

The Economic Relationships between Turkey and European Union 1993-2001

Manhal Ilham Aqrawi^a, ^aAkre Technical College of Duhok Polytechnic University, Duhok, Kurdistan Region, Iraq, Email: Manhal.abdel@dpu.edu.krd

Since the establishment of the modern Turkish Republic in 1923, Turkey's economic and political choices have been to work toward a fusion with the West, trying to achieve its economic and political goals, and seeking economic assistance; entering into Western alliances has become the main objective and overriding goal of Turkey. The Turkish economy has gone through several phases of the tide, with Turkey characterised by its economic instability, which made successive Turkish governments to pursue a number of economic policies in order to save the country from the severe crises it was experiencing. Turkey has sought to reverse its Ottoman past and become part of a European umbrella, defusing a major effort to strengthen its relations with the Western side, seeking to join the European Union. The EU has set conditions and obstacles open to Turkey's accession, and the least so-called long-term incapacitated conditions. Moreover, the EU has not given the green light to Turkey's demands, but has maintained political and economic relations with Turkey, without producing a full EU membership to Turkey. The content of this article (Economic Relations between Turkey and the European Union, 1993-2001) examines the nature of the Turkish-European economic partnership for a decade before the Justice and Development Party (AKP) came to power in Turkey in 2002.

Key words: *Economics, Economic relationship, European Union, Turkish Republic*

Introduction

Turkey, since the foundation of its modern state in 1923 has left behind its Ottoman history in an attempt to strengthen the relationship with the EU, seeking through this relationship the opportunity to join the EU. This can be considered as a real challenge for the EU, which is not easy to deal with. However, Turkey with its geographical location that is adjacent to

Europe, and its unwanted Islamic culture inside this club, is known to be merely having relationships with European countries with a Christian religious background. In addition, Turkey had a big duty in protecting the European Union's borders against the danger of the Soviet Union during the cold war. Moreover, Turkey has many special characteristics that are not found in many of the states that are already members in the European Union.

First Topic: Customs Union between Turkey and the European Union

There is no doubt that Turkey's geographical location and its success in achieving an economic development has pushed it to adopt many other economic fixations, according to the EU rules. These fixations were correlated firstly to the economy in challenging at the European Union market along with the trade, industrial and intellectual property rights. To achieve that, Turkey depended a national law against monopoly processes and founded a national management it rules and it was to control the challenging procedures; these procedures were induced by the financial aids given by the European Union for adopting economic skeleton fixations (Samara'ie, 1997).

The Turkish government has started to push its efforts to cope with its commitments to establish a custom union. On the other side, at the end of 1994 and the beginning of 1995, the United States of America (USA) has tried to put much pressure on the European countries to agree that Turkey to be a part of the customs' union agreement. The United States Ambassador at the European Union, Stuart Eizenstat, has declared that: 'the United States supports the agreement of a customs union between Turkey and the European Union, if turkey to join it, its joining will lead to a challenging economic policy. This will make Turkey more important to the United States economically'. As long as Turkey attempts to achieve the Copenhagen's summit norms to get the satisfactions of the European Union (Saleh, 2014).

The pressure put by the United States along with the Turkish attempts were fruitful; moving a step forward, the European Union has decided in October 1995 that Turkey is ready to join the European custom union after completing its obligations towards the union. The decision was legalised by the European Union in December 1995, and the custom union agreement between Turkey and the EU began in January 1996. However, on the 20th of September 1996 the EU parliament decided to suspend the financial aids to Turkey due to human rights issues related to the Kurdish people with no advance on the democracy aspect, along with consideration that many worry that Turkey has become a source of tension in the north of Iraq and Aegean Sea. It is worth mentioning the efforts made by the United States to convince Greece to not use the Veto right against Turkey in being a part of the customs union, as well as the pressure made on other European countries to make this agreement take place.

The germinal arrangements in which Turkey's membership in the European customs union are represented by:

- 1- Goods-free handling (freedom of goods transportation) between Turkey and the EU.
- 2- Personal and services freedom under normal circumstances, considering Turkey as a special case, where the freedom of movement was suspended since 1986.
- 3- As from 1996, Turkey has to cancel any tariffs and obstacles in equivalent commercial trades related to EU members, reducing these tariffs from 18% to 0%.
- 4- Implementation of joint backup procedures to secure a direct protection by batch systems to the EU, procedures against drowning and support, as well as applying tariffs towards external goods from a third party (non-EU members) that is applied by the EU. In addition to this is the coordination and convenience of the economic aspect, along with the policies with those held by the EU regulations. These procedures mean that they give the economic sections in Turkey a chance to compete the EU goods coming from the EU members. In this matter, Turkey has adopted regulations and rules made by the EU, with cutting of financial aid if Turkey threatens or distorts the challenge rules. This is except the financial aids related to the Turkish economy development in less-developed areas and the special aids that support the heritage; these exceptions are made only if there are no conflicts with the allowed competition rules (Saleh, 2009).

Advantages Turkey will gain from the trade competition are illustrated in:

- 1- More competition means more resources to be harnessed in an efficient way, and this will lead to positive effects on costs.
- 2- It is expected that rehabilitation procedures will occur in Turkish industry, and this will be accompanied by using modern techniques.
- 3- Compatibility and agreement with trading policies in general, and cancelation of exportation profit systems in particular will result in a more logical economy growth, which in turn will lead to readjustment of the Turkish national budget. These factors will partially compensate the financial income loss that results from the cancelation of custom tariffs.
- 4- Attracting foreign capitalisation funds will also include the technical cooperation with the invested countries and other countries that want to make use of Turkey if it wants to join the EU. To avoid the joint external tariffs, EU countries may invest in many industrial and service sectors.

There are many other positive effects on Turkey joining the EU custom union including:

- 1- Price reduction in Turkish markets as a result of the cancellation of custom tariffs on imported goods from EU members, in which the Turkish citizen will get high quality

goods cheaper than that before the trading agreement. European goods that enter Turkey will force local manufacturers to compete with the quality and price of these goods. The price of the Turkish investment goods outside Turkey will also be reduced; this matter will help to enlarge the investment outside Turkey and reduce the unemployment in Turkey.

- 2- The reduction of external investment cost in Turkey, which formed a payment source to Turkey. This will encourage foreign investors to rely on the Turkish market, with cheap workforces, as a base to produce goods targeting Islamic republics in Middle Asia, Caucasus, and the Middle East. This benefits Turkey in reducing unemployment relatively (Research, 2010).
- 3- Signing the custom union agreement was the main step for Turkey towards joining the EU, in which Turkey has found an entrance to the European markets preferably. The plan also included that Turkey get \$470 million between 1995-2000. Observing the events that led to the agreement to be done, gives information correlated to Turkey's efforts to join the EU (Oztürk, 2010). During negotiation on the custom union, the EU parliament had a condition before signing the deal: that Turkey has to implement a number of matters in respecting human rights norms. Whereas the European commission asked for further enhancement on human rights norms. The EU parliament then decided in 14th of September 1996 to stop the financial aid to Turkey during the period 1996-2000, due to some cases relative to not respecting human rights, especially in Kurdish regions as well as the no advance on the democracy aspect; so Turkey became a source of tension in Aegean sea, Cyprus, and the north of Iraq (Research, 2010).
- 4- The deal will guarantee open-borders to transport the European modern technology that is necessary to elevate production levels and services. The most important advantages of the custom union is the priority given to Turkish goods to be sold to the European markets rather than been sold to third party countries outside the EU, especially Middle East countries, and the most profited from this feature is the Turkish textiles and clothing sector with its high quality and low cost (Nour al-Din, 1997).
- 5- Turkey's dependence on the future economic plan is submitted in the first order to the global market powers. A change like that necessarily requires reliance on a new economic strategy. At that time, the manufacturing was aiming at compensating imported goods to create an inner market, in addition to the manufacturing processes with exporting goals that led to a variety of markets. This new plan requires a strategy known as a skeleton structure focused on production. It is possible then to describe its axial components as deepening markets and developing institutes (Saleh, 2009).
- 6- Turkey has got European financial aid, in batches, of about \$2-3 billion as a compensation on expected losses in some sectors and to develop others. Because of this, it was confirmed by the affiliation council to enhance the cooperation between Turkey and the EU union to face the new competing situation. The size of cooperation was about \$220 billion in five years, but Greece has made it difficult to apply this agreement.

- 7- Compatibility and convenience of general economic policies, and cancellation of profit systems on exportation and investment in particular, will make more logic economic results; this in turn will help the readjustment of the Turkish budget and will partially compensate the income loss resulted from the cancellation of custom fees (Saleh & AL-Khafaji, 2009).
- 8- With the integration of Turkish agriculture with the joint agriculture policies of the EU, if Turkey is to apply them, policy norms and its actions, then this will represent an important step towards a full membership in the EU; it will also enable Turkey to get financial aid from the European agriculture fund to secure and consumption rationalisation, as well as the financial relationships that will enhance the situation requirements for Turkey to a full membership (Oztürk, 2010). The custom union agreement is not only beneficial to Turkey but also EU members. Turkey is one of the biggest trade companions to the EU, and the agreed custom union has opened and emerged approximately 63 million of the Turkish consumers at that time, who are less saturated in EU goods, with the cancellation of all the formal and informal custom barriers and obstacles on EU exported goods. In addition, EU countries have had a preferable pathway to Turkey, the matter that will lead to increase its share in the Turkish market. The compatibility between Turkish and EU legislations will ease the trading works in Turkey and solve the issues between Turkey and the EU. In addition to this is the job made by the EU institutes in Turkey that gained a legal work shape equivalent to Turkish institutes. These institutes will be able to use Turkey as a base to export its goods to the Middle East (Ozcan, 1995).

However, there is a possible negative aspect on Turkey joining the custom union with EU; these aspects can be briefed as follows (Saleh & AL-Khafaji, 2009):

- 1- Turkey has to obey all the decisions formed by the EU, without any role in making any of these decisions, as Turkey is not an EU member and has no representation in the economic decision-making centre. Turkey then is obliged to implement every decision without being a part of the decision-making, especially the decisions related to other countries that are important to Turkey. This point in particular has brought criticism by the Turkish opposition parties, at that time followed by demonstrations demanding the independence of the national decision and the concept of sovereignty (Nour al-Din, 1997).
- 2- Turkey has to challenge the EU members' goods and the unnecessary Turkish industries from challenging it due to the technological differences. This may lead to the increase of unemployment. Some economic reports have shown that 55% of small firms, 53% of middle firms and 34% of large factories will not be able to compete with EU countries due to the shortage of self-fund necessary for the competition; this in turn may result in

tens of thousands of workers losing their jobs and the increase of unemployment that exceeded 15% in 1998 (Dahrouj, 1996).

- 3- The custom union, in its first stage will negatively affect the prices stability, increasing the inflation rates. The Turkish challenging power in the long run may reduce, in some cases, the Turkish investments from reaching the EU investment levels.
- 4- Joining the custom union has led Turkey to lose \$3 billion annually as a result of cancelling the custom tariffs on goods coming from European countries (Hamza, 2019).
- 5- Custom union agreement has eased goods entry from EU countries to Turkey and the duty-free markets; this has worried Turkish officials from the over-increased price of the exported goods, knowing that 85% of Turkey's income are investment and intermediate goods imported without inductive fees. So, a significant increase of about 15% are consumable goods. The decline of Turkish lira (TL) may cause an increase of goods' importation (Larrabee, 2003).
- 6- The political cost of the agreement is represented by the price that Turkey offered to Greece, as Greece exploited Turkey's desire to join the customs Union to get definite Turkish concessions regarding the Cypriot issue and the disputed island of Eemia between Turkey and Greece. On Cyprus, Greece has guaranteed the EU agreement to start negotiations in 1996 with Republic of Cyprus to join the EU, regardless of the reality of the divided island into Greek and Turkish parts. This means that Cyprus, which is internationally recognised and represented by the Greek part, is a major political profit for the Turkish government.

Turkey has agreed to readjust its tariff structure in accordance with the EU's common external tariffs towards other countries and accepted the union's preferential trade regulations immediately after the entry of the agreement into force. The agreement has defined in article 16 the preferential agreements and self-systems in which Turkey must adapt within five years from the agreement entry into force (Jaber & Abdul Jalil, 2010).

- 7- The customs union has also included a number of elements to integrate:
Adopting the community's policy toward other countries, such as free trade agreements EU has made with its partners, cooperation and harmonisation of Turkey's legislation with the EU in different areas such as competition policy, support policy, anti-dumping, industrial and intellectual property rights, public sector purchases and technical barriers on trade (Nader, 2020).

All these elements contributed to the two-sided integration:

First: Making Turkey part of a regional economic equation, since all trade agreements concluded by the EU with other countries apply to it. Turkey does not have the right to achieve equality in this aspect to conclude free trade bilateral agreements with countries that have a partnership with the EU; this forced opening of Turkey to countries with which the EU

has free trade agreements, may pose an issue in the future. The EU is moving toward comprehensive trade with industrialised countries, after most EU agreements have been limited mainly to industrial goods (Ingram, 2010).

Second: is that elements in appropriate areas are competition policy legislation, standardisation of industrial standards and consumer rights, and addressing technical barriers to trade, or what it has become known as (deep integration elements); these have strengthened integration between EU and Turkey, given the complexity of the European requirements for industrial and trade standards (Ingram, 2010).

The Republic presidency and the Turkish government welcomed the agreement, as the president of the Republic Sulaiman Demirel confirmed that : ‘this agreement is the final agreement step before full membership in the EU, and Turkey is the only country that has concluded a customs union before being a full member of the EU, noting that the customs union is not only economic but also has political and social dimensions, a step and new ties with Europe’. As for Prime Minister Tansu Ciller, she stressed that ‘the customs union is a decisive step toward Turkey’s membership in EU, and that this will provide benefits for both parties by creating an enabling environment for more close cooperation’ (Abdul Wahab & Al-Hitti, 2009). This is what has happened after Turkey gained the status of the candidate countries for full membership in the EU.

Second Topic: Economic Relations between Turkey and the European Union

Foreign Trade has played a significant role in the economies of all countries, whether developed or developing, due to the direct and indirect effects on the level of political relations, the compatibility of visions and international positions, as well as the improvement and strengthening of the national economy (Mahawi, 2002). In addition, exports affect many macroeconomic variables; they expand productive activity, exploit crippling economic resources, develop export industries and thus increase the national income and revenue. Imports, on the other side, are considered leakages of income stream, that indirectly influence many comprehensive macroeconomic variables (Hamza, 2019).

Turkey has been linked to wide-ranging economic relations in various fields with the EU in the hope of expanding this cooperation to achieve full membership in the EU (Younis, 2004). Foreign trade in Turkey has an important space in the Turkish economy, as it is the Turkey’s window to overlook the outside world. Through the foreign trade, Turkey has interacted with other countries; this pathway has taken many trends. Foreign policy-making has been devoted to different considerations of different political circumstances, times, and political stages. The impact of foreign trade on growth has varied, as strategic location has been a major factor in determining trade routes. However, many considerations in trade sectors, the national interest

must be the first and have significant impact on the balance between the productive activity and the commercial activity, particularly the importation aspect, as it provides domestic, intermediate and primary commodities. It also has a big impact on balancing and coordination of exportation and production activities through the disbursement of surplus production (Brzezinski, 2009).

On 13th of November, the World Trade Organization (WTO) report stated that: ‘the structural reforms initiated in Turkey and the Turkish-European Union, has improved market opportunities and investment fundamentals in Turkey’, while noting that Turkish commitments to the Free Trade Agreement (FTA) had gone further (Deghim, 2009).

The Turkish initiative did not result in any significant movement in the relation between Turkey and the EU, because the situation in Brussels and the EU members in the union did not change. The Turkish government, which is mired in internal issues, such as collapse of the coalition of Masoud Yilmaz government in November 1998; this is as well as the prolonged attempts by various politicians to form a new government to prepare for the early parliamentary elections on 18th of April 1999, and the detention of the Leader of Kurdistan Workers Party Abdullah Ocalan. The Turkish government has also paid a little attention to the relations with the EU. The incentive to join was even less because of the new pressures on Turkish-European relations due to Italy’s refusal to handover the leader of the Kurdistan Workers Party to Turkey, and Greece’s complicity in its smuggling from Turkish pursuit (Nahra, 2004).

The European commission has suggested in October 1998 some procedures towards directing funds to Turkey without the need of Greece’s agreement, but the EU parliament with pressure by Greece’s has published a special report about Turkey. This report concluded criticism about the known unfulfilled commitments in its ‘aggressive’ internal and external foreign affairs against Athena. This has led to eliminate any financial aid to Turkey in 1999 EU budget (Al-Tawil, 2004). The situation in Turkey has dramatically changed in 1999 with Turkish people hoping in Turkey’s gaining a membership in the EU. This was confirmed by the minister of foreign affairs Joska Fischer during his visit to Turkey (Al-Tawil, 2010a).

A promise was given to the Turks to join the European Union as the necessary step for Turkey to achieve full membership in the European Union, but this accession also meant that the Turks had to raise the customs duties on goods exported or imported between Turkey and the European common Market countries (Larrabee & Olessor, 2010).

The customs union agreement with the European Union covers half of Turkey's commercial relations. In 1998, about 50% of Turkey's exports went to Europe and 52% of Turkey's imports came from Turkey, which can be counted as a semi-accurate expression of the

magnitude of trade relations between the two parties. It was to be hoped that Turkey's accession to the customs union would help to reduce many of the infrastructure obstacles of its economy, since accession to the customs union had forced Turkey to cancel import duties, which had initially caused a deterioration in Turkey's trade balance with the European Union. The EU countries seemed to be the winner of Turkey's EU membership and the latter is the loser, but in the long run it was expected that joining the EU would create a more liberal environment in Turkey and help it to merge in the international markets (Francis & Kaminski, 2006).

Third Topic: The European Union and the Development of Economic Sectors in Turkey

Turkey has benefited from its trade relations with the European Union, particularly in the economic opening phase until its accession to the customs union in 1995, as it has increased agricultural and industrial production of exports, as well as from foreign investment from the European Union to Turkey. The signing of the customs union agreement with the European Union is an important step in the development of agricultural and industrial policies in Turkey and their openness to international competition. The start of accession negotiations between Turkey and the European Union has further accelerated the promulgation of legislation on the technical regulations of Turkey's industrial sector in line with the laws and regulations of the European Union in the area of joint industrial policies (Haroun, 2005).

Agriculture is an important major character of Turkey's population because Turkey has extensive arable areas, although most are not exploited, but it is now sufficient for domestic demand and achieving food self-sufficiency that contributes significantly to Turkish exports abroad (Al-Tawil, 2010). The nature of Turkey's agricultural economic policies has been characterised by continued and heavy state intervention in the agricultural sector by subsidising prices, agricultural supplies, import protection and market monopoly, as well as export subsidies or taxation, aimed at increasing food self-sufficiency and export promotion in the context of responding to European conditions and standards and in the hope of approaching European levels. The Turkish government has taken a series of measures to develop this sector, adopting several aspects of the EU common Agricultural Policy; these include reducing trade barriers such as Turkish currency depreciation, liberalising prices, and opening up financial markets, which has improved the competitiveness of agricultural exports and increased agricultural production and exports (Ozcan, 1995).

Turkey has been able to obtain financial aid from European agricultural funds to ensure and rationalise spending, because Turkey's agriculture sector needs the attention and support of European institutions; this is because the financial relations between the two parties will improve the situation necessary to upgrade the Turkish agricultural sector to a degree that is close to the European countries. The successful integration of Turkey's agricultural policy

with the EU's joint agricultural policies, is leading to the development of the Turkish economy, and if Turkey implements the criteria of these policies, it will be an important step toward full EU membership (Al-Khairi, 1928).

The industrial capacity of the State is one of the factors affecting its political position in the international arena, since the key to economic and military progress has been linked to industrial progress; the strength and degree of development of the State are not complete without determining its level of industrial economic growth. The high level of industry is conducive to capital accumulation, achieving an acceptable standard of living, as well as the acquisition of factories and equipment for the production of weapons and military equipment, all of which will give the State a strong appearance. As a result of the industrial development, some countries developed accordingly and advanced considerably, leading to differences between countries, which became developed industrial countries, and then there are lagging countries (Fuhler, 2009b).

Turkey's macroeconomic industrial sector was about 29.8% of the Turkish economy, whereas the agricultural sector was 11.7%, and the services sector 85.5%. Turkey's industry is an important aspect of economic activity, helped by the abundance of raw materials in the textile industry, which is based on cotton, wool and silk production, and accounts for about 20% of the value of Turkey's industrial production. It also depletes a large amount of labour in the field of industry; Turkey is also interested in the fertiliser industry (Hamza, 2019).

For Europe, Turkey ranks first in fertiliser, textiles, televisions, and fertiliser industries, second in flatbed glass production, and third in steel. Turkey is also the third largest exporter of televisions and is among the top five countries in gold production and the eighth in the world in the construction and ship industry (Hamza, 2019). Turkey has also developed its transport industry and is producing some large ships, thus increasing the contribution of the shipping sector to Turkey's economic activity, aided by its geographical location, which is in the form of a three-way waterside peninsula. It is characterised by a sea abundance of about seven thousand kilometres, including the Black Sea coasts, the Sea of Marmara, the Bosphorus, Dardanelles, the Aegean Sea, the Mediterranean Sea, and Iskenderun Bay, which are open to the outside world, making it an important transport vehicle. Turkey has therefore been concerned with the processing of ports and the preparation of an important maritime fleet for the transport of goods to and from Turkey and among the various countries of the world (Nabil, 2002).

Fourth Topic: European Financial stocks and Investments to Turkey

European Union countries and private European financial institutions are the main lenders to the Turkish government and to private Turkish institutions, and even loans from the

International Monetary Fund are made possible by the European support of Turkey to this international financial institution. The protocols for economic cooperation between Turkey and the European Union included provisions for Turkey to receive substantial assistance from EU countries, for example, Turkey's external debt reached about \$1-115 billion in 2001. A significant part of this debt is owed to European countries and financial institutions in general and Germany in particular, but for direct European investments in Turkey, the ideally accumulated balance reached about €4.9 billion at the end of 1999; this is a limited stock for a large economy, such as the Turkish economy, which can be attributed to ethnic tensions over the Kurdish issue and the related security turmoil, as well as the inflation of the Turkish economy for long-term phases, in which it might be difficult to build future investment accounts (Nabil, 2002).

All the above mentioned factors have been impeding the flow of direct investment to Turkey from Europe and from any other country, although foreign direct investment flows have grown dramatically in Turkey, noting that the flow of direct investment in Turkey has developed as a result of its association with the improvement of Turkey's political climate in terms of both human and Kurdish freedoms and national rights, as well as economic policies linked to the privatisation program that began in 1998, aiming at privatising many sectors, such as telecommunications, energy, textiles, chemicals, ships and aviation, iron, steel, insurance and banks (Lehmann & Wellenreuther, 2010).

Tourism in Turkey has played a major role in the Turkish economy (Borowsh & Fachettrager, 2008), as a result of Turkey's beautiful nature, the appropriate climate and unique historical and archaeological sites, accompanied by the development of the tourism sector, so that Turkey became one of the top ten tourist fronts in the world, and one of the most popular tourist destinations in the Middle East; tourism is one of the most important pillars of the Turkish economy, and tourism revenues reached \$31 billion (Hamza, 2019), as measures were taken to support tourism, with revenues reaching \$3225 million (Ozil, 2008). The tourism movement became one of the most lucrative industries in Turkey after the state took care of the tourist sector, and this sector became wide despite the deteriorating security conditions. Despite the economic crises that Turkey witnessed, the tourism sector has grown significantly in Turkey compared to 1990, when the number of tourists in Turkey was 4.8 million, while the tourist revenue was about 3.2 billion, and the Turkish government has developed tourist facilities, especially in the south; the southern coast is so famous for its beautiful nature and long beaches that it became known as the Turkish Riviera, similar to the French Riviera. The government started to set up offices towers overlooking Istanbul to restore the reputation as it was known in the Ottoman time. Istanbul became a centre for investing money from East and West, attracting tourists to its many museums and cultural richness, and the international media called it "wonderful Istanbul" (Fuhler, 2009a). Government policies to develop the tourism sector have also created an impression of the

more beautiful and entertaining nature of Turkey, which has contributed to the normalisation of Turkey's face globally and in front of Europe in particular, with tourists from EU countries making up the overwhelming majority of tourists visiting Turkey, with 6 million European tourists visiting it annually (Hamza, 2019).

In 1998, before the 1999 tourism crisis, the number of tourists visiting Turkey reached only five European Union countries (4.2), about 44% of the total number of tourists who visited Turkey in the year before, while the percentage of French tourists was 3.8%. As for British tourists, the percentage is about 3.8%, and even in the absence of special economic relations between Turkey and the EU, it is logical to say that European tourists make up the largest proportion of tourists visiting Turkey (Mohammed, 2007). The reasons for this can be traced to the geographical location, which has made Turkey closer to the EU among Europe's regional neighbours, reduced travel expenses between the two sides, and the European Union countries are the world's largest tourist supplier in general. The continued decline of the Turkish currency, which is low against the euro and other major free currencies, is far below its real value, calculated in Purchasing Power Parity (PPP) terms. This makes the Turkish market an economic resource for foreign tourism in general and Europe in particular, because the purchasing power of the main free currencies, including the euro, is higher in Turkey than in the countries of origin (Hamza, 2019).

Turkey also ranked 18th among the world's tourist receiving countries, representing 1.6% of the world's tourists who visited in 2001, and Turkey ranked 10th among the world's countries in terms of the value of its imports, representing about 2% of the world's tourist revenues in the year.

Fifth Topic: Turkey and European investments

Turkey has been making good strides in attracting foreign capital so that it is close to the levels of the industrialised countries and the European Union standards in comparison with the past, as Turkey has been able to attract a large volume of investment to Turkey's interior; the question of investments has been of great concern to Turkish officials. Sulaiman Demirel pointed out that: "Foreign funds always find security in Turkey, we do not distinguish between foreign and domestic capital, and foreign business has been given full assistance" (Ciller, 1996).

Investment is one of the most important factors in the economic progress of Turkey, as countries seek to increase the flow of national and foreign investment, to achieve an important strategic position in the global development ladder. In general, national savings are the main source of investment in the country, and Gross National Production (GNP) is the

most prominent aspect, with the total value of investments in Turkey estimated at 25%, achieving the highest ranking in Europe to facilitate foreign investment participation (Villaved, 1998a). The European Union is the main source of foreign direct investment in Turkey, as it announced at the round-table conference of European industry that Turkey is an open country in investment language and laws. In the 1996 report of the Conference, Turkey appeared to be at the forefront of countries that had given greater freedom to invest abroad and at a higher level than other countries (Hamza, 2019).

In order to encourage foreign investment, Turkey has pursued foreign investment policies aimed at making Turkey a more attractive country for foreign investment, and those policies are escalating, in particular, after the Turkish application for membership in the European Union was announced at the Helsinki summit in 1999. Since 2001, the Turkish government has set up a program known as the “Reform Program for Improving the Investment Environment”, through which the cooperation between the public and private sectors will be carried out to improve the investment reality in Turkey. Within the framework of the liberal economy, which is a demand of the European Union, the Turkish government has adopted investment policies based on equality with regard to international investment, according to act 4875. It has been formulated in a basic legal form in the area of direct global investment, and changes and amendments have been made in various regulations to encourage investment within Turkey (Villaved, 1998).

The measures taken by the Turkish government to encourage investment within Turkey were as follows (Turkey, 2004):

- 1- Introducing foreign capital firms into domestic public-sector tariffs.
- 2- To facilitate the employment of foreign workers and to give them the right to possess immovable property as a natural right, like that of the country's indigenous people.
- 3- On the basis of equal treatment between foreign and domestic companies, the registration phase of companies has been reorganised.
- 4- The government approved a group of laws in the context of responding to the European conditions, including the tax reduction imposed on investment companies with the aim of encouraging foreign investment, especially foreign companies operating in Turkey.
- 5- The cancellation of routine first authorisation transactions for global direct investment projects.

The economic reform policy implemented by the Justice and Development Party (AKP) government in response to the EU terms and standards has succeeded in increasing foreign investment, especially after investor confidence has been growing in the reforms it has adopted.



Conclusion

Turkey has found its interests in its relations with the European Union, as well as its strong desire to continue the process of joining the EU, and through the development of these relations Turkey has sought to advance the Turkish muddling through, that has seen many changes from the political or economic side. Turkey's sense of unwillingness of some European countries to accept its membership in the EU has made Turkey rethink new options for its direction, most notably Turkey's approach to the Middle East, and Islamic republics in Central Asia and the Caucasus.

REFERENCES

- Abdul Wahab, A., & Al-Hitti, S. (2009). *Geopolitics*. Beit Al-Hikma.
- Al-Khairi, N. (1928). The Principles of Geopolitic. *The Anglo-Egyptian*, 132–145.
- Al-Tawil, R. (2004). Turkish methods and motivations in the European Union. *Mosul University*, 6.
- Al-Tawil, R. (2010a). Turkish Economy and Future Dimensions. *Iraqi-Turkish Relations*, 126–135.
- Al-Tawil, R. (2010b). Turkish Economy and Future Dimensions, Iraqi-Turkish Relations. *Zahran Publishing*.
- Borowsh, P., & Fachettrager, F. (2008). *Turkey's History between 1999-2002*.
- Brzezinski, Z. (2009). Geo Eurasia Strategy 1998-1999. *Political Studies*.
- Celler, T. (1996). *Turkish Foreign Policy: It is Dynamic Tradition Perceptions*. 1(4), 116–125.
- Dahrouj, T. (1996). Turkey's elections and internal crisis dimensions. *International Politics Journal*, 26, 126–150.
- Deghim, A. (2009). The Future of the European Common Markets. *Scientific Journal of Economics and Trade*, 26.
- Francis, N., & Kaminski, B. (2006). Turkey's Evolving Trade Integration into European Markets. *The World Bank*.
- Fuhler, G. (2009a). *Modern Turkish Republic*. Emirates Center for Strategic Studies and Research.
- Fuhler, G. (2009b). The New Turkish Republic: Turkey as a Pivotal State in the Islamic World. *United Arab Emirates Center for Strategic Studies and Research, Abu Dhabi*, 118.
- Hamza, Y. (2019). *Turkey and the European Community 1960-1992*. Mosul University.
- Haroun, A. (2005). Geography of Islamic States. *Arab Thought House*.
- Ingram, J. (2010). *International Economic problems*. Dar Al-Ma'rifa.



- Jaber, M., & Abdul Jalil, T. (2010). Turkey and its Role in the International Arena. *Al-Jazeera Center for Studies*, 89.
- Larrabee, S. (2003). *Turkish Foreign Policy in an Age of Uncertainty*. RAND.
- Larrabee, S., & Olesser, L. (2010). *Turkey's Foreign Policy in the Age of Uncertainty and Ambiguity*. Beit Al-Hikma.
- Lehmann, H., & Wellenreuther, H. (2010). *In search of peace and prosperity: New German settlements in eighteenth-century Europe and America*. Penn State Press.
- Mahawi, T. (2002). Trade between Iraq and Turkey and its impact on macroeconomic variables for the period 1970-1990. *Turkish Studies Center*, 177.
- Mohammed, H. (2007). Turkey's Economic Future. *Center for Strategic Studies*, 2(4), 45–67.
- Nabil, J. (2002). *Turkish Foreign Relations under International variables* (first). Dar Saber.
- Nader, N. (2020). *Political and Economic Relations between Turkey and the European Union between 1993-2002* [Master]. University of Samarra.
- Nahra, F. (2004). Political Trends in Europe and the issue of Turkey's Accession. *Center of Strategic Studies*, 80–81.
- Nour al-Din, M. (1997). *Turkey in the time of transformation*. Riad al-Rayes.
- Ozcan, N. (1995). Customs & its impact on Turkish agriculture: The cooperation in turkey. *Turkish Cooperative Association*, 22–31.
- Ozil, S. (2008). Turkey Heading West. *World Culture Journal*, 38, 147–156.
- Oztürk, I. (2010). Economic developments between 2002-2008. *Al Jazeera Center for Studies*.
- Research, G. (2010). Turkey among challenges of the Interior and Exterior bets. *Al Jazeera Center for Studies*, 176.
- Saleh, A. (2009). *Political and economic determinants of Turkey's relationship with the European Union* [Master]. University of Al-Nahrin.
- Saleh, A. (2014). *Turkey's attempts to join the European Union in 2002 until the end of 2013*. Baghdad University.



- Saleh, A., & AL-Khafaji, H. (2009). *Political and economic determinants of Turkey's relationship with the European Union*. University of Al-Nahrin.
- Samara'ie, M. (1997). Bargaining in Turkish Foreign Policy. *Arab Journal of Political Science*, 13, 85–91.
- Turkey, R. (2004). *Turkey knowledge Economy Assessment Study Privates and Financial sector Unit* (p. 73).
- Villaved, J. (1998a). Turkey and EU: Endless Hardle-Race Perceptions. *Ministry of Foreign Affairs*, 1(3), 18–25.
- Villaved, J. (1998b). Turkey and EU: Endless Hardle-Race Perceptions. *Ministry of Foreign Affairs*, 1(3), 32.
- Younis, R. (2004). The future of Trade Relations with the Islamic Central Asian Republics. *Mosul University*, 29.