

Revising the U.S.'s Trade Policy Approach to Turkey in a new administration

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Abstract

The current economic policy of the United States needs to be reassessed and subsequently amended to focus on developing a stronger trade relationship with Turkey. The effect of United States' implementation of trade tariffs on Turkey during the Trump administration has been detrimental to the success of foreign policy goals in the region and makes the need for revising the current economic policy in place more pressing. A reassessment will reveal that tariffs are a threat to an overall stable relationship, and as the U.S transitions from the Trump administration to the Biden administration, policymakers should deepen the economic relationship with Turkey and abandon the harsh tariffs imposed by the previous administration. This brief will then detail an amended economic policy plan for the US and Turkey based on the assessment of current policy and analysis of Turkey's economic climate in the context of U.S. foreign policy goals.

1 Background

Turkey is a free market economy that faces issues with foreign debt, investment vulnerabilities, rising unemployment and inflation. Shifts in the economy since 2000 have revealed some of these current economic issues. In 2001, the country suffered a severe financial crisis but financial and fiscal reforms from the International Monetary Fund allowed the economy to recover, and Turkey experienced an average of 6% growth until 2008. This stability allowed for Turkey to move towards more privatization. After 2008, they experienced relative declines with the rest of the world because of the global economic crisis but was able to recover relatively quickly. The IMF reforms helped assure a swifter recovery because they had established a well-regulated financial market and a banking system.¹

Current government policies in Turkey are putting more emphasis on populist spending measures, credit breaks and slowing economic reforms. These government policies are also reversing the previous shift towards privatization and the government is taking a heavy hand in certain sectors and using regulators and institutions to target political opponents, subsequently undercutting confidence in the private sector and in judicial systems.² These changing political economic goals are stymying the trends towards growth reflected over the past ten years. The Organization for Economic Cooperation and Development (OECD) predicts that

these policies are also creating uncertainty and risk, rendering investors hesitant.³

Other economic concerns further fuel investor concerns. Turkey has a large current account deficit and relies heavily on external investment inflows for growth, faces rising unemployment and inflation and the continuing depreciation of the Turkish Lira against the dollar.⁴ Turkey also has a significant amount of foreign debt, so the further the lira depreciates against the dollar, the greater the size of the debt becomes.⁵ These factors depress investor confidence. Likewise, the growing amount of bank and corporate borrowing, which has tripled as a percent of GDP is a cause for concern.⁶ These concerns are not entirely destabilizing in themselves, but the Turkish economy is on a shaky foundation. Further shocks to the economy will likely be damaging.

Analyzing data from the Global Trade Atlas, the top two exports from Turkey to the United States are aircraft, and iron and steel and machinery. Aircraft accounted for 2.6 billion U.S. dollars in exports and iron and steel exports accounted for 1.1 billion dollars in 2019.⁷ Globally, manufacturing goods make up most of their exports. Essentially, any changes to Turkey's trade in steel and steel products would have a significant effect on their trade flows and would damage their export volumes and alter the export. The U.S. has a strong partner in Turkey as well, and exports aircraft, iron and steel, agricultural products, oil, cotton and fabric and machinery in addition to a strong Foreign Direct Investment

¹ Central Intelligence Agency. The World Factbook: Middle East: Turkey. October 31, 2018. <https://www.cia.gov/library/publications/the-world-factbook/geos/tu.html>

² Central Intelligence Agency. The World Factbook: Middle East: Turkey. October 31, 2018. <https://www.cia.gov/library/publications/the-world-factbook/geos/tu.html>

³ Turkey's economy. 2012. Organisation for Economic Cooperation and Development. The OECD Observer(290) (First): 90-91, <http://www.oecd.org/eco/outlook/economic-forecast-summary-turkey-oecd-economic-outlook.pdf> 43 (accessed October 14, 2018).

⁴ Central Intelligence Agency. The World Factbook: Middle East: Turkey. October 31, 2018. <https://www.cia.gov/library/publications/the-world-factbook/geos/tu.html>

⁵ Gauthier-Villars, David. "How Erdogan's Push for Endless Growth Brought Turkey to the Brink." The Wall Street Journal August 17, 2018. <https://www.wsj.com/articles/how-erdogans-push-for-endless-growth-brought-turkey-to-the-brink-1534526348>

⁶ Central Intelligence Agency. The World Factbook: Middle East: Turkey. March 24, 2021 <https://www.cia.gov/the-world-factbook/countries/turkey/>

⁷ Office of the United States Trade Representative. Turkey. [https://ustr.gov/countries-regions/europe-middle-east/europe/turkey#:~:text=The%20U.S.%20goods%20and%20services,way\)%20goods%20trade%20during%202019.&text=Services%20exports%20were%20%244.2%20billion%3B%20services%20imports%20were%20%242.0%20billion.](https://ustr.gov/countries-regions/europe-middle-east/europe/turkey#:~:text=The%20U.S.%20goods%20and%20services,way)%20goods%20trade%20during%202019.&text=Services%20exports%20were%20%244.2%20billion%3B%20services%20imports%20were%20%242.0%20billion.)

relationship. The U.S. exports \$14.2 billion worth of products and services to Turkey, and Turkey exports a total of \$12.6 billion to the U.S.⁸ Damage to the U.S.-Turkey trade relationship would have a significant monetary effect on U.S. export flows.

Data from the OECD correlates Turkish growth with exports. The OECD makes a data driven conclusion that strong GDP growth in Turkey is driven directly by exports, and there's an excessive reliance on out of country demand, so any change in exports would be predictably be damaging to Turkey's growth (See Appendix A).⁹ While healthy exports are key to a stable Turkish economy, a decline in exports would subsequently cause a decline in growth and GDP, which could be destabilizing

Prior to current policies, Turkey and the U.S. had a sound economic relationship. The first diplomatic agreement between the two countries encouraging bilateral trade and cooperation was signed in 1927.¹⁰ The U.S and Turkey then signed an Economic and Technical Cooperation agreement in 1947 in efforts to grow the relationship between the two countries.¹¹ Their agreeable economic relationship continued. In 2009, the U.S. and Turkey established the Framework for Strategic Economic and Commercial Cooperation (FSCECC) as part of an effort to form bilateral economic talks and deeper trade relations. The U.S. State Department encouraged these efforts, noting that "U.S.-Turkey trade remains modest compared to its potential" and the department expressed an intent for a higher volume of trade between the two countries.¹² From 2009 to 2015 there was a jump in overall U.S.-Turkey trade, from \$10.8 billion to \$17.4 billion.¹³ This significant trade volume spike highlights the effectiveness of enhanced trade relationships between the two countries, and its monetary add-value. Overall,

Turkish-U.S. trade relations have been harmonious and growing since the signing of the initial agreements in the early and mid-1900's

However, during the Trump administration, the Turkish trade relationship grew contentious. In 2018, President Trump issued a proclamation imposing a 25% tariff on steel imported into the U.S. from other countries. On August 10, 2018 President Trump issued another proclamation adjusting imports of steel. In this recent proclamation, the Secretary of Commerce recommended that a higher tariff be applied on certain countries. Turkey was targeted because it is one of the major exporters of steel for domestic use in the United States. The proclamation had the express goal of increasing domestic capacity utilization in the U.S.,¹⁴ but Turkey perceived the act as a threat to their partnership.¹⁵ Under the proclamation and through executive authority vested in Section 232 of the Trade Expansion Act of 1962, the White House threatened to impose a 50% ad valorem tariff on steel articles imported from Turkey. The U.S. also previously imposed a 20% tariff on most global imports of aluminum.¹⁶ These trade policy measures rippled through the Turkish economy: the lira immediately dropped against the dollar by 17% and companies scrambled to protect themselves from foreign debt creditors.¹⁷ The additional tariffs prompted an immediate response from Turkish President Recep Tayyip Erdogan, who responded with a retaliatory presidential decree imposing tariffs on U.S. products such as rice, tobacco, vehicles, alcohol, coal and cosmetics.¹⁸ The U.S. and Turkey continue to challenge these tariff measures against one another in the WTO in 2021 and the court of International Trade held that the tariff increase did not follow

⁸ Office of the United States Trade Representative. Turkey. [https://ustr.gov/countries-regions/europe-middle-east/europe/turkey#:~:text=The%20U.S.%20goods%20and%20services,way\)%20goods%20trade%20during%202019.&text=Services%20exports%20were%20%244.2%20billion%3B%20services%20imports%20were%20%242.0%20billion.](https://ustr.gov/countries-regions/europe-middle-east/europe/turkey#:~:text=The%20U.S.%20goods%20and%20services,way)%20goods%20trade%20during%202019.&text=Services%20exports%20were%20%244.2%20billion%3B%20services%20imports%20were%20%242.0%20billion.)

⁹ The Organisation for Economic Co-operation and Development. Developments in Individual OECD and Selected Non-Member Economies: Turkey. OECD Economic Outlook, Volume 2018 Issue 1. 2018. <http://www.oecd.org/eco/outlook/economic-forecast-summary-turkey-oecd-economic-outlook.pdf>

¹⁰ U.S. Department of State. Bureau of European and Eurasian Affairs. Fact Sheet: U.S. Relations with Turkey. January 25, 2018. <https://www.state.gov/r/pa/ei/bgn/3432.htm>

¹¹ Id.

¹² U.S. Embassy & Consulates in Turkey. U.S. State Department. Policy & History. <https://tr.usembassy.gov/our-relationship/policy-history/>

¹³ U.S. Department of State. U.S. Relations with Turkey. Bureau of European and Eurasian Affairs: Fact Sheet. January 25, 2018. <https://www.state.gov/r/pa/ei/bgn/3432.htm>

¹⁴ The White House. Economy & Jobs. Presidential Proclamation Adjusting Imports of Steel Into the United States. August 10, 2018. <https://www.whitehouse.gov/presidential-actions/presidential-proclamation-adjusting-imports-steel-united-states-5/>

¹⁵ Ballhaus, Rebecca and Schlesinger, Jacob M. "Trump vows to Double Metals Tariff on Turkey as Dispute Escalates Over Detained American." The Wall Street Journal. August 11, 2018.

<https://www.wsj.com/articles/trump-vows-to-double-metals-tariffs-on-turkey-as-dispute-escalates-over-detained-american-1533906681>

¹⁶ U.S. Customs and Border Protection. Section 232 Tariffs on Aluminum and Steel. Duty on Imports of Steel and Aluminum Articles under Section 232 of the Trade Expansion Act of 1962. October 24, 2018. <https://www.cbp.gov/trade/programs-administration/entry-summary/232-tariffs-aluminum-and-steel>

¹⁷ Gauthier-Villars, David. "How Erdogan's Push for Endless Growth Brought Turkey to the Brink." The Wall Street Journal August 17, 2018. <https://www.wsj.com/articles/how-erdogans-push-for-endless-growth-brought-turkey-to-the-brink-1534526348>

¹⁸ The Republic of Turkey. August 14, 2018. <http://www.resmigazete.gov.tr/eskiler/2018/08/20180815-6.pdf> (in Turkish). The World Trade Organization. Immediate Notification Under Article 12.5 of the Agreement on Safeguards to the Council for Trade in Goods of Proposed Suspension of Concessions and Other Obligations Referred to in Paragraph 2 of Article 8 of the Agreement on Safeguards: Turkey. May 21, 2018. https://docs.wto.org/dol2fe/pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&Has-FrenchRecord=False&HasSpanishRecord=True&CatalogueId-List=245850,245518,245431,245272,245280,245283,245284,245285,244985,244462&CurrentCatalogueId-Index=3&FullTextHash=371857150 (English translation).

Section 232 procedural requirements.¹⁹ The volatile use of tariffs during the Trump administration created unnecessary friction in the overall economic and political relationship between U.S. and Turkey and the effect lingers years later.

Similarly, the Biden Administration is using tariffs as a strongarm tactic and potentially creating further friction in the U.S.-Turkish economic relationship by doing so. In early 2021, the U.S. Trade Representative initiated investigations into whether digital service taxes discriminated against U.S. digital companies and concluded that the U.K, Austria, Spain, Italy, India, and Turkey are subject to action under Section 301 of the Trade Act of 1974.²⁰ Tariffs as high as 25% may be imposed on textiles, tiles, and clothing. Of the six countries, Turkey would be the second most impacted country next to the U.K, and the U.S. proposes duties equivalent to \$160 million on Turkish imports.²¹ The use of Section 301 of the Trade Act of 1974 spiked during the Trump administration, primarily to aggressively respond to Chinese trade behavior. The use of this statute in the new administration evokes tough tactics, and may indicate that the administration does not prioritize growing and rebuilding a strong U.S.-Turkish trade relationship. This situation warrants further monitoring and evaluation as the administration continues to develop its trade policy priorities and trade policy leaders.

The fraying of trade relations between U.S. and Turkey is slow to recover across recent administrations and has economic and foreign policy implications.

The aims of a U.S.-Turkish foreign policy proposal ought to be considered in the context of three core foreign policy goals of the United States: stability in the Middle East, economic prosperity and securing human rights.

In conversations with Turkish President Recep Tayyip Erdogan, U.S. President Donald Trump vocalized policy goals for U.S-Turkish relations in the context of Middle East conflicts and specifically Syria. President Trump reiterated their shared goals: limited military actions in Syria, regional stability and combatting terrorism (specifically ISIS, the Kurdistan Workers' Party, al-Qa'ida, and Iranian sponsored terrorism).²² Early in his Presidency, Biden echoes a similar

sentiment and pledged to end U.S. "forever wars," including conflicts in Syria, Libya, Nagorno-Karabakh and Eastern Mediterranean.²³ U.S and Turkey leadership share continued goals for stability and peace in the region.

The U.S. has stricter expectations for the Turkish military to fill these lofty policy goals of stability. The U.S wants Turkey to deescalate violence and limit its military actions in Syria, avoid civilian casualties and take efforts to limit the increasing number of displaced persons and refugees.²⁴ The Biden administration is still working to establish a comprehensive Syria policy, but Secretary of State Anthony Blinken recognizes the critical role of Turkey geographically in Syria-focused efforts, and in a 2015 Atlantic Council Summit encouraged Turkey's role in more actively prosecuting suspected terrorist fighters.²⁵ Recognizing Turkey's central position in conflict, the U.S. is also grappling with the issue of how to effectively respond to Turkey's purchase of S-400 missile from Russia, and whether to punish Turkey through sanctions for this purchase on the grounds that this purchase hurts bilateral security cooperation and is detrimental to the goals of NATO.²⁶ The U.S. has warned Turkey to avoid actions that will risk a conflict between Turkish and American forces.

But these harsher standards are coupled with a softer stated intent to foster closer bilateral cooperation. Bilateral agreements are being formulated to combat Turkey's security concerns and the threat that an unstable Syria poses to the nation. Cooperation for the sake of regional stability is a key component driving the current policy towards Turkey in the context of a broader Middle East. In the wake of the Gulf War, Turkey was largely part of a political strategy based on a coalition of nations to reinforce regional stability in the Middle East. Turkey shares an eastern border with Iran and Iraq, so it was swept in and affected by the changes during and in the wake of the war. Turkey is a member of NATO and the Counter-ISL coalition and is considered an important security partner to the United States.²⁷ Turkey has also established bilateral relations and a security coalition with neighbors Iran and Pakistan.²⁸ These bilateral relations with neighbors are essential; Turkey is in a geopolitical context that it must consider the policies of not only the U.S., but

¹⁹ Congressional Research Service. "U.S. Turkey Trade Relations." January 21, 2021. <https://fas.org/sgp/crs/mideast/IF10961.pdf>

²⁰ Jaeger, Jaclyn. "USTR Threatens Tariffs on 6 Trade partners In Response to Digital Taxes." April 14, 2021. <https://www.compliance-week.com/risk-management/ustr-threatens-tariffs-on-6-trade-partners-in-response-to-digital-taxes/30252.article>

²¹ Monterio, Ana. "U.S. Forges Ahead on \$1 Billion Tariff Plan over Digital Taxes." April 5, 2020. <https://www.bloomberg.com/news/articles/2021-04-05/u-s-forges-ahead-on-1-billion-tariff-plan-over-digital-taxes>

²² The White House. Foreign Policy. *Readout of President Donald J. Trump's Call with President Recep Tayyip Erdogan of Turkey*. January 24, 2018. <https://www.whitehouse.gov/briefings-statements/readout-president-donald-j-trumps-call-president-recep-tayyip-erdogan-turkey-4/>

²³ Dost, Pinar and Wilson, Grady. "How Joe Biden can put US-Turkey relations back on track." Atlantic Council. December 3, 2020. <https://www.atlanticcouncil.org/content-series/elections2020/how-joe-biden-can-put-us-turkey-relations-back-on-track/>

²⁴ The White House. Foreign Policy. *Readout of President Donald J. Trump's Call with President Recep Tayyip Erdogan of Turkey*. January 24, 2018. <https://www.whitehouse.gov/briefings-statements/readout-president-donald-j-trumps-call-president-recep-tayyip-erdogan-turkey-4/>

²⁵ Dost, Pinar and Wilson, Grady. "How Joe Biden can put US-Turkey relations back on track." Atlantic Council. December 3, 2020. <https://www.atlanticcouncil.org/content-series/elections2020/how-joe-biden-can-put-us-turkey-relations-back-on-track/>

²⁶ Id.

²⁷ U.S. Department of State. *U.S. Relations with Turkey*. Bureau of European and Eurasian Affairs: Fact Sheet. January 25, 2018. <https://www.state.gov/r/pa/ei/bgn/3432.htm>

²⁸ Herrmann, Richard K. "The Middle East and the New World Order: Rethinking U.S. Political Strategy after the Gulf War." *International Security*, vol. 16, no. 2, 1991, pp. 42–75. *JSTOR*, JSTOR, www.jstor.org/stable/2539060.

also the interests of Saudi Arabia, Egypt, the United Arab Emirates, Bahrain, Israel, Iran and Syria.²⁹

The second core U.S. foreign policy goal that should be considered in the context of revising the current trade policy is economic prosperity, in the U.S and globally. The State Department has an express goal of deepening economic relations between U.S and Turkey,³⁰ and the Council of Economic advisors to the White House seeks to “maximize the benefits that America’s trade with the world generates for our citizens in the 21st century and beyond.”³¹ A significant means of achieving economic prosperity is through exports. A report authored by the World Trade Organization, the International Monetary Fund and the World Bank details how greater trade integration fosters growth and increases prosperity.³² To tap into this growth and mutual prosperity, domestic policies must be aimed towards integration and enhanced trade. Broadly, trade encourages exports which drives growth and prosperity. As detailed in the earlier analysis of the Turkish economy, there are significant monetary gains to the U.S. created through U.S.-Turkish trade flows. Domestic policies supporting a global market that results in billion-dollar economic gains for both countries is a clear foreign policy “win.”

The third foreign policy aim of the U.S. in Turkey is support of human rights and democracy. Turkey has had five military interventions since 1960. These coup d’états’ highlight the tension between the military and political realms and the threat to institutions this tension poses.³³ The U.S. has a vested interest in supporting the democratically elected government and institutions, and the State Department openly condemned the recent July 15th coup attempt in Turkey.³⁴ Post-Gulf war Turkey has faced a rising popularity of radical nationalists, Islamist political parties and political ideologies rooted in ethnic, religious and regional identities, which pose further threats to sound democracy in the region.³⁵

The detainment and subsequent sanction strained the overall relationship between the two countries. This relationship was further fraught when the U.S. tariff measures were imposed only weeks after the sanction. The tariff

measures imposed so soon after the sanctions were interpreted as further “punishment” on Turkey for the wrongful detainment.³⁶ However, tariffs are not the correct tool to impose punitive damage to make a statement about a country’s foreign policy; that is the intended goal of an economic sanction.³⁷ The use of tariffs unnecessarily and wrongly brought the human rights battleground into the trade realm, which threatens the foreign policy goals for U.S.-Turkey. The misuse of tariffs risks destabilization in Turkey, threatens the relationship as allies in the Middle East, impairs both country’s economic prosperity and undercuts the Turkish institutions the U.S. sought to uphold. The pastor was released in October,³⁸ but the tariffs and economic strain between U.S. and Turkey remain.

2. Policy Recommendation

Considering Turkey’s economic concerns and the strategic goals of U.S. foreign policy in the country, a new US-Turkey trade policy needs to focus on stabilizing U.S-Turkey trade relations and encouraging economic growth in Turkey. To stabilize U.S-Turkey trade policy, it is recommended that the U.S. take steps to revoke the tariffs imposed under the Trump administration being debated in the WTO and halt new tariffs under the Biden administration and focus on fostering exports and imports in the area. Rescinding the tariffs and encouraging business ties will normalize relations between the two regions and provide a foundation for stability in the region. Based on the analysis of Turkey’s economy, recent U.S. policies diminishing trade between the two countries will curtail Turkish growth and deepen the foundational issues to their economy. The U.S. economy would also suffer from a reduced export market. This policy proposal suggests that the incentive of economic growth motivated by mutually increased trade can encourage normalized political relationships and ultimately drive stability, an argument based in the Hamiltonian School of Thought.

In sum, revoking punishing trade tariffs and instead encouraging trade will ultimately strengthen the U.S-Turkey relationship and drive stability. Stability accomplishes U.S.

²⁹ <https://www.brookings.edu/opinions/the-middle-east-new-battle-lines/>

³⁰ U.S. Department of State. *U.S. Relations with Turkey*. Bureau of European and Eurasian Affairs: Fact Sheet. January 25, 2018. <https://www.state.gov/r/pa/ei/bgn/3432.htm>

³¹ The White House. Council of Economic Advisers. “Economy & Jobs.” *Enhancing U.S. Trade in a Global Economy*. February 21, 2018. <https://www.whitehouse.gov/articles/enhancing-u-s-trade-in-a-global-economy/>

³² International Monetary Fund, World Bank and World Trade Organization. “Reinvigorating Trade and Inclusive Growth.” September 30, 2018. https://www.wto.org/english/news_e/news18_e/igo_30sep18_e.pdf

³³ Çancı, Haldun, and Şevket Serkan Şen. “THE GULF WAR AND TURKEY: REGIONAL CHANGES AND THEIR DOMESTIC EFFECTS (1991-2003).” *International Journal on World Peace*, vol. 28, no. 1, 2011, pp. 41–65. JSTOR, JSTOR, www.jstor.org/stable/23266486.

³⁴ U.S. Department of State. *U.S. Relations with Turkey*. Bureau of European and Eurasian Affairs: Fact Sheet. January 25, 2018. <https://www.state.gov/r/pa/ei/bgn/3432.htm>

³⁵ Çancı, Haldun, and Şevket Serkan Şen. “THE GULF WAR AND TURKEY: REGIONAL CHANGES AND THEIR DOMESTIC EFFECTS (1991-2003).” *International Journal on World Peace*, vol. 28, no. 1, 2011, pp. 41–65. JSTOR, JSTOR, www.jstor.org/stable/23266486.

³⁶ Gauthier-Villars, David. “How Erdogan’s Push for Endless Growth Brought Turkey to the Brink.” *The Wall Street Journal* August 17, 2018. <https://www.wsj.com/articles/how-erdogans-push-for-endless-growth-brought-turkey-to-the-brink-1534526348>

³⁷ Masters, Jonathan. Council for Foreign Relations. *What Are Economic Sanctions*. August 7, 2017. <https://www.cfr.org/backgrounder/what-are-economic-sanctions>

³⁸ Cupolo, Diego. “The Case of an American Pastor Caught in a Geopolitical Fight.” *The Atlantic*. October 13, 2018. <https://www.theatlantic.com/international/archive/2018/10/turkey-frees-an-american-pastor/572935/>

foreign policy goals and stimulates economic growth from increased trade flows which will benefit both countries.

The policy proposal relies on a strategy legitimized on a federal level and implemented using economic and media tools. Policy legitimization using Constitutional power is the first step in enacting this strategy to encourage trade flows between the U.S and Turkey. Constitutional power would permit rescindment of the tariffs and authorization of deeper economic and diplomatic ties. Economic tools such as private business and trade group alignments, Department of Commerce data, and establishment of Free Trade Agreements are tangible ways to further these goals. To then align the public with the messaging of this policy goal, media outreach and elite media publications and research will ensure overall approval. This strategy ensures legitimate, short- and long-term success in promoting trade between the U.S and Turkey.

Adopting this policy is in the Hamiltonian historical tradition. This tradition focuses on commercial interests and looking to economic interests to guide conduct. Hamiltonian ideas supplement the core logic of the policy itself. The premise that increased trade will strengthen a country is based on the idea that incentivized economic prosperity will help formulate a “win-win world order.”³⁹ In the Turkey-U.S. relationship, this would mean that Turkey and the U.S. both benefit in terms of economic value and the subsequent political peace. They both “win,” not in spite of, but rather because they are driven by self-interested tangible economic gains. Alternatively, the tariffs signify a net economic loss to both Turkey and the U.S. The tariffs are a form of increasing taxation in both countries, which hurts the economic interests of each. The current U.S. trade policy towards Turkey is based on the premise that ramping up tariffs will set forth a “winning” country and a “losing” country, but Hamiltonian policy supports the case that there is either a mutual win or mutual loss.

Walter Russell Mead further explains why this “win-win” world order works as a deterrent to war and conflict. He captures the Hamiltonian aim in the twenty first century when he says, “Hamiltonian’s see commerce as, potentially, a cause for peace...the expansion of trade, and the substitution of the win-win strategy of commerce for the zero-sum game of war.”⁴⁰ Increases in trade and in human productivity are a net benefit to countries, and policy should be enabled to encourage this. Conflict, on the other hand diverts resources away and hurts the economic interests of both nations and therefore should be avoided. Were there to be fighting between Syria and Turkey or between Turkish and American military forces in the region, this would damage economic interests and would also fray crucial policy relationships.

³⁹ Mead, Walter Russell. *Special Providence: American Foreign Policy and How It Changed the World*. Routledge, 2009. Page 101

⁴⁰ Mead, Walter Russell. *Special Providence: American Foreign Policy and How It Changed the World*. Routledge, 2009. Page 103

⁴¹ Mankoff, Jeffrey. “Russia and Turkey’s Rapprochement.” *Foreign Affairs*. July 20, 2016. <https://www.foreignaffairs.com/articles/turkey/2016-07-20/russia-and-turkeys-rapprochement>

Framing conflict in this context of economic losses disincentivizes having the conflict in the first place. The policy plan seeks to combat the pitfalls of what is rapidly becoming a zero-sum relationship between the U.S. and Turkey, where both are escalating economic tensions that will result in a net loss for both countries from a monetary and peacekeeping stance. Aligning interests to focus on economic incentives will bring alignment in both the economic and political realms.

Based on the geographical and geopolitical placement of Turkey, changes in the Turkey-U.S. trade relationship is always in the context of Turkey’s Middle Eastern neighbors. As detailed in this memorandum, Turkey’s relationships with Syria, Iraq, Iran, Saudi Arabia, the United Arab Emirates, Israel and Egypt have a role in policies between the U.S. and Turkey. Turkey’s proximity to Syria specifically makes the need for stability more pressing.

Changes to U.S. trade policy may also risk Turkey replacing the U.S. as a trading partner. Tariff changes and a normalization of the relationship between Russia and Turkey could position Russia as a potential new trade partner⁴¹ and a supplier of missile defense systems and security systems that threatens the security coordination the U.S. and Turkey tentatively share.⁴² Risk of replacement could permanently damage U.S. and Turkish economic ties, and fray NATO and security relations.

The United States initially vested the power to amend trade relations to Congress under the authority of the Constitution. Article I, Section 8 of the U.S. Constitution outlines the various powers of Congress, specifically relating to international commerce with foreign nations. Clause 3 of section 8, the “Commerce Clause,” specifically dictates that Congress has the power “to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.” Under Section 8, Congress is also granted express powers to “lay and collect taxes, duties, imposts and excises.” This gives Congress some authority to determine the volume and amount of tariffs levied on Turkey. However, despite this express power under the Constitution, Congress’ ability to enact trade policy changes is limited by two trade acts.

Considering the terms of two significant trade acts it would be more effective to use Executive power to make the necessary amendments to the tariffs on Turkey. The Office of the U.S. Trade Representative (USTR) has Executive Authority (under Article II of the Constitution) and operates under the umbrella of the Executive Office of the President. USTR was established under the Trade Expansion Act of 1962.⁴³ The Act gives the President the power to impose tariffs based on recommendations from the Secretary of

⁴² Dost, Pinar and Wilson, Grady. “How Joe Biden can put US-Turkey relations back on track.” *Atlantic Council*. December 3, 2020. <https://www.atlanticcouncil.org/content-series/elections2020/how-joe-biden-can-put-us-turkey-relations-back-on-track/>

⁴³ U.S. Government Printing Office. Public Law 87-764. *Trade Expansion Act of 1962*. <https://www.gpo.gov/fdsys/pkg/STATUTE-76/pdf/STATUTE-76-Pg872.pdf>

Commerce. The Trade Act of 1974⁴⁴ further expanded the powers of USTR. It delegated new authority to the executive branch to negotiate tariff and non-tariff barriers during multilateral trade negotiations. The act has usually been enacted before significant WTO negotiations when there is a need for quicker decision making to confirm agreements in a reasonably timely fashion. The additional authority under the Act is considered a “fast track” authority, and limits Congress’ power so that they could only indirectly influence these negotiations. The Trade Act was renewed in 2002⁴⁵ and then again in 2012 by President Obama.⁴⁶ Thus, executive authority is necessary to legitimize this policy. With Executive alignment, we can rescind the 2018 tariffs, have the federal backing to encourage trade and set the foundation to sign onto further future Free Trade Agreements. To make the effective policy changes to increase trade relations with Turkey and strengthen the U.S. Turkey relationship, legitimacy should be granted under the authority of Article II of the Constitution.

Economic instruments can also be used to encourage this policy. The primary immediate action of this policy is to use Section II powers of the Constitution to rescind the targeted tariffs on Turkey to allow for U.S-Turkey trade flows. We propose short-term and long-term economic-focused tactics to supplement and deepen the economic relationship and further the goals of the policy.

In the short-term, the Department of Commerce’s International Trade Administration should conduct further studies to determine and measure how much the United States’ economy would benefit from trade flow with Turkey. The Department has the express goal of consulting to the President and to Congress, so to have the most accurate data and valuation would further supplement the policy and encourage adoption. Likewise, alignment with trade groups affected by the Turkish tariffs and data showing the net income gains from a restored or enhanced U.S-Turkey trade relationship would showcase the private sectors’ support of this policy.

On a longer-term basis, once a more stable trade and political relationship between the U.S and Turkey is developed, the U.S. should consider adopting a Free Trade Agreement (also referred to as a Regional Trade Agreement) with Turkey. Regional Trade Agreements (RTA’s) that liberalize trade are an effective strategy for countries that seek economic improvement; the average trade increase from RTA’s

after ten years is between 50-170 percent, meaning that these agreements double members’ merchandise trade after a phase in period.⁴⁷ Such an agreement between U.S and Turkey would further Hamiltonian goals: with further integration and further economic incentives to trade between the two nations, political stability would be encouraged for the sake of maintaining this economic prosperity, and an RTA is further solidifying this relationship. A Regional Trade Agreement is an ambitious economic tool in the current political climate but building our policy with a ten-year horizon for developing an RTA helps to strategically align and ensure the effective execution of this policy in the long-term.

Encouraging the adoption of these policy goals by the American public will require the use of various media outlets (both public media and elite media) and a policy narrative based on using economic cohesion for prosperity and peace. By framing the policy goals as encouraging trade that will then strengthen the U.S.-Turkey relationship and thereby drive stability and increased economic prosperity for both parties, the message adapts to a public expressly concerned about the state of the U.S. economy.

The public media front should focus messaging explicitly on these public concerns about the state of the economy and the public interest in growing the economy. As of March 2021, in a Gallup poll determining economic confidence 77% of Americans rated economic conditions as “only fair” or “poor.”⁴⁸ Framing the media narrative on an argument that more open trade would be an overall economic driver and would improve current and post-COVID future economic conditions would speak to the number of Americans who expressed concerns for the current state of the economy. Similarly, showcasing the policy framework as a means of increasing trade thus more exports can be classified as “free enterprise” and part of a post-COVID economic boom. Americans are generally receptive to the idea of free-enterprise economics. Gallup polls determined that 85% of Americans have a positive association with free enterprise, so explaining this policy as a driver of free-enterprise will be a resonant argument.⁴⁹ Using 24/7 cable and engagement through online news outlets and newspapers known for their economic opinions and expertise, such as the Wall Street Journal, the Financial Times, Bloomberg, CNBC and The New York Times is an effective way to disseminate this information.

⁴⁴ The U.S. House of Representatives. Legislative Council. Trade Act of 1974 (Public Law 93-618, as amended). As Amended Through P.L. 115-141 Enacted March 23, 2018. August 6, 2018. <https://legcounsel.house.gov/Comps/93-618.pdf>

⁴⁵ U.S. Government Printing Office. 107th Congress Public Law 2010. “To Extend the Andean Trade Preference Act, to grant additional trade benefits under that Act, and for other purposes.” *Public Law 107-210*. <https://www.gpo.gov/fdsys/pkg/PLAW-107publ210/html/PLAW-107publ210.htm>

⁴⁶ The White House. President Barack Obama. Blog. “On Trade, Here’s What the President Signed into Law:” June 29, 2015. <https://obamawhitehouse.archives.gov/blog/2015/06/29/trade-here-s-what-president-signed-law>

⁴⁷ Kommerskollegium. National Board of Trade Sweden. “Economic Integration Works: The Trade Effects of Regional Trade Agreements.” July 2018 – First edition. ISBN: 978-91-88201-42-3. <https://www.kommers.se/Documents/dokumentarkiv/publikationer/2018/publ-economic-integration-works.pdf>

⁴⁸ Gallup. “Economy.” In Depth: Topics A to Z. <https://news.gallup.com/poll/1609/consumer-views-economy.aspx>

⁴⁹ Newport, Frank. “Americans’ Views of Socialism Capitalism Are Little Changed.” May 6, 2016. *Gallup*. <https://news.gallup.com/poll/191354/americans-views-socialism-capitalism-little-changed.aspx>

The elite media is a second way to gain general acceptance of the foreign policy aims. By aligning with think tanks institutions such as Brookings, CSIS, The Heritage Foundation, American Enterprise etc. to highlight research showing the positive effects of free and integrated trade, a debate among policy makers will be encouraged and can influence decision making. Many of these institutions have already been highlighting the economic benefits of free trade, so further fostering this dialogue as part of global economic recovery efforts and securing elite influence will be essential to driving the policy goals outlined in this paper. Acceptance of this policy by the elite media outlets and the general public is the final step to successful implementation.

Conclusion: This foreign policy brief uses a thorough analysis of Turkey's economy, their trade relationship with the United States and their political positioning to argue that the remaining policy in place from the Trump Administration is ineffective and potentially detrimental. The current policies are not aligned with stated U.S. foreign policy goals. We advise the Biden Administration to revoke the tariffs on Turkey and avoid additional punishing tariffs and instead encourage trade flows. This revised U.S.-Turkey trade relationship would be a win-win for both countries: it would increase imports and exports resulting in economic gains for both countries, strengthen the U.S. Turkey relationship, and set a foundation for regional stability.