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ECONOMIC RELATIONS OF TURKEY WITH BALKANS: GREECE, BULGARIA, SERBIA AND ROMANIA

Summary

This paper discusses contemporary economic relations of Turkey with the selected countries of the Balkan region. An overview of Turkey's economic relations with Greece, Bulgaria, Serbia, and Romania is provided and trade volumes between the selected countries and Turkey are discussed in order to provide a background for the assessment of Turkey's economic relations with this region and forecast of future developments in this respect, which are presented in a further part of the article.

Key words: Turkey, Balkans, Greece, Bulgaria, Romania, Serbia, Economic Relations, Trade.

JEL codes: F5

Introduction

Following successful implementation of reforms, the Turkish market sustained relatively minor losses during the recent economic crisis and the country is recovering fast. With Turkey's candidacy for the European Union membership, the Balkan region is of strategic importance as its geographical location makes it a direct corridor between the country and the EU in the ongoing membership negotiation process. Balkan countries, following a period of transition in the last two decades, have transformed and developed significantly in terms of democracy as well as economic progress. With Greece, Bulgaria and Romania already within the European Union, and Serbia's candidacy for membership, the region's economic potential still remains largely unexplored. The recent global economic crisis might have impeded the region's progress significantly, nevertheless, with markets gradually recovering its repercussions, opportunities for growth and economic cooperation keep emerging and leave space for Turkey's involvement in the region.

The aim of the following paper is to analyze and assess Turkey's current economic relations with selected Balkan countries in order to evaluate this

region's potential for Turkey's economic growth as well as further integration of the country with the European Union. Countries selected for the analysis include Greece, Bulgaria, Romania and Serbia. The analysis of economic relations of Turkey with these countries is conducted basing on selected economic indicators – gross domestic product (GDP), its annual growth rate, GDP per capita, inflation rate, population and employment, foreign direct investment (FDI) inflow, balance of trade and the volume of exports as well as imports.

Relations with Greece

Following a long period of complicated relations, cooperation between Turkey and Greece have significantly improved starting from 1999. Numerous mechanisms have been established shaping these relations and mutual contacts and visits between the two bordering states intensified. Developments in Turkey's economic and trade relations with Greece have accelerated after 1999 following positive developments in bilateral political relations (Pantsios 2007).

Bilateral trade amounted to the volume of 3.6 billion USD in 2008, a record-high in history. However, the numbers fell to 2.8 billion USD in 2009 following the repercussions of the global economic crisis. The bilateral trade volume started showing increase again in 2010 and amounted to 3 billion USD. Turkish exports to Greece declined by 11% to 1.456 billion USD in 2010 in comparison with the previous year, partly owing to Greece's limitations on imports resulting from the impact of the financial crisis in the country. On the other hand, Turkish imports reached the volume of 1.541 billion USD in the same year which constitutes an increase by 37%. As a result, the trade balance in 2010 was slightly in favor of Greece for the first time in 13 years (Athanasopoulou 2012).

Turkey, while constituting Greece's 12th foreign trade partner as of 2009, made it to the 9th position in 2010 (Ministry ... 2018). Turkey's major export products to Greece are iron-steel, cotton robe, fabrics, metal products, fruits-vegetables, fish, clothing, machinery, leather, glass, ceramics. Turkey's major import items from Greece are mineral oil, cotton (61%), petroleum products (12%) and plastic products (Ministry ... 2018).

Exports to Greece from Turkey increased to 105.89 million USD in January 2015 from 102.14 million USD in December 2014. Exports to Greece from Turkey averaged 127.03 million USD from 2014 until 2015, reaching the highest level of 147.42 million USD in October 2014 and the lowest volume of 102.14 million USD in December 2014. The below figure illustrates Turkish exports to Greece in the last months. In turn, imports from Greece to Turkey increased to 265 062 thousand USD in January 2015 from 241 740 thousand USD in December 2014. Imports from Greece to Turkey averaged 347 710.50 thousand USD from 2014 until 2015, reaching the highest level of 482 914 thousand USD

in May 2014 and the lowest volume of 241 740 thousand USD in December 2014 (Trading ... 2018).

Relations with Bulgaria

Turkey and Bulgaria have long tradition of relations. With the transition of Bulgaria into democracy and free market economy, bilateral relations have made remarkable progress in every field. The legal framework required for improving bilateral economic and commercial relations has been developed over the years. Turkey has offered its support for Bulgaria to integrate within the Euro-Atlantic structures from the beginning and ultimately Bulgaria became a full member of NATO in March 2004. Turkey also supported Bulgaria's accession to the European Union on January 1, 2007. Currently, Turkey and Bulgaria as bordering countries are allies with improvement in relations visible in all fields, activity in regional cooperation and similar foreign policy goals (Trading ... 2018).

As of 2012, Turkey constituted one of the biggest trading partners of Bulgaria. The bilateral trade volume between Turkey and Bulgaria remained stable between 2011 and 2012 amounting to 2,8 billion USD. Main items that Turkey exports to Bulgaria are iron and steel, motor vehicles, electric and non-electric machinery and equipment, iron and steel goods, plastics and plastic goods. The main products of importance in Turkey's imports from Bulgaria are respectively iron and steel, copper and copper goods, mineral fuels and oils. Turkish investments in Bulgaria amounts to two billion USD and makes a significant contribution to the Bulgarian economy (Trading ... 2018).

Exports to Bulgaria from Turkey decreased to 131.74 million USD in January 2015 from 137.89 million USD in December 2014. Exports to Bulgaria from Turkey averaged 167.86 million USD from 2014 until 2015, reaching the highest level of 192.51 million USD in April 2014 and the lowest volume of 131.74 million USD in January 2015. The below figure illustrates Turkish exports to Bulgaria in the last months. In turn, imports from Bulgaria to Turkey decreased to 189.86 million USD in January 2015 from 262.94 million USD in December 2014. Imports from Bulgaria to Turkey averaged 243.16 million USD from 2014 until 2015, reaching the highest level of 315.18 million USD in July 2014 and the lowest volume of 189.86 million USD in January 2015. The below figure illustrates Turkish imports from Bulgaria in the last months (Trading ... 2018).

Relations with Serbia

Relations between Turkey and Serbia have gained momentum in the last years with the main objective being strategic partnership between the two

countries which, despite the fact that they do not share common border, consider each other as neighbours and attach great significance to the bilateral relations. Recently, main goals in the bilateral relations including Free Trade Agreement, Agreement on the Infrastructure Cooperation as well as mutual abolition of visas were successfully finalized.

The legal framework for bilateral economic relations is constituted by a number of agreements between Turkey and Serbia, including Agreement on Economic Cooperation (2009), Bilateral Investment Promotion and Protection Agreement (2001), Double Taxation Prevention Treatment (2005) and Free Trade Agreement (2009). Within the Agreement on Economic Cooperation, with the aim of assessing and facilitating development in bilateral economic relations, Turkish – Serbian Joint Economic Commission meetings take place alternately in Ankara and Belgrade and are attended by public institutions from both Turkey and Serbia.

Cooperation also intensifies within Trilateral Trade Committee among Turkey, Serbia and Bosnia and Herzegovina established in 2013 in Ankara with the aim of exchanging information, experience and practices on trade and economic issues, promoting foreign investment and cooperation opportunities among these countries. As of 2012 Serbia was Turkey's 57th largest export market. Turkish exports to Serbia in 2012 amounted to 381 million USD which constituted a 7.5% increase in comparison to the previous year. Main export products were textiles and fabrics, vegetables and fruit, electrical machinery, appliances and road vehicles. That same year Serbia constituted Turkey's 70th largest supplier of imports which amounted to 205 million USD with a 3,6% fall in comparison to the previous year. The most important imports from Serbia to Turkey are petroleum, iron and steel, metalliferous ores and rubber manufactures, paper and paper-related products. As of 2012 Turkey had a trade surplus with Serbia of 176 million USD, which constituted a 23,9% increase in comparison with the previous year. Turkish foreign direct investment in Serbia amounted to 49 million USD in the period between 2002 and 2012 and was led by the textiles as well as food and beverages sectors. FDI of Serbia in Turkey reached the volume of 35 million USD in the same period of time (Ruma 2011).

Relations with Romania

Turkey and Romania enjoy close relations in which economic and commercial relations play an important role. Turkey is Romania's largest trading partner in the Balkan region. Trade volume between these two countries amounted to 4,7 billion EUR and 4,3 billion EUR as of 2011 and 2012 respectively. Turkey is among the largest investors in Romania with the current

value of Turkish investment in Romania exceeding 6 billion USD. More than 6.000 Turkish companies actively operate in Romania in trade, manufacture and service sectors. Food production, agriculture, construction, media, education, Internet and health industries are among the most important sectors for Turkish investment in Romania which continues to offer vast opportunities for both Turkish exports and investment. As of 2012 Romania was Turkey's 16th largest export market with the volume of exports amounting to 2.4 billion USD which constituted with a 13,2% in comparison with the previous year. The most important export products were textile, road vehicles, iron and steel, power generating machinery and equipment and manufactures of metals (Bechev 2012).

Romania was Turkey's 21st largest supplier of imports in that same year with imports from Romania amounting to 3.2 billion USD which constituted a 14.8% decrease in comparison with the previous year. The most important imports from Romania were metalliferous ores and metal scrap iron and steel, road vehicles, fertilizers, electrical machinery, apparatus and appliances and electrical parts. The trade deficit of Turkey with Romania amounted to 739.8 million USD as of 2012, which constituted a 19,9% decrease in comparison with the previous year. Turkish foreign direct investment in Romania amounted to 32 billion USD in the period between 2002-2012 leading sectors being banking, insurance services, chemicals, home appliances, textile, logistics parks, residential and hotel sectors. FDI of Romania in Turkey reached the volume of 16 million USD as of 2012 (Ministry... 2018).

Exports to Romania from Turkey decreased to 204.96 million USD in January 2015 from 214.85 million USD in December 2014. Exports to Romania from Turkey averaged 249.57 million USD from 2014 until 2015, reaching the highest level of 283.74 million USD in May 2014 and the lowest volume of 204.96 million USD in January 2015. The below figure illustrates Turkish exports to Romania in the last months. In turn, imports from Romania to Turkey decreased to 223.87 million USD in January 2015 from 315.32 million USD in December 2014. Imports from Romania to Turkey averaged 280.72 million USD from 2014 until 2015, reaching the highest level of 320.92 million USD in September 2014 and a record low of 223.87 million USD in January 2015. The below figure illustrates Turkish imports from Romania in the last months (Ministry... 2018).

Conclusions

The aim of this thesis was to analyze and assess Turkey's current economic relations with selected Balkan countries – Greece, Bulgaria, Romania and Serbia – in order to evaluate this region's potential for Turkey's economic growth as

well as further integration of the country with the European Union. The analysis of the economic relations was conducted with reference to several selected economic indicators. These included gross domestic product (GDP), its annual growth rate, GDP per capita, inflation rate, population and employment, foreign direct investment (FDI) inflow, balance of trade and the volume of exports as well as imports.

- Turkey's successful implementation of economic reforms, advocating the policy of zero problems with neighbours as well as wise use soft power contributed to intensification of commercial relationships and brought about stability and growth of the country.
- Turkey's economy shows growth and dynamics making the country a reliable trading partner and an attractive candidate for the European Union membership. Economic and administrative reforms conducted in the country contributed to market stability which enabled Turkey to sustain relatively small losses in the recent global economic crisis. The post-crisis recovery is fast and Turkey's economy will continue to grow and enforce the country's position on the international scene.
- In the light of the abovementioned growth and potential, there is a need for European Union to revise its policies towards the Turkish membership and to facilitate the accession process. With growing figures in Turkey's economy, strengthening the country's role in the region as well as its strategic geopolitical position of a bridge between European Union and Middle East, there is a need for EU authorities to revise its policy regarding Turkey's membership in order to overcome the deadlock in negotiations. Turkey's accession to the European Union would bring remarkable benefits for both the candidate country and the Community in terms of, among other things, increased volumes of trade and access to energy supplies from the Middle East on which both Turkey and EU rely and which creates a need for a comprehensive agreement between Turkey and EU in this regard to ensure energy security.
- Balkan countries, following a period of transition in the last two decades, have transformed and developed significantly in terms of democracy as well as economic progress. With Greece, Bulgaria and Romania already within the European Union, and Serbia's candidacy for membership, the region's economic potential still remains largely unexplored.
- With Turkey's candidacy for the European Union membership, the Balkan region is of strategic importance as its geographical location makes it a direct corridor between the country and the EU in the ongoing membership negotiation process.
- The recent global economic crisis might have impeded the region's progress significantly, nevertheless, with markets gradually recovering its repercussions, opportunities for growth and economic cooperation keep emerging and leave space for Turkey's involvement in the region.

- With the transition of Balkan states into democracy and free market economy, relations of Turkey with this region have made remarkable progress in every field, including economic cooperation. Remarkably, cooperation with Greece has also significantly developed recently bringing about intensification of trade and improved climate of the political bilateral relationship after a long period of complicated relations.
- Turkey's accession to the European Union would significantly stimulate economic cooperation between Turkey and Balkan countries. The bilateral trade relations that today take place within the EU-Turkey Customs Union and the framework of other bilateral agreements of Turkey and selected Balkan states discussed in the previous chapter, would be lifted to another dimension in the aftermath of Turkey entering the EU. Thus, benefits of Turkish EU accession for overcoming the impact of the global economic crisis, narrowing the gap between this peripheral region of EU and the center, the economic growth, development of infrastructure and rising living standards in the Balkan region cannot be underestimated.
- Aspirations for Balkans becoming a single economic zone lifted borders and visa obligations, more free trade agreements and customs duties and quotas removed seem a long-term project with current priority being placed around Turkey's EU membership aspirations.
- Historical and human links as well as cultural interactions and trade relations between Turkey and the Balkan region are of great significance for the Balkan states as Turkey in the position of a comparative advantage may contribute to facilitating of the democratization and reform processes in these countries acting as an agent for change, of particularly importance to Serbia which strives to meet the EU conditions for accession and join the European Union.
- In spite of much progress in economic cooperation and numerous trade agreements between Turkey and Balkan region states, the actual trade of the region with Turkey and mutual investment are relatively small in comparison with the economic ties Balkan states have within the European Union, creating a need for further exploration of the economic cooperation potential.
- Despite the strategic role this regions plays for Turkey's relations with the EU, economists forecast further decreasing trends as far as Turkey's trade with the Balkan countries is concerned, which can be, for the most part, explained by the post-crisis economic recovery period. Considering broad potential for improvement of economic ties, there is a need to further facilitate investment, particularly in the fields of energy, construction, tourism and textile sector.

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Stosunki gospodarcze Turcji z krajami Półwyspu Bałkańskiego: Grecją, Bułgarią, Serbią i Rumunią

Streszczenie

W artykule omówiono współczesne stosunki gospodarcze Turcji z wybranymi krajami regionu bałkańskiego. Przedstawiono przegląd stosunków ekonomicznych Turcji z Grecją, Bułgarią, Serbią i Rumunią oraz omówiono wolumeny wymiany handlowej między wybranymi krajami a Turcją celem przedstawienia tła dla oceny stosunków gospodarczych Turcji z tym regionem i opracowania prognozy rozwoju sytuacji w przyszłości pod tym względem, które zostały przedstawione w dalszej części artykułu.

Słowa kluczowe: Turcja, Bałkany, Grecja, Bułgaria, Rumunia, Serbia, stosunki gospodarcze, handel.

Kody JEL: F5

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