \mu}{\sigma} \). “\( X \)” refers to the variable, “\( \mu \)” to its mean, and “\( \sigma \)” to its standard deviation. (Mlachila et al., 2017:681). After the normalization process with the Z-score, each variable that is an indicator of fiscal performance was assigned the same weight (50%). The variable “FISCAL”, which represents fiscal performance, is the sum of the weighted values.

2.2. Methodology

Economic behavior in a period is usually under the influence of past experiences and old patterns of behavior. In this respect, it is very important to take into account the lagged value of the variable as an explanatory variable in the analysis of economic relations. The dynamic structure, which is often used in panel data models, differs from static models in that it includes lagged variable(s). However, the fact that the lagged value of the dependent variable is included in the models in the form of an explanatory variable leads to a correlation with the error term and the endogeneity problem. These problems lead to inconsistent and biased results resulting from the OLS method. The GMM method can be used to obtain effective and consistent estimates even in the presence of these problems and for models where the unit dimension is larger than the time dimension (\( N > T \)) (Baltagi, 2005; Yerdelen Tatoğlu, 2013; Das, 2019). The use of the GMM estimator has some advantages. In addition to the endogeneity problem mentioned above, the GMM accounts for differences across countries and unobservable heterogeneity due to the panel structure of the data set. At the same time, the two-stage GMM controls the variance problem better than the single-stage estimator. (Tchamyou, 2020:10-13).

The difference GMM and the system GMM methods are the two main estimators used in dynamic panel data analysis. The first method, developed by Arellone and Bond (1991), uses the first difference of the independent variables as the instrumental variable. In panel data models with an unbalanced structure, the first difference transformation of the data leads to a high observational loss. For this reason, in the system GMM method developed by Arellano and Bover (1995) and Blundell and Bond (1998), orthogonal variances are proposed instead of the first difference transformation to avoid data loss. In this way, it was highlighted that the two-step system GMM estimator, which allows the use of more instrument variables, is more efficient than the difference GMM estimator (Yerdelen Tatoğlu, 2018). Consistent with this information, a two-step system GMM estimator was used in the analysis. In this method, which is consistent and effective even in the presence of problems such as heteroskedasticity and autocorrelation. Although this condition is more efficient, the standard errors could be biased downward. Thus, Windmeijer’s (2005) finite-sample
correction is employed in the analysis to prevent the standard errors’ downward bias (Roodman, 2009b). In addition to some preconditions should be given in an appropriate form and tests should be performed. One of them is testing the validity of the variables. The suitability of instrumental variables is tested by Sargan or Hansen tests. In the two-step system GMM, it is very important whether the instrumental variables are exogenous. In Sargan and Hansen tests, the main hypothesis that “the over-identification constraint is valid and the instrumental variables are exogenous” should be rejected, so the results of the tests should not be significant. (Dedaj et al., 2022:5). One of the other conditions is the absence of quadratic autocorrelation in the model. Autocorrelation tests were investigated by Arellano and Bond (1991) using AR tests (Özsoy et al., 2022:285). Finally, the number of instrumental variables must be less than the number of cross-sectional units or groups. (Roodman, 2009a). The significance of the entire model was tested using the Wald test.

2.3. Empirical Findings

The descriptive statistics for the variables are summarized in table 2. Accordingly, among the 25 countries in the Sub-Saharan Africa country group, the GDP per capita growth rate was lowest at 22.312% and highest at 21.027%. The lowest value of the variable “FISCAL”, which is an indicator of fiscal performance, is -1.074, while the highest value is 6.110. The lowest value of government expenditure to GDP ratio is 0.951%, while the highest value is 31.556%. The lowest value of the variable “INSQUAL”, the indicator of institutional quality, is -3.553, while the highest value is 5.570. The lowest value of the labor force participation rate is 41.380%, while the highest is 88.350%. The lowest growth rate of gross fixed capital formation is -49.380%, while the highest is 239.830%. The lowest trade of GDP rate is 20.722%, while the highest is 156.862%.

Table 2 Descriptive statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Observations</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>PGDP</td>
<td>450</td>
<td>1.814</td>
<td>3.502</td>
<td>-22.312</td>
<td>21.027</td>
</tr>
<tr>
<td>FISCAL</td>
<td>450</td>
<td>1.910</td>
<td>0.975</td>
<td>-1.074</td>
<td>6.110</td>
</tr>
<tr>
<td>GOVEX</td>
<td>450</td>
<td>13.917</td>
<td>4.580</td>
<td>0.951</td>
<td>31.556</td>
</tr>
<tr>
<td>INSQUAL</td>
<td>450</td>
<td>-2.460</td>
<td>2.207</td>
<td>-3.553</td>
<td>5.570</td>
</tr>
<tr>
<td>LABFOR</td>
<td>450</td>
<td>66.965</td>
<td>12.749</td>
<td>41.380</td>
<td>88.350</td>
</tr>
<tr>
<td>GFCF</td>
<td>449</td>
<td>8.3490</td>
<td>18.832</td>
<td>-49.320</td>
<td>239.830</td>
</tr>
<tr>
<td>TRADE</td>
<td>450</td>
<td>61.639</td>
<td>26.024</td>
<td>20.722</td>
<td>156.862</td>
</tr>
</tbody>
</table>

As regards the correlation matrix, there is a negative correlation between the “FISCAL”, “GOVEX” and “TRADE” independent variables and the “PGDP” dependent variable, and a positive correlation with the “INSQUAL”, “LABFOR” and “GFCF” variables.
The results obtained regarding the PCA are given in Table 4. The KMO coefficient is 0.902>0.5. Also, the p-value of the Bartlett test is 0.000<0.01 (the null hypothesis was rejected). These results verified that variables were quite adequate for PCA.

Table 4 Summary of principal component analysis (PCA).

<table>
<thead>
<tr>
<th>Component</th>
<th>Eigenvalue</th>
<th>% of Variance</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4.872</td>
<td>0.8121</td>
<td>0.8121</td>
</tr>
<tr>
<td>2</td>
<td>0.474</td>
<td>0.0791</td>
<td>0.8912</td>
</tr>
<tr>
<td>3</td>
<td>0.348</td>
<td>0.0581</td>
<td>0.9493</td>
</tr>
<tr>
<td>4</td>
<td>0.169</td>
<td>0.0282</td>
<td>0.9775</td>
</tr>
<tr>
<td>5</td>
<td>0.074</td>
<td>0.0124</td>
<td>0.99</td>
</tr>
<tr>
<td>6</td>
<td>0.0601</td>
<td>0.01</td>
<td>1</td>
</tr>
</tbody>
</table>

KMO Test 0.902
Bartlett Sphericity
Chi-Square 3299.87
   df. 15
   Sig. 0.000

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice and Accountability</td>
<td>0.837</td>
</tr>
<tr>
<td>Political Stability and Absence of Violence/Terrorism</td>
<td>0.794</td>
</tr>
<tr>
<td>Government Effectiveness</td>
<td>0.945</td>
</tr>
<tr>
<td>Regulatory Quality</td>
<td>0.935</td>
</tr>
<tr>
<td>Rule of Law</td>
<td>0.967</td>
</tr>
<tr>
<td>Control of Corruption</td>
<td>0.914</td>
</tr>
</tbody>
</table>
According to the results of factor loadings, the factor loadings coefficient of each variable (coefficient > 0.60) is quite large. Considering the degree of explanation of the total variance of each component in the table, the percentage of explaining the total variance of the first component with an eigenvalue coefficient greater than 1 (4.872>1) is approximately 81%. This value is considerably larger than 60%. Therefore, the index to be obtained from the first component is sufficient to explain all the other variables.

Table 5 shows the results of two-step system GMM and robust GMM estimations. As mentioned above, although the two-step system GMM method is efficient in the presence of autocorrelation and heteroskedasticity problems, the standard errors are biased downwards. As a result, the findings of the study will be interpreted considering the robust system GMM analysis. According to the robust GMM results, the Wald test shows that the model is generally significant at the 1% level. The result of the Hansen test shows that the null hypothesis is rejected. Therefore, the instrumental variables are valid. While according to the AR (1) test result, there is a first-order autocorrelation at the 1% level in the estimation model (p-value < 0.01), according to the AR (2) test result, there is no quadratic autocorrelation (p-probability value > 0.10). Finally, the number of groups is greater than the number of instrumental variables (25 > 23). According to the results of the diagnostic tests, the results obtained with the GMM estimator are consistent.
Table 5. Dynamic system-GMM estimations results (two-step)

<table>
<thead>
<tr>
<th></th>
<th>System GMM</th>
<th>Robust System GMM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>Std. Err.</td>
</tr>
<tr>
<td>PGDPt-1</td>
<td>0.107***</td>
<td>0.017</td>
</tr>
<tr>
<td>FISCAL</td>
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Diagnostic Tests

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“***” is % 1 significance level
“**”  is % 5 significance level
“*”   is % 10 significance level

According to the robust GMM results, an increase in lagged GDP per capita increases GDP per capita by about 0.107 units at the 5% significance level. An increase in the fiscal performance variable reduces growth by -0.453 units at the 5% significance level. A deterioration in fiscal performance leads to a decline in economic growth. An increase in government expenditures as a share of GDP reduces growth by -0.169 units at the 1% significance level. An increase in the institutional quality index increases growth by 0.364 units at a 1% significance level. Institutional quality has a positive impact on growth in 25 countries in the Sub-Saharan Africa country group. An increase in the labor force participation rate and the trade as a share of GDP increases growth by 0.056 units and 0.018 units, respectively, at 1% and %5 significance levels. The growth rate of gross fixed capital formation has no significant impact on economic growth.

3. Conclusion and Recommendations

There is a large literature examining the relationship between public fiscal performance and economic growth. Fiscal performance is often calculated using either domestic or external debt or a combination of both. There are two different
views on this issue. While the authors of the first group argue that solving the capital insufficiency problem of developing countries by borrowing from abroad will increase economic growth, the authors of the second group believe that high debt levels have a negative impact on economic growth. Moreover, the public’s preference for borrowing domestically restricts investment because of the crowding-out effect. This debate on the issue has led to the emergence of studies aimed at finding the optimal level of borrowing. However, empirical studies have not found evidence of a common optimal level of borrowing.

Country experience shows that the public debt burden is detrimental to economic growth. It is emphasized that economies that have no chance to develop without borrowing should use their borrowed funds effectively. Borrowed funds that are channeled into productive sectors contribute to economic growth as they yield higher returns than costs.

The proper use of borrowed funds requires independent and disinterested decision-makers and a strong legal basis. Moreover, in an economy where corruption and bribery are absent and where democratic, transparent and accountable institutions are in place, resources can be channeled into productive and effective areas. These conditions, known as governance quality, are important for the reliability of contracts and thus for a healthy economic structure. In recent years, there has been a surge of interest in governance economics. In this context, many studies examine the relationship between the governance quality of countries and macroeconomic indicators.

This study examined the impact of fiscal performance and governance quality on GDP using data from 25 sub-Saharan African countries for the period 2002-2019. According to the results of the analysis, the deterioration of sub-Saharan African countries’ fiscal performance, i.e. the increase in total public debt, has a negative impact on economic growth. On the other hand, the improvement in the quality of governance has a positive effect on GDP growth. Interpreting the coefficients shows that the effect of improving the governance quality is larger than the negative effect of deteriorating fiscal performance. Another indicator of public sector performance is public expenditure. Public expenditure is a contentious issue in the literature. While Keynes argues that public expenditure is conducive to economic growth, the Classical school holds that public expenditure will lead to a decline in output due to the crowding-out effect. According to the results of the analysis, public expenditure has a negative impact on economic growth. In addition, the signs of the variables representing labor and capital were found to be positive, in line with the theory.

Most of the sub-Saharan African countries belong to the group of least developed countries. Since these countries do not have sufficient capital accumulation, they have to borrow to ensure economic growth. The negative effects of borrowing can be mitigated by improving the quality of governance. However, problems
such as the long-standing separatist wars, the existence of violence and terrorism, and corruption on the continent prevent improvement in the quality of governance. Therefore, for better economic performance, it is necessary to increase peace and tranquillity on the continent and create an economic climate where democratic, transparent, and accountable institutions, as well as good regulatory authorities and moral corruption, disappear.

Considering the significant differences in financial capacities among African countries, economic factors alone seem insufficient to explain the financial results between countries, institutional mechanisms are effective in shaping financial cycles as well. Consequently, analyzing the role of political-institutional factors provides an important tool to understand gaps in regulations and the rationale for wide differences in fiscal performance in West African countries (Fabgemi, 2020).

The worsening governance has increased financial vulnerabilities in African countries. Particularly in West African countries, adherence to fiscal rules remained below other developing countries due to weak institutional structures. Therefore, there was no improvement in financial performance (World Bank, 2014).

Countries fundamentally need good institutions to achieve economic progress (Oluwatobi, et al. 2014). Weak institutions and poor governance limit the sustainability of fiscal policies (Muhangi & Ojah, 2011). Evidence from the limited number of studies on African countries indicates that in addition to the inefficiency problem in these countries, the financial structure is extremely vulnerable to shocks, and that uncertainty and instability can weaken institutions and thus worsen financial performance. Therefore, creating incentives for the building of institutions and ensuring good governance will improve the financial performance of countries (Addison & Raman, 2004; Fabgemi, 2020; Nabieu, et al., 2021)
References


WHY GLOBAL GOVERNANCE MATTERS FOR AFRICA: CRIZES, LESSONS AND SETTING THE POLITICAL AGENDA FOR POST-WESTERN ORDER


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KÜRESEL YÖNETİŞİM AFRİKA İÇİN NEDEN ÖNEMLİDİR? KRİZLER, DERSLER VE BATI SONRASI DÜZEN İÇİN SİYASİ GÜNDEMİN BELİRLENMESİ

ÖZET


Anahtar Kelimeler: Afrika, Küresel Yönetişim, Krizler, AfCFTA, AfDB, CAP

WHY GLOBAL GOVERNANCE MATTERS FOR AFRICA: CRISES, LESSONS AND SETTING THE POLITICAL AGENDA FOR POST-WESTERN ORDER

Abstract

Using Africa’s experience during the 2008 global financial crisis and COVID-19 pandemic, this study explores how the peripheral positions of Africa in global governance has disproportionately exposed the continent to inordinate impacts of global crises and argues for an increased role for Africa in global governance. A common Africa position premised on the AU is advanced as capable of providing the continent with adequate impetus to shape global affairs by espousing unified position of Africa in multilateral platforms. This study reiterates that developing such an expanded role that can shape global responses to issues such as reforms in the UNSC, international aid regime, climate change, debt management, global trade, and global economic governance, the continent should adopt common position and leverage its continental frameworks such as AfCFTA and the AfDB to unlock its economic capacity which is the foundation upon which contemporary political influence in global affairs is premised.

Key words: Africa, Global Governance, Crises, AfCFTA, AfDB, CAP
Introduction
Growing interdependence between states and changes in balance of power reflected by the rise of emerging powers (Gök and Karadeniz, 2020; Gilley and O’Neil, 2014) offers an opportunity for Africa to deepen its role in global governance. Although as a concept global governance is relatively modern, it underlies antique issues of cooperation between sovereigns in resolving shared challenges. In the past, these challenges were premised on classical understanding of security, but this has since expanded to include domains such as public health, climate, nuclear proliferation, trade, economic crises, terrorism, transnational crimes, and migration. States operationalise cooperation on these issues through multilateral platforms, some that are formal such as United Nations (UN), European Union (EU), World Trade Organization (WTO), African Union (AU), World Health Organisation (WHO), and others that are informal such as G8-G20 frameworks and intergovernmental conferences.

After the Second World War, the postmodern framework of global governance was established by victorious powers of the war, specifically, the Western bloc. Henceforth, international system has undergone deep transformation (Dominguez, 2010) and although global institutional structures have continued to mirror economic and geopolitical realities of late twentieth century, the dynamics of global power have shifted albeit without significant global institutional reforms. In the United Nations Security Council (UNSC) for instance, although powers such as China and Russia have permanent seats, several great powers of the twenty-first century such as Germany, Japan, India, and Brazil do not. Additionally, no country in Africa, Latin America, or a state representing the Muslim world occupies the status of a permanent member of the Council. Yet, in spite of these unresolved concerns, states are increasingly confronted by numerous threats to global stability. Consequently, the role of global governance has risen to be of utmost importance. Some studies (Regilme Jr, 2019; Vachon et al., 2016) have made bold claims that these emerging global problems are symbols of a decaying order and that the lack of consensus amongst great powers on global problems, exacerbates existing weaknesses of global governance.

For Africa, the last few decades have been awash with narratives. Many have touched on the continent’s need for development, while others focused on narratives of an emerging economic giant or a region grappling with structural socio-political and economic problems. Regardless of perspective, one underlying reality is that the continent has transformed and ought to be actively shaping its own agenda in global affairs. However, discourses about priorities, global engagement, or strategies on how the continent can strengthen its position in global governance has been lacking, notwithstanding, that the post-Cold War international system can only be characterised as rapacious and predatory—one that has undermined Africa’s engagement in global governance. Indeed, the integration of Africa into global system occurred in
the context of ‘a third-class citizen’, in which Africa’s interests have been stifled and its development agenda epitomised by production and reproduction of conflict and structural underdevelopment. Cognisant of this, we argue that Africa must overcome these challenges through active participation in global governance. The lessons from the 2008 global financial crisis (GFC) and coronavirus pandemic (COVID-19) deeply exposed the limitations of Africa’s position in the periphery of global governance. Thus, Africa should reassess its role, position, and reshape the nature of engagement with itself and external actors. Indeed, if better opportunities are to exist for the continent, then Africa must create them.

The authors recognizes that talking about an “African position” in global governance can be daunting. Indeed, Africa is a diverse continent in economic outlook, culture, political systems, and religious beliefs, and this makes conventional attempts to identify a distinct African position on global governance difficult. However, to avoid formulating generalisations and homogenisations of the different perspectives that exist, this article adopts the position of the AU as the basis of African position in global affairs. As the premier continental organization, AU provides a platform through which African states pursue common position on global issues. The common position not only sustains intra-African relations, but also relations with international platforms involved in global governance. In other words, AU is the closest representative organisation that reflects the collective position of the continent; thus, it is possible to talk about an African position that is methodologically sound, and perhaps the most effective approach to defining, evaluating, and understanding Africa’s position in world politics.

This study is relevant in advancing the debate on Africa and global governance. Higher interdependence between states, and contagious impacts of global challenges emphasises why global governance matters for Africa. Often, despite not contributing much to pertinent global problems, outcomes of global crises tend to have great repercussions on the continent (Bargain and Aminjonov, 2021). The outcome of such crises directly impact on the development and security of the continent, and, in an international system where rules are shaped by powerful states or coalitions, without greater role to play in formulating these rules, the interests of Africa will continue to be undermined.

**Africa and the 2008 global financial crisis**

Since the Great Depression, the outbreak of the GFC in 2008 was considered as the worst economic crisis to hit global economy (Crotty, 2009). The emergence of problems in the US financial markets after sub-prime loans were issued culminated in a market panic characterised by withdrawal of deposits from banks and market funds, freezing of credit, emergency sale of assets, and collapse of cross-border trade (Kao et al., 2018). The collapse of Lehman Brothers (Vidal & Marshall, 2019)— a U.S. investment bank, and the nationalization of Fannie Mae and Freddie
Mac (Engle, 2018)— two U.S. federal mortgage agencies that had assets worth USD 5 trillion under their management, sent shockwaves across US and Europe. Additionally, nationalization of the largest global insurance company—the American International Group, created further uncertainties about the nature and scope of government intervention, thus, destabilising financial markets. But the impacts were not only quarantined within financial institutions. Other sectors such as businesses and households were also affected.

The impacts of GFC were greatly felt in Africa where several economies are dependent on trade of primary commodities. The crisis led to decline in global trade causing price shocks of raw materials, food and fuel, increased inflation, and unemployment. A study by Fosu and Naude (2009), observes that before the crisis, prices of African exports such as energy, food, and metal had increased by 329%, 102%, and 230% respectively between 2003 and July 2008. In post-crisis, these prices decreased by 64%, 30%, and 46% respectively. Caballero et al., (2008) established that commodity prices on average had decreased by 53%. Sub-Sahara Africa (SSA) was significantly impacted by reduced inflows of FDIs. In 2007, SSA had recorded FDI inflows estimated at USD 69.2 billion, and as the impact of the crisis spread, FDI declined by 67% in 2009 (Ayanwu, 2011). The fiscal response needed to mitigate the crisis meant that contributions to official development assistance (ODA) which was key to the budgetary needs of several African states decreased. The Economic Commission for Africa (2010) indicated that ODA contributed more than 10% of gross national income (GNI) of 23 states in SSA in 2008 and more than 20% in ten other SSA countries. Although the link between foreign aid and development has been contested (Moyo, 2009; Ferguson & Moyo, 2019), the impact of the crisis on ODA reflected in the decline in implementation of social welfare programmes.

Some studies (Wagle & Devkota, 2018; Huay & Bani, 2018) link remittances to reduction of poverty, yet contraction of global economy led to sharp decline in remittance inflows. Data from World Bank indicated that remittances steadily increased from USD 11.2 billion to USD 40.8 billion between 2000 and 2008 (Economic Commission for Africa, 2010). In 2007, remittance accounted for 3.9% and 2% of GDP in North Africa and SSA, respectively. In 2008, the dependency on remittances accounted for an average 5% of GDP with significant variations across Lesotho, where dependency was as high as 27.3% of the GDP while Togo, Senegal, and Cape Verde recorded 10.1%, 9.8%, and 7.7% respectively. However, in 2009, remittances declined by an average of 9% thereby directly impacting the welfare of households. An empirical study of 30 SSA countries by Friedman and Schady (2013), estimated an excess of 28000-50000 infant deaths in 2009 as a result of the crisis. The crisis also reversed progress achieved by African states in improving economic growth rates. The African Development Bank (AfDB) estimated that the real GDP growth rates declined from 6.5% in 2007 to 5.3% and 3.1% in 2008 and
2009, respectively. In oil producing African states, the impact was greater (Brealey, 2009). For instance, Angola’s economic growth declined from 11.2% in 2008 to 0.8% in 2009 while in East Africa, regional growth declined from an average of 8.4% in 2007 to 6% in 2009.

*Figure 1: Comparative regional GDP growth rates (2005-10)*

The experience of Africa during the GFC emphasizes why Africa needs greater influence in global governance. Despite commitment to development assistance by developed countries, the minimum ODA of 0.7% of GDP remains unfulfilled. This is a sharp contrast considering that Western countries mobilised over USD 4 trillion to bail out and nationalise banks as well as rescue ‘big businesses’ in order to prevent job losses and cushion populations from the crisis. This amount represented more than 45 times the value that Europe and United States committed to give in ODA (Institute of Policy Studies, 2008).

More importantly, the neoliberal policies previously restricted in African countries on the basis of market fundamentalism that were reversed and implemented by the Global North during the GFC, raises fundamental questions. Indeed, instead of advocating for implementation of structural adjustment programmes like it had been in the case for Africa, what the World Bank and IMF advocated for in Europe, USA, and Asia were stimulus support programmes characterised by expansion of fiscal policies. Does this mean that what is good and applicable to Western economies cannot be the same for African countries? Could this have demonstrated that perhaps, the neoliberal policies advocated by the Bretton Woods institutions could have very little to do with science of development but more of ideology meant to not only promote, but also protect the interests of the developed North in global capitalism?

*Africa and COVID-19 pandemic*
In over a century, the world had not been faced with a multidimensional crisis measured to the similar scale of COVID-19 which was a simultaneous and indiscriminate crisis cutting across the global socio-economic, and political spheres. The emergence of COVID-19 and its subsequent spread to all the other continents, was largely unprecedented. In fact, during the early phase of the pandemic, Chinese government response through implementation of total lockdown measures in Wuhan was criticised by states and international organizations such as Human Rights Watch who issued statements urging China to respect human rights protected under the International Covenant on Civil and Political Rights (Human Rights Watch, 30 January, 2020). For many, China’s response was another manifestation of its authoritarian overreach.

As the pandemic increased in intensity and new research provided more insights about the extent of threat (Le et al., 2020; Watkins, 2020) fear emerged amongst public health experts about the potential impact of the virus in developing regions, particularly Africa. Early statistical models on Africa in studies such as Achoki et al., (2020) estimated that by June 2020, infections would have risen to over 49 million cases and over 120 thousand deaths. These estimations were arrived at in consideration of factors such as high population density, large informational settlements, lack of basic amenities such as clean water and sanitation, weak health systems, and the burden of other infectious diseases facing the continent. However, the human cost of the pandemic were significantly lower to the statistical models predicted earlier. By May 2021, Africa recorded approximately 4.7 million infections and slightly above 128 thousand deaths. Pioneer studies (Evans et al., 2020; Nyadera et al., 2021) that attempted to look into this phenomenon attributed it to several factors such as the young population of the continent, favourable weather, quick response by African governments, public support for lockdown measures, and existence of good community health systems.

While it can be said that the impact of the pandemic on public health was comparatively lesser, the social and economic consequences were greater. The constant message across the globe was that the public health priority was to “flatten the curve” in order to enable health systems to cope with potential surge in infections. This message was widely welcomed by governments with the exception of few countries such as Brazil that criticised containment measures and dismissed the threat of the virus, and Mexico and Tanzania that were too slow to adopt containment measures. Although the economic impact from the containment measures varied across states, contraction in the average economic growth of the continent captured the extent of the impact of COVID-19 on Africa. In 2019, the continent experienced growth of 3.9% and this declined to -3.4% in 2020. According to Ozili (2020), the contraction experienced was as a result of the impact of the pandemic on sectors such as the aviation industry, tourism, financial markets, and the decline of commodity
prices. Moreover, the continent’s huge informal sector could not continue engaging in any meaningful activities of production.

*Figure 2: Comparative economic growth in Africa*

<table>
<thead>
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Source: Authors’ analysis of World Bank dataset

So how does the experience of Africa with COVID-19 relate to global governance? The essence of global governance is to stimulate cooperation amongst states especially during periods of global crises. Yet, COVID-19 demonstrated just how alienated the world is from an effective and unified global governance and the crisis of confidence facing international institutions such as the WHO. Indeed, it was expected that following the ground-breaking progress in the manufacture of vaccines, there could have been equitable and fair access to vaccines. It cannot be emphasized any further that equity in issues pertaining to global health welfare, ought to be the guiding principle in any global effort to mitigate health crises (Plamondon & Bisung, 2019). In contrast, what characterised the global response to COVID-19 was largely a generalised approach modelled from the perspectives and needs of high-income countries without much consideration to whether such approaches could offer feasible alternatives to low-income countries. Perhaps of greater implication was the issue of vaccine nationalism and protectionism in the access of critical medical equipment needed for the treatment and the management of the pandemic. According to vaccination data by 23rd May 2021, Africa had the least number of vaccinated persons, and by a great margin.
The Africa Centre for Disease Control (ACDC) linked the experience of Africa in accessing COVID-19 vaccines to the “collapse of global cooperation and failure of international solidarity” that pushed Africa to the outermost periphery of the diagnostic market (Nkengasong, 2020). The experiences of COVID-19 reasserted why global governance matters for Africa in developing deeper partnerships to not only prevent but also resolve other global threats. As Africa, continues to develop its internal capacity, it is only through global collaboration that it can be able to meet some of its pertinent developmental needs- thus, the need for the continent to play a greater role in global governance.

Framing an African agenda in global governance

The challenges of capacity in Africa have often meant that the continent experiences disproportionate impacts of global crises. Increasingly, African heads of state and government, regional economic organizations, and civil society groups have become vocal about the longstanding socio-political and economic grievances of the continent in global affairs. In addition, rapid changes in Africa’s demographic dynamics, reiterate the essence of dealing with existing and emerging challenges to guarantee peace and stability. Creating new employment opportunities, pursuing inclusive growth, improving fiscal capabilities of African states, and maintaining peace and security calls for agenda setting for Africa in global governance. According to a study by Kingdom and Stano (1984), it is only through agenda setting whereby problems, policies, and politics converge, that can an issue or a given problem appear on a policy agenda. In this article we identify six critical agendas that will determine the trajectory of the continent in the next decades.
**Global trade**

Indeed, it is well documented that immense deposits of natural resources such as minerals and high-demand agricultural cash crops like tea, cocoa, and coffee that are dominantly produced in Africa. Yet, Africa’s share in global trade and with itself is dismal. According to WTO, Africa’s in global trade is the least and no significant efforts have been made to improve the value of merchandise exports since the 1990s. In this article, we argue that this is not unusual partly because the global system of trade is so much skewed to keep producers of primary commodities within peripheries of global trade and WTO has failed to establish a fair global trade regime that can protect vulnerable actors in the global trade system. According to a study by Verter (2017), practices of tax escalation, that is, the imposition of higher tariffs on processed commodities than raw materials have systematically constricted Africa to remain a supplier of primary products in global trade.

*Figure 4: Total annual merchandise product exports (USD millions)*

The collapse of The Doha Round in 2007 over disagreements about opening up of industrial and agricultural markets and the demand by developing countries to high-income states to remove extensive subsidies to farmers highlighted the skewed nature of global trade (Schwab, 2011). An initiative that was previously hailed as a potential catalyst for a new era of equitable global trade turned out to be a neo-mercantilist struggle between developed and underdeveloped countries over access to markets. Thus, given that Africa constitutes approximately one quarter of the membership of the WTO, moving forward, it must seek to pursue deeper engagements within it to reform the rules of global trade.
Global economic governance

Global economic governance constitutes another fundamental agenda for Africa and although narratives of ‘Africa rising’ are rife, available data points to a cold reality. The 2008 GFC and the COVID-19 sparked sharp decline in commodity prices, loss of savings, and high rates of unemployment, thereby, deterring development. According to OECD (2020), approximately 520 million Africans were exposed to poverty representing about 40% of the total African population and 70% of global poverty. Yet despite these glaring challenges, global economic governance has barely been a reliable force in positively shaping the economic fortunes of the continent and the inequitable representation within key institutions such as World Bank, IMF, and WTO have only marginalised Africa’s contribution to global economic governance.

For instance, in the IMF, 47 African states collectively shared equal voting powers with Russia at 2.59% and far much lower to US at 16.51% (IMF, 2021). The Heavily Indebted Poor Countries (HIPC) initiative instituted by World Bank in 1996, subjected the eligible 33 African states to meet benchmarks for debt relief even though those countries were already undergoing high levels of debt distress. At the time, these targets which included achieving export-to-GDP ratios of 40% minimum and a fiscal revenue of 20% minimum to the GDP ratio raised important questions regarding their feasibilities given that most were either emerging from civil wars such as Rwanda, or were experiencing violence such as Sudan, Somalia, and Democratic Republic of Congo.

Climate Change

Climate change represents a threat and an opportunity for Africa. As a threat, in countries such as Zimbabwe, Mozambique, and Malawi, over three million people were affected by a cyclone in 2018 (Global Commission on the Economy and Climate, 2018). Moreover, the World Economic Forum (2018), projected that climate change will expose Africa to USD 1.4 trillion loss in 2023 (almost half of the continent’s GDP) down from USD 895 billion recorded in 2018. If the global community fails to achieve the Paris Agreement, then Africa will continue to experience the challenges of low agricultural and labour productivity. Kompas et al., (2018) argued that in the absence of any major changes in global trends such as technology, economic, or social dynamics, an increase in global temperatures by 3 degrees will result in annual economic contraction of African GDP by 8.9%, and if the Paris Agreement target of 1.5 degrees is achieved, then this contraction would reduce to an annual 3.6% after the year 2100. However, such changes in technological, social, and economic trends could also create opportunity for Africa. A study by New Climate Economy projected that climate action would produce at a minimum, USD 26 trillion in global economic output between 2018 and 2030. Precisely, over 65 million jobs would be generated in the low-carbon sector and more than 700 thousand premature deaths from pollution prevented.
In considering the drivers of climate change, Africa has played a very minimal role in greenhouse gases emissions. Yet, climate change has posed severe political, economic, and social predicaments that have hampered efforts towards achieving sustainable development. Cognisant of this, it is vital that Africa plays a greater role in climate change negotiation processes so that countries that contribute more to climate change can take transformative actions on emissions reductions. Tackling climate change problems cannot be achieved in the absence of global cooperation, therefore, Africa must engage other actors to access the necessary investments needed for the realisation of climate agreements regardless of whether the North is driven by a sense of social justice or by economic opportunism presented by climate change. The AU which delegates various African Groups to participate in climate change negotiations should seek to expand its climate governance role by ensuring that the interest of Africa are accounted for and that states or international institutions that govern climate actions meet their obligations through effective implementation of agreements. In other words, Africa should seek to play a lead role in how the climate crisis is framed, and for its sake, pursue an understanding of the climate crisis as one that goes beyond the realm of climate action, to include sustainable development.

**Debt management**

Beginning with the establishment of SAPs in the 1980s, the question of debt management has been among the top agendas for the continent. Often, IMF, World Bank, and international credit ranking institutions raised concerns about sustainability of African debt- much of which is issued through foreign currency dominated Eurobonds (Oxford Analytica, 2018). Underlying the debt trumpets by these institutions is that African governments incur more debt without taking into account the exchange risks and costs of repayment. However, we argue that perhaps, the concern is not as much about debt incurred, rather, the interest rates levied on Africa by. The assessment of debt burden is often premised on two factors:- the ratio of debt to GDP, and interest rates (Akhmadeev et al., 2018).

African governments have been portrayed to have higher debt risks even though on average, debt is far below the 100% debt to GDP ratio. This perception has produced an outcome of Africa being subjected to higher interest rates than other countries in Europe and America. A report by World Bank (3 February, 2020) indicated that with exemption of Djibouti, Mozambique, Cape Verde, and Congo, the average debt to GDP of all other African countries was 59% in 2020- which is just about the threshold of 60% designated by the African Monetary Cooperation Program and IMF for judicious debt levels. Nonetheless, international financial markets have subjected African states to pay on average between 5% to 16% interest rates on 10-year government bonds (The Conversation, 20 February, 2020). This is a huge contrast to Europe and America whose debt interests are capped at near zero percent or negative rates. As a consequence, repayment of interest rates have become the highest allocation
and fastest growth expenditure in fiscal budgets of African governments.

The poor credit ratings of several African states have drawn criticisms amongst African scholars (Mutize and Nkhalamba, 2020) who have argued that despite the strong correlation between economic growth and risk assessment, Africa’s 3.6% average growth for more than a decade has not translated into positive credit ratings. In other words, the dismal credit ratings of African states mean that many of countries are far worse than before, and that progress achieved in human development, governance, and economic growth are overlooked. For example, Ethiopia which has experienced economic growth of 8% to 11% for more than a decade, did not achieve any upgrade in its credit rating for over a decade. Therefore, it is important that Africa rethinks how to address the issue of interest rates and the perception of its higher debt risks. These concerns necessitate the input of Africa in debt management by advocating for international guidelines of accountability of credit rating agencies.

**UNSC reforms**

The UNSC is very important for Africa because it is mandated with sanctioning peacekeeping missions- majority of which are located in the continent, and because permanent membership provides greater influence in international affairs. As a region with 54 member states in the UN, reform of the UNSC thus constitutes an important agenda. Former Tanzanian President Julius Nyerere voiced the frustration of the continent with regard to the UNSC that: “The big question is always: Is this country pro East or pro West? (these kinds of discourses he argued)...are based on a very fundamental mistake that Africa has no ideas of its own and no interests of its own” (Nyerere, 1974:43). For decades, Africa has been calling for reforms in the Council. On 5th March 2020, Neville Gretze, the Namibian Ambassador and Permanent Representative to the UN, issued a statement to the UN General Assembly (UNGA) that:

“Here, I would once again like to take the opportunity to reiterate the Common African Position as espoused in the Ezulwini Consensus and the Sirte Declaration, adopted by the African Union, which calls for not less than two permanent seats with all the prerogatives and privileges of permanent membership including the right of veto; five non-permanent seats. In that regard, even though Africa is opposed in principle to the veto, it is of the view that so long as it exists, and as a matter of common justice, it should be made available to all permanent members of the Security Council. Co-chairs, I request that this precise reflection of Africa’s position on the reform of the Security Council in the two categories of membership be reflected verbatim in your record of this year’s IGN session” (Permanent Mission of the Republic of Namibia to the UN, 2020).
Indeed, there have been growing calls for equitable representation in the Council or the expansion of veto power to other members. Increasingly, the Council is considered as an unfair, undemocratic, and outdated institution that continues to reflect the end of World War II balance of power. In policy discourses, Africa is considered a bystander rather than an actor contributing to the formulation of global policies. Yet in an era where global crises have been elevated to the realm of security, Africa’s inability to act on equal footing with the other regions, renders the continent a subject rather than an agent of global governance. Without permanent representation and veto right, it is doubtful that the asymmetry in global challenges will be repudiated, neither can Africa be assured that policies will meet its needs.

**Leveraging African frameworks for global governance role**

From the Concert of Europe to neoliberal order, the global governance architecture has been premised on one important principle: economic capacity of states. As such, influence in global affairs has been determined by economic amplitude, and given that this is an old principle, countries in Europe and North America have naturally been favoured. Since the establishment of UN and its affiliate institutions, global governance has gradually transitioned towards elite multilateralism whereby important deliberations on global issues are conducted in or shaped by groups of ‘small clubs’ constituted of states that represent the largest global economies.

As previously mentioned in our earlier discourses herein, there have been significant changes in global dynamics. Emerging powers have demonstrated the will to challenge the existing order and developing regions have voiced their support for radical reforms in the global governance architecture, which is criticised for being unrepresentative, undemocratic, and outdated. This shifting environment provides an opportunity for Africa to integrate itself in global governance in a manner that can enhance its capacity to safeguard its interests in international organizations. It is essential that Africa consolidates its common position and the benefits of continental frameworks like Africa Continental Free Trade Area (AfCFTA) and African Development Bank to build its political and economic capacity. Africa has taken key steps to craft, advocate, and defend collective goals in global negotiations through integration, pooled sovereignty, and establishment of common positions. Agenda 2063 established in 2013 buttressed AU’s Constitutive Act that enshrines Africa’s commitment to:

“…continue the global struggle against all forms of racism and discrimination, xenophobia, and related intolerance; advance international cooperation that promotes and defends Africa’s interests, is mutually beneficial and aligned to our Pan-Africanist vision; continue to speak with one voice and act collectively to promote our common interests and position in the international arena.”

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Agenda 2063 is a reflection of the continent’s grand strategy for pursuing greater role in global governance through global diplomacy at a time when multilateralism has come under threat from rising populism, nationalism, and protectionism. In this context, AU has been utilising ‘position papers’ created from Common Africa Position processes to advance the strategic priorities of the continent in global platforms. The CAP policies are developed through diplomatic practices shaped by the Union’s resolutions, declarations, and General Assembly decisions on specific themes that cover continental interests and are issued as joint statements, declarations, or consensus papers to inform Africa’s engagement in global processes. Some of the key CAP policies are outlined below:

<table>
<thead>
<tr>
<th>Year</th>
<th>CAP Policy</th>
<th>Focus Area</th>
<th>Target Global Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>OAU Bamako Declaration on CAP on the Illicit Proliferation,</td>
<td>Illicit proliferation, circulation and trafficking of small arms and light</td>
<td>International community, African governments, regional community blocks and the UN</td>
</tr>
<tr>
<td></td>
<td>CAP on the Illicit Proliferation, Circulation and Trafficking</td>
<td>and light weapons</td>
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</tr>
<tr>
<td></td>
<td>of Small Arms and Light Weapons</td>
<td></td>
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</tr>
<tr>
<td>2005</td>
<td>Ezulwini Consensus and Sirte Declaration</td>
<td>Reform of UNSC</td>
<td>UNSC- ongoing</td>
</tr>
<tr>
<td>2009</td>
<td>Africa Mining Vision</td>
<td>Natural resource management</td>
<td>African states and investment community- ongoing</td>
</tr>
<tr>
<td>2011</td>
<td>African Consensus and Position on Development Effectiveness</td>
<td>South-South Cooperation (financing and capacity building)</td>
<td>OECD, G7, G20, UN, and Aid Effectiveness Forum,</td>
</tr>
<tr>
<td>2014</td>
<td>The CAP on the Post-2015 Development Agenda</td>
<td>UN Agenda 2030 for SDGs</td>
<td>UN and its affiliates</td>
</tr>
<tr>
<td>2015</td>
<td>CAP on Climate Change Negotiations</td>
<td>Climate change</td>
<td>United Nations Framework Convention on Climate Change (UNFCCC)</td>
</tr>
<tr>
<td>2015</td>
<td>CAP on the UN review of Peace Operations</td>
<td>Peace operations</td>
<td>UNSC</td>
</tr>
<tr>
<td>2016</td>
<td>CAP on UNGA Special Session (UNGASS) on the World Drug Problem</td>
<td>Transboundary organised crime</td>
<td>UN and its affiliates</td>
</tr>
<tr>
<td>2016</td>
<td>Master Roadmap on implementation of Silencing the Guns</td>
<td>Peace and Security</td>
<td>International community and non-state actors</td>
</tr>
<tr>
<td>2017</td>
<td>CAP on Global Compact for Safe, Orderly and Regular Migration</td>
<td>Migration</td>
<td>UN and its affiliates</td>
</tr>
<tr>
<td>2020</td>
<td>Common African Position on Asset Recovery</td>
<td>Curbing illicit financial flows</td>
<td>International community including the UN system (UN Office on Drug and Crime)</td>
</tr>
</tbody>
</table>

Source: Author compilation
Although negotiations of CAP policies can be complex and time-consuming, the processes enhance greater participation of African states to AU organs such as AU Commission, AU Development Agency, and New Partnership for African Development (NEPAD), as well as other actors such as technical committees, epistemic community, and civil society groups across the continent. The framework established by the processes of developing CAP policies therefore provide the continent with a strong foundation through which it can expand its influence on global issues. Already, common positions have in the past played a critical role in expanding the influence of the continent in global governance as was witnessed during the Rio Conference negotiations in which Africa influenced the establishment of the United Nations Framework Convention on Climate Change (UNFCCC). This ability to voice common stand and produce positive impacts, represents the hallmark of the strength that Africa can have in global governance.

AfCFTA can also provide leverage for Africa to expand its role on issues pertaining to international trade. Operationalised on 1 January 2021 to become the largest free trade area since the establishment of the WTO in 1994, several studies (Sibanda Sr, 2021; Nwankwo & Ajibo, 2020) have alluded that AfCFTA provides transformative economic opportunities for the region. A report by World Bank (27 July 2020), noted that over 30 million Africans will be uplifted from poverty; income will increase by over USD 245 billion; exports will grow by over USD 560 billion; and the income wage for women and men will increase by 10.5% and 9.9%, respectively by 2035. The incentive provided by AfCFTA for cooperation and building of trust amongst African governments contributes to the enhancement of unified position and can enable the continent to negotiate better trade agreements and defend economic and political interests. It is probable that with stronger position in global affairs backed by an expanded economic capacity, the influence of Western powers, China, and Russia, which are often inconsistent with the interests of the continent, could decline.

Negotiation of important provisions of the Agreement such as the Common External Tariffs guarantees Africa a position of advantage during trade negotiations with other regions. Moreover, deeper economic integration with itself could be critical to mitigation of global economic crises by developing resilient continental market safe from abrupt shocks in global trade occasioned by volatility or contraction in demand of goods. A report released by the IMF titled “A competitive Africa: economic integration could make the continent a global player” in 2018, argued that the defragmentation of Africa by AfCFTA is an integral step to integrate the continent into the global economy. As such, it is important that AU ensures that the Agreement is implemented in order to reverse the peripheral position of the continent in the global economic system.
Africa can also leverage the AfDB to enhance its position in global affairs. Established in 1964, the AfDB is constituted of the African Development Bank (ADB), African Development Fund (ADF), and the Nigerian Trust Fund (NTF) and operates as the premier multilateral institution for development across all the 55 African countries in sectors such as education, infrastructure, and natural resource governance by providing financial and technical support. Through initiatives such as *Integrate Africa*, the Bank rehabilitated 312 kilometres of transnational roads and approved road projects worth USD 1.1 billion- 79% of which was allocated to multinational transport projects in 2018. Additionally, 1.2 million people benefited from private sector investments (*Industrialise Africa project*); 19 million people accessed improved agricultural technologies (*Feed Africa project*); 4.4 million people accessed electricity (*Light Africa project*); and USD 3.3 billion was invested on projects in water and sanitation that provided 8.2 million people access to clean water (*Improve Quality of Life project*), in 2018.

For decades, external actors like EU, USA, and recently, China, have acquired significant influence in the continent largely because of their role in providing development assistance. China for instance, has emerged as the largest source of bilateral loans in sub-Sahara Africa, but the conditions under which these loans are issued have been criticised for plunging African countries into debt traps and failure to support good governance (Sanny and Selormy, 2020). Western donors have also been criticised for imposing strict restrictions on bilateral funding and supporting development that often do not reflect African priorities. In this context, the AfDB can play a mediator role by acting as a platform through which development assistance can be channelled and use its competitive advantage as a trusted, legitimate, experienced, flexible, and local presence to channel development assistance and advocate for good governance.

**Conclusion**

In this article, we have strived to demonstrate that Africa is disproportionately exposed to global crises, and that despite having minimal role in the emergence of past global crises, the continent often emerged the most impacted. By drawing from the 2008 GFC and COVID-19 pandemic, we have argued that to minimise such disruptive and far-reaching impacts, Africa should strive to play a greater role in global governance so that it can influence how international rules are shaped and ensure that African interests are taken into account. Many of the developmental challenges affecting states across the continent are structural in nature and to develop any sort of sustainable solutions will require Africa to strengthen its inter-institutional partnerships in order to bolster its collective engagement within multilateral bodies involved in global governance. In this regard, African states should demonstrate strong political will and commitment towards supporting common African positions.
in global affairs and use the existing continental frameworks to unlock the political, cultural, and economic strengths of the continent.

As a collective responsibility, governance is already embedded both formally and informally in the norms and rules of Pan-Africanism and indeed, in numerous summits on global affairs, heads of states from the continent as well as policymakers highlight the uniqueness and primacy of African traditions, culture, values as providing the basis for intra-continental solidarity on global affairs. This type of discourse on collective governance, thus, provides a claim to enhanced agency of the continent in global issues. The various institutional framework developed under the patronage of the AU supports the advancement of conversations of a ‘rising Africa’—an Africa that is increasingly perceived as a legitimate authority and knowledge producer at the local, regional, and global levels. In other words, Africa is not only self-organising its economic, cultural and political interactions, but also its continental image within the global sphere. On the long-term basis, the impacts of Africa’s efforts to integrate further and develop common positions advanced by the AU will serve to promote the continent’s contribution to global affairs in a manner that protects both African and global interests.


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TRANSFORMATION OF WORKING MODELS BEFORE AND AFTER THE COVID 19 OUTPUT PROCESS: THE REMOTE WORKING MODEL


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COVID 19 SALGIN SÜRECİ ÖNCESİ VE SONRASINDA ÇALIŞMA MODELLERİNİN DÖNÜŞÜMÜ: UZAKTAN ÇALIŞMA MODELİ

ÖZ


Anahtar Kelimeler: Covid – 19, Çalışma Modelleri, Uzaktan Çalışma, Hibrit Çalışma, Pandemide Çalışma

TRANSFORMATION OF WORKING MODELS BEFORE AND AFTER THE COVID 19 PANDEMIC PROCESS: REMOTE WORKING MODEL

ABSTRACT

Since the World Health Organization declared a pandemic in March 2020, it has become mandatory to switch to a global remote/teleworking model in order to prevent the spread of the pandemic. This situation has become the traditional working model as the remote working model, which existed before the pandemic but started to be used in many sectors after the epidemic, became routine. The working from home model is valid for many sectors, but some sectors can only work face-to-face. Many companies that had to quickly switch to remote work have revealed various advantages and disadvantages for both employers and employees. With these advantages and disadvantages assessments, workers getting used to working from home, but feeling isolated and socializing in the office disappeared, the hybrid model aimed at maintaining the home-office balance started to be implemented as of 2021. Currently, many companies at the global level support the hybrid model, some continue to work in the office with the traditional model, and some continue to use the teleworking model.

Key Words: Covid – 19, Working Models, Teleworking, Hybrid Working, Work in Pandemic
Abstract

There has been a global change in people’s lives in the fields of social, health and education, while working life has also had to be transformed due to social distance requirements since the World Health Organization declared a pandemic in March 2020. There were solutions which have been sought due to the uncertainty of the future of the epidemic, in the period when the virus first appeared, especially since the beginning of 2020. These search for solutions is related to almost every area of our lives, but most of all, they are closely related to trying to organize business life. There were factors such as the development of technology and easy access to the internet have also helped in the transformation and change of working models, so working from home has become the ‘new normal’ during the epidemic period and it is interiorized by people.

A lot of companies have brought new regulations to business life as quickly as possible, as they foresee that the worldwide epidemic will affect business continuity. However, the distinction between home and work environment has disappeared in this process. Besides that, since quarantine processes are also running in order to prevent the spread of the epidemic in countries, work has become too involved in the lives of employees and isolates themselves from the outside world. Employers and companies have sought some measures to increase the motivation of the employees and prevent the decrease in productivity. This is reflected in the attitudes about the role of the office in business life, albeit out of necessity. Therefore, the way things are done is structured. However, this structuring or remote working did not meet the same expectations for every employee. Employees who had difficulties in terms of productivity had difficulties in adopting the process (Boland, Smet, Plater and Sanghvi, 2020).

It seems that unlikely that the working from home system will return to its pre-epidemic level. This working model is becoming established, and even the hybrid working model, which makes it possible to work from both home and office, has the potential to be permanent. Spreading of working from home suddenly and the fact that employers are both inexperienced and inflexible on the subject show the results of the necessity in working life, however show that we have come to an important turning point globally in terms of the transformation of working models (Berastagul, 2021).

The advantages and disadvantages of remote working have also shown themselves in the process for both employees and employers. There are some advantages emerged, such as the elimination of the employees’ transportation problems, reduction in office expenses, and less absenteeism. The epidemic process has been more difficult for people who work insecure or informally and have to work face to face. Many people have faced job loss. There are other reasons for the transition to remote working. These reasons are possibility of being completely isolated, general-
ly sedentary, difficult to maintain a quiet environment at home during the epidemic period, and the fact that there is too much imbalance between work and life due to a process stuck in the virtual world, and the risk of working more due to the problem of not being able to disconnect while working virtual disadvantages also emerged (Stevens, 2021).

It shows that working life can now be evaluated in different ways as the pre-pandemic period and the post-pandemic period. However, when the pandemic is completely eliminated, the final results will begin to become more evident on a global scale in the process. For this reason, it is important for the study to understand and analyze the transformation and process in working models. In this study, the changes that the covid-19 epidemic process brought to the working life, the turning points created by the epidemic in the working models are mentioned in the direction of current data and information.

The research questions sought to be answered in this study are: Firstly, what is the general effect of the pandemic on working models, and secondly, what are the advantages and disadvantages of the home working model, which has been applied globally during the pandemic period, and what is the validity of working from home for every employee in every sector. These research questions will be examined and evaluated with current available information in the study.

**Globally Accepted Working Model Before the COVID-19 Pandemic Process**

Before the COVID-19 process, the full-time working model from the office was the most adopted working model, while part time working, remote working, etc. which are outside the traditional working model. The flexible working model, which includes working models, was applied by lots of countries on a global scale with the support of Neoliberal policies. However, it was less adopted than in the pre-pandemic period. Traditional working models began to be questioned and working styles and work habits began to be formulated accordingly along with the epidemic process. According to the statistics, 14% of employees were working remotely 10 years before the epidemic, this rate increased to 56% in 2020. As a necessary consequence of these conditions, employees define themselves as remote workers now (Sava, 2022).

It was seen that the remote working model became the most widespread during the epidemic. The remote-home working model rates remained almost stable in the 10 years before the epidemic, especially in Europe. In fact, this meant that many employees experienced remote work for the first time during the epidemic (European Comission, 2021, s.1). The flexible and remote working was common in many countries in the world before the epidemic, but it was partially applied in some sectors due to preference rather than necessity. When we look at these prevalence rates according to the OECD report, the situation that was slightly different from today was that they differed proportionally from country to country. To give an
example of this is that while Italy only applied a 25% remote working model before the pandemic, this rate was doubled in countries such as Sweden and the Netherlands in the same years (OECD, 2020).

On the other hand, the OECD, mentioned that with the pandemic, remote working has been implemented out of necessity in different sectors through public policies. OECD has mentioned that not every employee can accept their work in a way that adapts to this working model after the pandemic. Although a lot of companies which did not need regular technological infrastructure and were not equipped in this field before the pandemic provided partial remote work, they were not technically developed as much as the pandemic period. It was important that there was no necessity here and that face-to-face work could be performed when necessary. The remote work was most prevalent in knowledge-intensive industries prior to the pandemic. In sectors such as health and social work, traditional full-time and face-to-face work was seen, not remotely due to the nature of the work. In addition, manufacturing and jobs that require factory production were among the sectors that did not implement remote working. Among workers, remote working was more common among skilled workers (OECD, 2020).

While many employees stated that they had never experienced remote working before the pandemic, only one in five people stated that they worked from home before the pandemic and were subject to the traditional working model before. According to research by the Pew Research Center, 71% of these workers started working from home permanently in 2020. This is a very significant rate compared to the pre-pandemic period. At the same time, it has been found that high-income workers adapt to working from home more quickly than middle- or lower-income workers. This has shown that the income level is also very important in terms of adapting the workers to the changing working models. In terms of motivation, young workers stated that they had difficulties during the pandemic period, and 53% of those between the ages of 18 and 29 stated that they could not adapt at home as they worked in the office (Parker, Horowitz and Minkin, 2020).

As can be seen that the necessity brought by the epidemic has created a turning point for working life in the world suddenly. Therefore, while the transformation to change in working models spread rapidly globally, different difficulties, conveniences and expectations have emerged regarding the working lives of both employers and workers.

**The Global Expansion of Remote Working with Flexible Working During the COVID-19 Epidemic Process**

The pandemic process has affected many areas from social life to working life. Thus, many sectors had to switch to a work-from-home model. This has also affected people’s social life, order, economy and many areas of life. At the same time, depending on this, the epidemic process has changed working more dependent on
technology, the way the work is done, the way the work is controlled (Long, 2022, p.217 -218). The changing working models actually refers to flexible working models in general terms during the epidemic. There are working models such as part-time working and remote working within the flexible working model. These working models are quite different from traditional working hours in terms of production, being in a certain center or working hours. For example; People who are working part-time do not have a full-time job during the week, work less than full-time employees, and are paid less than full-time employees due to the hours they work. The remote working is also describing decentralized working. This actually means flexible working (ILO, n.d.). Actually, the flexible working model started to become widespread in the late 1980s, with the impact of the developments in technology and the internet, and in the neoliberal globalization process, where capital became unlimited (Mahiroğulları ve Korkmaz, 2018, p.19). Actually, the existing flexible working model has been integrated into the sectors that it could not integrate with the epidemic. It has led to a transformation in business models, new applications and various advantages as well as disadvantages, from working hours to the way the work is done and the blurring of the distinction between private and business areas in many sectors with the effect of the epidemic.

The research conducted by Dingel and Neiman in the United States includes the experiences of workers in this process and examined how working from home (remote) is distributed according to occupations and sectors. It has been seen that 37% of the works can be performed from home nationwide according to the research (Dingel ve Neiman, 2020, s.1). According to OECD research, the working model, which is called ‘tele-working’ and is formed with technology tools and devices included in flexible working, has shown the increase in digitalization in working life of people. The remote working has become more common in large firms than in smaller firms, and lots of skilled workers are more likely to use this system. For example; According to OECD data, the rate of teleworking among people with master’s and doctorate degrees in the USA was five times higher than that of other least-qualified workers (OECD, 2021 p.2).

According to a survey conducted on 415 white-collar workers, 58.3% of whom work in the private sector, in different regions of Turkey, it was revealed that 67.2% of the participants considered working from home as a necessity. In addition, it was determined that the workload of more than 80% of the employees increased or remained at the same level. According to the data, 68% of the employees have not experienced remote working before. The majority of the employees stated that they do not suffer from the opportunities provided for working from home. The important point in the research is the relationship between the education level of the employees and the adoption of the remote working model. Employees with higher education levels adopted the teleworking model more than those with lower education levels.
Many leading companies in Turkey aim to work remotely and make the hybrid model permanent as similar. For example; Koç Holding, which has 90 thousand employees, stated that 35 thousand of them are now working remotely. In addition, large holdings such as Sabancı, Doğuş, Yıldız, and many banks and telecommunication companies are trying to make the remote and hybrid working model permanent (The Economist, 2022; Başol and Çömlekçi, 2021, p.772).

The distinction is important that OECD data makes between working models and sectors according to the teleworking model. According to the data, tourism, accommodation, transportation, health, social care, construction etc. sectors have experienced very difficult and uncertain times in the pandemic regarding remote working. According to OECD data, it has been observed that the private sector, rather than the public sector, can use more digital systems in the world (OECD,2021, p.3). Cafe-restaurant-style places that serve face-to-face were also closed by governments in many countries in order to control the epidemic, so consumers had to spend time at home. Thus, while their work life is integrated into the home, the social life of millions of people has also been suspended and the sectors that have to provide face-to-face services have been involved in an uncertain and difficult process on their behalf (Tooze, 2021). As a result, the fact that in some sectors the work cannot be carried out remotely or the disadvantages of working remotely cannot be ignored have led many companies to the hybrid model. Hybrid working has actually been expanded to reduce the isolation of employees without making a sharp distinction between home and office.

The hybrid model is part of the remote working and actually offers more flexibility to employees. The flexible hybrid working can also be separated in itself. Hybrid work can be divided into several models that can be separated in itself: These models are: Flexible hybrid working where employees choose their own working place and hours, office priority hybrid work, where they work from home some days of the week and some days from home, fixed hybrid work with no options for working days and hours in the office, remote priority hybrid work, where employees come to the office occasionally, often working remotely. In general, the advantages and disadvantages of hybrid working types are parallel to the remote working model. It is more convenient for those who work outside the office in terms of time and transportation, but it has been seen that hybrid work, which does not take the office as a priority, can cause isolation and problems that may be experienced in the workplace. In general, it is seen that it is a working model that offers flexible options to employees, that large companies have started to prefer, and that can be valid in the future (Webex, n.d.).

Therefore, it can be said that the hybrid working model is perceived as the new normal when we reach 2022. Also, this model, which supports remote working to a considerable extent, shows that it can actually be a more acceptable model, espe-
cially for employees, since it does not completely remove it from the office. For the individual can flexibly determine the place where people will work in hybrid work, IBM and Microsoft researches have shown that employees are now willing to work not only from home, but also in different places. However, employers should also determine which team, job or organization the hybrid model can be applied to more (Hastie and Roberts, 2022). As a result, due to the adoption of new working models, both employers should analyze the process well, especially in the post pandemic period, and implement the practices as a result of the analyses.

Sectors Most Affected by Changing Working Models During the Epidemic Period

According to the International Labor Organization (ILO), with the pandemic, the loss of working hours in full-time – traditional working models globally has been important for almost all sectors. For example, while losses in Southern Europe were 5.3%, losses in Western Europe were 4%. It has been observed that many governments have brought regulations on supportive income and jobs in order to prevent the collapse of economies from the uncertain period created by the pandemic, and accordingly innovation and flexibility have been tried to be implemented (ILO, 2020, p.5 - 13).

Before the epidemic, it was quite common for home maintenance, cleaning, etc. The epidemic period was also very risky for people who are generally employed in a precarious way in return for their activities. Since this type of work is more common among women, women are more affected economically and socially in the context of domestic work and domestic production. This has affected lots of workers globally, whether formally or informally, doing similar jobs. Since domestic work cannot be an activity to be carried out remotely during the epidemic process and it is not possible to carry out the work due to social distance rules, many people have experienced that this common working model can suddenly become invalid in a process of epidemic. Especially in 2020, the year the epidemic started, according to the data of the ILO, while the rate of domestic workers was 49.3% in March 2020, this rate reached 72.7% in May 2020 (ILO, 2020, p.1).

The companies producing in many factories in different countries became unable to produce during the epidemic. Besides that, it could not be integrated into the working models during the epidemic period in sectors and regions with a large immigrant population and employing low skilled workers. Essentially, the inability to work remotely in every sector has triggered risks in terms of labor income and unemployment during the pandemic. This means that the risk of creating an imbalance or inequality among employees. For example; A lot of people who are working in the agricultural sector have experienced difficulties during the pandemic process. Many employees had to leave for unpaid leave, and as the pandemic process lengthened, the layoffs over time became wearisome in the face to face sectors. Lots of busi-
nesses had to close in the process. This affected the poorest countries the most. This effect has been important in terms of both health and economic factors. This carries the risk of deepening inequality between countries (CEPR, 2020).

The informal workers have been the most affected during the epidemic, because they are not protected by law and work insecure. The informal workers do not only correspond to a particular sector and can work in different fields. They are generally employed in the fields of construction, cleaning, repair, maintenance and restaurants. This is a similar situation in that in many countries it also has to do with the way things are done. (European Commission, n.d.) Because of the informal workers were not subject to any law, they could not access the economic or social support provided by governments during the epidemic period. When we consider that 11.6% of the total employees in the European Union countries are not declared in the private sector and approximately 15% of the GDP is unregistered, the fact that even in Europe many employees cannot access the financial support provided by Turkey emerges. This situation points to a very economical picture for the employees. Also, lots of self-employed people employed in small businesses do not have access to financial support (Williams and Kayaoğlu, 2020).

The sectors negatively affected by the process, and especially the number of employees is quite high globally. The fact that not every job can be carried out by teleworking and the problems that arise for the informal sectors open this aspect of the teleworking model to discussion. It shows that working models also have different effects in terms of class, and this is also seen as one of the disadvantages of working remotely.

Advantages and Disadvantages of Transformation in Working Models

It is mentioned that the problems experienced by employees in commuting to work are eliminated by the remote working in the report titled Healthy and Safe Remote Working, that describes the emergence of remote working models published by the World Health Organization and ILO. People do not waste time on the road and do not have to use the traffic. This is also seen as one of the advantages provided in order to prevent air pollution, since it means using less vehicles. In addition to this, higher productivity is achieved in some sectors compared to the past, and many companies or companies have the opportunity to reduce their expenses. However, in addition to all these, while working remotely may cause the balance between work and life to deteriorate, at the same time it carries risks such as working at home for a longer period of time. At the same time, the employee’s inability to be in a quiet environment and lack of access to a private job at home can also have negative effects on the employee. At the same time, breaks to spare time for physical activities should be given regularly, and technological devices which workers will use for their work should be provided to them (ILO, 2021).

On the other hand, The European Commission emphasized that the advan-
tages of the flexible or remote working, as well as the disadvantages, and discussed
the disadvantages. The most important of these is that employees have to work lon-
erg hours when they work from home. The employees who can finish their work
in the office and go home cannot experience the same feeling of quitting at home.
This means that the work is spread and intertwined with the time spent at home.
In addition to this, if the employee uses their personal technological devices for
work, this may make it difficult to separate the private and work areas, reduce their
concentration, and may not feel comfortable. On the other hand, one of the disad-
vantages is the high probability of employees not having a separate place to work
at home (European Commission, 2022). One of the situations that can be seen as an
advantage for people working remotely is that in cases of illness or feeling unwell,
both absenteeism from work decreases and people can spend time at home. Also,
parents can find the opportunity to spend more time with their children when they
work from home. In addition to this, employees can find the opportunity to fit small
household chores into their lunch breaks when they leave the office and go home.
However, while doing all these, employees are likely to feel quite isolated from life,
so working from home for a long time can tire people out psychologically. Espe-
cially, making regular online meetings and planning together and staying in touch
can be important to reduce the idea of isolation. The organization of the employer is
important here. In addition to this, it can be difficult to monitor the performance of
employees remotely. At the same time, for the computers and mobile devices where
the information is stored are always at home, remote access to the servers may pose
a risk in terms of information security, encryption, backup, etc. measures must be
taken in a timely manner. One of the disadvantages of working from home is that
employees stay away from team spirit and teamwork as they constantly have to com-
 municate with each other remotely (NiBusinessInfo, 2020).

The World Labor Organization also took the disadvantages of remote work-
ing seriously and called for the minimization of health problems. Also, the disadvan-
tages are also mentioned by The World Labor Organization. In the published report,
the necessity of ensuring the balance between work and social life was emphasized.
The World Labor Organization drew attention to the issues of burnout syndrome,
domestic violence, increase in consumption of cigarette and alcohol use, unhealthy
weight gain and eye fatigue due to being in front of the screen for a long time,
and health problems that may occur in the bone and muscle system. Actually, The
World Labor Organization described these as a disadvantage in remote working.
(WHO, 2022)

**Forecasts for the Future of Transforming Working Models**

When we look at the advantages and disadvantages, different scenarios have
been produced for the period after the epidemic as a result of the transformation
and change of the working models with the epidemic process. One of the common
predictions is that remote work will be permanent. The basis of this estimation is the minimization of office expenses and real estate expenses depending on the place of work. Also, it will be effective for employees not to waste time on the way to and from work and to reduce food expenses. The second guess is about technology. Technology will be continuing to take place by increasing its importance in business life as it was during the epidemic period. Habits that have settled in working life during the epidemic, such as video meetings and the transfer of processes to the digital space, will likely continue. The third prediction is that empowering working from home. Employees who are more concentrated in the office environment and do not want to work from home should also be considered. Policies can be produced for those working from home, considering efficiency (Parungao, 2020).

On the other hand, in the process from the beginning of the epidemic until 2022, the implementation of the hybrid model, especially in the process approaching 2022, indicates that this working model may also continue. Hybrid working is generally seen as a sustainable working model as it also provides workers with autonomy and flexibility. It can be observed that this working model can keep the motivation of the employees higher in the future. Especially, the fact that a significant portion of the Z Generation employees adopt the hybrid model in the researches, seems to have the capacity to direct the employers to the hybrid model over time. (Dale, 2022)

A lot of studies indicate that flexibility, that is, working remotely, can be beneficial for many organizations and societies. However, it should not be remembered that this completely depends on the way they are implemented. If this application will be shaped around the hybrid model, new regulations should be made for hybrid work in countries. Hybrid working is likely to become an established working model in the coming years, when flexible working policies become updatable for hybrid working. However, as there will be workers who want to work with traditional working methods, since not every job can be performed remotely or in a hybrid way, organizations should produce and implement policies for various preferences and options. For this reason, policies that bring the employee into focus will be more efficient (Wheatley, 2021).

Conclusion

As a result, mandatory quarantine processes implemented by governments to reduce the spread of the epidemic during the pandemic process have made it impossible to work from the office. Therefore, the remote working model, which was not adopted by every sector before the epidemic process and is not as common as today, and it spread rapidly. A lot of companies and working institutions on a global scale have switched to the remote working. As a result of this, it has been understood that the importance of digitalization and technological infrastructure. Although many workers are in different geographies, they have adapted to the remote work-
ing model over time, especially in terms of people with high education levels and working in large companies. This situation has made many employers and workers from different sectors think about the course of the traditional working model after the pandemic. Thus, this situation has opened the traditional working model to discussion. The working from home, which was not adopted as much as it is today, does not seem possible to return to the period before the epidemic. It seems that working from home will likely continue to exist in many sectors. Today, the remote working model has the possibility of being seen as a working model that is settled in working life rather than being seen as a precautionary measure. According to the conclusion reached here, the first research question has been generally answered, investigating the effect of the pandemic on working models.

The suspension of social life along with the epidemic has led to the closure of areas such as shopping malls, cafes and restaurants. Thus, it has also caused the people working to be unemployed here. It also brings disadvantages, especially psychologically, although the isolation of the employees from social and office life has advantages of the working from home. At the same time, every company has not been able to provide the same level of technical infrastructure. This situation has affected the adaptation processes to the remote working model, depending on factors such as age, income, etc., since there is no environment where concentration will not deteriorate in the home. When reached 2022, the global teleworking model has become controversial this time. A lot of international organizations and companies have both offered solutions and started to prepare for the post pandemic period. At the same time, it has been seen that working remotely is not suitable for every sector.

In order to minimize the disadvantages of remote working in the pandemic and to eliminate the idea of isolation the hybrid model, which aims to be able to work both at home and in the office and to offer options to employees, has started to come to life. The hybrid model is just now rolling out. Probably, it will be able to come to life as a new working model when the pandemic completely loses its effect. Whether it is a remote working model or a hybrid model, it should not be overlooked that companies need to improve themselves in digital infrastructure. Also, it should be noted that remote or hybrid work may not be applicable to every work sector or employee. The legal regulations should also be implemented on important issues such as secure work and insurance for remote/hybrid working models. It is seen that the importance of prioritizing policies that focus on employees is emphasized in the forecasts made for the future. Thus, it has been seen what the advantages and disadvantages of the working from home model are during the pandemic period. It has also been understood that this working model is not applicable to every sector and employee at the same level. Therefore, the second and third research questions were clearly answered in the study.
The data and information should always be included, considering that the subject and situation has spread over a long period of time and will continue to spread in future similar studies on the subject, up-to-date. Due to the home/remote working model expresses flexible working and is more accepted after the pandemic, it should be included whether legal arrangements have been made on the issue of working life, especially in the process after the complete disappearance of the pandemic. In addition to this, similar studies should also be included in the observations of what kind of practices the companies have implemented up to date, and the process should be closely observed together with up-to-date data.
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COMPARATIVE POLITICAL ECONOMY ANALYSIS OF CHANGES FROM THE ECONOMIC CRISIS: THE CASE OF TÜRKİYE AND JAPAN

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Introduction

Both economically and politically, countries carry similarities and differences in terms of structural relations and historical experiences in the international system. The countries have to accommodate development differences due to these inequalities based on these similarities and differences. In addition to this, it has become a proven reality over time that the system should be subject to different transformations and processes through external factors.

Although each country has its own economic development process, it can be said that some of them show similar reactions. Although the relevant macro-economic policy implementations are similar the decisions taken by policy makers in making economic decisions may differ in terms of implementation styles. The emergence of crises and their effects on economies have a changing nature. In the economic system, the increase in its contagiousness and the created shock effect affected macroeconomic policies. It also causes a different movement in political and social life. Although the effects of the crises on the system spread over time, the deepening of the crises and the paths followed by the policy makers are of critical importance in shaping the process.

In the literature, the positions and political developments of the two countries in different fields have been studied. On the other hand, the ways in which the economic indicators of the two countries are handled differ. The integration process to the global market and the adaptation to the free market economy can be quite challenging in terms of emerging markets. It can be difficult for a developed market economy to maintain its place in the global system. The political economy analyzes were made by comparing the economic indicators of Japan and Türkiye before and during the COVID-19 period in this study.

Literature

It can be said that the political economy includes the existence of the state controlling the sovereignty in the territorial unit(s) and the existence of the mechanisms by which buyers and sellers exchange goods/services (Cohn, 2017). It is normal and expected for the market and the state to act within the framework of common interests and wishes. The mentioned that capacity to act together causes the macroeconomic performances to diverge, as it differs in each country. The differentiation of productive capacity and the conditions of human capital are seen as factors in the formation of development differences (Boettke, Coyne, & Leeson, 2013). There are studies that show that economic inequality in the global system goes in coordination with political development. It has been argued that after a turning point, the economy went through another phase, although the reason for the development of the Japanese economy since the beginning of the 20th century is generally attributed to the existence of “unlimited labour supply” (Minami, 1968), (Lewis, 1958). Even if the labor supply is quite high in countries where productivity increases the
eal labor wages may also tend to rise. The gap between the minimum wage and the average wage level widens as large companies in Japan pay twice as much as small companies. Therefore, having a turning point is critical in the Japanese economy (Lewis, 1958). It indicates that the labor supply, which seems to be unlimited, is not unlimited in terms of wages with the decrease in the sustainability of this difference over time. On the other hand, although there is no definitive statement as to whether the transformation took place in the 50s or 60s, it can be said that traces of a transformation were encountered in the post World War II period (Minami, 1968). Although it was seen that the world economic outlook before the Cold War gained a momentum of development under the leadership of the USA, special attention was paid to the performances of developing economies in the 1970s, which is described as the loss of the hegemon in the literature (Cohn, 2017). The process of incorporating the developing economies into the world economy with liberal policies began in the 1970s and 1980s. This period including continuous crises has begun to be experienced along with a transformation process in economies (Balkani, 2002).

One of the most important features of the markets is that they focus on economic welfare (increase in profitability) (Parasız, Ekren, & Tuna, 2013). Also since the 50s, ensuring market operability and how the state’s desire to use its political power in economic processes should be established in a balance has taken an important place in the agenda of developing countries. This situation can be characterized as the adaptation of markets to economic openness and the removal of barriers to international economic business and transactions. In other words, it can also be described as a process of both liberalization and mobility (Williamson, 1990). These two concepts gained currency with the popularization of neoliberal economics in the 1980s.

When looking at the political development of Japan, there was a closed system until the 19th century, however modernization movements started with the Meiji Period (Inoue & Teeuwen, 2002). The continuation of the westernization movements by preserving the palace culture is common in the countries in the Far East (Ellington, 2004). In the Meiji Restoration period, the initiative for change in politics, law, society and intellectual sense has been started. Koza is one of the Japanese schools of thought, it states that there was no major transformation in the Meiji Restoration. The Rono School describes the transformation as a kind of bourgeois revolution (Kitaoka, 2018). Although the relevant period covers the years 1868-1912, the planning of production by the state aimed to gain the ability of the business world and public authority to act jointly. It is also known that free trade is seen as a harmful activity and there are restrictions on exports. In this period, improving the using of technology in agriculture, accelerating the transition to democracy and the existence of the economy for the state were highlighted (Bronfenbrenner, 1961).
One of the most important factors in the development of the Japanese economy is the state’s protection of certain sectors in industry. It is the increase of customs duties by limiting the entry into new sectors both in the domestic and foreign markets (Bronfenbrenner, 1961). The Land Reform has been put on the agenda and mechanization in agriculture has been advanced since the 50s (Honma, 2009). At the same time, it was possible to develop the consumer economy and to reveal positive effects on GDP (Makino, 2008). The economic growth in the country experienced a steady increase until the 90s. It can be said that it has gained the ability to continue in a strong economic structure, although affected by the crises in Asia Itoh (2008). Japan’s long term economic growth rates are attributed to the moderate international environment after the Cold War, the accessibility of new technologies, the ease of trade and the easy availability of cheap labor (Itoh, 1994). It is assumed that Türkiye’s economic development process experienced a revolutionary state-supported development movement from the 20s to the 40s. It can be stated that there has been an early articulation process to the international market based on agriculture since the 1950s. The negative effects of this early liberalization after the end of the war began to be seen although the export of agricultural products increased considerably with the emergence of the Korean War. A transition to the period of national development movement was experienced with the transition to the import substitution system in the following 60s. Compared to the 50s, development moves were tried to be followed in a more systematic framework (Şenses, 2009).

Even if there are some economic improvements with planned development moves, outputs that are far from the economic efficiency promised by the country are still encountered in economic terms. The constant change in macroeconomic policies in the country, which is facing political coups, is one of the factors that hinder the development process. The effects of neoliberal policies becoming popular around the world in the 1980s were also seen in Turkey (Onis, 2004). The import substitution system was abandoned and industrialists willing to carry out export-oriented activities were encouraged. The effects of deregulation, liberalization and privatization that are the three magic concepts of the prescription neoliberal policies created for developing countries, have begun to show themselves in the Turkish economy (Williamson, 1990). The neoliberalism on the axis of the regulatory state continued in the post 2001 period (Şenses, 2009). As seen that in most of the developing countries, the institutionalization movements have been initiated in this country with the presence of regulatory institutions (Chang & Evans, 2016). A transformation process has begun with the existence of large exporting enterprises in the economic system.

The fact that Türkiye has entered a relatively early liberalization period compared to Japan. The reasons are the failure to fully realize industrial breakthroughs in the country, the failure to protect infant industries, the occurrence of financial imbalances and the political disruptions accompanying unstable macroeconomic indicators.
The reflection process of political security on the markets has been positive in Japan. The capacities of the crises, which affect the whole world and are highly contagious, to affect both countries have been different. On the other hand it is known that the convergence probability of these countries is still very low although the COVID-19 Crisis causes all countries in the world to follow similar supply problems and statist policies (Fernandez-Villaverde & Jones, 2020). It is very critical for every country that the problem is well analyzed before the policies to be implemented in times of crisis. However, the severity of the crisis and its destructive potential are higher in developing countries compared to developed countries. It has been seen in the past crises that its response capacity to crises is quite high when faced with such a situation although Japan, which is among the developed countries, is relatively unlikely to encounter such situations. In addition to this, whether the precautionary and incentive packages included in the macroeconomic development packages are well-designed in possible crisis periods affect the way in which the crises are overcome (Parasız, 2009). It is also possible that to experience some economic and political breakdowns in countries in time of crisis. It should overlap that the market expectations of the package contents prepared in such cyclical transition periods and the expectations of the public authority. The impact of neoliberal policies has increased considerably since the 1980s in both countries. Therefore, the free market has reached the position of becoming a culture in over 40 years of articulation. There is a problem of struggling with high inflation, which immediately follows the fiscal imbalance in developing countries. Because the inflation rate in a country depends on the capacity, competence and performance of the real sector in the relevant country. Therefore, the goods and services movements of the real sector in Japan and the real sector in Türkiye are determined by the inflation rate of the two countries. The efficiency of the economy reflects both the economy and the policies. In other words, economic policies reflect the preferences and priorities of the economic management.

Although there are some fragilities and imbalances in the economic structure and relations system, the problems experienced can be managed. It can be given as the equivalent of the concept of sustainability, since it does not cause problems and can be eliminated over time (Parasız, 2009). More clearly, although there is vulnerability, it can be tolerated if the problem is handled in a manageable framework. If the fragility feature can be destroyed over time, it is called sustainable. The existence of policies with high sustainability is considered very important in terms of continuity in the policies of developing countries. It becomes difficult to achieve stability and maintain continuity with policies that tend to change in the short term and cannot be sustained even in the medium term.

Ward and Rustow (1966) draw attention to the existence of periods called industrialization and secularization of ideas in the economy in their study, in which
they talk about the political modernization of Japan and Türkiye. The study's comparison of Japan as an industrialized country and Türkiye, which was classified underdeveloped country in the relevant period, is motivated by the problems that may arise in maintaining the status quo. The existence of the modernization process that started in Türkiye in 1839 and in Japan in 1868 indicates that countries with Asian cultures have recently experienced the same process. In the study of Uslu, Durmuş, and Kolivar (2013), in which the determinants of Turkish Airlines brand values in Türkiye and Japan were compared using 400 surveys, showed that cross cultural purchasing behaviors and brand validity were gathered on three dimensions. According to the findings of the study, cultural differences between countries are effective in shaping expectations in brand perception. Bildirici and Ozaksoy Sonustun (2018) have studied the cointegration and causality relationship between inflation and unemployment. Japan, Türkiye, France and the USA have been discussed and it has been determined that there is a strong relationship in the long run.

**The Methods and Results**

In this study; for the 1971-2020 period, the data on gross domestic product (GDP), GDP per capita, working population, savings rates, defense/GDP, carbon emission rates and customs tax were used for Japan and Türkiye. The related countries were comparatively examined and political economy analyzes were

![Figure 1. GDP Growth Rates of Japan and Türkiye](image)

*Source: World Economic Indicator, World Bank*
As can be seen in figure 1, growth rates for both countries follow a fluctuating course in the 1971-2019 period. The growth rate of Japan, which followed an upward trend until the 1975-1988 period, reached its peak level in 1988 with a rate of 6.78. The period of prosperity experienced coincides with the period when real estate and stock market prices in Japan increased substantially (Shimizu, 1992). It is seen that the effects of the collapse of the mentioned real estate bubble in the economy of Japan, which experienced a contraction period until the period of 1988-1993, were reflected in the 1993 growth and regressed to the level of 0.99. Later then, the shock of the Asian Crisis caused the growth to follow a fluctuating course again in the 1994-2000 period, although there was a short-term recovery period. In addition to this the period 1991-2000 after the collapse of asset bubbles has been called the “lost decade” for the Japanese economy (Hayashi & Presscott, 2002). The lowest growth rate of Japan was recorded in 2009 with the Global Financial Crisis. The Japanese economy was able to grow in the range of 0%-2% until 2019. The break with the COVID-19 epidemic, which emerged at the end of 2019 and affected the whole world, caused the Japanese economy to contract although there was an economic recovery in 2010. The break with the COVID-19 epidemic, which emerged at the end of 2019 and affected the whole world, caused the Japanese economy to contract. From 1961 to 1970, a stand-by arrangement was signed between the International Monetary Fund (IMF) and Turkey every year. The period 1970-1978 is to be considered as a period without the IMF. In the relevant period, the Turkish economy entered a period of expansion and reached its peak in 1976 with a level of 10.46. However, the continuation of the fluctuations in the economy; it did not allow the implementation of highly sustainable and versatile economic measures. For this reason that, the Turkish economy, which entered the recession period, witnessed a stagnation in economic activities with the turmoil and the military coup that followed, and shrank in 1981. Türkiye’s economic growth entered an increasing trend in the 1982-1987 period. The opening of the domestic market to the foreign market by the implementation of neoliberal policies had a positive effect on the country’s economy in the relevant period. It should not be overlooked that there was a fluctuating course although high growth rates were recorded successively in the economy during the 1988-1993 period. The government borrowed from public banks for public expenditures in the nineties and over time, it has come under a very high debt burden. In this period, when deposits collected with high interest rates and loans provided to the public were in question, both the budget and the current account account had serious deficits. As a result of this work, TL lost its value by 14% in one day. This process, which gave birth to the 1994 crisis, led to the 5 April Decisions (Aydn, 2005). The main target point of these decisions was considered as rapidly reducing inflation and stabilizing the TL. In addition, a stand-by agreement was signed with the IMF in May 1994. Although the 1995-1997 period indicates an expansion, the Turkish economy has gone through this process.
The high levels of inflation and current problems from the 90’s reached their peak in 2001 when Türkiye experienced the Banking Crisis. Türkiye sought a new political stability with the 2002 elections with the thought that political mobility is at the root of economic problems. As a matter of fact, the stability-oriented government policies implemented ensured the revival of the Turkish economy in the 2002-2004 period, so there was no contraction until the 2008 Global Financial Crisis. Turkey’s enlargement process continued after 2009, as the lessons learned from the 2001 Crisis prevented the system from being shaken to its foundations. In spite of that the conjuncture, the breakdown that started in 2015 and the aftershocks in 2017 caused the growth in the Turkish economy to show a decreasing trend with the effect of internal turmoil. Türkiye has been one of the growing countries despite the different currency wars and pandemic.

During the OPEC Crisis and the COVID-19 Crisis, while the growth rates were positive compared to Japan, Japan’s GDP turned negative in every shock that occurred in the system. Especially, it has been observed that there is a tendency to deepen in the year following the crisis in Japan as seen in the 2008 Crisis and the COVID-19 Crisis. In the transition to the recovery process, the crises showed positive effects for both markets, and a rapid increase in growth rates was experienced. While the way the two countries experience the crises is much more effective in their integration processes into global markets, this generalization is disrupted by Türkiye’s positive growth in 2020.

![Figure 2. Per Capita GDP of Japan and Türkiye (Thousand $ )](image)

**Source:** World Economic Indicator, World Bank
It is seen that there is an increasing trend in each country in the post millenium period, when the per capita income level for the 1971-2019 period for Türkiye and Japan is analyzed. It is understood from the per capita income levels that countries are affected by the global crises, apart from the policies they follow. The total working population in Türkiye, which has been following a continuous increase trend, has followed a decreasing trend due to the effects of family planning policies implemented in Japan in 1948, when the population data for the period 1971-2019 is examined. High population growth, that is considered one of the most significant features of emerging markets, seems to be quite high in Türkiye as well.
Türkiye and Japan differ in terms of savings in the relevant period in figure 4. The savings rates increased rapidly in Japan in the 1971-1995 period. It is observed that it maintains its fluctuating and high level in the following years, although there was a decrease in the amount of savings after 1996. In Türkiye, which is dealing with high inflation rates and various political problems, the savings rates have remained at very low levels. After 2000 years, there has been a significant increase with the effect of the saving morality, which was tried to be gained with different incentives. Especially, savings were encouraged through collective fund systematics such as private pension funds after 2015.

**Figure 4.** Savings in Japan and Türkiye ($)

**Source:** World Economic Indicator, World Bank
It is seen that the defense expenditures in the Japanese economy have followed a continuous upward trend, when the shares allocated to defense expenditures from the economies of Türkiye and Japan in the 1971-2020 period are analyzed. On the other hand, it followed a decreasing trend in the 2002-2017 period, although the share of defense expenditures in the Turkish economy followed a fluctuating course, but then entered an upward trend again. When the distribution and control role/function of the regulatory state was redesigned, various international fluctuations caused sharp cuts in this period.

**Figure 5.** Japan and Türkiye Defense Expenditures/GDP Ratios  
**Source:** World Economic Indicator, World Bank
Figure 6. Japan and Türkiye Carbon Emissions (kg of GDP [2015 US$])
Source: World Economic Indicator, World Bank

It is seen that the carbon emission of Japan is quite low compared to Türkiye in the 1971-2020 period. It is seen that Türkiye has started to increase in carbon emissions since the relevant year, although the carbon emissions of the two countries were equalized in 1979. In addition to this, economic growth and increased trade openness increase carbon dioxide emissions (Hossain, 2011). The fact that the carbon emissions do not increase after the investments made by the relevant countries in the field of industry can be considered as a reflection of the efforts of the countries to adapt to the international protocols. Following the policies to protect the ecological balance has gained importance in the international system, as the industrialization moves in the development periods of the countries lead to environmental destruction. Also, global steps are being taken to prevent ecological imbalance. The changing roles and functions of the countries in the Kyoto Protocol and Paris Climate Agreement indicate that climatic changes caused by carbon emissions are also important at the level of states (Wang, Ko, & Chen, 2019).
It is seen that the customs tax rates were higher in Türkiye compared to Japan in the 1971-2020 period in figure 7, but there is a decreasing trend was observed in both countries until 2013. Since it followed an import substitution system in the 1940s, customs tax rates were high. However, since free trade became widespread, these rates remained at low levels. Since customs duty rates are important in terms of trade, it is seen that these rates have decreased in Türkiye, which has transitioned to free trade, especially with the neoliberal policies implemented after 1980.

**Evaluation And Conclusion**

It is observed that countries in different economic segments are less compared in the literature, when comparative political economy analyzes are made. It is seen that these comparisons should be included in the literature considering that each country competes under free market conditions. It has been accepted in the international system that developing countries have more roles and functions for the market than just providing a wide market opportunity. Moreover, the political visibility of the developing countries is increasing day by day, causing revisions to established positions in world politics.

Japan, which is a developed market, and Türkiye, which is an emerging market, are compared around selected macroeconomic indicators in this study.
There are 7 different macroeconomic indicators were used and it was understood that there were similarities between the two countries at some points and divergences at some points in the research. The transition periods of the two countries to free trade and their readiness for this period differ from each other. There is feature of successful free trade moves have the of developing economies. However, the necessity of ensuring this transition at the appropriate and right time is clearly seen in the comparison between the two countries.

The collective culture is dominant in both countries and it is understood that expectations from state-based initiatives are high. The countries experience different difficulties in the process of transitioning from the import substitution system to free market conditions. Therefore, the difficulties experienced in the protection of infant industries in the early period, the incompatibilities experienced in terms of time and the differences in cultural structure have caused some economic demands to be insufficient. On the other hand, the incentives provided by the public authority were seen as the key to getting rid of the crises, although the reactions produced to the crises were similar in both countries. Nevertheless, the incentive/support packages were insufficient and inconclusive in some crisis periods. In addition, while cyclical fluctuations are less frequent in Japan, they are deep and continuous in Türkiye. The industrialization types of the two countries are completely different from each other and it is known that the main export items are also differentiated. It is understood that the selected industry is capital-intensive high-tech products, while it is understood that Türkiye concentrates on labor-intensive low-profit products in contradistinction to Japan’s modernization of agriculture. In the examinations made in line with the macroeconomic indicators, Türkiye’s; It is seen that it has higher rates than Japan in GDP, working population, savings rates, carbon emission rate and customs tax rates. In addition to this, it is seen that the per capita income reflecting social welfare is quite high in Japan, unlike Türkiye.

As a result, even if countries go through similar periods in terms of cyclical terms, their internal mechanisms are affected by external factors. Even if it causes a change, it should not be overlooked that high-sustainability policies should be adapted to the processes for large-scale transformations. The experiencing liberalization movements in countries at the wrong times jeopardizes the security of future years and reduces the predictability of markets in economic terms. It will be very valuable for the literature to analyze the crisis periods, which are discussed in the relevant subject, with different economic indicators and policy designs by separating them into periods in future studies.
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