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RESEARCH ARTICLE

COMPARATIVE ANALYSIS OF CAUSALITY BETWEEN FOREIGN TRADE POLICIES AND ECONOMIC GROWTH RATES: THE CASE OF TURKEY 1923-1980 AND 1980-2019[1]

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ABSTRACT

The discovery of cause-and-effect relationships in positive science allows us to understand the current situation and make consistent forward-looking predictions. In this way, it becomes easier to keep the areas examined under control and to determine the strategies to be implemented. In this study, the cause-and-effect relationship between trade policy implemented and economic growth in Turkey has been investigated with positivist perspective and analytical approach.

In this study, the growth rates of Turkey have been examined in two periods before and after 1980. Thus, the effects of protectionism and free trade practices on economic growth in Turkey have been determined. The first difference of the study from other studies in the literature is that economic growth rates were used instead of GDP as variable. Thus, the existence of negative growth rates during the period examined has not been neglected. Another superior side of the study is that the causality relationship between growth and the two main foreign trade policies for Turkey has been examined comparatively. The importance of the study is that provides opportunity of creating projections going forward by investigating the past period analytically.

The findings of empirical analysis conducted with the Granger Causality Test can be summarized as follows: In the pre-1980 period, where introverted growth strategies based on import substitution were monitored, two unidirectional causality relationships were detected, from growth to import and from export to import. In the post-1980 period in which free trade policies were implemented, two unidirectional causality relationships were detected from import to growth and from import to export.

Key Words: foreign trade policy, economic growth, causality

1. INTRODUCTION

The classical foreign trade theory suggests that the specialization of countries in areas where they are relatively superior will prevent waste of resources, increase productivity and thus enrich. It is observed that the free trade policy, which has been spreading rapidly throughout the world since 1980, has replaced protectionist tendencies in practice, although it continues in the discourse today. With the global economic crisis of 2008, discussions that free trade policies negatively affect income distribution and employment have been brought to the agenda. Today, as barriers to trade begin to rise again quietly, America has begun to advocate strongly the introverted protectionist growth policies clearly. Even Britain, the fiercest proponent of the idea of free trade, has decided to leave the European Union with its national economics thesis. These developments have re-ignited the discussions in the economic literature about trade policies and growth.

[1] This article is presented as a paper at the 4th The Economics Research and Financial Markets Congress with International Participation (2020) "IERFM 15-16-17 October".

2. FREE TRADE AND PROTECTIONISM FROM THE PERSPECTIVE OF ECONOMIC THEORY

Adam Smith (1776) suggested that each country would profit from trade by exporting goods that they are absolutely superior, and in return by importing goods for which they are disadvantaged. David Ricardo (1821) took this view a step further, arguing that there is no need for absolute advantage to begin foreign trade, and that comparative advantage based on relative price differences is sufficient. However, he did not explain the factors that caused relative price differences. Heckscher (1919) and Ohlin (1933) explained these differences with factor endowment theory. The theory states that countries specializing in the production of goods based on their abundant production factor and export these goods while supplying the goods which are produced by the relatively scarce production factor by import will support the growth of economies. But all three theories failed to explain the long-term impact of free trade on economic growth.

In the Neo-classical growth model developed by Solow (1956), it is explained that long-term growth will be determined by the pace of technological development rate. In this condition, free trade should also contribute positively to technological development in order to make a positive contribution to long-term growth. But the Neo-classical theory has also failed to provide empirical evidence that free trade will positively affect technology.

The relationship between long-term growth and free trade has been analyzed analytically in internal growth models. Since the accumulation of capital in internal growth models is not subject to the law of diminishing returns, it has been defined as the source of economic growth in the long run. By not limiting the definition of capital to physical capital, they expanded to include elements such as human capital and R&D investments. Thus, the innovations that emerge as a result of R&D activities cause an increase in the productivity of production and contribute to growth in the long term.

It is possible to summarize the views of Rivera-Batiz and Romer (1991) and Grosman and Helpman (1991) explaining how free trade will affect economic growth as follows:

Free trade affects economic growth through technology transfer, economies of scale and changes in factor prices.

Free trade allows the spread of technology between countries. In this way, countries can use their resources to produce new technologies instead of producing technology that has already been produced.

Since the products formed as a result of R&D activities are subject to free trade, the opportunity to expand and benefit from economies of scale in the R&D sector will increase. In this way, production will increase and economic growth will occur. However, since free trade will also open the sectors subject to trade to international competition, there may be shrinkage in production in some countries.

Free trade causes relative prices of production factors to change. For example, if a country with abundant capital factor specializes in capital-intensive goods and maintains its exports in this direction, the need for capital will increase and cause the price of capital to rise. This situation may affect the growth negatively by causing costs to rise and production to fall.

Briefly, while technology transfer affects growth positively in absolute terms, the effect of economies of scale and changes in factor prices may be positive or negative. From this point on, the relationship between free trade and economic growth should be tested not by theoretical discussions but by empirical analysis.

The summary of empirical studies that determined that free trade has a positive effect on economic growth is as follows:

Emery (1967), Syron and Walsh (1968), Heller and Porter (1978), Balassa (1978), Feder (1982), Kavoussi (1984), Ram (1987), Chow (1987), Dollar (1992), Sachs and Warner (1995), Holman and

Graves (1995), Bahmani-oskooee and Domac (1995), Baldwin and Seghezza (1996), Edwards (1998), Frankel and Romer (1999), Ay et al. (2004), Utkulu and Kahyaoğlu (2005), Kösekahyaoğlu and Şentürk (2006), Kurt and Berber (2008).

The summary of empirical studies that determined that free trade has no direct effect on economic growth is as follows:

Jung and Marshall (1985), Levine and Renelt (1992), Shan and Sun (1998), Tuncer (2002), Şimşek (2003), Easterly and Levine (2003), Dollar and Kraay (2003), Alcala and Ciccione (2004), Demir, Kurtlar and Üzümcü (2005).

The foundations of protectionism are based on Mercantilism. According to the mercantilist idea, the main purpose of foreign trade policy is to enrich the treasury. Wealth is measured by precious metals such as gold and silver. For this reason, it is necessary to increase the export which is the way of the entry of precious metals into the country and to restrict or completely ban the import which cause the exit of precious metals from the country. In this way, the foreign balance of payments will give surplus and the country's wealth will increase. In order to achieve this goal, the mercantilist doctrine advocates the necessity of intensive government intervention in the whole economy, especially foreign trade. According to the mercantilist doctrine there is a conflict of interest, not harmony, between countries In order for one side to gain from trade, the other side must absolutely lose. The mercantilist view, which describes foreign trade as a zero-sum game, is based on the belief that the world wealth is constant.

The main arguments of those advocating the view of protectionism are factors related to national security, development, prevention of dumping, and strategic trade policy.

The national security argument explains that it is necessary for each country to have its own defense industry, and all industries that concern national defense must be protected.

The protectionism view supports its thoughts on development with a “infant industry thesis”. According to this thesis, newly established industries that may have comparative advantage should be protected from foreign competition until they complete their development.

Another justification that requires protectionism is to protect domestic producers against dumping by foreign manufacturers.

Strategic trade policy, on the other hand, is a valid protection reason for developed countries that have completed their industrialization rather than developing countries. It is put forth that economies of scale created by high-tech industries should be protected as they will contribute positively to the whole country.

In addition to these reasons, improving the balance of payments, reducing unemployment and changing the terms of trade in favor of the country are also considered as the benefits of protectionism.

3. STAGES OF FREE TRADE AND PROTECTIONISM TRENDS IN THE WORLD

Although the influence of protectionist policies began to wane with the Industrial Revolution in the mid-18th century, Mercantilist thought prevailed in the world between the 16th and 19th centuries. Free trade trends started to be effective from the beginning of the 19th century. During this period, the application of “the most favored country rule”[2] made important contributions to the liberalization of world trade.

In the period before the First World War, England was the most vehement advocate of free trade as the most developed industrial country. Finding a market for increased production after the Industrial Revolution could only be possible with the liberalization of trade. Naturally, countries such as

[2] If the two countries agree that the trade between them will be carried out according to the most favored country rule, every concession to be given to another country is also provided to the country which is a party.

Germany, France and the United States, which had just started industrialization, were in favour of protectorate.

After the Great World Depression of 1929, liberal policies began to be questioned, and with the influence of Keynesian thought, the view that the state should intervene in the whole economy, including foreign trade, became widespread. With the depression, countries started to raise customs tariffs one by one and Mercantilist policies were brought to the agenda again. Even England, the most important proponent of free trade, has set up the Commonwealth Preferential Tariff System, raising its tariffs against countries outside this region considerably.

It is the years when the importance of international cooperation increased in the period after the Second World War. The idea has emerged that nation states can not fight with global problems alone and that supranational institutions are needed to solve these problems. The International Monetary Fund (IMF) and the World Bank (officially named the International Bank for Reconstruction and Development-IBRD), which were established to cooperate on international economic and commercial issues, are the supranational institutions that are the products of this view. GATT (Customs Tariffs and Trade Agreement), which came into force in 1948, played an important role in removing barriers to free trade. Even though the tariffs have been significantly reduced with GATT, “invisible barriers” have become widespread rapidly.

Protectionist policies, which began partially in 1973 and spread all over the world with the 1974 Oil Crisis, dominated the world again. This period is called "New Protectionism Period" becouse non-tariff instruments such as voluntary export quotas have been used as a means of protection instead of tariffs. Fort he first time in Uruguay Meetings that ended in1994, some decisions were taken to remove the invisible barriers along with the tariffs, and a new supranational institution, The World Trade Organization (WTO), was established to reorganize world trade. Trade liberalisation works have been carried out by the WTO since 1995.

The 2000s are the years in which globalization and nation-state debates have been at the forefront. While the global powers continue their efforts to increase free trade and transition to Single World Order, those who advocate the importance of the nation state prioritize protectionist policies.

4. FOREIGN TRADE POLICIES IN TURKEY AS OF PERIODS

Years of establishment: 1923-1930

At the İzmir Economic Congress (17 February - 4 March 1923), which was held before the proclamation of the Republic and demonstrated the importance given by the newly established nation state to the economy, it was decided to prioritize the private sector and follow a liberal policy.

The right to cabotage gained through the Lausanne Treaty (July 24, 1923) provided an important advantage in foreign trade. Teşvik-i Sanayi Kanunu (Industrial Encouragement Law) wihich was enected in 1927 and also İş Bankası (a bank İn Turkey) that founded in the same period show that The Republic of Turkey considerably valued to industrialization in the establishment years.

The restrictions on customs, which came into force in 1916, expired in 1929. Moreover, the fact that the debts left over from the Ottoman Empire were to be paid in 1929 and the emergence of the Great Depression in this year deeply affected the newly born Republic of Turkey. As a result of these developments, liberal policies were replaced by statist policies. (Aktaş,2018: 110)

1930-1950 Period

This period, in which the state took an active role as producer and consumer in the economy, development plans came into force, protectionism in foreign trade and import substitution approach in industrialization was adopted, is known as the years of statism in the Turkish economy.

1950-1980 Period

The Democratic Party, which came to power in 1950 with the transition to the multiparty era, adopted a liberal economic policy by excluding the policies of statism. However, due to the increase of foreign trade deficit more than double in 1952 and the foreign exchange crisis resulting from the melting foreign exchange reserves, the free import regime was abandoned. (Aktaş, 2018:114). Since 1963, an industrialization strategy based on import substitution has been adopted in the economy. Five-year development plans were made for the period 1970-1980. With the impact of the oil crisis in 1974, the terms of foreign trade reversed and rising costs made import difficult. The government took measures to facilitate import to prevent production from being affected (Kazgan, 2004: 106-107).

1980-2000 Period

Turkey has been on a quest for a radical change in order to improve its negative macroeconomic outlook and has taken an important step towards liberalisation of the economy with the 24 April, 1980 Decisions. Export increased fivefold in the 1980-1990 period as a result of the export-led industrialization strategy implemented. The financial liberalisation, which began in 1990, brought along the problem of excessive volatility in exchange rates and current account deficit. On April 5, 1994 stabilization decisions were announced in order to overcome the crisis, which started in 1994, and stabilize the economy, but a Stand-by Agreement was signed with the IMF in July 1994 as the decisions failed to show sufficient effect. Between 1994-1999, it was tried to achieve balance by applying mixed policy in foreign trade. However, since these policies failed to prevent the crisis in 1999, a new Stand-by Agreement was signed with the IMF.

2000 and Later

Free trade policy continued to be implemented in the 2000s as well. Although the export-oriented industrialization strategy has been implemented, the dependence of export on import has steadily increased. Parallel to the developments in the world, so Turkey has sought full integration to international markets but at the same time nationalization and import substitution applications has been available in the strategic areas such as defense industry.

5. FOREIGN TRADE STRATEGIES APPLIED FOR ECONOMIC GROWTH AND DEVELOPMENT

Economic growth is defined by Peterson as an increase in the production capability of society to produce the goods and services needed (Peterson, 1994:480). Economic growth is a quantitative concept measured by the increase in GDP as a result of the increase in the number or productivity of production factors. When the GDP is calculated by the expenditure method, it consists of the totals of consumption expenditures, investment expenditures, government expenditures and net export. In short, the increase in these elements will contribute to economic growth by increasing GDP. Classical economists drew attention to foreign trade as the engine of growth among these elements and argued that exports would increase growth. According to Alkin (2008:465), development is "the economic environment that creates improvements in the living standards of society, the quality of goods produced, or the organization of production. Flammang (1979: 50) describes economic development as "a situation involving both more output and changes in the technical and theoretical structure". According to another definition; "Economic development is a complex process that is not limited only by economic dimensions, but encompasses society in all its sociological, psychological and political dimensions" (Yavilioğlu, 2002: 66). While economic growth is one of the main targets of all countries, development is an issue that underdeveloped and developing economies focus on.

There are two main strategies that countries can implement for economic growth and development. The first is the export-led industrialization strategy and the other is the industrialization strategy based on import substitution.

The export-led industrialization strategy is to ensure its development by opening up domestic industry to competition rather than protecting domestic industry through protectionist policies. The domestic industry, which will have to use the country's resources more efficiently thanks to competition, will also effort more to reduce its costs and improve quality. In this way, both domestic consumers' prosperity will increase, and the increase in productivity will support economic growth by increasing production. The incentive policies that the state will implement for export will give the industry, which has learned to compete, an advantage in international markets. . The increase in exports will contribute positively to the net export item and support the increase in GDP.

Import substitution is an industrialization strategy that encourages domestic demand, which was previously met by imports, to be met by domestic production through protective measures and encouragement of domestic goods. Briefly, import substitution is a model which gives importance to domestic production, based on intense protection and advocating the necessity of state intervention in the economy (Seyidoğlu, 2003: 591). As protection will encourage domestic producers to produce more, it will contribute to economic growth and will be an important step in development by giving the domestic industry an opportunity to develop.

Both strategies have positive and negative aspects. Rather than generalizing these factors, it would be more accurate to evaluate each country within its own conjuncture.

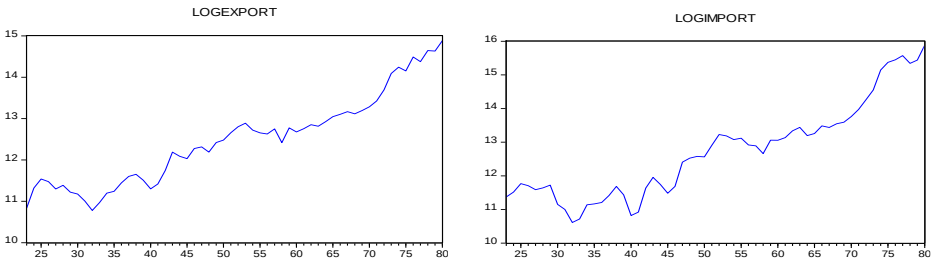
6. METHODOLOGY AND EMPIRICAL ANALYSIS

The primary objective of the empirical analysis is to compare the two periods in which protectionism and free trade policies are pursued within the framework of their effects on economic growth. Another goal is to conduct causality research for the relationship between foreign trade and economic growth on the basis of periods. The data used in the study are export, import and economic growth rates. The data were obtained from TUIK and OECD. The analysis was conducted using the E-views package program.

If the series used show a systematic change over time, the tests to be carried out will be meaningless, so the analysis has been started by performing a unit root test. The stationarity of the series has been tested by ADF method. The non-stationary series have been made static by the difference-taking process. Then the Granger causality test has been applied to investigate the existence of causality and determine its direction.

6.1. Empirical Analysis of Pre-1980 Period

The fallowing graphs show that the independent variables of pre-1980 period are non-stationary



The series have become stationary after taking difference as seen in the fallowing unit root tests.

Null Hypothesis: LOGGROWTH has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=10)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.680417	0.0000
Test critical values:	1% level	-3.562669	
	5% level	-2.918778	
	10% level	-2.597285	

*MacKinnon (1996) one-sided p-values.
Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGGROWTH)
Method: Least Squares
Date: 05/18/20 Time: 21:40
Sample (adjusted): 1925 1980
Included observations: 52 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOGGROWTH(-1)	-0.788650	0.138837	-5.680417	0.0000
C	1.427040	0.279178	5.111570	0.0000

R-squared	0.392224	Mean dependent var	-0.036880
Adjusted R-squared	0.380068	S.D. dependent var	0.983193
S.E. of regression	0.774124	Akaike info criterion	2.363534
Sum squared resid	29.96342	Schwarz criterion	2.438581
Log likelihood	-59.45187	Hannan-Quinn criter.	2.392305
F-statistic	32.26714	Durbin-Watson stat	2.126669
Prob(F-statistic)	0.000001		

Null Hypothesis: D(LOGEXPORT) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=10)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-7.542405	0.0000
Test critical values:	1% level	-3.552666	
	5% level	-2.914517	
	10% level	-2.595033	

*MacKinnon (1996) one-sided p-values.
Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGEXPORT,2)
Method: Least Squares
Date: 05/18/20 Time: 21:43
Sample (adjusted): 1925 1980
Included observations: 56 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGEXPORT(-1))	-0.984685	0.130553	-7.542405	0.0000
C	0.062604	0.024832	2.521040	0.0147

R-squared	0.513022	Mean dependent var	-0.004143
Adjusted R-squared	0.504003	S.D. dependent var	0.246537
S.E. of regression	0.173629	Akaike info criterion	-0.628735
Sum squared resid	1.627933	Schwarz criterion	-0.556401
Log likelihood	19.60458	Hannan-Quinn criter.	-0.600691
F-statistic	56.88788	Durbin-Watson stat	2.042071
Prob(F-statistic)	0.000000		

Null Hypothesis: D(LOGIMPORT) has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=10)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-6.328291	0.0000
Test critical values:	1% level	-3.555023	
	5% level	-2.915522	
	10% level	-2.595565	

*MacKinnon (1996) one-sided p-values.
Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGIMPORT,2)
Method: Least Squares
Date: 05/18/20 Time: 21:45
Sample (adjusted): 1926 1980
Included observations: 55 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.

D(LOGIMPORT(-1))	-1.034692	0.163503	-6.328291	0.0000
D(LOGIMPORT(-1),2)	0.349700	0.132049	2.648251	0.0107
C	0.077621	0.035670	2.176060	0.0341
R-squared	0.450578	Mean dependent var		0.003548
Adjusted R-squared	0.429446	S.D. dependent var		0.330749
S.E. of regression	0.249831	Akaike info criterion		0.116937
Sum squared resid	3.245605	Schwarz criterion		0.226428
Log likelihood	-0.215757	Hannan-Quinn criter.		0.159278
F-statistic	21.32245	Durbin-Watson stat		1.978445
Prob(F-statistic)	0.000000			

VEC Granger Causality/Block Exogeneity Wald Tests
Date: 05/18/20 Time: 21:54
Sample: 1923 1980
Included observations: 46

Dependent variable: D(LOGGROWTH)

Excluded	Chi-sq	df	Prob.
D(LOGIMPORTD)	2.118897	2	0.3466
D(LOGEXPORTD)	4.389086	2	0.1114
All	5.631098	4	0.2284

Dependent variable: D(LOGIMPORTD)

Excluded	Chi-sq	df	Prob.
D(LOGGROWTH)	6.544088	2	0.0379
D(LOGEXPORTD)	14.07629	2	0.0009
All	19.82533	4	0.0005

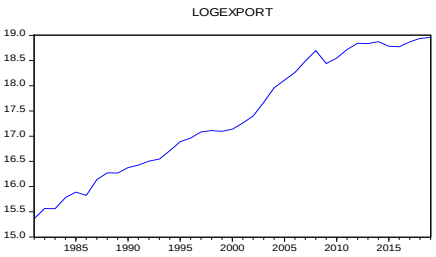
Dependent variable: D(LOGEXPORTD)

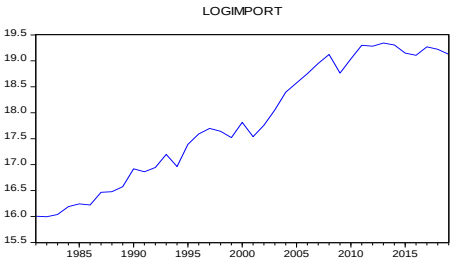
Excluded	Chi-sq	df	Prob.
D(LOGGROWTH)	5.625589	2	0.0600
D(LOGIMPORTD)	5.292365	2	0.0709
All	9.332734	4	0.0533

According to the Granger Causality analysis, which is based on vector error correction model and Block Exogeneity Wald Tests, there are statistically two significant results. They determine that there is a unidirectional causality relationship from growth to import and from export to import

6.2. Post-1980 Period

As seen in the fallowing graphs of independent variables, both have an increasing trend and this implies that they are not stationary.





After difference-taking process all the variables have become stationary. The following tables, based on Augmented Dickey-Fuller Test, confirm the stationarity.

Null Hypothesis: D(LOGGROWTH) has a unit root
Exogenous: None
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		*-10.23027*	*0.0000*
Test critical values:	1% level	-2.628961	
	5% level	-1.950117	
	10% level	-1.611339	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGGROWTH,2)
Method: Least Squares
Date: 05/18/20 Time: 17:37
Sample (adjusted): 1983 2019
Included observations: 37 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGGROWTH(-1))	-1.501892	0.146809	-10.23027	0.0000
R-squared	0.744024	Mean dependent var		-0.022343
Adjusted R-squared	0.744024	S.D. dependent var		1.901141
S.E. of regression	0.961864	Akaike info criterion		2.786767
Sum squared resid	33.30654	Schwarz criterion		2.830305
Log likelihood	-50.55519	Hannan-Quinn criter.		2.802116
Durbin-Watson stat	2.184122			

Null Hypothesis: D(LOGEXPORT) has a unit root
Exogenous: None
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.833896	0.0003
Test critical values:	1% level	-2.628961	
	5% level	-1.950117	
	10% level	-1.611339	

*MacKinnon (1996) one-sided p-values.
Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGEXPORT,2)
Method: Least Squares
Date: 05/18/20 Time: 17:39
Sample (adjusted): 1983 2019
Included observations: 37 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGEXPORT(-1))	-0.553930	0.144482	-3.833896	0.0005
R-squared	0.289195	Mean dependent var		-0.004848
Adjusted R-squared	0.289195	S.D. dependent var		0.153423
S.E. of regression	0.129350	Akaike info criterion		-1.225932
Sum squared resid	0.602333	Schwarz criterion		-1.182394
Log likelihood	23.67974	Hannan-Quinn criter.		-1.210583
Durbin-Watson stat	2.123771			

Null Hypothesis: D(LOGIMPORT) has a unit root
Exogenous: None
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.791369	0.0000
Test critical values:	1% level	-2.628961	
	5% level	-1.950117	
	10% level	-1.611339	

*MacKinnon (1996) one-sided p-values.
Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LOGIMPORT,2)
Method: Least Squares
Date: 05/18/20 Time: 17:39
Sample (adjusted): 1983 2019
Included observations: 37 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGIMPORT(-1))	-0.967673	0.167089	-5.791369	0.0000
R-squared	0.482276	Mean dependent var		-0.002309
Adjusted R-squared	0.482276	S.D. dependent var		0.282333
S.E. of regression	0.203147	Akaike info criterion		-0.323116
Sum squared resid	1.485677	Schwarz criterion		-0.279578
Log likelihood	6.977645	Hannan-Quinn criter.		-0.307767
Durbin-Watson stat	2.001303			

VEC Granger Causality/Block Exogeneity Wald Tests
Date: 05/18/20 Time: 19:27
Sample: 1981 2019
Included observations: 36

Dependent variable: D(LOGGROWTHD)

Excluded	Chi-sq	df	Prob.
D(LOGIMPORTD)	4.827096	1	0.0280
D(LOGEXPORTD)	0.811512	1	0.3677
All	7.804160	2	0.0202

Dependent variable: D(LOGIMPORTD)

Excluded	Chi-sq	df	Prob.
D(LOGGROWTHD)	0.959378	1	0.3273
D(LOGEXPORTD)	2.583568	1	0.1080
All	2.624799	2	0.2692

Dependent variable: D(LOGEXPORTD)

Excluded	Chi-sq	df	Prob.
D(LOGGROWTHD)	2.062567	1	0.1510
D(LOGIMPORTD)	8.161369	1	0.0043
All	8.161373	2	0.0169

As seen above, post-1980 period has two statistically significant causality relation. The direction of the first causality is from import to growth and the second one from import to export.

7. CONCLUSION

Although liberal policies were tried in Turkey prior to 1980 to increase exports from time to time, introvert growth strategies based on import substitution were followed in general.

In the pre-1980 period, two one-way causality relationships were detected from growth to import and from export to import. The results that are intended to be obtained by the protectionist policy and the findings of empirical analysis are compatible with each other.

In the post-1980 period, free trade policy was followed in Turkey. According to the findings obtained from the empirical analysis results, two unidirectional causality relationships were identified from import to growth and from import to export in the post-1980 period. In this period, with the applications that promote export, has been aimed that foreign trade would contribute positively to economic growth. However, the analysis result supports import-led growth hypothesis instead of export-led growth. The fact that the increase in import is the cause of both growth and export shows that foreign dependency has increased in this period.

It is also possible to evaluate the study in terms of the purposes of foreign trade. Liberalization of the economy is one of the aims of foreign trade policy. . Before 1980, the liberalization of the economy (integration with the world economy) could not be achieved. As a result of the free trade policy

implemented after 1980, the world economy was further integrated with the influence of globalization.

One of the aims of foreign trade policy is autarchy. Today, it is not possible for any country in the world to be self-sufficient. But this is possible when we examine on the basis of sectors. Before 1980, Turkey was a self-sufficient country, especially in the agricultural sector. In today's conditions, this situation is not valid. This situation will cause serious problems at a time when food supply security is so important in the world. The same negativity is valid in the textile sector. Since the early 1990s, Turkey has lost its international market in textiles to Asian countries, especially China.

Protection from foreign competition is also among the objectives of foreign trade policy. In the pre-1980 period, measures to protect the domestic industry from foreign competition were developed with development plans. Since the free trade policy was followed after 1980, it was expected that industries would develop through competition rather than protection.

It is also possible to compare the two periods examined on the basis of the data used in empirical analysis. First, it should be noted that there are 57 years in the first period (before 1980) and 40 years in the second period (after 1980).

The average growth rate of the first period is higher than the second period. In addition, there are years in which very high growth rates observed in the first period. The highest growth rate in the first period was experienced in 1946 (32.1%). The lowest growth rates occurred in 1937 and 1978 (1.5%). During the period, negative growth rates were observed in twelve years (1927, 1932, 1935, 1940, 1941, 1943, 1944, 1945, 1949, 1954, 1978 and 1980).

In the second period, the highest growth rate was realized in 2011 (11%). The highest negative growth rate was observed in 2001 (-6%). During the period examined, negative growth rates have been determined in four years. These years are 1944 (-4.70%), 1999 (-3.40%), 2001 (-6%) and 2009 (-4.70%).

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