

## **Turkish Trade: The Partnerships And Sanctions**

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### **ABSTRACT**

Turkey's foreign trade has not always been what it is today. This paper gives some history and basic information on how Turkey became the important trader it is today. With a brief discussion on the different economic system before the 1980s change to a free market system, current trade facts and figures as well as partnerships and the use of the economic tool of sanctions, we delve into Turkey's trade and future plans for economic development and establishing itself as a regional power.

In the first chapter, general information about the Turkish economy is presented along with a brief history of the economical stances and methods adopted. The changes that opened the Turkish economy to foreign trade are also discussed. In the second chapter, brief statistics are given as to the imports and exports of present day Turkey, as well as some future aspirations the country hold in regards to their trade. Chapter three briefly lists and explains the trade organizations Turkey is a part of and lists some of the sanctions Turkey has taken against other countries.

**Key Words:** Trade, Imports, Exports, Partners, Sanctions, Free Market System.

### **INTRODUCTION**

Turkey is a growing power in an unstable region. It has a unique and powerful geopolitical location as the cross roads between the generally more developed west and the developing east. It finds itself as a bridge between two different continents and has started to use this position to advance its self in the ever changing world of foreign trade. It has begun and continues to develop the transportation of the oil and natural gas resources of the countries to its east and north to Europe, one of the largest consumers of such products.

Ever since the fall of the Ottoman Empire, Turkey has struggled to develop its economy and once again become the world power that it was previously. Until the 1980s, Turkey's economy was underdeveloped and struggling. With the change from a mostly closed, inward focused economy to an open free market economy, Turkey has begun to take its place in foreign trade. It wishes to reestablish the once very busy and prosperous Silk Road that runs through the country. Although Turkey its self does not have tons of natural resources, it does have a prosperous export economy in the way of manufactured goods, agriculture, electronics and tourism. Its main imports, which outnumber its exports, are minerals, chemicals electronics and fuels.

Although it took a few years for Turkey to establish and develop a working and stable economy, if recent years can serve as an indicator, Turkey's economy will continue to grow and its trade will only increase and flourish.

Throughout the years, Turkey has had several different types of economies, and focused on many different ways to expand and develop it. The policy that finally opened the Turkish economy to the world was one that encouraged exports and imports and believed foreign policy and foreign trade could help each other and were part of the same solution. Today, Turkey's policy is that through the development of trade relations and economic partnerships, peace will be established. Although Turkey may disagree with many of its trade partners on different political situations, it has tried to not let politics get in the way of its economy. This has not always been successful, sanctions being the evidence, but it has in many cases.

Today, Turkey's economy and especially its foreign trade is flourishing and expanding every year. It is quickly climbing the ladder of countries in terms of most exports and imports and is establishing itself as a regional power and very valuable trade partner to the world's most powerful countries. Turkey hopes to continue its recent success and expand on it to set an example to other countries in the region. Especially today, trade and politics are closely tied together and are often used as instruments of each other. In the chaotic region that surrounds Turkey, trade and politics are tightly intertwined, as is evidenced by various sanctions and new trade relationships that have developed recently. Following, is a brief account of Turkey's foreign trade with information on how it got to be what

it is today as well as some future goals of this rapidly developing country. Following is an account of Turkey's trade, the partnerships and sanctions.

## CHAPTER ONE

### A QUITCK HISTORY

This section provides basic and brief information on the history of Turkish trade and some of the basics concerning this trade. I talk about the development and changes made to Turkish trade over the years and the changes that took place in the 1980s.

#### 1.1 Basic Trade Information

Turkey is taking its place in today's world and establishing itself as a valuable trade partner both to Europe and the United States. When Turkey was first established as a country in the early 1920s, trade was not a main focus for the new country. They main products that were exported were agricultural products. This changed around the 1980s when industrial products began to outnumber agricultural products in export numbers (Nations Encyclopedia).

As Turkey continues to develop and take its place in the international trade game, it is once again changing its exports and imports. This time, it is energy resources that are making Turkey so valuable a trade partner for Europe (European Commission). While Turkey has natural resources of coal, iron ore, copper, chromium, antimony, mercury, gold, barite, borate, celestite (strontium), emery, feldspar, limestone, magnesite, marble, perlite, pumice, pyrites (sulfur), clay, arable land, and hydropower, these are not overly abundant and Turkey cannot rely on these to carry its foreign trade (CIA Fact Book, 2015). Some of the main product sectors that Turkey exports as of 2013, are basic manufacture goods, transportation equipment, clothing, textiles, chemicals, non-electronic machinery, minerals, electronic components, miscellaneous manufacture, processed food, unclassified products, fresh food, IT & consumable electronics, wood products and leather products.

The main imports are unclassified products, minerals, chemicals, non-electronic machinery, basic manufactures, transport equipment electronic components, miscellaneous manufacturing, IT & consumable electronics, fresh food, textiles, wood products, processed food, clothing and leather products (International Trade Center, 2015). The top three sectors of export products consist of bars and rods (basic manufactures) which go the United Arab Emeritus, Iraq and the United States, diesel powered trucks, t-shirts, singlets and other vest of cotton and knitted weave. The top import sectors consist of commodities not elsewhere specified (unclassified products), other petroleum oil and preparations (minerals) and polypropylene (chemicals). (International Trade Center, 2015).

**Table 1.** Top Export Sectors

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Sector	Average share of sector in country's exports 2009-2013	Share of top 3 detailed products (HS6) in sector's exports		Sector's leading exported product HS6
		2009	2013	
Basic manufactures	17.2 %	30.9 %	25.4 %	<a href="#">721420</a> Bars & rods, of iron or steel, in primary forms, of iron or steel, of other iron or steel, of other iron or steel, of other iron or steel, nes
Transport equipment	12.3 %	40.7 %	37.9 %	<a href="#">870421</a> Diesel powered trucks with a GVW not exceeding five tonnes
Clothing	10.3 %	31.2 %	30.1 %	<a href="#">610910</a> T-shirts, singlets and other vests, of cotton, knitted
Textiles	7.7 %	18.8 %	23.5 %	<a href="#">570242</a> Carpets of man-made textile material, of woven pile construction, made up, nes
Chemicals	6.9 %	16.7 %	13.9 %	<a href="#">401699</a> Articles of vulcanised rubber, nes, other than hard rubber
Non-electronic machinery	6.6 %	17.6 %	18.0 %	<a href="#">840999</a> Parts for diesel and semi-diesel engines
Minerals	6.6 %	67.5 %	64.6 %	<a href="#">271019</a> Other petroleum oils and preparations
Electronic components	6.2 %	33.8 %	33.1 %	<a href="#">854449</a> Electric conductors, for a voltage not exceeding 80 V, nes
Miscellaneous manufacturing	5.9 %	30.2 %	39.2 %	<a href="#">711319</a> Articles of jewellery, of precious metal, of other precious metal, of base metal, of other base metal, of other metal, nes

Processed food	5.6 %	23.7 %	21.7 %	<a href="#">110100</a> Wheat or <del>meslin</del> flour
Unclassified products	5.1 %	99.8 %	99.8 %	<a href="#">710812</a> Gold in unwrought forms non-monetary
Fresh food	5.1 %	28.5 %	25.8 %	<a href="#">080222</a> Hazelnuts or filberts, fresh or dried, shelled or peeled
IT & consumable electronics	1.6 %	89.2 %	81.4 %	<a href="#">852872</a> Reception apparatus for television, <del>colour</del> , whether or not <del>incorporati</del>
Wood products	1.5 %	44.1 %	46.0 %	<a href="#">481840</a> Sanitary articles of <del>paper incl sanit towels&amp;napkin</del> (diapers) f babies
Leather products	0.6 %	30.5 %	27.3 %	<a href="#">640299</a> Footwear, outer soles/uppers of rubber or plastics, <del>nes</del>

**Source:** ITC Trade Competitiveness Map. Note: HS codes refer to the revision 2007.

Table 2. Top Import Sectors

Sector	Average share of sector in country's imports 2009-2013	Share of top 3 detailed products (HS6) in sector's imports		Sector's leading imported product HS6
		2009	2013	
Unclassified products	16.0 %	99.9 %	99.9 %	<a href="#">999999</a> Commodities not elsewhere specified
Minerals	14.5 %	70.6 %	81.7 %	<a href="#">271019</a> Other petroleum oils and preparations
Chemicals	14.2 %	17.9 %	16.3 %	<a href="#">390210</a> Polypropylene
Non-electronic machinery	10.9 %	13.1 %	11.3 %	<a href="#">840820</a> Engines, diesel, for the vehicles of Chapter 87
Basic manufactures	10.3 %	22.7 %	20.8 %	<a href="#">740311</a> Copper cathodes and sections of cathodes unwrought
Transport equipment	8.7 %	28.1 %	35.2 %	<a href="#">870332</a> Automobiles with diesel engine displacing more than 1500 cc to 2500 cc
Electronic components	4.0 %	26.6 %	15.0 %	<a href="#">853710</a> <del>Boards panels includg numerical control panels for a voltage &lt;=1000 V</del>
Miscellaneous manufacturing	4.0 %	14.2 %	15.4 %	<a href="#">711319</a> <del>Articles of jewelry&amp;pt thereof of/o prec met w/n platd/clad w prec met</del>
IT & consumable electronics	3.9 %	40.5 %	52.1 %	<a href="#">851712</a> Telephones for cellular networks mobile telephones or for other <del>wirele</del>
Fresh food	3.8 %	44.4 %	38.5 %	<a href="#">520100</a> Cotton, not carded or combed

Textiles	3.0 %	13.2 %	15.8 %	<a href="#">540233</a> Textured yarn nes, of polyester filaments, not put up for retail sale
Wood products	2.2 %	19.8 %	16.7 %	<a href="#">470321</a> Chemical wood pulp, soda or sulphate, coniferous, semi-bl or bleached, nes
Processed food	1.9 %	32.0 %	37.0 %	<a href="#">151211</a> Sunflower-seed or safflower oil, crude
Clothing	1.3 %	21.8 %	22.3 %	<a href="#">620342</a> Mens/boys trousers and shorts, of cotton, not knitted
Leather products	0.6 %	35.8 %	35.4 %	<a href="#">640419</a> Footwear o/t sports w outer soles of rubber/ plastics&uppers of tex mat

Source: ITC Trade Competitiveness Map. Note: HS codes refer to the revision 2007.

Turkey's foreign trade has grown exponentially since the Republic of Turkey became a country in 1923. In Turkey's first year, foreign trade exports amounted to a total value of \$50790000. In 2014 exports were of a total value of \$157,614,412,000. Since 2000, foreign trade has grown every year except for 2009 and 2013 with a setback of 22.6% in 2009 and 0.4% in 2013. (Turkish Statistical Institute). As many new countries do, Turkey focused on security in its foreign policy for the first part of its existence. A change came about in the 1980s, and Turkey started to focus on foreign trade and developing its trade relations with countries, not only its security (Civan, Genc, Taser, Atakul, 2013). Today, Turkey sees itself as a developing power in an unstable region and wants to take full advantage of that to establish itself as a regional power. It hopes to do this through the purchasing and selling of energy fuels, making it an energy hub (Meibidu and Ali, 2010).

Turkey's main trade partners are Russia, China, Iraq, Iran, Germany, France, Italy, the United States, the United Kingdom, Spain and the United Arab Emeritus (Turkish Statistical Institute, 2015).

### 1.1.1 Brief History

When Turkey was established as a country in 1923, its foreign policy was mainly focused on security issues rather than trade (Civan, et.al. 2013). Up until the 1980s when Turkey underwent some major reforms, the main export product was agricultural goods and the economy did not really focus on trade. (Nations Encyclopedia). The newly formed Republic of Turkey inherited a very poor economy from the former Ottoman Empire. In fact, the last few years of the Ottoman Empire saw the decline in its economy and lead to Turkey inheriting a very weak and poor economic situation almost devoid of a modern industrial basis. What little Turkey did inherit from the Ottoman Empire, much of it was destroyed in the World War and the fight for independence that followed. Following independence, Ataturk held an economic conference in Izmir in 1923. From this conference two important issues

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where addressed. What type of economy to have (mainly socialist or capitalist), and what to do about foreign investors. On the first issue, that of the economy, it was decided to have a mixed economy in which the government took care of the big issues of loans and what not and that private citizens could run their own businesses.

There were four main decisions and changes made at that Izmir conference, they are as follows: 1. extending credit for private entrepreneurs, 2. Selling land to individuals for the establishment of industrial facilities, 3. Enacting laws concerning the encouragement of private sector activities, 4. Protecting domestic industry against outside competition (Aktan, 1993). However, the economy was still not prospering and needed further incentives to develop the industrial sector. On May 28, 1927 the Law for the Encouragement of Industry was enacted by the government in an effort to encourage economic development. In this first decade of the Turkish Republic, due to the private industrial sector's lack of accumulating sufficient funds and the effects of the Great Depression of 1929, the government was forced to intervene in the economy. After 1931, the government adopted an etatist view of economics. Etatism is considered "the emergence of the state as a pioneer and director of industrial activity, in the interests of national development and national defense in a country where private enterprise and capital are too weak to do anything effective" (Aktan, 1993). Under etatism, the government took control of the mines, forests, canals, and railroads, as well as the activities of the public utilities and any other private sector where investments were insufficient.

The next change in the Turkish economy came in 1950. From 1950 to 1959, Turkey adopted a Liberal take on the economy. This came about in the 1950 elections when the Democratic Party won and took control. The Etatism system had been criticized and many believed a new system was needed to advance and develop the economy. The Democratic Party thought that the government had no business in controlling the economy or taking part in the economy and that it should be left to the businesses and people. This marked a dramatic change in the economy. Article 43 of the Democratic Party's government outlined the government's responsibilities as follows: "To undertake the activities, where private capital is inadequate or the activities, where private enterprises are not interested in order that they do not anticipate profit in the short-run; to deal with the activities related to the defense of the country and the activities, which will be beneficial for the other economic activities; to build especially heavy industry and grant power plants; to construct railroads, ports and water supply facilities; to develop the car industry; to operate the mining and forestry businesses, which will be beneficial for the future generations" (Aktan, 1993).

It was also stressed that the government was there to encourage and regulate the economic activities that should largely take place in the private sector. People were encouraged to develop and start businesses while the government took care of a few areas such as the mining and forestry industries. This was a big change from the largely state controlled economy of the 1930s and 1940s. During this Liberalization period, the agriculture sector was developed and demands grew for the export of this sector. These increased demands were largely due to the Korean War and efforts to revamp Europe.

However, at the end of the 1950s, the economy began to deteriorate again. There was a trade imbalance due to more imports than exports and the Turkish Lira took a big hit.

Through the next two decades, Turkey had a mixed economy, starting with the implementation of the First Five Year Plan that covered the years of 1963 to 1967. This plan stated that "the activities of the government will be planned to achieve a high economic growth and a balanced economic development" (Aktan, 1993). Following this plan, the government took action directly in the economy. They tried to foster economic growth and encourage the development and investment in the private sector. They also helped to protect industries against outsider competition by raising the tariffs to make home made products cheaper than the imported ones.

The Second Five Years Plan covered the years of 1968 to 1972. This plan states that "The Second Five Years Plan, based on the principles of justice and full employment, aims at raising the standard of living of Turkish people to a level compatible with human dignity in a free and civilized environment and within a democratic and mixed economic system" (Aktan, 1993). This second five year plan focused on fixing the mistakes of the previous economies and on accelerating the development of the economy through the reassignment of resources in an even and fair way.

The Third Five Years Plan covered the years of 1973 to 1977. This plan continued the focus on government's involvement in the economy for it to develop. In 1973-1974, the Big Oil Shock caused crude oil prices to skyrocket and caused inflation in many industrial nations.

There was a one year Interim plan for the year of 1978, then followed the Fourth Five Years Plan that covered the years of 1979 to 1983. This plan failed to prevent severe economic problems and the deterioration of both the economy and social conditions.

Up until the 1980s, foreign trade was not a big part of the Turkish economy and as you can see from the brief history just outlined, it was not a main focus of the government to promote and establish a strong foreign trade sector. Besides the brief increase in agricultural products being exported during the 1940s, there was very little attention focused on foreign trade.

Foreign exports are relatively low up until the late 1980s when they really take off. There is some increase in exports starting in 1973 which is due to the transition phase of the Ankara Agreement between Turkey and the European Union that was signed in 1963 in an effort to assimilate Turkey in to the EU market. This transition phase removed any custom duties for products of Turkish origin in the EU (European Union, 2015).

These bad conditions and a yet still underdeveloped economy brought on the changes of the 1980s. These changes would redirect the Turkish economy and lead to where it is today.

### 1.1.2 The 1980s Changes

Imports began to increase ever so slightly in the late 1970s due to high oil prices. In the 1980s, some changes caused the import and export markets to open up and help to make trade a more central focus in Turkey's economy. These changes included a realistic exchange rate, strict monetary policy and an effort to strengthen trade relations (Library of Congress, 1995).

Up until the 1980s, the Turkish economy was a mixed economy and was focused on the internal workings of the country. This changed in the 1980s. ON January 24<sup>th</sup> 1980, the government introduced a bunch of measure that would change Turkey's inward facing mixed economy into a free trade outward facing one. By this I mean that the new measures introduced helped Turkey to free up barriers to imports and exports and realize the importance of foreign trade. Some of the measure enacted on January 24<sup>th</sup> were that the Price Committee was abolished ending the governments control over the prices in the private sector. The central bank began adjusting the rates so as to compensate for inflation. Also, the strict regulations and barriers on imports were significantly relaxed. The tariffs, quotas, licensing and advanced deposit requirements were relaxed considerably. The government also started focusing on export- oriented activities, agriculture and tourism as well as simplifying the investment process. The Turkish government also realized that foreign direct investment would go a long way to getting out of the economic rut they were in. after realizing this, they made the whole process easier for companies to invest in Turkey (Aktan, 1993).

Under Turkish president Turgut Ozal, who saw a new way and opportunity to expand the Turkish economy, many changes were made and a switch from a mixed economy to a free market economy was made. By prioritizing foreign and trade relations with Turkey's neighbors, Ozal was able to establish many new trading partners with the countries not only in Europe, but also with Russia, the Black Sea region countries and those of the Middle East. Ozal was of a mind that peace could be achieved and kept through the maintenance of close trade relations, and he exorcised this thought by opening up many different trade relations, especially with Turkey's neighbors (Civan, et.al., 2013).

As you can see from the table below, these are the export markets before the 1980s changes. The exports are mostly concentrated in the EEC and OECD regions with very little exports to Eastern Europe and the Middle East.

**Table 3.** Export Destination % Before 1980

Geographic Region	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EEC	60%	62%	61%	67%	47%	44%	49%	50%	50%	49%
other OECD	13%	11%	12%	11%	24%	26%	26%	21%	18%	15%



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OECD (total)	73%	73%	73%	78%	71%	70%	75%	71%	68%	64%
Eastern Europe	14%	12%	10%	8%	6%	7%	9%	10%	16%	13%
Middle East	-	-	-	-	4%	12%	8%	14%	12%	14%
Other	13%	15%	17%	14%	19%	11%	8%	5%	4%	9%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Sarisoy, 2015

With this table below which shows the export markets after 1980, we can clearly see a more even display of exports to the various markets. While OECD is still where most exports go, it is spread out a little more evenly than before 1980s.

**Table 4. Export Destination % After 1980**

Geographic Region	1980	1985	1990	1995
EEC	43%	40%	53%	51%
other OECD	15%	11%	15%	13%
OECD (total)	58%	52%	68%	64%
Eastern Europe	17%	4%	8%	3%
Middle East	22%	41%	19%	15%
Other	3%	3%	5%	18%
TOTAL	100%	100%	100%	100%

Source: Sarisoy, 2015

Traditionally, Turkey exported mostly agricultural products and minerals. As of 1980, manufactured products become the export commodity of Turkey. Agricultural exports fell from 57% in 1980 to 16% in 1995 but doubled in volume during that same time period. While manufactured products rose from 29% in 1980 to 69% in 1991 with textiles being the manufactured good with the highest shares. The reason for this change in export commodities is a new strategy for development that focused on industrialization through foreign trade (Sarisoy, 2015).

As we have discussed before, trade took off in a big way after the reforms of Ozal's new government in the 1980s. Below is a chart that shows the trade for each year from 1980 to 2002. We can clearly see that in the first 5 years of the new free market economy that exports quickly increase. In fact from 1980 to 1985, exports increased by about 20% each year (Sarisoym, 2015).

You can also see from the chart that foreign direct investments quickly increased starting after the new reforms to the economy in 1980. While the trade deficit decreased initially, imports also increased after the 1980s reforms, although export did increase more.

**Table 5.** Foreign Trade After 1980

	1980	1983	1985	1987	1988	1989	1990	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports	2.910	5.728	7.908	10.190	11.662	11.625	12.959	15.345	18.105	21.637	23.225	26.261	26.974	26.588	27.775	31.334	35.762
Imports	7.909	9.235	11.343	14.158	14.335	15.792	22.302	29.428	23.270	35.708	43.637	48.559	45.921	40.687	54.503	41.399	51.270
Trade Deficit	- 4.999	- 3.507	-3.435	-3.967	-2.673	-4.167	-9.343	- 14.083	-5.164	- 14.071	- 20.402	- 22.298	- 18.947	- 14.099	- 16.728	- 10.065	- 15.508
Export/Import (5)	36.8	62.0	70.2	72.0	81.4	73.6	58.1	52.1	77.8	60.6	53.2	54.1	58.7	65.3	31.0	75.7	69.8
Export/GNP (5)	4.2	9.2	11.7	11.7	12.8	10.7	8.5	8.4	13.8	12.6	12.5	13.6	13.5	14.5	13.9	21.2	14.5
Import GNP (%)	11.6	15.3	17.0	16.5	15.8	14.7	14.6	16.2	17.8	20.8	23.1	24.1	23.0	22.1	27.3	28.0	28.5
Total World Dexp. (5)	0.152	0.320	0.437	0.410	0.410	0.380	0.389	0.408	0.424	0.423	0.440	0.447	0.498	0.477	0.438	0.512	0.561
Indust.Export/ Total Export (5)	36.0	63.9	75.3	79.1	76.7	78.2	79.0	83.4	85.7	88.2	87.1	88.1	88.5	89.3	91.2	91.5	93.1
Real GNP Growth (5)	-1.1	3.3	5.1	7.5	3.6	1.9	9.4	8.1	-6.1	8.0	7.1	8.0	3.9	-6.1	6.3	-9.5	7.8
Inflation Rate (5) (1)	107.2	30.5	43.2	32.0	68.3	69.6	52.3	58.4	120.6	88.5	74.6	81.0	64.0	52.2	51.4	61.6	50.1
FDI Mills\$ (2)	18	46	99	115	354	66.3	684	636	602	885	772	805	940	738	982	3266	-
TED/GNP (%) (3)	23.5	29.6	37.4	46.1	44.8	38.4	32.2	37.0	50.1	42.6	42.9	43.3	46.8	54.9	58.9	-	-

- (1) Average annual change in wholesale price index  
 (2) FDI: Foreign Direct Investment Realizations  
 (3) TED: Total external dept

**Source:** Utkulu, Seymen, Ari, 2004.

## CHAPTER TWO

### TURKISH TRADE TODAY AND FUTURE ASPIRATIONS

This chapter is about who and what Turkey is trading today. Their top import and export partners as well as the direction they want to go in the future. I talk about what industries Turkey was to develop and expand and which trade partners Turkey wants to increase trade with.

#### 2.1 Current Trade Statistics

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The Turkish economy has grown considerably since the 1980s changes were made and the world economy was opened to the Turkish economy. Both imports and exports have grown drastically, making trade a key component of Turkish foreign policy. As of 2013, Turkey's exports were valued at \$167.6 billion which puts Turkey at 30 in the rank of the world's export, and is up just over \$4 billion from 2012 (\$163.3). As for imports, in 2013 Turkey imported \$242.9 billion worth of goods which put them at 22 in the world for imports. This number is also up, showing that the Turkish economy is still growing, from 2012 when they imported \$228.6 billion worth of goods (CIA Fact book). As you can see by these numbers, Turkey imports more in value than it exports creating a trade deficit.

In 2011 exports were valued at \$135 billion while imports were \$241 billion leaving a trade balance of \$-105.74. Exports amounted to 18% of the GDP in 2011 while the main export product was manufactured goods, the main imported product was machinery and transport equipment (ING, 2012).

According to TurkStat, Turkey's exports reached an all-time high of \$156.6 billion in 2014 which was a 4% increase from 2013.

**Table 6.** Foreign Trade Statistics

USD million							
	2008	2009	2010	2011	2012	2013	2014
Exports (FOB)	132,027	102,143	113,88 3	134,90 7	152,46 2	151,80 3	157,62 8
Imports (CIF)	201,964	140,928	185,54 4	240,84 2	236,54 5	251,66 1	242,18 3
Trade Volume	333,991	243,071	299,42 7	375,74 9	389,00 7	403,46 4	399,81 0
Trade Balance	-69,936	-38,786	- 71,661	105,93 5	- 84,083	- 99,859	- 84,555

**Source:** TurkStat

### 2.1.2 Exports

Since the 1980s economic changes that increased exports in an export-led diversification of the economy, exportation and importation have both significantly increased. A change in the products and structure of exportation has also occurred. Manufactured goods are now one of the top exported products while agricultural goods, traditionally a top export item, constitute a lower percentage of good exported. In recent years, further changes have occurred making electronics and electronic machinery and equipment a growing percent of exported items. This has also happened in the automotive industry with an increase in exported automotive products and equipment. (Invest in Turkey).

**Table 7.** Top 10 Export Product Groups in 2014

	Product Groups	USD billion	Share in total exports (%)

1	Vehicles other than railway or tramway rolling-stock, parts thereof	18	11.5
2	Boilers, machineries and mechanical appliances, parts thereof	14	8.6
3	Knitted and crocheted goods and articles thereof	10	6.4
4	Electrical machinery and equipment, parts thereof	10	6.1
5	Iron and steel	9	5.9
6	Precious stones, precious metals, pearls and articles thereof	8	4.9
7	Articles of iron and steel	6	4.0
8	Non knitted and crocheted goods and articles thereof	6	4.0
9	Mineral fuels, mineral oils and products of their distillation	6	3.9
10	Plastic and articles thereof	6	3.9

Source: TurkStat

The CIA Fact Book cited the main export commodities of Turkey as being apparel, foodstuffs, textiles, metal manufactures, and transport equipment not necessarily in that order (CIA Fact book). It also give the main export trade partners of the Republic of Turkey as Germany, where 8.6% of exports go, Iraq with 7.1%, Iran with 6.5%, the UK with 5.7%, EAU with 5.4%, Russia with 4.4%, Italy with 4.2%, and France with 4.1% of exports going to this country. (CIA Fact Book).

**Table 8.** Major Export Markets in 2014

Markets	USD million	Share (%)
<b>A-EU 28</b>	68,524	43.5
<b>B-Free Zones in Turkey</b>	2,270	1.4
<b>C-Other countries</b>	86,834	55.1

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1- Other European countries	15,186	9.6
2- North African countries	9,757	6.2
3- Other African countries	3,997	2.5
4- North American countries	7,293	4.6
5- Central American countries and Caribbean	938	0.6
6- South America countries	1,852	1.2
7- Near and Middle Eastern countries	35,388	22.5
8- Other Asian countries	11,593	7.4
9- Australia and New Zealand	600	0.4
10- Other countries	231	0.1

**Source:** TurkStat

### 2.1.3 Imports

As for imports, Turkey has made a number of changes since the pre 1980s economy. In an effort to open the country up to accept more imports, it has reduced costumes and aligned itself with the Common Customs Tariff. Since 1980, the aim of Turkish imports can be quickly list as follows:

- To reduce protectionist measures in conformity with the new GATT rules
- To reduce bureaucratic procedures
- To secure a supply of raw materials and intermediary goods at suitable prices with certain quality standards (Invest in Turkey).

Following is a chart of the top 10 imports products of Turkey.

**Table 9.** Top 10 Import Commodities

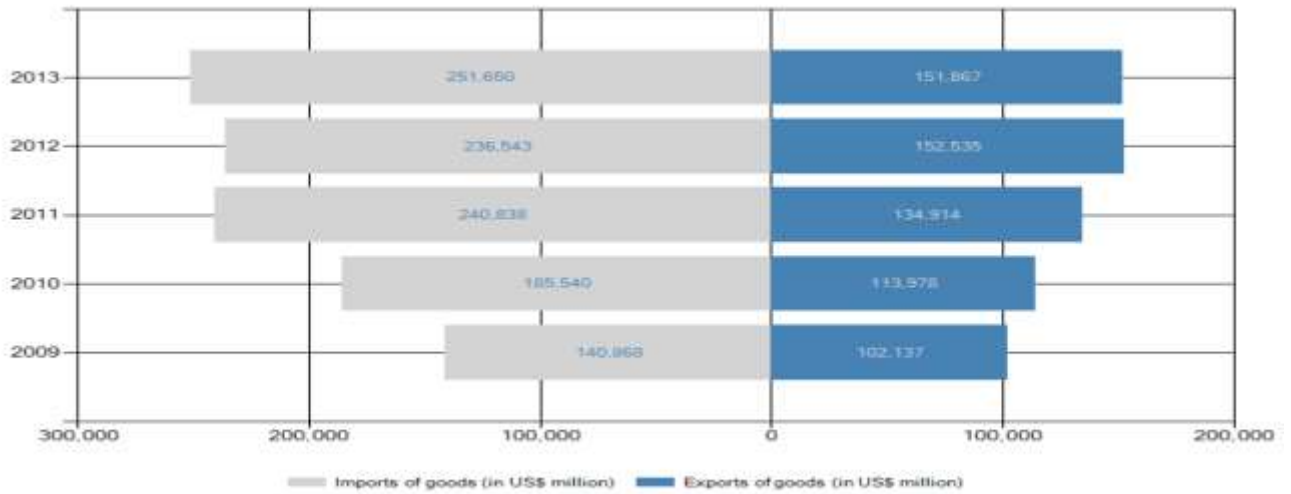
HS Code	4- digit heading of Harmonized System 2007	Value (Million US\$)		
		2011	2012	2013
All Commodities		240,838.9	236,544.5	251,650.6
9999	Commodities not specified according to king	35,423.2	40,729.7	36,542.2
2710	Petroleum oils, other than crude	14,729.1	15,619.2	15,437.1
7108	Gold (including gold plated with platinum)	6,251.5	7,636.7	15,129.2
7204	Ferrous waste and scrap; remelting scrap ingots of iron or steal	9,767.3	9,419.0	7,511.2

8703	Motor cars and other motor vehicles principally designed for the transport	8,477.2	7,251.4	9,130.1
8708	Parts and accessories of the motor vehicles of heading 87.01 to 87.05	5,230.3	4,491.0	4,894.1
8517	Electrical apparatus for line telephony or line telegraphy	2,918.3	2,830.6	3,950.7
3004	Medicaments (excluding goods of headings 30.02, 30.05 or 30.06	3,240.0	2,738.9	2,822.9
7403	Refined copper and copper alloys unwrought	3,125.6	2,879.0	2,730.3
2711	Petroleum gasses and other gaseous hydrocarbons	2,973.6	2,945.7	2,734.5

Source: UN Comtrade and UN Service Trade

The CIA Fact Book cites the main import commodities of Turkey as being machinery, chemicals, semi-finished goods, fuels, and transport equipment (CIA Fact Book). It also cites the main import country partners of Turkey as Russia with 11.3% of Turkey's imports, Germany with 9%, China with 9%, the U.S. with 6%, Italy with 5.6%, and Iran with 5.1% of Turkey's imports as of 2012 (CIA Fact Book).

Below is a charts that show Turkey's trade balance and how although exports have grown dramatically in the past decades since the reforms of 1980, imports have grown as well and Turkey continues to have a trade deficit.



Source: International Trade Center

Figure 1. Evolution of Imports and Exports of Goods

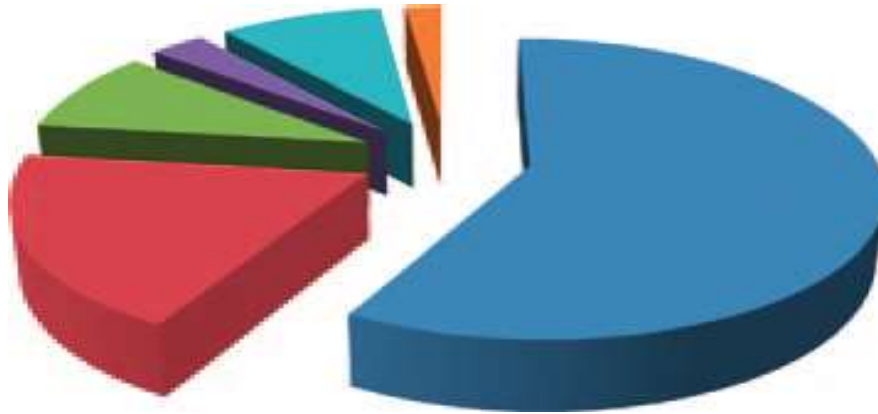
### 2.2.1 Future Goals

Turkey has, ever since the fall of the Ottoman Empire, been trying to reestablish itself as a regional power and influence. Today, its goal is to do that through energy resources (Rzayeva, 2014). Because of its unique position at the cross roads between the west (Europe) and the east (Middle East, Asia, Russia), it can realize this goal. Although Turkey itself does not have much in the way of gas energy, contributing only 2% to its own consumption, (Rzayeva, 2014) its position allows it to be a transporter of energy from the suppliers in the east and Russia, to the consumers in Europe. Turkey has been struggling to develop itself and take part in a big way in the global economy, but it is making head way to becoming a key gas and oil importer and exporter. (Baran).

### 2.2.2 Oil and Natural Gas

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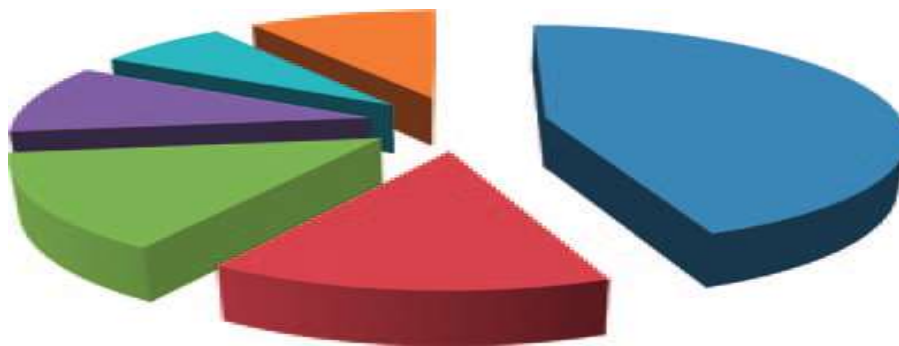
Turkey's energy minister at the time, Taner Yildiz, who served under prime minister Recep Tayyip Erdoğan, outlined in the 2010-2014 energy plan two main points. The first is that Turkey should decrease its dependence on the imports, and the second is that it should increase the amount of energy that is transported through Turkey (Coskun and Carlson, 2010). Another goal for Turkey is to achieve energy security. This means not having to rely on imported energy and being able to supply its own people with low cost energy. In the meantime while they work on a plan to achieve energy security, Turkey doesn't want to receive more than 50% of the amount of natural gas that they consume from any one country. Right now, they are receiving about 60-65% from Russia, so this goal is aimed mostly at reducing their consumed import from Russia and finding that energy elsewhere. In total, Turkey imports gas from 5 countries. They are Russia, Azerbaijan, Iran, Algeria, and Nigeria. The gas from Russia is imported through 2 pipelines. Azerbaijan and Iran share the Baku-Tbilisi-Erzurum (BTE) pipeline which is also known as the South Caspian pipeline. The gas from Algeria and Nigeria, as there is no pipeline from these countries to Turkey, is transported in a liquid gas form on cargo ships. Turkey imports a relatively low amount of gas from these North African countries as it receives most of what it consumes from Russia, Azerbaijan and Iran. (Coskun and Carlson, 2010).



**Russia; Iran; Azerbaijan; Algeria; Nigeria; Spot NLG.**

**Figure 2.** Turkey's natural gas imports by country, 2011 (Arcuri, 2013).

As stated before, Turkey only domestically produces 2% of its energy demands. Turkey has a huge dependence on natural gas and oil for its energy, taking up 60% of its total energy demands. Very little of these hydrocarbons are found within the borders of Turkey, so it must import them from the Baltic countries and the Middle East. (Arcuri, 2013)



**Iran; Iraq; Saudi Arabia; Russia; Kazakhstan; Other**

**Figure 3.** Turkey's crude oil imports by country (January–September 2012).

With Russia and China emerging as the energy powers, Turkey finds itself in the center of energy politics as the gateway between suppliers and consumers. It has the potential to become an energy hub and is working to achieve this in the near future. With its perfect geopolitical position at the cross roads of the emerging powers between the suppliers and the consumers, Europe consuming the most natural gas in the world, it is in the perfect location to do

this. In fact, many oil tanker and liquid natural gas (LNG) carriers pass through the Bosphorus and Dardanelles straits carrying the energy to the world markets. Because of the danger of an accident and the consequence of an environmental disaster, major companies allow with the Turkish government are constructing a Samsun-Ceyhan pipeline to carry this energy instead of the ships. (Arcuri, 2013). Turkey is actually close to 70% of the world's established oil and gas resources making it a natural bridge between consumers and suppliers (Stern).



**Figure 4.** Turkey's oil and gas pipelines. Those made, under construction and planned.

Turkey has focused on natural gas as a main energy source for their own consumption as well as for importing and exporting to other countries. One reason is Turkey's close proximity to natural gas fields in the Baltic countries and Iraq. Another reason Turkey has decided to focus on natural gases is because global consumption has risen considerably in recent years and is expected to continue to rise. Turkey is positioned as a bridge between the areas when natural gas is produced and those where it is consumed at the highest rates. Right now Turkey imports most of its natural gas from Russia. It is highly dependent on Russia but is looking to diversify its sources of natural gas. It is looking to strengthen its trade relations with the Baltic countries and the Middle East (Arcuri, 2013).

There is also a proposal for a new pipeline that will run from Azerbaijan through the mountains of Georgia in to Turkey and then progress into Europe and end in Austria. This pipeline would bypass Russia and be a new supply line for Europe who is trying to diversify their energy supply due to the unrest with Ukraine and Russia which has disrupted their supply. This pipeline will help Turkey become the energy hub it wants to be (Meibidu and Ali, 2010).





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Source: Meibodi and Ali, 2010

**Figure 5.** Proposed Pipeline Traversing Turkey

Turkey has been trying to establish itself as a regional power since the fall of the Ottoman Empire. In the last few years it has seen this goal become a reality. As one of the few stable countries in the region with the Arab Spring, Turkey has developed itself as a stable and powerful regional entity. Despite this new role, Turkey has energy and internal conflicts it must deal with. As of now, Turkey relies on a few countries, mainly Russia, for most of its energy. With the situation in Ukraine making some of the pipelines and supplies from Russia in potential harm, Turkey needs to focus on widening its sources for energy. One place they have been able to do that is in the KRG region in northern Iraq. This helps Turkey on two fronts. It widens its source of energy and is able to receive quite a bit from one of the few stable areas left in the region. And secondly, it helps with its own Kurdish population. If Turkey forms strong ties with the semi-autonomous KRG government, it can then help Turkey keep its own Kurds, mainly the militant PKK and Syrian PYG groups from rising up and demanding their own freedom. The KRG and the PKK are traditionally enemies and crossed swords in the Kurdish civil war. However, in recent years, just as Turkey opened trade relations with the KRG, they also reopened peace talks with the PKK. This all serves Turkey's security problems by showing that they are not against dealing with the Kurds by trading with the Iraqi Kurds, and that they are willing to talk about peace and come to a solution with their own domestic Kurdish population. At the same time, Turkey is forming a strong relationship with the KRG which are historically enemies of the PKK who have shown they have the power to disrupt the gas pipelines that come in to Turkey. So, if things come to a fight again in Turkey, they will be able to count on their new allies, the KRG and enemies of the PKK to help them against the rebels. (Paasche and Mansurbeg, 2014).

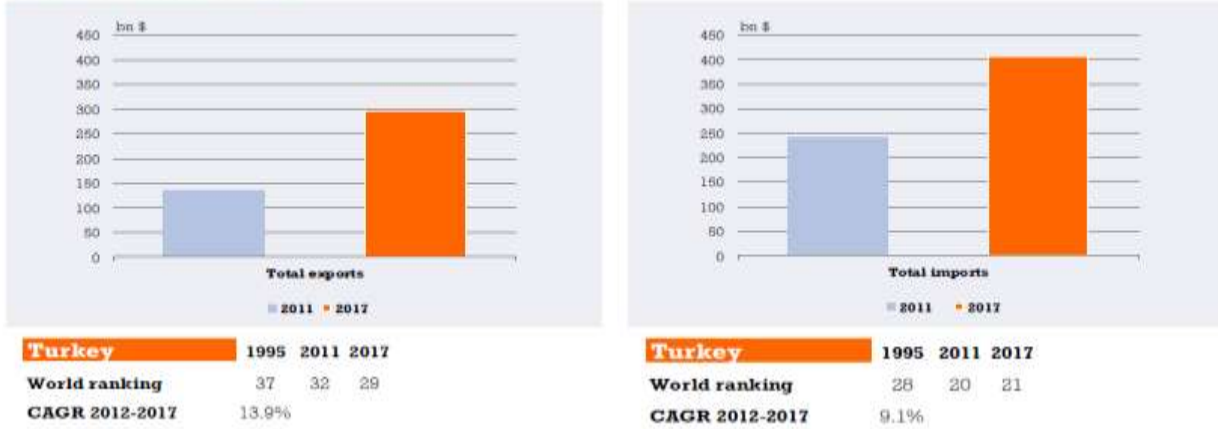
### **2.2.3 Diversification**

Turkey, who is importing most of its energy resources needed to meet its energy need is very dependent on Russia for these resources. As Turkey looks to establish itself in the region as a major political play and energy hub, it is looking to diversify the countries it imports energy from so as to be more stable in the event of a disruption politically or otherwise. As Europe now finds itself without the oil previously received from Russia due to the crisis in Ukraine, Turkey is becoming an increasingly good alternative to Russian oil. Although Turkey does not have much in the term of oil with in its boarders, it is positioned perfectly to act as a cross roads between suppliers and consumers, mainly Europe.

Turkey is perfectly positioned to handle large amounts of imports and exports because of the seas along its boarders. It is also a bridge between the east and west and has traditionally been the route of trade between them with the Silk Road. Turkey is trying to redevelop that Silk Road in modern terms and establish itself as a crucial road and bridge between the east and the west. (Deggin, 2013).

ING did a study on Turkey to see what we can expect in terms of the economy and foreign trade. What it found was that the growth we have seen in Turkey in recent years, since the 1980s, we can expect to continue. The fact is that Turkey has just started establishing its presence on the world trade market. Its annual growth is higher than the world average. It is a large country perfectly situated to establish itself as a key and very import trade partner to many of its neighbors and allies. Below are projected export and import numbers based on IGN's study.

## Trade forecast



Source: ING, 2012

Figure 6. ING Future Forecast

Because of the global recession in 2008, and the affect it had on the European market, which is Turkey's largest market for exports, Turkey realized the need for diversifying its export destinations. The European Union, like many, was hit hard by the 2008 economic crisis and because of this Turkish exports were affected. This, along with regional destabilization, altered Ankara to the need for diversifying Turkey's trade partners, for both exports and imports. They have done that in recent years with the opening of trade with the KRG in Iraq, and exporting to Africa. (Akdogan, Oguzlu, Ozcetin, Baser, Ozbudun, 2014). Ever since in the change to a free market economy in 1980, with the mentality of trade relations being key to preventing wars and disputes, Turkey has greatly diversified its trade partners.

## CHAPTER THREE

### ORGANIZATIONS AND SANCTIONS

In this chapter, I will list and explain the different trade organizations that Turkey is a part of and what their goals are as well as some other partners. I will also talk briefly about some of the sanctions Turkey has taken against other countries and why, showing the use and purpose of enacting sanctions and the economic and political values.

#### 3.1 Trade Organizations

Since the expansion of the Turkish economy in the 1980s, and the encouragement of exports and imports, Turkey has joined a number of international trade organizations to help form good relations and become strong trade partners with countries around the world. Some of those organizations are as follows:

##### 3.1.1 The Organization for Economic Cooperation and Development (OECD)

After the end of the Second World War, Europe founded the Organization for European Economic Cooperation to run the Marshal Plan whose goal was to reconstruct the war destroyed Europe. Because of its success, and out of a need for European cooperation, the Organization for Economic Cooperation and Development was founded in 1960 and implemented in 1961. Turkey signed on August 2, 1961. This organization which today is made up of 39 countries who are responsible for 80% of world trade, was founded to solve the problems facing the economic world. It addresses the problems, analyzes them and together, the countries try to come up with a solution. This organization was founded with the purpose of bringing countries together to solve the problems that face them. It was a direct response to the chaos and disparity that the World Wars left Europe in. (OECD.org, 2015).

##### 3.1.2 Organization of the Black Sea Economic Cooperation (BSEC)

This organization came in to effect on June 25, 1992 with the signing of the Istanbul Summit Declaration and the Bosphorus Statement. This organization was signed by the heads of state of the countries surrounding the Black Sea and it is a multilateral political and economic initiative. It was legally and internationally recognized on May 1,

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1999 and a full-fledged economic organization. “Aiming at fostering interaction and harmony among its members, as well as to ensure peace, stability and prosperity, encouraging friendly and good-neighborly relations in the Black Sea region, today BSEC serves as a forum for cooperation in a wide range of areas for its 12 Member States: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine.” (bsec-organization.org, 2015). This regions oil and natural gas reserves are second only to that of the gulf region.

### **3.1.3 Organization of the Islamic Conference (OIC)**

The Organization of the Islamic Conference was established on September, 25<sup>th</sup>, 1969 in Rabat. It was organized in response to an arson attack on the mosque of Al-Aqsa in Jerusalem on August 21, 1969. Its purpose today is to “strengthen solidarity and cooperation among Islamic States in the political, economic, cultural, scientific and social fields.” (Republic of Turkey Ministry of Foreign Affairs, 2011). There are 57 member states who meet regularly to assess the progress on implemented projects and think of new ones. This organization aims to foster close ties with other Islamic states though economic and trade relations (Republic of Turkey Ministry of Foreign Affairs, 2011).

### **3.1.4 World Trade Organization (WTO)**

Turkey has been a member of the World Trade Organization since March 1995. The WTO is an organization who “provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus contributing to economic growth and development.” (World Trade Organization, 2015). Its main purpose is to ensure the smooth flow of traded good from one country to another in a timely, safe and predictable way. It works with its member states to open up the world market and increase the volume of traded good between nations. It also supplies legal and institutional frameworks for the monitoring of these trade agreements. The WTO is based on negotiation and the signing of agreements that form trade relations between nations. It was established in 1995 to replace the General Agreement on Tariffs and Trade (GATT) which was established in 1947. Turkey signed GATT in 1951. (World Trade Organization, 2015).

### **3.1.5 World Bank**

The World Bank was established in 1944 and is not a bank in the traditional sense. Rather, it has two main goals, one; to end extreme poverty by 2030, and two; to promote shared prosperity by fostering the income growth of the bottom 40% for every country. The World Bank has projects all over the world and helps countries to develop and expand their economies. Turkey has grown spectacularly in recent years and will continue to do so with the help of the World Bank. (World Bank Group, 2015).

### **3.1.6 United Nations Conference on Trade and Development (UNCTAD)**

The United Nations Conference on Trade and Development was established in 1964 in response to the growing concern about where the developing countries were on the scale of international trade. This conference meets every four years to discuss the problem and possible solutions that developing countries face in terms of international trade and establishing themselves in that world. (UNCTAD, 2013).

### **3.1.7 World Customs Organization (WCO)**

The World Customs Organization was established in 1952 as an independent intergovernmental organization whose purpose is to enhance the effectiveness and efficiency of Customs administrations. There are 180 customs administrations within the WCO and collectively they process about 98% of the total of world trade. This organization supplies conventions to train custom personnel and actively supports the modernization of its members customs processes. By improving and training custom administrations, the WCO increases and smooths the process with which goods are transported and traded between countries.

### **3.1.8 International Chamber of Commerce (ICC)**

The International Chamber of Commerce was founded in 1919 in the aftermath of the destruction of the first part of the twentieth century. It was founded in the private sector with the aim at fostering trade relations that would not only help to grow and stabilize the economy but also to bring peace to the world through the foundation of trade relations. Today, the ICC has many companies and 120 countries for members. Turkey is a national committee. National committees are formed from leading companies and business associates in their countries. They help to shape policies and inform their governments of international business concerns. (International Chamber of Commerce).

### **3.1.9 International Monetary Fund (IMF)**

The International Monetary Fund was founded in 1945 and today consists of 188 countries. Its purpose is to “foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.” (IMF.org). It was conceived at a UN conference and brought about to prevent a second great depression. The primary purpose of the IMF is to make sure that the international monetary system is stable. It does this a number of ways like monitoring the international exchange rates and systems of payments that allow countries to conduct business and trade. (IMF.org).

### **3.1.10 Customs Union**

Turkey entered into a custom union with the European Union through the signing of the Ankara Agreement in 1963. This would lead to the opening of the European market to the Turkish economy and vice versa. This union included industrial products and processed agricultural good. This customs union had many benefits including aliening Turkey with EU standards and markets, lowering duties and tariffs and establishing deeper trade relations (European Union, 2015).

### **3.1.11 European Free Trade Association (EFTA) and Free Trade Agreements**

The European Free Trade Association was established in 1960 in an effort to foster close trade relations and open up member states economies to each other. Free Trade Agreements let third party nations in on the trade agreements. They open up the economies removing many barriers and making trade between countries easier and more accessible. (European Free Trade Association). Turkey has Free Trade Agreements with the following countries; Iceland, Norway, Switzerland and Lichtenstein, Georgia, Israel, Macedonia, Bosnia-Herzegovina, Tunisia, Morocco, Palestine, Syria (currently pending due to the civil war and chaos), Egypt (newly reinstated), Albania, Montenegro, Serbia, Chile, Jordan, Mauritius, and South Korea (Invest in Turkey).

Turkey’s membership in all these trade organizations and many more international organizations help it to be involved in the international trade world and hold an important place and partnership with many countries. With these memberships and support, Turkey has been able to increase its volume of trade almost every year. Turkey is a strong country just beginning to take its place on the world stage.

## **3.2 Sanctions**

Turkey has imposed sanctions on a few governments. These sanctions either completely stop trade or significantly slow it down. There are a few reasons Turkey has imposed these sanctions. In the case of Iran, it was at the urging of the United States and the European Union who both imposed sanctions against Iran on their own. For Syria, it was because of the government’s treatment and crack down on its people, which Turkey saw as unfair and wrong. For Egypt it was due to the over throw of a democratically elected government. Sanctions are a political tool that has economic repercussions.

### **3.2.1 Iran**

In 2012, the U.S. urged Turkey to impose sanctions against Iran and to curb their trade with the country. Prior to the sanctions, Turkey and Iran where trading \$21 billion worth of good, \$ 9.9 billion in exports and \$11.9 billion in imports for Turkey. Natural gas is the main commodity traded between countries and this has not gone down so much since the adoption of the sanctions in 2012. This is because Turkey relies on natural gas and Iran is the main supplier. However, in recent years, imports from Iran have gone down a little due to the sanctions as well as the newly formed relations between Turkey and northern Iraq. Mainly oil imports have gone down. Turkish exports to Iran in 2014 were \$3.88 billion, quite a bit lower than in 2012.

A renewal of heightened trade relations is on the horizon as Prime Minister Recep Tayyip Erdogan visited Tehran in the spring of 2015. Both countries wish to increase the volume of trade. With the sanctions still imposed on Iran from the western world, Turkey presents a way to export its natural gas to the world, while Iran is Turkey’s only remaining option of accessing the Middle Eastern market. Turkey used to export its products through Syria, but due to the war that is no longer an option. Egypt has also said it would close its roll-on roll-off access to Turkey making Iran the only viable option to access the Middle Eastern economy for Turkey. In 2014, the two countries met to ramp up trade and mend their relations (Cetingulec, 2015).

### **3.2.2 Syria**

Turkey started to impose trade sanctions against Syria in November of 2011. Turkey and Syria had previously been good trade partners but when the government of Syria started to crack down on its people who were protesting the government, Turkey took action. Ankara has not supported Assad’s government for some time but the violence

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and start of the civil war in 2011 caused Turkey to cut trade with the country, especially the trade of arms. The possibility of cutting electricity and water for Syria was dismissed as it would hurt the people more than the government. Since 2011, Turkey has not officially conducted trade with Syria (Al Jazeera and agencies, 2015).

### **3.2.3 Egypt**

On July 30, 2013, Turkey imposed sanctions against Egypt. Its reason was that the government was mistreating and violent against demonstrators of democracy. It also cited the reason of the first democratically elected government in Egypt being overthrown in a coup. It cut some 27 critical agreements and protocols that had been signed with the Morsi government. It also stalled the sale of an ANKA drone to Egypt, one of the most advanced drones and stop military bilateral training with Egypt (Turkish Agenda, 2013).

### **3.2.4 Russia**

Although Turkey did not take out sanctions against Russia, it was strongly urged to do so by both the United States and the European Union. In December of 2014, Turkey was urged to impose sanctions against Russia for its activity in Ukraine. However, Turkey said that it would not impose sanctions against Russia, one of its most important trade partners, and has made steps to increase its trade from \$33 billion to \$100 billion by 2020. Turkey has met with Russia to discuss picking up some of the trade blocked by the United States and EU in an effort to increase the trade between these two countries. Russia is one of Turkey's most important trading partners as it supplies most of its oil. Russia commended Turkey for not imposing sanctions and continues to work closely to increase their mutual trade (Erkus, 2014).

## **CONCLUSION**

Turkey has, in recent years, mainly since the 1980s, expanded and developed its trade greatly. It has become a major trade partner for European Countries and the United States as well as for Russia and China. Although Turkey itself does not have many natural resources, it has established itself as a valuable trade partner in export manufactured goods, electronics, transportation equipment, agricultural products, and fuels such as oil and natural gases. Because of its unique geographic location connecting the Asian continent to that of Europe, Turkey also finds itself as a bridge between the oil and gas rich Middle East and the highly dependent Europe.

In 1923, Turkey inherited the crumbling economy of the Ottoman Empire. For many years it has in inward focused economy which the government controlled and regulated at some points. Turkey tried to develop its private sector but didn't manage to until it opened its economy up in the 1980s. For the first 5 decades of Turkey being a country, agricultural products constituted the highest number of export. After the changes made in the 1980s, the opening of the economy and changing it from being focused inwards to a free market economy which encouraged investment and the expanding of imports and exports, the industrial manufacturing industry took off and replaced agriculture as the main export sector.

Because of its geographical location and dreams of being the regions super power, Turkey is working to establish itself as the energy hub of the region. It wants to, in the next few years, greatly increase its volume of oil and natural gas imports so that it can export them to the highly dependent and excessive consumer that Europe is. The 2008 economic crisis also alerted Turkey to the fact that it needs to diversify the countries it imports from. Especially energy oils and gas. The Ukraine situation has disrupted Russia's flow of oil to Europe and Turkey realized that it cannot be stable if it relies so heavily on one country for a commodity that is so important. Therefore, in the coming years, Turkey is looking to diversify the locations it receives its oil and gas from. It has started to do this with the newly formed trade relation of the KRG in Iraq.

Since the opening of its economy in the 1980s, Turkey has joined many trade organizations and developed many trade agreements with lots of countries all over the world. Europe, Russia, and Iran are some of Turkey's biggest trade partners. Through these trade organizations, unions and agreements, Turkey has expanded its trade and increased its relations.

Turkey has used sanctions to protest a countries politics and to show the world it does not agree with their methods, like in Syria. Other times, power countries such as the EU and U.S. have urged Turkey to impose sanctions but it has refused because it would have hurt its trade and economy, like with Russia and Iran.

Turkey has, since its independence, come a long a way and succeeded in developing its economy and establishing itself as an important trade partner and possible regional power.

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