



THE EFFECTS OF JEOPOLITIC RISKS LIVED IN THE MIDDLE EAST ON TURKEY-MIDDLE EAST TRADE

ORTADOĞU'DA YAŞANAN JEOPOLİTİK RİSKLERİN TÜRKİYE-ORTADOĞU TİCARETİNE ETKİSİ

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Abstract

Turkey is located as geographical position in the centre of the Europe and the Middle-East market and in this respect it is also in an important transition route position. Nowadays the European market yet clasping on its former vigour, geopolitical risks in the Middle-East, especially in Syria undermine the Turkey's export potential. In addition to this, the transition routes that are in a risky position, threaten the logistics sectors as well. In this study, the effect of the geopolitical risks in the Middle-East, especially in Syria on trade relations of Turkey with the region are being investigated between 1996-2016 periods.

Keywords: *Foreign Trade, Geopolitical Risks, Turkey, Middle East.*

Öz

Türkiye coğrafi konumu itibariyle Avrupa ve Orta-Doğu pazarının merkezinde yer almakta ve bu yönüyle de önemli bir geçiş güzergâhı konumunda bulunmaktadır. Günümüzde Avrupa pazarı henüz eski canlılığına kavuşmamışken, Suriye başta olmak üzere Ortadoğu'da yaşanan jeopolitik riskler Türkiye'nin bölgedeki ihracat potansiyelini zayıflatmaktadır. Buna ek olarak, geçiş güzergâhlarının da riskli konumda bulunması lojistik sektörlerini de tehdit etmektedir. Bu çalışmada, Suriye başta olmak üzere Ortadoğu'da yaşanan jeopolitik risklerin Türkiye'nin bölge ile olan ticari ilişkilerine etkisi 1996-2016 dönemi için incelenmiştir.

Anahtar Kelimeler: *Dış Ticaret, Jeopolitik Risk, Türkiye, Ortadoğu.*

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1. INTRODUCTION

Proximity of regions and countries to each other has always been an important factor in terms of trade relations. This proximity has been the opportunity to turn to the benefit of the parties and these benefits have affected interests of the countries in the region in a positive sense. Geographical proximity and cultural commitment of the Middle East and Turkey, have failed to meet expectations in the coming trade relations to the desired level. Although Turkey-Middle East foreign trade volume has increased from the beginning of 2000's, it is concerned that an active commercial interaction up to 2010, export figures have reached the highest level. Increasing foreign trade volume between Turkey and the Middle East that has been mostly in export items, in this context it has created positive developments for Turkey. The Middle East, in order to meet commercial losses in Europe is important for Turkey as an alternative market. Turkey's proximity to the region and its relations in the region is an important influence on the geopolitical conjuncture.

While there was the most active trade interaction taking place in history between Turkey and the Middle East, so called "Arab Spring" broad public movements has occurred in this region and has led to geopolitical risks for Turkey. Consisting of geopolitical risks are significantly Syrian origin. The uncertainty in Syria is also damaging interaction with other countries in the region. Indeed; marking the longest land border with Turkey is an important logistics route location. This broad public movement in the region, social, cultural, political and so on has affected Turkey and countries of the region in many areas. Turkey-Middle East trade volume also significantly affected by the large public movements and has been a matter of contraction. In addition, the volume of trade with other countries in the region has also declined, and this situation has created an economic instability. As long as the uncertainty in the region has continued its negative effects in commercial sense may increase and entered into different pursuits. The fact that due to the proximity of the relationships between Turkey and the Middle East region interference of developments occurring is inevitable. However, minimizing of this negative situation is important for the elimination of economic and commercial uncertainty.

2. LITERATURE REVIEW

Bayraktutan and Ozkaya (2013), has examined trade 2000-2012 period for Turkey and the Egypt, using the advantages of free trade agreements and by using cost-effective transportation facilities in varied goods the mutual trade will increase, in addition, they have argued that the economic welfare of the both countries will increase. Cestepe (2012), who examines the trade intensity of Turkey and selected Middle East countries between 1999-2009 period with the Grubel-Lloyd and Balassa indices, has stated that apart from the European Union, Turkey's foreign trade with Middle East countries, which is an important trade partner for Turkey in recent period has gained momentum. Turkey, generally is importing from these countries intermediate goods, which has no competitive strength, such as oil, natural gas. However, Turkey by focusing on the export of commodities such as machine, motor vehicles, chemicals, iron and steel sector products, which has high competitive strength will be able to balance its trade with these countries.

Sandalcilar (2011) has examined Turkey-Syria trade in 2000-2009 periods on the basis of some goods groups and has found that the trade between the two countries is based on largely trading of raw materials. Approximately 75% of the average exports from Turkey to Syria, whereas approximately 88% of imports are consist of raw materials. In the analysis made on the basis of Standard International Trade Classification SITC-3, Turkey in the Syrian market except for No. 2 commodity groups (non-edible raw materials except fuel) has a comparative advantage in all other commodity groups. As in the 2 decimals sub-groups, Turkey in some sub-groups (25, 32, 34, 35 and 41 numbered sub-groups) has unilateral superiority.

According to Dirioz (2009), who examines the Turkey-Gulf Cooperation Council (GCC) relationships, while Turkey's foreign trade volume with the region in 1990 was 35 billion USD, in 2008 increased by almost 10 times has reached to 334 billion USD. Kaymakci (2012), who examines Turkey-Middle East trade relations in pre-Arab Spring period, highlights that in the mentioned period Turkey could not enough to use the potential of bilateral trade with these countries. Also, one of the reasons that Turkey cannot increase the trade with the region is economic policies implemented by the countries of the region which is lacking of liberal basis. Sahin and Sahin (2014), emphasize that social events which began in Tunisia in 2010 and widespread, have effected Turkey multidimensional especially economy.

Kiyak (2005), has examined Turkey's foreign trade structure, and particularly of commercial relations with the Middle East. According to this study, for the social and as well as the political reasons from the first years of the Republic, Turkey has failed to consider sufficiently the Middle East market. In more recent times, it has stressed that the Middle East is the only region that Turkey has a foreign trade surplus. As a result, it has been emphasized that Turkey while maintaining the existing structure of western origin, necessity of making efforts to increase the trade volume of foreign trade with the Middle East countries. Akca (2013) has addressed the trade relations between Turkey and Middle Eastern countries in the 2000-2010 periods. According to this study, it is emphasized that oil and natural gas reserves are possessed by the those countries constitute of the basic export items, as competitive strength in agricultural and industrial areas are weak and Turkey is to be active in trade with the region in the agricultural and industrial areas will contribute to the its national interest.

Akal (2008) has examined Turkey's foreign trade concentration and structural change with the Middle Eastern border countries in 1980-2005 periods. Turkey, because has high competitive strength in areas such as agricultural machinery, automotive, electrical, electronics, chemical industry to the neighbouring Middle East bordering countries, by increasing the export of these products, has the potential to finance the crude oil obtained from this country. It is also stated that, because of Iraq and Syria's membership to the Arab Free Trade Area (GAFTA) the investment to be made in these countries in the long term have great importance for Turkey in order to dominate the entire Middle East market.

3. DEVELOPMENT OF TURKEY'S TRADE IN BASIS OF COUNTRY AND COUNTRY GROUPS

In Table 1 Turkey's in 2006 and 2015 most imports and exports 20 countries are listed. According to this table, while Turkey's exports to Iraq in 2006 are \$ 2.6 billion (USD), it has risen to 12 billion USD in 2013 and has risen to 8.6 billion USD in 2015. Here, in 2003 in cooperation with the US and UK after the occupation activities carried out under the name of "Iraq Liberation Operation" there is a very significant share of Turkey undertaking the dominant role in the restructuring process of the region. Indeed, as exports revenues derived from the region concerned contracting services revenues are also important.

Similarly, in 2006 while performing export to the United Arab Emirates, Iran, Saudi Arabia, Egypt and Israel 2, 1.1, 1, 0.7 and 1.5 billion USD respectively, these figures in 2015 has increased to 4.7, 3.7, 3.5, 3.1 and 2.7 billion USD respectively. In addition, in 2006 while export is made to the Near and Middle Eastern market, accounted for 13.2% of total exports, this share rose to 21.6% in 2015.

Table 1. Turkey's Top 20 Import and Export Countries *

Export**			Import**		
Country	2006	2015	Country	2006	2015
Germany	9,7	13,4	China	9,7	24,9
UK	6,8	10,6	Germany	14,8	21,4
Iraq	2,6	8,6	Russian Federation	17,8	20,4
Italy	6,8	6,9	USA	6,3	11,1
USA	5,1	6,4	Italy	8,6	10,6
France	4,6	5,8	France	7,2	7,6
Switzerland	0,9	5,7	South Korea	3,6	7,1
Spain	3,7	4,7	Iran	5,6	6,1
UAE	2,0	4,7	India	1,6	5,6
Iran	1,1	3,7	Spain	3,8	5,6
Russian Federation	3,2	3,6	UK	5,1	5,5
S. Arabia	1,0	3,5	Ukrain	3,1	3,4
Netherland	2,5	3,2	Belgium	2,5	3,1
Egypt	0,7	3,1	Japan	3,2	3,1
Romania	2,4	2,8	Poland	1,4	3,0
İsrail	1,5	2,7	Netherland	2,2	2,9
Belgium	1,4	2,6	Romania	2,7	2,6
China	0,7	2,4	Switzerland	4,0	2,4
Poland	1,1	2,3	Bulgaria	1,7	2,3
Azerbaijan	0,7	1,9	Czech Republic	0,7	2,2

* Ranking is made in accordance with the 2015 import and export figures.

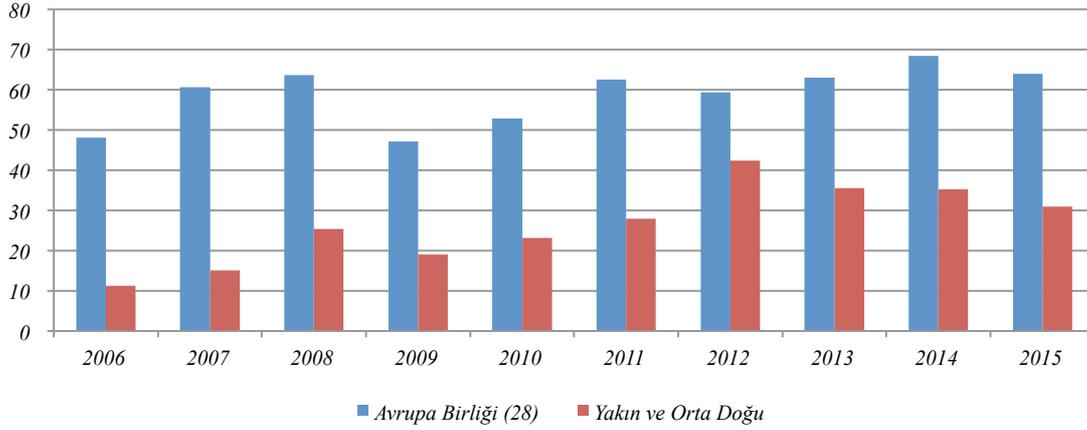
** Billion USD

Source: www.turkstat.gov.tr

The development of Turkey's exports to the EU and Middle Eastern markets is seen in Figure 1. According to this figure, from 2006 to 2015, Turkey's exports to the EU increased by 33%, to the Middle East increased by 174%. It is clear that; Turkey, the Middle East market, both owned by geographic location and competitive advantage as seen demand for the quality of manufactured products, is a market

that is open to development. In the period, when Arab Spring came to agenda is also clearly seen Turkey's exports to the region in question have negatively affected.

Figure 1. Development of Turkey's Exports to the EU and Middle East market *



* Billion USD

Source: www.turkstat.gov.tr

4. REFLECTIONS OF EXPERIENCED GEOPOLITICAL RISKS IN THE MIDDLE EAST TO TURKEY'S FOREIGN TRADE

Popular uprising which started in 2010 in Tunisia and spread to North Africa and the Arab Middle East region has led to new formation in many countries has caused to the civil wars in some parts. Briefly, this so-called Arab Spring movements in countries such as Morocco and Algeria has led to make a number of reforms; the overthrow of the government in Tunisia, Libya, Egypt and finally has led to a civil war in Syria. Because of all these countries are our major trading partners, the developments in the region are closely related to our country. Encountered developments in Egypt, Libya, Syria and Tunisia which has a negative impact on Turkey's foreign trade and economic relations with these countries.

This negative can be listed as follows:

- If we separate Syria from these countries, our export and import relation with all others are adversely affected or has stopped altogether. It should be known that today a large part of exports to Syria in our records are not a real export, it appears to be the commodity consisting of material needs to be sent by the humanitarian organizations.

- Logistics sector and transit transportation has become incapable through the Middle East.
- A RO-RO voyage made through Egypt has stopped.
- A cost of transport sector which is seeking the alternative ways has increased.

- It is known that our country has important contracting services in these countries. After the Arab Spring, this source of income has disappeared. There are uncollected receivables of our contractors in these countries.
- There has been a significant reduction in the number of tourists coming to our country through Middle East and North Africa, mutual tourism sector is damaged.
- In particular, due to the lack of authority in the Syria border some terrorist organizations are located throughout border line; it has come to threaten the security situation in our country. It also has great harm to our country's tourism and tourism revenue and foreign trade.

5. CONCLUSION

Until the early 1990s, Turkey-Middle East economic and trade relations has not taking a lot of space in Turkish foreign policy. For that reason; the share of the Middle East market in Turkey's foreign trade and foreign investment has remained very limited. With January 24 1980 Economic Stabilization Policies by abandoning the import substitution economic policies of Turkey together with the adoption of a model of economic growth based on exports, for economic growth and development expansion to new markets and exploring new markets has gained importance. The advantages of Turkey's geopolitical position and have contributed to making the Middle East is an important market for Turkey. As a result, since the 1990s a great increase in our trade with the region has been observed. In addition, Turkish contracting companies have undertaken important projects in the region. Along with contractors, Turkish firms have begun to take a place as foreign direct investors in the region.

Turkey since the beginning of the 2000s, has achieved serious export and investment opportunities in the Middle East market, especially in Iraq. The region which has oil reserves as well as disadvantageous situation in industrial goods, Turkey have analysed that very well and by importing oil and its derivatives, has achieved a great potential in the export of industrial products. Even, declining exports as a result of the contraction of the European and American markets in 2008 global crisis were compensated through the Middle East market.

But unfortunately, in the recent years authority conflicts in the Middle East, especially in Syria, are damaging Turkey's economic ties with the region. In addition to these, economic sanctions against Iran, other neighbouring country, leads to all kinds of economic initiatives efforts with the Middle East remain inconclusive. In order to rise the economic relations of Turkey with the Middle East at expected the levels, the local and international authorities are required to produce constructive policies that that contributes to peace in the region.

6. REFERENCES

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