

## The Effects of Free Trade Agreements on Turkish Economy

Turan ATILGAN  
turan.atilgan@ege.edu.tr

Seher KANAT  
seher.kanat@ege.edu.tr

### Serbest Ticaret Antlaşmalarının Türkiye Ekonomisi Üzerindeki Etkileri

#### Abstract

The rise of globalization trends in economical, social, technological, legal and political areas all over the world brings partnerships and associations of countries in its train. These partnerships and associations can be either regional or dual. Free trade agreement (FTA) is an activity of gradually increasing importance among the countries that participate in partnerships and associations. Moreover free trade agreement is one of the most advanced models of economical partnership between the countries that take part in the agreement. Besides free trade agreements have goals of promoting economical partnerships between the countries that take part in the agreement and abolishing the obstacles on the transfer of services and products whereas these agreements aim the development of political, technological and social relationships between these countries. As a result of international economical and political integration that has accelerated rapidly since 2000, free trade agreements are signed by Turkey. In a way, these pacts provide the growth of Turkish foreign trade and in another way; they help the firms and associations to open up for the international competition. The effects of free trade agreements signed by Turkey on Turkish economy and foreign trade are discussed in this study.

**Key Words** : Free Trade Agreement, Foreign Trade, Turkish Foreign Trade Policy, Exportation and Importation.

**JEL Classification Codes** : F13.

#### Özet

Dünyada küreselleşme hareketlerinin ekonomik, sosyal, teknolojik, hukuki ve siyasi alanlarda artması ülkeler arasındaki işbirliklerini ve bütünleşmeleri de beraberinde getirmiştir. Bu işbirliği ve bütünleşmeler bölgesel olabildiği gibi ikili de olabilmektedir. Serbest ticaret antlaşmaları bu anlamda önemi hızla artan ülkeler arasındaki işbirliği ve bütünleşme hareketlerinden birisidir. Serbest ticaret antlaşmaları anlaşmaya taraf olan ülkeler arasındaki ekonomik işbirliğinin en gelişmiş modellerinden birisidir. Serbest ticaret antlaşmaları taraf ülkeler arasındaki ekonomik işbirliğini geliştirmek ve mal ve hizmet dolaşımının önündeki engelleri ortadan kaldırmayı hedeflemek ana amacı yanında anlaşmaya taraf olan ülkeler arasındaki siyasi, teknolojik ve sosyal ilişkilerin arttırılmasını da hedeflemektedir. Türkiye'nin imzaladığı STA 2000'li yıllarla birlikte artan bir hızla devam eden uluslar arası ekonomik ve siyasi bütünleşmelerin bir sonucudur. Bu antlaşmalar bir yandan Türkiye'nin dış ticaretinin artmasına olanak sağlarken diğer yandan da işletmelerinin ve kurumlarının uluslar arası küresel rekabete açılmasının yardımcı olmuşur. Bu çalışmada Türkiye'nin imzaladığı Serbest Ticaret Antlaşmalarının (STA) Türk ekonomisine ve dış ticaretine etkileri tartışılmaya çalışılmıştır.

**Anahtar Sözcükler** : Serbest Ticaret Antlaşmaları, Dış Ticaret, Türk Dış Ticaret Politikası, İthalat ve İhracat.



## **1. Introduction**

The rise of globalization trends has caused the economical, technological, social and political competition to gain speed. Countries are trying to escape from dangerous and destructive results of globalization by empowering integration and either regional or dual partnerships. Turkey, that both supported and performed mixed economy until 1980's, then transformed into liberal economy, worldly integration and extrovert economical development required by liberal economy since 1980. That is; while Turkey tried to develop relationships with the European Union (EU), the economical, political, social and technological aspects of integration with both the neighborhood and the world also had been improved. The geostrategical location of Turkey together with her regional, economical, social and political problems caused the total activities of the country more valuable. That's why; the foreign trade policy of the country was re-constructed to be consistent with that of the Union according to the Partnership Council decision of Customs Union agreed on 6 March 1995. After that, Turkey commenced to sign free trade agreements with various countries in parallel with the preferential trade agreements made by the European Union. These free trade agreements aimed to develop social, cultural and legal relationships as well as economical bonds. These free trade agreements contributed significantly to participant countries whereas they increased the extent of foreign trade and also improved the partnerships among the countries and entrepreneurs.

## **2. Free Trade Agreements and Their Economical Results**

Turkey has signed free trade agreements with 19 countries totally since 1992 (Table 1). Free trade agreements that began with European Free Trade Association (EFTA) countries supervised by Customs Union later were signed with neighboring countries that consisted of the future members of the EU mainly. The desires of Turkey directed towards the integration with the outer world and the gain of advantages in international competition resulted in these agreements signed with a wide variety of countries.

Turkey has raised her exportation amount from 23,2 billion dollars to 73,1 billion dollars by increasing exported goods at a rate of 216% during a 10-year-long period between 1996 and 2005. Moreover Turkey raised her importation amount from 43.6 billion dollars to 116 billion dollars by increasing imported goods at a rate of 163% during the same period (Table 2). These changes were due to the extrovert developmental strategy of Turkey who achieved a significant increase in the extent of exportation and succeeded in improving her competitive power by doing so. Free trade agreements signed by Turkey and Customs Union supervised by the European Union major contributed to this significant development and improvement.

**Table 1**  
**Free Trade Agreements Signed by Turkey**

<b>Countries</b>	<b>Year of the Agreement</b>
EFTA Countries	1992
Israel	1997
Hungary (*)	1998
Romania	1998
Czech Republic (*)	1998
Republic of Slovakia (*)	1998
Latvia (*)	1998
Lithuania (*)	1998
Estonia (*)	1998
Slovenia (*)	1998
Bulgaria	1999
Macedonia	1999
Poland (*)	2000
Bosnia Herzegovina	2002
Croatia	2003
Morocco	2004
Syria	2004
Tunisia	2005

*(\*) As these countries had been the exact members of the European Union by May 1, 2004, the free agreements signed with them were abolished in April 30, 2004. The economical relationships have been going on according to the Customs Union since May 1, 2004.*

**Table 2**  
**Data About Exportation from and Importation to Turkey by Years (000.- \$)**

<b>Years</b>	<b>Exports</b>		<b>Imports</b>		<b>Volume of Trade</b>	
	<b>Value</b>	<b>Change (%)</b>	<b>Value</b>	<b>Change (%)</b>	<b>Value</b>	<b>Change (%)</b>
1996	23.224.465	7,3	43.626.642	22,2	66.851.107	16,6
1997	26.261.072	13,1	48.558.721	11,3	74.819.792	11,9
1998	26.973.952	2,7	45.921.392	-5,4	72.895.344	-2,6
1999	26.587.225	-1,4	40.671.272	-11,4	67.258.497	-7,7
2000	27.774.906	4,5	54.502.821	34,0	82.277.727	22,3
2001	31.334.216	12,8	41.399.083	-24,0	72.733.299	-11,6
2002	36.059.089	15,1	51.553.797	24,5	87612.886	20,5
2003	47.252.836	31,0	69.339.692	34,5	116.592.528	33,1
2004	63.120.949	33,6	97.539.766	40,7	160.660.715	37,8
2005	73.122.000	15,8	116.048.000	19,0	189.170.000	17,7

Source: TURKSTAT

The augmentation in the importation and exportation of Turkey from and to the countries bound by free trade agreements is found to be much more above the increase in the total importation and exportation of Turkey (Tables 3, 4, 5, 6).

**Table 3**  
**The Importation of Turkey from the Countries that Signed FTA with Turkey (1996 – 2000) (000.-\$)**

Countries	1996	1997	%	1998	%	1999	%	2000	%
Austria	545.485	502.604	-7,9	608.284	21,0	508.409	-16,4	516.754	1,6
Finland	254.898	341.413	33,9	421.289	23,4	504.454	19,7	723.393	43,4
Iceland	3.849	4.808	24,9	3.759	-21,8	2.471	-34,3	4.008	62,2
Liechtenstein	-	-	-	-	-	-	-	-	-
Norway	93.476	178.384	90,8	147.728	-17,2	174.688	18,2	26.085	-85,1
Sweden	659.917	89.6602	35,9	999.366	11,5	1.444.159	44,5	143.9757	-0,3
Switzerland	1.014.743	1.104.028	8,8	1.017.738	-7,8	748.911	-26,4	890.977	19,0
Israel	192.627	233.681	21,3	282.827	21,0	298.257	5,5	505.482	69,5
Hungary	94.420	106.514	12,8	152.389	43,1	94.997	-37,7	216.262	127,7
Romania	441.290	394.087	-10,7	344.672	-12,5	401.156	16,4	673.928	68,0
Czech Rep.	108.442	98.491	-9,2	93.302	-5,3	82.017	-12,1	158.740	93,5
Slovakia	23.697	22.432	-5,3	23.577	5,1	45.675	93,7	51.533	12,8
Latvia	3.426	1.625	-52,6	2.618	61,1	1.659	-36,6	11.950	620,3
Lithuania	30.795	39.151	27,1	79.531	103,1	61.070	-23,2	71.499	17,1
Estonia	14.544	30.958	112,9	10.258	-66,9	4.748	-53,7	7.091	49,3
Slovenia	16.793	29.976	78,5	43.320	44,5	48.005	10,8	55.652	15,9
Bulgaria	362.771	408.852	12,7	367.420	-10,1	295.573	-19,6	465.408	57,5
Macedonia	31.714	30.217	-4,7	13.237	-56,2	7.878	-40,5	10.470	32,9
Poland	79.311	91.954	15,9	82.052	-10,8	81.241	-1,0	164.681	102,7
Bosnia & Herzegovina	2.485	1.295	-47,9	5.298	309,1	16.222	206,2	7.497	-53,8
Croatia	28.542	8.579	-69,9	14.757	72,0	7.893	-46,5	25.375	221,5
Morocco	82.116	52.597	-35,9	46.992	-10,7	44.469	-5,4	72.983	64,1
Syria	311.459	456.282	46,5	308.002	32,5	307.001	-0,3	545.240	77,6
Total	4.396.800	5.034.530	14,5	5.068.416	0,6	5.180.953	0,2	6.644.765	28,2

Source: TURKSTAT

Although the exportation to the eight countries bound by free trade agreements in 1998 increased at an average rate of 400%, the importation from these countries increased at an average rate of 450%. Meanwhile; total exportation of Turkey enlarged by %171 and total importation by %150. This indicates the fact that the total extent of foreign trade has risen 2 - 2,5 times more than the total extent of foreign trade performed by Turkey. The very same fact occurred after the assignment of free trade agreement with Israel in 1997. This pact was the first and the longest-to-continue free trade agreement that caused the foreign trade to increase more than two times the extent in total foreign trade. The most significant rise in the foreign trade has been achieved thanks to the free trade agreements signed with Romania, Slovenia, Czech Republic, Poland, Estonia and Bulgaria (Table 7).

**Table 4**  
**The Importation of Turkey from the Countries that Signed FTA with Turkey (2001 – 2005) (000.-\$)**

Countries	2001	%	2002	%	2003	%	2004	%	2005
Austria	417.549	-19,2	588.026	40,8	824.232	40,2	1.071.813	30,0	931.128
Finland	301.903	-58,3	372.356	23,3	479.865	28,9	708.290	47,6	954.982
Iceland	2.120	-47,1	3.224	52,1	2.160	-33,0	9.028	318,0	7.951
Liechtenstein	-	-	194	-	2.150	1008,2	2.495	16,0	3.422
Norway	251.388	863,7	365.835	45,5	423.181	15,7	495.367	17,1	371.830
Sweden	543.864	-62,2	535.068	-1,6	822.161	53,7	1.118.403	36,0	1.421.656
Switzerland	1.227.422	37,8	2.142.747	74,6	2.968.187	38,5	3.404.540	14,7	4.050.951
Israel	529.489	4,7	544.467	2,8	459.488	-15,6	714.143	55,4	800.735
Hungary	186.673	-13,7	325.902	74,6	416.863	27,9	705.407	69,2	944.890
Romania	481.140	-28,6	661.765	37,5	955.971	44,5	1.699.553	77,8	2.268.000
Czech Rep.	126.872	-20,1	316.959	149,8	443.937	40,1	654.592	47,5	694.067
Slovakia	49.419	-4,1	112.341	127,3	205.862	83,2	232.714	13,0	377.018
Latvia	154	-98,7	220	42,9	1.249	467,7	1.151	-7,8	2.622
Lithuania	77.796	8,8	110.457	42,0	135.982	23,1	173.930	27,9	158.784
Estonia	1.337	-81,1	1.177	-12,0	13.874	1078,8	44.257	219,0	58.671
Slovenia	48.948	-12,0	57.115	16,7	93.022	62,9	203.222	118,5	217.025
Bulgaria	393.516	-15,4	508.449	29,2	689.462	35,6	959.471	39,2	1.186.204
Macedonia	9.115	-12,9	14.914	63,6	27.342	83,3	51.935	89,9	51.598
Poland	168.070	2,1	245.134	45,9	415.359	69,4	996.105	139,8	1.238.460
Bosnia & Herzegovina	4.926	-34,3	6.317	28,2	8.343	32,1	11.476	37,6	15.340
Croatia	17.330	-31,7	9.388	-45,8	16.697	77,9	35.229	111,0	84.391
Morocco	38.194	-47,7	68.315	78,9	76.990	12,7	105.778	37,4	142.938
Syria	463.476	-15,0	506.247	9,2	413.349	-18,4	357.656	-13,5	270.212
Total	5.340.701	-19,6	7.496.617	40,4	9.895.726	32,0	13.756.555	39,0	16.252.875

Source: TURKSTAT

Within the importation from the countries with which Turkey signed free trade agreements; Switzerland takes the first row with a share of 25% while Romania and Poland follow this country with the shares of 14% and 7,6% respectively. When the exportation to the countries with which Turkey signed free trade agreements is evaluated, Romania takes the first row with a share of 17% whereas Israel and Bulgaria follow up with the shares of 14% and 11% respectively (Table 4, 6).

Turkey performed the most extensive increase in exportation to Estonia by 827%, to Latvia by 601% and to Slovakia by 577% among the countries that signed free trade agreements. Turkey has gone through the most extensive increase in importation from Slovakia by 1500%, from Czech Republic by 643% and from Romania by 558%. Among the countries that signed free trade agreements with Turkey; only the exportation from Latvia did not show any serious change while the importation from Syria decelerated by 24% in 2004. These facts have been attributed to the native social and economical structure of related countries.

**Table 5**  
**The Exportation of Turkey to the Countries that Signed FTA with Turkey (1996 – 2000) (000.-\$)**

Countries	1996	1997	%	1998	%	1999	%	2000	%
Austria	290.514	300.169	3,3	304.012	1,3	312.240	2,7	292.930	-6,2
Finland	45.078	49.229	9,2	58.452	18,7	67.026	14,7	75.752	13,0
Iceland	2.133	3.219	50,9	11.086	244,4	2.335	-78,9	5.091	118,0
Liechtenstein	-	-	-	-	-	-	-	-	-
Norway	58.086	92.836	59,8	101.391	9,2	90.943	-10,3	80.477	-11,5
Sweden	121.788	145.893	19,8	188.014	28,9	182.573	-2,9	199.588	9,3
Switzerland	275.717	318.218	15,4	244.200	-23,3	268.334	9,9	238.684	-11,0
Israel	254.853	391.514	53,6	479.507	22,5	585.239	22,1	650.142	11,1
Hungary	102.808	133.966	30,3	113.684	-15,1	121.919	7,2	109.994	-9,8
Romania	314.045	358.783	14,2	468.178	30,5	268.185	-42,7	325.818	21,5
Czech Rep.	93.461	82.896	-11,3	69.557	-16,1	67.257	-3,3	101.571	51,0
Slovakia	20.149	25.157	24,9	18.056	-28,2	16.986	-5,9	201.99	18,9
Latvia	1.970	2.992	51,9	11.605	287,9	9.841	-15,2	16.086	63,5
Lithuania	15.094	55.591	268,3	34.675	-37,6	25.764	-25,7	23.953	-7,0
Estonia	4.595	5.770	25,6	6.176	7,0	9.046	46,5	9.439	4,3
Slovenia	24.534	34.291	39,8	39.016	13,8	38.681	-0,9	47.581	23,0
Bulgaria	156.906	175.887	12,1	213.316	21,3	233.595	9,5	252.934	8,3
Macedonia	74.251	77.392	4,2	68.190	-11,9	93.670	37,4	107.765	15,0
Poland	253.248	255.260	0,8	290.850	13,9	219.624	-24,5	174.596	-20,5
Bosnia & Herzegovina	22.474	31.871	41,8	38.077	19,5	39.892	4,8	26.871	-32,6
Croatia	27.116	36.136	33,3	27.768	-23,2	29.897	7,7	23.589	-21,1
Morocco	52.292	51.906	-0,7	99.428	91,6	90.444	-9,0	70.413	-22,1
Syria	307.778	268.753	-12,7	309.044	15,0	232.210	-24,9	184.267	-20,6
Total	2.518.890	2.897.729	15,0	3.194.282	10,2	3.005.701	-5,9	3.037.740	1,06

Source: TURKSTAT

**Table 6**  
**The Exportation of Turkey to the Countries that Signed FTA with Turkey (2001 – 2005) (000.-\$)**

Countries	2001	%	2002	%	2003	%	2004	%	2005
Austria	341.346	16,5	367.295	7,6	473.167	28,8	561.041	18,6	658.179
Finland	71.142	-6,1	135.697	90,7	214.069	57,8	256.331	19,7	294.826
Iceland	3.209	-37,0	2.663	-17,0	9.790	267,6	9.812	0,2	17.775
Liechtenstein	-	-	2.071	-	3.906	88,6	4.533	16,1	4.439
Norway	70.291	-2,7	115.224	63,9	171.420	4,8	206.258	20,3	244.900
Sweden	214.132	7,3	295.847	38,2	457.504	54,6	560.610	22,5	659.794
Switzerland	242.614	1,6	289.085	19,2	352.971	22,1	437.376	23,9	552.378
Israel	805.218	23,0	861.434	7,0	1.082.998	25,7	1.313.890	21,3	1.461.239
Hungary	170.230	54,8	200.934	18,0	284.647	41,7	349.938	22,9	377.855
Romania	392.028	20,3	566.497	44,5	873.347	54,2	1.235.485	41,5	1.781.189
Czech Rep.	109.399	7,7	130.235	19,0	188.846	45,0	222.264	17,7	288.525
Slovakia	27.565	36,5	33.198	20,4	59.918	80,5	108.605	81,3	122.419
Latvia	16.108	0,1	20.343	26,3	26.707	31,3	38.366	43,7	81.389
Lithuania	32.586	36,0	53.723	64,9	85.668	59,5	122.531	43,0	149.183
Estonia	13.169	39,5	18.105	37,5	23.183	28,0	35.521	53,2	57.256
Slovenia	62.667	31,7	68.981	10,1	102.588	48,7	188.559	83,8	331.975
Bulgaria	299.415	18,4	380.332	27,0	621.685	63,5	894.326	43,9	1.176.714
Macedonia	89.816	-16,7	101.316	12,8	122.715	21,1	149.330	21,7	162.072
Poland	241.234	38,2	342.647	42,0	486.046	41,9	697.677	43,5	828.654
Bosnia & Herzegovina	27.586	2,7	43.264	56,8	63.227	46,1	99.938	58,1	127.952
Croatia	30.112	27,7	42.873	42,4	85.598	99,7	118.060	37,9	167.458
Morocco	98.149	39,4	138.331	40,9	180.779	30,7	330.059	82,6	368.888
Syria	281.141	52,6	266.772	-5,1	410.755	54,0	394.783	-3,9	547.293
Total	3.639.157	19,8	4.476.867	23,0	6.381.534	42,5	8.335.293	30,6	10.462.352

Source: TURKSTAT

**Table 7**  
**The Increase in Foreign Trade of Turkey with the Countries that Signed FTA Mutually**

Countries	Period	Increase at the Importation	Increase at the Exportation
Israel	1997-2005	%242	%273
Hungary	1998-2005	%234	%232
Romania	1998-2005	%558	%280
Czech Republic	1998-2005	%643	%314
Republic of Slovakia	1998-2005	%1500	%577
Latvia	1998-2005	%0	%601
Lithuania	1998-2005	%100	%330
Estonia	1998-2005	%471	%827
Slovenia	1998-2005	%400	%403
Bulgaria	1999-2005	%300	%403
Macedonia	1999-2005	%359	%73
Poland	2000-2005	%652	%374
Bosnia Herzegovina	2002-2005	%142	%195
Croatia	2003-2005	%405	%82
Morocco	2004-2005	%35	%20
Syria	2004-2005	%-24	%38



### 3. Conclusion and General Evaluation

The increase in the extent of foreign trade with the countries bound to Turkey by free trade agreements has been evaluated to be much more above the increase in total amount of foreign trade done by Turkey. This evaluation stated the major contributions done by the free trade agreements on the extent of national foreign trade. As this increase in foreign trade supported the exportation-dependent growth strategy of Turkey; the economical and social relationships with the related countries developed and the partnerships of entrepreneurs in the related countries were improved. The proportion of the countries that signed free trade agreements with Turkey progressively increased to reach a share of 14,22% in total exportation from Turkey and a share of 14% in total importation to Turkey.

After Turkey succeeded in foreign trade due to the free trade agreements, she signed the Barcelona Declaration in 27 October 1995 so the ground for the formation of Mediterranean Free Zone was constructed. Nowadays; deliberations with Egypt, Lebanon, Albania, Faroe Islands and South Africa have been commenced. On the other hand; Turkey has attempted to begin deliberations on free trade agreements with Algeria, Jordan, Gulf Partnership Council, Serbia Montenegro, Mercosur Countries\*, Mexico, Chile and 36 African countries in Lome convention. As the free trade agreements signed with these countries become valid, preferential trade relationships would be established with 64 countries all over four continents including Europe (the Balkans), Asia (the Middle East), Africa and South America.

This situation not only provides the countries getting closer in the economical area but also in social, cultural and political aspects. Meanwhile; the dependence of Turkish entrepreneurs and exporters on the Western Europe market would be decreased. This would also be in benefit of Turkish firms as they would be able to compete equally with the countries of the European Union in the related markets. As a result; Turkey would come over the obstacles on free trade one by one while she would carry out all the essential tasks of extrovert economical policy.

---

\* *Mercosur or Mercosul (Spanish: Mercado Común del Sur, Portuguese: Mercado Comum do Sul, Guarani: Ñemby Ñemuah, English: Southern Common Market) is a Regional Trade Agreement (RTA) between Brazil, Argentina, Uruguay, Venezuela, and Paraguay, founded in 1991 by the Treaty of Asunción, which was later amended and updated by the 1994 Treaty of Ouro Preto. Its purpose is to promote free trade and the fluid movement of goods, peoples, and currency.*

## References

- Drucker, P.F. (1998), *Yeni Gerçekler*, Türkiye İş Bankası Yayınları, Genel Yayın No: 315.
- Hedef Dergisi (2005), *Türkiye Serbest Ticaret Antlaşmalarına Sarıldı*, Sayı: 138, Haziran - Temmuz 2005, 60.
- Kotler, P. (2000), *Ulusların Pazarlanması*, Türkiye İş Bankası Yayınları, Genel Yayın No: 489.
- [http://www.die.gov.tr/ENGLISH/SONIST/DISTICIST/t01\\_310106.xls](http://www.die.gov.tr/ENGLISH/SONIST/DISTICIST/t01_310106.xls)
- [http://www.die.gov.tr/ENGLISH/SONIST/DISTICIST/t11\\_310106.xls](http://www.die.gov.tr/ENGLISH/SONIST/DISTICIST/t11_310106.xls)
- [http://www.die.gov.tr/ENGLISH/SONIST/DISTICIST/t12\\_310106.xls](http://www.die.gov.tr/ENGLISH/SONIST/DISTICIST/t12_310106.xls)
- <http://www.dtm.gov.tr/ab/sta/index.htm>
- <http://www.dtm.gov.tr/ab/sta/STA.htm>