



EXPORT AND IMPORT PRODUCTS GROUPS' SHARES OF TURKEY WITH CEE COUNTRIES AFTER THEIR ACCESSIONS TO EU AND BEFORE

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ABSTRACT

The purpose of this study is to analyze export and import shares of main products of CEE countries with Turkey before their membership to EU and then, starting from the year of 2000. After accession to EU, these countries' export and import shares mostly increased with Turkey and EU, implying existence of trade diversion and specialization in production. It is analyzed that the largest share of Turkish export product groups in trading with CEE countries are "manufactured industrial products" and "machinery, transport equipments" within both periods. Turkey's largest share of import products groups from these countries are "manufactured industrial product", "chemicals and chemical products" and "crude materials, inedible, except fuels". Because of producing similar goods at different qualities, intra-industry trade exists largely between CEE countries and Turkey. These countries usually produce industrial products accounting for more than 50% of total trade with Turkey.

Keywords: CEE countries, Turkey, EU membership, Group products' foreign trade.

JEL Classification Codes: F10, F13, F14, F15, P33.

INTRODUCTION

CEEC (Central East European Countries) have experienced a political and economical transition from the centrally planned economy to the market economy since 1989. The political systems and economies of those countries were fundamentally and rapidly started to change after 1989. Some CEE countries implemented comprehensive stabilization and structural reform packages early in the transition period, and others such as Bulgaria and Romania started these reforms late (Fisher and Sahay, 2000). Initially, conditions of transition were less favorable and negative external effects were highly influencable. Later, the more changes there existed to reduce economic, social and political costs and to avoid chronic macroeconomic instability.

During the 1990s, the focus of the CEE countries was the transformation of domestic system towards market economy. Few countries in the CEE countries did not experience important systemic changes and advanced little towards liberalization and privatization of the economy until 1995 (Dabrowski, 1996). Moreover, they adapted to the international system. Since Hungary had provided some progress in reform packages before communism regime, it experienced less macroeconomic instability during transition progress after 1989. Poland, Czech Republic, Slovakia, Estonia and Latvia had to apply a radical transition program including the initial macroeconomic stabilization and a comprehensive domestic and external liberalization of the economy. By the end of 1994, these countries had succeeded the important reforms and finished the first stage of the transition progress.

However, Slovenia achieved a slow path in implementing radical economic reforms. Lithuania was not able to achieve reform at first stage, but later it applied these reforms successfully and stabilized her economy. Romania run important reforms but it showed a weak performance in coordinating transition policies and macroeconomic managements. Bulgaria implemented a very radical liberalization and stabilization program similar to Polish, Czech and Slovak ones. However, Bulgaria applied slower transition programs and did not succeed important changes.

On the one hand, all CEE countries had to participate in the developing world. These countries launched to seek for international cooperation with major international organizations such as the WB (World Bank), IMF (International Monetary Fund) and WTO (World Trade Organization) during the 1990s. In addition, they wanted to be a member of EU.

The Copenhagen European Council in 1993 identified the main criteria which consider essential for obtaining EU membership, including the ability to adopt the legislation of the European Community on specific policy areas (Lighfoot and Zubizeretta, 2008). In this context, the most of CEE liberalized their trade regimes and reduced the role of state. Private ownership was expanded in a fast way in those countries (Inotai, 1995). At the beginning of 2000s CEE countries trade reforms had higher protection in agriculture and certain manufacturing sectors but tariff frees were mostly disseminated by them (Kaminski, 1999).

However, in manufactured products, the tariff regimes in the CEE countries provided higher protection than it were in OECD countries. Non-tariff barriers were observed to be more prevalent in Poland and Hungary and especially on consumer products. Agricultural protection was implemented firstly through tariffs and tariff quotas. After EU membership, they adjusted their policies and institutions and brought about a large and complex set of social and economic adjustment issues in regarding to freeing trade.

It is a huge responsibility which is presently harmonizing a lot of policy and regulation in the EU (Michalopoulos, 1999). Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia and Slovenia became a member of the EU in 2004; on the other hand, Bulgaria and Romania have been accepted to the EU in 2007. After EU membership, the CEE countries faced a lot of problems of highly decentralized implementation of EU common policies and then taking advantage from the Official Development Assistance, which made a significant improvement in their development cooperation. The new member countries increased Official Development Assistance equivalent from approximately 0.03% of their Gross National Income to around 0.1% (Bucar and Mrak, 2007). Through 2004-2007, CEE countries being accepted to the EU, they adopted the common external tariff regimes of EU besides all EU external trade agreements.

The Central European Free Trade Area was regulated on December 19, 2006. EU made an agreement regarding to the custom union with Turkey in 1996. In some respects, the trade policy aspects of the custom union implemented beyond the European Agreements. It is true that trade relations with EU were significant for an economic development in CEE countries and Turkey. The European Agreements gave priority to bilateral trade between EU and each of the CEE countries. EU export to CEE countries increased more quickly than CEE export to the EU increased. At the same time, the EU-Turkey Custom Union improved both exports and imports among the countries. The trade agreements with EU became more influential in that time. Moreover, taking price competitiveness was able to take advantage of market-opening provisions of a trade agreement among the countries (Herderschee and Qiao, 2007).

Trade Profiles of CEE Countries

Bulgaria; Bulgaria implemented significant economic reforms by liberalizing trade through acceding to the WTO in 1996, participating the Central European Free-Trade Agreement (CEFTA) in 1999 and then by joining to the European Union in 2007. A trade policy reform undertaken by Bulgaria includes its customs, tariff, import licensing, trade instruments, standards, government regulation, trade-related intellectual property rights and services. The resulting more open and competitive trade regime has contributed to Bulgaria's macroeconomic recovery by increasing its trade with the rest of the world, in particular from preferential regional sources (Trade policy reviews of Bulgaria (October 2003). Bulgaria has also established important trade relations with CEFTA members (Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia). Bulgaria has bilateral free-trade agreements with Estonia, Latvia, Lithuania and Turkey.

Bulgaria integrated its agri-base industry with its raw agricultural products. Bulgaria's agricultural and agri-base food products has very important share in its export. Bulgaria's main industrial products are chemicals, chemical products and furious metallurgy. Before the EU membership, the diversification of imported products was improved. A large percentage of imports accounts for the raw materials such as cloths, metal ore and petroleum, which are processed and re-exported. Today,

Bulgaria imports mainly machinery and equipment, metals and ores, chemicals and plastics, fuels and minerals. The major sources of imports, in order of volume, were Germany, Russia, Italy, Turkey, and Greece. Bulgaria's largest export markets, in order of volume, were Italy, Germany, Turkey, Greece, and Belgium. The most important export commodities are clothing, footwear, iron and steel, machinery and equipment, and fuels ([Bulgaria country profile \(2006\)](#)).

Czech Republic; The Czech Republic integrated into the world economy and continued moving towards Western Europe early. Czech Republic built up its network of preferential trade agreements with the countries such as Estonia, Latvia, Lithuania and Turkey. Integration with EU accelerated the Czech Republic's economic development and provided renewed opportunities for further economic and trade reforms. It harmonized its standards and technical regulations with those of the EU norms ([Trade policy reviews of Czech Republic \(October 2001\)](#)).

The main agricultural crops of Czech Republic are grains. The automobile industry remains largest single industry produced more than a million cars for a year account for approximately 24% of country manufacturing over 80% of which were exported, bringing in significantly more revenue than other important exports, such as electrical machinery and appliances, and industrial machinery and equipment ([Czech Republic balance of trade \(2012\)](#)). Other major export products include iron and steel, non-metallic mineral products, textiles, specialized machinery, transport equipment, furniture, power generation machinery, and rubber goods (Czech manufacturing), 02 January 2012). Czech Republic imports mainly machinery and transportation equipment, raw materials, fuels and chemicals. European Union is by far its largest trading partner, accounting for approximately 80% of exports and 71% of imports after the membership to EU ([Czech Republic balance of trade \(2012\)](#)).

Estonia; Compared with other transition economies, Estonia is one of the most advanced economies in terms of market economy. After membership to EU, Estonia signed free trade agreements with EU and several of the Central European countries. Estonia's economic and trade relations with these countries improved as a consequence of liberalization of trade within the framework of agreements. Estonia's largest trade partner is EU ([Estonia's foreign economic relations \(2012\)](#)).

Estonia's agricultural sector is small but largely self-sufficient. Estonia's main industrial products are electricity, oil shale, chemical products, electrical motors, textiles, furniture, paper products, building materials, ships and processed foods. The rubber, wood, metallurgy, textiles, transports and telecommunications, equipment industries generate 29% of national income and farming account for 6%. She has indicated a considerable export growth recently. The largest export product groups' shares have shown up as machinery and equipment (mainly wireless-network gear, wind generators), mineral products, agricultural products and food preparations. The largest import

product groups shares have shown up as machinery and equipment, mineral products and agricultural products and food preparations ([Historical data for Estonia's balance of trade \(2012\)](#)).

Hungary; Hungary is a member of OECD since 1995, a member of WTO since 1996, and a member of the European Union since 2004 ([Economy of Hungary \(2010\)](#)).

Hungarian agricultural sector was predominant in the economy for many years. The essential crops are cereals, fruits, vegetables and wine. The industrial sector contributes to one-third of the country's GDP. Automobile and electronics sectors are two main sectors, both of which represent 30% of the country's exports and 15% of the GDP. The services sector contributes nearly to two-thirds of the GDP ([Foreign trade overview of Hungary](#)). The Hungarian economy is very open, trade representing approximately 160% of the GDP ([Economy overview of Hungary, 2012](#)). Hungary exports mainly machinery and transport equipments, consumer goods, agricultural products, chemicals, apparel, textiles, iron and steel, and wine. Hungary imports mainly machinery and equipments, other manufactures and fuels and electricity. European Union is by far its largest trading partner, accounting for about 79% of exports and 70% of import (Hungary [Hungary balance of trade \(2012\)](#)).

Latvia; Latvia is a small open economy with exports contributing significantly to its GDP. Latvia officially participated the WTO in February, 1999 and concluded an agreement with EFTA and EU. Latvia has a number of bilateral agreements with other countries, including several CEFTA countries, Ukraine and Turkey. Latvia's EU membership, a top foreign policy goal, came in May 2004 ([Latvia Economy \(2012\)](#)). Latvia is one the most affected country by the recent world economic crises among the CEE countries.

Latvia's main industrial products are synthetic fibers, agricultural machinery, fertilizers, radios, electronics, pharmaceuticals, processed foods, textiles, timber; depending on the imports for energy and raw materials. Latvia exports mainly wood and wood products, machinery and equipment, iron and steel, textiles and foodstuffs. Latvia's main export partners are Lithuania, Russia, Estonia, Germany and Sweden. Latvia imports mainly machinery and equipment, chemicals, fuels and vehicles. Latvia's main import partners are Lithuania, Germany, Russia, Poland and Estonia ([Historical data for Lithuania's balance of trade \(2012\)](#)).

Lithuania; Lithuania is the largest of the Baltic economies but she is quite small compared to other EU economies. After membership to the World Trade Organization, Lithuania participated the EU in May 2004. Lithuania's economy grew about 8% per year on average for the four years prior to 2008 driven by exports and domestic demand. After financial crisis in 2008, Lithuania's government launched a high campaign to appeal foreign investment and to improve export markets. In 2011, Lithuania was one of the fastest growing economies in the EU ([Lithuania's Economy,](#)

2012). Lithuania has a free-trade agreement with Estonia, Latvia and the members of the EU ([Foreign trade of Lithuania, 2012](#)). Lithuania's major industries are metal-cutting machine tools, electrical motors, television sets, refrigerators and freezers, petroleum refining, ship building (small ships), furniture making, textiles, food processing, fertilizers, agricultural machinery, optical equipments, electronic components, computers, amber jewelry ([Lithuania's Economy](#)). Lithuania exports mainly mineral products (mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes), foodstuffs, machinery and mechanical appliances, electrical equipment and chemicals. Lithuania's major export partners are Russia, Latvia, Germany and Poland. Lithuania imports mainly mineral products, machinery and mechanical appliances, electrical equipments. Its main import partners are Russia, Germany, Poland and Latvia ([Historical data for Latvia's balance of trade \(2012\)](#)).

Poland; Poland has experienced a rapid transformation to a market economy for the years. Poland is a founding member of the WTO and grants at least most-favored-nation (MFN) treatment to the members of the WTO. With European Agreement, tariffs were eliminated on all industrial goods except for steel in 1999, on petroleum products in 2000, and on automobiles in 2002. Poland removed its agricultural tariff and almost all industrial tariffs by 2002. Poland has free-trade agreements with EFTA members and with other CEFTA parties as well as bilaterally trade agreements with the Baltic States and Turkey. Following OECD membership in 1996, Poland's reforms were accelerated largely by accession to the EU by 2003 ([Trade policy reviews of Poland \(2000\)](#)). Poland's economic condition was reinforced with its integration into the EU. Poland major industries are machine building, iron and steel, coal mining, chemicals, ship building, food processing, glass, beverages and textiles. Poland exports mainly processed fruit and vegetables, meat, dairy products, electromechanical products, vehicles, aircraft and vessels. Poland imports mainly capital goods needed for industrial retooling and for manufacturing inputs like machinery and transport equipments, chemicals, minerals, fuels and lubricants. European Union is by far its largest trading partner accounting for about 79% of exports and 64% of imports ([Poland balance of trade \(2012\)](#)).

Slovakia; Slovakia experienced various economic reforms including trade and investment liberalization after transformation to a market economy. Slovakia implemented successful stabilization and structural reforms after 2000. Since EU accession in 2004 Slovakia's trade policies have been largely harmonized with those of the EU. Slovakia is the member of the WTO and also has a free-trade agreement with EFTA member States, other CEFTA parties, as well as bilaterally trade agreements with the Baltic States and Turkey ([Trade policy reviews of Slovakia \(2001\)](#)). Slovakia's main industrial products are metal and metal products, food and beverages, electricity, gas, coke, oil, nuclear fuel, chemicals and man-made fibers, machinery, paper products, ceramics, transport vehicles, textiles, electrical and optical apparatus and rubber products. Slovakia exports mainly vehicles, machinery and electrical equipments, base metals and chemicals and

minerals. Slovakia's main export partners exist as Germany and Czech Republic. Slovakia imports mainly machinery and transport equipment, intermediate manufactured goods, fuels and chemicals. Slovakia's main import partners are Germany, Czech Republic, Russia and Hungary. Manufactured products, especially machinery and transport equipment accounted for some two thirds of Slovakia's export and import ([Slovakia's balance of trade \(2012\)](#)).

Slovenia; After the independence, Slovenia implemented a structural adjustment for a market economy. A decade later, Slovenia created an outward-oriented economy by liberalizing trade and investment, driven by commitments in the WTO and preparations for accession to EU. Slovenia is a member of the WTO. Slovenia also signed free-trade agreements with the European Union and EFTA, CEFTA, Baltic countries and Turkey. Slovenia is strongly committed to the multilateral trading system. Slovenia's economy is highly dependable on international trade.

The product composition of merchandise trade is still dominated by semi-finished and intermediate manufacturing goods. The shares of textiles and clothing and steel in merchandise exports are declining slightly, while those of automotive products, electronics and pharmaceuticals are increasing ([Trade policy reviews of Slovenia \(2002\)](#)). Slovenia's main products are ferrous metallurgy, aluminum products, lead and zinc smelting, electronics, trucks, automobiles, electric power equipment, wood products, textiles, chemicals and machine tools. She exports mainly motor vehicles, furniture and household electrical equipment, pharmaceutical products and clothes. The country imports mainly machinery and transport equipment, manufactured goods, chemicals, fuels and lubricants and food. European Union (Germany, Austria, Italy and France) is by far its largest trading partners accounting for about 71% of exports and 79% of imports ([Slovenia's balance of trade \(2012\)](#)).

Romania; Romania has continued to liberalize its trade regime since 1999. This, in turn, has contributed overall economic performance positively for the last few years ([Trade policy of Romania \(2005\)](#)). As an EU member country, Romania adopted the EU Common Trade Policy and accepted the European Commission as a collective negotiating body for important international trade-related matters and applied the EU preferential trade agreements ([Romania trade policy \(2012\)](#)). Romania's major industries are electric machinery and equipments, textiles, and footwear, light machinery and auto assembly, mining, timber, construction materials, metallurgy, chemicals, food processing and petroleum refining. Romania exports mainly machinery and transport equipments, raw materials, and miscellaneous manufactured articles like textiles and footwear. Romania imports mainly machinery and transport equipment, raw materials, chemicals and fuels. More than 70% of exports and imports are with EU members ([Trade policy of Romania \(2005\)](#)).

Turkish General Export and Import Shares with CEEC, EU and the World

After membership to the EU Customs Union in 1996, Turkey harmonized technical and administrative aspects of EU trade policy. Industrial goods trade was freed from tariffs and quantitative restrictions. Turkey redesigned its trade policy with the third countries granting preferential tariffs to CEE countries vice versa. She established conditions for the free movement of services, the protection of industrial property rights and competition rules, agricultural policy and financial regulation (Flam, 2004: 172-193). However, Turkey has been facing some restrictions in labor movements within the EU area for the years.

Turkey's Periodical Export and Import Shares

Table 1 shows the performance of Turkey's export and import shares with EU, CEEC and the world through 2000-2010.

Table-1. Turkey's Cumulative Export and Import Shares with CEEC, EU and the World (%)

Periods	Turkish export share in CEEC	Turkish export share in EU	Turkish export share in World	Turkish Import share in CEEC	Turkish Import share in EU	Turkish Import share in World
2000-04	17.8	1.7	0.6	25.5	2.5	0.8
2005-10	22.2	2.3	0.9	35.7	3.1	1.1

Source: (1) Economic Outlook September-2011: www.imf.org (18.12.2011),

(2) Foreign Trade Indicators; www.tuik.gov.tr (16.12.2011),

(3) World Development Indicators: www.worldbank.org (16.12.2011),

4) Foreign Trade indicators: <http://epp.eurostat.ec.europa.eu> (17.12.2011).

After being a member of the EU Customs Union, Turkey's export and import shares with EU improved. However, the import rising rate exceeded the export rising rate during periods. Export share rate became 2.3% during the period of 2005-2010 which is approximately 0.6% higher than the period of 2000-2004. Turkish export share with CEEC realized 22.2% between 2005 and 2010. This rate was 17.8% for the period of 2000-2004.

Turkish export share with the world increased by 0.3% point for the period of 2005-2010 compared to the period of 2000-2004. On the other hand, Turkish import share with EU was 2.5% during the period of 2000-2004. This rate went up to 3.1% during the period of 2005-2010. Turkish import share with CEE countries increased to 35.7% from 25.5% in the comparative periods. Turkish import share with the world has increased to 1.1% for the period of 2005-2010.

General Export and Import Shares of the CEEC's in view of Turkey before Membership of CEEC to EU and Then

Table 2 shows the export and import shares of the CEEC in view of Turkey before and after accession of CEE countries to EU. After their accession to EU, the most of CEE countries (such as Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia and Romania) import

shares in the total Turkish export generally increased while Bulgaria's import share declined and Hungarian import share remained the same as seen in column 3 of Table 2. Import share of Turkey in the country's total export mostly increased. Also, import share of Turkey in Czech Republic, Estonia, Latvia, Hungary, Poland, Slovakia, Slovenia and Romania's total exports increased while import share of Turkey in Bulgaria and Lithuania's total exports decreased after their memberships to EU as seen in column 3 of Table 2.

Excluding Bulgaria the export of Turkey to a CEE country relative to the export of Turkey to EU completely rose as seen in column 3 of Table 2. Meaning that the importance of CEEC in Turkish export has increased within EU except for Bulgaria. Excluding both Bulgaria and Romania the export of Turkey to a CEE country relative to the export of Turkey to CEEC completely rose as seen in column 4 of Table 2. Meaning that the importance of Bulgaria and Romania in Turkish export to CEEC has decreased while the importance of the rest has increased. On the other hand, the export shares of the CEE countries such as Czech Republic, Estonia, Latvia, Lithuania, Hungary and Poland in total of Turkish import from the world principally increased after membership to EU as seen in column 7 of Table 2. However, Bulgaria, Lithuania and Slovakia's export shares in total of Turkish import decreased. Slovenia and Romania's export shares remained the same as seen in column 7 of Table 2 after the memberships.

Export share of Turkey in CEE countries' total import usually increased after their membership except for Bulgaria as seen in column 8 of Table 2. The ratio of "Import of TR from Country/Import of Turkey from EU" increased almost for all CEE countries except for Lithuania as seen in column 9 of Table 2. The import of "TR from country / Import of Turkey from CEE countries" went up for the Czech Republic, Estonia, Poland, Slovakia, Slovenia, on the other hand, it went down for Bulgaria, Lithuania and Romania as seen in column 10 of Table 2. Latvia remained the same. GDP per capita in the CEE countries completely increased as seen in column 11 of Table 2 after accessions of these countries to EU.

Comparing countries with each other in terms of the export of Turkey to one of the CEE countries in total export of Turkey to CEE countries, Bulgaria, Poland and Romania have relatively higher shares as seen in column 6 of Table 1. Similarly these countries have relatively higher import shares as seen in column 10 of Table 1 and thus relatively higher trade volumes than those of the other ones. While export of Turkey to CEE countries / Export of Turkey to CEE countries was increasing to the Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia and Romania, this rate was declining to the Bulgaria and Romania as seen in column 6 Table 1. This implies the distribution of export of Turkey to CEE countries has been changing for their membership to EU period. The importance of Bulgaria and Romania has been declining while the importance of rest has been increasing for the membership period of CEE countries to EU.

Table-2. Export and Import Shares of the CEEC's in view of Turkey before Membership of CEE countries to EU and Then (%)

Countries	Periods	Import share of the country in total Turkish Export	Import share of Turkey in Country's Total Export	Export of TR to Country/Export of TR to EU	Export of TR to Country/Export of TR to CEEC	Export share of the country in total Turkish Import	Export share of Turkey in Country's Total Import	Import of TR from Country/Import of Turkey from EU	Import of TR from Country/Import of Turkey from CEEC	Average GDP per Capita USD
Bulgaria	2003-06	1.6	1.3	2.8	27.3	1.1	1.2	2.3	23.1	3120
	2007-10	1.5	0.9	3.2	17.8	0.09	0.7	2.4	13.0	5270
Czech Rep.	2000-04	0.3	0.9	0.6	4.8	0.5	0.4	1.0	8.70	6830
	2005-10	0.4	1.0	0.9	6.7	0.6	0.5	1.6	12.2	15770
Estonia	2000-04	0.04	0.4	0.08	0.6	0.02	0.4	0.04	0.3	8220
	2005-10	0.09	1.4	0.2	1.4	0.09	0.8	0.2	1.6	18940
Latvia	2000-04	0.02	0.06	0.1	0.7	0.01	0.6	0.04	0.4	3580
	2005-10	0.08	0.5	0.2	1.2	0.02	0.8	0.05	0.4	8800
Lithuania	2000-04	0.15	2.2	0.3	2.0	0.2	0.9	0.3	2.9	3580
	2005-10	0.19	0.8	0.4	2.8	0.09	1.0	0.2	1.6	9020
Hungary	2000-04	0.5	1.2	0.9	7.1	0.6	0.6	1.2	9.5	5170
	2005-10	0.5	1.6	1.0	8.0	0.8	0.7	1.9	14.4	11260
Poland	2000-04	0.9	1.1	1.6	12.4	0.6	0.8	1.2	10.2	4790
	2005-10	1.3	1.4	2.4	19.4	1.1	0.9	2.8	21.2	9150
Slovakia	2000-04	0.04	0.9	0.2	1.6	0.2	0.3	0.4	3.3	5820
	2005-10	0.2	1.4	0.5	3.9	0.04	0.5	1.0	8.1	13200
Slovenia	2000-04	0.2	0.8	0.4	3.0	0.1	0.8	0.3	2.3	11220
	2005-10	0.5	1.0	0.9	7.1	0.1	1.9	0.4	2.8	20280
Romania	2003-06	0.02	6.1	4.0	40.0	1.8	5.5	3.9	39.0	1850
	2007-10	2.7	6.8	4.1	31.3	1.8	5.9	4.5	24.4	5650

Sources: (1) Foreign Trade Indicators; www.tuik.gov.tr (16.12.2011), (2) World Development Indicators; www.worldbank.org (16.12.2011), (3) Foreign Trade: <http://epp.eurostat.ec.europa.eu> (17.12.2011), (4) IMF-World Economic Outlook September-2011: www.imf.org (18.12.2011).

Note: Since Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia and Slovenia became a member of the EU in 2004, we calculated the rate of foreign trade of Turkey with these countries considering before and after 2004. On the other hand, Bulgaria and Romania entered to the EU in 2007, and then we have taken into consideration in order to evaluate foreign trade with Turkey and these countries by regarding before and after 2007.

Group Commodity Export and Import Shares of Turkey with CEE countries Before EU Membership and Then

All CEE countries are relatively industrialized. Gros and Gonciarz (1996) examined that with considerable expansion of trade with the EU, trade between EU and CEE countries had reached its potential level and also provided a great potential in trade flows in the East and West. Aturuphane *et al.* (1997) explains that the share of intra-industry trade in total between the CEE countries and EU is the highest among EU's bilateral trade flows. Products traded between the CEE countries and EU are found close substitutes (Greenaway *et al.*, 1995).

EU aimed to create an open and competitive market with CEE countries. Firstly, the whole CEE countries (Hungary-1991, Poland-1991, Romania-1993, The Czech Republic-1993, Slovakia-1993, Bulgaria-1993, Latvia-1995, Estonia-1995, Lithuania-1995 and Slovenia-1995) signed bilateral preferential trade agreements with EU. These agreements aimed trade liberalization between the signatories, with the aim of EU to reduce barriers more quickly than the CEEC¹. At the beginning of 2004, the most of CEE countries signed association agreements with EU and also with Bulgaria

¹ However, initially tariff and non-tariff barriers were not dismantled for agricultural and textiles products.

and Romania in 2007. This agreement has been made particularly for freeing trade, financial cooperation and sectoral policies (Caporale *et al.*, 2009). EU's economic criteria for membership were satisfied by the CEE countries. These countries have applied EU's trade policy successfully and completed this policy for high level of trade integration (EU, 2010). Before accession to EU, CEE countries' trade with Western Europe commonly considered of final product. After accession, the CEE countries look forward to be more integrated into EU area and global trade networks, moreover duty-free access to EU markets that came into force for most industrial products almost instantly following the signing of a European Association Agreement. On the one hand, it was the emergence of a single free trade area for all types of industrial products are considered with both efficiency seeking and entering big markets with multinational cooperations (Kaminski and Ng, 2005).

With the EU accession, the CEE countries experienced reductions in trading costs of intermediate and final product (Inmaculada *et al.*, 2011). Caetano and Galego (2005) point out a fast expansion of trade flows between the EU and the CEECs and export from CEEC to EU favored more than export in the opposite direction. Trade liberalization between Turkey and CEEC within EU's custom union is expected to increase volume of international trade. Following Custom Union signed in 1995 earlier than CEE countries, Turkey arrived at a higher degree of EU integration than the CEE countries at a comparable stage before their accession (Belke, 2005).

Group Commodity Export Performance

After being a member of EU, these countries implemented open and competitive trade regimes and integrated to the EU and world economy. And trade liberalization has facilitated trade integration with partner countries.

Table 3 shows group commodity export shares of Turkey with CEE countries before EU membership and then. According to Table 3, Turkey's largest share among exports products with the CEE countries are manufactured industrial products and machinery and transport equipments. The export shares of these products with Estonia equals 85%, with Hungary equals 74%, with Poland equals 71%, with Slovenia equals 82%, and with Bulgaria equals 67% before membership. The export shares of these products with Estonia declined to 51%, with Slovenia decreased to 82%, with Hungary decreased to 70%, with Poland increased to 73%, with Czech Republic increased to 76%, and with Bulgaria decreased to 63% after membership. Turkish manufactured industrial products exports shares with the Czech Republic, Latvia, Lithuania, Hungary and Romania increased after the EU memberships of CEEC as seen in Table 3.

Turkey's machinery and transport equipment exports shares with Czech Republic, Poland, Slovakia and Slovenia went up after their membership to EU. However, these shares decreased for Bulgaria, Estonia, Latvia, Lithuania, Hungary and Romania after the EU memberships. Turkey's chemicals

and chemical products export shares with Bulgaria, Czech Republic, Latvia and Slovakia rose, it decreased for Estonia, Lithuania, Hungary, Poland, Slovenia and Romania after their membership to EU. Food and live animals export shares with Bulgaria, Estonia, Hungary and Poland increased, and its share with Czech Republic, Latvia, Lithuania, Slovakia and Slovenia declined. But there is no any food and live animals exported to Romania by Turkey.

Mineral fuels, lubricants and related materials export traded solely with Bulgaria, Slovenia and Romania. These items export shares went up with Bulgaria and Slovenia, decreased with Romania after accession to EU. Miscellaneous manufactured articles export share with Czech Republic, Latvia, Lithuania, Hungary, Slovakia and Romania rose, and its shares with Estonia, Poland and Slovenia declined. There is no export with Bulgaria regarding to this item in both periods. Beverages and tobacco export only made with Czech Republic and Lithuania. This export generally increased with these countries after their accession to EU. Increasing export share of a product group implies improvement in Turkey's competitiveness and gain comparative advantages with respect to a CEE country as well as it implies trade expansion between the country and Turkey in related product groups and density changes among export product groups of Turkey to a country in favor of related product groups.

Table-3.Group Commodity Export Shares of Turkey with CEE Countries before EU Membership and Then

Main Product Groups	Bulgaria		Czech Rep.		Estonia		Latvia		Lithuania		Hungary		Poland		Slovakia		Slovenia		Romania	
	2003-2006	2007-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2003-2006	2007-2010
Manufactured industrial products	43	43	24	27	43.6	34.2	12.3	17.2	27	29	26	31.6	36	34.9	29.4	23.7	28.0	10.1	37.8	39.3
Machinery and transport equipment	24	20	38.8	49.4	41.8	17.4	36.1	17.2	34	25	48.6	38.9	34.9	38.1	31.7	46.3	41.2	72.2	32.0	31.3
Chemicals and chemical products	7.5	7.8	4.1	4.2	3.5	1.4	7.8	8.1	5.2	2.0	4.3	2.9	6.3	5.0	1.5	3.0	8.6	5.2	7.6	7.1
Crude materials, inedible, except fuels	5.3	5.5	0.0	0.0	1.3	1.2	0.3	0.7	0.0	0.0	0.7	2.1	1.0	1.0	3.5	1.8	0.0	0.0	11.3	12.2
Food and live animals	4.1	10.4	9.7	6.3	14.2	21.1	17.4	12.1	7.6	6.5	4.9	7.6	7.7	8.0	17.6	7.6	3.5	1.4	0.0	0.0
Mineral fuels, lubricants and related materials	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	5.6	6.7	6.0
Miscellaneous manufactured articles	0.0	0.0	19.2	19.3	15.4	4.1	19.3	40.9	23	30	13.8	20.8	12.8	11.5	16.0	16.9	10.4	4.0	1.7	2.2
Beverages and tobacco	0.0	0.0	1.4	1.6	0.0	0.0	0.0	0.0	2.0	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Items/Turkish Export to the country	85.5	89.4	98.8	92.5	90.7	93.2	95.9	96.1	99.0	98.5	99.2	97.9	98.9	98.7	98.7	99.4	94.3	95.3	97.3	98.4
Total Items/Turkish Export to CEEC	2.3	1.6	4.7	7.8	7.8	16.2	7.0	12.0	2.0	2.8	7.1	8.4	12.3	19.2	8.1	4.0	2.8	1.9	3.9	3.1
Total Items/Turkish Export to EU	2.3	2.8	0.6	0.9	1.0	0.6	0.09	0.1	0.2	0.3	0.9	1.0	1.6	2.4	1.0	0.5	0.4	0.2	3.9	5.4
Total Items/Turkish Export to the World	1.3	1.4	0.4	0.5	0.06	0.03	0.05	0.08	0.15	0.18	0.53	0.54	0.9	1.2	0.72	0.75	0.22	0.12	2.2	2.7
Total Items/ Import of Country from Turkey	8.1	6.1	3.4	5.7	5.6	8.8	7.0	8.2	9.8	10.2	6.6	7.2	8.2	9.5	16.4	19.2	5.8	5.5	5.8	5.3
Total Items/ Import of the country from CEEC	2.4	2.6	3.8	5.8	1.2	1.5	2.3	3.7	1.3	5.3	1.6	2.5	1.8	3.0	3.7	1.7	1.9	1.7	3.5	4.9
Total Items/ Import of the country from EU	1.0	1.2	1.7	2.4	0.5	0.7	1.0	1.6	0.5	1.1	0.6	1.1	0.7	1.3	1.6	0.8	0.9	0.8	1.6	2.2

Source:

(1)Export:<http://www.tuik.gov.tr/disticaretapp/disticaret.zul?param1=3¶m2=4&sitcrev=3&isicrev=0&sayac=5806> (22.12.2012)

(2)Import:<http://www.tuik.gov.tr/disticaretapp/disticaret.zul?param1=3¶m2=4&sitcrev=3&isicrev=0&sayac=5806> (23.12.2012)

(3)Foreign Trade of CEE Countries: World Development Indicators: www.worldbank.org

(24.12.2011) (4)Foreign Trade of EU Countries: World Development Indicators:

www.worldbank.org (24.12.2011)

(5)Foreign Trade: <http://epp.eurostat.ec.europa.eu> (24.12.2011), (6)Foreign Trade Statistics:

www.tuik.gov.tr (25.12.2011)

•This table is arranged by considering Turkish Statistical Institute: SITC Rev3-Counry, SITC1 code and by calculating before and after EU membership

Table 3 also shows the total group commodity export shares of Turkey in terms of (i) Turkish Export to the country, (ii) Turkish Export to CEEC, (iii) Turkish Export to EU, (iv) Turkish Export to the world, (v) Import of Country from Turkey, (vi) Import of the Country from CEEC, (vii) Import of the country from EU before the membership of those countries and then.

The ratio of the Total Items/Turkish Export to a Country increased with Bulgaria, Estonia, Latvia, Slovakia, Slovenia and Romania, and it decreased with Czech Republic, Lithuania, Hungary and Poland.

The ratio of the Total Items/Turkish Export to CEEC went up for Czech Republic, Estonia, Latvia, Lithuania, Hungary and Poland, implying that the importance of those countries relative to Bulgaria, Slovakia, Slovenia and Romania increased in those product groups after their memberships, where this ratio declined with Bulgaria, Slovakia, Slovenia and Romania, implying that the importance of those countries decreased after their membership.

As for that Total Items/Turkish Export to EU ratio increased with Bulgaria, Czech Republic, Latvia, Lithuania, Hungary, Poland and Romania, and it decreased with Estonia, Slovakia and Slovenia. On the other hand, Total Items/Turkish Total Export to the World ratio went up with Bulgaria, Czech Republic, Latvia, Lithuania, Hungary, Poland, Slovakia and Romania. These rates declined to Estonia and Slovenia after membership of EU.

The ratio of the Total Items/ Import of Country from Turkey increased with Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland and Slovakia, implying increasing importance of those products groups in total import of those countries from Turkey compare with Bulgaria, Slovenia and Romania, for which this ratio declined after the membership.

However, Total Items/ Import of the Country from CEEC and Total Items/ Total Import of the Country from EU increased with Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland and Romania. This implies that the import shares of these products groups from Turkey relative to the import shares of these product groups of those countries from CEEC and EU changed in favor of Turkey compared with CEEC and EU, except for Slovakia and Slovenia, where these rates decreased in favor of CEEC and EU compare with.

On the other hand, Turkish export shares of these eight products with every country amounts more than 85% as seen in Table 3 and the Turkish import shares of these eight products with every country amounts more than 82% as seen in Table 4 for both periods. This result implies an intra-industry trade between Turkey and CEECs. The import shares of those products with the most of CEECs increased after membership as seen in Table 4. The disturbances of export and imports shares of those products varieties from country to country. Obviously, Turkey has comparative advantages in machinery and transport equipments almost over all the CEECs, and disadvantage in manufactured industrial products only over Bulgaria, Czech Republic and Slovakia within both period as seen in comparison of Table 3 with Table 4 in product groups.

Group Commodity Import Performance

Table 4 shows the group commodity import shares of Turkey with CEE countries before EU membership and then. Turkey's highest share among those largely imported products from the CEE countries are manufactured industrial products and chemicals and chemical products, respectively as seen in Table 4. The largest import partner among the CEE countries is Romania in terms of the magnitude of the shares of import products groups from the world within both periods.

The total import shares of those items in imports of Turkey from the world indicated an increase for Bulgaria, Czech Republic, Estonia, Hungary, and Slovakia. Meaning that importance of those countries increased in Turkish import compared to the import from the world. It indicated a decrease for the rest as seen in the third row accounting from the last row of Table 4 after accession to the EU.

After EU memberships, mineral fuels, lubricants and related materials imports only made from Bulgaria, Romania and Latvia. The share of this group is quite low in general but its import share from Bulgaria and Latvia increased considerably and decreased from Romania among the product groups after these countries' EU memberships. The import share of the manufactured industrial products import from Estonia, Latvia, Lithuania and Slovenia increased while this rate indicated a decline for Bulgaria, Czech Republic, Slovakia, Hungary, Poland and Romania among the groups after theirs EU membership, which usually indicate high share for manufactured industrial products, as seen in the row referring "manufactured industrial products" in Table 4. The share of chemicals and chemical products imports from Bulgaria, Estonia, Lithuania and Slovenia rose and it indicated a decrease with Czech Republic, Latvia, Hungary, Poland, Slovakia and Romania after theirs EU membership as seen in the row referring to "chemicals and chemical products" in Table 4. Machinery and transport equipment import shares from Lithuania, Hungary, Poland, Slovakia and Romania went up while this rate indicated a decrease for Bulgaria, Czech Republic, Estonia, Latvia and Slovenia after their membership to EU. The share of food and live animals import from Bulgaria, Lithuania and Poland increased while it indicated a decline with Czech Republic, Estonia, Latvia, Hungary, Slovakia and Slovenia after the accessions of those countries to EU.

Table-4. Group Commodity Import Shares of Turkey with CEE Countries before EU Membership and Then

Main Product Groups	Bulgaria		Czech Rep.		Estonia		Latvia		Lithuania		Hungary		Poland		Slovakia		Slovenia		Romania	
	2003-2006	2007-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2000-2004	2005-2010	2003-2006	2007-2010
Mineral fuels, lubricants and related materials	6.1	16.1	0.0	0.0	0.0	0.0	1.1	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.7	7.9
Manufactured Industrial Products	50.6	45.4	21.7	17.6	10.1	13.8	2.8	7.0	0.9	4.5	5.6	3.8	12.5	11.7	63.0	35.6	26.8	28.4	35.9	29.2
Chemicals and chemical products	16	17	6.3	5.8	10.7	26.8	3.0	2.4	12.7	14.2	19	12.8	11.4	8.1	5.2	4.4	12.7	15.1	22.0	10.3
Crude materials, inedible, except fuels	16.7	19.7	3.6	2.8	75.4	86.3	0.0	0.0	9.3	45.7	5.4	1.3	3.1	1.8	4.1	1.9	16.3	36.5	18.7	17.9
Machinery and transport equipment	5.2	4.4	7.0	6.8	2.4	2.3	3.8	2.7	7.6	16.5	0.6	0.7	6.4	6.8	26.0	52.9	54.0	41.3	8.1	18.8
Food and live animals	1.5	5.2	9.4	9.0	1.1	0.5	6.1	5.9	2.1	11.3	5.6	5.2	2.2	4.5	1.9	1.4	5.7	2.9	0.0	0.0
Miscellaneous manufactured articles	0.0	0.0	3.9	4.0	2.4	1.4	1.1	3.8	4.0	4.5	2.4	2.6	3.0	4.0	2.6	5.3	5.7	8.3	1.1	1.5
Beverages and tobacco	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Items/Turkish Import from the country	95.6	97.0	96.5	99.5	89.3	82.4	86.8	88.1	95.3	97.9	96.0	99.5	96.5	98.3	99.2	99.7	97.3	98.6	97.7	95.8
Total Items/ Export of the country to Turkey	12.6	8.5	5.9	5.6	8.5	9.2	0.9	0.3	1.2	0.8	1.2	1.5	1.0	0.1	0.9	1.5	2.9	1.6	11.9	4.7
Total Items/ Export of Turkey to CEEC	0.2	0.3	0.1	0.2	0.3	0.2	0.01	0.04	0.03	0.04	0.2	0.3	0.2	0.1	0.7	0.1	0.2	0.2	0.9	0.4
Total Items/Total Export of CEEC to EU	0.5	0.3	0.2	0.3	0.4	0.3	0.01	0.007	0.04	0.04	0.2	0.4	0.2	0.2	0.08	0.2	0.2	0.2	1.0	0.6
Total Items/Turkish Import from the World	0.1	0.9	0.4	0.6	0.02	0.08	0.1	0.08	0.03	0.01	0.6	0.8	0.6	0.3	0.2	0.4	0.5	0.1	1.7	1.5
Total Items/Turkish total Import from CEEC	0.02	0.01	0.006	0.01	0.01	0.01	0.006	0.003	0.001	0.002	0.009	0.01	0.009	0.006	0.003	0.008	0.007	0.009	0.04	0.02
Total Import from EU	0.002	0.001	0.008	0.001	0.002	0.001	0.00007	0.00003	0.0002	0.0002	0.001	0.002	0.001	0.008	0.0004	0.001	0.0009	0.001	0.005	0.003

Source:(1)Export:<http://www.tuik.gov.tr/disticaretapp/disticaret.zul?param1=3¶m2=4&sitcrev=3&isicrev=0&sayac=5806>(22.12.2012)

(2)Import:<http://www.tuik.gov.tr/disticaretapp/disticaret.zul?param1=3¶m2=4&sitcrev=3&isicrev=0&sayac=5806> (23.12.2012).

(3) Foreign Trade of CEE countries: World Development Indicators: www.worldbank.org (24.12.2011)

(4) Foreign Trade of EU Countries: World Development Indicators: www.worldbank.org (24.12.2011),

(5) Foreign Trade: <http://epp.eurostat.ec.europa.eu> (24.12.2011), Foreign Trade Statistics: www.tuik.gov.tr (25.12.2011)

• This table is arranged by considering Turkish Statistical Institute: SITC Rev3-Counry, SITC1 code and by calculating before and after EU membership.

The share of miscellaneous manufactured articles imports from Czech Republic, Latvia, Lithuania, Hungary, Poland, Slovakia, Slovenia and Romania rose but it indicated a decline for Estonia, Poland and Slovenia after the accessions of those countries to EU.

Increasing import share of a product group implies improvement in country's competition and gaining comparative advantages against Turkey as well as trade expansion between a country and Turkey in related product groups and density changes in import product group of Turkey from a CEE country in favor of related product group.

Table 4 also shows the total group commodity export shares of CEE countries in (i) Turkish Import from the Country, (ii) Export of the Country to Turkey, (iii) Export of Turkey to CEEC, (iv) Total Export of CEEC to EU, (v) Turkish Import from the world, (vi) Turkish total Import from CEEC, (vii) Turkish Total Import from EU before the membership of those countries and then.

The ratio of Total Items/ Turkish Import from the Country indicated an increase for almost all CEE countries except for Estonia and Romania after the accessions of those countries to EU. The ratio of the Total Items/ Export of the Country to Turkey declined for the most of CEE countries except for Estonia, Hungary and Slovakia as seen in the seventh row accounting from the last row of Table 4 after their accessions to EU. The ratio of Total Items/ Export of Turkey to CEEC increased for Bulgaria, Czech Republic, Latvia, Lithuania, Hungary and Slovenia and decreased for Estonia, Poland, Slovakia and Romania as seen in the fifth row accounting from the last row of Table 4 after their accessions to EU. The ratio of Total Items/ Total Export of CEEC to EU rate went up for Czech Republic, Latvia, Hungary and Slovenia, and it went down for Bulgaria, Estonia, Romania and remained the same for Lithuania, Poland and Slovenia as seen in the fourth row accounting from the last row of Table 4 after their accessions to EU.

The ratio of Total Items/Turkish Total Import from CEEC increased for Czech Republic, Lithuania, Hungary, Slovakia and Slovenia, but it declined with Bulgaria, Latvia, Poland, Romania and remained the same for Estonia as seen in the second row accounting from the last row of Table 4 after their accessions to EU. The ratio of Total Items/Turkish Total Import from EU increased for Hungary, Poland and it remained the same for Bulgaria and Lithuania, and it declined for the rest of CEE countries as seen in last row of Table 4 after their accessions to EU.

CONCLUSION

Following the political and economic transformations, the most of the CEE countries implemented comprehensive economic and structural reforms towards the liberal economy. Before membership and integration with EU, these countries harmonized their trade policies in parallel to the EU's one. After becoming a member of the EU, these countries implemented EU's common economic and trade policy and took official development assistances from EU.

Besides, they adopted the common external tariffs and made external trade agreement with EU. After Turkey's joining to the EU Customs Union in 1996, Turkey arrived at high degree integration with EU and then with CEE countries. In view of population, some CEE countries such as Czech Republic, Hungary, Poland and Romania have large economies and trade volumes.

The EU agreement results in bilateral trade enlargements among countries. Turkish export and import shares commonly increased in the CEE countries between 2000 and 2010. However, there existed changes in bilateral country trade shares in favor of the countries rest of Bulgaria and Romania after CEE Countries accession to EU. Bulgaria's, Poland's and Romanian's shares of trade volume with Turkey are still observed as the highest ones among CEE countries.

Intra-industry trade regarding similar goods at different qualities between CEEC and EU is the highest among EU's bilateral trade with the other blocks or countries. This study also found intra-industry trade between Turkey and the most of CEECs, regarding to exchanges of similar goods at different qualities.

Some countries such as Bulgaria, Romania and Slovenia's trades with Turkey generally exist as inter-industry trade because of differences in technology and production. These countries heavily produce products such as iron, steel, chemicals, food and live animals, footwear, textiles and apparel. These products account for 50% in total exports of CEEC to EU.

In analyzing groups commodity shares in export and import of Turkey with CEE countries manufactured industrial products and machinery, transport equipments are observed as the largest shares in both periods. The ratio of total Items/ Import of a Country from Turkey, CEE countries and EU generally increased after their memberships.

The largest export partners of Turkey among CEEC's in these product groups are observed as Bulgaria, Czech Republic, Hungary and Poland following the membership. Turkey's largest group product shares among imports from these countries are manufactured industrial product, chemicals and chemical products and crude materials, inedible, except fuels. The largest import partners of Turkey among CEECs in these products are Bulgaria, Czech Republic, Lithuania and Slovenia.

The ratio of the Total Exports Items/Turkish Export to a Country increased with Bulgaria, Estonia, Latvia, Slovakia, Slovenia and Romania, and it decreased with Czech Republic, Lithuania, Hungary and Poland, which implies the increasing importance of Bulgaria, Estonia, Latvia, Slovakia, Slovenia and Romania relative to Czech Republic, Lithuania, Hungary and Poland in exports of Turkey to those countries after their memberships.

The ratio of Total Imported Items/Turkish Total Import from CEEC increased with Czech Republic, Lithuania, Hungary, Slovakia and Slovenia, but it declined with Bulgaria, Latvia, Poland, Romania and remained the same for Estonia. This result implies the increasing importance of Czech Republic, Lithuania, Hungary, Slovakia and Slovenia relative to Bulgaria, Latvia, Poland, Romania and Estonia in imports of Turkey from those countries after their memberships.

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