

## GERMANY & TURKEY – A PARTNERSHIP PERSPECTIVE

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*The article shortly deals with economic and commercial relations between Turkey, that keeps close regulary economic, political and cultural relationship and Germany, which is one of six founding fathers of the European Union. The subject of article has been searched within the following framework: Measurement of commercial relations between export and import between, investment relations between Germany and Turkey, mutual distribution sector.*

**Key words:** trade, export, import, trade balance, advantages.

*Articolul descrie relațiile economice și comerciale dintre Turcia și Germania, care păstrează aproape relațiile economice, politice și culturale regulate, fiind este unul dintre cei șase fondatori ai Uniunii Europene. Subiectul articol are ca scop măsurarea relațiilor comerciale, exportul și importul relațiile de investiții dintre Germania și Turcia, distribuirea reciprocă sectorială.*

**Cuvinte cheie:** comerț, export, import, bilanțul comercial, avantaje.

*Статья описывает экономические и торговые отношения между Турцией и Германией, которые тесно и регулярно поддерживают экономические, политические и культурные отношения и являются одним из шести основателей Европейского Союза. Тема статьи рассматривает измерение торговых отношений, экспорт и импорт инвестиционный отношений между Германией и Турцией, распределение взаимного сектора.*

**Ключевые слова:** торговля, экспорт, импорт, торговый баланс, преимущества.

**JEL Classification:** F17; F19; F23; F43

**Introduction.** Diplomatic relations between Turkey and Germany have begun with the opening embassies mutually in Berlin and Istanbul, which was capital of Ottoman Empire in the in 18<sup>th</sup> century and have culminated in the development of strong bonds with many facets that include economic, military, cultural and social relations. With the possible accession of Turkey to the European Union, of which Germany is the biggest member, and the existence of a huge Turkish diaspora in Germany, these relations have become more and more intertwined over the decades.

Germany and Turkey have held strong economic ties with one another throughout time. But, the important increase in economic and commercial relations between Germany and Turkey was observed particularly during the last ten years.

Germany was placed first at Turkey's exportation and it was placed third at Turkey's importation however, Turkey was placed sixth at Germany's exportation and it was placed seventh at Turkey's importation in 2014. Although bilateral trade volume reached to 38 billion US in 2014. This case rendered Germany as the largest trade partner of Turkey.

Amount of German investment to Turkey reached to 7.8 billion US dollars in 2002-2014 period, and number of German companies in Turkey are more than 6 thousand at the moment. Also number of Turkish companies in Germany are more than 92.000 and these companies provide employment to approximately 450.000 people and generated revenue approximately 45 billion euro.

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**The goal of research.** The goal of research is to reveal trade volume, export and import facet, foreign direct investment facet, bilateral relations between Germany and Turkey and to foresee perspective of aforementioned situations.

**The methodology of research.** Statistical methods of analysis, comparison methods, dialectical methods, historical methods and etc. has been used for analyse.

**The research and analysis.** The economic relationship between Germany and Turkey have become closer particularly during the last ten years. As of 2014, annual trade volume between two countries have reached to 38 billion US dollars. This situation rendered Germany as the largest trade partner of Turkey.

According to estimations, number of Turkish entrepreneurs in Germany will increase to 160.000, Turkish companies will provide employment to 720 thousand people, investment volume will rise to 15 billion euro and annual revenues will be approximately 66 billion euro. This case rendered Turkey as one of the then biggest trade partner of Germany till the end of 2014.

**Germany is the biggest trade partner of Turkey.** Germany is one of the founding fathers of the European Union, that has the largest population after Russia in European continent. In terms of economic size Germany is placing first in Europe and third in whole world. Germany has always played a key role in political economical and commercial constitutions in Europe due to its economic power.

Diplomatic relations between Germany and Turkey began with the opening of embassies mutually in both Berlin and Istanbul in 1763 and have more strengthened since the Labour Recruitment Agreement, signed in 1961. However, the number of Turkish citizens in Germany have reached to 4.480.574 and this case also strengthened relationship between two countries.

Since the establishment of diplomatic relations, Germany has become as the most important political, economic and cultural partner of Turkey. Namely, Turkey was the first most preferred country by German tourists in 2014 and number of German tourists got over 5 million. However, tourism is one of the most important inflow, which contributes to state budgets.

German-Turkish relations are tight and close in trade together with tourism. Annual trade volume between two countries have reached to 38 billion US dollars. This situation rendered Germany as the largest trade partner of Turkey (Table 1).

Table 1

General situation about the amount of Turkey-Germany foreign trade

YEAR	EXPORT (Thousand US \$)	IMPORT (Thousand US \$)	BALANCE (Thousand US \$)	VOLUME (Thousand US \$)
2014	7.484.931	9.452.964	-1.968.033	16.937.894
2013	8.745.282	12.515.655	-3.770.373	21.260.938
2012	9.455.050	13.633.888	-4.178.838	23.088.938
2011	9.686.235	14.768.220	-5.081.985	24.454.455
2010	11.993.232	17.539.955	-5.546.723	29.533.187
2009	12.951.755	18.687.197	-5.735.443	31.638.952
2008	9.783.225	14.096.963	-4.313.738	23.880.188
2007	11.479.066	17.549.112	-6.070.047	29.028.178
2006	13.950.825	22.985.567	-9.034.741	36.936.392
2005	13.123.905	21.400.614	-8.276.709	34.524.518
2004	13.696.842	24.182.422	-10.485.579	37.879.264
2003	15.156.028	22.369.253	-7.213.225	37.525.282

Source: Foreign Trade Information System of Ministry of Economy of Turkey.

**Germany took the first place in Turkey's export.** Turkey has lots of bilateral relations in terms of economy and trade with foreign countries. One of them is Germany. Turkey has a tight and close economic and trade relations with Germany. Germany took the first place in Turkey's export and it took the third place in Turkey's import after Russia and China. Furthermore Turkey achieved export to Germany 8.7 billion US dollars in 2004, however Turkey increased this price approximately 60% to 13.7 billion US dollars over the last decade. Also price of Turkish import from Germany was 12.5 billion US dollars in 2004 and this price reached to 24.1 billion US dollars in 2014 [2].

Turkey has always trade balance deficit excluding exceptional years in bilateral trade between Turkey and Germany. Trade balance deficit between Turkey and Germany in 2014 has been realized as 7 billion US dollars.

Solely Germany slid import and production to Central and Eastern Europe and eliminated taxes and quotas intended for these regions at the beginning of 2000s. Turkey has a strong import-export relationship with Germany. Correspondingly Germany's new position affected negatively to Turkey and was observed export growth slowdown till 2003. But in 2014, with the impact of booming global economy due to Asia and United States, that have weak commercial relations with Turkey, export between Germany and Turkey reached to 15 billion US dollars and approximately increased 10.7% considering 2013.

Turkish export to Germany includes 90% of manufactured products and 10% of food and agricultural commodities. Some chemicals, machines and means of transportation are the main industrial products of export. Suitable fibers for waving and cereals are the main agricultural products of export. German export to Turkey includes 98% of manufactured products and 2% of agricultural commodities. Means of road transportation, machines and equipments for industrial utilization, electrified machines and equipments, plastic and plastic goods, machines and equipments producing energy, iron and steel, pharmaceutical products and organic chemical products are main industrial products of German export to Turkey.

**Increase of foreign direct investment inflows to Germany from Turkey.** When we look at sectoral distribution of German companies in Turkey, we can see services and manufacturing industry as the most preferred sectors of investment. Food, confection, chemical products, electrical-electronics, machine production, production of transportation means and supplier industry of transportation means are looming large at manufacturing industry. Although German investors major on subsectors in terms of services such as trade, tourism, communication, banking, and investment financing.

On the other hand Turkish citizens, who went to Germany as "guest worker" in 1960s, have headed towards entrepreneurship, built up business and became as employers particularly since the beginning of 1980s.

Number of Turkish companies in Germany approximately increased three times considering 20 years ago. As of 2013, number of Turkish companies in Germany reached to 92.000 and provided employment to more than 450.000 people and generated revenue more than 45 billion euro. In other words they contribute significantly to German economy. If we look at sectoral distribution of these companies, we see food industry and textile are towering sphere of activity. Also importance of service sector increased more and more [2].

Considering economic position and general wealth structure, Turkey generally has taken a position, that keeps in the foreground to attract investments into the country rather than investing out of country. In this context, foreign direct investment (FDI) inflows to Turkey were 62.503 million US dollars between 2002-2008 years. 3.220 million US dollars of this amount belonged to Germany. German FDI inflows to Turkey were 1.298 million US dollars in 2009, 592 million US dollars in 2010, 605 million US dollars in 2011, 532 million US dollars in 2012, 1.900 million US dollars in 2013 and 693 million US dollars in 2014.

In terms of investment volume Turkey was so far from Germany, as follows Turkey's total FDI inflow to Germany between 2002-2012 period was 1.25 billion US dollars. It was 154 million US dollars in 2013 and this price reached to 178 million US dollars in 2014. Foreign direct investment stock of Turkey to Germany has been approximately 700 million US dollars as of 2011, however, German FDI stock to Turkey is 16.896 billion US dollars [1].

Interests of German investors to Turkey have increased especially since 1980. As a matter of fact only 24 German companies were showing activities till 1980. Solely number of German companies in Turkey rised to 5.573 in 2013 and reached to 6.015 in 2014.

According to estimations, number of Turkish entrepreneurs in Germany will increase to 160.000, Turkish companies will provide employment to 720 thousand people, investment volume will rise to 15 billion euro and annual revenues will be approximately 66 billion euro and Turkey will become one of the ten biggest trade partner of Germany till the end of 2015, if the present trend continues [1].

**Conclusions.** The bilateral economic relations between Germany and Turkish have became closer over the last decade and Germany became as the biggest trade partner of Turkey. Germany took the first place of Turkish exportation and it placed third at Turkish importation. Paralelly Turkey took the sixth place of German exportation and it was placed seventh at German importation. Although the biliteral trade volume reached to 38 billion US in 2014. This case rendered Germany as the largest trade partner of Turkey.

Foreign direct investment inflow of Germany to Turkey reached to 7.8 billion US dollars in 2002-2014 period, however, number of German companies in Turkey are more than 6.000 at the moment. Additionally number of Turkish companies in Germany are more than 92.000 and they provide employment to approximately 450.000 people.

According to estimations, number of Turkish entrepreneurs in Germany will increase to 160.000, Turkish companies will provide employment to 720 thousand people, investment volume will rise to 15 billion euro and annual revenues will be approximately 66 billion euro and Turkey will become one of the ten biggest trade partner of Germany till the end of 2015, if the present trend continues.

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