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The Evolution of Turkey’s Trade Policies: Competitiveness and Reform Processes in a Changing Global Environment

Türkiye’nin Ticaret Politikalarının Evrimi: Değişen Dünya Düzeninde Rekabetçilik ve Reform Süreçleri

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ABSTRACT

This study analyzes the Republic of Türkiye's century-long development drive and trade policies together with the concept of competitiveness. The aim of the study is to analyze how competitiveness has evolved over the century. In line with this objective, political and economic developments are evaluated simultaneously and important turning points in the historical process are identified. A political economy perspective has been adopted as a useful method in this respect. The transformation of Türkiye through internal and external dynamics has been photographed. From 1923 to 2024, the results of statist policies, liberal policies, planned economy, mixed economy, and neoliberal policy experiences are discussed. Theoretical and empirical definitions of the concept of competitiveness and policy change to increase Türkiye's competitive performance through the indicators are analyzed. In light of the data, it is determined that there was no significant improvement in Türkiye's competitiveness until 1980, while a more rapid development was observed after 1980. After 1980, it can be said that Türkiye has risen to a competitive position especially in textiles, food, chemical products, motor vehicles, basic metal products and machinery industry among export products. It has been emphasized that after the year 2024, Türkiye should shape its long-term plans with measures that support its competitiveness.

Keywords: Competitiveness, International Trade, Türkiye.

ÖZ

Türkiye Cumhuriyeti’nin bir asırdır devam eden kalkınma hamlesi ile ticaret politikaları bu çalışma kapsamında rekabetçilik kavramıyla birlikte incelenmiştir. Çalışmanın amacı yüzyıllık süre zarfında rekabet gücünün nasıl evrim geçirdiğini analiz edebilmektir. Bu hedef doğrultusunda siyasi ve ekonomik gelişmeler aynı anda değerlendirilmiş ve tarihsel süreçteki önemli kırılma noktaları tespit edilmiştir. Ekonomi politik bir bakış açısı bu bakımdan faydalı bir yöntem olarak benimsenmiştir. Türkiye’nin iç ve dış dinamiklerle dönüşümünün fotoğrafı çekilmiştir. 1923 yılından 2024 yılına gelene kadar devletçi politikalar, liberal politikalar, planlı ekonomi, karma ekonomi ve neoliberal politika tecrübelerinin sonuçları tartışılmıştır. Rekabet gücü kavramının teorik ve ampirik tanımları ile belirlenen göstergeler vasıtasıyla Türkiye’nin rekabetçi performansını arttırmaya yönelik politika değişimleri irdelenmiştir. Elde edilen veriler ışığında Türkiye’nin 1980 yılına kadar rekabet gücünde kayda değer bir gelişme olmadığı tespit edilirken, 1980 sonrasında daha hızlı bir gelişim kaydedildiği tespit edilmiştir. 1980 sonrasında özellikle ihraç ürünleri arasında tekstil, gıda, kimyasal ürünler, motorlu taşıtlar, ana metal ürünler ve makine sanayisinde rekabetçi bir konuma yükseldiği söylenebilir. 2024 yılı sonrasında Türkiye’nin uzun vadeli planlarını rekabet gücünü destekleyici önlemlerle şekillendirmesi gerektiği vurgulanmıştır.

Anahtar Kelimeler: Rekabet Gücü, Uluslararası Ticaret, Türkiye.

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1. INTRODUCTION

The Republic of Türkiye celebrated its 100th anniversary in 2023. Although it is still a new republic, it has achieved an important position in its region and the world in a short time. With the foundations laid in 1923, a development encompassing all areas of life has been experienced. The Republic of Türkiye, which transformed from a country of 14 million to 85 million, has taken its place among the top 20 economies in the world. With the increase in economic growth, improvement in living conditions, rise in education levels, and progress in industrialization, the Republic of Türkiye has become a center of great achievements. This study has been prepared to examine the political and economic century-long change and transformation to monitor Türkiye's development in terms of its international competitiveness level.

The main purpose of this study is to simultaneously blend the political and economic developments in the 100-year history of the Republic of Türkiye with domestic and international connections and to determine how the competitive structure of the Turkish economy has reached the present day. The way to achieve this goal is through an inter-period and historical examination. At this stage, the changes in theoretical and empirical studies on international competition over time will be guiding. The main question of the research is how the level of competition in the Republic of Türkiye has developed over the course of 100 years. The concept of competition is a broad and relative definition. The main objective is to examine the concept in a narrower field, specifically in the area of commercial competition. In order to understand the development of commercial competitiveness, an economic-political approach has been adopted, and the political and economic transformation of the Republic of Türkiye has been examined in terms of periods.

In order to investigate the level of competitiveness in trade from the establishment of the Republic of Türkiye between 1923 to 2024, the economic structure inherited by the Republic of Türkiye from the Ottoman Empire will be briefly summarized. The period from 1923 to the present will be discussed in parallel with Türkiye's own political and economic structure, as well as the political and economic turning points in the external context. It is not possible to separate economic and trade policies from the political structure. Indeed, there are numerous studies in the literature indicating that changes in trade policies coincide with or following political changes.

Since the 1820s, the world economy has undergone rapid transformation, with the first wave of globalization occurring in the 1870s. This period experienced the emergence of economics as a scientific discipline and the explanation of competition between countries through theories. Adam Smith and David Ricardo's international economics theories remain fundamental today. The second wave of globalization began from 1945 to 1980, following the Second World War. This period allowed for the testing of new theories and the identification of indicators to measure competitiveness in international economics and trade. The 1960s marked with the prominence of development economics, leading to a focus on industrialization initiatives and policies. Liberalization policies in the 1980s heightened these discussions. The 2000s witnessed the establishment of a new world order characterized by technical advancements. In 2024, international competition has taken a completely different dimension compared to the 1900s, with new theories, indicators, and institutions. Türkiye's place within this new order is discussed using new approaches available today. However, constraints exist, such as differences in global knowledge levels between 1923 and today. This study focuses on the competitive structure of Türkiye, referencing the level of knowledge that existed during the period in question.

A segmentation has been made parallel to the research question and method of the study. In the first stage, the concept of international competitiveness will be defined, and a literature review based on theories and empirical studies will be conducted. In the second section, it will be discussed how the economic and trade policies implemented by the Republic of Türkiye under the shadow of political changes throughout history were determined and how these policies reflected on the competitive structure of the Republic of Türkiye. Looking at the subheadings, the economic conditions inherited by the Republic of Türkiye from the Ottoman Empire, the founding years, the period between the two world wars, the multi-party period, the planned economy, and the recent past will be classified. In light of the information obtained from these subheadings, the current stage of Türkiye's competitive structure and the opportunities and threats awaiting Türkiye in the upcoming period will be examined.

2. INTERNATIONAL COMPETITIVENESS, CONCEPTUAL DEFINITIONS AND THEORIES

There is no widely accepted clear definition of competitive power in the literature. However, the starting point of the concept and its transformation up to the present can be analyzed within a theoretical and empirical framework. At the core of its theoretical foundation lie traditional and modern economic theories. Traditional theories begin with Adam Smith's theory of absolute advantages in 1776 and have undergone a long journey to Michael Porter's diamond model in 1990 (Benzaquen et al., 2010, p. 69). In empirical studies, there are three main areas of analysis: mega, meso, and micro areas. Mega studies that use macroeconomic indicators, meso studies that focus on sector analyses, and micro studies that evaluate on a firm basis. However, the differing variables selected in these studies make it difficult to compare the results with each other and to create policies that would be applicable under all conditions (Siudek & Zawojska, 2014, p. 102).

In the definition of international competition, in addition to the differentiation of micro and macro definitions, the definition of competitiveness from a macroeconomic perspective is also diversifying. Competitiveness has been conceptually updated by development economists since the second half of the twentieth century. After 1980, the liberalization of the world economy, which was predominantly characterized by relatively closed economies, and the policies of trade liberalization made the concept of competitiveness more popular. As a result, some key terms are used as the foundation of the concept. These keywords can be listed as efficiency, productivity, balance of trade, opportunity cost, and living standards. However, discussions among some economists about the excessive significance and unnecessary prominence given to the concept of macroeconomic competitiveness make it difficult to establish a generally accepted definition of the concept. The differing views of leading academics on competitiveness, such as Michael Porter and Paul Krugman, as well as the differing definitions of competitiveness by leading institutions like the OECD, the European Commission, and the World Economic Forum, alter the importance levels and usage of the aforementioned key terms. Ultimately, different definitions bring about different measurement methods, leading to variations in the comparison of countries' competitiveness (Djogo & Stanisic, 2016, p. 94; Birnie et al., 2019, p. 1497).

International competitiveness is defined by a country's macroeconomic outlook, including economic growth, inflation, employment, and external balance. To assess relative competitiveness, three criteria must be fulfilled: including all sectors analyzed in competition, all markets where competition is examined, and utilizing credible international data. Nevertheless, fulfilling these prerequisites is arduous due to nations' incapacity to perform comprehensive cost analyses and challenges in data acquisition. Indeed, the indicators that would help measure competition do not fully comply with these criteria and are constrained by mandatory limits (Durand & Giorno, 1987, p. 150).

In measuring competitive performance, researchers adopt two methods. The first is model building, and the other is the analysis of indicators. Model building is a much more complex and difficult process. In this regard, the use of indicators is more common, and the first stage is variable identification. In measuring competitiveness, two variables are prominent. The first is competition in domestic and foreign goods markets, and the other is competition in the factors of production markets. Their common point is that they provide the relativity that lies at the core of the definition of competition. The difference between competitiveness and comparative advantage is that the distortion in their markets is included in competitiveness. In measuring both, general equilibrium analyses are utilized. When identifying the indicators used to measure competitiveness, an analysis of past, present, or future performance is conducted. The type of data to be used varies according to these analysis methods (Frohberg & Hartmann, 1997, p. 6).

One of the traditional variables used to measure competitiveness is the real effective exchange rate. However, it is necessary to examine the changes in these calculations due to significant disruptions in economic history. Especially after the 1970s, the increase in fluctuations of nominal exchange rates changed the calculations of the real effective exchange rate. With the end of the gold standard introduced by the Bretton Woods system, sudden changes in energy prices and related commodity prices between 1971-78, which can be referred to as a transition period, are significant. Between 1979 and 1986, it can be said that there was a prolonged fluctuation in the US dollar. From 1987 to 1992, a period of stability in exchange rates was achieved again, but it ended with the 1992 European financial crises. In a study prepared by the IMF, the fluctuations in exchange rates by country groups over the historical process were examined, and it was revealed that developed countries had relatively stable exchange rates between 1970 and 2002. Developing countries, and especially transition economies after the dissolution of the Soviet Union in the 1990s, have been exposed to extremely volatile exchange rates (Clark et al., 2004, p. 11). With the 2000s, the increasing share of developing countries in international trade, the evolution of globalization through technological innovations, and capital movements and speculative investments made it difficult to accurately predict exchange rates (Kausar & Zulfiqar, 2017, p. 596). The negative economic climate created by the 2008 Global Financial Crisis and the Covid-19 pandemic that began in 2019 have been the defining elements of the last 20 years. These two crises brought continuous fluctuations in economic growth, trade, and exchange rates.

Due to the traditional methods of measuring competitiveness being based on prices and costs, relative profitability ratios of exports, price competitiveness indices of imports, comparative indices, and the profitability of traded goods were accepted as key indicators. However, as research deepened, it was identified that the exclusion of the share of non-traded goods and services in the production of traded goods caused problems in calculations. Especially in high-income group countries, the weight of non-tradable service costs initiated this discussion. In the calculations of developing country economies, especially in the 1980s, the presence of a homogeneous production structure and the lack of significant market share in the products they produced limited their ability to influence international prices. They accepted prices shaped by international demand and supply conditions. Therefore, in nominal and real exchange rate calculations, product-based calculations have generally been recommended rather than the methods used by developed countries (Turner & Van't Dack, 1993, p. 65).

Sala-i-Martin et al. 2007 define the concept of competitiveness as a set of institutions, policies, and variables that determine a country's level of productivity. In their study, they discuss 12 variables that measure competitiveness based on reports and indices prepared by the World Economic Forum. Accordingly, institutions, infrastructure, macroeconomic stability, health and education, efficiency in goods and labor markets, development of financial markets, technological capacity and innovation level, market size, and the level of business development are ranked among these variables. Among these variables, all except for technology usage and innovation are subject to the law of diminishing returns and directly affect the country's production and competitiveness. The fact that these variables transform countries with different structures in different ways is another dimension. So, we cannot say that the determinants and interactions of competitiveness are the same in the Turkish economy and the Australian economy. In this regard, the stages of economic growth analysis developed by W.W. Rostow in the 1960s and used by Michael Porter is a good starting point. These stages also cause changes in the competitive levels of countries (Fendel & Frenkel, 2005, p. 32).

There are different ways to research competitiveness, such as through products, firms, national economy, long term, and short term. However, with the implementation of the floating exchange rate system worldwide after 1980, it is observed that competitive exchange rate calculations have come to the forefront. Krugman and Porter, starting from a similar definition, agree that national production and productivity are more important than competitiveness (Stanovnik & Kovacic, 2000, p. 4). It is possible to measure competitiveness using different tools depending on the structures of the countries. Some aim to increase competitiveness by attracting direct investments, some by focusing on internal balances and domestic markets, some by emphasizing value-added production, and others by encouraging individual investments. In new studies, indices are being created using many different variables. This situation has eliminated the drawbacks of relying on a single indicator.

With the intensive study of the issue of competitiveness in the literature during the 1990s, measuring competitiveness and enabling clearer comparisons between countries became important. Therefore, the competitiveness index began to be published in a joint report by the World Economic Forum (WEF) and the International Institute for Management Development (IMD). In 1996, these two institutions developed new indices using different variables and weights. The difference between these two indices begins with the definition of the concept of competitiveness. While the IMD competitiveness index states that national income and productivity are necessary but not sufficient variables for measuring competitiveness performance, the WEF prioritizes per capita national income for defining competitiveness based on these two variables. The aforementioned indices use similar data, but the weights of the variables differ. For example, the WEF combines two indices: the Business Competitiveness Index and the Growth Competitiveness Index. While the index is enriched with abstract and concrete data, a medium to long-term analysis is conducted. On the other hand, the IMD index evaluates the environment and conditions created within the country's borders for the business world. For this purpose, in-depth interviews with firms gain importance (Esterhuizen, 2006, p. 103).

Looking at the recent literature review, it is observed that empirical studies have concentrated on measuring competitiveness, and modeling has been utilized beyond the use of indices. It is possible to categorize these studies under very different subheadings. Here, only examples of studies conducted on a country and regional basis, as well as firm-based studies, are provided. Aiginger et al. (2013) conducted a panel data study based on input-output analysis of 27 European Union member countries, covering the period from 2000 to 2010. In the study measuring the competitive performance of EU countries with other countries, 68 variables were used. According to the findings, the economic structure is statistically related to the newly used competitiveness indicators, but traditional price competitiveness-based analyses are insufficient for high-income group countries like the EU. Kharlamova and Vertelieva (2013) tested the relationship between competitiveness levels and variables affecting competition using correlation analysis with data from 36 countries from 2004 to 2012. While deepening the analysis through country groupings, it was claimed that the most significant variable affecting competitiveness was the volume of foreign trade. In another recent study, Diakantoni et al. (2017) empirically examined the cost-based competitiveness of 61 countries between 2006 and 2011 using OECD-TIVA input-output data. It has been determined that, apart from reducing costs increasing commercial activities, the leading economies involved in the global supply chain making trade-facilitating investments would yield more effective results. Bayoumi et al. (2018) found that the exchange rates used to measure competitiveness in parallel with the development of global supply chains over the past twenty years are not a sufficient measure. It is emphasized that changes in the elasticity of currencies dominating international trade and the need to include long-distance trade flows in models are particularly important. Xifre (2021) analyzed the factors affecting competitiveness beyond price-costs through modeling the five strong economies within the EU. Surprisingly, despite the decline in market share of the export-oriented France, the Netherlands, and Germany during the 2000-2018 period, they found that Spain increased its market share despite negative price-cost performance. Amador et al. (2022) tested the competitive structure of Portugal among EU countries between 1995-2020 using a composite competitiveness index. While Portugal was ranked low among EU countries, it has recently shown better performance with macroeconomic stability, income distribution, and institutional improvement.

Firm-based studies generally focus on examining competitiveness at the micro level. Bartoloni (2016) conducted an analysis of firms' competitiveness perception using the ordered logit method, utilizing data from the 2011 Italy Industry and Services Census linked to the EU Community Innovation Survey. In the study conducted with a comprehensive database, it is explained that the perception of the variables determining competitiveness differs between the industrial and service sectors, and this should be reflected in competition policies. Fantechi and Fratesi (2022) demonstrated that different industries and firms in Europe's competitive Lombardy region do not respond similarly to various competitiveness indicators, and that dynamic and static indicators are also differentiated.

3. EVALUATION OF THE COMPETITIVENESS OF THE REPUBLIC OF TURKEY

Various methodologies and indicators are employed in the assessment of competitive strength. Our analysis of the literature indicates that theoretical studies are corroborated by empirical research, and the advancement of global indicators accelerated post-1980. In analyzing the century-old competitive framework of the Turkish economy, it was imperative to modify the indicators employed across various periods in light of our historical perspective. Based on the available data, the analysis of the 1923-1980 era employed conventional metrics such as economic growth, trade balance, and terms of trade, organized under subheadings. The analysis of the 1980-2024 timeframe expanded to incorporate Turkey's standing and competitiveness in these rankings via indices that encompass a diverse array of characteristics. The study's distinguishing characteristic is its emphasis on trade and trade policies, rather than on all macroeconomic variables. This study, designed to assess the competitive performance of the Republic of Turkey in its centennial year, will commence by examining the latter phases of the Ottoman Empire and the global economic framework prior to its inception. A comprehensive study will then be performed under subheadings, considering the critical junctures in the Turkish and global economy.

3.1. The Ottoman Empire's Legacy to the Republic of Turkey and Its Global Position

The Ottoman Empire was a 600-year-old, entrenched empire that extended across Asia and Europe. However, beginning in the 1800s, it lagged considerably in technological, economic, and cultural advancements globally. Reforms targeting Western civilization commenced to impact society during the rule of Mahmud II. Nevertheless, internal strife and the structural attributes of the Ottoman Empire hindered the steady execution of policies necessary to align with technological advancements in Western Europe. During Abdulhamid's reign, two policy arrangements expedited the decline of the Ottoman Empire and produced enduring economic repercussions. Initially, the establishment of the

Düyun-u Umumiye administration occurred due to the Ottoman Empire's incapacity to settle its debts, resulting in the transfer of financial control to European authorities (Berkes, 1978, p. 357). The industrializing European nations commenced the total management of their production and investment balances via capitulations. The second issue was the absence of monetary and fiscal policy instruments and/or the incapacity to ensure sufficient regulation. The failure to generate tax revenues and the lack of an equitable tax structure exerted pressure on the populace, while missteps in monetary policy resulted in heightened inflationary impacts (Kepenek & Yentürk, 2010, p. 11).

The events characterizing the late period of the Ottoman Empire and its foreign commerce organization distinctly illustrate the legacy bequeathed to the Republic of Turkey. The following items are enumerated below:

- Restricting exports owing to constraints in the domestic market
- The lack of import restrictions that would safeguard native production
- The customs duties for foreigners are lower than those for domestic producers.
- The prioritization of central governmental interests
- The ineffectiveness of Muslim businessmen non European trade (Pamuk, 2014, p. 57).

The public finance, international commerce, and monetary policies indicate that the Ottoman Empire lacked a competitive strategy. Despite the limited statistics on the Empire, it is noted that a persistent deficit in international commerce existed from 1840 to 1912, with this deficit escalating about eightfold over the span of 70 years (Kepenek & Yentürk, 2010, p. 21).

To accurately illustrate the economic outlook of the Ottoman Empire in the 19th century, it is necessary to draw similarities with other nations globally. Since the 1820s, economic historians and international organizations have compiled production and per capita income data for the world's principal political and economic powers. Although there are concerns over the dependability of data from the 1820s, dependable data becomes available from the 1870s onward, particularly for Western Europe. Data indicates that from 1820 to 1900, the global average per capita income about doubled. The majority of this rise is attributed to Western Europe. The table below delineates per capita income levels by country. In 1870, Turkey, with varying geographical bounds, had an estimated per capita income of 800 dollars, whereas England's per capita income was approximately 3200 dollars. During the 17th and 18th centuries, economic dominance transitioned from the Netherlands to England, and by the early 1900s, to the United States (Bolt et al., 2014, p. 66). Ultimately, we have the opportunity to assess competitiveness, albeit in a constrained manner, using data that constitutes the foundation of economic history.

A chasm began to form between the Ottoman Empire and the countries experiencing the Industrial Revolution from the second half of the 19th century. Per capita income statistics clearly illustrate this situation. The empire's geographical borders with Europe had strengthened close political and economic relations with these countries. This is the fundamental factor in the adoption of an understanding oriented towards Western civilization in the 19th century. Europe's economic superiority also brought with it political superiority and marked the decline of the Ottoman Empire.

Table 1. GDP Per Capita in Selected Countries 1820-1930 (US Dollars at 1990 PPPP)

	Britain	Nederland	France	Rusia	U.S.A	Turkey	Japon	India
1820	2074	1874	1135	-	1361	740	-	-
1830	2227	1893	1191	-	1547	-	-	-
1840	2521	2257	1428	-	1690	-	-	-
1850	2330	2355	1597	-	1849	-	681	-
1860	2830	2392	1892	-	2241	-	-	-
1870	3190	2755	1876	-	2445	825	737	533
1880	3477	2927	2120	-	3184	-	863	-
1890	4009	3186	2376	866	3392	-	1012	584
1900	4492	3329	2876	1196	4091	-	1180	599
1910	4611	3783	2965	1348	4964		1304	697
1920	4548	4220	3227	575	5552		1696	635
1930	5441	5603	4532	1448	6213	1249	1850	726

Reference: Bolt et al., 2014, p. 67.

3.2. 1923-1945 Single-Party Period

The end of the Ottoman Empire and the establishment of the Republic of Turkey were a painful process in the early 20th century. Accepting the above-drawn picture as data, I will continue to examine the key historical events in this section, under which conditions the Republic of Turkey was shaped. Economic development cannot be examined separately from the political structure. In this regard, I have examined the sub-divisions of the historical development of the Republic of Turkey's competitiveness in trade in parallel with political changes. The first subheading is the single-party period of the Republic of Turkey, which spans from 1923 to 1945. This period is significant in every aspect. It is an era in which the foundations of the Republic of Turkey were laid, economic policies were shaped, foreign relations were restructured, reforms that shaped society were implemented, and sudden changes in the global conjuncture occurred.

It is possible to divide the single-party period into two parts. The period of Mustafa Kemal Atatürk, the founder and first President of the Republic of Turkey, is from 1923 to 1938. During this period, the Atatürk Reforms were implemented. After the abolition of the Sultanate (1922) and the Caliphate (1924), a secular system was adopted by separating religious and state affairs. With the adoption of the Civil Code, international numerals, the new Turkish alphabet, the Gregorian calendar, new weight and length units, and the surname law, the aim was to achieve compliance with world standards (Uca, 2017, p. 156). The rapid implementation of the reforms paved the way for new economic and trade policies.

It is appropriate to start by analyzing the current situation of the new republic established in the Anatolian lands, which were exhausted by continuous wars and depleted of resources between 1911 and 1923. First and foremost, it is necessary to examine human capital and capital power, which we consider the two most fundamental sources of production. The population has both decreased and followed an irregular course due to wars and lost territories. According to retrospective estimates, approximately 14 million people lived within the borders of the National Pact in 1919. It is also clearly stated that Istanbul and Izmir, which stand out in terms of urbanization, are not at the same level as other developed countries. In addition to the low quantitative level of human capital, the main issue is the almost non-existent qualified human resources. In the fields of industry and commerce, the lowest share, both as investors and workers, belongs to the Turks. The share of non-Muslims and foreigners in both capital and employees held an overwhelming majority of 85% (Acar, 1983, p. 102).

The limited infrastructure opportunities outside of human capital and capital structure, the investment in transportation only in the western regions of the country, and the inadequacy of railways and highways can be seen as one of the fundamental constraints to creating a market for the produced goods and services. During the establishment phase of the Republic of Turkey, agriculture played a dominant role in production activities. It is known that industry and services were very low. The application of traditional methods in agriculture led to low productivity and hindered the country's self-sufficiency in agriculture.

The obstacles in front of the new Republic of Turkey, which embarked on its journey with the Ottoman legacy, have been shaped not only by its internal dynamics but also by external balances. The Republic of Turkey, established in 1923, began to implement programs aimed at increasing its production capacity and determining industrialization policies. During the founding period, economic growth was prioritized. With this goal, the İzmir Economic Congress was held in 1923. The purpose of organizing the Congress was to determine the development model of the Republic of Turkey, to ensure that all segments of the population had a say in this decision, and to reach a common decision (Koçaşlı, 2017, p. 142). As previously mentioned, external factors played a significant role in the process. Especially the negotiations of the Treaty of Lausanne can be considered a turning point.

The period of 1923-29 includes the efforts of the founders of the Republic of Turkey to implement the national economy understanding and open economy rules together. The most significant outcome of the Treaty of Lausanne was the assumption of the 85 million gold lira debt inherited from the Ottoman Empire by the Republic of Turkey and the initiation of its payments in 1929. The tariffs adopted in 1916 remained in effect until 1929 with the Treaty of Lausanne, leaving a significant mark on foreign trade. After World War I and the National Struggle, the existing conditions of the newly established state made it difficult to industrialize and create a strong economic structure. The absence of a local bourgeoisie to lead economic growth and increase trade led to the prominence of bureaucracy (Keyder, 2010, p. 115).

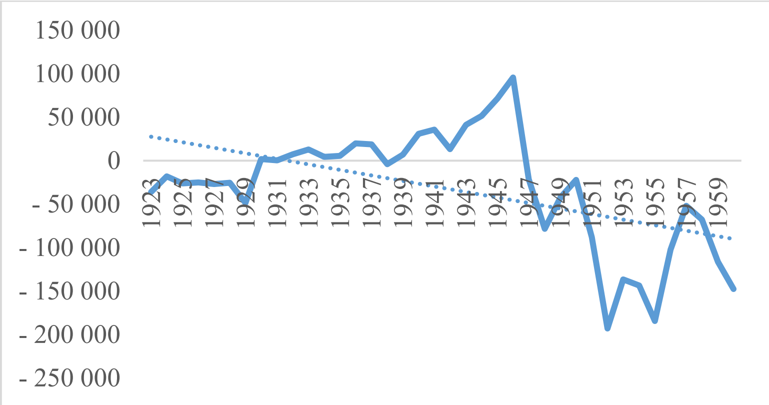
The founders of the Republic quickly took steps to shape the bourgeoisie, the main element of industrialized countries around the world. The implementation of the decisions made at the İzmir Economic Congress in 1923, the establishment of İş Bankası in 1924 and the Sanayi ve Maadin Bankası in 1925, and the adoption of the Teşvik-i Sanayi Law in 1927 were among the initiatives taken to support and guide the economy and trade. However, the quantitative and qualitative inadequacies of the labor force, the existence of an economy based on low-yield agricultural production, the restrictions imposed by the Treaty of Lausanne, and finally, the Great Depression of 1929 that shook the entire world economy made it difficult for the industrialization efforts to yield the desired results (Korkut Borotav, 2012, p. 43).

When looking at the trade structure since the establishment of the Republic of Turkey, it can be seen that there was a continuous foreign trade deficit during the 1923-27 period. When looking at the components of exports between 1923-38, it is observed that agricultural products constituted 90%, while goods that could be classified as industrial products were around 3%. On the import side, it is noteworthy that in the early years of establishment, the emphasis was on consumer goods. With the implementation of industrialization policies, the import of consumer goods was reduced from 80% to 30% in 1938. Similarly, the import of investment goods and raw materials increased to 35%. Based on these data, it has been possible to encourage domestic production and create an import-substituting structure in the economy (Özkardeş, 2015, p. 33).

The economic conditions inherited during the establishment phase of the Republic of Turkey were the most fundamental factor hindering rapid industrialization. In European countries that began industrializing in the mid-1850s, mechanisms for transferring agricultural surpluses to industry and the necessary institutions were established. The twenty years following the 1890s are described as the golden years of agricultural production worldwide (Federico, 2005, p. 958). The rapid increase in production became the fundamental basis for the economies that emerged as great powers. However, this period can unfortunately be described as the lost years because it coincided with the disintegration of the Ottoman Empire. After these lost years, from the 1920s to the 1940s, the increase in volatility of agricultural product prices, negative developments in trade terms, the appreciation of the Turkish lira, and the inward-looking trade policies of leading countries prevented sufficient benefit from being derived from the agricultural products in which a comparative advantage was held.

During the interwar period, the distribution of world trade or currency blocs was grouped into three main categories, the majority of which were industrialized economies. According to estimates, nearly 70% of world trade (in nominal export value) occurred outside trade blocs. Between 1929 and 1932, it is estimated that the volume of world trade in developed countries decreased by 30%. The decrease in demand and the intensive use of tariff and non-tariff barriers by many countries are the main reasons for this decline. (Madsen, 2001, p. 851).

Although the achievements during the founding period of the Republic fell short of the world average, they are undeniable in nature. The increase in agricultural productivity compared to previous periods, the rapid growth in foreign trade figures, and the rise in its share of production, as well as the strengthening of the connection and communication between Anatolian merchants, tradesmen, and workers with the big cities thanks to the İzmir Economic Congress, are among the main achievements. In Chart 1, the foreign trade balance for the period 1923-1960 can be observed. It can be seen that during the 1923-29 period, efforts were made to keep the trade deficit at a certain level. While the external deficit widened due to the impact of the Great Depression in 1929, a surplus in foreign trade was recorded between 1930 and 1946. The reason behind this surplus was the lifting of the restrictions on customs duties from the Lausanne Agreement, which allowed the state to start generating customs revenues, and the world entering a phase of increasing customs duties and non-tariff trade restrictions. With both internal and external factors, the result has been the creation of a trade surplus.



Reference: Turkish Statistical Institute, Foreign Trade Statistics

Chart 1. Turkey's foreign trade balance (Thousand USD) (1923-1960)

Until 1929, the founding cadres of the Republic of Turkey made the necessary arrangements for the progress of politics and capitalists hand in hand. Due to the inability to create local and national capitalists, industrialization policies and infrastructure projects were initiated by the state after 1930. The establishment of many factories during this period by the state, the construction of railways and highways, and the development of educational opportunities to provide a qualified workforce were aimed. Because the external balance and internal balance progressed harmoniously during the period between the two world wars, the results were also positive. The acceleration of economic growth and the development of foreign trade were achieved. The fact that it did not enter World War II due to its geopolitical position, despite the intense pressures from the warring sides, protected the country from a new destruction (Arslan, 2016, p. 3). However, the inward contraction of the economy, the inability to procure many imported goods, and the resulting shortages, on the other hand, created new wealthy individuals through black market activities and the escape of non-Muslims from the country due to the wealth tax.

Between 1931 and 1947, policies were implemented that resulted in a trade surplus. When looking at the volume of foreign trade, an increase was recorded from 137 million dollars in 1923 to 549 million dollars in 1950. During the same period, the export-to-import coverage ratio increased from 52% to 92%. In addition to these positive developments, when looking at the world economy, during this period, the global export volume increased from 24 billion dollars to 60 billion dollars, and Turkey did not receive a sufficient share of this trade volume. Despite the significant steps taken towards industrialization and the increase in production diversity, the country still stepped into a new era of the world as an agricultural nation. With the 1929 Great Depression, the decline in agricultural product prices and the deterioration of trade terms against Turkey, the protectionist and nationalist trade policies implemented worldwide, and the economic burden created by World War II afterwards became obstacles to Turkey's competitiveness. During the war, the need to feed a 1 million-strong army with a population of 18 million, combined with the inelasticity of agricultural production, led to a decline in agricultural output and accelerated inflation due to mismatches between supply and demand (Pamuk, 2014, p. 202). As a result, the need for a political and economic transformation in society became more pronounced after World War II.

3.3. 1950 – 1960 A New Era in Politics

After World War II, a wealthy group of merchants and the peasant class became a pressure factor for the transition to a multi-party system. After 1946, political activity increased. In 1950, the Justice Party won the elections and came to power. The Republic of Turkey entered a new phase. There were winds of change blowing in the Republic of Turkey as well as around the world. The initiatives of America in the reconstruction of war-torn Europe after World War II, the testing of a new economic model by the Soviet Union in another part of the world, and the search for allies by both sides created a bipolar world order (Waltz, 1964, p. 881). Now, international relations would progress based on a political foundation. As economic and political allies, it was necessary to take a side in the bipolar order. Turkey joined the bloc led by America with the Marshall Plan. In addition to economic and military aid, the intense pressure exerted by the Soviet Union on Turkey during World War II was another factor that led Turkey to align with America due to security concerns (Üstün, 1997, p. 32). The most notable feature of the 1950-1960 period was the implementation of liberal economic policies with the transition to a multi-party system. With the help of the favorable structure of the global conjuncture, there was a rapid increase in production and trade. However, the policies implemented from the second half of the 1950s, along with an inflationary structure, expanded the foreign trade deficit (Figure 1). The liberalization of approximately 60% of imports in 1950 under the influence of the OEEC can be considered a trigger for the economic difficulties experienced at the end of the 1950s. (Kazgan, 2005, p. 103).

With the United States in a leading position, the Western alliance was taking rapid steps to establish a new world order. The establishment of international organizations such as the IMF, World Bank, and GATT, which became leaders in determining economic and trade policies, was the first of these. After the war, it can be seen that the economic growth recorded by industrialized countries brought them closer together (Vonyo, 2008, p. 222). The roles assigned to developed and developing countries were different. Turkey's participation in the Western alliance, its membership in the IMF, later becoming a NATO member with the Korean War, and most importantly, abandoning previously implemented state-centric policies to become an open economy, turned into a roadmap drawn by the US for Turkey to supply the agricultural products necessary for the construction of Europe.

Low interest rates and the increase in capital investments allowed Turkey to meet its external financing needs through various channels. However, this situation led to banks experiencing payment difficulties in the second half of the 1950s and eventually resulted in devaluations in 1956 and 1958. The 1950-60 period irrevocably placed the Turkish economy within the Western alliance and made it dependent on external factors. The foreign trade deficit, which began in 1947, peaked at 193 million dollars in 1952. The rapid increase in imports and the problems in financing them with external resources led to the depreciation of the Turkish Lira. After 1954, the cessation of U.S. foreign aid and the IMF's constant devaluation demands made it difficult to implement stable policies in foreign trade. The introduction of control after free policies and then the return to freedom resulted in fluctuations in production and trade figures. By 1960, the sectoral distribution of the workforce—agriculture (77.7%), industry (7%), services (14.5%)—still proved that the Turkish economy had an agriculture-based production and trade structure (Kepenek and Yentürk, 2010: 128). The rapid transformation of Turkey's political structure has brought about new formations in international relations, but it has not contributed to the competitive structure of the Turkish economy.

3.4. 1960 – 1980 Planned Period

After the end of the Democratic Party's rule, which orchestrated a social and political change, by the 1960 military coup, different parties entered the parliament with the newly prepared constitution. The coalition government formed by the Justice Party, established in place of the Democratic Party, took over. This period is referred to as the era of coalitions (Gökçen, 2020, p. 247). During this period, a transition to a planned economy was experienced. The first five-year development plan covering the years 1963-67 was prepared. With this plan, the goals of the Turkish economy were determined by taking into account the OECD countries. The plan actually encompassed a long-term perspective of 15 years. Between 1963 and 1978, the Turkish economy began to undergo a transformation with high growth rates of around 7-8% and diversification in industry and manufacturing products through the implementation of three five-year development plans. Unfortunately, starting from 1974, when it began to benefit from cheap credit opportunities due to the pressures from the USA and international organizations, the economy became unstable. By 1978, the debts had become unmanageable, leading to the acceptance of a new IMF program. The new policies now included liberalization policies that were affecting the entire world.

In the 1963-67 First Five-Year Development Plan, an average growth of 7% was projected. A growth rate of 6.7%, very close to the planned growth, was achieved. While significant progress was made in the fields of agriculture and services, the increase in industrial production did not reach the desired level. The adoption of import substitution policies and, unlike the development plans of developing countries around the world aimed at industrialization, Turkey adopted a different path with development plans based on a mixed economy. In 1961, the components of national income were agriculture (42%), industry (23%), and services (35%). The First Five-Year Development Plan emphasizes that priority should be given to investments in increasing production and trade capacity. For the targeted 7% growth, the necessary investments in agriculture, energy, manufacturing industry, services, education, mining, housing, transportation, tourism, and health sectors were identified one by one. It was also emphasized that planning the export structure based on comparative advantages was insufficient (First Five-Year Development Plan: 41,138). The observations regarding the export structure in the balance of foreign trade are also important. The rapid population growth increasing domestic demand, the rise in industrial production boosting demand for export goods, the low demand elasticity of export goods, and the negative effects of falling raw material prices in international markets were evaluated, and measures were recommended.

In the Second Five-Year Development Plan, while critiquing the previous period, the failure to achieve the desired level of success in industry was attributed to the inability to access external resources adequately and in a timely manner. Another noteworthy observation is that foreign trade posed an obstacle to economic development. Between 1962 and 1966, the volume of foreign trade increased by 20.8%, while national income increased by 29.5%. The functioning of foreign trade and the balance of payments cannot keep up with economic development. This is why the prepared plan indicates that, in addition to selecting foreign trade policies in accordance with the determined objectives, external borrowing is inevitable. (Second Five-Year Development Plan: 41). In the plan covering the 1968-72 period, the economic growth target was 7%, while the actual growth was 6.9%. It is evident that the Second Development Plan yielded better results with the experience gained from the First Development Program. Especially in the fields of agriculture and services, achieving success above the targets and making significant strides in transportation and construction are the most notable developments. However, the target of a 12% annual increase in industrialization has not been met. One of the most notable decisions related to foreign trade during the planning period was the shift in the diversity of goods from agricultural products to industrial products. The share of industrial products in total exports was 18% in 1962, while it increased to 21.5% in 1971. This situation indicates that Turkey still prioritizes agricultural trade and that the desired transformation has not occurred. (Third Five-Year Development Plan: 6-53). In the Third Five-Year Development Plan, a comparison of Turkey's export growth rates with other countries between 1960-71 was included, highlighting how far behind Turkey was (Table 2).

Table 2. Annual Export Growth Rates by Country % (1960-1971)

Countries	Annual Average Growth Rate
Turkey	7,1
Greece	11,6
Spain	13,5
Japon	17,7
Italy	13,3
Yugoslavia	12,4

Reference: Turkish Statistical Institute, Foreign Trade Statistics

Although the Third Five-Year Development Plan was prepared to cover a five-year period, it has a longer-term structure. Because Turkey demonstrated a political and economic will towards the goal of joining the European Economic Community with the Ankara Agreement in 1963. With the signing of the Additional Protocol in 1970, it focused on the goal of entering the Customs Union in 1995 and committed to it. The primary goal had been to integrate with European countries and elevate the industrial power to the level of these countries. Ultimately, Turkey aimed for convergence with the countries of Southern and Southeastern Europe with an average growth performance of 8.6% over 15 years of development plans (Third Five-Year Development Plan: 130).

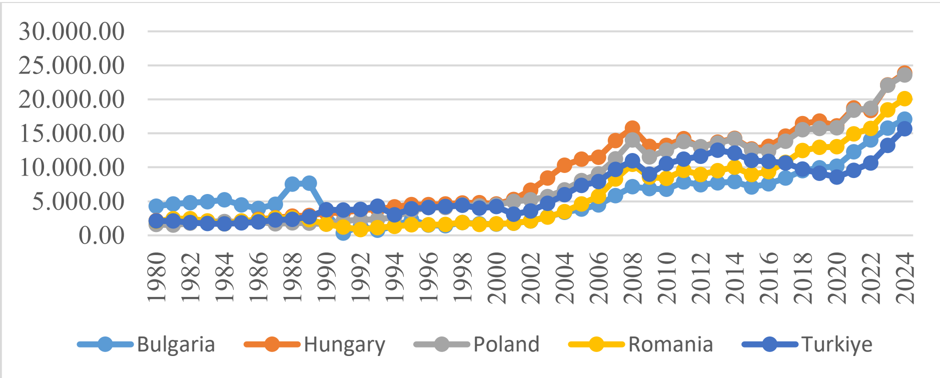
The Fourth Five-Year Development Plan (1979-83) was the last plan prepared before the 1980 coup. The plan, in its initial phase, explains the reasons for the deviations from the targets set in the Third Development Plan. In the 1960s, the Vietnam War and the acceleration of consumption in the US economy created large current account and budget deficits in the 1970s. After World War II, the United States, which was the main regulator of the adjustable fixed exchange rate system under the Bretton Woods system, decided to withdraw from this system due to accumulated economic problems, costs, capital flight to Europe, and the influence of the newly strengthening economies of Germany and Japan (Çağlar, 2003, p. 31). A period of floating exchange rates began in the international monetary system. This also meant that the price of the dollar was falling, so all countries started purchasing commodities instead of accumulating reserves in dollars. Commodity purchases caused international prices to rise. In the early years, this development was positive for underdeveloped countries, but in the following years, it led to a focus on using external resources to finance the current account deficit. Table 3 shows the amount of credit used by countries from the international banking system between 1975-77. Turkey's indebtedness increased eightfold in these two years. Although the borrowing was lower compared to countries like Brazil and Mexico, it had a significant impact on the Turkish economy. The impact of rising oil prices and high indebtedness had led to devastating crises in underdeveloped economies in the 1980s. Indeed, the 1980s are referred to as the lost decade for Latin American countries (Almeida et al., 2018, p. 2).

3.5. 1980 – 2024 New Liberal Policies

It would not be misleading to say that coup periods in the Republic of Turkey are generally closely related to the poor performance of the economy. The economic change brought about by the political change in the 1950s ultimately resulted in a coup. Similarly, internal political and economic issues in the 1970s led to another military coup in 1980. The parliament, which underwent a transitional period under the military junta and had many political bans, brought the Motherland Party to power alone with the 1983 elections. The new government quickly implemented the January 24, 1980 decisions.

The liberalization in 1980 was completely different from that of the 1950s. Even if mistakes were made, there would be no turning back from this policy. Commercial and financial liberalization policies were swiftly implemented. The policy shifted from import substitution industrialization to an export-oriented growth policy. During this period, rapid growth occurred with the opportunities brought by liberalization and the increase in capacity utilization rates. Infrastructure investments increased. However, such an uncontrolled liberalization strategy brought significant troubles for financial markets that lacked sufficient infrastructure and depth. The rapid rise in inflation rates, the increase in public debt ratios, and their financing through money printing triggered frequent banking and exchange rate crises in Turkey during the 1990s (Yeldan, 2002, p. 159). The crises of 1991, 1994, 1998, 2000, and 2001 were crises that deeply shook the Turkish economy, arising from both internal and external dynamics. In this section, the changes in foreign trade policies that have contributed to the increase in Turkey's competitiveness will be examined. The period examined in this review can be divided into two parts. The main factor in evaluating the period between 1980-2001 and 2001-2024 as two separate sections is the political developments. The ease of accessing data for both periods led to a more in-depth discussion. The research was concluded by utilizing both traditional indicators and current indices.

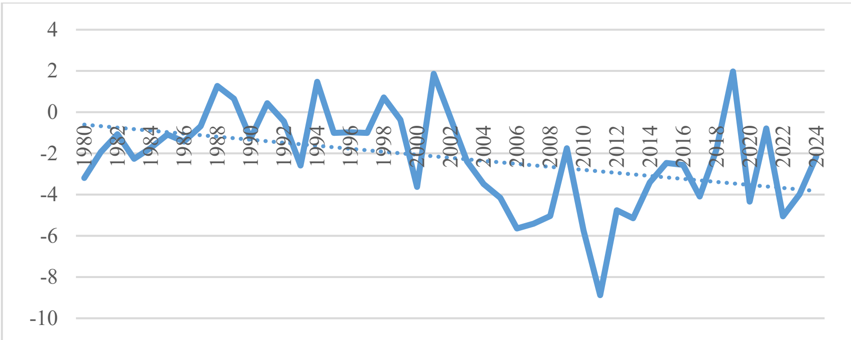
The International Monetary Fund (IMF) categorizes Turkey among the developing European countries. Due to its geographical location and economic relations, it is important to comparatively examine how Turkey, which is in this group, has changed over the last half-century based solely on economic growth data. Bulgaria, Hungary, Poland, and Romania had a per capita income in the 2000-3000 Dollar range during the 1980s. The fact that these countries were Eastern European countries and gained independent economies with the dissolution of the Soviet Union coincided with the 1990s. While these countries were implementing new liberalization policies, they also came under the radar of the European Union and focused on the goal of integrating with the European economy. A similar structure exists in Turkey as well. The liberalization policies that began in the 1980s were completed in 1989. Since the signing of the Ankara Agreement in 1960, Turkey has stood behind its claim to EU candidacy. The Customs Union Agreement signed in 1996 helped to elevate economic integration to a new level. However, as mentioned in the Fourth Development Plan, the inability to obtain the desired aid and support due to the new regulations of the European Economic Community between 1970-1995 hindered Turkey's economic convergence with European countries and slowed down its industrialization.



Reference: IMF, World Economic Outlook Database, October 2024.

Chart 2. Per capita GDP values of developing European countries (current prices, US dollars)

Turkey experienced frequent economic crises in the 1990s due to the impact of liberalization policies that began in the 1980s and some incorrect economic policies implemented during that time (Öniş, 2003, p. 6). After the Motherland Party came to power in 1983, single-party governments were replaced by coalitions and political instability in the 1990s. Political instability triggered economic instability, and the per capita national income could only be raised to the level of 4000 Dollars. The 1999 Marmara Earthquake, the November 2000 Crisis, and the February 2001 Crisis marked the lowest point for the Turkish economy.



Reference: IMF, World Economic Outlook Database, October 2024.

Chart 3. Turkey's current account balance as a percentage of GDP % (1980-2024)

One of the important indicators of the external balance, traditionally considered as data, the current account deficit/GDP ratios, has shown an upward trend over the past 40 years. Between 1980-2001, the rate was 0.8%, and between 2002-2022, it rose to 3.8%. As a level of current account deficit, this ratio is dangerous in terms of sustainability. There is a close relationship between the fluctuations in Turkey's foreign trade and economic growth. The more intense fluctuation trend in the second period reflects the volatility in economic growth rates. What is interesting about the current account deficit in the Turkish economy is the surplus or the narrowing of the current account deficit following the years of crisis. In the years 1988, 1991, 1994, 1998, and 2001, there was a current account surplus. These years correspond to the years when Turkey experienced crises due to internal or external factors. On the other hand, after 2001, the current account surplus ceased, and only a contraction in the current account deficit was observed in 2009 following the 2008 Global Financial Crisis. This situation particularly suggests that Turkey has regulated its economic growth and balance of payments through external borrowing.

When evaluating Turkey's competitiveness, other traditional indicators we will use are the degree of openness, the ratio of exports to imports, and the ratio of foreign direct investments to national income. In Table 4, it can be seen that the degree of openness was directly affected by liberalization policies after 1980, rising from 11% in 1980 to 25% in 1995. However, these data also indicate that there is not enough integration with international markets. On the other hand, the export-to-import coverage ratio represents the country's export development. From this perspective, it can be said that there were significant fluctuations between 1980 and 2000. However, while the average value between 1980-2022 was 66%, it was only 69% in the recent period from 2005-2022. The export-to-import coverage ratio is not sufficiently high. At the same time, this situation indicates the dependence of exports on imports. Turkey's share of direct foreign investments from the world and its share within the national income remained low. After 2005, a rapid increase in foreign direct investments was observed. The underlying factor behind this is the privatizations carried out within the framework of the program implemented after 2001. The privatization efforts of public economic enterprises, which could not be realized by coalition governments between 1985-2000, gained momentum after 2001 (Sezdi & Giray, 2019, p. 271). It can be observed that foreign capital inflows slowed down from 2020, when the privatizations were completed.

Table 4. Turkey's Foreign Trade Data (1980-2024) (%)

Years	Trade Openness	Export to Import Coverage Ratio	Foreign Direct Investment/GDP
1980	11%	37%	0,0%
1985	21%	70%	0,2%
1990	17%	58%	0,5%
1995	25%	61%	0,5%
2000	30%	51%	0,3%
2005	38%	63%	2,0%
2010	39%	61%	1,2%
2015	42%	70%	2,2%
2020	54%	77%	1,0%
2022	68%	70%	1,5%
2023	55%	71%	1,0%
2024	45%	76%	0,9%

Reference: World Bank, World Development Indicators

Table 5. Turkey's Export and Import Structure Distribution by Product Groups (%)

	Distribution of Exports by Product Groups			Distribution of Imports by Product Groups		
Years	Capital Goods	Raw Materials	Consumer Goods	Capital Goods	Raw Materials	Consumer Goods
1980	1,7	52,5	45,8	10,1	85,3	4,6
1990	2,3	46,7	51,4	18	72,5	9,4
2000	7,8	41,6	50,4	20,9	66,1	12,7
2005	10,9	41,2	47,4	17,4	70,1	12
2010	10,3	49,5	39,8	15,5	70,8	13,3
2015	11	48	41	16,8	69,2	13,8
2020	14,5	74,3	11	14,4	74,5	10,9
2022	11	52	35	11	80,4	8,4
2023	13	50	35	15	72	13
2024	15	48,3	34,8	14,8	69,3	15,7

Reference: Turkish Statistical Institute, Foreign Trade Statistics

Another way to understand the change in Turkey's competitiveness after 1980 is to examine the structure of foreign trade. In Table 5, the distribution of exports and imports based on investment, intermediate goods, and consumer goods can be seen. There are two significant developments in the structure of exports. Firstly, the share of investment goods has increased from 2% to 11%. The second is the shift of consumer goods exports to intermediate goods exports. This situation indicates an increase in the production and export of industrial goods. In 1980, the share of industrial product exports was 36%, while this figure rose to 76% in 2022. When looking at the other side of foreign trade, which is imports, there are no significant differences between 1980 and 2022. Because Turkey's export structure is dependent on imports. The increase in the share of imported consumer goods has been experienced in years when the Turkish Lira depreciated and in inflationary environments.

In the classification of broad economic groups, the export structure is predominantly manufacturing industry, accounting for 94% as of 2022. Among the subcategories of manufacturing, food products (8%), textiles and clothing (14%), petroleum and chemical products (13%), primary metals and other metal products (16%), electrical equipment and other machinery products (12%), and motor vehicles and other transportation equipment (13%) can be listed. Food products and textile production, which are more in the labor-intensive production group, are still significant items in the Turkish economy. The transformation in the export structure has mostly occurred in the categories of machinery, motor vehicles, and metal products. This situation indicates that the change in Turkey's competitiveness can be grouped under certain product categories.

Table 6. Global Competitiveness Index (WEF) Turkey and BRICS Countries (2007-2019)

Years	Turkey	Brazil	Russia	India	China	South Africa
2007	58	66	59	42	34	35
2008	53	72	58	48	34	44
2009	63	64	51	50	30	45
2010	61	56	63	49	29	45
2011	61	58	63	51	27	54
2012	59	53	66	56	26	50
2013	43	48	67	59	29	52
2014	44	56	64	60	29	53
2015	45	57	53	71	28	56
2016	51	75	45	55	28	49
2017	58	69	45	63	28	62
2018	61	72	43	58	28	67
2019	61	71	43	68	28	60

Reference: World Economic Forum Global Competitiveness Report, 2020.

It is necessary to discuss Turkey's competitive structure in relation to its position in the global supply chain. The World Bank's 2022 report on Turkey's supply chain offers significant information and insights in this regard. This detailed report, which includes interviews and surveys with firms in Turkey, examines the production shares in the supply chain both forward and backward, indicating that Turkey is more of a final product exporter. On the other hand, it is emphasized that firms that are more involved in the supply chain produce high value-added products compared to those that are not involved and that their competitive power is high. In order to enhance Turkey's competitiveness, it is recommended to provide financial and technical support to enable small and medium-sized enterprises to participate in the supply chain, to ensure stability and a secure environment in macroeconomic indicators and financial markets, to attract foreign investments, and to improve the qualifications of the workforce.

After 2001, with the Strong Economy Transition program prepared by World Bank economist Kemal Derviş, a healthier economic management for Turkey was planned. In the 2002 elections, the era of coalitions came to an end, and the single-party rule of the new party, the Justice and Development Party (AK Party), facilitated the implementation of the program. During this period, the implementation of regulations in financial markets and stable anti-inflation policies brought the Turkish economy to high growth figures. With the financial markets achieving a solid structure, a rapid recovery was experienced compared to many countries after the 2008 Global Financial Crisis. After 2008, the per capita national income level rose to its highest level of $12,500 in 2012, fueled by the low interest rates and abundant foreign investments supported by the monetary expansion policies implemented by global central banks (Koyuncu et al., 2017, p. 123). When we look at the distribution of international investments to developing countries, we see that Turkey has not attracted a sufficient amount of foreign investment. Additionally, due to Turkey's search for alternative markets, its proximity to regional conflicts, and its deviation from the EU membership goal, the per capita national income began to decline until 2020. Despite a revival following the crisis environment created by the Covid-19 pandemic worldwide, the 2024 projections are still far behind the levels of 2012.

The developments explained above demonstrate the importance of external factors as much as domestic policies for increasing the competitiveness of the Turkish economy. Especially after the 2000s, this conclusion can be drawn from the economies of Romania, Hungary, Poland, and Bulgaria, which have had a similar economic growth trend. These countries, described as transition economies, have exhibited uninterrupted economic growth over the past 20 years with the support of the EU. Hungary and Poland joined in 2004, the largest expansion of the EU. Bulgaria and Romania joined in 2007. Turkey, however, has not yet become an EU member despite the negotiations that began in 1999 and the official candidacy in 2005. In the Strong Economy Transition program implemented after 2002, the anchor role was attributed to the EU, and the Turkish economy became more integrated with the world economy with the goal of EU membership. After 2010, we see that this cycle was broken and Turkey turned towards the Middle East with a new strategy to develop its commercial partnerships (Kirişçi, 2009, p. 49). After 2010-2024, the political and economic developments in the world have directly reflected on the Turkish economy. The ineffective implementation of strategic decisions has negatively impacted Turkey's competitive structure.

To understand Turkey's competitive structure, more traditional variables were considered until the 2000s, and after 2000, the Global Competitiveness Index rankings were included in the analysis. In Tables 6 and 7, the Global Competitiveness Index rankings of WEF and IMD were used for different groups of developing countries that Turkey was part of after the 2000s. In the International Monetary Fund's country classification, Turkey is among the developing European countries. Therefore, in light of the current data from 2002 to 2022, Turkey's competitiveness level is compared with the countries in this group. According to the IMD Global Competitiveness Index, when evaluating Turkey individually, it ranked 49th in 2002 but fell to 52nd place in 2022.

Table 7. Global Competitiveness Ranking of Emerging European Countries (Overall Rankings) (2002-2024)

Years	Turkey	Romania	Bulgaria	Poland	Hungary
2002	49	-	-	45	30
2003	56	51	-	55	34
2004	55	54	-	57	42
2005	48	55	-	57	37
2006	51	57	47	58	41
2007	48	44	41	52	35
2008	48	45	39	44	38
2009	47	54	38	44	45
2010	48	54	53	32	42
2011	39	50	55	34	47
2012	38	53	54	34	45
2013	37	55	57	33	50
2014	40	47	56	36	48
2015	40	47	55	33	48
2016	38	49	50	33	46
2017	47	50	49	38	52
2018	46	49	48	34	47
2019	51	49	48	38	47
2020	46	51	48	39	47
2021	51	48	53	47	42
2022	52	51	53	50	39
2023	47	48	57	43	46
2024	53	50	58	41	54

Reference: IMD World Competitiveness Rankings, 2024.

The improvement in macroeconomic data and the stability in financial markets, achieved through the policies implemented between 2002-2006, have been reflected in the rankings. After the 2008 financial crisis, the Turkish economy achieved rapid growth figures and reached peak positions in the rankings due to the monetary expansion policies implemented by global central banks. However, this situation began to reverse starting from 2016. The only country that stands out in terms of competitiveness among the developing European countries is Hungary.

In the global competitiveness ranking conducted by the WEF, Turkey's comparison with the BRICS countries, which it has been trying to join since 2005, has been made. Turkey diverges from some of these countries. Especially China, Russia, and Brazil have gained momentum in their economic growth due to their natural resources and the rapid increases in the prices of these resources. The analysis conducted above is also valid for this dataset. In the BRICS countries group, the countries that diverged were China and Russia. However, recently, with the 2020 Covid-19 pandemic and the Russia-Ukraine war, both the contraction trend of the global economy and the imposition of embargoes and trade-restrictive measures by more countries worldwide have negatively affected the competitiveness of these countries. In 2023, BRICS countries decided to expand and extended membership invitations to Argentina, Egypt, Ethiopia, Saudi Arabia, and the United Arab Emirates. Turkey has still not been able to join this group. From the perspective of political and economic developments, Turkey has neither fully integrated with Europe nor with other developing countries, and therefore has not been able to create synergy.

4. CONCLUSION

In this study, which aims to analyze Turkey's century-long political and economic development along with the concept of competitive power, I sought answers to the research question of what kind of transformation has occurred in Turkey's competitive structure. Addressing a century-long period in all its aspects and obtaining sufficient information brought along some constraints. However, dividing the historical process into sections from a political economy perspective allowed me to identify the findings of the study more clearly.

The collaboration between economists and political scientists across disciplines became particularly widespread after World War II. The political economy perspective has facilitated the identification of different aspects of historical events. The capacity of governance, whether in democratic or autocratic administrations, polarized party systems, or presidential systems, has also influenced the economic and trade policies implemented. In this context, it is important to understand how political changes in Turkey are reflected in economic and trade policies. The study specifically aims to explain developments in trade policies and reforms through political transformations.

While researching the competitiveness of the Republic of Turkey since its establishment, it may also be necessary to answer the question of whether Turkey has a strategy for competitiveness. This question also brings with it inquiries such as when it was formed, under what conditions it was formed, or under what conditions this competitive strategy was abandoned, if it exists. The answers to the first question shed light on the other questions as well. The revolutions during the founding years of the Republic of Turkey and the policies that took the developed economic structure of the West as an example are evidence of how much competitiveness was valued. The value placed on industrialization, educated workforce, and infrastructure investments reinforces this idea. However, the constraints inherited from the Ottoman Empire and the global conjuncture in the following years made it difficult to achieve the desired results.

From the establishment of the Republic of Turkey until the 1980s, it is not possible to speak of international competitiveness due to its still agriculture-based economy and a structure prone to deterioration in external balances. We can make this determination by utilizing the indicators used in the definition of competitiveness. The lack of significant progress in the structure of foreign trade, the inability to achieve sufficient industrialization, the economic growth following a trajectory close to the world average, the failure to ensure product diversity, the limited access to new markets, and the inadequacy of infrastructure investments have hindered the Republic of Turkey from achieving success in terms of international competitiveness. However, as mentioned in previous sections, Turkey's initiatives are aimed at increasing its competitive strength. Especially the policies implemented during the founding years and the planned period have both been successful in this regard and supported this intention.

After 1980, the world entered a completely different phase. Developed and developing countries have started to implement neoliberal policies, and public power has been pushed to the background. Turkey has also gone through a similar process. Unfortunately, the lack of sufficient institutional infrastructure and deep financial markets has dragged Turkey into political instability and crises. The 1990s can be described as lost years for Turkey. After 2001, significant steps were taken with a very strict economic program, and institutions were structured in accordance with the needs of the era. After the macroeconomic indicators began to improve in 2006, economic growth and foreign trade in Turkey rapidly increased. The effects of the 2008 Global Financial Crisis were limited due to the reforms implemented earlier. After the crisis, the monetary expansion policies of the US and Europe created the credit opportunities that Turkey needed. On one hand, large infrastructure and transportation projects carried out by the public sector, and on the other hand, external trade has surged with the use of credits. Industrial products have diversified, and expertise has been gained in certain sectors. Turkey's 2022 foreign trade data indicates that it has achieved a competitive structure in textiles, food, machinery and equipment, chemical products, and motor vehicles.Despite all these developments, it is also a fact that Turkey has not yet realized its potential. One of the most important issues is that the share of high-tech products is still very low. There are very few companies that are investment goods manufacturers in the global supply chain. There is a bottleneck in the qualified workforce. These issues serve as a roadmap for the policies that Turkey needs to implement in the coming years. The priority measures are to stabilize macroeconomic indicators to make direct foreign investment attractive, to invest more in education, and to have more companies participate in global supply chains. Although Turkey is a country surrounded by seas on three sides, it is still not effective in maritime transportation. There is a need for other infrastructure investments related to new port projects. The issues experienced in the supply chain after Covid-19 have highlighted the importance of transportation and the costs it incurs. In international relations, the revision of the Customs Union with the EU is essential. The agreements between the EU and

Turkey's competitors in North Africa and Sub-Saharan Africa, which will limit Turkey's competitive power, should be closely monitored, and measures should be taken in favor of Turkey. Alternatives should be created through market diversification. Addressing the weaknesses highlighted in global competitiveness indices will enable Turkey to advance its 100-year achievements further.

This research, in which I attempted to explain Turkey's 100-year competitiveness by focusing on the more specific field of trade, has also laid the groundwork for broader studies. Both the observation of Turkey's competitiveness in different fields and the investigation of competitiveness in its various dimensions supported by empirical studies will inspire future research.

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