GEOECONOMIC POLICIES FOR REGIONAL DEVELOPMENT: TURKEY AS A CATALYST FOR EASTERN EUROPE

Sukru Inan

Research Assistant Inonu University,
Faculty of Economics and Administrative Sciences,
Department of Economics
Malatya, Turkey
Phone: +90 (0) 422 341 00 10 Office: 4343
Fax: +90 (0) 422 341 00 43
E-mail: sukruinan@inonu.edu.tr

This paper examines the influence of geoeconomic policies on development. The new age is characterized by not political or ideological rivalry but by economic competition. States do not aim at conquering lands but rather at dominating and controlling markets. That process brings the discussion that the age is whether a geoeconomic age or a neo-mercantilist age with the writings of pundit writers of geoeconomics in terms of the economic policies of developed and developing countries. In the geoeconomic world developed countries mainly apply neo-mercantilist policies towards the developing countries, and as a response developing countries that were "second orders" or "middle powers" of the geopolitical era generate their own regional geo-mercantilist policies and closer economic relations with neighbor countries.

Turkey's strategic and geopolitical importance is continuing with its geoeconomic importance in the new era. Since the 1980s Turkey's growth and industry-oriented policies have shifted from the realm of public policy to a market-driven domain. And later, with the collapse of the USSR and the end of the Cold War, the "Iron Curtain" around Turkey has absented. These two transformations gave Turkey a great chance with her historical, cultural and economic ties to form a geoeconomic space and to become an engine of regional development.

This study investigates the importance of Turkey for regional development with its geoeconomic policies in terms of energy, trade, and investment policies. Turkey as a bridge or a frontier between East and West could play an effective role. For Eastern Europe, Turkey will create a catalyst effect as a bridge, however, its effect will be an impediment as a frontier.

Keywords: geoeconomics, neo-mercantilism, geo-mercantilism, Eastern Europe, Turkey

Introduction

The central argument of this theoretical paper is that in the new world order geoeconomics is the primary instrument of states' economic policies. From this point of view I stressed on some concepts, which are geoeconomics, neomercantilism and geomercantilism, to explain the new formations on the globe.

My argument rests on the proposition that second order states (Turkey is taken into consideration in this paper) will play an effective role in the geoeconomic world with their geographical position, population and economic potential.

Until recently, most of those who studied power thought of it largely in geopolitical rather than geoeconomic terms. But events over the last two decades have resulted in increased attention to geoeconomic power and conflicts in international relations (Nester, 1995).

The British economist Hawtrey wrote of a world where 'the major concern of the state is prestige. The means to prestige is power. Power is economic productivity capable of being applied as a force'. Samuel Huntington (1993) has expressed the same point in a modern idiom 'Economists are blind to the fact that economic activity is a source of power, as well as well being. It is, indeed, probably the most important source of power and in a world in which military conflict between major states is unlikely economic power will be increasingly important in determining the primacy or subordination of states'. The model which is implicit in this view is a kind of zero sum game in which the gains of one country (primacy) are seen as canceling out the losses of another (subordination) even if both achieve growing prosperity. It has been called 'geo-economics' by Edward Luttwak (1990), 'the pursuit of adversarial goals with commercial means'. National security involves winning this economic 'war' (Cable, 1995).

Our age is characterized by three main and powerful trends (Andrianopoulos, 2004): Geoeconomics is replacing Geopolitics as the major force behind inter-state relations. New Economy rivals Old Economy as the engine of growth and as the principal means of social cohesion. The New World Order emerges instead of the Old World Order as the novel framework that guides the behavior of international institutions and of the important regional entities. The power behind today's headlines is the eagerness of a nation state to expand its markets, guarantee its supply lines and thrust upon its antagonist its competitive advantages. The central feature of the era of Geopolitics was immobility. The superpower rivalry had a static effect on the overall global situation. In the days of Geoeconomics the primary feature is dynamism. There is an interrelation between markets, states and technology.

Geoeconomics

Geoeconomics was initially part of geopolitics. Since the beginning of the 20^{th} century geoeconomists have been studying the relationships between "homo economicus" and space, the influence of space on production and goods flows, as well as the possibilities of space usage for the progress of economic activities. Space factors are comprised of geographical location, the distribution of natural and human resources, location of production knots and poles, the structure and specification of railroad and telecommunication networks, costs of exploitation and transportation of resources, etc. From an epistemological point of view, geoeconomics is a synthesis of economics, history and politics. Geoeconomics is an applied science, which takes into account spatial, historical, cultural, ethno-psychological, etc. factors. It elaborates technologies, for promoting national economic interests abroad and for strategic operating in geoeconomic space, with the aim of identifying and occupying the most advantageous patterns and niches that will assure the participation of the national economy in global product creation and global income distribution (Prohnitchi, 2003).

The old version of state rivalry is now called geoeconomics. Countries acting as a firm would maximize their profits. Some of the strategies they might use against their opponents are investment capital provided by the state for industry, subsidizing product development, and penetrating the market. This is what is called geoeconomics. Some other strategies are to use tariffs through taxes, quota limits to cope with too little money. In the past, most people thought that in the future there would be no trading blocks, but the fact remains that they are actually increasing. In economic terms, it is wise to maintain these relationships with other countries, but countries do not always act according to economic terms. The logic of conflict between two countries involved in war is a zero-sum relationship. That means that when one of them has gains, the other must have losses. In commerce, both countries can gain (Luttwak, 2004).

Geoeconomics purports to place international politics on an economic basis. In the words of Edward Luttwak, "everyone, it appears, now agrees that the methods of commerce are displacing military methods – with disposable capital in lieu of firepower, civilian innovation in lieu of military-technical advancement, and market penetration in lieu of garrisons and bases. States, as spatial entities structured to jealously delimit their own territories, will not disappear but reorient themselves toward geoeconomics in order to compensate for their decaying geopolitical roles." In geoeconomic state rivalry, the "logic of conflict" will be expressed in the "grammar of commerce" (Owens, 1999).

According to Lorot (1997), geoeconomics is the analysis of the economic strategies of states, especially those regarding international trade. Finally, the geographer and former *Hérodote* editor Michel Foucher (1997) has also discussed geoeconomics as a new dogma. He emphasizes that geoeconomics is practiced by states among which war is no longer conceivable. Geoeconomics point out the fact that states compete with each other for economic power, and no more for territorial power (Mamadouh, 1999).

"Geoeconomics elevates the entrepreneurial interests of investors and consumers; in contrast to the geopolitical focus on national borders and place, geoeconomic discourse privileges networks and pace; and instead of concentrating international politics on building alliances for "security" against supposed "evil empires," geoeconomics is primarily concerned with building international partnership that advance "harmonization," "efficiency," "economic leverage" and "growth" against the supposed threats of political "radicalism," "anachronism" and "anarchy." Both Sum and Jessop use geoeconomics in a similarly critical, postnational way, applying it largely to the macro, continental-scale dynamics associated with the relations between the so-called "triad" regions of the EU, NAFTA and the Yen-bloc (Spark and Lawson, 2004).

According to Savona and Jean (2004), geoeconomics as a discipline deals with aspects of international competition in which the main protagonists are not corporations, trusts or banks, but states. The interpretation of world development emphasizes economic and geopolitical processes seen as interstate rivalry. "Geoeconomics is economic geopolitics which is coming to replace the predominantly military geopolitics of the past", write the authors in the preface to the Russian edition.

There are many definitions of "geoeconomics", but geoeconomics is commonly seen as a state centric model of post-Cold War era that analyzes interrelations of state behaviors in a globalized world. However, in preference to "geoeconomics" some economists see the new era as a neomercantilist age and use neo-mercantilism instead of geoeconomics. But the word neo-mercantilism does not explain the whole world and the practices of states, which are still the main actors. Recognizing the concept of neomercantilism means that the world is a market and a colony of the three big trade blocs. Neo-mercantilism can be seen as a geoeconomic policy that "three big states" practice. On the other hand, developing states which were "second orders" or "middle powers" (see Berridge, 1992) of the geopolitical era generate their geomercantilism as a geoeconomic policy.

Neomercantilism

Mercantilism is the short name given to the "commercial or mercantile system" that Adam Smith was so opposed to. A mercantilist world was the one dominated by rival empires, in which the government of each was subservient to big business interests and in which nations competed by trying to maximize their holdings of 'treasure' (Rankin, 1999). "Mercantilism", Keynes writes, "is a continually developing doctrine of the role of the national state in economic and social affairs, and the term neo-mercantilism is merely a means of distinguishing between the absolutist or oligarchical form and that of a more democratic society" (Rich, 2003).

Neomercantilism (Nester, 1995) is the contemporary version of mercantilism; it is a developmental and national security strategy for liberal democratic countries in an interdependent world. Rather than spend scarce resources on the military sector, neo-mercantalist states concentrate on promoting high technology consumer- and equipment-industries that most efficiently create wealth and expand the middle class. In many ways, neomercantilism is a reaction against liberal idealism. Liberal economists construct an ideal world and attempt to shape the real world accordingly. In contrast, neomercantilists attempt to understand the way global political economy really operates and act accordingly. While liberalism's goal is free markets, neomercantilism's is the creation, distribution and securing of wealth. Thus, neomercantilists first determine which industries can create most wealth and then map a strategy whereby those industries can be developed. In addition, neomercantilists see international trade as largely a zero-sum competition in which one side's gain is another's loss. Thus, neomercantilist governments use any means they can to tip the international trade playing field in favor of its own firms.

Robinson (1951–1979) also analyzed the practice of trade and financial policy in the real world, which she argued to constitute a "new mercantilism" in which individual countries sought to increase their own income and employment (via trade surpluses) at the expense of their trading partners. Since the total market does not grow fast enough to make room for all, each government feels it a worthy and commendable aim to increase its own share in world activity for the benefit of its own people. This is the new mercantilism... Every nation wants to have a surplus in its balance of trade. This is a game where total scores add up zero. Some can win only if others lose (Blecker, 2003).

Bartlett (1994) sees Luttwak's geoeconomics as mercantilism. He says, " Luttwak has failed in his effort to develop a new geoeconomics. That is mainly because he is mixing apples and oranges. The premises that underlie geopolitical analysis are completely different from those that underlie economic analysis. At the simplest level, geopolitical analysis assumes a zero-sum game: territory can only be held by one state at a time, thus, one state's gain must be another's loss. The basic premise of economic analysis, however, is that both parties benefit in a free market exchange, otherwise the exchange would not be made... In the end, Luttwak's worldview can be summed up in one word: mercantilism". Luttwak (2004) responses that "the role of government can really affect the outcome of a particular industry in the economy. The state must be strong and well organized. There cannot be a successful geo-economic action without industrialist and bureaucrats to take the process underway. Geoeconomics is not new, it is compared to mercantilism, the only difference is that there is no actual war; no physical damage is done to either side. The only competition is done through economic means. Those who are at a loss in this geoeconomic transactions are small businesses and new big corporations who are not subsidized by the state". However, colonialism is still continuing with the American Hegemony in today's geoeconomic world near energy resources. And, Luttwak accepts the neomercantilism in which "geoeconomics practices are only possible to well developed countries like the U.S., European countries, and Japan. Countries which are smaller have too many territorial problems to worry about such things as innovation".

Neomercantilism (Rankin, 1999) is best understood as the grouping of the world's many political nations into a small number of large economic nations. The 'capital' nation of any economic nation is just the nation that serves as the primary source of capital within each group of nations. The present world economy contains three established economic nations (USA, Japan, and the European Union), one emerging economic nation (China), one defunct economic nation (Russia), and the West Asian nation centered on Saudi Arabia. "Wallerstein (1984) argues that it would be rational for a *hegemon* to promote free trade" (Wilkinson, 2000), however, neither the American economic nation nor the Japanese economic nation adopt free trade. Nor are they likely to. In the real world, trade is something that takes place mostly within rather than among economic nations.

"Economic growth is the most important social policy objective a country can have other than keeping its people physically safe", writes Gingrich. He adds: "America's future depends on economic growth. Economic growth depends on our ability to compete in the world market" (Rich, 2003).

"In the neomercantilist world we actually live in, most trade (and most investment) is internal. The neomercantilist world economy is structured around a few large economic nations. That is better than the three alternatives: (i) an anarchic world containing many small nations with minimal freedom from the power plays of others, (ii) an anarchic world without nations, or (iii) a world without nations but with a government which could all too easily abuse its considerable powers", says Rankin (1999) and adds that "modern neomercantilism, however, is based on regionalism, which in some ways represents a retreat from globalization (1997).

Geomercantilism

Joseph Stiglitz, former Chief Policy Adviser in President Clinton's Administration, said:
"I found myself in the uncomfortable position of an American saying 'do as we say, not as we

do'" (see Shafaeddin, 2000).

Braudel (1979, 1987) showed that the basic economic units of capitalism were neither local nor national, but were rather regional economic units which included several local realities linked amongst them by a system of relations (mainly commercial) that constituted a world economy (Santos, 2000).

Regional trade is everywhere on the rise and much more so than international trade proper. As a case in point, on a thirty to thirty-five year period, the world economy has witnessed the consolidation of a double process: that of a slower growth in extra-regional trade on the one hand (+3.2%) and a much more important growth in intra-regional trade (+10%) on the other (Brunelle and Deblock, 2004).

One of the commonly supported hypotheses about world trade, often given without statistical validation, is that intraregional trade has been growing faster than global trade. Some economists even express concern that the world will be trisected into three economic and trade zones: Europe, the Americas, and Asia (Otsubo, 1998). The world outside of these three is also making efforts to organize their economic regionalism. The Andean Group, CACM, CARICOM, LAIA, MERCOSUR, OECS, ECO, GCC, SAARC are signs of the economic regionalism of developing countries. Success of these intra-trade arrangements depends on these four characteristics (Kotler, Jatusripitak and Maessincee, 2000):

similar GNPs

geographical proximity

similar or harmonious trade regimes

political commitment to the regional organization.

This is certainly not the first time in history that regionalism has been on the march. There were widespread attempts at regional trading agreements in the 1960s, which largely failed. That period has been called the First Regionalism, and the current period the Second Regionalism (Bhagwati, 1991). Before that, in the 1930s, there was a major fragmentation of the world trading system into competing blocs, which in the standard view succeeded only too well. There is little point in trying to identify the earliest regional trading agreement in history. For as long as there have been nation-states with trade policies, they have discriminated in favor of some valued neighbors and against others. Regional trading arrangements have at times played major roles in political history. For example, the German *Zollverein*, the customs union that was formed among 18 small states in 1834, was a step on the way to the creation of the nation of Germany later in the century (see www.iie.com). Since the middle 80s, we are witnessing in each continent a quantitative and qualitative growth of various forms of regional cooperation, regional organizations and regional associations. This new phenomenon can be explained (Telo, 1998):

as a reaction to increasing international competitiveness;

as a consequence of the interest of national economies to make themselves fit to face globalization (limited free trade areas and so on);

as a Forum of intergovernmental cooperation;

– as an imitation of the well-performing E.U., supported by the E.U. itself (as in the case of Mercosur);

as a consequence of a functional spillover of companies-cooperation, branch-cooperation, interest-networks and so on (namely in the case of Asia).

Regional cooperation provides public goods, very useful for peace keeping and conflict preventing:

- reducing nationalism and intolerance, reducing localism, braking fragmentation, regulating migration flows, in the name of cooperation, people understanding and good neighbourship;
- making the dialogue of center and periphery countries belonging to the same region easier (USA and Mexico; EU and Eastern Europe; Japan and Asia; South Africa and neighbouring countries);
- reducing the number of international players and making the world governance easier.

For developing countries, PTAs may increase leverage by accumulating the market power of individual members, giving them a greater ability to influence their terms of trade and to negotiate favorable settlements with outsiders. On this score, Pascal Lamy, the EU's Commissioner for External Trade, conceded that "consolidating MERCOSUR will give Brazil and its partners... more political weight in inter-national negotiations." Anticipating the formation of MERCOSUR, a Brazilian official similarly remarked, "Dealing directly with the U.S. on international trade issues is like getting into a cage with a tiger. Only if we have others in with us do we stand a better chance of getting some satisfactory results" (Mansfield and Reinhardt, 2003).

An opposite scenario (Telo, 1998) would mean neo-regionalism as a reaction against globalization, as a channel of domestic fears, a kind of a shield ensuring economic security, a framework for demands of trade protectionism. Geoeconomic conflicts between regional blocs are already a common experience in many parts of the globalized economy. They are characterized by economic, trade or strategic goals that could even degenerate in political conflicts. Given the failure of protectionism everywhere in the world, a "benevolent neomercantilism" seems to be a more realistic variant: as a kind of defensive trade policy with the goal of keeping the domestic market protected from a too strong global competitiveness and to answer social demands.

Asian policy communities have learned that globalization and regionalization are not mutually exclusive activities but rather they exist in a dialectical relationship. The 'new regionalism' is not an alternative to globalization. Rather, it is an ineluctable part of it. Less a challenge to multilateralism, the new regionalism represents a *meso* level in an emerging structure of multi-level governance geared to fostering cooperation and trade creation (Dieter and Higgott, 2002).

According to Pahala and Sharma (1996), "the developing world is at present experiencing a wave of trade reform as has never been seen before. The reforms include the reduction of quantitative restrictions and their replacement by price measures, the lowering of tariffs, the simplification of import and export procedures and the unification of rates of exchange. Even some of staunchest believers in important substitution (such as Mexico, Turkey and a score of African countries) have recently yielded to the siren song of "outward orientation". The Big Emerging Markets (BEMs) have become a new attraction these days. These markets share a number of important attributes. They are all geographically large, have significant populations, and represent considerable markets for a wide range of products. Virtually, all have strong rates of growth or hold out the promise of economic expansion in the future. Each has undertaken significant economic reforms and seems likely to expand on them in the future".

These large scaled countries which have a strategic position in the geoeconomic world achieve geomercantilist policies toward neighboring countries. Brazil with MERCOSUR is an early example of that geomercantilism.

Geoeconomic world order

During the cold war the international system was characterized by a bipolar structure and an ideologically driven basis of enmity and rivalry between the two major power blocs. By the mid 1990s a number of competing images had emerged to describe the new configuration in international relations (Kemp and Harkavy, 1997). After the Second World War the world moved towards its stability and new social goals, that is, it moved from geopolitics to geoeconomics. In other words, it allotted an increasing importance to economic processes, transnational economic integration, globalization and the creation of the new world economic balance (Mitrovich, 1999).

Fisher (2004) states that together with the acceleration of the process of globalization regional trade agreements have gained momentum in the 1980s and 1990s in all parts of the world, 10 involving economies at all levels of development. This means that the world has seen at least as much fracturing as merging. With the emergence of APEC, virtually all members of the World Trade Organization (WTO) now participate in at least one agreement to advance regional trade liberalization in goods and/or services. In the context of the newly established Committee on Regional Trade Agreements, the WTO Secretariat has identified 88 individual regional agreements currently in force. These agreements and initiatives vary substantially in coverage, scope and completeness: the European Community, the only entity with a fully fledged single market and a supranational authority; MERCOSUR, the Andean Group and CARICOM designed as "classic" custom unions with a common external tariff; EFTA and NAFTA as free trade areas; APEC as an example of a looser association of trading partners with the long-term aim of free trade; the Free Trade Area of the Americas, a grand design but still only at a conceptual stage. As regional trading arrangements (RTAs) have spread, enlarged and deepened over the last decade the discussion has intensified whether RTAs stimulate growth and investment, facilitate technology transfer, shift comparative advantage towards high value-added activities, provide credibility to reform programs, or induce political stability and co-operation. There is also the proposition that RTAs are a useful vehicle for countries to employ for improving their international competitiveness. In this context it is claimed that trading blocs can serve as a testing ground for eventual global integration as they allow firms to gradually develop internationalization skills (see Table 1).

According to Harkavy (1997), the three-bloc neo-mercantilist thesis, or the Three-Bloc Geoeconomics Model theory, a new international system in which geoeconomics replaced geopolitics as the most crucial determinant of the rise or decline of nations, and that military power was thus becoming increasingly less relevant, hence wasteful, in the context of global competition. Central to the *geoeconomics* imagery as expressed in the writings of Walter Russell Mead, Jeffrey Garten, Edward Luttwak, Lester Thurow and others is the belief that the world is evolving into three com-

*Table 1: **Intra-trade of trade blocs***

TRADE BLOC	***Intra-trade of groups as percentage of total exports of each group***					
	1980	***1990***	***1995***	***2000***	***2001***	***2002***
EU and Countries acceding in 2004 (25)	60.9	67.1	66.1	67.2	66.6	66.6
NAFTA	33.6	41.4	46.2	55.7	55.5	56.0
ASEAN	17.4	19.0	24.6	23.0	22.4	22.8
MERCOSUR	11.6	8.9	20.3	20.9	17.3	17.7
ECO	6.3	3.2	7.9	5.5	5.4	5.5
BSEC	5.9	4.2	18.1	14.2	15.0	13.9
APEC	57.9	68.4	71.8	73.1	72.6	73.5

Source: UNCTAD: Handbook of International Trade and Development Statistics 2002

petitive economic blocs including (1) a Japan-led Pacific Rim region including Korea, Southeast Asia, and presumably China; (2) a U.S.-led Western Hemisphere bloc centered on the North American Free Trade Agreement (NAFTA) and potentially encompassing Latin America; and (3) a German-centered European bloc, assumed to include Russia and other ex-Soviet states and perhaps also North Africa. In this way, the less-developed expanses of Africa and South Asia, not to mention the Middle East, are relegated to the status of neocolonial resource zones to be courted by the three major blocs. Such bloc competition is predicted to be primarily economic in character, that is, without a security dimension (no arms races and potential warfare). In a broader sense, some analysts see geopolitics being superseded as the main focus of international relations by geoeconomics.

This geoeconomics model is related to another image – that of the "zones of peace-zones of turmoil" theme propounded by Aaron Wildavsky and Max Singer. According to this thesis and the related theme of the "end of history," there will likely be a permanent peace among the industrialized democracies of Europe, North America, Asia, and Oceania juxtaposed against the increasing chaos, bloodshed, and ethnic-racial fragmentation within what used to be called the third world. This model accepts the idea, central to the three-bloc configuration of evolving, peaceful economic competition among the major power regions (Harkavy, 1997). Also Cohen saw The Middle East and Southeast Asia as the primary shatterbelt regions, and he says that "the shatterbelt appears to be incapable of attaining political and/or economic unity of action," and that whereas some parts of the shatterbelt may be committed to neutrality, others are enmeshed in external ties. Hence, too, referring to the Middle East, he says that "it is because internal differences are so marked, and because they are found in a region that is crushed between outside interests, that we have defined the Middle East as a shatterbelt." That was, of course, during the cold war

(Kemp and Harkavy, 1997).

Cohen's analysis covers two types of the re-orientation and realignment of political territorial units at all levels of the geographical chart – territorial and political (Tunjic, 2004).

Cohen's geopolitical structure is hierarchical. At the highest level there are two strategic *realms*, which are "arenas of strategic place and movement." Reflecting the classical origins of geopolitics, he identifies these geostrategic realms as the *maritime* and the *Eurasian continental.* Two are part of Eurasian continental realm: the Russian heartland and East Asia. Of the remaining regions, Cohen argues that one, South Asia, is independent. Another, the Middle East, remains a shatterbelt. Yet another, Central and Eastern Europe, Cohen describes as a "gateway region" (see Figure 1), a transitional zone that can facilitate contact and interchange between the two realms. "What seems to be important is that Southeastern Europe is twofold gateway. It is between geostrategic realms and at the same time also gateway toward second outside geopolitical region named a Shatterbelt region covering Near and Middle East".

Politically, according to Cohen, the world is becoming multipolar with a hierarchy of states within the system. The position of a state on the system's hierarchy list will be determined by its capability to project its own power. The list will not remain static, and the positions of the states on it will be changing constantly. However, on top of the list are five major forces or centres of the first order: the USA, a maritime and sole military and economic colossus; Russia and China, militarily strong but economically relatively weak land Eurasian forces; Japan and the European Union, economically dominant but without sufficient military capabilities. The second place on the list is occupied by regional forces which have challenged and changed the bipolar and multipolar world, but have not displaced the major powers. Rather, they have become absorbed within an evolving system. They are located within individual regions that are

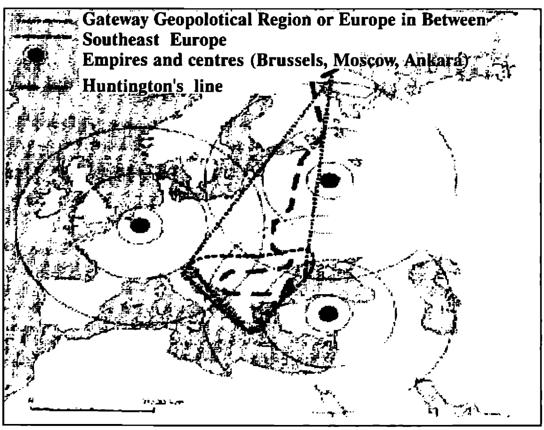

Figure 1: SEE in the new global and European structure. Source: Waever, 1997

already dominated by a major force and cannot represent any serious challenge. "Second-order states may have regional hegemonic aspirations, but such hopes are far from reality", says Cohen. "In general, then, the destiny of second-order powers is not to achieve hegemony over an entire geopolitical region. Rather, it is to exercise broad regional influence, with hegemony having practical significance only in relation to proximate states" (Tunjic, 2004).

The imperialisation of the European space is characterised also by the traditional rivalry of Germany, Russia and Turkey. The last two, due to their imperial legacy and geographical location, are even today wavering between the national and imperial vision of their identity (Tunjic, 2004).

Turkey's historical, cultural and geostrategic relations in the region with her geoeconomic space present to Turkey many opportunities. Turkey is a "second order" of the region that only exercises a broad regional influence.

Geoeconomic role of Turkey

The liberalization of the Turkish economy in the 1980s, the adoption of an export-oriented development strategy, the positive state of affairs in the neighboring regions, the country's geographical position at the crossroads of Europe, Central Asia and the Middle East, all provided a high growth in foreign trade and foreign economic relations.

Turkey's location, as Torbakov (2003) defines that, right in the middle of the Southern Caucasus/Northern Mesopotamia region, makes it a key player in several overlapping regions: Western Europe, the Balkans, the Aegean and Eastern Mediterranean, the Middle East, the Caucasus–Caspian complex, Central Asia, and the Black Sea. In close proximity to the major oil and gas deposits in the Caspian Sea and northern Iraq, it is also a key player in the "Great Game" of pipeline politics in the region.

The disintegration of the Soviet Union and transformation process in Eastern Europe created a boom in economic relations between Turkey and Eurasian countries. A chance for Turkish businessmen to play an important role in Turkish policy towards this region came because of the geographical proximity, historical and cultural links, ethnic links, and Turkey's success in adapting to market economy, speedy growth in sectors producing goods and services in demand in Eastern Europe, and a wise export promotion strategy (JIA, 1996). Besides that, since the collapse of the USSR, Istanbul, a vast metropolis of over 9 million people, has become the center of the so-called "Turkish world". In the light of this development Istanbul is now regarded by Western companies as a strategic gateway for accessing these previously unknown emerging markets (Pérouse, 1999).

Turkish firms have permanently enlarged their trade with Romania, Bulgaria and Macedonia, but only in Romania have they supported their trade activities with serious investments. The number of Turkish investments in Romania has grown to 4000. The value of Turkish investments in Romania has reached \$60 million and Turkey has become one of the major investors in that country. In Bulgaria, where approximately 1200 Turkish firms are established, the value of total investments is very small (\$3–\$4 million) and most of the firms are engaging in trade and services. This trend is also valid for Macedonia, but in Albania the number of Turkish firms has increased in the last year and some Turkish firms undertook serious projects (JIA, 1996).

Another important element in Turkey's foreign economic policy at the time was the steps it took towards strengthening its regional position through founding and developing regional economic organizations. The implementation of the European Union (EU)–Turkey customs union agreement, 1 January 1996, started the third period of reforms in Turkish foreign economic relations.

The biggest disadvantage of the customs union is the effect on relations between Turkey and third countries. Turkey's obligation to automatically implement common tariffs against third countries will create problems for the country in establishing relations with third countries and different co-operation models, because decisions affecting Turkish relations with third countries will be taken abroad. The speedy signing and ratification of free trade agreements (FTAs) will partly solve this problem. The first agreement of this sort is the agreement signed with Israel, 14 March 1996, after three years of negotiations. The signing of FTAs with Russia, other CIS states and Balkan states will compensate for some of the disadvantages of the customs union agreement. It will be in harmony with the EU policy toward regional countries too. Another important fact is that Turkey is historically obliged to work for the signing of FTAs between the EU and the Black Sea Economic Co-operation project and the Economic Co-operation Organization. In doing so, Turkey will increase the economic experience, knowledge and successes which have been achieved in the last two decades (JIA, 1996).

Turkey has concluded more than two hundred agreements within a broad range of political, economic and cultural relations with the Turkic Republics. These agreements cover the fields of economy, trade, finance, industrial relations, energy and energy transportation, communication, education, tourism, culture, health, technical assistance and services.

Agreements on Trade and Economic Cooperation, Reciprocal Promotion and Protection of Investments and Avoidance of Double Taxation constitute the legal basis of economic relations between Turkey and the Republics. These three kinds of agreements were concluded with most of the Republics. Within the framework of Agreements on Trade and Economic Cooperation, Joint Economic Commissions were established to review the economic and commercial relations and to help the realization of cooperation possibilities between the parties.

The cooperation in the energy sector, particularly in the transportation of oil and natural gas between Turkey and the Republics seems to contribute greatly to the development of trade and economic relations in the coming decade. The Turkish Petroleum Company has invested in Azerbaijan and Kazakhstan both by itself and in the form of joint ventures. In respect to pipelines, two great projects have utmost importance, one being the Baku–Ceyhan Crude Oil Pipeline Project which shall transfer 45–60 million ton Caspian basin oil per year to the Mediterranean, and the other is Turkmenistan–Turkey–European Natural Gas Pipeline Project which shall transfer 30–35 billion cubic meter natural gas per year.

Today, the Caucasian and Central Asian countries, with wider virgin resources in all fields of economy, present an important potential not only for Turkey, but also for Western and Eastern countries.

With the end of the Cold War, a new chapter was opened in the understanding and perception of the Black Sea. Driven by Turkey, the Black Sea Economic Cooperation scheme became a new vision for the region (see:

www.bsec.gov.tr) On June 25, 1992, the heads of state or government of eleven states met in Istanbul to sign the Black Sea Economic Cooperation Pact. Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and the Ukraine wanted to let the world know that the Greater Black Sea area with around 350 million people and vast natural resources such as gas, oil, coal, wood and ore deposits would be a new center of gravity in the emerging new world order. Critical observers seem to assume that the Black Sea Economic Cooperation has, at least so far, fell short of hopes and expectations while the Organization itself is pointing to its potential and ever increasing visibility:

an area of nearly 20 million km^2,

an unsaturated market of 330 million people with supply well behind demand in the three principal economic sectors of agriculture, industry, services,

a foreign trade capacity of over 300 billion US Dollars annually,

after the Gulf, second largest source of oil and natural gas,

rich in proven reserves in minerals and metals exploited, with underground potential even greater,

major supplier of commodities in international trade,

diversified and creative human resources, scientifically qualified and scholarly disciplined,

abundant labor force, skilled and unskilled, at competitive costs,

endowed with Ohots Sea, Caspian Sea, Azov Sea, Black Sea, Marmara Sea, Aegean Sea, Mediterranean Sea, Ionian Sea,

covers important sea lanes and occupies strategic location in maritime transport, ship-building, repairing and overhauling,

broad manufacturing basis in need of restructuring, overhauling, modernization and commercialization.

In other words, the Black Sea Region wants to be seen as the center of Eurasia with its enormous wealth of cultures and experiences and its unique geographic features which are naturally linked with the Caspian Sea on the one hand and the Mediterranean on the other. It wants to be more than just an infrastructural hub for commerce and trade in the field of natural energy resources, although this has been the almost single aspect which has been able to carry the regional agenda of the Black Sea Cooperation partners into an element of new global politics. Since this is inevitably linked with the potential and role of the Caspian Sea region, the two areas are easily connected by the strategists of geopolitics and geoeconomics as they have developed since the end of the Cold War in 1990 (Kühnhardt, 2002).

The Caspian, according to Love (1999), is thus important not only because of a potential contribution it can make to world energy markets, but also because the competition for its reserves reflects a wide-ranging network of interrelated domestic, regional and global-scale rivalries, all of which are helping to recarve the geopolitical energy map of the 21st century.

In geoeconomic terms, taking into account the states that are involved in the BSEC system, this region is a sphere of gravitation of many countries that, although not directly involved with the Black Sea basin, have substantial economic and transportation interests here. Iran, Macedonia, the Federal Republic of Yugoslavia and Uzbekistan have put forward applications to join BSEC. Austria, Italy, Israel, Egypt, Slovakia, Tunisia and Poland participate in the organization in the role of observers; Bosnia and Herzegovina, Kazakhstan, Cyprus, Jordan, Slovenia and Croatia have submitted applications to become observers. Thus, according to some views, a geography is present here that does not limit itself to just the Black Sea region but envelops a broad area from the Balkans to Central Asia and from the Baltic to the Arabic states. This territory unites European, Asian and North African countries, regardless of the heterogeneity and level of development of their civilizations. In practical terms, this means the creation of a trans-regional integrative formation. This is also the first large integrative formation corresponding to the post-confrontational stage of development of the world economy, which is able to unite countries with different political and economic orientations (Danko, 2004).

Turkey, standing as it does at the geo-center of the Eurasian world and at the juncture of strategic energy transportation routes, is destined to play a critically important rote in any energy trade between the Eurasian (and some Middle Eastern) suppliers and the European consumers – a rote which requires wisdom, creativeness and strategic thinking on the part of Turkish leadership given the magnitude of the existing political sensitivities and economic problems in the region. The pressure on Turkey (a major oil and gas importer itself) from the oil and gas exporting states of the Caspian region is expected to grow stronger as these countries in need of hard currency would want to pump as much oil and gas as possible to the world markets. And the ability of Turkish energy diplomacy in formulating a viable response to this historic challenge is no doubt to affect profoundly the future course of Turkey's relations, not only with the West, but also with the Eurasian countries, beyond the 21st century (Ögütçü, 1995).

Discussion

Geoeconomics is a science that aims to clarify the foreign economic policies of states and to describe the state's economic interests on the globe. It is a useful policy not only for the "big powers" but also for the developing countries. Neomercantilism and geomercantilism are the geoeconomic policies for states that can be practiced according to their geographies and economic powers (Inan, 2004). While the "big powers" (U.S.A., Germany–E.U. and Japan) practice "neomercantilist" policies, the "second orders" (Turkey, Brazil, etc.) of the geopolitical era, gradually practice "geomercantilist" policies to increase their influence in the region and so on the globe. The MERCOSUR, BSEC, ECO in the near future, with their potential, can exercise important regional economic successes. Especially Central Asia, the "heartland" of the geopolitical era, can gain a real importance in the geoeconomic era, with coordinating Russia and Turkey. That synergy will also influence the economies of the Caspian region and Eastern Europe. Turkey is a key country as an economic and political catalyst at the crossroads of Europe, Middle East and Central Asia.

On the other hand, the expansionism of "neomercantilists" would divide the region and thus prevent the geomercantilist structuralism. The result of that, as Cohen defined, is a "shatterbelt" region. So the region itself would be an impediment for both the Eurasian and the Middle East economies.

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REGIONINĖS PLĖTROS GEOEKONOMINĖS POLITIKOS PRIEMONĖS: TURKIJA KAIP RYTŲ EUROPOS KATALIZATORIUS

Sukru Inan

Santrauka

Straipsnyje analizuojamas geoekonominių politikos priemonių poveikis ekonomikos augimui. Naujiesiems laikams būdinga ne politinė ar ideologinė konfrontacija, bet ekonominė konkurencija. Šalys, kurios yra geografiškai ir ekonomiškai artimos, suformavo stiprius ekonominius ryšius, o ekonominiai blokai užima politinių blokų vietą. Geoekonominiame pasaulyje išsivysčiusios valstybės taiko neomerkantilines politikas besivystančių šalių atžvilgiu, o atsakydamos į tai besivystančios šalys, kurios buvo „antros rūšies“ ar „vidutinės galios“, kuria savo regionines geomerkantilines politikas ir glaudesnius ekonominius ryšius su valstybėmis kaimynėmis.

Turkijos strateginė ir geopolitinė reikšmė didėja. Nuo praėjusio amžiaus devintojo dešimtmečio Turkijos augimas ir į pramonę orientuota politika transformavosi iš valstybinės į rinkos politiką. Parodoma Turkijos svarba regiono plėtrai, jo geoekonominei politikai energijos, prekybos ir investicijų srityse. Turkija, įvardijama kaip tiltas tarp Rytų ir Vakarų, galėtų vaidinti labai svarbų vaidmenį.

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