



THE POST-PANDEMIC COVID-19: HAS ECONOMIC GROWTH AND INTERNATIONAL TRADE IN TURKEY CHANGED?

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Date received : 17 Oct 2022 Revision date : 21 Nov 2022 Date received : 27 Nov 2022 <hr/> Keywords: COVID-19 Economic Growth Trade Post-Pandemic	<i>Turkey back on its feet without triggering a second wave of the pandemic will be a challenge. But unlike some other countries, Turkey's political and economic weaknesses serve as further hurdles. This combination of a weak economy and an unending spiral of authoritarianism will make a robust recovery from the pandemic even more difficult. Instead, the path to normalization is likely to be marked by growing political instability and debates over the likelihood of early elections. Qualitative research is a type of research that explores and provides deeper insights into real-world problems. Instead of collecting numerical data points or intervening or introducing treatments just like in quantitative research, qualitative research helps generate hypotheses to further investigate and understand quantitative data. Turkey's post-pandemic economic growth and international trade have been characterized by a robust recovery in certain sectors, supported by strong export performance and government stimulus. However, challenges such as high inflation, currency instability, and geopolitical risks pose significant hurdles to sustained growth.</i>

INTRODUCTION

Turkey has luckily managed to avoid the spike in the number of COVID-19 deaths faced by Italy and Spain. By late April, less than two months after the discovery of the first case on March 10, daily reported cases and deaths had peaked. This allowed President Recep Tayyip Erdoğan to announce on May 4 the gradual and phased reopening of the country. The details and the timeline put forward reveal a continued unease between his priority to open the economy and the more cautious approach advocated by Health Minister Fahrettin Koca.

Like elsewhere in the world, getting Turkey back on its feet without triggering a second wave of the pandemic will be a challenge. But unlike some other countries, Turkey's political and economic weaknesses serve as further hurdles. This combination of a weak economy and an unending spiral of authoritarianism will make a robust recovery from the pandemic even more difficult. Instead, the path to normalization is likely to be marked by growing political instability and debates over the likelihood of early elections.

Both the Turkish people and the Turkish government were slow in recognizing the danger posed by the coronavirus. As late as mid-March, more than a week after the first case was discovered, President Erdoğan continued to argue that Turkey would not be seriously affected and even predicted Turkey would benefit economically from it.

The initial response to the pandemic was hesitant, incremental, and even contradictory at times. There was also a degree of tension between the health minister's preference for policies shaped by science and the president's political priorities. Nevertheless, Erdoğan did eventually lend his support to social distancing measures, closures of non-essential shops and schools, travel bans, and even a ban on those aged 20 and younger and 65 and older from venturing outdoors. Because the agricultural and industrial sectors were to be kept open at all costs, strict curfews were only imposed during weekends and holidays and were relaxed during the week to enable people to work.



As of May 25, total confirmed COVID-19 cases had reached more than 157,000 while deaths stood at almost 4,370. Since April 12, when 5,138 new cases were recorded, daily numbers of new cases have trended generally downward to 987 new cases on May 25. Turkey also has a strikingly low confirmed number of deaths per 1 million people—51.46— compared to much higher fatality rates in France (435), Germany (99), Italy (524), Spain (615), and the United States (295).

Several factors unique to Turkey could have led to this low death rate, including the youth of the Turkish population, thought to afford some level of immunity to COVID-19, and the fact that Turkey's elderly are still mostly looked after by their families or by in-house caretakers, thus avoiding contagious environments in care facilities. This was backed by a relatively robust health system with unusually large numbers of intensive care units and well-trained personnel. Finally, in a change of pace from Erdoğan's polarizing political style, the health minister's more constructive, inclusive, and relatively transparent manner helped facilitate compliance with restrictions.

The pandemic in Turkey once more highlights the close link between politics and economics. Erdoğan constructed his presidential system based on majoritarian rule, disregarding traditional separation of powers and eroding the gains from earlier reforms. In this system, winning elections provides Erdoğan the legitimacy to claim solely to represent the national will of the country. This legitimacy was undermined by his failure to prevent the economy from falling into a recession after a currency meltdown in August 2018 and a particularly polarizing campaign ahead of the local elections in March 2019, which resulted in AKP candidates losing important mayoral races including in Ankara and Istanbul.

COVID-19 arrived just after Erdoğan's approval rating had steadily declined to 41.1 percent in February 2020. Initially, the pandemic caused a rally around the flag effect, temporarily boosting his popularity to 55.8 percent. Since then, it has slipped back down to 52 percent as of April 2020 and will likely continue to decline due to the pandemic's economic toll. Ali Babacan, a former economy czar credited for Turkey's economic success a decade ago, criticized the government's response to COVID-19 and warned of a looming economic crisis. Travel bans and the contraction in international trade is damaging Turkey's tourism and export earnings, two important drivers of Turkish employment and economic growth. The International Monetary Fund predicted that the economy could shrink by 5 percent and that unemployment could reach over 17 percent by the end of 2020. This picture largely explains the urgency to reopen the economy, although there is no evidence that Erdoğan will adopt major reforms to address Turkey's deep-seated economic and political problems.

Instead, all the indications point to Turkey remaining an "illiberal state," as Erdoğan attempts to perpetuate his rule by returning to the populist's book of tricks. He has already depicted Turkey as being under assault from external and internal enemies, while describing the struggle against COVID-19 as a liberation war and his government's performance as the envy of the world. Simultaneously, the "aid diplomacy" that Turkey has pursued during the pandemic, including to the United States, is presented by the pro-government media as a sign of its global power status. In line with this self-ascribed status, Erdoğan has resisted any talks with the IMF to resolve Turkey's dire external financing problems and sought to resolve them through bilateral currency swap deals using the goodwill garnered by aid diplomacy.

As ever, Erdoğan remains intolerant of criticism and open debate. Since the pandemic, numerous journalists and social media users have been detained on grounds of disseminating "provocative news," while media outlets have been fined. The practice of replacing democratically elected mayors belonging to the People's Democratic Party, the third largest party in the Turkish parliament, with government appointed trustees due to alleged links to the outlawed Kurdistan Workers Party continued during the pandemic. The mayor of Istanbul, Ekrem İmamoğlu, of the Republican People's Party (CHP), the main opposition party, faces constant obstructionism. His calls for stricter measures in Istanbul to fight the pandemic have been largely ignored while criminal investigations have been launched against him. When Canan Kaftancıoğlu, the Istanbul chair for the CHP, remarked that she soon expected "a government change," Erdoğan responded furiously that the CHP had "fascist mindset" and "a desire to usurp the country's administration through a coup rather than coming to power through democratic means." He was similarly strident in his reaction to criticisms of the homophobic sermon delivered by the head of Turkey's Religious Affairs Directorate suggesting a link between homosexuality and the pandemic.

LITERATURE REVIEW

The Economic Growth

In a post-pandemic world, economic growth has been a critical focus for countries as they recover from the economic disruptions caused by COVID-19. Governments and central banks have implemented various measures to stimulate growth, including fiscal stimulus, monetary easing, and investment in infrastructure and technology.



For Turkey, as mentioned earlier, economic growth has been driven by strong performance in sectors like manufacturing, exports, and tourism, despite challenges such as high inflation and currency volatility. The country's ability to sustain growth will depend on managing these challenges while leveraging its strategic economic strengths.

Economic growth is a vital aspect of a nation's economic health, influencing living standards, employment, and government policy. Achieving sustainable and inclusive growth requires careful management of resources, policies, and external factors.

International trade is the exchange of goods, services, and capital between countries or across international borders. It plays a critical role in the global economy by enabling countries to expand their markets, access resources they lack domestically, and benefit from specialization and efficiency.

The International Trade

In the post-pandemic world, international trade has faced challenges, including supply chain disruptions, shifts in demand, and protectionist policies. However, it remains a key driver of economic recovery and growth.

For countries like Turkey, international trade is vital for economic growth. Turkey's strategic location, diversified export base, and participation in global trade networks make it an important player in international trade. The country's ability to navigate challenges such as currency fluctuations, trade barriers, and geopolitical tensions will be crucial for its continued success in the global market.

International trade is a cornerstone of the global economy, enabling countries to specialize, innovate, and improve living standards. While it offers significant benefits, it also presents challenges that require careful management of trade policies, economic strategies, and international relations.

METHOD

Qualitative research is a type of research that explores and provides deeper insights into real-world problems. Instead of collecting numerical data points or intervening or introducing treatments just like in quantitative research, qualitative research helps generate hypotheses to further investigate and understand quantitative data. Qualitative research gathers participants' experiences, perceptions, and behavior. It answers the hows and whys instead of how many or how much. It could be structured as a standalone study, purely relying on qualitative data, or part of mixed-methods research that combines qualitative and quantitative data. This review introduces the readers to some basic concepts, definitions, terminology, and applications of qualitative research.

Narrative Research

One of qualitative research's strengths lies in its ability to tell a story, often from the perspective of those directly involved in it. Reporting on qualitative research involves including details and descriptions of the setting involved and quotes from participants. This detail is called a "thick" or "rich" description and is a strength of qualitative research. Narrative research is rife with the possibilities of "thick" description as this approach weaves together a sequence of events, usually from just one or two individuals, hoping to create a cohesive story or narrative. While it might seem like a waste of time to focus on such a specific, individual level, understanding one or two people's narratives for an event or phenomenon can help to inform researchers about the influences that helped shape that narrative. The tension or conflict of differing narratives can be "opportunities for innovation."

RESULTS AND DISCUSSION

The post-pandemic COVID-19 situation in Turkey, as in many other countries, has been marked by a transition from emergency response to managing the long-term impacts of the pandemic. The key aspects of Turkey's post-pandemic scenario include public health measures, economic recovery, vaccination campaigns, and social changes. Here's an overview:

a) Public Health Measures

End of Emergency Restrictions: As the acute phase of the pandemic waned, Turkey gradually lifted many of the strict public health measures that had been in place, such as lockdowns, curfews, and travel restrictions. **Ongoing Vigilance:** Despite the easing of restrictions, the Turkish government and health authorities continue to monitor COVID-19 variants and infection rates, maintaining the capacity to reintroduce measures if necessary. **Vaccination:** Turkey launched an extensive vaccination campaign, which has been crucial in managing the spread of COVID-19. The country used a mix of vaccines, including Sinovac, Pfizer-BioNTech, and locally developed vaccines like Turkovac.



Booster Shots: The vaccination campaign has included efforts to provide booster doses to maintain immunity, especially as new variants emerge.

b) **Economic Recovery**

Impact on Key Sectors: The pandemic significantly impacted Turkey's key economic sectors, including tourism, manufacturing, and exports. The tourism sector, which is vital for the Turkish economy, faced severe disruptions due to travel bans and reduced international mobility. **Recovery Efforts:** Post-pandemic recovery efforts have focused on revitalizing these sectors, with the government implementing stimulus packages, financial support for businesses, and incentives to boost domestic and international tourism. **Inflation and Currency Challenges:** Turkey has faced economic challenges such as high inflation and a depreciating currency, which have been exacerbated by global supply chain disruptions and the pandemic's economic fallout. The Turkish lira's instability has been a significant issue in the post-pandemic period.

Growth Prospects: Despite challenges, Turkey's economy showed resilience, with some signs of recovery in sectors like manufacturing and exports. The government has pursued policies to stabilize the economy and attract foreign investment.

c) **Social and Educational Impacts**

Education: The pandemic led to significant disruptions in education, with schools closing and a shift to online learning. In the post-pandemic period, Turkey has focused on getting students back to in-person education while also improving digital infrastructure and online education resources. **Social Changes:** The pandemic has also led to changes in societal behavior, such as increased digitalization, remote working, and a heightened awareness of public health. These changes are likely to have long-term impacts on Turkish society. **Mental Health:** The pandemic brought attention to mental health issues, with increased cases of anxiety, depression, and stress reported. Post-pandemic, there has been a greater emphasis on mental health support and services.

d) **Healthcare System and Capacity Building**

Healthcare Investments: The pandemic underscored the importance of a robust healthcare system. Turkey has invested in healthcare infrastructure, including expanding hospital capacity and improving public health preparedness. **Vaccination and Public Health Campaigns:** Efforts continue to ensure high vaccination rates, including booster shots, and to promote public health awareness regarding COVID-19 and other infectious diseases. **Resilience and Preparedness:** The post-pandemic period has seen a focus on improving the resilience of Turkey's healthcare system, preparing for potential future pandemics or public health crises.

e) **Geopolitical and International Relations**

Vaccine Diplomacy: Turkey engaged in vaccine diplomacy, both in terms of receiving vaccines through international cooperation and providing assistance to other countries, particularly in its region. **International Cooperation:** Turkey has been active in international efforts to combat the pandemic, participating in global initiatives like COVAX and cooperating with other countries in research, vaccine development, and public health strategies.

f) **Challenges and Outlook**

Economic and Social Inequality: The pandemic has highlighted and, in some cases, exacerbated existing economic and social inequalities in Turkey. Addressing these disparities remains a significant challenge in the post-pandemic period. **Political Dynamics:** The pandemic has influenced political dynamics in Turkey, with debates over the government's handling of the crisis, economic policies, and public health measures. **Long-Term Health Impact:** The long-term health impact of COVID-19, including the management of "long COVID" and the potential for future waves of infection, remains an area of concern and focus for health authorities.

The post-pandemic period in Turkey has been a time of transition and recovery. The country has focused on reviving its economy, continuing vaccination efforts, and addressing the social and health impacts of the pandemic. While challenges remain, including economic instability and the potential for future health crises, Turkey is working to build resilience and ensure sustainable recovery.

Economic Growth and International Trade in Post-Pandemic COVID-19

In the post-pandemic period, Turkey's economic growth and international trade have been shaped by a complex interplay of domestic recovery efforts, global economic conditions, and geopolitical factors. Here's a closer look at how these areas have evolved:



a) Economic Growth

Recovery from Recession: Like many countries, Turkey experienced a sharp economic contraction in 2020 due to the COVID-19 pandemic. However, the Turkish economy rebounded more quickly than expected, with a significant recovery in 2021 and 2022. This recovery was driven by strong domestic demand, government stimulus measures, and a resilient export sector.

Growth Drivers: Manufacturing and Exports: Turkey's manufacturing sector, particularly in industries like automotive, textiles, and machinery, played a crucial role in the recovery. The country capitalized on its strategic location and competitive production costs to boost exports. **Tourism:** The tourism sector, which had been severely impacted by the pandemic, began to recover as travel restrictions eased. Turkey, being a major tourist destination, saw a resurgence in tourist arrivals, especially from Europe and Russia, which contributed to economic growth. **Construction:** The construction sector, a traditional pillar of the Turkish economy, also saw renewed activity, supported by government infrastructure projects and urban development initiatives.

Challenges to Growth: Inflation: Turkey has faced high inflation rates, which have eroded purchasing power and created economic uncertainty. Inflation has been driven by a combination of factors, including supply chain disruptions, rising global energy prices, and the depreciation of the Turkish lira.

Currency Depreciation: The Turkish lira has experienced significant volatility, which has complicated economic management. A weaker lira increases the cost of imports, fueling inflation, but it can also make Turkish exports more competitive internationally. **Interest Rate Policies:** The Central Bank of Turkey's unorthodox approach to interest rate policy, including rate cuts despite high inflation, has raised concerns about economic stability and has impacted investor confidence.

b) International Trade

Export Growth: Diverse Export Base: Turkey's export performance post-pandemic has been strong, supported by a diversified export base. Key export products include machinery, automotive parts, textiles, electronics, and agricultural products. **European Market:** The European Union remains Turkey's largest trading partner, absorbing a significant share of Turkish exports. The post-pandemic recovery in Europe helped boost demand for Turkish goods. **New Markets:** In response to geopolitical shifts and supply chain disruptions, Turkey has sought to diversify its export markets, expanding trade with countries in Africa, Asia, and Latin America.

Imports and Trade Deficit:

Energy Imports: Turkey is heavily reliant on energy imports, particularly oil and natural gas, which makes its trade balance vulnerable to fluctuations in global energy prices. The rise in energy costs post-pandemic has put pressure on Turkey's trade deficit.

Raw Materials and Intermediate Goods: Turkey also imports a significant amount of raw materials and intermediate goods needed for its manufacturing sector. The global supply chain disruptions during the pandemic and the subsequent recovery period have impacted these imports, leading to increased costs.

Trade Policies and Agreements:

Customs Union with the EU: Turkey's trade relationship with the EU is governed by a customs union, which facilitates tariff-free trade for industrial goods. There have been discussions about updating and expanding this agreement to cover services, agriculture, and public procurement, but progress has been slow.

Free Trade Agreements (FTAs): Turkey has continued to pursue FTAs with various countries to enhance its trade prospects. Post-pandemic, these agreements have been critical in opening new markets and boosting exports. **Geopolitical Tensions:** Turkey's international trade has also been influenced by geopolitical tensions, particularly in the Middle East and Eastern Mediterranean regions. Relations with major trading partners like the United States and Russia have fluctuated, affecting trade dynamics.

c) Economic Policy Responses

Stimulus Measures: The Turkish government implemented various stimulus measures to support economic recovery, including credit guarantees, tax deferrals, and financial support for businesses. These measures helped sustain economic activity during the worst of the pandemic and have continued to play a role in the post-pandemic period. **Monetary Policy:** The Central Bank of Turkey has faced criticism for its approach to monetary policy, particularly its reluctance to raise interest rates in response to high inflation. This has contributed to currency volatility and has raised concerns about the sustainability of economic growth. **Structural Reforms:** There have been calls for structural reforms to address long-standing issues in the Turkish economy, such as improving the business environment, enhancing labor market flexibility, and reducing reliance on foreign capital.



d) Outlook and Future Challenges

Sustainable Growth: The key challenge for Turkey in the post-pandemic period is achieving sustainable economic growth while managing inflation and currency stability. Balancing these competing demands will be crucial for long-term economic health. Global Economic Environment: Turkey's economic prospects are also tied to the global economic environment, including trends in global trade, commodity prices, and financial markets. Any downturn in the global economy could pose risks to Turkey's recovery. Geopolitical Risks: Ongoing geopolitical tensions, both regionally and globally, will continue to influence Turkey's trade and economic prospects. Managing these risks while pursuing opportunities in international trade will be vital for Turkey's future growth.

CONCLUSION

Turkey's post-pandemic economic growth and international trade have been characterized by a robust recovery in certain sectors, supported by strong export performance and government stimulus. However, challenges such as high inflation, currency instability, and geopolitical risks pose significant hurdles to sustained growth. The future will depend on Turkey's ability to navigate these challenges while capitalizing on its strategic economic strengths.

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