Chapter Eighteen

Strengthening U.S.-Turkish Trade and Investment Relations: Realistic Recommendations Toward Building "Complex Interdependence"

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The United States and Turkey have been NATO allies and strategic partners for more than six decades.[1] Yet, close security and political relations, and a legacy of the Cold War have dominated bilateral relations. The direction of interactions has continually been set by a relatively small circle of foreign policy and business elites. A decade ago, Ian Lesser of the German Marshall Fund cautioned (in his *Beyond Suspicion: Rethinking U.S.-Turkish Relations*) that the sustainability of the strategic partnership was at risk. This risk stemmed from the lack of diversity in relations, the inability of the two countries to build stronger connections on a societal level, especially in the economic domain.[2] I argue that this risk is still prevalent today despite mutual efforts following the 2008-2009 economic crisis to upgrade the alliance to the level of a "model partnership." In 2009, former presidents Barack Obama and Abdullah Gül, the architects of the project envisioning an expansion of bilateral ties toward the economic realm, initiated a Framework for Strategic Commercial and Economic Cooperation (FSECC). The bitter truth is that neither the idea of a model partnership nor its application, the FSEC, has been successful.

The commencement of negotiations in 2013 for a Transatlantic Trade and Investment Partnership (TTIP) between the United States and Europe became a new source of hope to advance bilateral (and trilateral) economic cooperation. In April 2013, then-Prime Minister Recep Tayyip Erdoğan wrote a letter to President Obama, expressing a desire to join the transatlantic talks. Turkey's announced aspiration demonstrated the readiness of

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1 The thoughts presented here are those of the author and not necessarily those of ISPAT or of the Turkish government. The author is thankful to Necmettin Kaymaz and İbrahim Ethem Tokgözlü for their input.

2 Lesser, Ian. *Beyond Suspicion: Rethinking U.S.–Turkish Relations* (Washington, D.C.: Woodrow Wilson International Center for Scholars, 2007), p.5.

not only the Turkish government but also broader economic circles in Turkey to incorporate the country into the emerging transatlantic commercial architecture. Although Ankara could not secure a seat around the TTIP negotiation table, Turkey's enthusiasm injected power to a sideline initiative on the troublesome EU-Turkish front (i.e., a project to modernize the EU-Turkey customs union, a step toward Turkey's accession process into a future TTIP agreement).

At the time of this writing, the TTIP project has been suspended and Turkey's relations with its transatlantic allies are strained, pointing to the greatest crisis in Turkish transatlantic relations in recent history. Several landmines have been placed on the U.S.-Turkey front because of differences over Syria and domestic developments in Turkey following the failed coup attempt in July 2016. Right now, the completion of TTIP talks does not seem feasible because of European NGOs' determined opposition, the sweeping revitalization of (economic) nationalist currents, and mercantilist discourses in Europe and the United States. The Brexit decision in the June 2016 referendum and U.S. President Donald Trump's election last November point to a new crossroads in the transatlantic (and global) trading order. Now, all transatlantic governments must find alternative policy options that would recalibrate regional and global economic relations.

This chapter is a modest contribution to the policy debate on the challenges and opportunities to deeper economic cooperation between the United States and Turkey. Advancing Lesser's argument, I contend that the sustainability of U.S.-Turkish strategic partnership depends on the two parties' ability to build "complex interdependence." This will require both sides to address a series of key chronic obstacles to economic cooperation rather than engaging in any unrealistic grand projects like a "TTIP+Turkey," or an immature Turkey-U.S. Free Trade Agreement (TUFTA). The article begins with a multifaceted analysis of the current state of affairs and challenges to the U.S.-Turkish trade and investment relations. It then provides a thorough analysis of Preferential Trade Agreement (PTA)[3] options between the U.S. and Turkey (i.e., the TTIP+Turkey and TUFTA scenarios). The chapter concludes with policy recommendations for building a realistic and mutually beneficial policy agenda in the short and medium run.

[3] This chapter uses PTAs to refer to all preferential commercial treaties build upon Free Trade Agreements (FTA) and customs unions.

Current State of Economic Relations and Institutional Framework

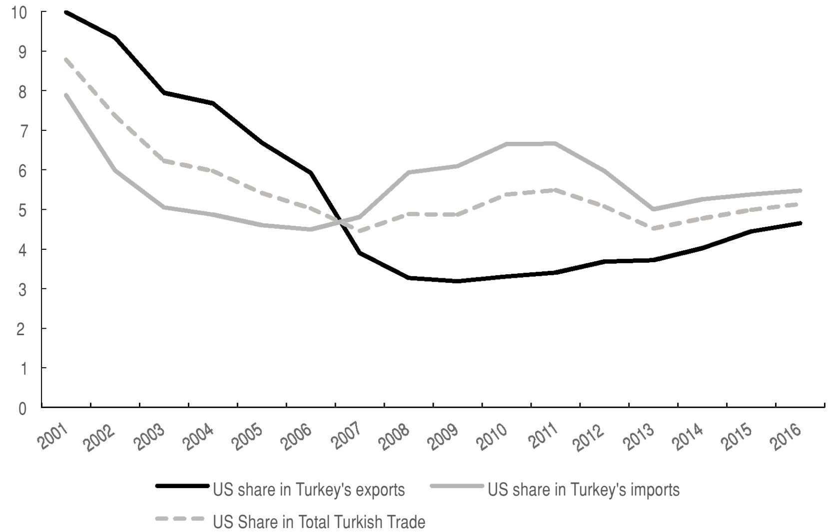
Despite talks of a strategic partnership for several decades, U.S.-Turkish economic relations, and the institutional framework of those relations have historically been underdeveloped when contrasted to Turkey's articulation with Europe, or if compared to the U.S.' ties with Mexico, Israel, and even India. In contrast to Turkish-European relations, U.S.-Turkish ties are far from characteristics of a "complex interdependence," which, according to Keohane and Nye, refer to the diversity of complex transnational links including economic connections between both the states and societies. Peaceful relations prevail in a state of complex interdependence, as military conflict becomes too costly to engage. Connections between the parties are built through multiple channels and multiple issue areas not arranged in a consistent hierarchy (e.g., military and security issues do not consistently dominate the agenda).[4]

Trade in Goods: Growing Slowly and Asymmetrically

U.S.-Turkish economic rapprochement over the past decade has resulted in partial success, and mostly in favor of the United States. Despite dedicated Turkish export promotion strategies toward the United States since 2006, the U.S. share of Turkish goods exports has experienced an alarming decline from 11 percent to 3 percent from 2000 until after 2009 (see Figure 1). While a similar (though a flatter decline) is observed in the share of U.S. products within Turkish imports, the U.S. succeeded in augmenting its share slightly after 2007. Bilateral trade volume expanded from 6 billion dollars in 2001 and peaked at 21 billion dollars in 2011. It then slightly declined to 17 billion dollars in 2016 (see Figure 2). Last year Turkey exported 6.6 billion dollars' worth of goods to the United States, in turn for 10.8 billion dollars' worth of imports from the U.S. Despite Turkey's strategies to diversify its trade markets away from the EU, Europe still captures half of Turkish trade volume. In 2016, the U.S. was Turkey's 5th largest export market following Germany, the U.K., Iraq, and Italy, whereas the U.S. was Turkey's 4th largest supplier of goods imports following China, Germany, and Russia. Turkey was registered as the 29th largest export market for U.S. goods, and the 33rd largest supplier of good imports.

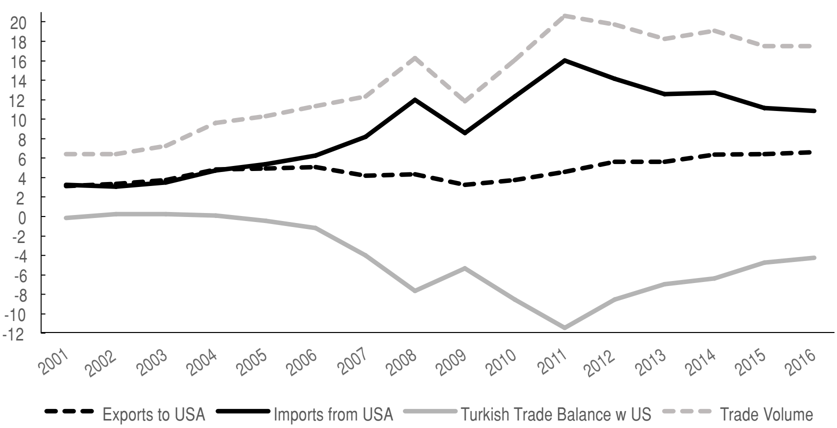
4 Keohane, Robert O. and Nye, Joseph S. *Power and Interdependence*. 4th ed. (London: Pearson, 2011)

Figure 1. U.S. Share in Turkey's Goods Trade with the World (in percentage terms)



Source: UN Comtrade.

Figure 2: U.S.-Turkish Bilateral Trade in Goods (2001-2016) (in billions of dollars)



Source: UN Comtrade

Trade in Services: Still a Neglected Territory

Bilateral trade in services has also been far from a success story. According to the WTO, in 2015, total Turkish exports amounted to 47 billion dollars, while Turkey's imports stood at 22.6 billion dollars.[5] The European Commission (EC) data indicate an overwhelming EU leadership in services trade with Turkey, largely due to tourism and travel services exchange. The UN Comtrade data suggest that in 2015, the U.S. imported 2.1 billion dollars' worth of Turkish commercial services, and exported 2.7 billion dollars' worth of commercial services to Turkey.[6] Hence, Turkey became the United States' 34th export market and its 33rd import source in 2015. The U.S. captured around 7 percent of Turkey's services trade volume. The United States Trade Representative (USTR) data show also that in 2014, the sales of services by majority U.S.-owned affiliates in Turkey were around 5.3 billion dollars (according to the latest data available). This manifests that foreign direct investment (FDI) is a well-developed mode of supply of U.S. services to Turkey.[7]

Investment Ties: Underdeveloped but Promising

Turkey's voluminous and more diversified trading ties with the EU illustrate the deeper integration of Turkish suppliers into the European value chains through not only trade but also FDI linkages. According to a Boston Consulting Group (BCG) report, Turkey has been "under-invested" in by American multinationals. Considering the share of U.S. FDI outflows within total inflows of FDI into Turkey, the country is far from receiving its "fair share" from U.S. FDI outflows.[8] Between 2002 and 2016, Turkey attracted around 140 billion dollars in FDI value. U.S. inflows captured only 8 percent of this sum, while European investors represented 68 percent of the total (see Figure 3).

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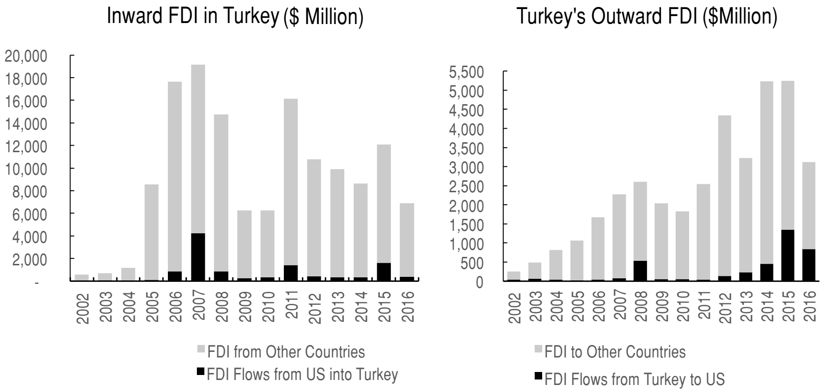
5 The Turkish government does not compile and publish data on bilateral trade in services. The U.S. began compiling and disseminating aggregate data in 2015.

6 Data for U.S. exports of services to Turkey for 2015 differ slightly on the USTR website as 3.1 billion dollars.

7 The sales of Turkish services in the United States by majority Turkey-owned firms were only 74 million dollars. Office of the United States Trade Representative, *2017 National Trade Estimate Report on Foreign Trade Barriers* (Washington, D.C. 2017): p. 435.

8 Boston Consulting Group (BCG). *Achieving Turkey's fair share within U.S. FDI: Final Steering Committee Presentation*, 6 May 2011, Istanbul.

Figure 3. Turkish FDI Inflows and Outflows and the Share of the U.S.



Source: Central Bank of the Republic of Turkey.

Investment stands as the key area of building deeper and more complex economic relations between the U.S. and Turkey. More than 1,700 U.S. firms are actively operating in the Turkish market in wholesale retail, information and communications technology, construction, and real estate and manufacturing (see Table 1).[9] U.S. firms are vigorously involved in the Turkish mergers and acquisition market (see Table 2 and Table A.1 in the annex). U.S. FDI in Turkey provides a basis for U.S. companies seeking new markets in Europe and Middle East and North Africa (MENA) regions. Over the past decade, several U.S. multinationals have moved their regional headquarters to Turkey, using the country both as a production basis and as a managerial center (see Table A.2 in the annex). In contrast, between 2002-2016, Turkish residents invested around 36.7 billion dollars abroad. Turkish investments in the U.S. amounted to 11 percent of this amount. Turkish FDI to the U.S. has surpassed U.S. FDI to Turkey in recent years (see Figure 3).

The composition of bilateral trade in goods shows a lower level of integration compared to Turkey's merchandise trade with Europe. EU-Turkish trade illustrates the two-way intra-industry and intrafirm exchange between Turkey and Europe in various product groups including motor vehicles, textiles and apparel, chemicals, machinery and agro-food. This

9 Major U.S. investors to Turkey are also members of AmCham Turkey. Accessed on May 1, 2017. http://www.amchamturkey.com/member-companies.

Table 1: Sectorial Breakdown of the American Companies in Turkey

Sectorial Breakdown	No. of Firms
Wholesale trade and commission trade, except motor vehicles and motorcycles	305
Other business activities	216
Retail trade, except motor vehicles and motorcycles repair of personal and household goods	143
Computer and related activities	115
Construction	82
Hotels and restaurants	79
Real estate activities	64
Others	725
Total	1,729

Source: Ministry of Economy, as of the end of December 2016.

Table 2: Mergers and Acquisitions in the Turkish Market and the Share of U.S. Investors

	2010	2011	2012	2013	2014	2015	2016
Deal number	203	241	253	215	234	245	248
Foreign Investors	73	138	119	89	113	125	93
US Investors	12	22	22	10	21	27	16
Deal volume (in billions of dollars)	17.3	15	22	17.5	18	16.4	7.7
U.S. Investors*	0.243	N/A	1.156	0.152	0.523	2.952	0.77

Source: Deloitte Annual Turkish M&A Reviews.

*Approximate figures calculated using disclosed values.

reflects Turkish firms' strong articulation with global value chains (GVCs) via European multinationals.[10] Such intensive integration is not yet visible in U.S.-Turkish trade aside from trade of iron and steel and vehicles and parts, the latter largely driven by the Ford-Koç Group joint venture man-

[10] World Bank. *Evaluation of the EU-TURKEY Customs Union*, March 28, 2014, Report No. 85830-TR (Washington, D.C.: World Bank Publications, 2014), p.9; World Bank, *Trading up to High Income*, May 5, 2014, Report No. 82307-TR. (Washington, D.C.: World Bank Publications, 2014), pp. 40-52.

ufacturing commercial vehicles in Turkey. A McKinsey study showed Turkish exports to the U.S. market are made up of labor and capital-intensive products, which do not match with the U.S. imports portfolio typically filled with raw material and research-intensive products (i.e., petroleum and machinery).[11] Overall, Turkey imports American intermediate goods (scrap iron and steel, chemicals), high value-added products (aircraft, machinery, and defense equipment), and mineral fuels and coal. In turn, Turkey exports finished iron and steel products, vehicles, textiles and clothing, machinery, and building materials.

Institutional Framework: Weak and Underdeveloped

Another factor underlying shallow economic integration between the U.S. and Turkey is the weakness of the bilateral economic institutional framework. The WTO continues to be the overarching umbrella governing bilateral ties. In the multilateral commercial arena, Turkey has acted as a loyal U.S. ally, sometimes to the detriment of its own national economic interests.[12] Besides the WTO, U.S.-Turkish bilateral ties have been shaped by a gelatinous framework of mostly non-binding agreements such as the Trade and Investment Framework Agreement (TIFA). The FSECC initiative[13] in 2009 was a significant move to change the security-driven structure by pulling in economic policy-makers into the agenda-setting. It was supposed to become a framework for the governance of economic ties, to be chaired by economic policy leadership at cabinet-level. Nevertheless, as a top-down government-driven structure, FSECC soon proved dysfunctional. Periodical diplomatic meetings (including those of the U.S.-Turkey Economic Partnership Commission) continued to be spear-

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[11] McKinsey & Company. "A Diagnostic Overview of Turkish Exports to the United States," *The Turkey-U.S. Business Council Board Presentation*, Ankara 2009. Also see: Sidar Global Advisors. "U.S.-Turkish Economic Relations in a New Era: Analysis and Recommendations for a Stronger Strategic Partnership," *Report for U.S. Chamber of Commerce and Turkish Industry and Business Association*, 2012, p.15. Available here: http://www.uschamber.com/sites/default/files/reports/20120312-USCC-Report.pdf.

[12] Even in areas like farming where Turkey has sufficient defensive interests to hold a strong position in the WTO against the EU and U.S., Ankara kept a low profile. Turkey shies away from challenging its transatlantic allies. It does not take part in high-profile coalitions such as G-22 (also known as G-20). Turkey joined lower profile, more technical alliances, including the G-33, a coalition calling for flexibility for developing countries in opening agriculture markets. The coalition opposed tariff cuts and pressed for the establishment of a Special Safeguard Mechanism for "special" (i.e., sensitive) agricultural products of developing countries. See https://www.wto.org/english/tratop_e/agric_e/negoti_groups_e.htm

[13] https://obamawhitehouse.archives.gov/the-press-office/2013/05/16/fact-sheet-us-turkey-economic-partnership.

headed by two foreign offices.[14] In addition, commercial (sometimes back-door) diplomacy was actively used, especially by the U.S. A Bilateral Investment Treaty (BIT) signed in 1985 (put into effect in 1990). This is perhaps the only economic pact worth mentioning as it has some binding power on the signatories. Beyond these bilateral connections, both parties have had unilateral initiatives and policies to enable better market access and enforcement of trade rules.

Business Incorporation into Agenda-setting: Fragmented, Non-transparent, and Biased

A key reason for the underdeveloped institutional structure and weak economic ties is similarly weak business incorporation into collective policymaking. There are few joint business bodies dedicated to enhanced business cooperation, usually representing member firms' interests in defense, energy, and pharma industries, dominating the tone of economic relations.[15] Few Turkish and U.S. business bodies also have an official network on one side to defend interests of a diverse set of constituencies on the other side.[16] Such a fragmented and non-transparent landscape of distinct vested interests has never led to a collective business voice inclusive of interests of all economic stakeholders such as small and medium-sized enterprises (SMEs). There is no equivalent to the Transatlantic Business Dialogue (TABD), which has operated since the mid-1990s to develop workable guidelines and roadmaps to U.S. and European governments, that eventually paved the way for the TTIP process.[17]

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[14] For instance, see: http://www.mfa.gov.tr/joint-statement-following-the-2015-u_s_-turkey-economic-partnership-commission.en.mfa; https://2009-2017.state.gov/r/pa/prs/ps/2015/02/237492.htm.

[15] These include the American-Turkish Council (ATC), U.S. Turkey Business Council, Turkish American Chamber of Commerce and Industry (TACCI) and Turkish American Business Association, which acts as the American Chamber of Commerce (AmCham) in Turkey.

[16] U.S. Chamber of Commerce is operating in Turkey through its Middle East and Turkey program and U.S. Turkey Business Council. Turkish Union of Chambers and Commodity Exchanges (TOBB) and Turkish Industry and Business Association (TUSIAD) have an office in Washington, D.C.

[17] Representing joint business preferences above any other sectoral body or interest groups TABD was joined by the Transatlantic Economic Council (TEC) in 2007 as an additional and broader advisory platform towards reaching the collective business objective of creating a barrier-free transatlantic market. http://www.transatlanticbusiness.org/tabd/.

Challenges for More Integrated Markets

Several market and government-driven difficulties stand against deepening economic integration between the two markets. U.S. traders and investors have encountered challenges including the high Turkish tariffs (especially in agriculture), non-tariff barriers (NTBs), issues about the business climate, and the recent rise of government interventionism in Turkish markets. For Turkish firms, challenges are partly due to the competitive U.S. market and partly because of the NTBs especially in—but not limited to—farming. Turkey seems to have mostly defensive interests in agriculture.[18] The U.S. has potential offensive interests in farming as it successfully increased nuts, cotton, and soybeans exports, as vital inputs to Turkish textile and livestock producers. In industrial goods, both sides have offensive and defensive areas and use different protection instruments for select product groups. In trade and investment, both countries have quite liberal regimes, yet there is room for improving relations if remaining barriers removed. The U.S. seems more offensive in public procurement and in a variety of service sectors, while both Turkey and the U.S. have offensive interests in construction services.

Market-driven Challenges for Turkish Merchandise Exporters

As discussed above, Turkish exporters have a chronic failure to shore up their share in the U.S. market. Their inability rests on factors other than governmental barriers. Major issues are logistical bottlenecks including limited access to distribution channels, the lack of sufficient scale to compete in the U.S. market, and difficulty in meeting U.S. consumers' taste and demand about product quality.[19] Despite dedicated export promotion strategies toward the U.S. since 2006, Turkish stakeholders failed to develop a sophisticated approach to match compositions of exports and

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[18] Turkey seems to have offensive interests only in certain fruits, vegetables, and processed food categories, but it is predominantly defensive in most cereals, oilseeds, livestock products (especially cattle and bovine meat) (e.g., H. Ozan Eruygur, "Impacts of Agricultural Trade Liberalization Between EU and Mediterranean Partners Countries," Report for SUSTAINMED Project for EU 7th Framework Programme, 2012; Myrna van Leeuwen, Petra Salamon, Thomas Fellmann, Ali Koç, Gülden Bölük, Andrzej Tabeau, Roberto Esposti, Andrea Bonfiglio, Antonello Lobianco and Kevin Hanrahan. "Potential impacts on agricultural commodity markets of an EU enlargement to Turkey: Extension of the AGMEMOD model towards Turkey and accession scenario," *JRC Scientific and Technical Reports*, EUR 24772 EN—2011; and World Bank. *Evaluation of the EU-TURKEY Customs Union*, pp.64-65.

[19] McKinsey & Company. "A Diagnostic Overview of Turkish Exports [...] and Sidar Global Advisors, "U.S.-Turkish Economic Relations in a New Era, p. 15.

imports, and to address the scale, quality, and logistical issues. Hence, Turkish exporters, especially SMEs, opt for "easier" markets in the MENA region, and they often use Europe as a facilitator for building competitiveness before moving to other regional markets.[20]

Tariffs: An Issue for U.S. Firms

Tariffs constitute a primary issue for U.S. farm exporters to Turkey, if not the most significant barrier for Turkish firms exporting to the U.S. market. Especially in farming, still outside the scope of the Turkish-EU Customs Union, Turkey applies high (MFN) tariffs and three-digit tariff peaks (see Figure 4 and Table 3). Since 2014, Turkey has vigorously taken advantage of remaining policy space from international commitments by increasing tariffs on several products affecting U.S. exports in furniture, medical equipment, tools, iron, steel, footwear, carpets, and textiles. In addition, Turkey opts for import licenses, especially for certain agricultural products.[21] While U.S. tariffs and other restrictions play an important role in hindering Turkish exports,[22] close to 77 percent of Turkey's farm exports and approximately 75 percent value of non-agriculture exports enter the U.S. market duty-free.[23]

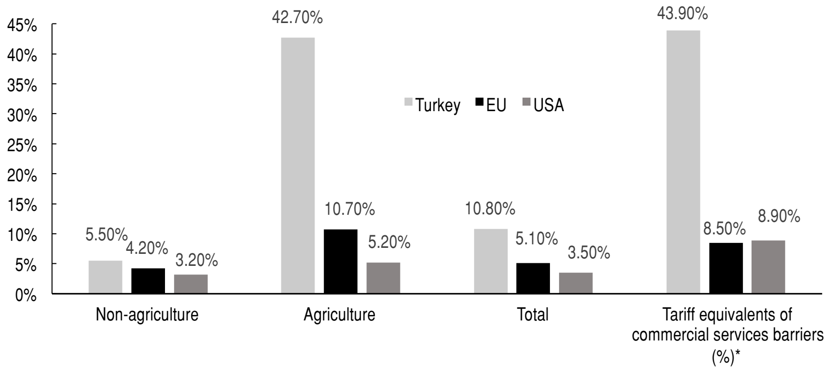
[20] World Bank. *Evaluation of the EU-TURKEY Customs Union*, p.11

[21] Office of the United States Trade Representative. *2017 National Trade Estimate Report on Foreign Trade Barriers* (Washington, D.C. 2017): pp. 438-439; Bown, Chad P. "Trade Policy Flexibilities and Turkey: Tariffs, Anti-dumping, Safeguards and WTO Dispute Settlement," *The World Economy*, 2014, pp. 193-218, pp. 201-204.

[22] The Turkish Ministry of Economy reports that some Turkish exporters complain about high tariffs in the U.S. market for Turkish tobacco and alcoholic beverages, textiles, garments and shoes, dairy, fruits and vegetables. See: Ministry of Economy. *Pazara Giriş Engelleri 2015 Raporu*, Anlaşmalar Genel Müdürlüğü, Ankara, 2015, p.3.

[23] World Trade Organization, International Trade Center, United Nations Conference on Trade and Development. *World Tariff Profiles 2015*, (2015), p. 171. Some of this duty-free access is thanks to the Generalized System of Preferences regime of the United States, which allowed for 18 percent of Turkish exports to enter the U.S. duty free in 2012. Products covered included copper derivatives, vehicles and parts, jewellery, processed vegetables, articles of stones, and rubber products. See: Weaver, Marin. *Expanding Turkey's Exports through the Generalized System of Preferences (GSP) Program*, Office of the U.S. Trade Representative Executive Office of the President, March 2013. The United States has recently excluded an increasing number of Turkish products (e.g., certain fruits, stone products, jewellery, and wire) from GSP duty-free benefits. See: McKinsey & Company. "A Diagnostic Overview of Turkish Exports to the United States [...]"; Sidar Global Advisors. "U.S.-Turkish Economic Relations in a New Era," p.21.

Figure 4: Barriers to Trade in Goods and Services Compared



Source: WTO World Tariff Profiles.
*Calculations by Gary Clyde Hufbauer, J. Bradford Jensen and Sherry Stephenson Assisted by Julia Muir and Martin Vieiro "Framework for the International Services Agreement" *Policy Brief*, No PB 1 2 - 1 0, (Washington, D.C.: Peterson Institute for International Economics, 2012), p. 17.

Non-Tariff Barriers (NTBs)

NTBs, which cover all regulatory and standards-related *domestic* barriers, constitute a bigger challenge for traders and investors. Turkish products face barriers in the U.S. (and EU) market especially in the form of farm subsidies and higher Sanitary and Phytosanitary (SPS) standards as well as technical standards, which affect a series of Turkish exports including agro-food, cosmetic and medical equipment to access to the U.S. market.[24] On the other hand, U.S. farm exporters encounter Turkish subsidies (especially export subsidies, domestic supports, and tax credits given to farmers) as well as price-distorting business practices of the State-Owned-Enterprises (SOEs) (i.e., the Turkish Grain Board arguably affecting wheat, flour, biscuit, and pasta prices).[25] Turkey's domestic support regime is criticized for not being transparent and for its weak harmonization with the EU's reformed Common Agriculture Policy (CAP).[26] Yet, the U.S.

[24] Ministry of Economy. *Pazara Giriş Engelleri 2015 Raporu*, p. 5-6. A critical issue for the United States is the EU-aligned Turkish restrictions on Genetically Modified Organisms (GMOs) and Mandatory Biotechnology Labelling, which particularly affect American biotech seeds and food products. Office of the United States Trade Representative, *2017 National Trade Estimate Report*, pp. 436-438.

[25] Office of the United States Trade Representative. *2017 National Trade Estimate Report*, p. 440.

[26] Ankara has been called to announce a strategy and timeline towards harmonizing its policies to the EU's *acquis*. See: World Trade Organization. *Trade Policy Review*, *Turkey: Record of the Meeting*, Addendum, Trade Policy Review Body 21 and 23 February 2012, WT/TPR/M/259/Add.1. (2012), pp. 17-18, pp. 154-156.

Table 3: Compared Average Applied Tariff Rates by HS Section for 2016 (HS Rev.2012)

HS code	Products	EU	USA	TR
1	Live animals animal products	8.4	4.79	107.69
2	Vegetable products	2.82	1.35	53.88
3	Animal or vegetable fats and oils etc	3.48	2.06	23.27
4	Prepared foodstuffs beverages tobacco etc	5.62	5.76	37.01
5	Mineral products	0.08	1.11	0.22
6	Products of the chemical or allied industries	0.66	1.04	1.29
7	Plastics, rubber, and articles thereof...	1.26	2.06	2.5
8	Raw hides and skins, leather, travel goods, handbags etc	1.05	4.84	2.03
9	Wood and articles of wood etc.	0.52	0.66	1.28
10	Pulp of wood paper or paperboard and articles thereof etc	0	0.15	0
11	Textiles and textile articles	2.83	8.9	5.35
12	Footwear, headgear, umbrellas artificial flowers etc	2.71	7.97	5.75
13	Articles of stone, plaster, cement glass and glassware etc	1.03	2.5	1.9
14	Natural or cultured pearls, precious or semi-precious stones, precious metals, etc.	0.09	0.77	0.28
15	Base metals and articles of base metal	0.49	0.76	3.07
16	Machinery and mechanical appliances electrical equipment sound recorders etc.	0.36	0.63	0.69
17	Vehicles, aircraft, vessels and associated transport equipment	1.9	1.79	3.78
18	Optical, photographic, cinematographic, measuring, medical instruments	0.28	0.94	0.71
19	Arms and ammunition parts and accessories thereof	1.39	0.91	1.66
20	Miscellaneous manufactured articles	0.4	1.57	0.86
21	Works of art, collectors' pieces and antiques	0	0	0

Source: WTO World Tariff Profiles 2016

government reports only a few issues in the area of technical standards for industrial goods, which affect U.S. toy, footwear, and drug exporters.[27]

Barriers to Investment and Services

The area of investment protection and liberalization provides the potential for expansion of FDI flows. While it has a more liberal FDI regime than the U.S., the OECD reports that Turkey has outstanding regulatory barriers in (mostly services) sectors such as maritime and air, radio and TV broadcasting, transport, media, and natural resource-based (primary) sectors.[28] Turkish regulatory restrictions are comparatively higher than the U.S. restrictions in real estate, accounting and auditing, tertiary (services) sector and business services. The two governments may address remaining obstacles and work out an improved bilateral investment regime beyond existing Bilateral Investment Treaty (BIT).

In the area of trade in services, the two governments have been participating in negotiations for a Trade in Services Agreement (TiSA) in Geneva, a continuation of the Doha services talks in a narrower context.[29] Turkish aggregate trade figures show competitive capacities in lower value-added services (transport and tourism) whereas an import dependency is visible in more sophisticated areas (financial, information technologies or professional services).[30] The WTO data illustrate Turkey's competitive edge in personal, cultural, and recreational services (ranked third globally in 2015, the EU taken as a single entity), construction services (ranked 10th), and transportation services (ranked 11th).[31] In particular, Turkey has offensive interests is health tourism.[32] Nonetheless, Turkey has not been a proactive player in the WTO/TiSA services talks and did not exhibit an offensive position in most of these sectors aside from construction and related engineering services. In contrast, during the Geneva talks the U.S. requested concessions in the construction sector, computer and

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27 Office of the United States Trade Representative. *2017 National Trade Estimate Report*, pp. 435-436.

28 See: http://www.oecd.org/investment/fdiindex.htm. (Accessed May 1, 2017).

29 In addition to the U.S. and EU the following countries participate in TiSA talks: Australia, Canada, Chile, Hong Kong, Iceland, Israel, Japan, South Korea, Liechtenstein, New Zealand, Norway, Switzerland, Taiwan, Colombia, Costa Rica, Mauritius, Mexico, Panama, Peru, Turkey, Pakistan, and Paraguay.

30 World Bank. *Trading up to High Income*, pp. 55-56.

31 World Trade Organization. *World Trade Statistical Review 2016* (Geneva: WTO Publications, 2016).

32 World Bank. *Trading up to High Income*, p.10.

related services, postal and delivery, telecommunications, environmental, financial, and energy services, audio-visual and education services.[33] Moreover, average tariff equivalents of commercial services barriers in Turkey might be up to seven times higher than those of the United States and the EU (see Figure 4). To put it bluntly, further liberalization of regulatory barriers in Turkey would have a greater impact on Turkish imports than on imports from transatlantic allies.

The U.S. has also some horizontal offensive interests in the Turkish market such as the removal of the Turkish citizenship requirements in professional services (i.e., legal, accounting, auditing and other services). The Office of the U.S. Trade Representative (USTR) has been critical of the recent escalation of legal restrictions on the internet access in Turkey, of the government's blocking of particular websites, and of the Turkish privacy regime, which constrains cross-border data transfer. Turkey's imposition of regulations on the use of encryption hardware and software is not welcomed by the U.S.[34]

Barriers to Public Procurement Markets

Public procurement is an area where the U.S. has aggressively attempted to liberalize emerging economies through trade policies and advocacy while maintaining protections in the domestic market through "Buy American" measures.[35] Turkey has not had an elaborate trade strategy in this realm, and it has usually pursued a defensive attitude vis-à-vis the U.S. and the EU.[36] The Turkish public procurement market amounted to 48 billion dollars in 2016, and presents lucrative opportunities for U.S. suppliers thanks to Turkey's recent robust economic growth and grand infrastructure projects undertaken or planned. However, tender processes and procedures are a cause of U.S. complaint because of the complexity of

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[33] Marchetti, Juan A. and Roy, Martin. "The TiSA Initiative: An Overview of Market Access Issues," *Staff Working Paper*, ERSD-2013-11, (Geneva: World Trade Organization Economic Research and Statistics Division, 2013), p. 17.

[34] Office of the United States Trade Representative. *2017 National Trade Estimate Report*, pp. 440-441.

[35] Weiss, Linda and Thurbon, Elizabeth. "The business of buying American: Public procurement as trade strategy in the USA," *Review of International Political Economy*, 13,5 (2006), pp. 701–724.

[36] Anticipating a more efficient, non-discriminatory, transparent and accountable set of rules and practices, U.S. and European governments have been pressuring Ankara for its accession into the WTO's Government Procurement Agreement, where Turkey stands as an observer. (e.g., World Trade Organization, *Trade Policy Review*, *Turkey: Record of the Meeting*, p. 11, p. 150

requirements and transparency issues.[37] The U.S. government has also been critical of the (up to) 15 percent price advantage for domestic suppliers and the "offset option" in public tenders intensively utilized as part of Turkey's new industrial policies (specifically for the "localization" agenda and purposes of encouraging technology transfer).[38]A significant part of domestic industry bodies stand against further liberalization of the market as they perceive more economic losses than any gains in the short run.[39]

The Strategic Mismatch in the Context of the Global Shift

Over the past decade, the U.S. and Turkish governments have experienced difficulty recalibrating bilateral relations in line with the tectonic shifts in the global political economy. Two common challenges have been the "global re-balancing" and escalated competition, and the fragmentation of production along global supply and value chains. The 2008-2009 crisis was a critical benchmark in making the strains created by the global re-balancing toward "rising powers" such as China, affecting dynamics underlying the U.S.- Turkey relations. Under the Obama administration, the U.S. revisited its foreign economic strategies adopting a proactive approach to better access emerging markets along with a competitiveness-driven and surplus-oriented jobs and growth agenda.[40] Similarly, Turkey has proactively pursued a regional trade promotion agenda to diversify its markets, adopting a new industrial policy to encounter global competitive pressures. Nevertheless, the U.S. and Turkey have failed to re-calibrate bilateral economic ties along with the realities of globalization, global value chains, and dissimilar economic challenges. Clearly, there is a strategic mismatch between U.S. and Turkish industrial visions and priorities;

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[37] U.S. Commercial Service, U.S. Department of State. *Doing Business in Turkey: 2014 Country Commercial Guide for U.S. Companies*, Washington, D.C. 2014, p. 3, p.93.

[38] Office of the United States Trade Representative. *2017 National Trade Estimate Report*, pp. 439-440.

[39] They are particularly concerned about worsening of Turkey's current account deficit and potential loss of domestic market to foreign suppliers. See: The Union of Chambers and Commodity Exchange of Turkey (TOBB), "DTÖ Kamu Alımları Anlaşması, Türkiye Odalar ve Borsalar Birliği'nin Ekonomi Bakanlığı Anlaşmalar Genel Müdürlüğü'ne yazısı," 0402/4569, February 28, 2013, pp. 2-3.

[40] Ahearn, Raymond J. "Rising Economic Powers and U.S. Trade Policy" *Congressional Research Service*, 7-5700, R42864, December 3, 2012; Kupchan, Charles A. *The Geopolitical Implications of the Transatlantic Trade and Investment Partnership* (Washington, D.C.: Transatlantic Academy, 2014).

Turkey's developmental policy orientation is juxtaposed with the United States' surplus-focused trade and enforcement agenda.

U.S. Trade Policies and Strategies Post-2008

The 2008-2009 economic crisis and its aftermath have resulted in concerns on both sides of the Atlantic about an emerging multipolar world and the inability of the transatlantic leadership to advance a market-oriented liberalization agenda through multilateral channels such as the WTO.[41] Emerging markets, especially in Asia, provided both opportunities and competitive challenges for transatlantic corporations. While U.S. and EU corporations have moved their production toward those markets, they also encountered state-driven economic policies and new forms of NTBs to the detriment of fair competition.[42] Facing common challenges, transatlantic businesses and governments came closer than ever through TABD and other channels. Consequently, both U.S. and EU strategies underscored a sustainable and balanced economic growth, a competitiveness-driven and surplus-oriented jobs and growth agenda, and a more equitable international burden-sharing in global governance.[43]

In this context, the Obama administration adopted a new set of strategies for the "challengers" and for partners. In 2010, the U.S. initiated the National Export Initiative (NEI, aiming to double U.S. exports of goods and services in five years. The initiative envisioned a proactive use of unilateral, bilateral, and multilateral instruments to open markets to U.S. goods and services by adopting a multi-tier approach, which classified major trade partners. While China, India, and Brazil were put in the first tier, Turkey was in the "next tier" markets along with other fast-growing and less problematic economies (e.g., Colombia, Indonesia, Saudi Arabia, South Africa, and Vietnam). The U.S. government leveraged instruments of trade advocacy, export promotion, exports financing, and better enforcement of trade rules for a more even playing field and smooth functioning of U.S. multinationals' supply chains. President Obama's "pivoting to

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41 Transatlantic Task Force. *A New Era for Transatlantic Trade Leadership: A Report from the Transatlantic Task Force on Trade and Investment*, (Washington, D.C.: GMF, ECIPE, 2012). pp. 8-10.

42 Raymond J. Ahearn, "Rising Economic Powers and U.S. Trade Policy."

43 Bendini, Roberto. *In-depth Analysis: The European Union's trade policy, five years after the Lisbon Treaty*, European Parliament, Directorate-General for External Policies Policy Department, DG EXPO/B/PolDep/Note/2014_76, March 2014, p. 10-7; National Export Initiative (NEI), *Report to the President on the National Export Initiative: The Export Promotion Cabinet's Plan for Doubling U.S. Exports in Five Years*, Washington, D.C. (2010).

China" bid and "mega-regionals" offensive operationalized the new strategic orientation. The U.S. government only intensified export promotion activities toward Turkey.[44] The idea of building a "model partnership" with Turkey was the product of the same mindset. It proved a smart but ineffective top-down move to recalibrate U.S.-Turkey relations in the new global and regional strategic environment, while the NEI only partially succeeded in expanding trade ties with Turkey.

Turkish Trade Policies and Strategies

Ankara has also taken steps toward recalibrating economic relations with conventional partners and rising powers. The AK Party (Justice and Development Party) government's initial commercial focus was to continue deepening ties with Europe while diversifying trade markets in Turkey's region and the Muslim world, parallel to the growing self-perception of a "benign regional power."[45] Only after the successful implementation of a Neighboring and Surrounding Countries Trade Promotion Strategy, the Turkish Under-secretariat of Foreign Trade (re-named the Ministry of Economy in 2011) has initiated the Strategy to Improve Commercial and Economic Relations with the U.S. in 2006.[46] This was the first proactive Turkish economic bureaucracy involvement in the security-prevailing management of bilateral relations with the U.S. Nevertheless, as the strategy focused solely on the promotion of goods exports, and had several other defects, it never succeeded in expanding Turkey's exports to the U.S. to the targeted level of 15 billion dollars (by 2010) (see Figure 2). Since 2011, Turkey's U.S. trade strategy has been immersed with a more encompassing Export 2023 Strategy, which adopted trivial modifications in the use of policy instruments. Under the Export 2023 Strategy, (and later through the "market access" programs of the Ministry of Economy), the Turkish government moved to a "two-tier" approach toward Turkey's export markets. Ankara put the highest priority to the U.S. together with

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[44] U.S. export promotion activities for Turkey: http://2016.export.gov/turkey/index.asp. Accessed on May 1, 2017.

[45] Öniş Ziya and Kutlay, Mustafa. "Rising Powers in a Changing Global Order: the political economy of Turkey in the age of BRICs" (*Third World Quarterly*, 34,8): 2013, pp. 1409-1426, pp. 1410-1414; Kirişci, Kemal. "The Transformation of Turkish Foreign Policy: The Rise of the Trading State," *New Perspectives on Turkey*, no. 40, 2009, pp. 29-57, pp. 32-34; Akman, Sait M. "Dynamics of European Union's Trade Strategy: Drawing Conclusions for Relations with Turkey," *Paper for Conference UACES Exchanging Ideas on Europe 2012 "Old Borders—New Frontiers,"* September 3-5, 2012, Passau, Germany, p.6.

[46] Under-secretariat for Foreign Trade (UFT) (2008), *Stratejik Plan: 2009-13*, Ankara, p.56.

14 other "target markets."[47] To date, these strategies have not produced satisfactory results.[48] While Turkish strategies missed critical aspects (like trade in services, investment, and government procurement), they also did not include deep integration PTAs as elements of Turkey's trade policy and strategies toward the U.S.

In fact, the Turkish endeavor to join the TTIP talks was a *reactive* move rather than a result of pre-set strategies built upon Turkey's economic priorities. Particularly, Turkey's post-crisis orientation in development policies was clearly at odds with the economic policy vision projected by the Obama administration through TTIP and other trade policy instruments.[49]

Turkey's "Neo-developmentalist" Turn

Ziya Öniş and Mustafa Kutlay label Turkey's recent industrial policy opening as "neo-developmentalist" because of its resemblance with some catch-up economies' policies involving active government intervention albeit within counter of legitimate policy space.[50] The Turkish government has recently adopted a proactive industrial policy entailing interventionist economic tools in face of global competitive pressures. These tools address chronic problems such as current account deficits, and industrial capacity challenges in the production of high-technology goods.[51] The neo-developmental turn has evolved within the broader context of the government's grand strategy called Vision 2023.[52] Accordingly, the Turkish government

[47] Other target countries included China, Ethiopia, India, Iraq, Iran, Japan, Mexico, Nigeria, Poland, Romania, Russia, Saudi Arabia, South Korea, United Arab Emirates,

[48] The Turkish government has utilized identical instruments for access to the U.S. market with export promotion tools used for neighboring countries such as Ukraine. Moreover, Turkey's trade strategies have mostly been about the promotion of Turkish goods exports by encouraging the attendance of Turkish firms at trade fairs, organizing match-making visits to Turkey for U.S. importers, promoting Turkish trademarks abroad, and opening new commercial missions in the United States (i.e., in Chicago, Los Angeles). Under-secretariat for Foreign Trade (UFT) (2008). *Stratejik Plan: 2009-13*, Ankara, p. 56.

[49] The new industrial and development strategies have largely been developed by Turkish Ministry of Development and Ministry of Science, Industry and Commerce.

[50] Öniş Ziya and Kutlay, Mustafa. "Rising Powers in a Changing Global Order, pp.1420-1422.

[51] World Bank, *Trading up to High Income*, May 05 2014, Report No. 82307-TR. (Washington, DC: World Bank Publications, 2014) pp. 1-30; Akman, M. Sait. "Turkey in the World Trading System and the WTO: Activism under Global Challenges and the EU Process," *Afro Eurasian Studies*, 1,1, 2012, pp. 134-172. pp. 145-151; Öniş, Ziya and Kutlay, Mustafa. "Rising Powers in a Changing Global Order, pp. 1415-1416.

[52] Vision 2023 embraced the goal to make Turkey one of the top 10 economies worldwide by expanding GDP from 790 billion dollars (in 2012) to 2 trillion dollars by the year 2023,

issued an Industrial Strategy (2011-2014) document, embracing the goal to transform Turkey into "the manufacturing hub of Eurasia for medium and high technology manufacturing."[53] In this respect, Ankara has customized a series of "selective" industrial policies to address supply-side constraints of Turkish manufacturing industries, macroeconomic and regional development imbalances, and the erosion in exports competitiveness.[54] In addition to state aid and tax incentives for investments in priority sectors, the government launched localization programs for building domestic manufacturing and research and development (R&D) capacities for strategic products.[55] The programs involved discriminatory and restrictive public procurement tools (i.e., price advantages and offsets), complained by the U.S. firms. Even though these tools have not challenged Turkey's *existing* international commitments, Turkey's post-2009 industrial policy orientation has created a strategic mismatch with the U.S., likely to continue during the Trump administration.[56]

Re-assessing Deep Integration Scenarios

In contrast to shallow integration agreements (which address border measures such as tariffs and conventional NTBs), deep integration PTAs tackle challenges emanating from the fragmentation of global production.[57] With an unprecedentedly broad content including "soft" (non-

the centennial of the Turkish Republic. Adalet ve Kalkınma Partisi, *AK Parti 2023 Siyasi Vizyonu: Siyaset, Toplum, Dünya*, (2012). Accessed on May 1, 2017, p. 54. https://www.akparti.org.tr/site/akparti/2023-siyasi-vizyon.; Ministry of Economy, *2023 Türkiye İhracat Stratejisi ve Eylem Planı*, Ankara, 2012.

[53] Ministry of Industry and Trade, *Türkiye Sanayi Strateji Belgesi: 2011-2014 (AB Üyeliğine Doğru)*, Ankara 2010.

[54] Yılmaz, Gökhan. "Resurgence of Selective Industrial Policy: What Turkey Needs," *Discussion Paper*, No. 2011/3, (Ankara: Turkish Economic Association, 2011).

[55] Ministry of Development. *Öncelikli Dönüşüm Programları: 2014-2018*, Ankara, 2015. http://odop.kalkinma.gov.tr/dokumanlar/ODP_TOPLU_KITAP_yeni yapilan 04122015.pdf

[56] The new industrial and development strategies have largely been developed by Turkish Ministry of Development and Ministry of Science, Industry and Commerce, whereas Turkish strategies regarding the U.S. are still determined by the Turkish Foreign Office despite the recent involvement of the Ministry of Economy.

[57] Deep integration deals are concerned with *domestic* policies and policy instruments distortive of cross-border flow of goods, services and increasingly of investment. They contain (1) WTO-plus provisions, built upon existing WTO disciplines but go beyond the WTO in terms of ambition such as services, anti-dumping disciplines etc., and (2) WTO-extra provisions, which are newer rules beyond the existing purview of the WTO, such as competition policy, investment protection, e-commerce as well as labor and environmental standards. World Trade Organization, *World Trade Report 2011. The WTO and Preferential Trade Agree-*

Table 4: Map of TTIP Negotiation Agenda

	Market Access	Regulatory Matters	Rules
Industrial Goods	Tariffs	Technical Barriers to Trade	IPRs: Patents
	Rules of Origin		(Pharma, chemicals)
	TTIP safeguards		
	Tariff-equivalents		
	Subsidies		
Agri-food	Tariffs	Sanitary & phytosanitary measures	IPRs: geographical indications
	Rules of origin		
	Tariff-rate quotas		
	TTIP safeguards		
Services	Scope	Regulatory barriers	IPRs: copyright protection
	TTIP safeguards	Data protection	
Investment	Coverage	Regulatory barriers	Dispute settlement (ISDS)
Public procurement	Coverage		
Rules	Trade facilitation	Environment	Labor standards
	State-owned enterprises	Small & medium firms	Competition policy
	Localization barriers		Transparency
	Raw materials & energy		Institutional rules (dispute settlement etc.)

Source: Adopted and revised from Messerlin, Patrick. "The Transatlantic Trade and Investment Partnership: Ambiguities, opportunities, challenges," Kokusai Mondai (International Affairs), No.632. 2014, p.6.

ments: From Co-Existence to Coherence (Geneva: World Trade Organization, 2012), p. 9, pp.128-131; Henrik Horn, Petros C. Mavroidis, and Andre Sapir, "Beyond the WTO? An anatomy of EU and US preferential trade agreements," *The World Economy (*Volume 33, no.11, 2010): pp. 1565-1588.

binding, diplomatic) and "hard law" (binding, legalistic) enforcement and transparency mechanisms, TTIP was supposed to create a new global trade rule-book (see Table 4) which would reinforce a joint transatlantic "regulatory hegemony" to repress any non-market economic models and challengers.[58]

According to a Center for Economic Policy Research (CEPR) study, an "ambitious" TTIP would augment total EU exports by 6 percent, and the U.S. by 8 percent. The pact would eventually spur 119 billion euros in growth to the EU's GDP, and 95 billion euros in expansion to the U.S. GDP by 2027.[59] Anticipated gains would derive primarily from trade and investment creation with the removal of NTBs in goods, services, investment, and government procurement (see Figure 5). The alignment of two separate sets of regulations and standards would substantially contribute to these payoffs by yielding positive *regulatory spillovers*, usually non-existent in conventional PTAs. Spillovers are improvements to trade and investment conditions thanks to a receding of potential costs of trade diversion after the harmonization and/or mutual recognition of distinct domestic standards.[60] Policymakers and economists entangled with the old paradigm (for shallow integration agreements) often discount this aspect of deep integration PTAs. As Chauffour and Maur of the World Bank rightly proclaim, conventional approaches remain "archaic" or "incomplete" to understand new generation deals.[61] Finally, for lower standard countries, higher PTA standards bring about also negative

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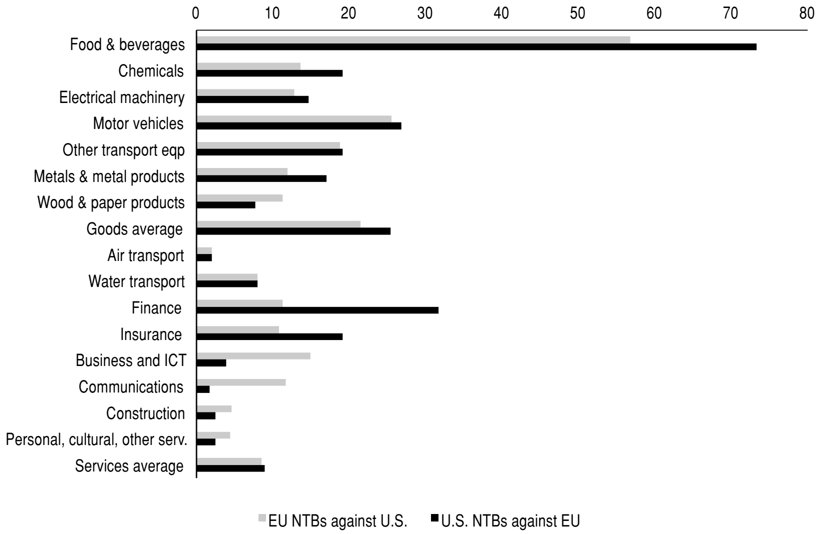
[58] Van Ham, Peter. *TTIP and the Renaissance of Transatlanticism: Regulatory Power in the Age of Rising Regions*, Netherlands Institute of International Relations Clingendael, 2014, pp.7- 8; Akhtar Shayerah Ilias and Jones, Vivian C. "Proposed Transatlantic Trade and Investment Partnership (T-TIP): In Brief," *Congressional Research Service*, 7-5700, R43158, 11 June 2014, pp.1-5; Messerlin, Patrick. "The Transatlantic Trade and Investment Partnership: Ambiguities, opportunities, challenges," *Kokusai Mondai (International Affairs)*, No.632. 2014, p.3.

[59] Joseph Francois, Miriam Manchin, Hanna Norberg, Olga Pindyuk, and Patrick Tomberger, *Reducing Trans-Atlantic Barriers to Trade and Investment: An Economic Assessment* (London: Center for Economic Policy Research, 2013).

[60] *Hoekman*, Bernard and *Mavroidis*, Petros C. "Regulatory spillovers and the trading system: from coherence to cooperation," *Overview Paper*, E15 Task Force on Regulatory Systems Coherence, 2015, pp. 8-10; Chauffour, Jean-Pierre and Maur, Jean-Christophe. "Beyond Market Access" in Jean-Pierre Chauffour and Jean-Christophe Maur, eds. *Preferential Trade Agreement Policies for Development: A Handbook* (Washington, D.C.: World Bank Publications, 2011), pp.17-36, pp. 26-27; Joseph Francois, Miriam Manchin, Anirudh Shingal and Charlotte Sieber-Gasser, *Potential Impacts of a EU-US Free Trade Agreement*, pp. 28-29.

[61] Chauffour, Jean-Pierre and Maur, Jean-Christophe. opt cit., p. 33.

Figure 5: Tariff Equivalents of Non-Tariff Barriers to Trade in the U.S. and EU



Source: Ecorys. Non-tariff measures in the EU-US Trade and Investment: An Economic Analysis. Ref. OJ 2007/S 180-219-493, Final Report. 2009.

spillovers in the form of compliance and implementation costs, especially if they decide to join a trade pact like TTIP.[62]

In sum, the success of TTIP, which has been the most comprehensive deep integration PTA initiative in history, has been contingent upon negotiators to grant significant concessions in politically sensitive domains.[63] Despite limited progress during fifteen rounds of TTIP negotiations, the Trump administration has no political determination to move it forward, in the post-Brexit Europe.

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[62] World Trade Organization. *World Trade Report 2011. The WTO and Preferential Trade Agreements: From Co-Existence to Coherence* (Geneva: World Trade Organization, 2012) pp. 113-114. See also: Narayanan, B. G., D. Ciuriak, and H. V. Singh (2015), *Quantifying TTP and TTIP Spillovers on India*, Report for International Institute for Sustainable Development, Knowledge Partnership Program, and IPE Global, August, 2017; Ciuriak, D. and Singh, H. V. (2015), *Mega Regional Trade Agreements: How Excluded Countries Can Meet the Challenge*, Report for International Institute for Sustainable Development, Knowledge Partnership Program, and IPE Global.

The Turkish Reaction to TTIP

Turkish policymakers and analysts reacted to the TTIP initiative without fully understanding its scope and repercussions not only because of the traps of conventional PTA paradigm but also owing to the prevalence of the security-driven mindset.[64] For many Turkish observers, TTIP was a strategic transatlantic instrument resembling an "economic NATO." Thus, a Turkish association was a *mandatory* next step that would also reopen the path towards EU membership and reincarnate the idea of a model partnership with the U.S. A TTIP+Turkey would also foster the trilateral alliance vis-à-vis global challengers whereas it could consolidate and strengthen the Turkish democracy, enhance accountability, transparency, and the rule of law.[65]

Economic assessments were mostly conducted through the lens of conventional paradigm and somehow inextricably from Turkey's Customs Union with the EU. For many politicians, businessmen and analysts, a TTIP without Turkey would not only mean the shrinking of European markets (due to the erosion of external tariffs for American exporters) but also an inevitable deflection of the trade from the United States into Turkey via the Customs Union.[66] The Customs Union, put into effect in

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[63] The U.S. and EU left farm subsidies out of the scope of bargaining at the outset. Negotiators had to reconcile differences in protected sectors such as maritime (U.S.) and audio-visual services (EU), and in numerous regulatory issues such as intellectual property rights (i.e., geographical indications), environment, GMOs, data privacy, and Investor-State Dispute Settlement (ISDS). Schott, Jeffrey J. and Cimino-Isaacs, Cathleen. "Crafting a Transatlantic Trade and Investment Partnership: What Can Be Done" *Policy Brief*, 13-8, March 2013, Peterson Institute for International Economics. Priorities of both parties can be found at: http://ec.europa.eu/trade/policy/in-focus/ttip/ and https://ustr.gov/ttip.

[64] Until the FTA with South Korea, Ankara mostly negotiated shallow integration South-South FTAs.

[65] Kirişci, Kemal. "Turkey and the Transatlantic Trade and Investment Partnership," *Turkey Project Policy Paper* 2, (Washington, D.C.: Brookings Institution 2013), p. 4,8. Other pieces with similar views: Bahadır Kaleağası and Barış Ornarlı, *Why Turkey belongs to transatlantic economy?* Congress Blog, March 12 2013. https://thehill.com/blogs/congress-blog/foreign-policy/287675-why-turkey-belongs-to-transatlantic-economy; Yeşilyurt, Serdar and Paul, Amanda. "Between a rock and a hard place: What is Turkey's place in the transatlantic market?" *Commentary*, 9 July 2013, (Brussels: European Policy Centre); Aran, Bozkurt. *Türkiye: Transatlantic Ticaret ve Yatırım Ortaklığının Sonuçları, Değerlendirme Notu*, (Ankara: Türkiye Ekonomi Politikaları Araştırma Vakfı, 2015).

[66] E.g. Kirişci, Kemal. "Turkey and the Transatlantic Trade and Investment Partnership," pp. 13-6; Yeşilyurt, Serdar and Paul, Amanda. "Between a rock and a hard place; Mehmet Çetingüleç, "Will US-EU trade deal dissolve EU-Turkey customs union?" *Almonitor*, November 18, 2014. Former EU Minister Ambassador Volkan Bozkır stated that TTIP would cause a welfare loss of 3-4 percent of GDP and 2.5-3 billion dollars in trade losses (*Hurriyet Daily News*, November 5, 2014). Yet, the most frequently-quoted findings were of a study

1996 as an interim deal toward full EU membership, (then expected to occur soon), had a troublesome "hub and spoke" structure (the EU constituting the hub and Turkey the spoke).[67] The pact required Ankara to negotiate flanking FTAs with the EU's FTA partners to avoid any trade deflection into its market. The initiation of TTIP talks only brought the Turkish disturbance to the surface, especially Ankara's frustration about following Brussels' decisions without questioning and without participating in policy-formulation processes.[68]

Turkey's intensive lobbying for joining the TTIP talks proved counterproductive. The U.S. and EU did not risk bogging down the TTIP project for the sake of placating Turkish grievances with Europe. As Ankara was ushered to the waiting room, the debate in Turkey turned to scenarios about the Turkish engagement with the future TTIP deal.[69] Several Turkish cabinet members threatened Washington and Brussels that Turkey would unilaterally suspend the Customs Union accord unless the final TTIP text contained a clause for "automatic" Turkish membership.[70] In May 2015, deliberations between the EU and Turkey led to the launching of negoti-

by Germany's Ifo institute which implicated an unrealistically high trade diversion impact for Turkey, which would reach up to 2.5 percent of Turkish GDP in the long run. See: Gabriel Felbermayr, Mario Larch, Lisandra Flach, Erdal Yalcin, and Sebastian Benz. *Dimensions and Effects of a Transatlantic Free Trade Agreement Between the EU and US*, February, (Munich: IFO Institute, 2013) & Gabriel Felbermayr, Benedikt Heid, and Sybille Lehwald, *Transatlantic Trade and Investment Partnership (TTIP) Who benefits from a free trade deal?: Part 1: Macroeconomic Effects*, Bertelsmann Stiftung, Global Economic Dynamics, 2013. Based on the estimations of the Ifo study Öztrak and Duvan calculated the dollar amount of losses to reach 15.4 billion dollars. Faik Öztrak and Osman Berke Duvan, *AB-ABD arasında Gerçekleştirilecek Transatlantic Ticaret ve Yatırım Ortaklığı Anlaşması: Türkiye Ekonomisi Üzerine Etkileri*, İstanbul, Toplumcu Düşünce Enstitüsü, January 20, 2014.

[67] The customs union allowed the free circulation of Turkish and EU *industrial* products within borders, yet Turkey has not been granted full access to the single European market of goods, services, capital and labour as in the Norway's case. See: Togan, Sübidey. "The EU-Turkey customs union: a model for future Euro-Med integration," in Rym Ayadi, Marek Dabrowski, and Luc De Wulf, (eds.) *Economic and Social Development of the Southern and Eastern Mediterranean Countries*. Springer International Publishing, 2015, pp. 37-48.

[68] Turkey has 18 FTAs in force and a dozen others being in stages of negotiation or ratification. "Free riders" such as Mexico, Algeria, South Africa have long avoided to start negotiations with Turkey as they already gained duty free access to the Turkish market.

[69] Kirişci, Kemal. "Turkey and the Transatlantic Trade and Investment Partnership," *Turkey Project Policy Paper* 2, (Washington, D.C.: Brookings Institution 2013). pp. 17-18; Kirişci, Kemal. "TTIP's Enlargement and the Case of Turkey," *Turkey Papers*, January, (Washington, D.C.: Istanbul Policy Center, Wilson Center 2015); Akman, M. Sait. *AB - ABD Transatlantik Ticaret ve Yatırım Ortaklığı (TTIP) ve Türkiye (TTIP) ve Türkiye*, (Ankara: Türkiye Ekonomi Politikaları Araştırma Vakfı, 2013): pp. 14-15.

[70] For instance, former EU Minister of Turkey Ambassador Volkan Bozkir put forward "We just want them to put an article in the deal, saying it 'will be applicable for all Customs

ations to modernize Customs Union agreement to address Turkish concerns and to deepen the agreement to agriculture, services, and government procurement where the EU has significant offensive interests.

Re-assessing a Deep PTA Option Between the U.S. and Turkey

Surprisingly, Turkish stakeholders evaluated the TTIP+Turkey and TUFTA options without any evidence that showed or disproved the benefits or costs of those alternatives for Turkey.[71] In evaluating the engagement of Turkey to a TTIP or TUFTA, analysis needed to shift focus from simple tariff-cuts and consequent trade deflection to broader regulatory aspects. Yet existing studies either focus on a "tariff-only" TTIP/TUFTA scenario or they produce quantitative estimations about "comprehensive" scenarios discounting the impact of regulatory spillovers on Turkey.[72] Beyond a glimpse of potential effects on Turkish exports or its aggregate welfare impact, studies overlooked effects of a TTIP or TUFTA on Turkey's goods imports, investment flows, services trade or government procurement markets. The only publication that is worth mentioning here is that of Turkish Central Bank economists which (partly) considered the regulatory spillovers, if not all other neglected dimensions (Figure 6). The paper, which assessed different TTIP scenarios including (only direct) spillover effects, suggested that a *status quo* scenario (i.e., Turkey's exclusion from TTIP) would not be disastrous for Turkey but instead spur only minor negative welfare impacts with almost no negative impact on Turkish exports.

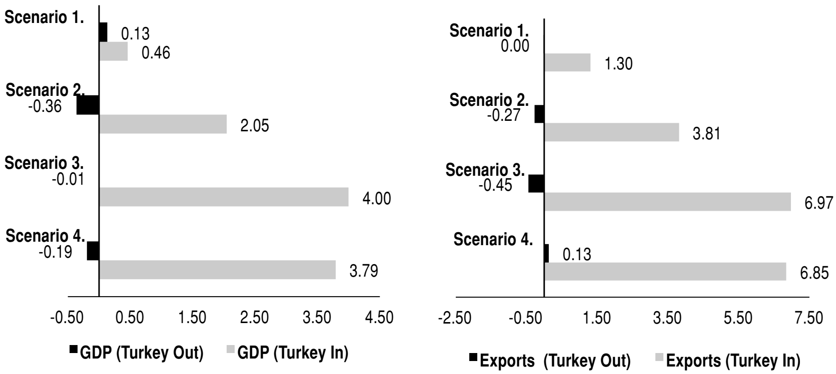
As shown in Figure 6, Mavus et al. reaffirm that expected trade and welfare effects heighten with the ability of the deal to cut NTBs. A Turkish participation (in TTIP or a TUFTA) may naturally benefit Turkey by eroding U.S. NTBs in food and beverages, motor vehicles, finance, and other sectors (outlined in Figure 5). Both scenarios may also benefit U.S.

Union members automatically'" (*Hurriyet Daily News,* 16 May 2014, 5 November 2014). In practice, this would mean Turkey's joining to a North-North PTA without negotiating its own offensive and defensive interests.

71 PTA policy is as an area to add to the World Bank's suggestion that Turkey needs a more evidence-based policy-making. World Bank, *Trading up to High Income*, p. 63, 73.

72 Gabriel Felbermayr, Mario Larch, Lisandra Flach, Erdal Yalcin, and Sebastian Benz, *Dimensions and Effects*, Gabriel Felbermayr, Benedikt Heid, and Sybille Lehwald, *Transatlantic Trade and Investment Partnership (TTIP);* World Bank, *Evaluation of the EU-TURKEY Customs Union*, p. 27; Hasanov, Mübariz and Macit, Fatih. *TTIP Anlaşması'nın Türkiye Ekonomisine Olası Etkilerinin Analizi*, Ocak, (Istanbul: Hazar Strateji Enstitüsü, Enerji ve Ekonomi Araştırmaları Merkezi, 2015).

Figure 6: Potential Impact of a TTIP on Turkish Real GDP and Exports (in percentage terms).



Source: Merve Mavuş, Didem Güneş, and Arif Oduncu, "AB-ABD Serbest Ticaret Anlaşması ve Türkiye Üzerine Etkileri," Türkiye Cumhuriyeti Merkez Bankası Ekonomi Notları, 2013-30, 26 November 2013.

Scenario 1: Tariff-only
Scenario 2: Tariff cuts + Moderate NTB reduction
Scenario 3: Tariff cuts + Comprehensive NTB reduction
Scenario 4: Tariff cuts + Comprehensive NTB reduction + Direct spillovers

exporters and investors by removing Turkish NTBs in goods, services, investment, and government procurement. Tariff cuts would particularly be of use to U.S. farm products exporters. From the Turkish perspective, neither a TTIP nor TUFTA is likely to erode U.S. farm subsidies or allow Turkey to keep its "special products" immune from tariff cuts (two demands that Turkey has called for during the WTO farming talks).[73] TTIP+Turkey and TUFTA are likely to boost Turkish agricultural imports while their benefits for Turkish offensive interests in goods, services, and public procurement are dubious. On the other hand, it is palpable that a TTIP without Turkey could still benefit (not necessarily harm) Turkish firms due to potential *positive* spillovers.[74] Finally, a TTIP+Turkey or a TUFTA are

[73] For a summary of positions at the WTO farm talks: http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_5.2.8.html.

[74] The third parties but especially countries like Switzerland (and Turkey), which have been in the process of streamlining their standards with the EU, would have gained from regulatory spill overs without joining the block to the extent the transatlantic powers removed existing NTBs in a non-discriminatory manner. Thomas Cottier, Joseph Francois, Miriam Manchin, Anirudh Shingal and Charlotte Sieber-Gasser, *Potential Impacts of a EU-US Free Trade Agreement on the Swiss Economy and External Economic Relations* (Bern: World Trade Institute, University of Bern, 2014), pp. 4-5.

potentially harmful to Turkish interests because of *negative* spillovers such as compliance costs and policy implications.

Compliance Costs: Implementation and Industrial Adjustment Costs

To implement TTIP or TUFTA obligations, and to participate effectively in negotiations (later also in implementation and dispute settlements), the Turkish Ministry of Economy is in need of developing strong administrative capacity and effective domestic coordination mechanisms inclusive of the private sector.[75] Joining TTIP would also mean high adjustment challenges for those Turkish industries currently protected by high tariffs, trade remedies, subsidy and other measures; and for firms operating below American sanitary and phytosanitary standards (SPS), labor, environment, and intellectual property rights (IPRs).[76] Evidence suggests that the Turkish farming sector would be the biggest victim of the market opening which could lead to significant rural unemployment.[77]

TTIP+Turkey or TUFTA Policy Implications

Clearly, there is a strategic mismatch between American and Turkish industrial visions and priorities. A TTIP+Turkey or TUFTA is likely to be costlier than envisaged as either option will diminish legitimate Turkish policy space by disciplining measures erected for commercial and/or strategic purposes. These measures include new state supports, SOEs, subsidies, and localization requirements (for production and data transfers). PTA options are also unlikely to address Turkish exporters' chronic problems in the U.S. market. Although there is merit to arguments that TTIP+Turkey might strengthen the trilateral alliance, and enhance accountability, transparency and the rule of law in Turkey, a TTIP+Turkey or TUFTA is neither the right, nor the most cost-effective instrument to reach those objectives.

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[75] Altay, Serdar. "Associating Turkey with the Transatlantic Trade and Investment Partnership (TTIP): A Costly (Re-) Engagement?" *The World Economy*, DOI:10.1111/twec.12533, 2017; and The Union of Chambers and Commodity Exchange of Turkey (TOBB), U.S.-Turkey Business Council, and U.S. Chamber of Commerce, *Upgrading the U.S.-Turkey Commercial Relationship: A Shared Vision towards a U.S.-Turkey FTA*, 2015.

[76] IPRs will remain a priority under the Trump administration, if not the environment and labor standards. Turkey has long been on the infamous Watch List in the Special 301 Reports of the USTR for copyright and online piracy, counterfeit goods problem, and widespread use of unlicensed software and domestic enforcement problems. See: Office of the United States Trade Representative. *2017 National Trade Estimate Report*, p.440.

[77] World Bank, *Evaluation of the EU-TURKEY Customs Union*, pp. 64-65, p.125.

As a Washington/Brussels-drawn design, a TTIP (or TUFTA) could serve well the U.S. interests yet there are other policy options, which may also serve the purpose (TiSA talks, a revision of the BIT etc.). A thorough and *strategic* cost-benefit analysis for Turkey illustrates a deep PTA option to be too costly and not optimum in view of Turkey's interests and developmental priorities.[78] A future TTIP will further diminish any desire in Washington to negotiate a flanking deal with Ankara, in case Turkey expands its Customs Union with Europe to new domains. TTIP is likely to improve U.S. access, with no need to reciprocal concessions, to an even broader market in Turkey (including farming, but also services and public procurement markets through the U.S. multinationals' European affiliates).

Recommendations for a Realistic and Mutually Beneficial Policy Agenda

A Realistic Approach and a Working Strategic Agenda

Ian Lesser asserted that "US-Turkish relations require *active management* and an explicit commitment to their continued importance, quite apart from questions of power projection and abstract geopolitics."[79] To succeed, such "active management" should address four sets of deep-rooted challenges identified in this chapter:

1) The domination of a security-driven mindset and players in strategy formulation;
2) The lack of a transparent and open framework for business incorporation into decision and policy formation;
3) Obstinate barriers to trade and investment on both sides;
4) The strategic mismatch between the two allies due to distinct economic priorities and challenges emanating from the global shift.

Both the U.S. and Turkey need to embrace a step-by-step and more coordinated approach, and dedicate their utmost attention and resources to overcome these impediments to building a complex interdependence.

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[78] For a more detailed analysis, see: Altay, Serdar. "Associating Turkey with the Transatlantic Trade and Investment Partnership."

[79] Lesser, Ian. *Beyond Suspicion:* p.5.

Bilateral Institutional Frameworks

To overcome the domination of security-oriented mindset and power-focused decision-makers, both governments should work on constructing a new institutional framework for policy deliberation and formulation that would allow penetration of strategic ideas of mutual economic interests, diverse needs, and industrial priorities. Instead of the current *modus operandi* of business involvement in bilateral decision and policy-making, the two sides may replicate the more inclusive, transparent, and bottom-up framework in transatlantic business-government cooperation. Establishment of a TABD-like body (through a democratic process, endorsed by the governments) for effective business participation would pave the way for the optimal policy options. An umbrella organization, with a clear mandate and working procedures, is more likely to succeed than top-down initiatives like FSECC.

A PTA Is Not a Mutually Beneficial and Feasible Option in the Short Run

As demonstrated above, a TTIP-like trilateral FTA or a U.S. Turkey bilateral FTA (TUFTA) is not equally profitable for Turkey and the U.S. A comprehensive PTA is not a realistic policy option in the short run either. If Turkey continues to wear the straitjacket of the Customs Union with the EU (in its current or expanded forms), Ankara will not be independent in external trade policy-making to engage in a preferential deal with the U.S. (unless Brussels wishes to do so). Besides, the current state of U.S.-Turkish relations, the attitude of U.S. Congress toward the Turkish government and policies, and the Trump administration's trade policies so far also render a bilateral FTA option implausible. Even if the U.S. and Turkey agreed on starting negotiations for a TUFTA, it would be negotiated with greater U.S. bargaining power and negotiation capacity with an elevated mercantilist approach. Instead, in the short run, the two sides should focus on constructing the *building blocks* for such grand initiatives, to become operational once the economic ties reach a more complex structure as in the EU-Turkey front.

In the Medium Run: Develop a Coherent and Consistent Strategy for Deep Integration PTAs

A viable option for Turkey is to adopt a wait-and-see approach and do some housekeeping to face challenges of a future deep integration FTA with the United States. A good starting point would be to continue and speed up the domestic farm reform, building up a more competitive agricultural basis. Turkish government needs to invest in building higher domestic SPS standards, and infrastructure for production, measurement, and certification of farm products.[80] As the economic stakeholders of both countries proposed, it is also essential for the Turkish trade machinery to develop administrative capacities to be able to "negotiate and implement a comprehensive deal."[81] A component to this should be building capabilities for better impact assessment, and development of a new, evidence-based PTA policy to truly match Turkey's needs, development strategies, and negotiation positions in other fora. New trade and PTA strategies must incorporate trade in goods, services, investment, government procurement and the enforcement agenda.

A Mutually "Exclusive Strategy"

Both sides should dedicate resources toward developing new strategy and instruments for fostering economic cooperation. Turkish policymakers need a working strategy for enhanced entry and access of Turkish exporters to the U.S. market. Turkey needs to attract more U.S. FDI and must also create a sophisticated strategy towards the U.S. market, to be prepared for Turkey's special needs and challenges (independently of Turkey's ties and strategies toward the EU and its neighbors). Both sides should prioritize certain subsectors and product categories to better match Turkey's export portfolio and the U.S. imports composition, and vice versa.[82] Since the nature of obstacles to Turkish exporters in the U.S. market is mostly about scale, quality, and logistics, Turkish trade machinery should develop more creative export promotion approach and instruments (than opening new diplomatic missions in the U.S. and/or supporting exporters' attendance to trade fairs).

The two governments should also enhance cooperation between institutions dedicated to trade and investment promotion towards the overarching goal of building complex interdependence. Through joint programs, the two sides may revisit and harmonize unilateral exports and FDI pro-

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80 A study by the World Bank suggests that Turkey needs to invest 2 billion euros to modernize its food enterprises in dairy, fish, meat, and livestock by-products for the goal to upgrade to the European SPS standards. World Bank. "Needs Assessment for Modernization of Food Establishments." *Report of II Gap Analysis of Agri-Food Enterprises, Turkey Food Safety Programmatic Technical Assistance*. (Washington D.C.: World Bank, 2010), p.7.

81 The Union of Chambers and Commodity Exchange of Turkey (TOBB), U.S.-Turkey Business Council, and U.S. Chamber of Commerce. *Upgrading the U.S.-Turkey Commercial Relationship: A Shared Vision towards a U.S.-Turkey FTA*, 2015. p.26.

82 Sidar Global Advisors. "U.S.-Turkish Economic Relations, p.28.

motion activities. For instance, U.S. and Turkish commercial missions and investment promotion agencies may work together to organize joint match-making programs both for traders and investors. One strand of U.S. and Turkish strategies should be dedicated to better integrating SMEs into bilateral economic exchanges.

Investment and Trade in Services

The two partners should capitalize on individual but strategic areas of cooperation that would pave the way for deeper economic ties. Both economies will profit from improved trade in services and investment flows, creating a spillover effect for flourishing trade in goods, as in the case with Turkey-EU relations. Currently, both the U.S. and Turkey take part in the TiSA talks, which, if successful, will allow parties to exchange market access concessions in a variety of subsectors. Turkey may better capitalize on U.S. investments to project itself as a regional managerial, production and R&D hub, and a bridge for joint projects in the MENA region.

Finally, and most importantly, the two governments should address remaining barriers to investment and work toward an improved bilateral investment regime. One viable option is to upgrade the outdated U.S.-Turkish BIT.[83] Although prior U.S. attempts to update the agreement with Turkey have not been productive, Turkish authorities are likely to reconsider the probability of signing a new generation BIT to build confidence, certainty, and predictability in the Turkish market.[84] New U.S. investment treaties, which already set a benchmark for TTIP investment provisions, cover an extended scope of investment along with broader investor rights.[85] An Investor-State Dispute Settlement might be a challenge for Turkey, but it would also become a step for Turkish stakeholders to get familiarized with binding "hard law" instruments, which contribute to transparency and accountability. In fact, such a development may contribute to the rule of law in Turkey in a less costly manner than deeper PTAs with transatlantic partners.

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[83] Sidar Global Advisors. "U.S.-Turkish Economic Relations," p.26.

[84] According to a confidential cable dated August 13, 2008 from the U.S. Embassy in Ankara to Washington, D.C. released by Wikileaks previous U.S. attempts failed because of the unwillingness of Turkish government officials to undertake additional commitments https://www.wikileaks.net/cable/2008/08/08ANKARA1450.html.

[85] New generation U.S. investment treaties, which may set a benchmark for TTIP investment provisions, cover an extended scope of investment together with broader investor rights. See 2012 Model U.S. Bilateral Investment Treaty at: https://ustr.gov/sites/default/files/BIT%20text%20for%20ACIEP%20Meeting.pdf.

Annex

Table A.1: Selected Deals Showing U.S. Involvement in Recent Mergers and Acquisitions in the Turkish Market

Year	Acquirer	Target	Sector	Stake	Deal Value ($ mn)
2016	Bunge	Ana Gıda	Food & Beverage	100%	N/D
	Darby Overseas Investments	Peker Yüzey Tasarımları (Belenco)	Manufacturing	N/D	N/D
	DCM Manufacturing, Inc	Faz Elektrik Motor Makine	Manufacturing	100%	N/D
	eBay	Gittigidiyor.com	E Commerce	7%	34
	Ferro Corporation	Ferer Dı Ticaret ve Kimyasallar	Wholesale & Distribution	100%	9
	Goldman Sachs	Club Jolly Turizm	Tourism	N/D	N/D
2015	BCM Global Fund Ltd.	Petkim	Energy	2%	24
	Blackstone Group	Marmara Forum	Real Estate	50%	N/D
	Cargill Inc.	Ekol Gıda Tarım ve Hayvancılık	Agriculture & Breeding	51%	N/D
	Delivery Hero Holding GmbH	Yemeksepeti	Internet & Mobile Services	100%	589
	Discovery Communications	CNBC-e	Media	100%	N/D
	Goldman Sachs	SOCAR Turkey Enerji A. .	Energy	13%	1,300
	Jones Lang LaSalle	Incorporated Avm Partners	Real Estate	100%	N/D
2014	Goldman Sachs	Petlim Limancılık A. .	Infrastructure	30%	250
	Pine River Capital	Net Holding	Tourism	15%	75
	PineBridge Investments	Romatem	Healthcare	50%	N/D
	Cargill	Alemdar Kimya Endüstrisi A. .	Petrochemicals	100%	N/D
	DocPlanner	Eniyihekim.com	Internet & Mobile Services	100%	N/D

Source: Deloitte Annual Turkish M&A Reviews
(N/D: Not Disclosed).

Table A.2: U.S. Multinationals that Use Their Turkish Headquarter as a Regional Managerial Center

Company	Countries Managed	Region Covered (from the Turkey office)
GE Healthcare	80	Central Asia, Middle East, Africa, Russia
Microsoft	80	Middle East, Africa
Intel	67	Middle East, Africa
Unilever	36	MENA
BSH	30	Central Asia, Iraq, Cyprus
Schneider Electric	27	Middle East, Balkans
Alstom	26	Middle East, Africa
Cargill	20	NENA, Central Asia
Ericsson	22	Middle East
Pfizer	20	Caucasia & Central Asia
Volvo	18	Middle East, Africa and Central Asia
BASF	18	MENA
PepsiCo	14	Balkans, Cyprus, Greece
Coca Cola	11	Eurasia and Africa
LG Electronics	9	MENA
Adobe	9	Balkans
Benetton	7	Georgia, Cyprus, Central Asia
CEVA Logistics	6	Balkans, Egypt, Central Asia
Multiturkmall	6	Russia, Iran, Caucasia

Source: Investment Support and Promotion Agency of Turkey.