

# Comparison of the Roles of Neighboring Countries in the Foreign Trade of the USA, Germany and Turkey



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## **Introduction:**

“World trade reached 10 trillion dollars by 2005, which had grown 30 fold according to 30 years back and 5 fold according to 20 years back”<sup>1</sup> says Ali Boğa. This number reached 12.5 trillion dollars by 2009 after decreasing %10.7<sup>2</sup> according to the prior year. The role of foreign trade is becoming more and more important in economies. Global competition is shaping the local sectors and countries are searching ways to strengthen their economies through focusing on different sectors where they have a competitive edge.

One of the important developments in the second half of the century is the increase in regional trade agreements. Due to the gains of foreign trade between neighboring countries such as decreasing transportation and production costs, big economies sign into regional trade agreements.

In regional trade agreements as the trade increases, each country starts to specialize in different sectors according to their comparative advantage. When this expertise unites with quantity increases, these sectors benefit from the cheaper costs and higher quality.

Especially the poorer country benefits from the shift of labor intensive sectors to her country, which leads to an increase in income and a decrease in unemployment. Moreover, consumers in both countries benefit from the cheaper prices and improving purchasing power.

Besides its benefits there are also concerns about job losses and worsening income distribution inequality. Due to specialization, some sectors weaken in some of the countries. Especially if the income levels are very different between neighboring countries, labor intensive sectors move to the poorer country. Unskilled workers or people who work in labor intensive sectors lose their jobs in the richer country. So in the richer country job losses might appear.

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1 Komşu Ülkeler ve Çevre Stratejisi, Ali Boğa, [http://www.turktrade.org.tr/index.php?option=com\\_content&task=view&id=78](http://www.turktrade.org.tr/index.php?option=com_content&task=view&id=78)

2 World Economic Outlook April 2010, IMF, <http://www.imf.org/external/pubs/ft/weo/2010/01/pdf/text.pdf>

On the other hand, in more educated labor intensive or equity intensive sectors, the richer country gains advantages due to the increasing demand for its products. This causes an increase in demand for skilled labor and the salary that is paid to them. As a result, skilled laborers in the richer country are earning more whereas the unskilled labor faces job losses or decreases in their incomes. This increases the gap between the poor and the rich and leads to higher income distribution inequality.

Overall, in a globalizing world, the sectors are becoming more and more competitive. So besides its negativities, the benefits from the increasing trade between neighboring countries outweighs the risks and we see more and more countries are making trade agreements with their neighbors and removing the barriers for trade.

The roles of neighboring countries in the foreign trade of the USA and Germany, which are the countries with the largest foreign trade in the world, are very important. For example, Germany makes %40.1 of its foreign trade with countries who have land borders with Germany, where as she makes approximately 70% of her foreign trade with periphery countries (2009). Due to the significance of their neighboring countries in foreign trade, both the USA and Germany completed ground work under NAFTA and the EU to utilize this potential.

Turkey started “Strategy for Developing Foreign Trade with Neighborhood Countries” by 2000 in an effort to enhance bilateral trade with neighbor and periphery countries, as it did with EU countries by joining the Customs Union on December 31, 2005. Since then, visa requirements with some of these countries were mutually canceled and free trade agreements put in order, which were reflected tremendously in bilateral trade. This paper intends to look closer at neighborhood trade strategies of the largest traders of the world –the USA and Germany- and Turkey, and offer suggestions to improve the performance of Turkey’s neighborhood strategy.

## ***USA's Foreign Trade with her Neighbors and NAFTA's place in it:***

The North American Free Trade Agreement (NAFTA) was accepted in Canadian, United States and Mexican parliaments in 1993 and came into force on January 1, 1994. It came after the Canada – United States Free Trade Agreement, which was signed in 1988. After this agreement between the United States and Canada, the USA started negotiations with Mexico. Canada wanted to join the process as well, which led to the creation of NAFTA. NAFTA created a trilateral trade bloc that included all the countries in the North American continent. With this agreement the USA opened the gate for free trade between her neighbors.

The trade bloc has recently surpassed the European Union (EU) in terms of having largest combined GDP (By 2009 EU had 16.45 trillion US dollars GDP whereas NAFTA had 16.47 trillion US dollars according to IMF). The North American Agreement on Environmental Cooperation (NAAEC) and the North American Agreement on Labor Cooperation (NAALC) are the two sub agreements for NAFTA, which are completing the free trade agreement.

NAFTA was established to eliminate trade barriers between the North American countries. As soon as the agreement was established, more than half of the tariffs on US imports from Mexico and one third of the US exports to Mexico were eliminated. By that time most of the US – Canada trade was already duty free. According to the agreement, within ten years of the agreement all US-Mexico tariffs would be eliminated other than some US agricultural exports. Those also would be eliminated in a fifteen years time frame.

Between the years 1988, when the US - Canada bilateral agreement was established, and 2000, the share of foreign trade between two countries did not change much. After the year 2000 foreign trade between the two countries fell almost % 50. So, NAFTA did not have much progressive impact to bilateral trade.

When we look at the trade between the US and Mexico, NAFTA did not seem to make an extra boost as well. Between the years 1994 and 2000 US exports to Mexico increased their share in the over all export, more than %50. But between

### *United States Foreign Trade*

Exports (Billion \$)	1988	% of Total	1994	% of Total	2000	% of Total	2009	% of Total
<b>Mexico</b>	36,78	11,5	71,2	14,2	179,88	22,9	128,89	12,1
<b>Canada</b>	132,37	41,3	190,95	38,0	329,25	42,0	204,66	19,2
<b>Total</b>	320,23	100,0	502,86	100,0	784,18	100,0	1.068,50	100,0
Imports (Billion \$)	1988		1994		2000		2009	
<b>Mexico</b>	34,36	7,7	92,39	13,8	191,82	15,6	176,654	11,2
<b>Canada</b>	128,87	28,8	184,69	27,6	288,09	23,4	226,248	14,4
<b>Total</b>	447,19	100,0	668,69	100,0	1230,41	100,0	1575,4	100,0
Foreign Trade (Billion \$)	1988		1994		2000		2009	
<b>Mexico</b>	71,14	9,3	163,59	14,0	371,7	18,5	305,544	11,6
<b>Canada</b>	261,24	34,0	375,64	32,1	617,34	30,6	430,908	16,3
<b>Total</b>	767,42	100,0	1171,55	100,0	2014,59	100,0	2643,9	100,0

*Source:* U.S. Census Bureau, Foreign Trade Division

<http://www.census.gov/foreign-trade/statistics/historical/gands.pdf>

2000 and 2009 this rate decreased over %40. Import rates did not rise much between 1994 – 2000 and fell over % 20 between 2000 and 2009. Aside from a couple of industries like textiles and apparel, NAFTA did not affect much of the bilateral trade.

Due to NAFTA, some of the prices for certain items decreased, like food. The price fall was a plus for purchasing power, where as it was a minus for farmers whose income level decreased as well. The price decline in food increased the trade between the US and Mexico. Mexico's agricultural exports increased %9.4 annually between 1994 and 2001, while imports increased by only %6.9 a year during the same period<sup>3</sup>. Also some economists claim that the winning side of the agreement was the owners of the factories, whose margins and competitiveness rose.

As a result one does not see much positive effect of NAFTA to the United States. Especially after China got into the World Trade Organization, shares of both countries foreign trade with the US decreased seriously.

3 *Greening the Americas*, Carolyn L. Deere (editor). MIT Press, Cambridge, Massachusetts, USA

## *Germany's Foreign Trade with her Neighbors and EU's place in it:*

When one looks at Germany and her neighbors' bilateral trade relations, one sees a very different story from the US and her neighbors' bilateral trade. First of all the trade history and the geography of Europe are very different. Also establishment of the European Union and Custom Union's roots go all the way back to the establishment of the European Coal and Steel Community (ECSC) in 1952. Use of the Euro and free movement of labor are also very different from NAFTA as well, but this paper is not going to go into this topic. The aim of the EU has been to establish a single economic market. The EU had a 16.5 trillion \$ GDP in 2009 which was the largest single economy (NAFTA is larger in terms of total but it is not a single entity).

*Germany's Exports and Imports with Her Neighbors and Other Countries (2009)*

	<b>Exports (million €)</b>	<b>% of Total</b>	<b>Imports (million €)</b>	<b>% of Total</b>
<b>Germany</b>	808.155	100,0	673.962	100,0
<b>EU</b>	508.400	62,9	392.600	58,3
<b>Denmark</b>	13.271	1,6	10.443	1,5
<b>Holland</b>	54.142	6,7	58.044	8,6
<b>Belgium</b>	42.155	5,2	29.242	4,3
<b>Luxemburg</b>	4.652	0,6	2.849	0,4
<b>France</b>	81.941	10,1	54.559	8,1
<b>Switzerland</b>	35.323	4,4	28.071	4,2
<b>Austria</b>	48.235	6,0	29.083	4,3
<b>Czech Republic</b>	22.636	2,8	24.908	3,7
<b>Poland</b>	31.626	3,9	22.768	3,4
<b>Total of Neighbors (with land border)</b>	333.981	41,3	259.967	38,6



*Germany's Foreign Trade with Her Neighbors and Other Countries (2009)*

	Foreign Trade (million €)	% of Total
<b>Germany</b>	1.482.117	100,0
<b>EU</b>	901.000	60,8
<b>Denmark</b>	23.714	1,6
<b>Netherlands</b>	112.186	7,6
<b>Belgium</b>	71.397	4,8
<b>Luxemburg</b>	7.501	0,5
<b>France</b>	136.500	9,2
<b>Switzerland</b>	63.394	4,3
<b>Austria</b>	77.318	5,2
<b>Czech Republic</b>	47.544	3,2
<b>Poland</b>	54.394	3,7
<b>Total of Neighbors (land)</b>	593.948	40,1

*Source: Statistisches Bundesamt Deutschland, <http://www.destatis.de>*

At the beginning of the European Economic Community, customs union was established among its initial six members (Belgium, France, Germany, Italy, Luxembourg and the Netherlands). As new members were added to the system, they were also joined to the customs union.

Germany was the world's largest exporter until 2009, when she fell back to second place due to China. Germany had %60.8 of her foreign trade with EU countries in 2009. This rate was %62.9 for exports and %58.3 for imports. Whereas she had %40.1 foreign trade with her nine neighbor countries whom she has land borders with. Her %41.3 of exports and %38.6 of imports were also with these neighbor countries.

The European continent is very densely populated and so is Germany and its neighbors. This is a big advantage for Germany when it is united with the customs union. Also European countries' income levels are high and the infrastructure for transportation is good. All these factors come together and cause a high demand for German exports from her neighbors.

### *Germany's Foreign Trade With Czech Republic and Poland*

<b>Germany's Exports (000 \$)</b>	<b>2001</b>	<b>% of Total</b>	<b>2004</b>	<b>% of Total</b>
<b>Poland</b>	13.389.772	2,34	23.372.484	2,56
<b>Czech Republic</b>	12.891.595	2,26	22.135.004	2,43
<b>Total</b>	571.426.688	100,00	911.742.080	100,00
<b>Germany's Imports (000 \$)</b>	<b>2001</b>		<b>2004</b>	
<b>Poland</b>	11.908.058	2,45	19.826.756	2,76
<b>Czech Republic</b>	12.847.280	2,64	21.146.714	2,94
<b>Total</b>	486.022.080	100,00	718.150.016	100,00
<b>Germany's Total Trade (000 \$)</b>	<b>2001</b>		<b>2004</b>	
<b>Poland</b>	25.297.830	2,39	43.199.240	2,65
<b>Czech Republic</b>	25.738.875	2,43	43.281.718	2,66
<b>Total</b>	1.057.448.768	100,00	1.629.892.096	100,00
<b>Germany's Exports (000 \$)</b>	<b>2007</b>	<b>% of Total</b>	<b>2009</b>	<b>% of Total</b>
<b>Poland</b>	49.555.244	3,73	44.138.792	3,91
<b>Czech Republic</b>	35.713.660	2,69	31.635.896	2,80
<b>Total</b>	1.328.841.344	100,00	1.127.839.872	100,00
<b>Germany's Imports (000 \$)</b>	<b>2007</b>		<b>2009</b>	
<b>Poland</b>	33.121.522	3,13	31.776.176	3,39
<b>Czech Republic</b>	35.983.600	3,40	34.757.452	3,70
<b>Total</b>	1.059.307.840	100,00	938.363.072	100,00
<b>Germany's Total Trade (000 \$)</b>	<b>2007</b>		<b>2009</b>	
<b>Poland</b>	82.676.766	3,46	75.914.968	6,36
<b>Czech Republic</b>	71.697.260	3,00	66.393.348	5,56
<b>Total</b>	2.388.149.184	100,00	1.194.233.220	100,00

Source: *World Trade Map*

Two of Germany's neighbors Poland and the Czech Republic were the last neighbor countries of Germany who joined to the EU (2004). The table above shows the bilateral trade between these two countries and Germany before, during and after the membership. As one can see from the table, Germany's trade share with Poland had increased only %10.9 in the three years prior to customs union. But in the following three years, the increase rate was %30.6. Whereas after five years of Poland's acceptance to the customs union this rate was %140 according to 2004 (Global crisis had a very important role in the increase of the German and

Polish bilateral trade share among the overall foreign trade of Germany. Nominal values fall between 2007 and 2009, but the share of the bilateral trade increased. This shows that bilateral trade between the neighboring countries are less effected according to bilateral trade with other countries during crisis times.)

Germany's trade share with the Czech Republic had increased %9.5 in the three years prior to the customs union. In the following three years, the increase rate was %12.8. After five years of Czech Republic's acceptance to the customs union, the change rate was %109. In both of the countries effects of the customs union were very big and positive.

## ***Turkey's Strategy for Developing Foreign Trade with Neighbor Countries and Evolution of Her Performance Since the Year 2000:***

As Turkey understood the importance of foreign trade, she changed her development strategy from a closed economy to an open economy starting in 1980. She liberalized her trade regime and opened it to international markets. Through reforms in her economy, Turkey increased her foreign trade approximately 8 fold from 10.8 billion dollars to 82.3 billion dollars between 1980 and 2000. After 2000, Turkey's approach to foreign trade changed through structural reforms. Turkish foreign trade quadrupled between 2000 and 2008 and reached to 334 billion dollars prior to the crisis.

As a part of this change, Turkey has started "Developing Economic and Trade Relations with Neighbor and Periphery Countries Strategy" since 2000. Under this strategy the countries that have borders with Turkey and countries with cultural, geographical and historical ties were put under one umbrella. These countries are; Greece, Azerbaijan – Nahjivan, Armenia, Syria, Iran, Iraq, Northern Cyprus Turkish Republic (KKTC), Moldavia, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Kirgizstan, Macedonia, Albania, Egypt, Lebanon, Israel, Jordan, and Saudi Arabia (a second wave of countries were added in 2003 under the strategy). During 2000 and 2002 Turkish exports to these countries increased approximately %30 from 5.5 billion dollars to 7.2 billion dollars.

*Turkey's Exports for the countries under Neighbor and  
Periphery Countries Strategy (accepted in 2000)*

Exports (million\$)	2000	% of total	2004	% of total	2009	% of total
Greece	437 725	1,6	1 171 203	1,9	1 634 076	1,6
Romania	325 818	1,2	1 235 485	2,0	2 215 168	2,2
Bulgaria	252 934	0,9	894 326	1,4	1 387 709	1,4
Ukraine	258 121	0,9	575 827	0,9	1 033 426	1,0
Russian Federation	643 903	2,3	1 859 187	2,9	3 202 046	3,1
Georgia	131 771	0,5	199 699	0,3	746 022	0,7
Azerbaijan-Nahjivan	230 375	0,8	403 942	0,6	1 399 494	1,4
Armenia	0	0	0	0	2	0,0
Syria	184 267	0,7	394 783	0,6	1 424 611	1,4
Iran	235 785	0,8	813 031	1,3	2 024 759	2,0
Iraq	0	0	1 820 802	2,9	5 123 514	5,0
KKTC	271 347	1,0	470 274	0,7	770 845	0,8
Moldavia	26 232	0,1	66 352	0,1	117 686	0,1
Kazakhstan	118 701	0,4	355 590	0,6	633 534	0,6
Turkmenistan	120 155	0,4	214 848	0,3	945 018	0,9
Uzbekistan	82 647	0,3	145 226	0,2	279 054	0,3
Tajikistan	4 467	0,0	41 637	0,1	126 469	0,1
Kirgizstan	20 572	0,1	74 702	0,1	139 984	0,1
Macedonia	107 765	0,4	149 330	0,2	283 419	0,3
Albania	61 305	0,2	161 028	0,3	273 274	0,3
Egypt	375 707	1,4	473 145	0,7	2 618 572	2,6
Lebanon	129 265	0,5	234 401	0,4	686 454	0,7
Israel	650 142	2,3	1 315 292	2,1	1 528 370	1,5
Jordan	99 534	0,4	229 464	0,4	455 298	0,4
Saudi Arabia	386 554	1,4	768 519	1,2	1 770 957	1,7
<b>Total of neighbors with land border</b>	<b>1 472 856</b>	<b>5,3</b>	<b>5 697 787</b>	<b>9,0</b>	<b>13 740 187</b>	<b>13,5</b>
<b>Total of neighbors and peripheri countries</b>	<b>5 155 093</b>	<b>18,6</b>	<b>14 068 094</b>	<b>22,1</b>	<b>30 819 759</b>	<b>30,0</b>

Source: Turkish Statistical Institute

*Turkey's Imports for the countries under Neighbor and  
Periphery Countries Strategy (acc. in 2000)*

Imports (million\$)	2000	% of total	2004	% of total	2009	% of total
Greece	430 813	0,8	594 351	0,6	1 129 675	0,8
Romania	673 928	1,2	1 699 553	1,7	2 258 093	1,6
Bulgaria	465 408	0,9	959 471	1,0	1 117 128	0,8
Ukraine	981 560	1,8	2 509 351	2,6	3 155 831	2,2
Russian Federation	3 886 583	7,1	9 033 138	9,3	19 719 510	14,0
Georgia	155 315	0,3	306 669	0,3	285 564	0,2
Azerbaijan-Nahjivan	95 615	0,2	135 537	0,1	752 842	0,5
Armenia	0	0	0	0	1 052	0,7
Syria	545 240	1,0	357 656	0,4	327 681	0,2
Iran	815 730	1,5	1 962 059	2,0	3 405 896	2,4
Iraq	0	0	467 588	0,5	952 392	0,7
KKTC	6 917	0,0	31 494	0,0	42 816	0,0
Moldavia	7 047	0,0	27 131	0,0	86 520	0,1
Kazakhstan	346 376	0,6	442 193	0,5	1 077 078	0,8
Turkmenistan	97 878	0,2	175 795	0,2	330 739	0,2
Uzbekistan	85 794	0,2	178 671	0,2	413 021	0,3
Tajikistan	16 511	0,0	62 818	0,1	107 267	0,1
Kirgizstan	2 350	0,0	13 384	0,0	31 446	0,0
Macedonia	10 470	0,0	51 935	0,1	39 904	0,0
Albania	2 795	0,0	15 529	0,0	5 179	0,0
Egypt	140 720	0,3	255 242	0,3	641 482	0,5
Lebanon	22 178	0,0	147 355	0,2	108 800	0,1
Israel	505 482	0,9	714 143	0,7	1 070 128	0,8
Jordan	27 273	0,1	14 156	0,0	20 354	0,0
Saudi Arabia	961 682	1,8	1 231 507	1,3	1 686 729	1,2
<b>Total of neighbors with land border</b>	<b>2 508 121</b>	<b>4,6</b>	<b>4 783 331</b>	<b>4,9</b>	<b>7 972 230</b>	<b>5,7</b>
<b>Total of neighbors and peripheri countries</b>	<b>10 283 665</b>	<b>18,8</b>	<b>21 386 727</b>	<b>21,8</b>	<b>38 767 127</b>	<b>28,1</b>

Source: Turkish Statistical Institute

*Turkey's Foreign Trade for the countries under Neighbor and Periphery Countries Strategy (acc. in 2000)*

Foreign Trade (million \$)	2000	% of total	2004	% of total	2009	% of total
Greece	868 538	1,1	1 765 554	1,1	2 763 750	1,1
Romania	999 746	1,2	2 935 039	1,8	4 473 261	1,8
Bulgaria	718 342	0,9	1 853 797	1,2	2 504 837	1,0
Ukrain	1 239 681	1,5	3 085 178	1,9	4 189 257	1,7
Russian Federasion	4 530 486	5,5	10 892 325	6,8	22 921 556	9,4
Georgia	287 086	0,3	506 368	0,3	1 031 586	0,4
Azerbaijan-Nahcivan	325 990	0,4	539 480	0,3	2 152 336	0,9
Ermenia	0	0,0	0	0,0	1 054	0,0
Syria	729 506	0,9	752 439	0,5	1 752 292	0,7
Iran	1 051 515	1,3	2 775 090	1,7	5 430 656	2,2
Iraq	0	0,0	2 288 390	1,4	6 075 906	2,5
KKTC	278 264	0,3	501 768	0,3	813 661	0,3
Moldavia	33 279	0,0	93 484	0,1	204 206	0,1
Kazakhstan	465 077	0,6	797 783	0,5	1 710 612	0,7
Turkmenistan	218 033	0,3	390 643	0,2	1 275 757	0,5
Ozbekistan	168 442	0,2	323 897	0,2	692 075	0,3
Tacikistan	20 979	0,0	104 455	0,1	233 735	0,1
Kirgizistan	22 922	0,0	88 085	0,1	171 430	0,1
Makedonia	118 235	0,1	201 266	0,1	323 323	0,1
Albania	64 099	0,1	176 557	0,1	278 453	0,1
Egypt	516 428	0,6	728 387	0,5	3 260 054	1,3
Lebanon	151 443	0,2	381 756	0,2	795 254	0,3
Israil	1 155 624	1,4	2 029 435	1,3	2 598 497	1,1
Jordan	126 806	0,2	243 621	0,2	475 652	0,2
Saudi Arabia	1 348 236	1,6	2 000 026	1,2	3 457 685	1,4
<b>Total of neighbors with land border</b>	<b>3 980 978</b>	<b>4,8</b>	<b>10 481 118</b>	<b>6,5</b>	<b>21 712 417</b>	<b>8,9</b>
<b>Total of neighbors and peripheri countries</b>	<b>15 438 758</b>	<b>18,8</b>	<b>35 454 822</b>	<b>22,1</b>	<b>69 586 886</b>	<b>28,6</b>

Source: Turkish Statistical Institute

The share of Turkish exports to neighbor countries with land border increased %255 from %5.3 to %13.5 between 2000 and 2009. The share of Turkish exports to neighbor countries and periphery countries increased %61.3 from %18.6 to %30 between 2000 and 2009. During the same period the share of Turkish imports from neighbor countries with land border increased %23.9 from %4.6 to %5.7. And the share of Turkish imports from neighbor countries and periphery countries increased %49.5 from %18.8 to %28.1. These statistics show that the new strategy was especially successful in exports to neighbor countries with land border.

Also overall foreign trade with neighbor countries (under the list of 2000) with land border increased %85.4 from %4.8 to %8.9 between 2000 and 2009. Overall foreign trade with neighbor countries and periphery countries increased %52.1 from %18.8 to %28.6 during the same period. When we look directly to the nominal values of foreign trade, increase in neighbor countries with land border is %445.4 and that of neighbor countries and periphery countries is %350.7. Overall foreign trade statistics show the success of the strategy as well.

In the year 2003 this strategy had broadened and Hungary, Slovenia, Croatia, Bosnia Herzegovina, Serbia, Montenegro, Morocco, Algeria, Tunisia, Libya, Sudan, Ethiopia, Eritrea, Djibouti, Somali, Gaza, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, Yemen, Afghanistan, Pakistan and Belarus were added under neighbor and periphery countries strategy. Between 2003 and 2004 Turkish exports to all of the countries (both 2000 and 2003) under the strategy increased %38 from 13.1 billion dollars to 18.1 billion dollars which was above the general exports increase; %33.7. The rise between 2004 and 2005 was %27.2 whereas the general rise was %16.2. Exports to neighbor and periphery countries constituted %32.8 of the entire exports in 2005<sup>4</sup> (altogether).

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4 Ali Boğa



*Turkey's Exports for the countries under Neighbor and Periphery Countries Strategy (for the countries accepted to the strategy in 2003)*

	Exports (000 \$)	Total %	Exports (000 \$)	Total %	Exports (000 \$)	Total %
	2003		2005		2009	
<b>Turkey total</b>	47.252.836	100,00	73.476.408	100,00	102.128.759	100,00
<b>Hungary</b>	284.647	0,60	379.092	0,52	445.725	0,44
<b>Slovenia</b>	102.588	0,22	332.410	0,45	594.923	0,58
<b>Croatia</b>	85.598	0,18	167.991	0,23	221.092	0,22
<b>Bosnia-Herzegovina</b>	63.227	0,13	128.217	0,17	226.467	0,22
<b>Serbia</b>	184.676	0,39	257.879	0,35	306.439	0,30
<b>Montenegro</b>	0	0,00	0	0,00	26.483	0,03
<b>Macedonia</b>	122.715	0,26	162.476	0,22	283.419	0,28
<b>Kosovo</b>	0	0,00	0	0,00	278.053	0,27
<b>Morocco</b>	180.779	0,38	370.825	0,50	600.574	0,59
<b>Algeria</b>	573.002	1,21	807.138	1,10	1.781.751	1,74
<b>Tunis</b>	220.015	0,47	294.785	0,40	647.075	0,63
<b>Libya</b>	254.741	0,54	384.167	0,52	1.799.251	1,76
<b>Sudan</b>	63.791	0,13	145.232	0,20	244.805	0,24
<b>Ethiopia</b>	50.739	0,11	109.378	0,15	229.023	0,22
<b>Eritrea</b>	14.907	0,03	11.609	0,02	2.698	0,00
<b>Djibouti</b>	5.363	0,01	7.128	0,01	42.923	0,04
<b>Somali</b>	220	0,00	2.207	0,00	3.585	0,00
<b>Gaza (Palestine)</b>	6.489	0,01	9.401	0,01	29.523	0,03
<b>Kuwait</b>	165.941	0,35	210.349	0,29	211.291	0,21
<b>Bahrain</b>	28.856	0,06	41.915	0,06	113.712	0,11
<b>Qatar</b>	15.688	0,03	82.045	0,11	289.362	0,28
<b>United Arab Emirates</b>	702.908	1,49	1.675.187	2,28	2.898.579	2,84
<b>Oman</b>	22.484	0,05	39.959	0,05	105.540	0,10
<b>Yemen</b>	156.069	0,33	197.193	0,27	379.496	0,37
<b>Afghanistan</b>	36.489	0,08	113.401	0,15	233.619	0,23
<b>Pakistan</b>	70.354	0,15	187.554	0,26	163.113	0,16
<b>Belarus</b>	19.579	0,04	49.785	0,07	119.160	0,12
<b>Total</b>	3.431.865	7,26	6.167.323	8,39	12.277.681	12,02

Source: Turkish Statistical Institute

*Turkey's Imports for the countries under Neighbor and  
Periphery Countries Strategy (accepted in 2003)*

	Imports (000 \$)	Total %	Imports (000 \$)	Total %	Imports (000 \$)	Total %
	2003		2005		2009	
<b>Turkey total</b>	69.339.692	100,00	116.774.151	100,00	140.920.880	100,00
<b>Hungary</b>	416.863	0,60	946.238	0,81	987.331	0,70
<b>Slovenia</b>	93.022	0,13	217.867	0,19	249.583	0,18
<b>Croatia</b>	16.697	0,02	85.569	0,07	107.384	0,08
<b>Bosnia-Herzegovina</b>	8.343	0,01	15.399	0,01	52.090	0,04
<b>Serbia</b>	29.988	0,04	96.719	0,08	55.996	0,04
<b>Montenegro</b>					5.845	0,00
<b>Macedonia</b>	27.342	0,04	52.080	0,04	39.904	0,03
<b>Kosovo</b>					10.178	0,01
<b>Morocco</b>	76.990	0,11	143.231	0,12	234.729	0,17
<b>Algeria</b>	1.081.586	1,56	1.694.989	1,45	2.028.115	1,44
<b>Tunis</b>	98.140	0,14	117.372	0,10	234.980	0,17
<b>Libya</b>	1.072.548	1,55	1.989.269	1,70	402.568	0,29
<b>Sudan</b>	7.144	0,01	7.955	0,01	7.262	0,01
<b>Ethiopia</b>	20.131	0,03	30.293	0,03	35.115	0,02
<b>Eritrea</b>	326	0,00	621	0,00	588	0,00
<b>Djibouti</b>	124	0,00	100	0,00	1.062	0,00
<b>Somali</b>	1.822	0,00	839	0,00	164	0,00
<b>Gaza (Palestine)</b>	454	0,00	304	0,00	274	0,00
<b>Kuwait</b>	15.909	0,02	41.604	0,04	184.219	0,13
<b>Bahrain</b>	15.173	0,02	18.929	0,02	24.289	0,02
<b>Qatar</b>	8.310	0,01	50.725	0,04	85.652	0,06
<b>United Arab Emirates</b>	113.597	0,16	205.442	0,18	667.857	0,47
<b>Oman</b>	1.293	0,00	3.871	0,00	16.584	0,01
<b>Yemen</b>	130	0,00	3.085	0,00	310	0,00
<b>Afghanistan</b>	2.684	0,00	8.301	0,01	4.649	0,00
<b>Pakistan</b>	192.028	0,28	315.463	0,27	619.030	0,44
<b>Belarus</b>	29.474	0,04	46.578	0,04	83.732	0,06
<b>Total</b>	3.330.118	4,80	6.092.843	5,22	6.139.490	4,36

*Turkey's Foreign Trade for the countries under Neighbor and Periphery Countries Strategy (accepted in 2003)*

	Foreign Trade (000 \$)	Total %	Foreign Trade (000 \$)	Total %	Foreign Trade (000 \$)	Total %
	2003		2005		2009	
<b>Turkey total</b>	116.592.528	100,00	190.250.559	100,00	243.049.639	100,00
<b>Hungary</b>	701.510	0,60	1.325.330	0,70	1.433.056	0,59
<b>Slovenia</b>	195.610	0,17	550.277	0,29	844.506	0,35
<b>Croatia</b>	102.295	0,09	253.560	0,13	328.476	0,14
<b>Bosnia-Herzegovina</b>	71.570	0,06	143.616	0,08	278.557	0,11
<b>Serbia</b>	214.664	0,18	354.598	0,19	362.435	0,15
<b>Montenegro</b>	0		0		32.328	0,01
<b>Macedonia</b>	150.057	0,13	214.556	0,11	323.323	0,13
<b>Kosovo</b>	0		0		288.231	0,12
<b>Morocco</b>	257.769	0,22	514.056	0,27	835.303	0,34
<b>Algeria</b>	1.654.588	1,42	2.502.127	1,32	3.809.866	1,57
<b>Tunis</b>	318.155	0,27	412.157	0,22	882.055	0,36
<b>Libya</b>	1.327.289	1,14	2.373.436	1,25	2.201.819	0,91
<b>Sudan</b>	70.935	0,06	153.187	0,08	252.067	0,10
<b>Ethiopia</b>	70.870	0,06	139.671	0,07	264.138	0,11
<b>Eritrea</b>	15.233	0,01	12.230	0,01	3.286	0,00
<b>Djibouti</b>	5.487	0,00	7.228	0,00	43.985	0,02
<b>Somali</b>	2.042	0,00	3.046	0,00	3.749	0,00
<b>Gaza (Palestine)</b>	6.943	0,01	9.705	0,01	29.797	0,01
<b>Kuwait</b>	181.850	0,16	251.953	0,13	395.510	0,16
<b>Bahrain</b>	44.029	0,04	60.844	0,03	138.001	0,06
<b>Qatar</b>	23.998	0,02	132.770	0,07	375.014	0,15
<b>United Arab Emirates</b>	816.505	0,70	1.880.629	0,99	3.566.436	1,47
<b>Oman</b>	23.777	0,02	43.830	0,02	122.124	0,05
<b>Yemen</b>	156.199	0,13	200.278	0,11	379.806	0,16
<b>Afghanistan</b>	39.173	0,03	121.702	0,06	238.268	0,10
<b>Pakistan</b>	262.382	0,23	503.017	0,26	782.143	0,32
<b>Belarus</b>	49.053	0,04	96.363	0,05	202.892	0,08
<b>Total</b>	6.761.983	5,80	12.260.166	6,44	18.417.171	7,58

Source: Turkish Statistical Institute

Export increase in the second group of neighbor and periphery countries between 2003 and 2009 was %65.6 from %7.26 to %12.02 of the overall exports of Turkey. Import decrease in the second group of neighbor and periphery countries during the same period was %9.2 from %4.8 to %4.36 of the overall imports of Turkey. Foreign trade increase in the second group for the same period was %31 from %5.8 to %7.6. Nominal values of foreign trade increased %172.4 in the second group of neighbor and periphery countries for the same time period. This shows that the second wave of addition of neighbor and periphery countries to the strategy was a successful move as well.

Free Trade Agreements between Turkey and Palestine, Syria, Morocco, Tunisia, Egypt, Jordan, Montenegro were signed after 2000 and negotiations between Turkey and Gulf Countries Cooperation Counsel, Algeria, and Lebanon continues.

According to the matrix that the Boston Consulting Group prepared, although overall import numbers are relatively smaller in neighbor and periphery countries according to developed countries, all most all the countries whose imports from Turkey are high in their general average imports are coming out of these countries.

Neighbor and periphery countries strategy is also very important for Turkey in order to have a more diverse exports market. European countries are the dominant export markets for Turkey. Until recently over %50 of the exports were going to European countries. EU was constituting %56.4 of the total exports by 2000. This number was %56.3 in 2005 and %48 by 2008. Although exports decreased to %46 to EU countries by 2009, it is still the main exports destination for Turkish exports.

## ***A comparison of all three countries' foreign trade with their neighbors:***

When one looks at the US and NAFTA, Germany and the EU, and Turkey and her neighbors and periphery countries trade, we see some similarities and some differences. Especially the US and NAFTA are relatively different from the other two groups.

Trade numbers show that NAFTA was not successful like in the case of Germany and the EU, and Turkey and her neighbors' relationships. NAFTA did not make much change in bilateral trade between 1994 and 2000. And there was a huge decrease after 2000. The USA's geographical location is very different from that of Germany or Turkey. She has only two neighbors with land border. Canada's population is only one tenth of that of the US and per person GDP is slightly less than that in the US; where as, both Mexico's population and per person GDP is about one third of that of the US. Total GDP of Mexico and Canada is only %17 of US GDP. This ratio is very small according to that of Germany's and Turkey's neighbors. Also, the USA has very large borders with the Pacific and Atlantic oceans, which gives an easy access to both Asian and European markets. After 2000, the Asian influence (especially Chinese) was felt very heavily in US foreign trade.

Germany and the EU trade relationship is the most successful example among the three economies. %60.8 trade with EU countries and %40.1 trade with neighbors who have land border with Germany is very high. Also bilateral trade performance of Poland and the Czech Republic with Germany, who joined the EU in 2004, has been very good. After they joined the EU, Poland's bilateral trade share increased %240 and the Czech Republic's bilateral trade share increased %109 in a five years period. Geographically Germany is surrounded by 9 neighbor countries on three sides and by the North Sea and Baltic Sea on the Northern side of the country. Population density and per capita income is high in Europe. As a result of this there is a big demand for German goods. The customs union and EU terms also enhance the bilateral trade as can be seen in Poland and Czech Republic examples.

Turkey's "Strategy for Developing Foreign Trade with Neighborhood Countries" has been very successful so far. Especially the share of exports to neighbor countries with land border increased %255 between 2000 and 2009. And the share of overall foreign trade with the same group increased %85.4 during the same period. Foreign trade with periphery countries (especially exports) increased during the same period as well.

When one looks at the strategy, one can see that there are different dimensions to the strategy. Free trade agreements and lowering the trade barriers are very important. On the other hand, increasing the consciousness of business people on both sides of the bilateral trade is crucial. Turkey is working on both legs. New FTA's are signed and some of them are on the way. And many organizations are organized to bring the businessmen from this side and the other side of the border together.

## ***Closing Remarks:***

Today's global economy forces countries to find new ways to improve their economies. As the costs of transportation and communication decreases, global competition increases in almost all sectors. In order to increase the trade and lower the costs, free trade areas have been used widely in the world. The USA and Germany, who have the largest foreign trade in the world, are also using regional free trade agreements with NAFTA and the EU. Within this framework Turkey started "Strategy for Developing Foreign Trade with Neighborhood Countries" in 2000.

Among the US, Germany and Turkey, Germany and Turkey resemble each other more. From the trade statistics one can see that Turkey made big improvements in trade relations with her neighborhood countries. And holding the importance of neighbor countries in Germany's foreign trade in view, Turkey has a big potential to fulfill. Removing trade barriers and making free trade agreements, which Turkey is developing in her relations, is very important. Also efforts for increasing the consciousness of business people on both sides of the bilateral trade should continue.

## ***Resources:***

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