

# BENDING AN ASYMMETRICAL GRAPHIC; ON TURKISH-GERMAN ECONOMIC RELATIONS

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مركز البحوث الإنسانية و الاجتماعية

To cite this article: Vatandaş, Selim, “Bending an Asymmetrical Graphic;On Turkish-German Economic Relations”, İNSAMER, 20.03.2019.

 Analysis

Wolfgang Rudzio defines Germany’s foreign policy as a notion that focuses on trading and integration rather than on power politics. For Germany, the world’s fourth largest economy with a population of 82 million, economy is one of the most important factors of its foreign policy. Approximately one third of Germany’s gross national product is made of export items. The high export volume of the country causes a high level of international trade dependency, and this economic dependency has made an influence on German’s foreign policy, which is for it to act in cooperation with its foreign allies.

## Why is Turkey-Germany Economic Relations Essential?

The economy is one of the most important factors that create a positive dependency in inter-state relations. Germany is the world’s third largest exporter after China and the US, with about \$

1.3 trillion worth of export annually. Germany’s top exports include cars (\$158B), vehicle parts (\$64.1B), packaged medicaments (\$50.6B), planes, helicopters, and/or spacecraft (\$27.2B) etc. Germany exports all of these products, in particular to the United States (\$111B), France (\$103B), China (\$95B), the United Kingdom (\$90.3B) and the Netherlands (\$84.5B).<sup>1</sup> This phenomenon shows us that Germany is an economic giant when considering its population scale.

Turkey is also a regional strategic actor in the Middle East and North Africa region. She has a deep-rooted state tradition inherited from the Ottoman Empire period. This historical depth has an advantage for Turkey in terms of international relations. As for Turkey-Germany relations, both countries have a history that binds them closer to each other. Both Turkey and Germany are in collaboration in the



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political and economic dimensions, they have military alliances since pre-World War I and economic cooperation such as the establishment of the Anatolia and Baghdad railway projects in Ottoman era. In addition, the migration of Turkish workers to Germany in the 1960s led to the revival of mutual social relations. These events have painted a positive image on Turkey and created the first economic foundations on Turkey-Germany relations.

## The Asymmetry in the Economic Comparison

As the largest share of Turkey's exports at about \$ 15 billion per year, Germany is Turkey's most important trading partner. Turkey's exports to Germany consist of vehicles, parts and accessories for motor vehicles and textiles, while the main imports from Germany are road vehicles, medicaments and parts and accessories for motor vehicles. However, while the Germany is the first country in the export list of Turkey, Turkey is ranked sixteenth in Germany's list of import countries. This indicator shows that there is an asymmetrical international trade relationship between Turkey and Germany. For example between 2002 to April 2018, direct investments (FDI) from Germany to Turkey amounted to \$9.2 billion. This figure was merely \$2.2 billion from Turkey to Germany in the same period. Besides there are about 80,000 Turkish-German businesses operating in Germany with

an annual turnover of approximately 52 billion euros. The Turkish initiatives are employing almost 500,000 people in 50 different sectors.<sup>2</sup> On the other hand, Turkey houses more than 7,500 German companies and Germany wants to further the economic ties.<sup>3</sup>

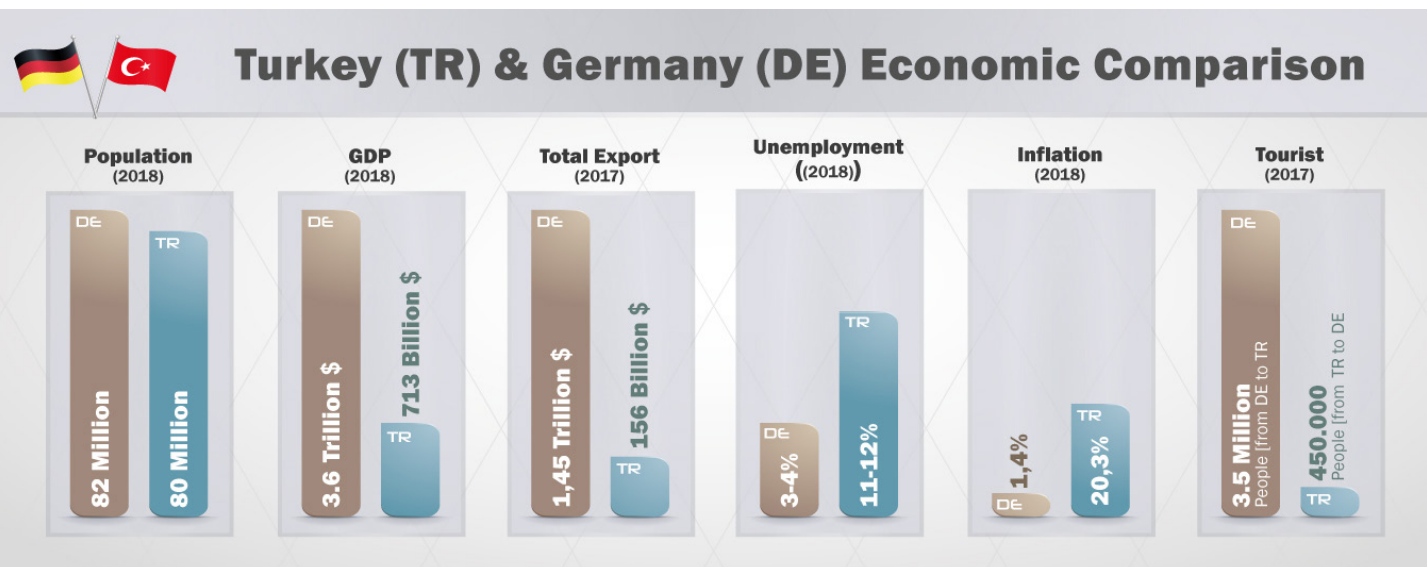
The annual trade volume between Turkey and Germany is about 35 billion dollars, and this figure corresponds to 1.5% of Germany's annual trade volume, compared to 10% for Turkey's annual trade volume. In 2017, while Germany's export to Turkey was 1.4 trillion dollars, Turkey's export to Germany was only 156 billion. This figure shows that there is a nine-fold gap between the two countries. Despite having similar population rates, Germany has more than 3 times national income (GDP) from Turkey. In addition, the German economy has very low inflation (1,4%) and unemployment rate (app. %4) among EU countries. These indicators reveal the existence of a strong German economy.

**How does Germany have such a strong economy?**

So, here is the question.

How does Germany have such a strong economy? What are the factors underlying Germany's economic dynamics?

According to Deutsche Bank, there are five important factors in the story of the German



economy. The first one is the macro economic policies of German political decision makers in creating stability and growth. These include “institutions grounded in German ‘ordoliberalism’”, a functioning legal system as well as good governance and administration. According to German’s Ordoliberal school, governments should regulate markets in such a way that market outcome approximates the theoretical outcome in a perfectly competitive market.<sup>4</sup> Germany has not left its economy to strict capitalist “let them do” (laissez faire laissez passer) economy where the state has no role. The third factor in the German economy is the global German companies fed

by local companies. Small and medium-sized companies, which account for about 55% of the German economy, are a catalyst of the German economy.<sup>5</sup> The fourth factor is an equitable system of social security and cooperative social partners. In addition, the fifth most effective factor in the German economy is the long-term plans targeted for companies and employees.<sup>6</sup>

## Turkey and Germany Should Maintain A Healthy Economic Flow

The main factors that determine the healthy economic relations between Turkey and Germany are security and political priorities. Turkey expects support from Germany in the struggle against the PKK and the Gülen movement. Besides, the anti-Turkey stance against Turkey in Germany is another factor that damages the mutual relations. However, it is obvious that the will to overcome the security problems is in the hands of both countries.

Germany has a key role in the European Union membership process and economic dynamics for Turkey. Indeed, Turkey is also an important actor for Germany in terms of managing the flow of migration to Europe, energy security, and the fight against international terrorism. All in all, it is necessary not to sacrifice the continuity of a flow of co-operation, which has been won by both countries, into a security crises and a populist political language.



### Germany's economic success story is based on 5 key factors

- Macropolicies focused on stability and growth
- Institutions grounded in Germany's "ordoliberalism"
- Global companies with unique structures
- An equitable system of social security & cooperative social partners
- A long-term perspective by companies and citizens



\*Source: Deutsche Bank

## Endnotes

- <sup>1</sup> “Germany”, The Observatory of Economic Complexity, 2018. <https://atlas.media.mit.edu/en/profile/country/deu/>
- <sup>2</sup> Daily Sabah, “New period in Turkish-German ties commences based on mutual interests”, 21.09.2018. <https://www.dailysabah.com/economy/2018/09/21/new-period-in-turkish-german-ties-commences-based-on-mutual-interests>
- <sup>3</sup> Anadolu Agency, “Turkey, Germany vow to boost economic ties”, 21.09.2018. <https://www.aa.com.tr/en/economy/turkey-germany-vow-to-boost-economic-ties/1261429>
- <sup>4</sup> Sebastian Dullien & Ulrike Gu  rot, “The Long Shadow of Ordoliberalism: Germany’s Approach to the Euro Crisis”, European Council on Foreign Relations, February 2012, s. 2.
- <sup>5</sup> “The German Mittelstand: Facts and figures about German SMEs”, Federal Ministry for Economic Affairs and Energy, 2015. s. 2, [https://www.bmwi.de/Redaktion/EN/Publikationen/wirtschaftsmotor-mittelstand-zahlen-und-fakten-zu-den-deutschen-kmu.pdf?\\_\\_blob=publicationFile&v=2](https://www.bmwi.de/Redaktion/EN/Publikationen/wirtschaftsmotor-mittelstand-zahlen-und-fakten-zu-den-deutschen-kmu.pdf?__blob=publicationFile&v=2)
- <sup>6</sup> “Why Germany’s economy remains a ‘beacon of stability’” Deutsche Bank, 16 December 2016, [https://www.db.com/newsroom\\_news/2016/ghp/why-germany-s-economy-remains-a-beacon-of-stability-en-11783.htm](https://www.db.com/newsroom_news/2016/ghp/why-germany-s-economy-remains-a-beacon-of-stability-en-11783.htm)

