

TURKEY: THE CAUSALITY DILEMMA OF ECONOMICS AND POLITICS

By

NATALIE RAE CHAMBERS

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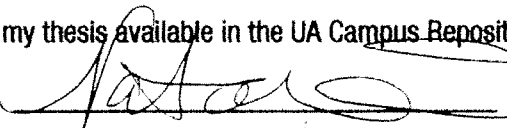
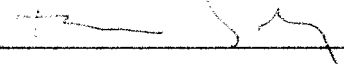


**Dr. Thomas Volgy
Department of Political Science**

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Abstract

This thesis examines if Turkey's economic relations with the European Union have impacted its political orientation between the European Union and the Middle East. The research analyzes trade flows between Turkey and these two regions while utilizing statistics on embassy establishments, high level representative visits, and events both conflict and cooperative, sent from one country's policy makers to another to understand Turkey's recent political and economic trends. Determining each region's actual involvement compared to their available involvement in trade and political relations, this thesis examines potential shifts over the past 12 years while looking at data that extends back 60 years.

The results indicate found that although there are shifts in Turkey's economic relations with the Middle East and the European Union, they were preceded by political shifts since the 1980's. This was determined through significant increases in diplomatic ties with the Middle East primarily in the 20 years before the increase in trade with the Middle East developed. Data analysis showed there was no apparent correlation between number of events sent or received and the percent of trade that was shared with each region.

Introduction

After the fall of the Ottoman Empire, Turkey arose as an independent nation; dedicated to creating a Turkish lifestyle including a distinct language and governance. Now after 89 years of establishing itself as the Republic of Turkey, placing itself on the international political and economic spectrum, it has come to a crossroads where it has the ability to establish its political, economic and, perhaps, even cultural identity between the European Union strive for Europeanization or a dominant member within the Middle East. The central question I hope to answer in this paper is if Turkey's economic relations with the European Union and the Middle East impact its political orientations with Middle East. To answer this question, I will analyze Turkey's current economic situation and how the trade patterns of Turkey have evolved over the past 16 years to understand how trade has changed and could have assisted in Turkey's current global status and the implication for its trade in future trade. I will utilize total trade values to make a comparison between Turkey's trade with the European Union and countries of the Near and Middle East. In addition, I will consider how the creation and adherence to new Free Trade Agreements and joint business councils demonstrates a potential shift in Turkey's economics and trade toward the Middle East. Simultaneously, I will analyze and explain detailed accounts of diplomatic ties and state events and interactions

between Turkey and the European Union as well as Turkey and the Middle East to understand how aspects of Turkey's politics are oriented. To conclude, I will explore the idea that instead of economics impacting Turkey's politics the inverse may be occurring, as Turkey's political shifts seem to have occurred prior to any significant changes in Turkey's economic status or economic policies. This discussion will include the implications of Turkey's political and economic shifts on Turkey's future political and economic relations including the nature of the reorientation, how the shift is and will affect the European Union and the Middle East, and how this reorientation will affect Turkey's overall geopolitical position between the two continents.

Economic and Foreign Trade Foundation

Before discussing the current situation in Turkey it is important to understand why a decade of thriving economic growth in Turkey is so significant both on a domestic and international level. Since the establishment of the Turkish state the economy has been anything but stable. The country has endured continual macroeconomic instability, numerous financial crises, and several governmental reforms and restructurings that have completely altered the economic approach and structure. If we focus just on the past three decades, the volatile nature of the Turkish economy is evident. During the 1980's Turkey focused on an export-oriented growth policy, aiming to open the economy to the global market. It was successful in increasing its role in foreign trade and was able to maintain relative import-export balance preventing any major economic crises. However, in 1987 this policy was reversed, creating a radical shift away from export-orientation and Turkey's inflation rate drastically increased to over 80 percent, creating a significant trade imbalance. The 1990's in Turkey have often been referred to as the lost decade due to compounding financial crisis and economic troubles that plagued the government and the people for nearly 10 years. During this time there were four primary recessions in Turkey: 1991, 1994, 1998 and 1999. These recessions were in part caused by a significant

trade imbalance from the previous decade creating complete stagnation of foreign trade contributing to problems in the overall economic sector. In 1998 and again in 1999 the Turkish government, through the aid of the International Monetary Fund (IMF) implemented various programs that initially showed promise for an end to the economic turmoil but the country was again devastated by a financial crisis in November 2000 and February 2001 leaving them in need of major economic reform. After the crisis in 2001, Turkey needed to shift away from its reliance on foreign investment and external borrowing to establish a new way of creating GDP growth. It restructured its monetary policy to be managed by the independent Central Bank, with a floating currency, an inflation-targeting framework, and stricter regulation and oversight (Rodrik 42). Over the past decade, since this most recent restructuring of the government, Turkey has seen remarkable economic growth including having the world's second highest real GDP percent increase in 2011 at 8.5 percent next to China according to the World Bank. Although Turkey did face severe effects from the 2008-09 financial crisis, its strong economic foundation built over the previous 7 years prevented a complete crumbling of its economic structure and allow for a quick recovery.

Throughout these past 3 decades and even extending back into the early 1960's, Turkey has built strong economic ties with the European Union. The economic relationship between Turkey and Europe primarily began in 1963 with Turkey's relations with the European Economic Community, which later became a main pillar for the European Union. In 1963 the two parties signed the Ankara Agreement, which was comprised of a 3-phase process of implementing Turkey into the European Common Market eventually through a customs union to be established in the 3rd stage of the plan ("Customs Union"). In 1995 Turkey completed the transition period, and on January 1st, 1996 the Customs Union Agreement was completed ("Customs Union"). The Customs Union Agreement was intended to have many short and long-term positive effects both for Turkey and the European Union and serve as a major step toward full European Union membership. Through data analysis of Turkish foreign trade and the EU's total trade with Turkey it is clear that

with the help of the Customs Union Agreement Turkey's long standing trade with European states particularly those of the EU have created a high level of trade that will presumably last a long time.

Due to Turkey's historical relationship with the European Union, I anticipated that the EU would continue to dominate Turkey's economic foreign policy, particularly its trade relations. However, I expected that this relationship, although strong, would decrease as Turkey has notably slowed pursuits in becoming a member of the European Union. As Turkey has established one of the world's top economies while the EU faces continual economic issues throughout its various states, Turkey has had ample incentive to focus its efforts on internal development and global expansion moving away from a historically strong desire to join the EU. I expected that Turkey's natural response to changing economic relationship with the EU would be to look to increase political relations with Middle Eastern states, as Turkey's strategic location between the two continents gives it power particularly if it can maintain positive economic and political relations across its borders. If economic activity with the Middle East were actually increasing, there would then be a reactive transition in Turkey's policies and diplomatic relations that are increasingly positive towards the Middle East. Given a political and economic reorientation, I presumed Turkey's global status would change as it became more dominant in its foreign relations with an increasing Middle Eastern orientation.

Data analysis of the Shift

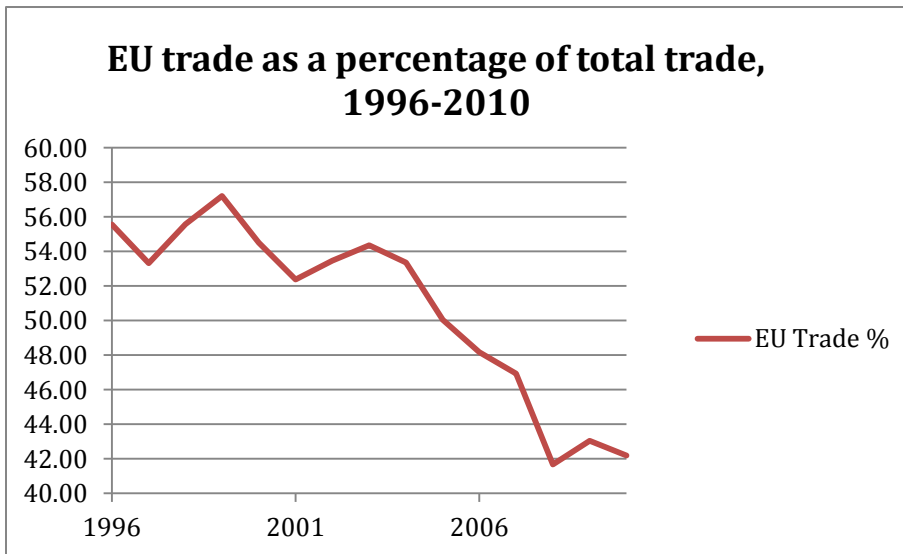
Today, however, after a decade of economic success and what appears to be a stable economic environment in Turkey, the political and economic sectors are beginning to show signs of a shift in orientation Eastward. Even with a strong establishment of foreign trade with the European Union, Turkey's recent trade statistics indicate increasing rates of trade towards the Near and Middle East and decreasing rates with the EU. As Turkey's economic strength rises, via its stable economic structure and continues to emerge strongly as a dominating world economy, now at 17th in

the world with thriving industrialization, the Turks are beginning “to see themselves once again at the centre of a world emerging around them rather than at the tail-end of a European world that is increasingly uncertain about whether or not it sees Turkey as part of itself” (Hall 73). If Turkey is able to maintain its current economic course then it will not only have the economic ability to more directly control its foreign trade but its geopolitical stance creates countless opportunities for Turkey to rise into a position of power on the global economic and political scales. For decades, Turkey’s shaky relations with some Middle Eastern countries prevented the value of Turkey’s key geographic location to reach its full potential. It is now clear though that Turkey is quickly building up the importance of its geographic location as it provides more opportunities for Europe to extend its international reach.

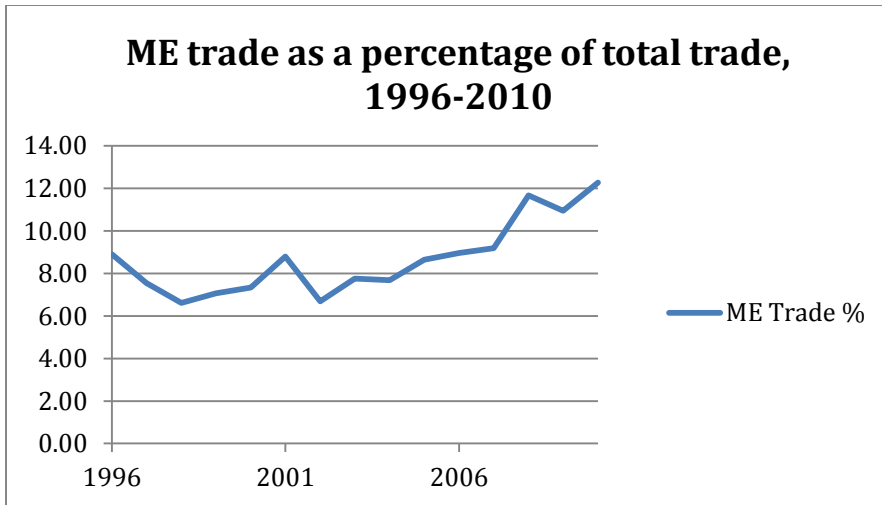
Although it may be more dramatic to argue that Turkey has turned away from the EU by analyzing all of Turkey’s foreign trade partners, particularly trade with China, Russia, and the United States which contribute on a large scale, trade much closer to that of the EU, this report will focus on the growing trade with Middle Eastern countries because although overall trade percentages with the Middle East are much lower, the political implications associated with a steep increase in trade between the Middle East and Turkey create effects that impact two large regions simultaneously. In addition, Turkey’s strong push to become a European country has been on the international scene for decades; therefore this shift raises questions of Turkey’s future economic and political position.

Through analysis of Turkish trade patterns both with the European Union and the Near and Middle East over the past 16 years, trade rates show that Turkey has been shifting away from trade with the European Union and increasing trade to the Middle East. Using data from the Turkish Statistical Institute and the Organisation for Economic Co-operation and Development (OECD) in which the data is based on values controlled for inflation, I have conducted calculations on the trade values between Turkey, the Near and Middle East (see appendix 1) and the European

Union. Using OECD statistics on Turkish trade as percent of GDP with regional trade data from the Turkish Statistical Institute the results showed that trade with the European Union as a percent of total trade has in fact decreased by 15 percent since 1998 (graph 1). However, that is not to downplay the role of EU trade in Turkey's foreign trade because even with the decrease, trade with the EU still constitutes just under half of total trade at 42.2 percent. Since 1998 trade between Turkey and the Middle East as a percent of total trade has increased by 5.7 percent (graph 2). Although Turkey may not be directly substituting particular traded goods from the EU with the same goods from the ME, as these two regions specialize in different types of foreign trade, the in overall foreign trade numbers are changing at similar rates signaling a reorientation.

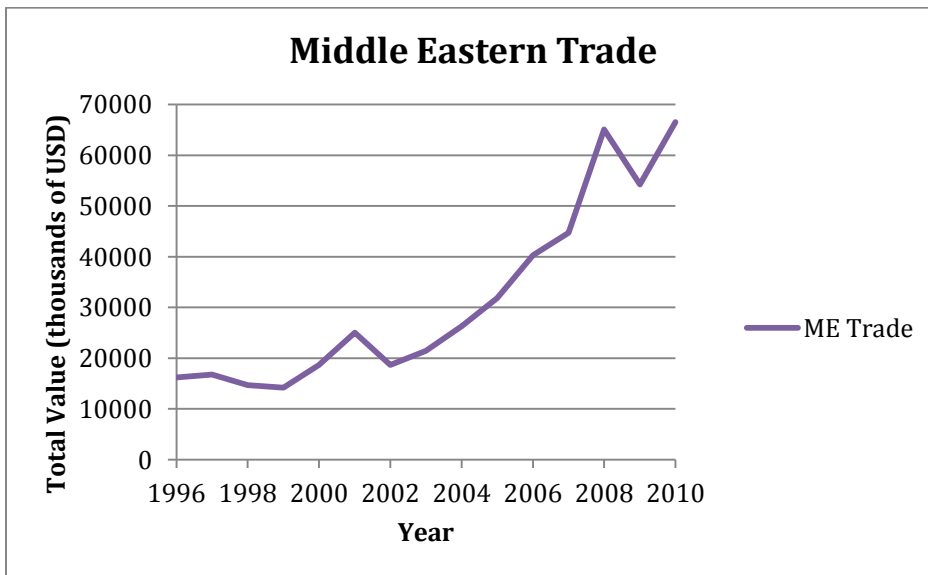


Graph 1: Evolution of percentage of the EU trade respect the total amount of trade from years 1996 to 2010.



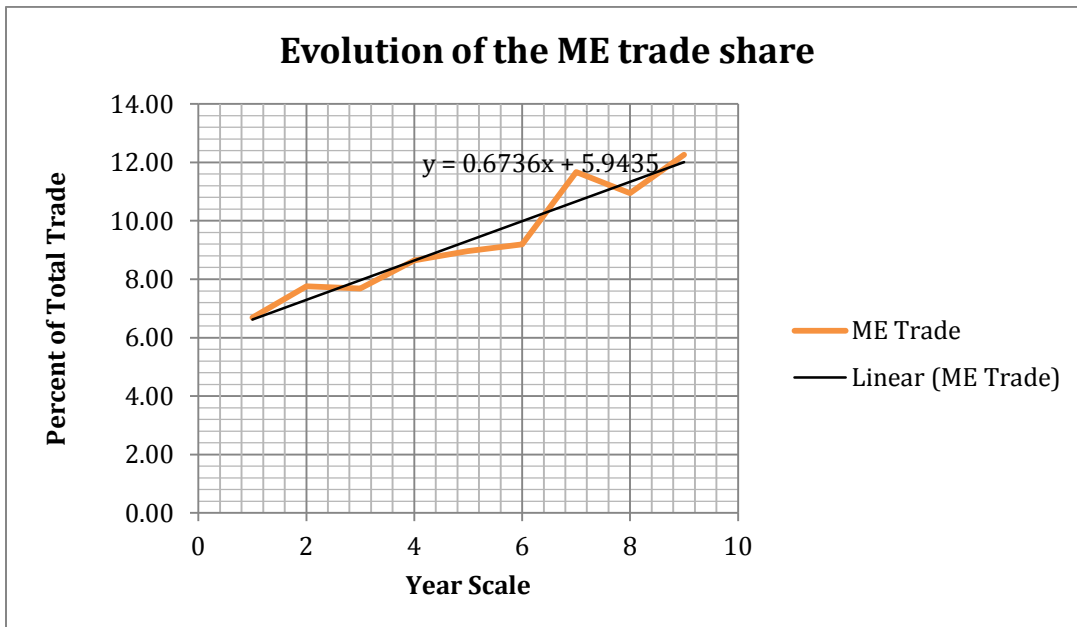
Graph 2: Evolution of percentage of the ME trade respect the total amount of trade from years 1996 to 2010.

Although these graphs demonstrate a clear change in trade with the two regions, they do not emphasize the significance of foreign trade between the Middle East and Turkey. However, after analyzing data about total value of trade with the Middle East and the rates of increase of Middle East trade the intensity of the shift eastward in terms of foreign trade becomes clear. Although the Middle East trade as a percent of total trade remains small in comparison to the European Union the amount of total trade from year to year with the Middle East is increasing at an exponential rate. (see graph 3)



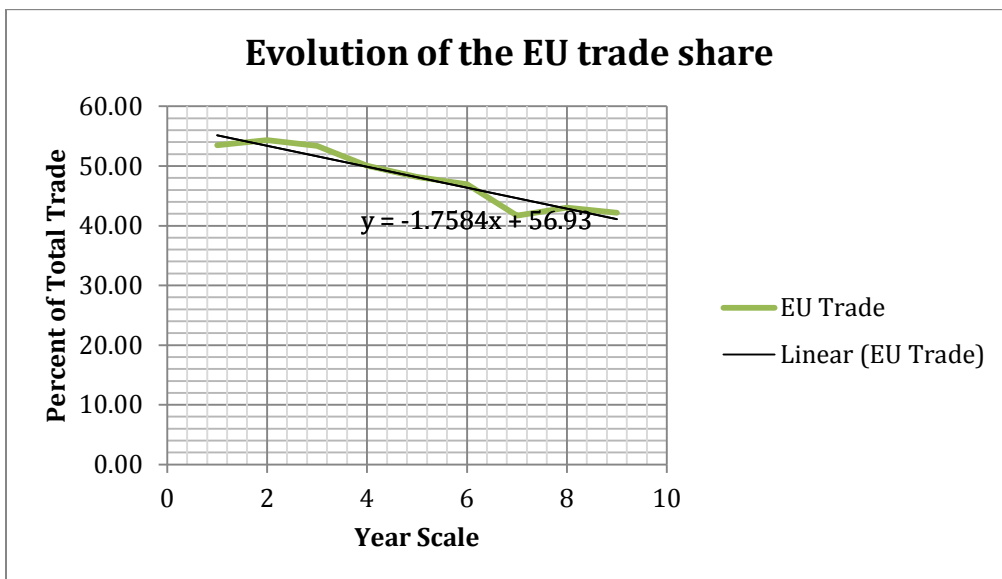
Graph 3: Evolution of the trade corresponding to the Middle Eastern countries, shown in thousands of USD (non-inflationary) on years from 1996 through 2010.

Graph 3 shows the amount of total trade between the Near and Middle East and Turkey since 1996. Trade remained low until Turkey’s radical policy shifts after the 2001 economic crisis and the rise of the Justice and Development Party, known as the AKP, in 2002 at which point, we begin to see Turkey’s trade increase radically. The only point since 2002 where the trade values have failed to increase at such high rates is in 2008-09 during the financial crisis when Turkish trade decreased with every region. Since this point Turkey has resumed nearly the same increasing rate of trade with the Near and Middle East. This drastic change in foreign trade over the past 10 years suggests that Turkey’s radical economic success has allowed Turkey to become more selective with its foreign trade, thereby creating its own economic path. To demonstrate this further, I have graphed a linear trend line and determined an equation to represent the growth of the Middle East trade share on Graph 4.



Graph 4: Linear Trendline of Turkey’s Trade with the Middle East, which demonstrates a positive growth rate of ME trade with Turkey over an 8 year period. Year scale begins with 1 representing the year 2002 and progresses by one until 2010.

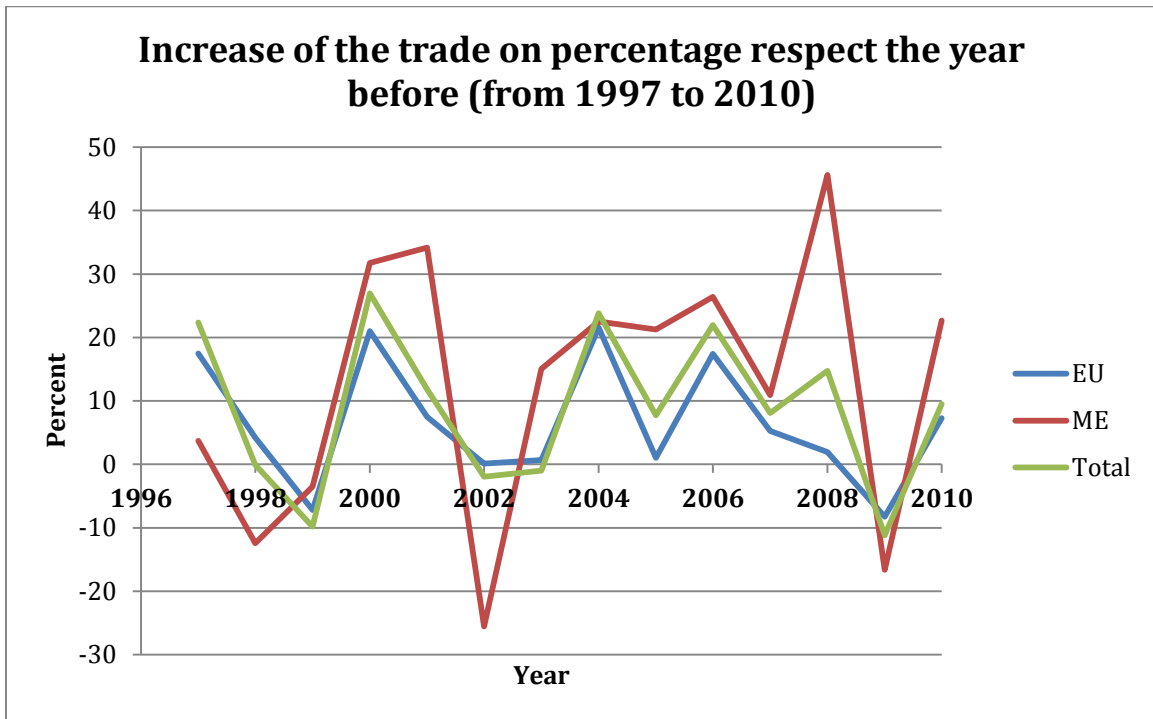
This graph takes graph 2 but begins in the year 2002 and graphs in linearly to get an average rate of change, which is .67. The reason for graphing beginning in the year 2002 is because it is the point at which the trade is not as heavily impacted by major financial crisis creating major changes in the linear graphing. Although the rate of .67 increase does not appear to be a very high growth rate because of Middle East's original low percent of the total, 6 percent, the rate of change is actually quite significant.



Graph 5: Linear Trendline of Turkey's Trade with the European Union, which demonstrates the rate of growth of EU trade with Turkey over an 8 year period. Year scale begins with 1 representing the year 2002 and progresses by one until 2010.

In plotting a trend line for the EU trade share as in Graph 4 for the Middle East the rate of decrease of the EU's percent of Turkey's total trade is high at 1.76. Graphs 4 and 5 demonstrate numerically the slope of increase and decrease of Turkish trade with each region and show that the EU's share of trade is decreasing 2.63 times faster than the Middle East's share of Turkish trade.

A final graph that shows important indicators about Turkish trade patterns over the past 14 years is a comparison of the percent increase in trade with respect to the previous year between the Middle East, European Union and Turkey's total trade.



Graph 6: Increase of Turkish trade with the European Union, the Middle East and total trade as change from previous year, 1996-2010.

Not only does this graph show that trade with the Middle East is far more erratic than trade with the European Union but it shows a critical difference between trade with the EU and trade with the Middle East. At nearly every point after 1999 excluding the financial crises of 2001 and 2009, Turkey's percent increase of trade with respect to the year before remains above that of total trade which means that with each consecutive year Turkey either recovers from a decrease more quickly or increases trade at a quicker rate with respect to the previous than it does with the European Union. Turkey's trade with the Middle East from year to year is growing relatively more quickly than Turkey's overall foreign trade. This graph shows the same statistics for the EU however, opposite of the Middle East, EU trade is almost consistently growing at a lower rate from year to year than Turkey's total trade, which is why we see the decrease in the EU's percent of total trade on graph 1 and a decreasing linear regression in graph 5.

Besides the numbers

To supplement the analysis of the trade statistics, it is important to understand how Turkey is shifting its trading structure. Turkey has not only been increasing trade with the Middle East but it has been creating trade pathways and removing barriers to trade with many countries in the region. Since 2000, Turkey has signed free trade agreements with Syria, Egypt, Jordan, Israel, Palestine, Morocco, Tunisia, Georgia and Lebanon (European Commission/Turkey's FTAs 2012). In the past decade, Turkey's FTA's have had a faster growth rate than Turkey's total foreign trade volume, which has had significant growth as well. Turkey currently has 16 Free Trade Agreements in place and with 9 out of 16 of these being located in the Near and Middle East their influence on the total regional trade is substantial (Turkey's FTA).

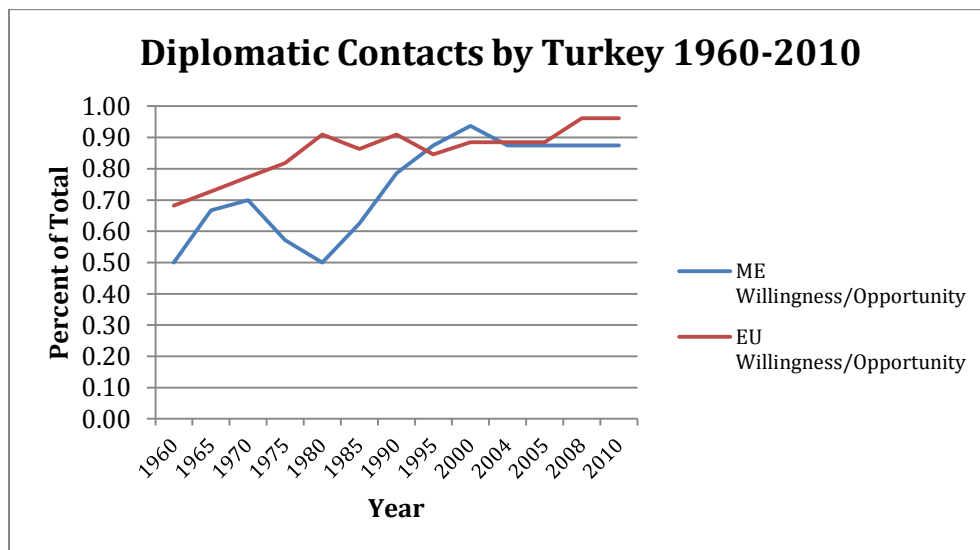
In addition to the Free Trade Agreements in the region, Turkey established joint business councils with Syria, Iraq, Iran, Lebanon, Saudi Arabia, Bahrain and the United Arab Emirates in 2005, with Qatar, Kuwait and Oman in 2006, and finally, with Libya in 2007. These councils were established in order to utilize strategic member companies to promote and develop economic relations and trade (Engin and Dargin 2011). These countries are among the top trading partners of Turkey with Iran as the 2nd largest export-trading partner next to the EU with the UAE and Iran in the top 6 and the 5th largest in imports in 2010. These agreements and joint councils have been significant in the reorientation of Turkish trade and the increase in Turkey's exports and imports to and from the Middle East.

Furthermore, looking at Turkey's trade increase with the EU since the Customs Union Agreement total trade between them went from 36.8 billion USD to 116.8 billion USD, which equates to a 217 percent increase in total trade volume with the EU in just 11 years (Turkish-EU). The success of the CUA in creating such a significant increase in trade volume with the EU generates a positive outlook for Turkish trade relations with the countries of the Middle East, of which it has recently signed trade agreements. Although the agreements have several variations

from one to another the general premise remains similar enough that it is reasonable to expect Turkey's trade with these Middle Eastern countries to continue increasing for some time.

DIPCON

In an attempt to analyze Turkey's political orientation over the past few decades I looked at two sets of data pertaining to Turkey's diplomacy and foreign policy. The first set of data was the Diplomatic Contacts Database (DIPCON), which is a record of all embassies and all high level representatives, including ambassador status and higher, sent by individual states to other states throughout the globe since 1960. This data allowed analysis of two important aspects of foreign relations, which allude to Turkey's commitment to increasingly positive foreign relations. Looking at both the embassy establishments and diplomatic contacts by Turkey to other nations and those sent from the EU and Middle East to Turkey, the political situation in Turkey became more apparent. Although Turkey has historically almost always sent more diplomatic contacts to the European Union, beginning in 1980 Turkey began significantly increasing diplomatic ties with the Middle East (as seen in graph 7). Now, since 1990, Turkey has maintained consistent and nearly equivalent diplomatic ties with the EU and the Middle East.



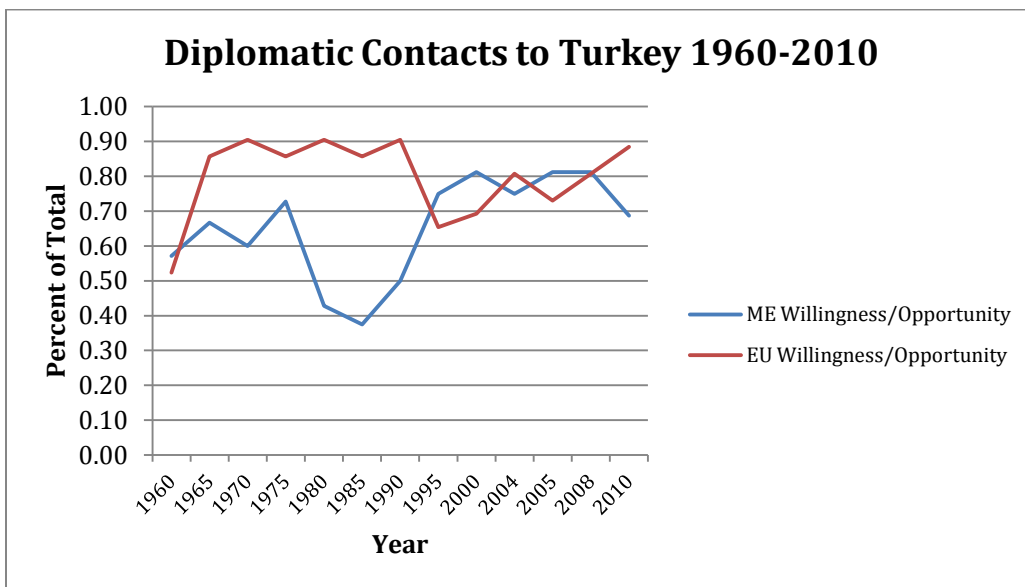
Graph 7: Diplomatic contacts sent from Turkey to the Middle East and the EU compared to the number of countries in each respective region.

There are several factors that influence Turkey's diplomatic contacts and created a rapid rise in diplomatic ties beginning in 1980. One primary factor, which I believe played a significant role was the rising influence of Turgut Özal who served first as prime minister beginning in 1983 and then as president of Turkey (Ataman 953). Özal created drastic economic and political reforms throughout Turkey, revolutionizing Turkey to an export-oriented country with an outward growth policy beginning in the 1980s. "The Özal leadership initiated economic policies that aimed...to achieve cooperation with regional countries and the Muslim world in addition to the West" (Ataman 954). As Turkey's economy pushed outward the Özal government aimed simultaneously to extend its foreign policy, which would aid in outward expansion of its economy on a global scale but particularly focused in the Middle East. The reason diplomatic ties did not significantly increase with the EU during this global expansion was because at this point Turkey was already nearly fully immersed in the European Union so it did not have much opportunity to increase immersion in that region.

This significant expansion of diplomatic ties into the Middle East over the last 30 years while diplomatic ties with the EU have remained relatively stable, demonstrates Turkey's increased commitment to and interest in establishing stronger, more diplomatic relationships with the states comprising the Middle East. Numerically, Turkey increased its diplomatic ties from 50 percent actual involvement compared to potential involvement in 1980 to 94 percent in 2000 and has maintained a consistent 88 percent actual immersion since.

A similar trend can also be seen in the diplomatic ties sent to Turkey by these two regions. The EU maintained stable diplomatic ties within Turkey from 1965 to 1990 ranging from 86 to 90 percent immersion in Turkey. However, as can be seen in graph 8 below, after 1990 diplomatic contacts and embassy establishments sent to Turkey by the EU dropped and on average has remained about 10 percent lower. Middle East diplomatic contacts and embassy establishments within Turkey paralleled closely with Turkey's diplomatic contacts to the Middle East within the

same time period. As before there is a drastic shift in 1985, at this point we see a significant increase in willingness by Middle Eastern countries to establish diplomatic contacts within Turkey shown through a 43 percent increase until 1995 when increases nearly halted and have since remained consistently around 80 percent actual immersion per potential immersion. The shift in 1985 can in part be seen as a reaction by Middle Eastern states to Özal's governmental expansion reform, as this shift occurs in the years following Turkey's initial outward expansion, these nations begin to take a greater interest in establishing diplomatic ties with Turkey.



Graph 8: Diplomatic contacts sent to Turkey by states in the Middle East and the EU compared to the number of countries in each respective region that could have established diplomatic ties with Turkey.

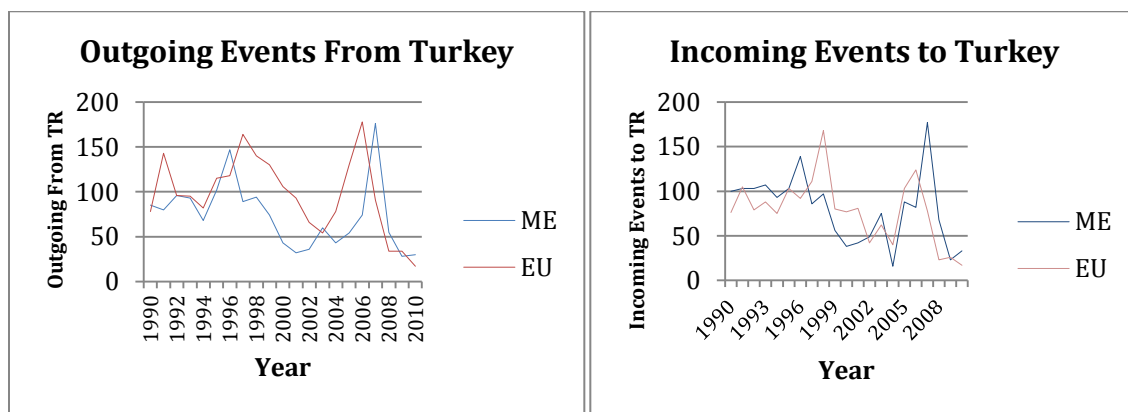
From 1995 until present day, Turkey has maintained relatively equivalent diplomatic ties with the ME and EU both outgoing and incoming.

Events Data

To gain a more detailed and comprehensive understanding of the interaction between Turkey and the Middle East and the EU, the second data set I analyzed was the Integrated Data for Events Analysis (IDEA), which provides data on all events,

both positive and negative, sent and received by each country since 1990. By utilizing this dataset I was able to see if Turkey has been increasing or decreasing its interactions with the states of the two bordering regions.

Unfortunately, since both conflict and cooperative interactions are considered in this data, and are indistinguishable, it is difficult to concretely determine if increasing events between Turkey and the two regions are due to increasing positive relations or increasing tensions leading to increased events between states. However, the events data analysis is still relevant to this research as it indicates a numerical representation of interactions between Turkey and the Middle Eastern countries and Turkey and the EU.



Graph 9: Events (conflicting and cooperative) sent by Turkey to the EU and ME from 1990-2010

Graph 10: Events (conflicting and cooperative) sent to Turkey by the EU and ME from 1990-2010

Both incoming and outgoing events follow similar trends with significant peaks for both regions from 1996-98 and 2006-08, however as can be seen from the two previous grams incoming events to Turkey have a higher variability than those outgoing from Turkey. The peak in interactions with the Middle East from 1996 to 1998 is primarily caused by increasing tensions between Turkey and Iraq due to the Kurdish Workers Party (PKK) an organization and political party fighting the Turkish state to gain autonomy for the Kurdish people. As there are considerable Kurdish populations in both southern Turkey and Northern Iraq, the PKK serves as a primary source of conflict between Turkey and Iraq. In the events analysis, in 10 of

the years for which data was analyzed Turkey's interactions with Iraq constituted over 40 percent of Turkey's total interactions with Middle Eastern states. The 1996-98 peak is strongly correlated with the Iraqi Kurdish Civil war. Although the war began in 1995, Turkey did not formally enter the war until 1998 when we see the peak of interactions with the Middle East. During 1997 and 1998 Turkey's primary events in the Middle East are with Iraq both outgoing and incoming.

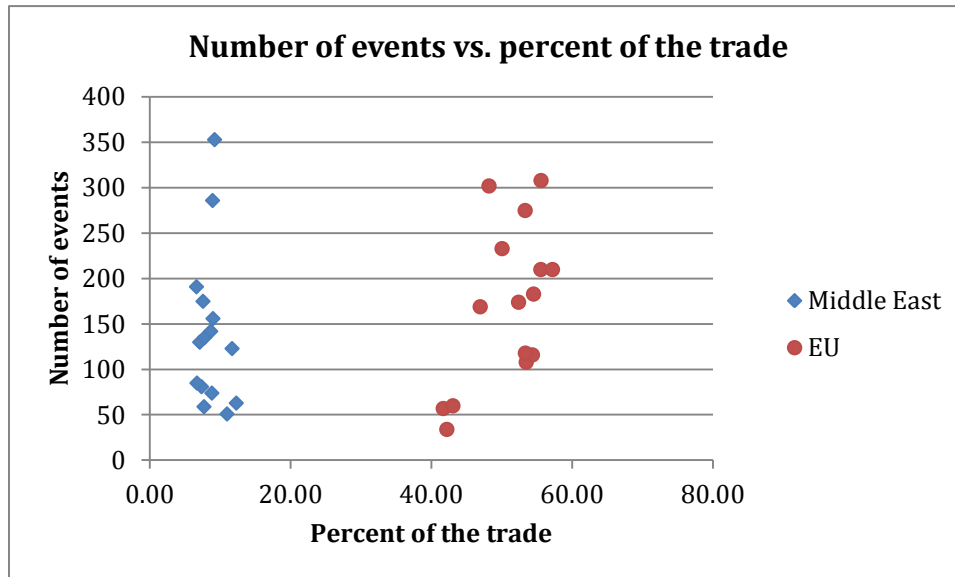
During this same period Turkey's outgoing and incoming events with the European Union increased as well although to a slighter degree. The reason for the increased interaction with the EU during this time is primarily due to increased interactions with Greece. Although interactions with Greece remain particularly high compared with other EU nations due to their continual controversy over the territories around the Aegean Sea, in 1996 this Aegean dispute came to near military conflict (Background Notes 2013).

In outgoing events there is a significant rise beginning in 2002 and peaking in 2007. This rise is partly due to the change in government occurring in 2002 in Turkey when the AKP comes to party creating political and economic reform. This helps to explain why outgoing events increased both for the Middle East and the European Union during this period. However, we see again the rise in tensions between Turkey and Iraq in 2006 and 2007 where there are peaks in both outgoing and incoming events for the Middle East, as Iraq constitutes 69 percent of all incoming events from Middle Eastern states and 71 percent of all outgoing events to Middle Eastern states. The tensions are so high in these years; particularly in 2007 as Turkey's parliament voted to send troops to northern Iraq and takes military action against the PKK inside Iraq (Arsu 2007).

Correlating the Datasets

After analyzing the three data sets independently, it was necessary to look at them simultaneously to find if and how the economic relations between Turkey and the

EU impact its political orientation between the Middle East and the West. The correlations I found indicated less correlation between events and trade than previously anticipated.

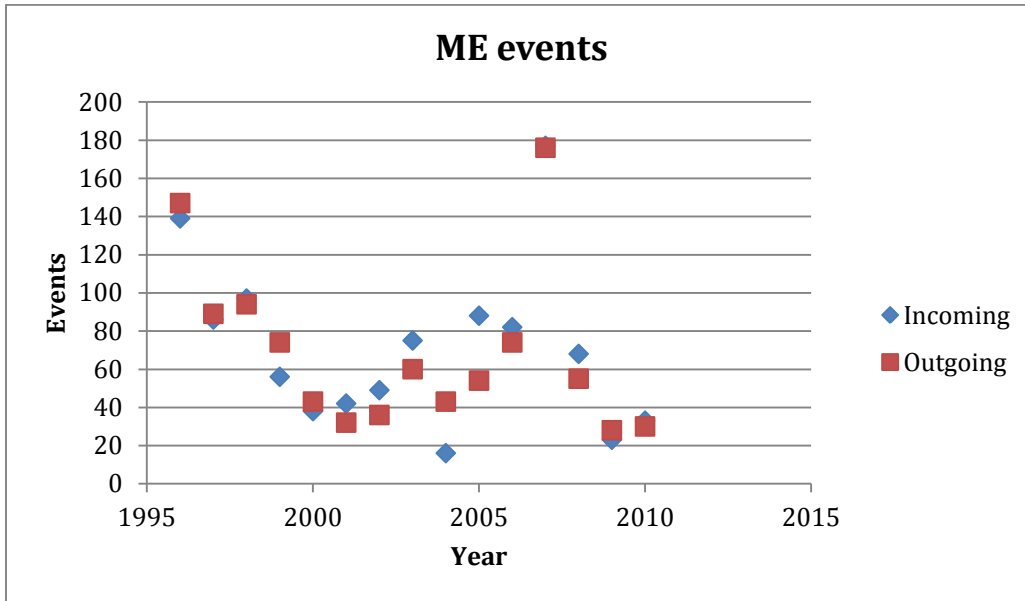


Graph 11: Correlation between the percent of aggregate Turkish trade with each region and the number of events between Turkey and each region.

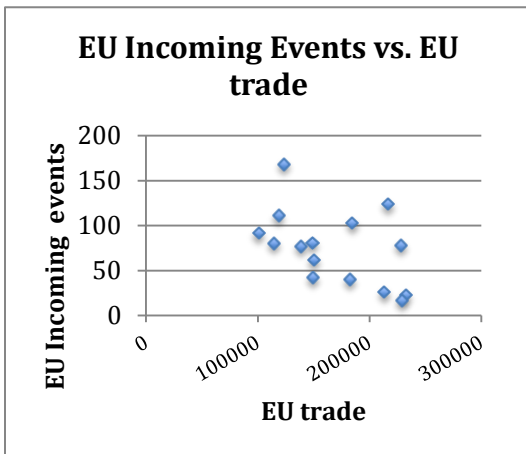
When comparing the events trends with the percent of Turkish trade to the Middle East and the EU there was no apparent correlation between the two sets of data. It seems that as regions gain a higher percent of the Turkey's total trade that there should be a higher number of events between Turkey and that region. If this were the case there would have been a positive correlation perhaps even a quadratic relationship as a region increased their share of Turkey's total trade their positive interactions with Turkey would have increased.

Had the events data set been based solely on positive interactions between states I anticipate there would have been more positively correlated results, however because both cooperative and conflicting events were indistinguishable in this data set there is no relationship between number of events between the regions and Turkey and their percent of Turkey's total trade. Additionally, the different data sets being compared move at different rates. The trade data set is slow moving where as

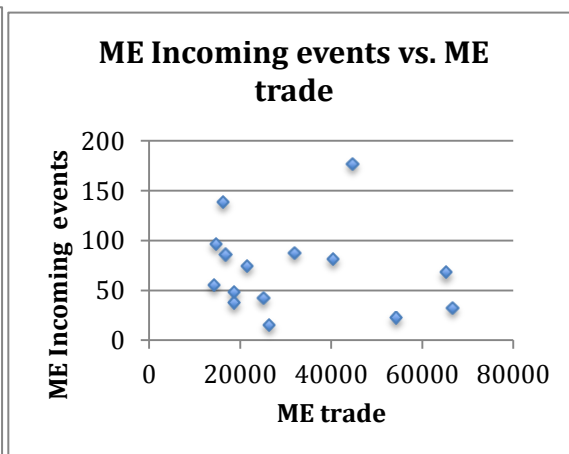
events which is far more responsive to issues and stimuli and is more liable to change quickly unlike trade.



Graph 12: Analysis of Turkish events with both region



Graph 13: EU percent of trade compared with the events sent to the EU.



sGraph 14: Middle East percent of Turkish trade compared with events sent to the Middle East

Looking specifically at graph X above, the events both incoming and outgoing have very similar trends as do the events with the EU, however there is no general rise in events with Middle Eastern states as there was the percentage of total trade since 1996. I assumed if there was a rise in the trade I would assume there would be a

greater number of contact between the countries and therefore more events but this data trends shows that this is not the case.

When correlating the data on Turkish trade with Turkey's diplomatic contact data from DIPCON, I was unable to make a direct correlation, as there were only 6 overlapping points of data between the two sets. Since DIPCON is generally in 5-year intervals and the data used to analyze Turkish trade only extends back to 1996, the relating data was severely limited. However, by examining the trends of the data there are substantial increases in diplomatic ties with the Middle East and in trade. However these increase did not occurred in the same time period, rather the increase in diplomatic ties occurs primarily in the 20 years before the increase in trade with the Middle East developed. As shown in graphs 7 and 8 the increase in diplomatic contacts between Turkey and the Middle East occur between 1980-2000 and the primary growth in trade, from the data used, begins in 1999 and grows exponentially from there as shown in graph 3. These findings indicate that some political shifts may have in fact preceded the economics shifts occurring within the past 10 years and may have potentially had an impact on Turkey's ability to create these economic shifts while developing one of the world's fastest growing economies. This shows that the answer to my thesis' central question is actually the inverse of what I anticipated would happen: political changes may have led to Turkey's more recent economic changes including shifting trade and increased FTA establishments.

Reasons for an Economic shift

There are many reasons that Turkey is making an economic shift away from the EU and in part eastward. As seen from the data a primary reason for a shift in economic orientation is the increase in political relations with the Middle East beginning in the 1980's. Increased diplomatic ties with the Middle East raising it to nearly equivalent rates of immersion as with the European Union. Another associated shifting political affiliation that may have influenced Turkey's economic shifts is the stagnation of the

EU membership process. EU has been successful at keeping Turkey strategically on their periphery over the past three decades, while never actually granting Turkey membership to the EU. Now it appears that Turkey's shifting position may have come unexpectedly to many EU countries. For nearly 50 years Turkey's governments have focused on becoming European and proving to the European Union that it is worthy of EU membership.

“The case for Turkish membership of the Union has been forcefully put by successive governments. 'We are Europeans,' says the Turkish President, Suleyman Demirel. 'We would like to stay as Europeans. We would like to live with Europe. We would like to act with Europe. We share the values of European civilisation in addition to our own values... we have defended those values.’” (Hall 65)

However, the slow accession process demonstrates that the EU is not convinced and has continually put up targets within the 35 chapters of the EU membership rules and regulations that Turkey has not achieved and must reach in order to move along the membership process. Unfortunately, it seems that even if Turkey reaches these targets or even certain aspects of them, it is not enough to create any substantial movement forward in the membership process, or even enough to close some of the chapters. According to Kenan Engin and Cevat Dargin from *The Turkish Weekly Journal*, “the rediscovery of the Middle East by Turkey stands in relation to the political approach of the EU to its membership process. The so-called “let Turkey go” policy of some EU countries has paved the way for Turkey's shift toward the East following a more assertive regional policy.” (Engin and Dargin 2011) The ‘let Turkey go’ idea refers to the fact that it has been rather easy for the EU to keep the membership process stagnant. With over 80,000 pages of these rules and regulations it becomes relatively simple for EU member countries like France and Germany and particularly Cyprus, who have made their opposition to Turkey's EU membership clear, to claim and determine that Turkey is not fulfilling the requirements the chapter entails. The direct opposition to Turkey's membership by some EU states appear to many Turks and other countries as diversionary tactics to discourage Turkey from continuing to pursue membership into the EU. By giving

Turkey the motivation to set its sights on something besides EU membership by keeping it on the periphery hoping it will settle for a 'privileged partnership,' they have thereby weakened probable impacts on both political and economic relations between them.

Compounding the stagnant accession process the current EU crisis creates seemingly more obstacles for Turkey's path to membership and establishes reasons for its shifting economic policies and potentially future shifting political policies. This is partially shown through examination of Turkey's trade with the two regions since 2008. Referring back to graph 6, which shows the increase of the trade on percentage respect the year before. Specifically looking from 2008 in the midst of the financial crisis until 2010 when the data set ends, indicates that trade with the Middle East has made a full recovery by overcoming the decrease in trade in 2009 and is growing beyond what its total trade in 2008. Turkey's total trade with the Middle East in 2008 was just over sixty-five million U.S. dollars and in 2010 had recovered and grown to over sixty-six and a half million USD. Unlike the Middle East, Turkey's trade with the EU had not made a full recovery by 2010 (Foreign Trade 2012). In 2008 the total trade was just over two hundred thirty-two and a half million USD and by 2010 was had decreased to two hundred twenty-nine million USD (Foreign Trade 2012). This demonstrates that Turkey's trade with the EU is not recovering as fast as it is with the Middle East during the EU crisis. This could imply that even if the EU does recover from this crisis as a union of states, it would be unlikely that Turkey will be admitted to the EU as Turkey's economic past clearly demonstrates considerable instability and their relationship has yet to recover from the hit of the current financial. Even with a decade of success, at this point it seems instability is not something the EU can afford especially with the additional risk of admitting a country as large as Turkey. Not only does this present a reason for Turkey to continue to lose faith in the EU membership process but the crisis itself creates a strong reason for Turkey's shifting. Turkey's strong economic ties to the EU put it right at the edge of the Eurozone crisis with a potential to be severely effected by it. According to Economist and MIT professor Daron Acemoğlu

it is essential for Turkey to make economic changes “to provide policy flexibility” to prevent the full effect of the crisis. He said "The European time bomb lies at the door for Turkey... Thus, it is open to all possible shocks." (Kurtaran 2011). The additional pressure on the Turkish economy makes an additional case for Turkey to turn away from the EU since at this point its failing economy makes their relationship more risky.

In addition to the overall current economic situation with the EU, the establishment of the Customs Union Agreement (CUA) has aided Turkey's reorientation. Since the establishment of the CUA, which as said before led to high increases in quantity of trade between Turkey and the EU, it appears that there have been several side effects and shortcomings of the Customs Union both in the short and long term that have played a negative role in Turkey. Two primary issues with the Customs Union Agreement have arisen from stipulations on what products are actually included in the CUA, and changes in price responsiveness as a result of shifting price sensitivity of goods creating some diversion away from certain exports from Turkey to the EU (Burrell and Oskam 14). A third issue which is arguable the most controversial for Turkey is its role as a 3rd party state with the EU has led to trade conflicts with some of the EU's FTA 3rd party states and newly admitted EU members (Vogel 2010). The issue here is mainly one of bureaucratic barriers where Turkey does not receive the same benefits from other 3rd party states to the EU as those states receive from Turkey creating trade imbalances between them. In addition to this, the EU's accession of Cyprus in 2004 has created many conflicts with the CUA as Turkey refuses to comply to the stipulations of the CUA because of its relations with Cyprus (Morelli 3).

Shifting Political orientations

Turkey's shift from the EU towards the Middle East does not end purely on economic terms but can also be seen in areas of Turkey's political orientations.

Although the events results do not show a correlation between Turkey's trade patterns and its interactions with the various states in these two regions there is reason to believe Turkey may also be making some political changes in addition to the economic shifts. The data from DIPCON indicated that in the past 30 years has increased its diplomatic contacts throughout the Middle East to consistently nearly 90 percent actual immersion. Turkey's geopolitical role as a liaison between the Middle East and Western states is becoming more vital to Western parties as Turkey has recently been seen as a role model in the Middle East. As Turkey continues to maintain a thriving economy while making democratic or 'western' reforms to its government, its political status in the Middle East has been elevated to a point of respect and recognition. Several Turkish government officials have made clear Turkey's returned interest in relations with the Middle East, deeming it no longer an option but a necessity for Turkey (Engin and Dargin 2011). Ahmet Davutoglu, Turkey's foreign minister, gave a much bolder assertion of Turkey's intentions for the future by stating that the current shift Eastward is merely the beginning and Turkey is "in favour of strengthening co-operation within a region spanning from Turkey to equatorial Africa. We want to turn this region into a security region, into a region of economic integration" (Selbert 2010). Turkey's increasingly positive relations with Arab nations as well as other Asia and African countries show its strength as a country and its crucial linkage between these countries and Europe. This is clear as Turkey has nearly quadrupled its diplomatic contacts in the Middle East over the past 60 years in addition to significant increases in FTA's and joint councils established with the Middle East over the past decade. With Turkey gaining more power and influence in the "West's East", while still benefitting from European involvement and trade, Turkey is gaining more control over its political and economic position especially with the EU detained with the euro crisis.

Turkey has shown its commitment to upholding a certain type of politics through increasing international involvement and economic stability. Turkey's involvement in international organizations like the WTO, IMF and the G20 demonstrate the influence Turkey could have in the unstable Middle East as it becomes a more

reliable and dependable economic player (Engin and Dargin 2011). Through its economic agreements with many countries of the Middle East, Turkey has already demonstrated positive political relations. Through its formation of FTAs and joint councils discussed early Turkey has shown that political relations with these countries are democratic enough to negotiate trade contracts that will bind them to each other both politically and economically to a certain extent.

Implications of the Shift

Turkey's shifting political orientations raises questions about its implications for the Middle East, European Union, and the West in general. Since the 1980's Turkey has focused on implementing globally expansive policies both economically and politically. From the data analysis thus far it seems that these political shifts occurred prior to any major economic shifts and now a remaining question is whether Turkey is making a shift from the European Union to the Middle East or if it is making a more dramatic shift beyond the Middle East and becoming a major player the global scene. The economic data indicates that Turkey's decrease in trade with the EU is not being fully compensated by the Middle East which would imply that Turkey is increasing trade in other regions as its GDP and economy are still growing.

If Turkey's decrease in trade with the European Union continues at a similar rate while its trade increases are concentrated primarily in the Middle East it may begin to create concerns in the West. Turkey's geopolitical position and current economic success make it a strong country that the European Union would benefit having on close terms. If Turkey continues to make a shift by creating major policy shift towards Turkish nationalist ideas or an internal economic policy, then its reorientation could be highly problematic for the West. The West's primary control of Turkey, through the promise of EU accession, economic aid, and developmental aid, is beginning to loosen, something the West may not have been expecting. Now the value that Turkey actually brings to the West, which may have been overlooked

in the past, is becoming more apparent. “Turkey significantly amplifies Europe’s strategic weight: If Europe does not find ways to leverage Turkey’s strategic strengths, then its prospective eastern role effectively ends in the Balkans” (Khanna 37). As the EU continues to struggle economically with Cyprus, Greece, Spain, Italy and various other states that have begun or continue to have economic crises, Turkey’s roles as their fifth largest export market and seventh largest importer becomes more vital (EU Commission). Throughout the accession process there has clearly not been any notable progress but over the past 6 years Turkey has been criticized by EU officials for its slowing reform processes. Through a progress report issued by the Committee on Foreign Affairs evaluating the Turkish accession process, it was discovered that Turkey had focused less on creating the reforms necessary for EU membership over the past decade. This indicates that Turkey has begun to lose hope in the accession process and thereby shifted its sights and policies elsewhere although this does not indicate the need to be concerned for any drastic policy changes for Turkey (Morelli 16).

A concentrated reorientation toward the Middle East may have positive and negative implications within the Middle East. Increasing trade with Turkey and continuing to create positive economic relations with countries who are either Western or have good relations with the West seems to be a positive route for many countries in the Middle East. Turkey’s increasing role as a liaison between the two regions should increase as long as Turkey continues to increase economic and political relations with the Middle East. However, if these increases in trade and economic relations with the Middle East develop threatening responses by nations within the Middle East who intend to maintain powerful positions in the Middle East like Iran and Egypt. Additionally, Turkey’s western influenced politics could create worries by conservative countries like Saudi Arabia as Turkey begins to gain greater power in the Middle East. Turkey’s role as a proponent of Western states’ ideas in the Middle East, could create resentment and aggression toward Turkey by nations of the Middle East. The Western influence is seen particularly through relations with Israel. The United States’ continuous pressure on Turkey to establish positive

relations with Israel has and will continue to contribute significantly to tensions Turkey has with nations throughout the Middle East. Even with increasing economic relations there are still many problems between Turkey and the Middle East. Trying to create positive relations with all countries in the Middle East has been proving more difficult due to confrontations with the Assad government. The amplification of the Syrian conflict over the past year has played a crucial role in creating enemies for Turkey particularly with Iran, and increasingly with Saudi Arabia. The increased friction between Turkey and Saudi Arabia is occurring from stronger support by Saudi Arabia of Sunni insurgents within Syria. Turkey also maintains issues with Iraq over the Kurdish population that mostly resides along their shared border, which could also lead to future problems with Syria. Turkey's relationship with Iraq demonstrates that even with increasingly positive economic relations, the countries still struggle to achieve diplomatic relations with one another.

However, at this point it seems that Turkey is attempting to make a global shift not focused in a particular region like the Middle East. In this case Turkey's shift from the EU may be perceived as a relief for them as their 'let Turkey go' idea has worked and now instead of constantly struggling to keep barriers to Turkey's EU membership, they can focus on maintaining a stable relationship with Turkey as it increase its global position. The implications of Turkey becoming a major player on the global stage are unknown at this point.

Conclusion

Having established relationships in the Middle East, often better than those of European states or the United States, Turkey has been able to make an economic shift eastward without forcing its way into foreign markets. Additionally, Turkey's traditional Middle Eastern culture makes its position more important as this shift occurs, as it is able to identify with both the East and the West. According to Matt Eckel from *Foreign Policy Watch* "As the luster of E.U. membership fades, so presumably will Europe's influence on Turkish domestic politics" (Eckel 2011). The economic situation between the European Union and Turkey shows a clear trend

away from the European Union and into other markets, one of which is the Middle East. Although the economic ties with the Middle East have not become more important than those of the EU, numerically, there are changes occurring and if the growth between the Middle East and Turkey continues there may be bigger political and economic shifts in the future. However, from the data analysis at this point the current economic shifts were preceded by strong political shifts since the 1980's particularly through increased diplomatic contacts. Turkey's current rediscovery of the Middle East provides foresight to the direction of Turkey's future political and economic stances. Turkey's increase in diplomatic contacts and embassy establishments in the Middle East provide a promising outlook for future relations that may compliment increased economic activity with the region. In the future, I believe there will be extensive foreign policy directed towards the greater east including, but not limited to the Middle East, particularly as trade relations continue to increase with Middle Eastern states. It is important to recognize that the economic and political relations that Turkey develops will depend on each other although as seen through the data there are times when political shifts serve as a catalyst for shifting economic relations, inverse to what was initially predicted. At this point it is hard to stipulate how far Turkey's changing political and economic shift will progress either on a global level or restricted to the Middle East but it is already clear that economically it has begun and government officials have made known their political intentions towards a shift policies.

Appendix 1:

Near and Middle Eastern Countries
Armenia
Azerbaijan
Bahrain
Georgia
Iran
Iraq
Islamic Republic of Yemen
Israel
Jordan
Kuwait
Lebanon
Occupied Palestinian Territory
Oman
Qatar
Saudi Arabia
Syrian Arab Republic
United Arab Emirates

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