A COMPARISON OF THE BILATERAL ECONOMIC RELATIONSHIP BETWEEN TURKEY AND BRITAIN FOR THE FIRST AND SECOND GLOBALISATION ERAS[1]

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Abstract

The First Globalisation Era of the late 19th century following the United Kingdom (UK) based Industrial Revolution, shaped the bilateral economic relationship between Turkey, formerly, Ottoman Empire and the UK, formerly, British Empire, including both bilateral trade and direct investment flows. On the other hand, in the Second Globalisation Era, following the Information and Communications Technology revolution, in late 20th century, bilateral economic relations gained a new dimension, where "more equal relationships" were observed between the two parties. The aim of this paper is to analyse and compare the bilateral Turkish-English economic relationship including both international trade and foreign direct investment in these two globalisation eras in order to emphasise the main differences and similarities as well as the magnitude of changes affecting these economies. It is found out that the industrial revolution in the UK did not shape the economic order only but also shaped the bilateral economic relationships between the so called "centre and periphery". In this regard, in the Second Globalisation Era after 2001 with the changing place of the Britain Empire in the new Globalisation Era "more equal relationships" between two parties compared to the First Globalisation Era is found out, at least in terms of international trade.

Keywords: *International Economic Relations, Globalisation, The UK, Turkey*
JEL Classification: *F1, F3, F6*

TÜRKİYE VE BRİTANYA ARASINDAKİ İKİLİ EKONOMİK İLİŞKİLERİN BİRİNCİ VE İKİNCİ KÜRESELLEŞME DÖNEMLERİ İÇİN BİR KARŞILAŞTIRMASI

Öz

Birleşik Krallık temelli Endüstriyel Devrimin devamındaki geç 19. Yüzyıl Birinci Küreselleşme Dönemi, Türkiye ve Birleşik Krallık arasındaki hem ikili ticareti hem de ikili doğrudan yatırım akımlarını içeren ikili ekonomik ilişkiyi şekillendirmiştir. Diğer tarafta, Bilgi ve İletişim Teknolojisi devriminin devamındaki geç 20. Yüzyıl İkinci Küreselleşme Döneminde ikili ekonomik ilişkiler, iki taraf arasında daha eşit ilişkilerin gözlemlendiği yeni bir boyut kazanmıştır. Bu çalışmanın amacı, bu iki küreselleşme döneminde hem uluslararası ticaret hem de doğrudan yabancı yatırımı içeren ikili Türk-İngiliz ekonomik ilişkilerinin bu ekonomileri etkileyen değişimlerin büyüklüğü kadar ana farklılıklarını ve benzerliklerini de vurgulamak amacıyla analiz etmek ve karşılaştırmaktır. Birleşik Krallık'daki Endüstriyel Devrimin sadece ekonomik düzeni şekillendirmediği, aynı zamanda "merkez ve çevre" arasındaki ikili ekonomik ilişkileri de şekillendirdiği saptanmıştır. Bu bağlamda, 2001 sonrası İkinci Küreselleşme Dönemi'nde Britanya İmparatorluğu'nun yeni Küreselleşme Dönemi'ndeki yerinin değişmesiyle birlikte, iki taraf arasında Birinci Küreselleşme Dönemi'ne göre en azından uluslararası ticaret açısından "daha eşit ilişkiler" olduğu tespit edilmiştir.

Anahtar Kelimeler: *Uluslararası Ekonomik İlişkiler, Küreselleşme, Birleşik Krallık, Türkiye*
JEL Sınıflandırması: *F1, F3, F6*

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1. Introduction

The First Globalisation[4] era, which is widely accepted as the late 19th century following the UK based Industrial Revolution, shaped the bilateral economic relationship between Turkey (formerly, Ottoman Empire) and the UK[5] (formerly, British Empire). The economic relationship between the two parties did not only consist of shallow integration covering bilateral trade but also the bilateral direct investments between Turkey and the UK. On the other hand, in the second globalisation era, which is widely accepted as the late 20th century following the Information and Communications Technology revolution revolution, the bilateral economic relationship from the first globalisation era gained a new dimension. For the 2000s it is noted on the official website of the Turkey's Ministry of Foreign Affairs that in order to develop the strategic partnership through several fields a road map is constituted by the "2010 Strategic Partnership Document", signed when Prime Minister Cameron's visit to Turkey in July 2010, (Republic of Turkey Ministry of Foreign Affairs, 2011: 1). The aim of this paper is to analyse and compare the bilateral Turkish-English economic relationship including both international trade and foreign direct investment in these two globalisation eras in order to emphasise the main differences and similarities as well as the magnitude of changes affecting these economies. In this regard, in the paper for the economic relationship in The First Globalisation Era, the era of 1830-1911 and for such relationship in the Second Globalisation Era the era of 1990-2015 are used. As original contributions of the paper the differences and similarities of the bilateral economic relationship between Turkey and Britain will be analysed both quantitatively and qualitatively and the reasons for the changing pattern including the changing centres of the new globalisation era will be discussed by comparing the two eras. In order to achieve the discussed aims, the paper is organised as follows; following the introduction the first and second globalisation eras will be analysed with a focus on the "infrastructure and superstructure institutions". In this part, the roles and the places of the UK and Turkey in this "big picture" will be examined. In the second part, the focus will be on bilateral trade and FDI flows in both globalisation eras so that the bilateral economic relationship between Turkey and the UK can be analysed with the use of relevant tables and figures. In the last part, the two Globalisation Eras will be compared both quantitatively and qualitatively and the reasons of the changing pattern of such relationship including the effects of the changing centre of the new globalisation era on the changing pattern of such relationship will be discussed.

2. First and Second Globalisation Eras

2.1. First Globalisation Era: The 19th Century

The Imperial Era started in the 19th century going back to the Industrial Revolution in the UK in the 1870s is widely accepted as the first globalisation era in the world economic history. This

[4]Globalisation is a highly contested topic. There is a large debate around the question of whether globalisation is a positive or negative development and whether it is a new phenomenon at all (Hirts and Thomson, 1992; Rodrik, 1997; Strand et al. 2005; Sparks, 2005; Steger, 2013; Dicken, 2015). The global manifestation of the "Washington Consensus" is that globalisation is the answer to the economic problems of the world when the markets are totally free from government intervention, thus increasing efficiency. It is argued that "too little globalisation" is the driver of the current economic inequalities and problems. On the other hand, Dicken (2015) argues that "hyper globalists to the left" define globalisation as the problem, not the solution. It is explained that unregulated markets inevitably lead to an increase in inequalities, causing uneven development and reducing the well-being for all but a small minority in the world as well as creating environmental problems (Wallerstein, 1974; Krugman and Venables, 1995). Another important argument with regards to globalisation is related to the "newness" of the concept. With the help of trade, investment and migration statistics, Hirst and Thompson (1992) argue that "the world economy was actually more open & more integrated in the half century prior to the First World War (1870-1913) than it is today" (Hirst and Thompson, 1992).

[5]*In the paper, the names Britain and the UK are used interchangeably.*

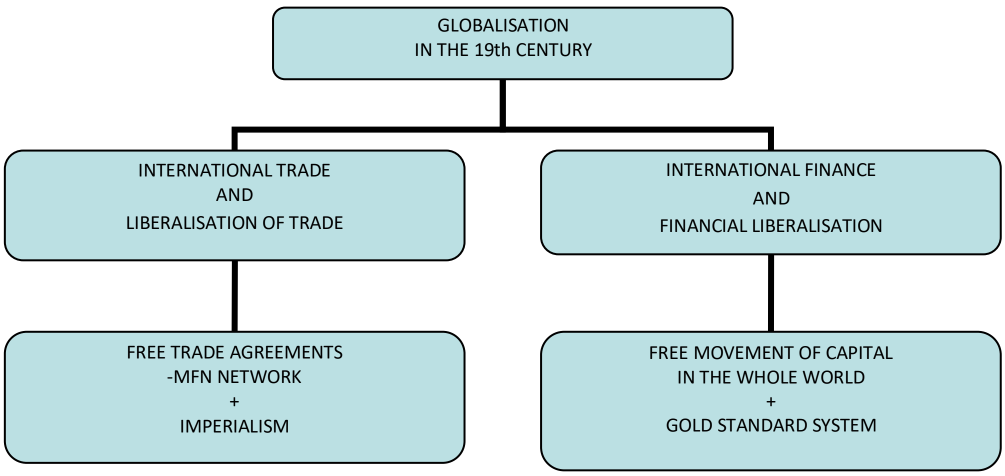
era the so-called 19th century Globalisation was accepted to have started with the UK based Industrial Revolution in the 1870s and ended with the outbreak of the World War I in 1914. The free international trade in goods and services and capital mobility with the free mobility of labour, without any legal or institutional barrier, in whole world was common during this era (Rodrik, 2011: 21).

The new technologies in international transportation and communication areas such as shipping, railway, canal and cable technologies reduced the costs of international trade significantly, have constituted "the infrastructure" of the first globalisation era. It is argued that while the rate of the costs of transport and communication diminished the growth rate of the global economy increased dramatically in the 19th Century. It is stressed that while the stream ship and train, intercontinental telegraph cable are the symbols of the 19th century the motor car, telephones, radio, aircraft, television and the internet are the symbols of the 20th century (Wolf, 2001: 3-4).

Superstructure of the era was the widely acceptance and spread of the Comparative Advantages Theory in the intellectual arena, namely, the benefits of obeying "the rules of game". The other factor contributed to the First globalisation era was the stability thanks to the implementation of the Classic Gold Standard System in the major countries and also the free movement of the capital (Wolf, 2001, 21).

The two institutions of the first globalisation era are categorised as 1-Economic Liberalism and Gold Standard System and 2- Imperialism. Economic Liberalism and Gold Standard System made connections among the policymakers in different countries, mostly the ones in Europe, and made them agreed on the cost minimised implementations in trade and finance. On the other hand, Imperialism allowed the imperial powers, such as the UK as the leading power of this era, to dominate the rest of the world by using political and military powers if they do not commit "the intellectual theory" by signing free international trade agreements voluntarily (Rodrik, 2011: 21-22). When compared with the three-sided Globalisation of the 1990s including international trade, international finance and international production, which will be tackled in the next part, international production side lead by Multinational Companies (MNC) seems missing here. Although there were some early versions of MNCs such as East India Company, Singer etc. in this era, too, they are accepted as exceptional and their foreign activities did not contribute at all to their profits (Bordo et al. 1999: 11).

Figure 1: **The Structure of the 19th Century's Globalisation**



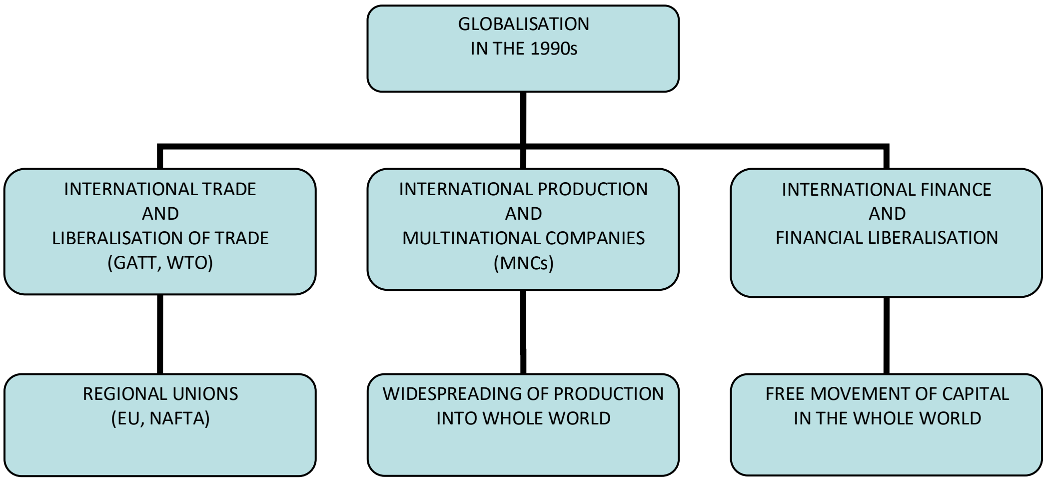
Source: Authors' Research, Inspired by Rodrik, 2011.

Hence, it can be maintained that the globalisation in the 19th century has two sub-groups as liberalisation of international trade and liberalisation of financial markets. Within this concept, new ideas on international trade such as David Ricardo's Theory of Comparative Advantages6 were emerging and spreading all over the world from the UK. Thus, free trade was tried to be achieved through bilateral free trade agreements first including Most Favoured Nation Clause (MFN) creating free trade networks in Europe and for the rest of the world if it is not possible, economic and military powers were used by the dominant power of the Era, British Empire (Rodrik, 2011: 22). Moreover, financial liberalisation and financialisation of the world economies was maintained by the rules of gold standard for the Europe. On the other hand, for the rest of the world, including the Ottoman Empire, it was done through economic and military powers by the dominant actors of the era by having used mostly portfolio investments and trade-related infrastructure FDI. The Figure 1 shows the sub-groups of the 19th century's globalisation.

2.2. Second Globalisation Era: The 20th Century

Due to the dramatic developments in both political and economic fields the 1990s' globalisation, which was experienced before (Rodrik, 1997: 8), included all the arenas, such as economic, social, political and cultural, which has been never seen before like this. In this respect, "the infrastructure" of the second globalisation era has been constituted by the important discoveries in the Information and Communication Technologies (ICTs) in the US, such as jet planes, satellite communication and internet, which hugely diminished the costs of international trade and finance. Moreover, the "superstructure" of the era has been constituted by the neoliberal policies of "full liberalisation" and "deregulation" of markets thanks to entering a new "uni-polar world order" in the political arena after the collapse of the Soviet Union in 1992.

Figure 2: **The Structure of the 1990s' Globalisation**



Source: Authors' Research, Inspired by Eun and Resnick, 2001.

It is argued that trade and financial integration in the 1990s based on the emerging of the Multinational Companies (MNCs) and the increase in the short run international financial flows including a wider range of assets and a greater range of economic activities have gone further than ever before (Perraton, 2001: 675-681). In this regard, the 1990s' globalisation has three sub-groups as first free trade policies; second MNCs' activities such as international production and third is freeing of financial markets. In this regard, following the Theory of Comparative Advantages developed by David Ricardo by the General Agreement on Tariffs and Trade (GATT) and World Trade Organisation (WTO) most of the tariffs, quotas that block liberal trade were tried to be prevented. Thus, liberalisation of international trade, namely, globalisation in trade was tried to be realised. In addition to this attitude, by means of regional organisations such as European Union (EU) and North American Free Trade Agreement (NAFTA), economic integration among countries was tried to be maintained (Eun and Resnick, 2001: 9-15). Among these

[6] *It mainly argues thar International Trade maintains benefits for all trade partners.*

subgroups financial liberalisation and financialisation of the world economies seem to have the most important outcomes for the whole world, especially for the emerging markets. It is criticised that it lead to speculative and hot money causing debt-laden balance sheets, volatility and mispricing of asset prices, including exchange rates resulting with the inefficient allocation of resources and unstable economic growth (Epstein, 2005: 3-16). The Figure 2 shows the sub-groups of the 1990s' globalisation.

As Table 1 indicates, the growth rates of both international trade (exports) and FDI are higher than growth rate of global production since the mid-1980s. Moreover, as seen in Table 2, except for 2009, the global financial crisis year, the same trend is valid for international trade and for the years 2010, 2011, 2013 and 2015 it is valid for FDI as their growth rates are higher than the GDP growth rates for the 2000s. The Table 1 shows some important indicators of the 1990s' globalisation.

Table 1: **Some Indicators of the 1990s' Globalisation**

Item	**Annual Growth Rate (per cent)**			
	1986-1990	**1991-1995**	**1996-2000**	**2000**
FDI inflows	22.9	21.5	39.7	27.7
FDI outflows	25.6	16.6	35.1	8.7
FDI inward stock	14.7	9.3	16.9	19.1
FDI outward stock	18.1	10.7	17.1	18.5
Cross-border M&As	25.9	24.0	51.5	49.3
Sales of Foreign Affiliates	16.0	10.2	9.7	16.7
Gross Product of Foreign Affiliates	17.4	6.8	8.2	14.1
Total assets of Foreign Affiliates	18.2	13.9	20.0	28.4
Export of Foreign Affiliates	13.5	7.6	9.9	11.4
Employment of Foreign Affiliates (Thousands)	5.6	3.9	10.8	13.3
GDP (in current prices)	10.1	5.1	1.3	2.7
Gross Fixed Capital Formation	13.4	4.2	2.4	3.8
Royalties and Licence Fee Receipts	21.3	14.3	7.7	9.5
Exports of Goods and Non-factor Services	12.7	8.7	3.6	11.4

Source: UNCTAD, World Investment Report 2004: The Shift Towards Services

Table 2: **Growth Rates of Global Fundamentals (percent), 2008-2016**

Variable	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
GDP	1.5	-2	4.1	2.9	2.4	2.5	2.6	2.8	3.1
Trade	3	-10.6	12.6	6.8	2.8	3.5	3.4	3.7	4.7
Gross Fixed Capital Formation	3	-3.5	5.7	5.5	3.9	3.2	2.9	3	4.7
Employment	1.2	1.1	1.2	1.4	1.4	1.4	1.3	1.3	1.2.
FDI	-20.4	-20.4	11.9	17.7	-10.3	4.6	-16.3	11.4	8.4
Memorandum									
FDI value (in $ trillions)	1.49	1.19	1.33	1.56	1.4	1.47	1.23	1.37	1.48

Source: UNCTAD, World Investment Report 2015: Reforming International Investment Governance.

The Continuing Globalisation Trend in 2000s except for the Global Financial Crisis Years can be seen in Table 3. According to this, when compared to the values in 1990 both international trade (exports) and FDI seem accelerated in 2000s. For example, in 1990 while the percentage of Exports to GDP is 18.40% it reaches to 29.31% in the years of 2005-2007 at average.

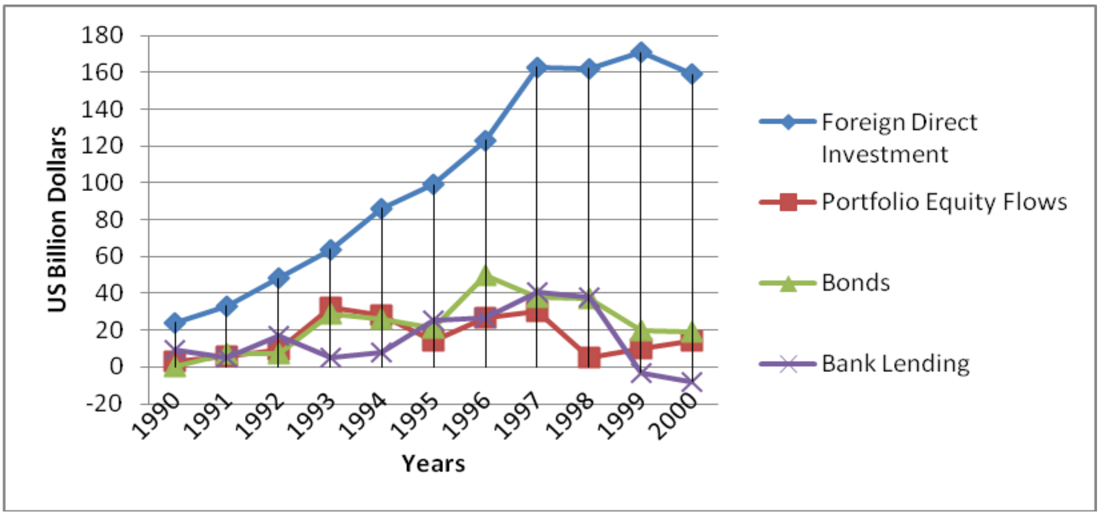
Following the tendencies in the 1980s, as seen in the Figure 3 FDI and portfolio investment have continued to be the main forms of the capital inflows to the developing countries. In this regard, mainly FDI has been wanted to be used as a financial resource by developing countries for several decades. This is due to the debt crises in the 1980s have limited the foreign bank loans availability as a financial resource and also short-term portfolio investment led to many financial crises in the 1990s. To this end, within the framework of financial liberalisation, deregulation and privatisation programmes because of the stabilisation and structural adjustment policies of the IMF and World Bank (WB) many developing countries implemented very similar policies, such as “financial and tax incentives” as well as “market preferences” to attract FDI.

Table 3: **Some Indicators of the Second Globalisation Era for the 2000s**

Item	Value at Current Prices (Billions of Dollars)				
	1990	2005-2007 (pre-crisis average)	2013	2014	2015
FDI Inflows	207	1418	1427	1277	1762
FDI Outflows	242	1445	1311	1318	1474
FDI Inward Stock	2077	14500	24533	25113	24983
FDI Outward Stock	2091	15104	24665	24810	25045
Income on Inward FDI	75	1025	1526	1595	1404
Rate of Return on Inward FDI	*4.4*	*7.3*	*6.5*	*6.7*	*6*
Income on Outward FDI	122	1101	1447	1509	1351
Rate of Return on Inward FDI	*5.9*	*7.5*	*6.1*	*6.3*	*5.6*
Cross-border M&As	98	729	263	432	721
Sales of Foreign Affiliates	5101	20355	31865	34149	36668
Value Added (product) of Foreign Affilates	1074	4720	7030	7419	7903
Total Assets of Foreign Affliates	4595	40924	95671	101254	105778
Exports of Foreign Affiliates	1444	4976	7469	7688	7803
Employment by Foreign Affiliates (Thousands)	21454	49565	72239	76821	79505
Memorandum					
GDP	22327	51288	75887	77807	73152
Gross Fixed Capital Formation	5072	11801	18753	19429	18200
Royalties and Licence Fee Receipts	29	172	298	311	299
Exports of Goods and Services	4107	15034	23158	23441	20861

Source: UNCTAD, World Investment Report 2016: Investor Nationality-Policy Challenges

Figure 3: **Private Capital Inflows to Developing Countries**



Source: World Bank Global Development Finance Data (Edition 2010)

3. Bilateral Economic Relationship between Turkey and Britain for the First and Second Globalisation Eras

3.1. International Trade in the First Globalisation Era

It can be said that the industrial revolution in the UK did not shape the economic order only but also shaped the bilateral economic relationships between the so called "centre and periphery". In this regard, The UK and Ottoman bilateral economic relationships also were shaped by the needs of the centre, the UK, as dominant power of this era. It was started by the international trade of raw materials needed by the UK in exchange of manufactured goods needed by the Ottoman. The following Table 4 indicates the exports, imports and total trade between these two countries for this era.

Table 4: **Bilateral Trade (Value Pounds Sterling) Between the Ottoman and the UK**

Years	Export to UK	Import from UK	TOTAL TRADE
1830-32	505400	760000	1265400
1840-42	1029600	1670100	2699700
1850-52	1768800	2422500	4191300
1860-62	2914000	3418500	6332500
1870-72	5276800	7257600	12534400
1880-82	3572000	6960800	10532800
1890-92	4636100	6892800	11528900
1900-02	5257700	6049400	11307100
1909-11	4636100	9010300	13646400

Source: Calculated According to the Data in Pamuk (1995).

In technical manner, the 1838 Treaty of Balta Limani, or the Anglo-Ottoman Treaty7, constituted the turning point of the Britain-Ottoman economic relationships. It can be said that it was a commercial agreement which made Ottoman Empire to give up her most intervention rights on foreign trade, leading to open both Ottoman markets and Ottoman raw material to European Trade (Oksuz et al., 2009: 37). In this regard, Timur (1998) argues that the Ottoman signed such agreement not for economic purposes, but for political aims under the challenging conditions of the Era8 that made the Ottoman to think of the daily political aims before the long-term economic benefits (Timur, 1998: 202-203). It is maintained that due to such agreement the Ottoman Industry, which was already weak, found itself vulnerable to the competition of the European Industry (Sander, 1995: 222). In this regard, Ortaylı (1995) points to the existing structural problems of the Ottoman, which could not create her own merchant-industrial group, that left the Ottoman behind the trade related economic civilisation of the new era. He underlines that although documenting such an unequal foreign trade regime the 1838 Treaty constituted a significant point in the economic and financial insolvency of the Ottoman, it was not the key factor (Ortaylı, 1995: 90-95). On the other hand, it meant more than a commercial agreement between only two as leading all the other international commercial agreements in that era. Geyikdagi (2015) maintains that the 1838 Commercial Convention inspired the others to sign free trade agreements with the Ottoman Empire following the British benefits maintained by the agreement (Geyikdagi, 2015: 528).

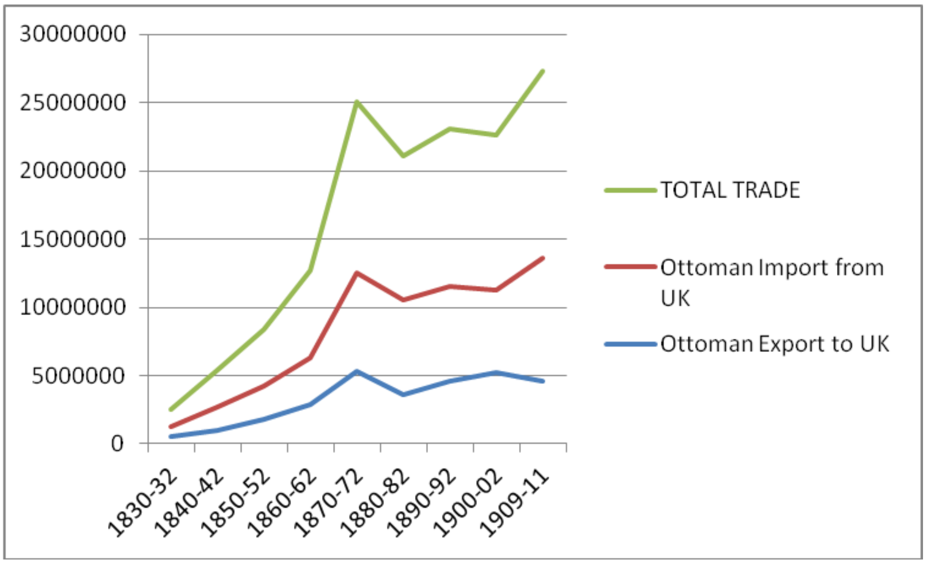
According to Table 4 and Figure 4 it can be said that there is an upward trend in total trade for the whole period, which was at peak in 1870-72 sub-era. In this regard, the American Civil War, 1861-1865, and the Reconstruction Era following the war contributed positively to Ottoman British trade, especially the raw material imports of Britain from America had to be diminished

[7] *"Signed between Britain and the Ottoman Empire on 15 August 1838, the agreement reaffirmed and widened Britain's rights under the capitulations (privileges granted by the Ottoman government) that gave British subjects the right to trade freely in the Ottoman Empire" (Karabell, 2004: 1).*

[8] *The challenging conditions of the Era can be listed as Greek War and their Independence, Russian defeat and Edirne Treaty, the problems with Mehmet Ali Pasha, Russian patronage under the Hunkar Iskelesi Treaty etc. (Timur, 1998: 202).*

(Geyikdagi, 2015: 528). This trend can be followed from the Ottoman exports to the UK. On the other hand, the collapse of such trade especially in terms of exports to the UK after 1873 can be interpreted as the results of Great Depression started in 1873 in Europe. In terms of trade deficit for the whole period import from the UK was more than the exports to the UK.

Figure 4: Bilateral Trade (Value Pounds Sterling) Between the Ottoman and the UK



Source: Authors' Research Calculated According to the Data in Pamuk (1995).

When it is looked at the exported items we see especially grains, fresh fruits and wools as seen in Table 5. According to Table 5 from 1860-62 to 1880-82 the dramatic change was in total grains as declining from 34.50% to 9.50% and also in total wools, raw material of the cotton industry of the British economy in the 19th century, increasing from 14.60% to 27.30%.

Table 5: Exported Items (% of Total)

Exported Items (% of Total)	1860-62	1880-82	1900-02	1910-12
Corn	17.40	3.00	5.50	1.20
Wheat	9.30	2.00	1.40	1.80
Barley	7.60	2.30	22.00	19.00
Total Grains	34.50	9.50	33.80	24.20
Madder Root	10.30			
Opium	5.40	8.30	4.50	5.00
Grape, fig and the other fresh fruits	6.50	11.80	16.90	20.00
Acorn	8.40	10.20	4.90	2.60
Sheep and Lamb Wool	2.50	8.30	5.30	5.00
Goat Wool	12.10	19.00	11.20	10.30
Total Wool	14.60	27.30	16.50	15.30
Olive Oil	0.70	4.10	1.00	2.40
Tobacco			1.40	6.10
The Others	19.60	28.80	21.00	24.40
Total (thousands sterling)	2906	3569	5250	4951

Data Source: Britain Foreign Trade Statistics from Pamuk (1995)

When it is looked at the imported items of Ottoman Empire from Britain we see especially cotton textile products and cotton yarns, as seen in Table 6. According to Table 6, from 1860-62 to 1880-82 the dramatic change was in cotton textile products as increasing from 0.7% to 67.5%.

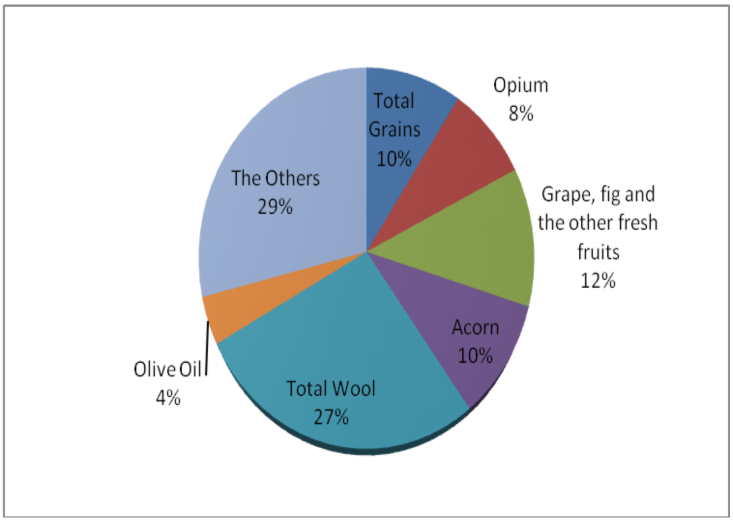
Table 6: **Imported Items (% of Total)**

Imported Items (% of Total)	1840-42	1860-62	1880-82	1900-02	1910-12
Cotton Textile Products	60.2	0.7	67.5	61.2	58.4
Cotton Yarns	14.8	12.8	8.6	8.7	5.2
Irin-steel Products	3.1	2.8	2.7	1.7	2.6
Wool Products	1.7	3	3.5	5.8	8.9
Coal	1.4	2.2	1.8	5.3	3.7
The Others	18.8	18.5	15.9	17.3	21.2
Total (thousands sterling)	1633	3425	6953	6049	9214

Data Source: Britain Foreign Trade Statistics from Pamuk (1995)

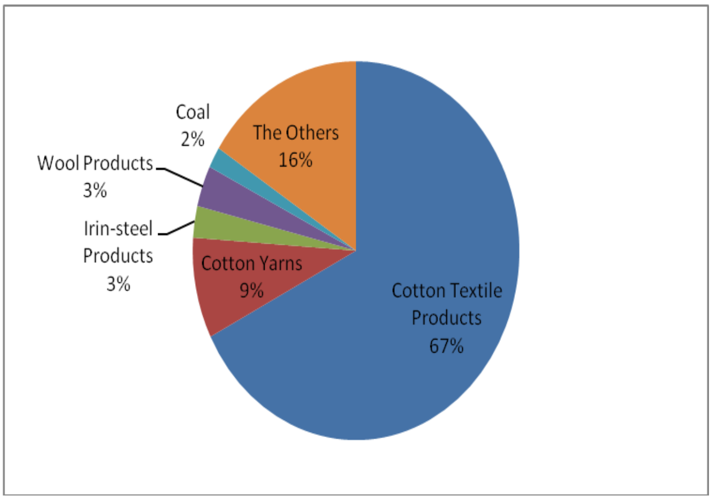
When it is looked at the composition of their trades it can be said that such composition reflects their economic positions in the 19th century world as Britain buys the raw material, produces and sell it as a final product to the Ottoman Empire. The following Figure 5 and Figure 6 indicate this picture for the 1880-82 sub-era.

Figure 5: **Exported Items of Ottoman Empire (% of Total) for the Sub-era 1880-82**



Data Source: Britain Foreign Trade Statistics from Pamuk (1995)

Figure 6: **Imported Items of Ottoman Empire (% of Total) for the Sub-era 1880-82**



Data Source: Britain Foreign Trade Statistics from Pamuk (1995)

3.2. International Finance in First Globalisation Era

Since such international trade required efficient transportation the FDI into the Ottoman Empire in this era was "trade-related infrastructure such as railways and ports". Geyikdagi (2015) maintains that especially after the beginning of the American Civil War the British traders started to import cotton, a main raw material, from Ottoman Empire, where during that time the transportation of cotton was done by camel caravans which were very costly. So, the construction of Aydin railway together with the other infrastructure on Turkish rivers for both irrigation and navigation aims were very important to increase the agriculture of cotton (Geyikdagi, 2015: 528).

Table 7: **FDI between Ottoman Empire and the British Empire**

	1888 (thousand pounds £)	%	1914 (thousand pounds £)	%
French	5020	31.7	37383	45.3
British	8895	56.2	11516	14.0
German	166	1.1	28007	34.0
Others	1744	11.1	5500	6.7
Total	15825	100.0	82406	100.0

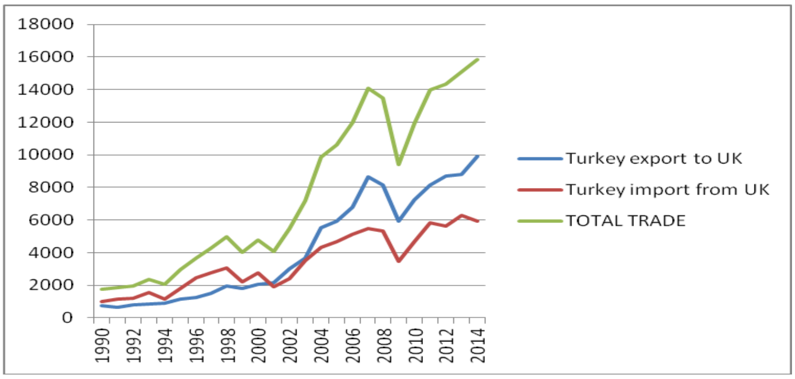
Source: Geyikdagi, 2015: 527.

Moreover, the trade related FDI in Ottoman Empire was also in the service sector such as banking and insurance to support free trade. Geyikdagi (2015) underlines that the Ottoman Bank with the British capital was founded in 1856 in order to develop free trade following the 1838 Commercial Agreement (Geyikdagi, 2015: 537-538).

3.3. International Trade in Second Globalisation Era

According to Figure 7, it can be said that there is an upward trend in total trade for the whole period of 1990-2015. When the sub-period of 1990-2007 is considered, the total trade was at peak in 2007, the year when the Turkish exports were boomed to the UK. However, after that as reflecting the Global Financial Crisis of 2008-2009, total trade gets a "V" shape, being at the bottom in 2009. Moreover, as seen in Figure 7 from 2001 to 2007 there is an accelerating trend in both total trade and trade surplus in terms of Turkey. It can be said there can be some reasons for this such as first, after the Financial Crisis of 2001 Turkish Lira was devaluated having get international competitiveness, second privatisations were huge in this era so FDI related trade could be common. Moreover, in this new sub-era started with the AK Party government in Turkey in 2002 the political relationship became positive as almost never seen before having reflected to economic relationships. It is maintained that Political Relationship together with the strong economic relationship between Turkey and Britian were all good-natured during the AKP era contributing the British trade and investment in Turkey (Angliss, 2012: 33).

Figure 7: **Bilateral Trade (Value US Dollar) Between Turkey and the UK**



Data Source: DOTS Statistics, 2016.

The following Table 8 indicates the relevant trade data between Turkey and the UK. It is seen from the Table 8 that for the whole period of 1990-2015, having started to increase after 2009 for the second time the total trade between these countries was at the peak in 2015. It is noted that "Trade between the UK and Turkey has increased since 2009, reaching US$15.8bn in 2014 with the UK taking a 4% share in overall Turkish trade" (Foreign & Commonwealth Office, 2016: 3-4). It is also maintained that although in 2013 the economic relations, especially FDI, were influenced negatively by the global economic recession, in 2012 the economic relations between them had achieved to a record-breaking level since the trade volume was amounting to USD 14.3 billion (Demirkan and Eryiğit, 2014: 1-2).

In this regard, it is worth mentioning of the important contributions of the 2010 Strategic Partnership, which was signed during Prime Minister Cameron's visit to Turkey in July 2010, between the two countries (Republic of Turkey Ministry of Foreign Affairs). In this regard, Hague (2011) writes that "Over the last 18 months we have laid firm foundations for that relationship were laid "through an ambitious Strategic Partnership which prompted the Turkish Prime Minister, Recep Tayyip Erdogan, to say that relations with the UK had entered a "golden age". Indeed, they have" (Hague, 2011: 1-3).

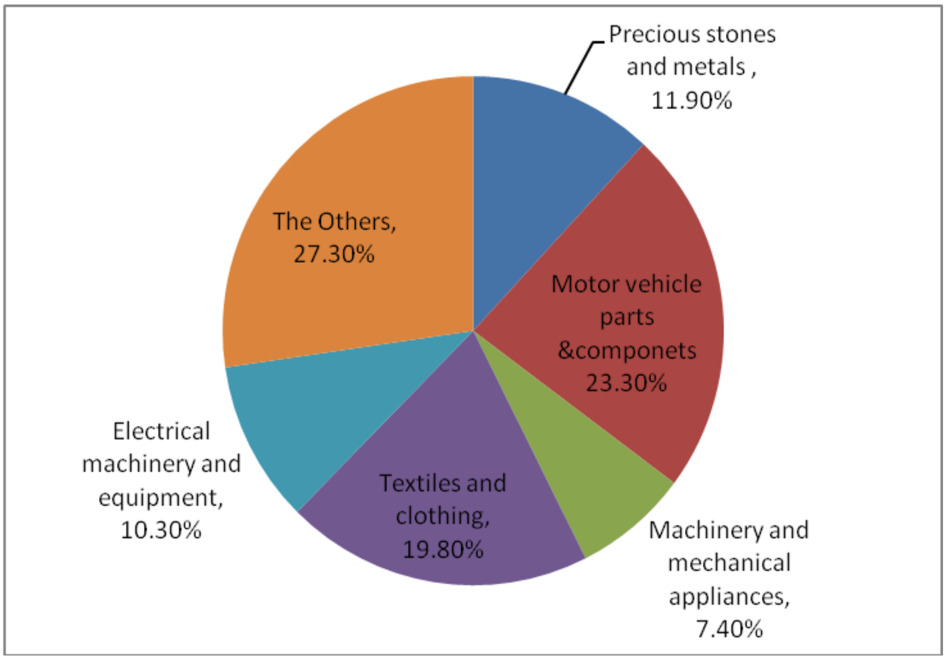
Table 8: **Bilateral Trade (Value US Dollar) Between Turkey and the UK**

Years	Export to UK	Import from UK	TOTAL TRADE
1990	744786000	1013733000	1758519000
1991	676045000	1165598000	1841643000
1992	796311000	1187332000	1983643000
1993	835106000	1545000000	2380106000
1994	888827000	1169913000	2058740000
1995	1135657000	1829761000	2965418000
1996	1247637867	2444033130	3691670997
1997	1505106000	2757660000	4262766000
1998	1953000000	3050800000	5003800000
1999	1829399949	2189972870	4019372819
2000	2036825739	2747746240	4784571979
2001	2174891670	1913846030	4088737700
2002	3024941527	2438296458	5463237985
2003	3670092528	3500015220	7170107748
2004	5540396860	4316870451	9857267311
2005	5917162703	4690129437	10607292140
2006	6813044068	5134405831	11947449899
2007	8626338663	5471205855	14097544518
2008	8158669011	5324034215	13482703226
2009	5915168824	3473433486	9388602310
2010	7235861129	4680611329	11916472458
2011	8151430057	5840379780	13991809837
2012	8693598733	5629454631	14323053364
2013	8785124346	6281414499	15066538845
2014	9903171589	5932227262	15835398851
2015	10556862755	5541276816	16098139571

Data Source: DOTS Statistics, 2016.

When it is looked at the export items from Turkey to the UK for 2015 we see especially Motor Vehicles as 23.30 percent, Textiles and clothing as 19.80 percent, Electrical machinery and equipment as 10.30%, Precious stones and metals as 11.90% and Machinery and mechanical appliances 7.40% of her total exports to the UK. It is clearly seen that the export composition of Turkey to the UK has been shifted to the more value-added products compared to the first era.

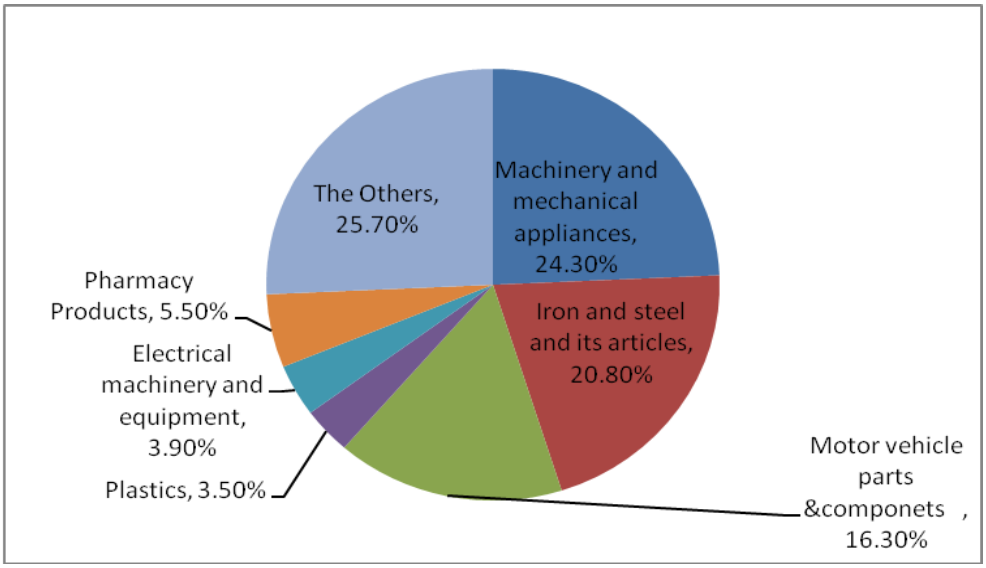
Figure 8: **Exported Items of Turkey (% of Total) for 2015**



Data Source: http://www.tgdf.org.tr/

When it is looked at the imported items from UK to Turkey for 2015 we see especially Machinery and mechanical appliances as 24.30 percent, Iron and steel and its articles as 20.80 percent, Motor vehicle parts &components as 16.30 percent, Pharmacy Products as 5.50 percent, Electrical machinery and equipment as 3.90 percent and Plastics as 3.50 percent of her total imports from the UK. It is clearly seen from the import composition of Turkey from the UK that technological gap was decreased compared to the first era. However, still import items consist of the high technology products.

Figure 9: **Imported Items of Turkey (% of Total) for 2015**



Data Source: http://www.tgdf.org.tr/

3.4. International Finance in Second Globalisation Era

When it is looked at the FDI inflows from the UK to Turkey for the whole period (Figure 10), it is seen that there are distinguished FDI inflows in the years of 2001, 2008 and 2012. It can be said that, the year 2001 is the one when Turkey experienced her severest financial crisis in her history. Thus, "fire-sale" of the existing Turkish firms due to crisis conditions could be the issue[9]. This issue is heavily criticised by Kazgan (2012) as following words:

> "Until 2001, which is the severest crisis year of Turkey that ever experienced, it [FDI inflows] annually remained at a value such as an average of 800 odd million dollars, which can be ignored. [On the other hand] While the stocks market bottomed out at the crisis year of 2001, it peaked up at 3.3 billion dollars. This means (due to the accelerating exchange rate and bottoming out the stock prices) the taking over of the local firm stocks at these lower prices by the foreigners [foreign capital]. If the stocks to be sold at 10 dollars in normal conditions are sold at 5 dollars it is clear that this is a significant capital loss. In this regard, in the crises of 1994 and 2000-2001 a significant share of banks, tourism firms and food industry were taken over [by foreign capital] through this way" (Kazgan, 2012: 253).

Moreover, the privatisations were common after 2002. Angliss (2012) maintains that during AKP era privatisation of the state companies including the monopolies on electricity production and distribution, fixed line telecommunications and broadband internet along with the government shares in banking, mobile telecommunications, tobacco, sea and airports, the sugar industry and petrochemicals were common leading the FDI with their infrastructure and dominant market power (Angliss, 2012: 12).

For instance, in 2008 the privatisation of Tekel Tobacco, the former monopoly supplier of tobacco to the Turkish market, was done by Turkish Government through having sold it to British American Tobacco for US$1.72 billion (Angliss, 2012: 56-59). All could be promoted the FDI from the UK as well as her fasting growth rate together with the government reforms in order to attract FDI such as FDI Law in 2003[10]. In this regard, it is noted that such new freedoms were started to be utilised by the British companies quickly since in 2003 only just over 300 British companies were operating in Turkey, by 2011 this had reached to 2,237 (Angliss, 2012:14).

Moreover, it is worth mentioning of the positive political climate between these two countries after 2002 leading to an important number of business links between UK and Turkey. Over 2,500 UK companies, which are currently operating in Turkey, include BP, Shell, Vodafone, Unilever (UK), BAE, Aviva and Diageo as well as the very famous retail chains such as TESCO, Harvey Nichols, M&S, Kingfisher and Laura Ashley (Foreign & Commonwealth Office: 3-4). On the other hand, except for the last two years the FDI outflows from Turkey to the UK can be ignored due to they are in relatively small values. In this regard, the last two years actually the recent era started from 2012[11] indicates an increasing trend in FDI from Turkey to the UK. This upward trend can be thanks to the comprehensive promoting policies programme of the UK, which is called GREAT[12], started in 2012. In this regard, it is maintained that thanks to the contributions of GREAT, FDI from Turkey to the UK, such as Florence Nightingale Hospitals, HDM Steel Pipe, Kahve Dünyası (coffee shops), Airties (modems), Koleksiyon Mobilya (furniture), Silk and

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[9] *It is noted that new FDI led by British capital was mostly due to the privatisation of government assets and the foreign purchase of land. Like the Marks and Spencer franchises, marketing departments for products produced elsewhere and sales outlets constituted some of this FDI (Angliss, 2012: 17).*

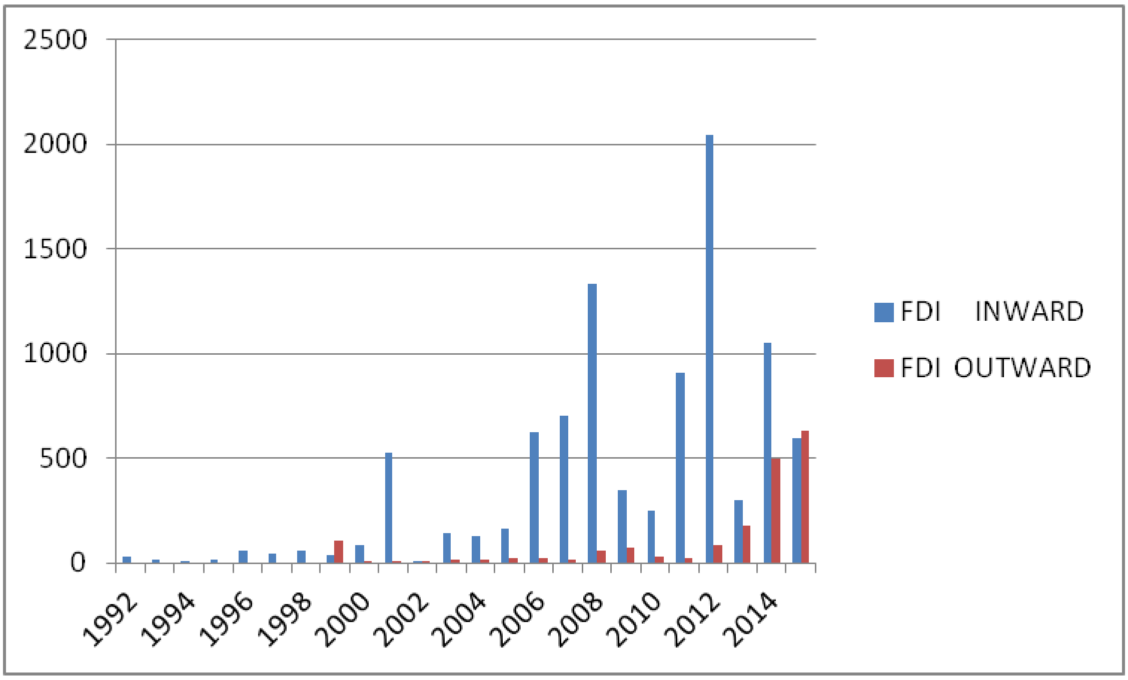
[10] *It is underlined that in 2003 a very liberal FDI Law maintaining equal rights to foreign investors, such as the rights to patent and copyright protection, capital outflows whenever they want etc., was launched by the Turkish Government (Angliss, 2012: 14).*

[11] *This year also distinguishes with the highest FDI inward records from the UK to Turkey as seen in both relevant Figure 10 and Table 9. It is noted that "In 2012, the UK was ranked 1st with USD 1.9 billion of direct investment in Turkey" (Demirkan and Eryigit, 2004: 1-2).*

[12] *It is described as the "most ambitious international marketing campaign", which was introduced by the British government in 2012, in order to attract economic activities from abroad into the UK, for several sectors from tourism and education to trade (Demirkan and Eryigit, 2014: 1-2).*

Cashmere (textiles), BEKO (electronics), Sun Tekstil and the Doors Group (restaurants), has increased (Demirkan and Eryigit, 2014: 1-2).

Figure 10: **FDI between Turkey and the UK**



Data Source: DOTS Statistics, 2016 and TRCB data.

Table 9: **FDI between Turkey and the UK, 1992-2015 (Millions of Dollars)**

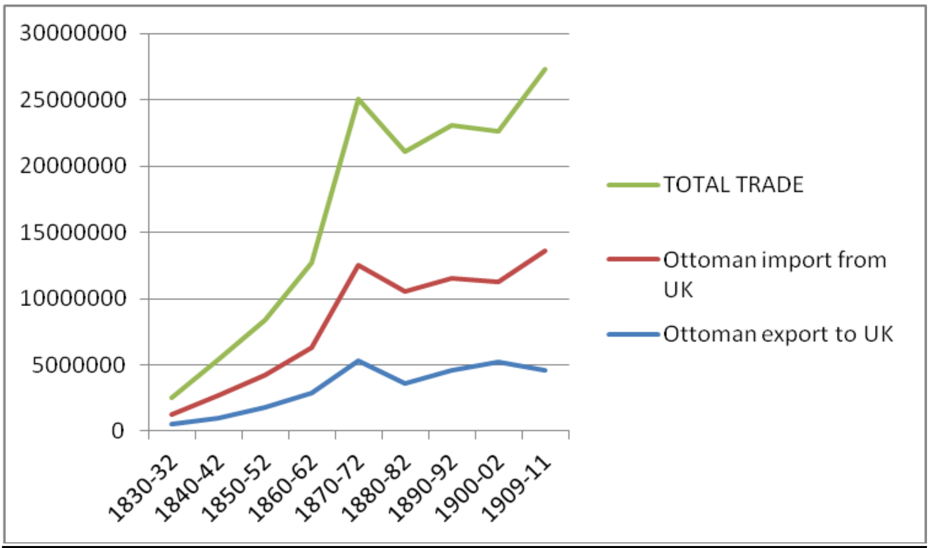
YEARS	FDI INWARD	FDI OUTWARD
1992	26	..
1993	17	..
1994	8	..
1995	17	..
1996	54	..
1997	43	..
1998	59	..
1999	33	104
2000	86	1
2001	527	10
2002	8	2
2003	141	12
2004	126	16
2005	166	18
2006	628	20
2007	703	15
2008	1335	57
2009	350	72
2010	245	25
2011	906	20
2012	2044	84
2013	300	181
2014	1051	494
2015	596	631

Data Source: DOTS Statistics, 2016 and TRCB data.

4. The Comparison of the Bilateral Economic Relationship between Turkey and Britain for the First and Second Globalisation Eras

Although there is difficulty in comparing the Bilateral Economic Relationship between Turkey and Britain for the First and Second Globalisation Eras in terms of total trade in value13, it can be compared in terms of foreign trade balance. In this regard, as seen in the following Figure 11, there is a trade deficit in terms of Ottoman Empire for the whole period of the First Globalisation Era and the gap seems increased all over the years.

Figure 11: **Bilateral Trade (Value US Dollar) Between the Ottoman and the UK**



Data Source: Calculated According to Data in Pamuk (1995) and MeasuringWorth, 2016.

On the other hand, in the Second Globalisation Era after 2001 the foreign trade balance picture started to change in favour of Turkey. In this regard, Turkey has become a trade surplus country to Britain as seen in Figure 12. This picture also overlaps with the changing place of the Britain Empire in these two Eras. It can be said that when it was the dominant power in the First Globalisation Era British Empire was at the core centre and the Ottoman Empire during that time remained at the periphery and their bilateral economic relationships during that time reflected this issue through both international trade and finance channels both quantitatively and qualitatively.

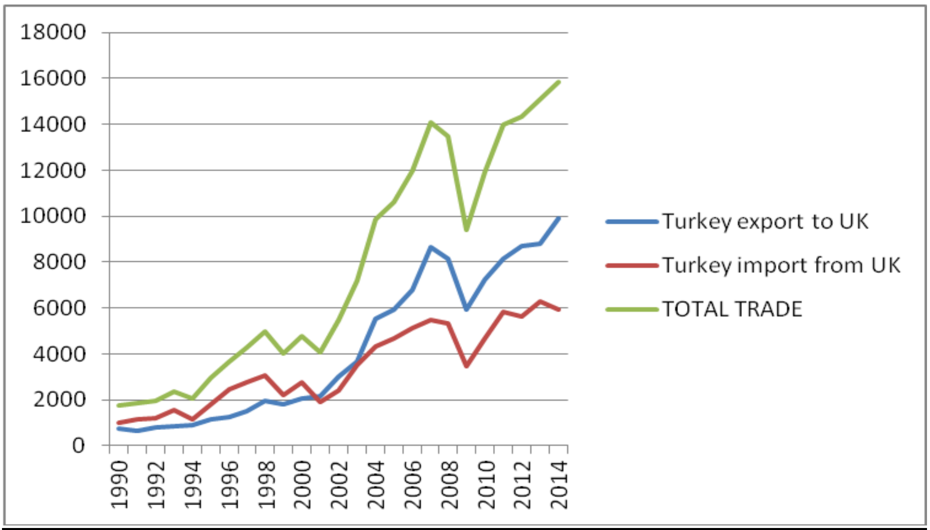
In terms of "quantitatively" the foreign trade deficit of Ottoman Empire is easily seen by pointing out the unequal relationship between them. This picture is also relevant for the international finance, especially, for the FDIs. Ottoman Empire needed all kinds of capital during that era. It especially attracted trade related infrastructure FDI and the trade related FDI in the service sector such as banking and insurance to support the free trade from the UK, but the same thing cannot be said for the Ottoman Empire during that time. Actually, it could not sustain any FDI for the UK.

In terms of "qualitatively" the composition of the export and import items again reflects the "centre-periphery" issue as making Ottoman Empire "periphery" during that time as it seems Britain bought the raw material, produced and sold it as a finished product to Ottoman. In this regard, although grains, fresh fruits and wools were among the export items of Ottoman Empire

[13] *It was converted to US Dollar by using current Exchange rate of Dolar/Pound for the relevant historical years obtained from the MeasuringWorth, 2016. However, since the data is still in current values it is problematic to compare and also there is lack of data problem for the First Era.*

to Britain, cotton textile products and cotton yarns were the mainly import items of the Ottoman Empire from Britain.

Figure 12: **Bilateral Trade (Value US Dollar) Between Turkey and the UK**



Data Source: DOTS Statistics, 2016.

On the other hand, in the Second Globalisation Era it seems the picture has changed when the British Empire lost its core dominant power of the era. In terms of bilateral trade it seems more equal pattern quantitatively, even in a surplus position for Turkey after 2001. The composition of the export and import items also changed reflecting the getting out from the existing unequal "centre-periphery" relationship between them, relatively. At least, it can be said that the gap decreased when compared with the First Era thanks to industrialisation policies of Turkey tackling and implementing her comparative advantages dynamically. It is noted that "Industry also plays a still important role, particularly in manufacturing which accounts for a large proportion of Turkish exports to Europe in the form of household goods e.g. BEKO and Vestel. The Turkish Government aims to decrease Turkey's import dependency in its growth and export structure, while increasing its capabilities to become an exporter of high technology products" (Foreign & Commonwealth Office: 3-4). However, in terms of FDI, there is still a unilateral attraction from the UK to Turkey especially in the form of brownfield investment of FDI such as acquisitions of the private or state-owned Turkish firms by UK companies such as British Tobacco and Tesco.

5. Conclusion

It can be said that the industrial revolution in the UK shaped also the bilateral economic relationships, the so called "centre and periphery" in the world, as well as the economic order during the First Globalisation Era. In this regard, the British and Ottoman bilateral economic relationships also were shaped by the needs of centre, the UK, as dominant power of this era, in an unequal manner. It was started by the international trade of raw materials needed by the UK in exchange of manufactured goods needed by the Ottoman. This picture is also relevant for the international finance, especially, for the FDIs. On the other hand, in the Second Globalisation Era after 2001 with the changing place of the Britain Empire in the new Globalisation Era "more equal relationships" compared to the First Globalisation Era is seen, at least in terms of international trade.

In the Second Globalisation Era after 2001 the foreign trade balance picture started to change in favour of Turkey. Hence, Turkey has become a trade surplus country to Britain. This picture overlaps with the changing place of the Britain Empire in these two Eras. It can be said that when it was the dominant power in the First Globalisation Era British Empire was at the core centre and the Ottoman Empire during that time remained at the periphery and their bilateral economic relationships reflected this issue through both international trade and finance channels both quantitatively and qualitatively. In the Second Globalisation Era, the composition of the export and import items also changed reflecting the getting out from the existing unequal "centre-periphery" relationship between them, compared to the First Era. At least, it can be said that the gap decreased when compared with the First Era thanks to industrialisation policies of Turkey tackling and implementing her comparative advantages dynamically.

When such analysis is done qualitatively through tackling the export and import items of Turkey for the Second Era, for instance, for 2015, it is clearly seen that the export composition of Turkey to the UK has been shifted to the more value-added products compared to the First Era and it is clearly seen from the import composition of Turkey from the UK that technological gap was decreased compared to the First Era. However, the import items still consist of the high technology products and in terms of FDI, when compared there is still a unilateral attraction from the UK to Turkey. But for the last years it can be said that a promising FDI outward trend from Turkey to the UK seems to be emerged.

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