

ECONOMIC RELATIONS BETWEEN TURKEY AND THE U.S.A.

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SUMMARY

This paper intends to deal with the past, present and the future of Turkish-American relations. Firstly, the main points of the development of relations beginning from the Truman Doctrine of post World War II to the arms embargo of 1974 were briefly explained. Here, emphasize was given to the major implications of American aid to Turkey during the 50's.

Secondly, the pace and nature of the development of Turkish-American trade in recent years was studied. In particular, the problems of exporting Turkish textiles to the U.S. markets were discussed.

In the last part of the paper, the significance of Turkish-American relations for the future, some causes of today's problems and the ways to improve the relations are discussed briefly.

ÖZET

Türkiye - A.B.D. Arasındaki Ekonomik İlişkiler

Bu makalede, öncelikle Türk-Amerikan ekonomik ilişkilerinin kısa bir tarihçesi verilmekte; Truman Doktrininden günümüze bu ilişkinin önemli noktaları vurgulanmaktadır. 1950'lerde başlayan Amerikan yardımına ve bunun çeşitli sektörlerdeki etkilerine dikkat çekilmektedir. Burada, ayrıca ticaret ilişkilerinin bu dönemdeki genel durumuna ve 1974 silah ambargosunun Türk-Amerikan ilişkilerindeki olumsuz etkilerine de kısaca değinilmektedir.

İkinci olarak, Türkiye-Amerika Birleşik Devletleri ticaretinin günümüzdeki durumu hakkında genel açıklamalarda bulunulmakta; son yıllardaki değişimin niteliği ve özellikle tekstil ihracatı açısından görülen gelişmeler özetlenmektedir.

Makalenin sonuç bölümünde ise Türkiye-Amerika Birleşik Devletleri ilişkilerinin önemi, karşılaşılan sorunların bazı temel nedenleri ve bu ilişkileri geliştirebilmenin ön koşulları ana hatları ile belirtilmektedir.

A Brief History

Although Turkish-American relations goes back to 18th century, the most considerable milestone in modern times is the Truman Doctrine of post world war II.

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The threat to Turkey's security did not end with the coming of peace to Europe. In June 1945 the Soviet Union began demands for the retrocession to Russia of the provinces on Turkey's north east frontier, the establishment of joint Turco-Soviet defence installations in the straits, and the revision of the 1936 Montreux Convention, governing access through the Straits, in favour the Soviet Union. In the face of firm refusal from the Turks, and a demonstration of alliance by a visit of US Battleship Missouri to Istanbul, Stalin effectively dropped these demands after 1946 but his diplomatic offensive drove Turkey into the Western camp in the cold-war conflict. Under the Truman Doctrine, US military and economic aid to Turkey began during 1947-48, to be followed eventually by Turkey's formal admission into NATO in 1952 (Hale, W., 1981, p. 54).

Turkey's alignment with the western powers after the war meant that the United States became by far her biggest source of foreign aid, and that the overall aid flow increased markedly. Initially, direct American economic assistance was limited to a \$40 million credit granted by the Export-Import Bank in 1946-47. In 1948, however Turkey became a founder member of the Organisation for European Economic Cooperation (OEEC, later OECD), for the administration of Marshall Aid. Under the European Recovery Programme, Turkey had received around \$183 million in economic assistance by 1950, besides about \$200 million in military aid, mostly grants. This assistance acted as a significant boost to the Turkish economy, accounting for about half the rise in imports, and some 40 per cent of the rise in investment during this period - quite apart from it. Influence over the evolution economic policy and, in particular, the revision, if not abandonment, of etatist principles (Hershlag, 1958, 203-4, Hale, 1981, 74-75).

One of the major implications of American aid was in the transport sector. Previous governments had concentrated their efforts on the extension of the railway system, to the almost complete neglect of roads. The transport of perishable crops in particular, was handicapped by the lack of adequate highways. In 1947 however, \$5 million of Marshall Plan aid was earmarked for road development and the Public Works Administration of the US Federal Works Agency entrusted with the provision of technical assistance for the programme. In February 1950 a semi-autonomous General Directorate of Highways was established within the Ministry of Public Works. With substantial American technical and financial assistance it then began a massive expansion and improvement of the road system. By 1960, the length of highways (hard and loose surfaced together) had increased to over 61.000 km. Hundreds of previously isolated towns and villages were now integrated into the national economy. The total motor vehicle park had meanwhile increased from around 53.000 in 1950 to 137.000 by 1960. During the same period, new railway construction was slowed to a virtual standstill, so that freight and passenger traffic carried by rail began to drop in absolute terms after 1958. The new highways brought about an improvement in communications which was widely appreciated, especially in the villages. They also represented an important shift towards private enterprise, granted that virtually all road transport was privately operated (Hale, 1981, p. 90).

Immediately after World War II, the United States was easily Turkey's most important trading partner, accounting for almost one third of her total foreign

trade. By 1951, however West Germany had regained the lead which the third Reich had held before the war, and has retained it ever since. As the figures in the table 1. indicate, the USA's share has continued to fall during the 1960s and 1970s parallel to a rise in that of the EEC countries between 1960 and 1972. The Further growth of EEC share has been largely accounted for by the enlargement of the Community in 1973 (Hale, 1981, p. 234).

Table: 1
Foreign Trade by Region, 1960-78

	1960-5	1966-72	1973-78
Total Foreign Trade (\$ million)	5.689	10.845	36.387
Of which (%): EEC	32.6	37.4	46.0
: EFTA	18.1	18.5	—
: USA	24.2	15.4	8.4
: Comecon	8.9	12.4	7.6
: Other	16.2	16.3	38.0

Source; TTOSOTBB, Economic Reports, 1973 ve 1979.

Between 1956 and 1966 and again between 1969 and 1972, the United States shipped grain and other products to Turkey under Public Law 480, which allows the sales of surplus American agricultural products to Third World Countries against payment in local currency, but this flow has since been stopped, thanks to the rise in Turkey's own agricultural output (Hale, 1981, p. 240).

Relations between Turkey and the U.S.A. had no considerable problem until the Fall of 1974. Although in some years American economic and military aid were cut against Turkey's demands and expectations, no serious crisis such as the arms embargo of 1974 occured ever before. There are very few examples of this kind of embargos as the ones used against Egypt, and Yugoslavia in 1961 and Pakistan five years earlier. But the case of Turkey was a very special one. Because Turkey, as having the largest military potential, was —and still is— the strongest defender of South East wing of the Western defence system (Ari, 1977, pp. 9-10).

So the arms embargo of 1974 claimed to be an unjustifiable, unfair, and unfriendly attitude towards Turkey in Turkish public opinion. Thus, it created a rather cold period in Turkish American relations for several years.

Prof Ari's study on this subject shows the existence and the importance of various factors affecting decision making process in the senate and the congress. As a result of lack of knowledge on Turkish side about the structure and operation of this complex system, Turkey could do nothing to avoid the resolution that cuts military and economic aid. Besides, Greek lobby was rather efficient to utilize Cyprus and Egean Crises against Turkey. The study concludes that Turkish-American relations are frequently affected by rather "exogenous" factors, so they must be studied carefully and policies must be designed accordingly.

Turkish - U.S. Trade Today

Trade relations between Turkey and the United States of America shows a continuous improvement since 1978. Total volume of trade between these two

countries reached to a record level of \$ 1.7 b. by the end of 1984. In 1984, U.S.A.'s export to Turkey reached to \$ 1.2 b., and Turkey's export to the U.S.A. valued at cif prices was \$ 464 m., which are the highest amounts of all times. In 1985, trade relations developed in favour of Turkey; while U.S. export is decreasing 5% Turkey's export to the U.S. reached to another record level of about \$ 574 million.

But, a glance to the general foreign trade of the U.S. will show us that the abovementioned figures of Turkey's import from the U.S. and export to the U.S. are not satisfactory at all.

The following tables are provided to give a general idea about Turkish American foreign trade in recent years.

Table: 2
Turkey - U.S.A. Foreign Trade (\$ 1000)

Years	Export	Import	Foreign Trade Balance	Exp. as % of imp.	Total Volume
1979	104.5	377.7	- 273.2	28 %	482.2
1980	127.4	442.4	- 315.0	29 %	569.8
1981	267.9	589.4	- 321.4	45 %	857.3
1982	251.6	813.5	- 561.9	31 %	1,065.1
1983	231.7	695.1	- 463.4	33 %	926.8
1984	368.2	1,073.5	- 705.3	34 %	1,441.6
1985*	319.0	820.0	- 501.0	38 %	1,138.8

* January - September.

Source: Prime Ministry, Secretariat of Treasury and Foreign Trade.

Table: 3
U.S. Share in Turkey's Total Export and Import

Years	U.S. Share in Turkey's Total Import (%)	U.S. Share in Turkey's Total Export (%)
1979	7.45	4.62
1980	5.59	4.38
1981	6.60	5.70
1982	9.20	4.38
1983	7.53	4.05
1984	9.98	5.16
1985	11.77	7.33

Source: Prime Ministry, Secretariat of Treasury and Foreign Trade

A brief study of the tables 2 and 3 indicates that foreign trade volume between Turkey and the U.S. has increased considerably in recent years, while Turkey's export to U.S. markets has increased more than three times. Besides, sectoral structure of Turkey's export has rather changed recently. For example, The share of tobacco, which was about 3/4 total export to the U.S. in earlier years, decreased to 1/2 in 1984 and then to 1/3 in 1985. In the first half of 1985, out of \$318 m. of

export to U.S. only \$115 m. was from tobacco. Increase in Turkey's export has almost completely achieved by non-agricultural sectors. Textile and steel products have composed almost 60 % of general increase in exports to the U.S.A.

Turkey's import from the U.S.A. has continuously increased since 1979 and reached from \$ 337.7 m. in 1979 to \$ 813.5 m. in 1982. Following a decrease of \$ 120 m. in 1983, the volume of total imports from the U.S. reached to its highest point of \$ 1,073.4 m. in 1984. But, Turkey's share in general foreign trade of the U.S. is very low; lower than 1 % as US export is concerned and 0.1 % as Turkish export is concerned. This fact can be seen at Table 4.

Table: 4
Turkey's Share in U.S. Foreign Trade (1981 - 1984)

Years	US Total Export*	Turkey's Share (%)	US Total Import*	Turkey's Share (%)
1981	233.677	0.33	260.981	0.09
1982	212.193	0.41	243.951	0.11
1983	200.485	0.36	258.047	0.12
1984	217.685	0.57	341.176	0.13

* million \$ U.S.

Source: US Foreign Trade Highlights 1985, US Dept. Commerce, Intl. Trade Administration.

The most important development in Turkey-U.S. foreign trade in recent years was the increase in Turkey's export of textile products. Total export of textile products increased from \$ 15.2 million in 1983 to \$ 78.1 m. in 1984. But even with this very high rate of increase Turkey's share in U.S. market still remains under 1 %. And, Turkey's rank is the 24th amongst the textile exporting countries to the U.S.A.

Table: 5
Turkey's Share in U.S. Imports of Textile Products (US \$ million)

Years	U.S. Imports of Textile	U.S. Imports from Turkey	Turkey's Share (%)
1982	9.330.8	7.7	0.08
1983	10.622.9	15.2	0.14
1984	14.256.7	78.2	0.54

This table indicates that there is still huge possibilities of improvement of sales for Turkish textile products. But the rapid increase of sales led the U.S. Congress to try to restrict textile imports from Turkey by quotas. And this was the same case for imports of iron and steel products from Turkey. The main argument was protection of domestic industry and save the jobs and avoid unemployment. Recently, Turkish government is trying to overcome the trade barriers by utilizing the bargaining power of a major aircraft project and some other military and/or infrastructure projects. On the other hand Turkey is also trying to overcome the obstacles to a better economic relationship by struggling the Greek and Armenian lobbies in the U.S. Congress.

Besides, the restrictions and the conditions of American foreign aid, which are generally strictly observed by the Congress, were often seen as an interference

to the internal affairs of Turkey by Turkish general public. Thus, any condition on a military or economic aid programme caused emotional reactions in Turkey and avoided better relations.

Conclusion and Some Remarks

In spite of some fluctuations due to various reasons, Turkish American relationship seems to have rather sound foundations. They determine the framework of the relations and contribute to the continuity. From the American side, as being a world power and struggling for a world wide superiority, Middle East has a great deal of strategic, political and economical importance. And, Turkey has a very special position and a role in the region. Besides, Turkey as a reliable member of Nato and other Western alliances has good relations with Eastern Bloc and neighbour Arab and Islamic countries.

On the other hand, from the Turkish side, dependency to foreign economic and military assistance and traditional Turkish foreign policy of Westernization provide basis for better relations. Turkey's search for dependable alliances for national security and U.S.'s world policy have common interests (Sander, O., 1979, pp. 244-245).

Beyond these political considerations, Turkey and the U.S.A. have a lot of common interests in a better economic and commercial relationship. Turkey offers a great deal of investment opportunities to American businessmen in many fields, notably high-tech defense industry, tourism, telecommunication and some of manufacturing industries. And, the U.S. market is full of opportunities for Turkish tradesmen, especially for those who export textile products and heavy industry products. Turkish and American industrialists may also cooperate in production of export goods for Middle East Countries, using the advantage of location of Turkey.

In order to realize the conditions of better economic relations, mutual recognition and understanding is a prerequisite. Promotion of social and cultural relations will eliminate misunderstandings and will avoid emotional actions and reactions. There is a certain lack of knowledge on both sides about each others political systems, social structures and world options. As a final word, in order to achieve a better future of relations, every effort to promote understanding and awareness must be encouraged.

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