

TURKISH-AMERICAN ECONOMIC RELATIONS FROM THE PAST TO THE FUTURE

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Abstract: Turkish-American economic relations represent the economic dimension of the political and strategic ties between the two countries, encompassing significant factors such as trade volume, direct investments, military cooperation, and strategic partnerships. These relations, which began in the post-World War II era, were shaped by the economic and military aid provided by the United States to Türkiye. During the Cold War, programs like the Marshall Plan and the Truman Doctrine contributed to the modernization of Türkiye's infrastructure and the enhancement of its defense capacity. The 1990s saw further deepening of these ties under the influence of globalization, and the 2000s brought even more dynamism with Türkiye's rapid economic growth and reforms. Today, despite current challenges such as trade wars, embargoes, and sanctions, there are still opportunities for cooperation in strategic areas like energy, defense, and technology. This study examines the historical development of Turkish-American economic relations and explores how they might evolve in the future.

Keywords: *Turkish-American Economic Relations, Cold War, Marshall Plan, Trade Volume, Strategic Partnership.*

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GEÇMİŞTEN GELECEĞE TÜRK-AMERİKAN EKONOMİK İLİŞKİLERİ

Özet: Türk-Amerikan ekonomik ilişkileri, siyasi ve stratejik bağların ekonomik boyutunu oluşturur ve iki ülke arasındaki ticaret hacmi, doğrudan yatırımlar, askeri iş birliği ve stratejik ortaklıklar gibi birçok önemli faktörü kapsar. İkinci Dünya Savaşı sonrası dönemde başlayan bu ekonomik ilişkiler, Amerika Birleşik Devletleri'nin Türkiye'ye sağladığı ekonomik ve askeri yardımlarla şekillenmiştir. Soğuk Savaş dönemi boyunca Marshall Planı ve Truman Doktrini gibi programlar aracılığıyla Türkiye'nin altyapısı modernize edilmiş ve savunma kapasitesi artırılmıştır. 1990'larda küreselleşme etkisiyle derinleşen bu ilişkiler, 2000'li yıllarda Türkiye'nin hızlı ekonomik büyümesi ve reformlarla daha da dinamik hale gelmiştir. Günümüzde ise, ticaret savaşları, ambargolar ve yaptırımlar gibi mevcut engellere rağmen, enerji, savunma ve teknoloji gibi stratejik alanlarda iş birliği fırsatları devam etmektedir. Bu çalışmada, Türk-Amerikan ekonomik ilişkilerinin tarihsel gelişimi ve gelecekte nasıl şekillenebileceği ele alınmaktadır.

Anahtar Kelimeler: *Türk-Amerikan Ekonomik İlişkileri, Soğuk Savaş, Marshall Planı, Ticaret Hacmi, Stratejik Ortaklık.*

Introduction

Turkish-American economic relations constitute the economic dimension of the political and strategic ties between the two countries. These relations include many important factors such as trade volume, direct investments, military cooperation, and strategic partnerships between the two countries. Economic relations between two countries affect not only economic interests but also political and strategic balances.

Economic relations that started after the Second World War² were shaped by the economic and military aid provided by the United States (U.S.) to Türkiye during the Cold War³ period. Aid was provided to Türkiye through programs such as the Marshall Plan⁴ and the Truman Doctrine⁵ contributed to the modernization of the country's economic infrastructure and increased defense capacity. During this period, the economic support given by the U.S. to Türkiye provided significant developments in the country's industrial and agricultural sectors, and military relations were strengthened with NATO⁶ membership.

In the 1990s, Turkish-American relations deepened further under the influence of globalization. During this period, Türkiye's transition to a free-market economy and IMF-supported economic reforms had a positive impact on trade and investment relations with the U.S. Privatization policies and free trade agreements have strengthened the economic ties between the two countries. Additionally, the integration of the global economy in the post-

² World War II was a global conflict that took place between the Allies (U.S., United Kingdom, Soviet Union, and others) and the Axis powers (Germany, Italy, and Japan) between 1939 and 1945 and caused great destruction around the world. See; Thomas A. Hughes & John Graham Royde-Smith, "World War II", *Encyclopedia Britannica*, Date of Accession: 01.05.2024 from <https://www.britannica.com/event/World-War-II>.

³ It is the period of political, ideological, and military tension between the United States (U.S.) and the Soviet Union (USSR) between 1947 and 1991, following World War II. During this period, the two superpowers used various methods such as propaganda, espionage, arms races, and proxy wars to expand their global influence without engaging in direct military conflict. See; *Encyclopedia Britannica*, "Cold War", Date of Accession: 01.05.2024 from <https://www.britannica.com/event/Cold-War>.

⁴ It is a program carried out by the U.S. between 1948 and 1952 to provide economic aid to Western European countries. This plan aimed to rebuild the European economies devastated after the Second World War and prevent the spread of communism. See; *Encyclopedia Britannica*, "Marshall Plan", Date of Accession: 01.05.2024 from <https://www.britannica.com/event/Marshall-Plan>.

⁵ It is a foreign policy doctrine declared by U.S. President Harry S. Truman in 1947, under which the U.S. undertakes to provide economic and military assistance to threatened countries around the world to counter the expansionist policies of the Soviet Union. This doctrine, which started with aid to Greece and Türkiye in particular, formed the basis of Washington's global strategy against the Soviet Union during the Cold War. See; *Encyclopedia Britannica*, "Truman Doctrine", Date of Accession: 01.05.2024 from <https://www.britannica.com/event/Truman-Doctrine>.

⁶ NATO (North Atlantic Treaty Organization) is a military alliance established in 1949 to provide collective defense among its members. The main purpose of the organization is to protect the security of its member countries, with the principle that an attack on one of its members is considered an attack on all of them. See; David G. Haglund, "North Atlantic Treaty Organization", *Encyclopedia Britannica*, Date of Accession: 01.05.2024 from <https://www.britannica.com/topic/North-Atlantic-Treaty-Organization>.

Cold War period allowed Türkiye to increase its trade and foreign direct investments with the United States.

The reforms carried out in the Turkish economy in the 2000s enabled the economy to enter a period of rapid growth. Banking sector reforms, ensuring public finance discipline, and structural reforms have contributed to economic relations with the U.S. becoming more dynamic. During this period, the trade volume between the two countries increased significantly and partnerships deepened in areas such as energy projects and defense industry cooperation. Türkiye's economic growth and stability have placed its trade and investment relations with the U.S. on a firmer footing.⁷

Today, Turkish-American economic relations have entered a period full of both opportunities and difficulties. Although current problems such as trade wars, embargoes, and sanctions have created tension in relations, opportunities for cooperation in strategic areas such as energy, defense, and technology continue. A new page has been opened in relations with the Biden administration, and efforts to improve trade relations through diplomacy and dialogue have come to the fore. In the future, new collaborations are envisaged in areas such as the digital economy, green energy, and the defense industry, and it is aimed to encourage direct foreign investments by expanding free trade agreements.⁸

In this article, the historical development, important turning points, and the status of Turkish-American economic relations will be discussed. Additionally, the effects of these relations on the economies and policies of both countries will be examined. The article aims to provide the reader with a comprehensive perspective to better understand why these relationships are essential and how they may be shaped in the future.

1. Periods and Characteristics of Türkiye-U.S. Economic Relations

When the economic relations between Türkiye and United States are considered by period, a significant development can be seen after the Second World War. During this period, the U.S. provided economic and military aid to Türkiye through the Marshall Plan and the Truman Doctrine, thus contributing to the modernization of the Turkish economy and increasing its defense capacity. During the Cold War, Türkiye's membership in NATO strengthened its strategic partnership with the U.S. and deepened economic relations.

⁷ Gül Tuba Dağcı (2012), "Turkey-US Relations in Justice and Development Party's Era", *Alternatives: Turkish Journal of International Relations*, Vol. 11, no: 2, pp. 1-11.

⁸ Şaban Kardaş (2011), "Turkish-American Relations in the 2000s: Revisiting the Basic Parameters of Partnership?", *Perceptions: Journal of International Affairs*, Vol. 16, no: 3, pp. 25-52.

Türkiye had the opportunity to modernize its economy by developing its agricultural and industrial infrastructure with the aid it received within the scope of the Marshall Plan. The Marshall Plan has provided significant developments in Türkiye's infrastructure investments, industrial facilities, and education. During this period, the aid provided by the U.S. to Türkiye made significant contributions to the growth and industrialization of the Turkish economy. For example, the agricultural machinery and technology transfer provided to Türkiye within the scope of Marshall Aid helped modernize the agricultural sector.

During the Cold War, although the trade volume was limited the foundations of economic relations were laid. Trade barriers such as tariffs and quotas have restricted the growth of trade between the two countries. For example, agricultural products such as wheat and corn imported from the Türkiye have made significant contributions to the agricultural sector. On the other hand, Türkiye's exports to the U.S. are concentrated in sectors such as textile and ready-made clothing.

After the end of the Cold War, economic relations between Türkiye and the U.S. entered a new era. During this period, Türkiye's transition to a free-market economy and economic reforms positively affected trade and investment relations with the U.S. In the 1990s, economic liberalization policies and the privatization process strengthened the economic ties between the two countries. Türkiye's relations with the IMF and the World Bank played an important role in the economic reform process. These reforms ensured Türkiye's macroeconomic stability and facilitated the attraction of foreign investments to the country.⁹

Türkiye's signing of a Customs Union¹⁰ agreement with the European Union in 1995 also affected its trade relations with the U.S. This agreement made a significant change in Türkiye's foreign trade policy, enabling important steps to be taken towards developing free trade agreements and bilateral trade with the U.S. The Customs Union has created a significant transformation in Türkiye's trade policy and contributed to the more accessible and more open development of trade relations with the U.S. Trade volume with the U.S. has increased, especially in the automotive and white goods sectors.

In the 1990s, Turkish-American economic relations deepened further under the influence of globalization. Türkiye's transition to a free-market economy and IMF-supported economic

⁹ Mustafa Aydın (2005), "Turkish Foreign Policy at the End of The Cold War: Roots and Dynamics", *The Turkish Yearbook of International Relations* Vol. 36, no: 1, pp. 1-36.

¹⁰ It is the initial type of economic integration of common customs tariffs against the third standard, in which customs duties and restrictions between member countries are abolished. This union allows goods to move between members' countries and enables economic coming together by eliminating trade barriers.

reforms have positively affected trade and investment relations with the U.S. Privatization policies and free trade agreements have strengthened the economic ties between the two countries. The process of integration into the global economy has helped Türkiye increase its trade and foreign direct investments with the United States.

The economic reforms carried out in the 2000s enabled the Turkish economy to enter a period of rapid growth. Banking sector reforms, ensuring public finance discipline, and structural reforms have contributed to making economic relations with the U.S. more dynamic. During this period, the trade volume between the two countries increased significantly and partnerships deepened in areas such as energy projects and defense industry cooperation. Türkiye's economic growth and stability have placed its trade and investment relations with the U.S. on a firmer footing. During this period, Türkiye's GDP increased significantly, and per capita income increased.¹¹

The trade volume between Türkiye and the U.S. increased significantly in the 2000s. Between 2002 and 2020, the trade volume between the two countries almost quadrupled. During this period, trade volume increased significantly, especially in the automotive, defense industry, and textile sectors. Among the most essential items in Türkiye's exports to the U.S. were automotive spare parts, machinery and devices, textile products, and foodstuffs. Aircraft and aircraft parts, electronic devices, medical supplies, and agricultural products came to the fore in U.S. exports to Türkiye.

Energy projects, defense industry collaborations, and other economic partnerships were the main elements of economic relations between the two countries in the 2000s. For example, Türkiye's TANAP (Trans-Anatolian Natural Gas Pipeline)¹² project has contributed to regional energy security with the support of the United States. Additionally, collaborations in the field of defense industry have helped Türkiye develop its domestic defense industry. American defense companies such as Lockheed Martin, Boeing, and Raytheon have strengthened the military and technological cooperation between the two countries by contributing to Türkiye's defense projects.

¹¹ Hugh Bredenkamp & Mats Josefsson & Carl-Johan Lindgren & Süreyya Serdengeçti (2009), "Turkey's Renaissance: From Banking Crisis to Economic Revival", in (Eduard Brau & Ian McDonald eds.) *Successes of the International Monetary Fund*, London: Palgrave Macmillan, pp. 64-84.

¹² It is a pipeline that carries natural gas from Azerbaijan to Europe via Türkiye. The pipeline, which became operational in 2018, is part of the Southern Gas Corridor and aims to increase energy security and reduce Europe's energy dependence on Russia. See; TANAP, "Executive Summary", Date of Accession: 05.05.2024 from <https://www.tanap.com/store/file/23b5452f44ba006d1708b53749438367.pdf>.

In recent years, there have been both opportunities and challenges in economic relations between Türkiye and the United States. Although problems such as trade wars, embargoes, and sanctions have created tension in the relations between the two countries, opportunities for cooperation in strategic areas such as energy, defense, and technology continue.

During the Trump administration, there were uncertainties in the U.S.'s trade relations with Türkiye. Additional customs duties especially applied to strategically important products such as steel and aluminum, negatively affected Türkiye's exports to the U.S. Additionally, the Trump administration brought CAATSA¹³ sanctions to the agenda due to Türkiye's purchase of S-400 air defense systems, creating tension in relations.¹⁴ Trade wars and embargoes have created uncertainties in Turkish-American economic relations and worried investors. However, despite these problems, opportunities for cooperation continue in areas such as energy, defense, and technology. Türkiye's efforts to increase domestic production capacity in the defense industry may make its cooperation with the United States more strategic. Additionally, there is potential for cooperation in new areas such as renewable energy and the digital economy.

With the Biden administration, efforts to improve trade relations through diplomacy and dialogue have come to the fore. In the future, new collaborations are envisaged in areas such as the digital economy, green energy, and defense industry, and it is aimed to encourage direct foreign investments by expanding free trade agreements.

The Biden administration aimed to open a new page in Türkiye-U.S. economic relations. Emphasizing diplomacy and dialogue instead of trade wars has created a positive atmosphere in relations. The Biden administration tried to improve trade relations and strengthen strategic partnerships with Türkiye. In addition to defense industry, there is a high potential for cooperation in new areas such as the renewable energy and the digital economy.¹⁵

¹³ It is a law passed by the United States Congress in 2017 that provides for the imposition of economic sanctions against Iran, North Korea, and Russia. This law aims to deter such activities by targeting countries that engage in activities against the interests of the United States and individuals and organizations doing business with these countries. For details, see; Şener Çelik (2022), "ABD Yaptırımlarının Uluslararası İnsan Haklarına Etkisi: GMA ve CAATSA Kapsamında Bir Değerlendirme", *Ankara Üniversitesi SBF Dergisi*, Vol. 77, no: 1, pp. 179-203.

¹⁴ For a detailed analysis on this, see; Ozan Örmeci & Cenk Özgen & Eren Alper Yılmaz (2022), "F-35 Crisis: Will Turkish-US Defense Cooperation Continue?", *Middle East Policy*, Vol. 29, no: 2, Summer 2022, pp. 85-97.

¹⁵ Barçın Yinanç (2023), "A "new era" in Turkish-American Relations?", Yetkin Report, 08.09.2023, Date of Accession: 05.05.2024 from <https://yetkinreport.com/en/2023/09/08/a-new-era-with-the-us/>.

2. The Main Determinants of Türkiye-U.S. Economic Relations

2.1. The Effect of Political Relations

Political relations between Türkiye and America are one of the main factors that determine the course of economic relations. In recent years, different approaches to the Syrian crisis, counter-terrorism strategies, and human rights issues have caused political tensions between two countries.

The Iraq War, which started in 2003, was an important turning point in Türkiye-U.S. relations. Türkiye displayed a cautious attitude towards the demands of the U.S. before the war, and in the vote held in the Turkish Grand National Assembly on March 1, 2003, it did not allow the passage of U.S. soldiers to Iraq via Türkiye. This decision created severe tension in Türkiye-U.S. relations and was also reflected in economic relations. During this period, there was a significant pause in Türkiye's exports to the U.S. and indirect investments from the U.S.

The 2008 global financial crisis affected Türkiye-U.S. economic relations as well as the rest of the world. The economic recession in the U.S. during the crisis negatively affected Türkiye's exports to the U.S. and caused the Turkish lira to lose value. However, the expansionary monetary policies implemented by the U.S. to overcome the crisis increased the capital flow to Türkiye and provided liquidity to the Turkish economy.

More recently, The Gezi Park events and the December 17-25 corruption investigations in 2013 caused the beginning of a new era in Türkiye's domestic politics and relations with the U.S. In this process, the shaking of political stability in Türkiye and the diplomatic tensions with the U.S. also had adverse effects on economic relations. Foreign investors' confidence in Türkiye decreased and there was a decrease in direct investments from the U.S.

The failed coup attempt in 2016 and the U.S.'s subsequent failure to extradite Muslim cleric Fethullah Gülen became a new source of tension in Türkiye-U.S. relations. This situation was also reflected in economic relations and led to the Pastor Andrew Brunson crisis in 2018. The economic sanctions imposed by the U.S. on Türkiye due to the non-release of Pastor Brunson caused the Turkish lira to lose its value rapidly and an economic crisis occurred. During this period, Türkiye's exports to the U.S. and investments from the U.S. decreased significantly.

Finally, Türkiye's purchase of the S-400 air missile defense system from Russia in 2019 became a new source of tension in Türkiye-U.S. relations, and Washington imposed CAATSA sanctions on Türkiye. These sanctions negatively affected Türkiye's defense

industry and economic relations with the U.S. Sanctions restricted Türkiye's technology transfer from the U.S. as well as defense industry collaborations with the U.S. and created stagnation in economic relations.

During this period, Türkiye-U.S. economic relations were shaped by political events and had various effects on the economies of both countries. Political tensions have increased the uncertainty in economic relations, but opportunities for cooperation have also arisen from time to time. In the future, diplomatic solutions and mutual understanding will be of great importance to strengthen economic relations between the two countries.

2.2. Importance and Change of Investments

In the last 20 years, investments between Türkiye and the U.S. have followed a fluctuating course due to the influence of political events and economic factors. After the 2001 crisis, with the “*Strengthening the Turkish Economy*”¹⁶ starting to yield results, Türkiye's investment environment improved, and the investments of American companies increased. For example, in 2007, General Electric invested \$1.5 billion in the energy sector in Türkiye.

Although American investments decreased during the 2008 global financial crisis, Türkiye's rapid recovery from the crisis and its growth potential continued to attract the attention of investors. In the early 2010s, Citibank increased its assets in Türkiye, and in 2011, it acquired shares from Garanti Bank in Türkiye, investing \$3.8 billion.¹⁷

2013 created uncertainty in Türkiye due to the Gezi Park protests and corruption investigations and negatively affected American investments. The coup attempt in 2016 and the subsequent Pastor Andrew Brunson crisis caused the Turkish lira to lose value and American investments to decrease. For example, while American direct foreign investments to Türkiye were 1.5 billion dollars in 2017, this figure decreased to 300 million dollars in 2018.

¹⁶ It is a comprehensive reform program that was implemented after the severe economic crisis in Türkiye in 2001, which aimed to restructure the economy. The program included basic elements such as ensuring macroeconomic stability, disciplining public finances, strengthening the banking sector, and carrying out structural reforms. This program, carried out by Türkiye in cooperation with the IMF, aimed to promote economic growth and ensure that crises do not recur. See; TCMB, “Strengthening the Turkish Economy”, Date of Accession: 10.05.2024 from <https://www.tcmb.gov.tr/wps/wcm/connect/c1e0d048-983a-4a2a-a2b5-a0c24089be91/strengteningecon.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-c1e0d048-983a-4a2a-a2b5-a0c24089be91-m4ucbm9>.

¹⁷ Dani Rodrik (2009), “The Turkish Economy After the Crisis”, Discussion Paper, no: 2009/9, Turkish Economic Association, Ankara, Date of Accession: 10.05.2024 from <https://www.econstor.eu/bitstream/10419/81581/1/619932791.pdf>.

Türkiye's purchase of the S-400 air missile defense system from Russia in 2019 and the U.S.'s implementation of CAATSA sanctions further complicated the economic relations between the two countries. These sanctions restricted cooperation in the fields of the defense industry and technology transfer and reduced the interest of American investors in Türkiye. However, with the Biden administration, diplomacy and dialogue have come to the fore and efforts to increase economic cooperation have continued. New cooperation opportunities have emerged in areas such as renewable energy and the digital economy. The amount of direct foreign investment from the U.S. to Türkiye in 2021 was around 500 million dollars, and this figure is expected to increase in the coming years.

As a result, while investments between Türkiye and America have fluctuated and decreased from time to time depending on political and economic factors, the future of relations between the two countries will be shaped depending on cooperation efforts and political stability.

2.3. The Role of Trade and Changes in Trade Volume

In the last 20 years, the trade volume between Türkiye and America has generally increased despite periodic fluctuations. In 2002, the trade volume between Türkiye and the U.S. was approximately 6 billion dollars. During this period, Türkiye's exports to the U.S. were approximately 3 billion dollars, and the U.S.'s exports to Türkiye were approximately 3 billion dollars. While textiles, automotive spare parts, and agricultural products were among Türkiye's important export items, machinery, chemicals, and aircraft parts stood out in its imports from the U.S.

By 2010, the trade volume between Türkiye and the U.S. reached 14 billion dollars. Türkiye's exports to the U.S. amounted to 6 billion dollars, and the U.S.'s exports to Türkiye amounted to 8 billion dollars. During this period, while Türkiye's economy proliferated, its commercial relations with the U.S. continued to strengthen. Particularly energy projects and cooperation in the defense industry contributed to the increase in trade volume.

In 2018, the trade volume between Türkiye and the U.S. approached 20 billion dollars. Türkiye's exports to the U.S. increased to 8 billion dollars, and the U.S.'s exports to Türkiye increased to 12 billion dollars. However, political tensions and economic crises during this period caused fluctuations in trade relations. In particular, the additional customs duties and sanctions imposed by the Trump administration on Türkiye negatively affected the trade volume.

In the 2020s, the trade volume between Türkiye and the U.S. started to recover again. In 2021, the trade volume between the two countries amounted to approximately 21 billion dollars. Türkiye's exports to the U.S. reached 10 billion dollars and U.S.'s exports to Türkiye reached 11 billion dollars. The Biden administration's policies, which prioritize diplomacy and dialogue, contributed to the improvement of trade relations between the two countries. New areas of cooperation such as renewable energy, the digital economy, and the healthcare sector allow the trade volume to increase further in the future.

As a result, although the trade volume between Türkiye and the U.S. has experienced various fluctuations in the last two decades, it generally tends to increase. These relations, shaped under the influence of political and economic factors, may become even stronger in the future in line with the cooperation and dialogue efforts of the two countries.

2.4. The Impact of Debt Situation

Relations with the U.S. include many factors that directly and indirectly affect Türkiye's debt stock. Mainly due to the influence of the U.S. in the global economy and the dollar being the reserve currency, changes in the economic policies and interest rates of the U.S. directly affect developing countries such as Türkiye. In 2013, the U.S. Federal Reserve's announcement that it would reduce monetary expansion led to financial fluctuations and exchange rate pressures in countries such as Türkiye. During this period, Türkiye's borrowing costs increased, and the management of the debt stock became more difficult.

Strong economic relations with the United States made it easier for Türkiye to attract foreign direct investments. In the early 2000s, Türkiye received significant direct investment from the United States. For example, between 2006 and 2008, direct investments from the U.S. reached approximately 6 billion dollars. These investments reduced Türkiye's external borrowing requirement and supported its economic growth. However, in the 2010s, due to increased political tensions and economic uncertainties, there was a decrease in the amount of FDI coming from the U.S., which increased Türkiye's borrowing needs.

Trade relations with the U.S. affected Türkiye's current account deficit and therefore, its debt stock. While trade volume increased in the 2000s, Türkiye's exports and imports to the U.S. grew in a balanced manner. For example, in 2011, Türkiye's exports to the U.S. were 4.6 billion dollars and its imports were 14.6 billion dollars. This trade deficit increased Türkiye's current account deficit and increased its borrowing need. The imbalance in Türkiye's trade

with the U.S. negatively affected its foreign exchange reserves and led to an increase in the foreign debt stock.

Tensions in political relations also affected Türkiye's debt stock. In particular, the Pastor Brunson crisis in 2018 caused the Turkish lira to lose value rapidly and Türkiye's borrowing costs to rise. The sanctions and additional customs duties imposed by the U.S. on Türkiye negatively affected Türkiye's economic stability and made the sustainability of its foreign debt stock difficult. During this period, while Türkiye's borrowing costs increased, investor confidence decreased, and economic growth slowed down.

As a result, economic relations with the U.S. affected Türkiye's debt stock in various ways. Changes in financial markets, direct investments, trade volume, and political relations played a decisive role in Türkiye's borrowing requirements and costs. These factors have had a significant impact in shaping Türkiye's economic policies and debt management.

2.5. The Impact of Global Economic Developments

Global economic developments significantly affect the economic relations between Türkiye and the U.S. The 2008 global financial crisis is one of the most prominent examples of this interaction. Although the crisis started in the U.S., its effects quickly spread to the global economy and deeply affected developing countries such as Türkiye. The monetary expansion policies implemented by the U.S. to control the crisis encouraged economic growth by increasing the flow of hot money to Türkiye. However, this also increased Türkiye's external borrowing and made the economy more fragile.

The Federal Reserve's signal to reduce monetary expansion in 2013 caused significant fluctuations in many emerging market economies, including Türkiye. These policy changes increased Türkiye's borrowing costs and caused fluctuations in its financial markets. This fluctuation in exchange rates negatively affected Türkiye's trade balance and investment relations with the U.S. While Türkiye's exports to the U.S. lost their cost advantage, their imports became more expensive.

The pandemic period also clearly revealed the impact of global economic developments on Türkiye-U.S. relations. The COVID-19 pandemic has caused global trade and investment flows to severely decline. Türkiye's exports to the U.S. experienced significant declines, especially in the aviation, automotive, and textile sectors. Supply chain problems and demand contractions caused by the epidemic reduced the trade volume between the two countries. During the same period, expansionary fiscal and monetary policies implemented by the

United States created inflationary pressures in countries such as Türkiye and led to volatility in exchange rates.¹⁸

The slowdown or acceleration of global economic growth also directly affects the economic relations between the two countries. For example, during the period when global economic growth accelerated in the mid-2010s, Türkiye's trade volume and investment relations with the U.S. also followed a positive course. The growth of the global economy has helped Türkiye expand its export markets and attract more investment from the United States. However, periods of recession or crisis in the global economy weaken these positive relationships.

As a result, global economic developments are one of the critical factors shaping the economic relations between Türkiye and the U.S. Financial crises, changes in monetary policies, and global growth dynamics directly affect trade, and investment flows between the two countries. In this context, the ability of both countries to adapt to global economic conditions is critical for the sustainability of relations.

3. The Future of Türkiye-U.S. Economic Relations

Turkish-American economic relations have historically gone through various phases and have been shaped in line with the economic and strategic interests of both countries. These relationships have generally been solid and stable despite periodic fluctuations. From the Cold War period until today, economic relations between the two countries have developed as a reflection of political and strategic ties. The economic development and regional strategies of both countries have been significantly affected by these relations.

Economic relations between Türkiye and the U.S. are of great importance for both countries. These relations play a critical role not only in terms of trade and investments but also in terms of strategic cooperation and regional stability. Continuing economic healthily and sustainably can strengthen the position of both countries in the global economy. While Türkiye's access to the U.S. market increases its exports, U.S. investments in Türkiye provide a significant advantage in its regional strategies.

In the future, it is important to expand free trade agreements, increase foreign direct investments, and cooperate in innovative sectors to further develop economic relations between the two countries. Additionally, diplomatic efforts need to be increased to solve

¹⁸ Nilay Özlem Türkmen & Ramazan Erturgut (2022), "Covid-19 Effect in Export: Analysis of Turkey's Export Performance to Top 5 Countries in Export", *Elektronik Sosyal Bilimler Dergisi*, Vol. 21, no: 84, October 2022, pp. 1826-1840.

problems such as trade wars and embargoes. Increasing the mutual economic dependency of both countries can ensure the stability and sustainability of relations. Education and cultural exchange programs can contribute to establishing economic relations on a more solid foundation by increasing mutual understanding.

Turkish-American economic relations have an ever-changing dynamism. Therefore, it is essential to conduct further research to analyze the relationships in depth and identify future trends. Examining the effects of economic reforms, the consequences of trade policies, and investment opportunities can provide a more comprehensive understanding. In addition, the regional and global economic strategies of Türkiye and the U.S. play an important role in determining the future course of relations.

Strengthening diplomatic relations between the two countries is essential for the sustainability of economic relations. Active use of diplomatic channels can help facilitate trade agreements and investment projects. Additionally, quickly implementing diplomatic solutions in times of crisis can prevent economic relations from being damaged.

Social and cultural interaction can help Turkish-American economic relations build not only trade but also strong ties between people. Cultural events, business meetings, and training programs can strengthen cooperation by increasing understanding between the two countries. Exchange programs, especially among young people, can ensure that future generations have stronger relationships.

These recommendations are important for Türkiye-U.S. economic relations to become stronger and more resilient to future challenges. Cooperation between the two countries is not only based on economic interests but can also contribute to the strengthening of strategic partnerships.

Possible scenarios for the future of Turkish-American economic relations can be discussed as follows:

- **Normalization:**

If the tensions in political and military relations are resolved, a normalization in Turkish-American economic relations can be expected. In this scenario, there may be a revival in economic cooperation with the removal of U.S. sanctions against Türkiye and the strengthening of diplomatic relations. While American companies' investments in Türkiye are expected to increase and trade volume to expand, mutual economic integration is likely to deepen further.

- **If Tension Continues:**

If political and military tensions continue, there will be problems in Türkiye-U.S. economic relations. In this case, it is expected that the sanctions imposed by the U.S. against Türkiye will continue and mutual trade will be negatively affected. While there may be a decrease in the investments of American companies in Türkiye, it is likely that the trade volume will stagnate, and uncertainties will increase. In this scenario, it will be clearly seen that the decline in economic cooperation is affected by tensions in the political and military fields.

- **New Areas of Cooperation:**

Developing new collaborations between Türkiye and the U.S. in areas such as global warming, migration, and the fight against terrorism can also contribute to the strengthening of economic relations. Economic cooperation is expected to deepen further with the realization of joint projects and investments, especially in areas such as technology, green energy, and health. In this scenario, the two countries focusing on their common interests and creating new areas of cooperation may positively affect the future course of Turkish-American economic relations.

Whether these scenarios come true or not will play an important role in determining the future course of Türkiye-U.S. economic relations. It is vital for the sustainability of economic relations that both countries engage in constructive dialogue and cooperation, considering their common interests.

Conclusion

The evolution of Turkish-American economic relations reflects the broader political and strategic ties that have defined the interactions between the two nations over decades. From the post-World War II era to the present day, these relations have navigated through various phases of growth, challenges, and adaptation to the ever-changing global dynamics. The historical trajectory of this relationship underscores the crucial role that economic aid, trade agreements, and strategic partnerships have played in shaping the economic landscapes of both countries.

In the aftermath of World War II, the Marshall Plan and the Truman Doctrine were instrumental in laying the foundation for Türkiye's economic modernization. These initiatives not only provided much-needed financial assistance but also facilitated the transfer of knowledge and technology, setting the stage for Türkiye's economic development. The country's subsequent membership in NATO further solidified its strategic alliance with the

United States during the Cold War, embedding Türkiye within the Western economic and security architecture.

As the Cold War ended, Türkiye's transition to a free-market economy, bolstered by IMF-supported reforms, marked a significant shift in its economic policies and international economic relations. The signing of the Customs Union agreement with the European Union in 1995 represented another milestone, as it opened new avenues for trade and investment, particularly with the United States. This period of economic liberalization and integration led to increased bilateral trade and investment flows, further deepening the economic ties between the two nations.

However, the path of Turkish-American economic relations has not been without its obstacles. Political tensions, trade disputes, and sanctions have periodically strained these relations, sometimes leading to significant economic repercussions. For instance, Trump administration's imposition of tariffs and the CAATSA sanctions in response to Türkiye's purchase of the S-400 air missile defense systems from Russia exemplifies the complex interplay between political decisions and economic outcomes. These events have not only impacted trade volumes and investment flows but have also tested the resilience of the bilateral relationship.

Looking forward, the future of Turkish-American economic relations will depend on the ability of both countries to navigate geopolitical uncertainties, resolve disputes amicably, and capitalize on mutual interests. Achieving normalization in their relationship, mitigating tensions, and exploring new areas of cooperation will require sustained dialogue and constructive engagement. The evolving global economic environment, marked by challenges such as climate change, technological disruption, and shifting trade patterns, further underscores the need for a resilient and adaptable partnership.

In conclusion, Turkish-American economic relations hold immense potential to drive economic growth, foster innovation, and contribute to regional and global stability. By building on past achievements and addressing current challenges through strategic and constructive engagement, Türkiye and the U.S. can forge a path toward a prosperous and mutually beneficial future. The success of this partnership will hinge on a shared commitment to dialogue, collaboration, and the pursuit of common goals, ensuring that both nations continue to thrive in an increasingly interconnected world.

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