

HEGEMONIC TRADE POLICIES OF THE US AND THEIR EFFECTS ON TURKEY

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Abstract

Hegemony describes the dominance of a country or a person over others and Hegemonic Stability Theory is derived from this notion. According to this theory, a hegemon country is necessary to obtain and maintain a globally open and stable economy. The US has become the hegemon power of the world after the World War II. Trade policies are the main tools that a hegemon power uses to create pressure on the others. The US used this tool also on Turkey by imposing arms embargo after the Cyprus Peace Operation in 1974. Donald Trump elected as the president in 2017 and he started a global trade war by increasing the tariffs. However, the numbers show that the US continues to import from Turkey increasingly even though the high tariffs have been imposed since 2018. In this study, the cointegration relationship between the total value of Turkey's exports to the US and the average weighted rate of most favored nation tariffs (MFN) applied to Turkey by the US are analyzed for 1991 – 2019 period. The results revealed that there is no cointegration relationship between the Turkey's exports to the US and the MFN tariffs imposed to Turkey by the US.

Keywords: Hegemony, Tariffs, Trade War, Export, Import

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ABD’NİN HEGEMONYACI TİCARET POLİTİKALARI VE TÜRKİYE ÜZERİNDEKİ ETKİLERİ

Öz

Hegemonya bir ülkenin ya da kişinin diğerleri üzerinde üstünlüğü tanımlar ve Hegemonyacı İstikrarı Teorisi de bu kavramdan türetilmiştir. Söz konusu teoriye göre küresel olarak açık ve istikrarlı bir ekonominin sağlanması ve devamlılığının korunması için hegemon bir ülkenin varlığı gereklidir. ABD 2. Dünya Savaşı’ndan itibaren dünyanın hegemon gücü haline gelmiştir. Ticaret politikaları da hegemon gücün diğerleri üzerinde baskı kurmak için kullandığı temel politikalardan biridir. ABD, bu aracı Türkiye üzerinde, 1974’deki Kıbrıs Barış Harekâtından sonra silah ambargosu uygulayarak kullanmıştır. 2017’de Donald Trump, başkan seçildikten sonra tarifeleri yükselterek küresel bir ticaret savaşı başlatmıştır. Ancak, rakamların da gösterdiği üzere, yükselen tarifelere rağmen ABD, Türkiye’den artan miktarlarda ithalat yapmaya devam etmektedir. Bu çalışmada, ABD’nin Türkiye’ye uyguladığı tarifelerin etkilerinin tespit edilebilmesi amacı ile Türkiye’nin ABD’ye yaptığı ihracatın toplam değeri ile ABD’nin Türkiye’ye en çok kayırılan ülke kapsamında uyguladığı gümrük vergilerinin ağırlıklı ortalaması arasındaki eşbütünlüşme ilişkisi araştırılmıştır. 1991 – 2019 yıllarını kapsayan veriler kullanılarak yapılan çalışma, Türkiye’nin ABD’ye yaptığı toplam ihracat ile ABD’nin uyguladığı gümrük vergileri arasında herhangi bir nedensellik ilişkisi olmadığını ortaya koymaktadır.

Anahtar Kelimeler: Hegemonya, Gümrük Tarifesi, Ticaret Savaşı, İhracat, İthalat

INTRODUCTION

1. WHAT IS HEGEMONY?

Hegemony is defined as the dominance and the pressure of a state or a person over another state or another person. It is one of the most crucial phenomena of the international relations for analyzing the power balance among the countries. The leading investigation studies on the application of the hegemonic power as a tool of pressure and dominance among the countries were conducted by Antonio Gramsci who was the Italian Communist Party’s Secretary General. After he was arrested in December 1926 by the National Fascist Party and sentenced to 20 years in jail, he developed the “Theory of Hegemony” in 9 years and that had been the most important contribution to the Marxist Theory in the 20th century (Bates, 1975, p. 351). According to Gramsci, the supremacy of a social group manifests itself in two ways; as “domination” and as “intellectual and moral leadership” (Gramsci, 1971, p. 45).

Antonio Gramsci approached the hegemony phenomenon as a class project within the scope of Marxist ideology and defined it as a “historical bloc”. He analyzed the “historical bloc” over three examples. In this context, the first example appears when the hegemonic class becomes economically revolutionist on the production level. This class has the ability to carry

the economy to another dimension and shapes the future developments by creating new productivity relations. The second example appears when the hegemon class takes over the state governance and forms the political structure to serve its own interests. The third example appears on the intellectual and the moral dimension. The dominant class propagates its own worldview to all societies and this worldview is considered as a regular approach by the dominated societies (Woolcock, 1975, p. 204-205). As a summary, Gramsci stated that the hegemon class created its domination on economic, politic and social areas and suppressed the society over these notions.

2. HEGEMONIC STABILITY THEORY

Hegemonic Stability Theory argues that sustainability of the international economic openness and its stability can only be possible under the existence of a dominant state. This idea was strongly supported by several American academicians who were specialized in the area of the international relations (Webb & Krasner, 1989, p. 183). According to the theory, the rise of the hegemon state is the period of abundance whilst its fall is the period of scarcity (Katzenstein, 1977, p. 3). American economic historian, Charles Kindleberger, defines this theory as “a system of world economy based on the leadership” (Kindleberger, 1981, p. 251). According to him, liberal economic order needs a leader country. This country manages the internationally defined standards consciously or unconsciously and forces the other countries to obey them (Kindleberger, 1973, p. 28). Similarly, American political scientist, Robert Gilpin, argued that the liberal economic order could only be sustained by the support of the most powerful country or countries. He states that the hegemon country should ensure the persistence of free trade, foreign investment and a smooth monetary system (Gilpin, 1981, p. 145).

The researches that investigate the Hegemonic Stability Theory are classified in two categories. The first one supports the hegemony for the organization of the international order. Because the natural core of the international relations is anarchic. If there is no dominant state who determines and imposes the international rules, it is impossible to have a consistent system. Only a hegemon state can oppress violator countries that have tendency of abusing this anarchic order and provide continuity to stability of the system (Özen, 2005, p. 6). The second category of the researches states that hegemony is used for the power. The hegemon country uses the international rules for its interests, not for securing the global order. The hegemon obtains the power of management not only from its own economic relations but also from the relations among the other countries with these rules (Özen, 2005, p. 11).

Hegemony may also appear in both global or regional dimensions. Regional hegemony appears when a country shows the characteristics of a global hegemon in a specific geographic area (Prys, 2009, p. 197). The hegemon country has politic, economic or military dominance, control or effect over neighboring countries in regional hegemony. The example of hegemon countries are China, India, Brazil and South Africa and they are considered as not only globally rising powers, but also regional hegemons that challenge the global economic system and have the leadership positions in their regions (Destradi, 2010, p. 903).

3. THE HEGEMONIC POWER OF THE US AND THEIR EFFECTS ON TURKEY OVER TRADE POLICIES

3.1. The Rise of the US as Hegemon Power

The first decade after the World War I was relatively stable; however, the Great Depression started in 1929 induced the deepest global recession of the 20th century. It rapidly deteriorated this relative stability. Besides, the Smoot-Hawley Tariff Act, which was signed in 1930 by the US government, triggered a huge wave of protectionist measures among the other countries. This act exacerbated the instability caused by the Great Depression. These crises raised fascist inclinations in some European countries such as Germany, Italy and Spain and fascistic parties came to power in these mentioned countries. Ultimately, the economic instabilities and the political instabilities became the main reason of the World War II, which started in 1939. This war dragged the world into an unprecedented chaos. It was argued that the reason of the instability started in the second half of the interwar period was the lack of a hegemon power so the sustainability of the international system could not be provided. The economic and politic power of the UK declined in 1919 – 1939 period and the US was unwilling to accept the hegemon role (Yazid, 2015, p. 68).

The US started to take the global hegemon position over even before the end of the World War II in 1945. Bretton Wood Conference was held in 1944 under the leadership of the US and the new rules of the international monetary system to replace prewar gold system were agreed. The US dollar was fixed to gold and the other currencies were pegged to the US dollar in this system. The establishment of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) were also agreed in this conference (Dominguez, 1993, p. 357). The first meetings of the General Agreement on Tariffs and Trade (GATT) were held in 1947 with the participation of 23 countries which

were in charge of 80% of the entire global trade. The US decreased tariffs by 35% as the leader of the GATT meetings and took a major step to liberalize the international trade (Irwin, 1995, p. 325). The US also had a crucial role on the rapid reconstruction of the Europe after the huge destruction caused by the World War II. There were two financial recovery programs in this scope. The first one was the Truman Doctrine announced in 1947, which consisted of 400 million US dollars support to Greece and Turkey against the threat of USSR communism. The second and the most important program was the Marshall Plan which started in 1948 ended in 1952. Fifteen countries including Turkey were supported within this plan and the total amount of the financial aid was 13 billion US dollars (Tarnoff, 2018, p. 9).

The US achieved a global monetary dominance by pegging major currencies to the US dollar over gold after the World War II and became the leader of the liberal international trade by pioneering the global tariff reduction. It also became the main creditor of the world by financially supporting reconstruction of the European countries. These factors helped US to achieve the global hegemon position and adoption of its hegemony by the other countries. However, the official collapse of the Bretton Woods system in 1973 and the end of the golden age of the capitalism weakened the hegemon position of the country. Although the hegemon status of the US has been discussed since then, it is still one of the most dominant countries in the global system. Even in the 21st century, despite of the 2007 - 2008 Financial Crisis, newly rising economies, revival of the multipolar world order, increase of China's and Russia's share in the global power distribution, US is irrefutably the dominant country of its own class (Norrlöf, 2020, p. 1281).

3.2. The Use of the Trade Policies as a Hegemonic Pressure Tool by the US

The most important feature of a country's hegemon power is its adoption by the other countries as the Hegemonic Stability Theory asserts. The hegemon country should not only affect the other countries militarily and culturally, but also economically. The trade policies implemented by the hegemon country also play a basic role for the determination of the global trade liberalization level. The hegemonic trade policies based on monetary and finance systems are important factors for the future of the hegemon country in the system as well. Therefore, hegemonic policy makers should create suitable strategies for the country. These strategies help the hegemon to reach its targets and enable the international system to develop itself (Pigman, 1997, p. 186). Although it is assumed that the main objective of the hegemon's trade policies is ensuring the permanence of the free trade, this is not always the case in the real world. Trade policies are used as a tool for pressure and the hegemon country threatens the

target country with retaliatory sanctions if its demands are not accepted. These sanctions might be imposed unilaterally or multilaterally via international institutions such as World Trade Organization (WTO) (Anesi & Facchini, 2019, p. 225). Trade sanctions are a subcategory of the economic sanctions. These sanctions are imposed over several mechanisms. Quotas, tariffs, non-tariff barriers, freezing or impounding of assets and embargos are the main trade policies that are used as an element of pressure.

The US, as a hegemon country, often uses trade policies as an element of pressure. There are several targets underlying the trade sanctions. The primary target of resorting these sanctions is forcing countries to obey the rules put by the US. The second target is changing the government or the regime of the country in where the sanctions are imposed. The third target is using sanctions as a punishment tool. The US tries to prohibit the reuse of the wrong policies with these sanctions. The fourth target is imposing trade sanctions to a country to threaten other countries at the same position. Lastly, the US uses sanctions not only to control other countries but also to consolidate the domestic political support (Lindsay, 1986, p. 156).

Cuba, Iran, North Korea and Syria are the most known countries that have been imposed sanctions by the US. These countries are also in the US's list of the State Sponsors of Terrorism. After the Cuban Revolution ended in 1959, trade sanctions have been imposed to Cuba since 1960s as it is claimed that the single party authoritarian regime blocked freedom of speech, unionization and the other basic human rights (Sullivan, 2021). The trade sanctions have been imposed to Iran as a basic pressure policy since 1979 after the revolution. These sanctions aim to limit Iran's power in the Middle East (Katzman, 2021, p. 1). The sanctions have also been imposed to North Korea since 1950s. They were tightened up after North Korea started to accelerate its nuclear weapon programs in the beginning of 2000s. The basic sanction tools used by the US against North Korea are banning exports of many goods including arms and import of natural gas, freezing assets of the people related with the nuclear weapon program and imposing financial sanctions to the banks working with North Korea (Carbaugh & Ghosh, 2018, p. 137). Syria was also included in the US's list of the State Sponsors of Terrorism in 1979 and new sanctions were added to existing ones in 2004 and 2011 because human rights are increasingly violated. Main sanctions that the US imposes on Syria are embargo on the trade of arms, export of goods and services produced in the US and import of Syrian oil (The Carter Center, 2020, p. 8). EU members and other strong countries also imposed similar sanctions to above countries due to the hegemon power of the US.

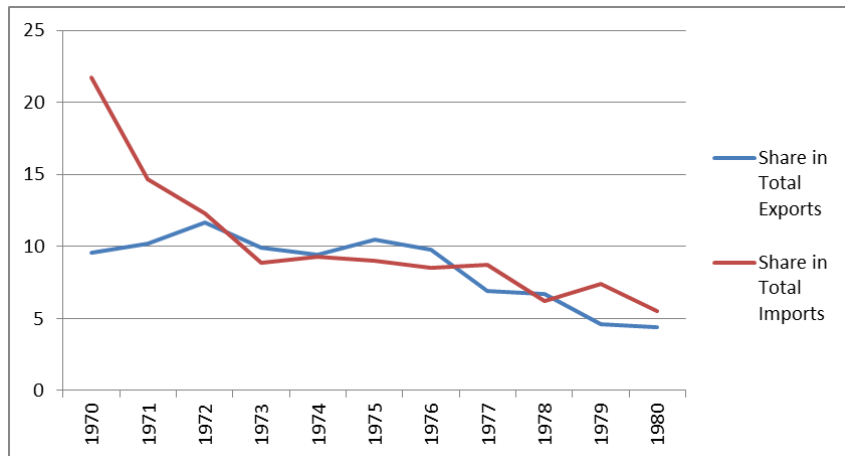
3.3. The Reflection of the Hegemony on Trade Relations between the US and Turkey

The trade relations between the US and Turkey date back to the past. As the Soviet Union became a threat after World War II, these two countries got closer as Turkey played a crucial role for the protection of the Western Europe from the communism threat. Turkey received financial aids within the scope of Truman Doctrine and Marshall Plan from the US. Besides, both countries were the members of GATT before 1995 and have been the members of WTO since 1995. It is another factor that strengthens the trade relations between these two countries. The trade volume between the US and Turkey was only 10.68 million US dollars in 1923. It increased to 114.55 million US dollars in 1950 and 7.05 billion US dollars in 2000 (TurkStat, 2014, p. 453). The trade between the US and Turkey has been intensifying for years.

The trade between the US and Turkey has an upwards trend in general, however, the relations have not been positive all the time. It fluctuates depending on the political conjuncture and the US used its hegemon power as a pressure tool over trade policies on Turkey as well. These pressures also affected some other powerful countries and it increased the magnitude of the sanctions and damaged Turkey's international trade further.

The most obvious example of the trade sanctions that the US imposed to Turkey in scope of its hegemon power is the embargo of 1974 after the Cyprus Peace Operation. Turkey started a military operation on 20 July 1974 to protect Turkish Cypriots after Greece supported a coup in the island on 15 July 1974 (Adamson, 2001, p. 278). Indeed, the US got involved in this matter after it was rumored that Turkey would step in because of the armed conflict started in Cyprus between 1963 and 1964. The president of the US, Lyndon B. Johnson sent a letter to the prime minister of Turkey, İsmet İnönü on 5 June 1964 to warn him not to start any operation without approval of the US. This letter is also known as "The Johnson Letter" and it delayed the intervention of Turkey to Cyprus for 10 years (Savcı, 2021, p. 16). However, the operation started in July 1974 and in December 1974, the US Congress announced that they would impose an arms embargo to Turkey and halt the military support if the problems could not be solved diplomatically. As it was not possible to solve the problem in a diplomatic way, the imposition of the embargo started on 5 February 1975 (Brumage, 2015).

The arms embargo did not cause a complete breakdown of the economic relations between the US and Turkey, however, it merged with the Oil Crisis of 1973 and high military costs of the peace operation. These factors led a severe crisis. Turkey's primary arms supplier was the US so the country was obligated to import from different countries. The defense budget peaked to 2.6 billion US dollars in 1977 and 1978. This amount was equal to 30% of Turkey's total budget in that period (Durmaz, 2014, p. 33). Turkey was an importer of manufactured goods from the US and an exporter of agricultural products to the US. Both Turkey's exports to the US and imports from the it decreased during this period. However, it is not possible to state that the arms embargo was the only reason of the trade volume decrease between these two countries. Because of the oil crisis of 1970s, the interest rates in Western countries increased and caused high level of unemployment and inflation. These factors negatively affected the global aggregate demand and caused decrease of the trade between the US and Turkey.



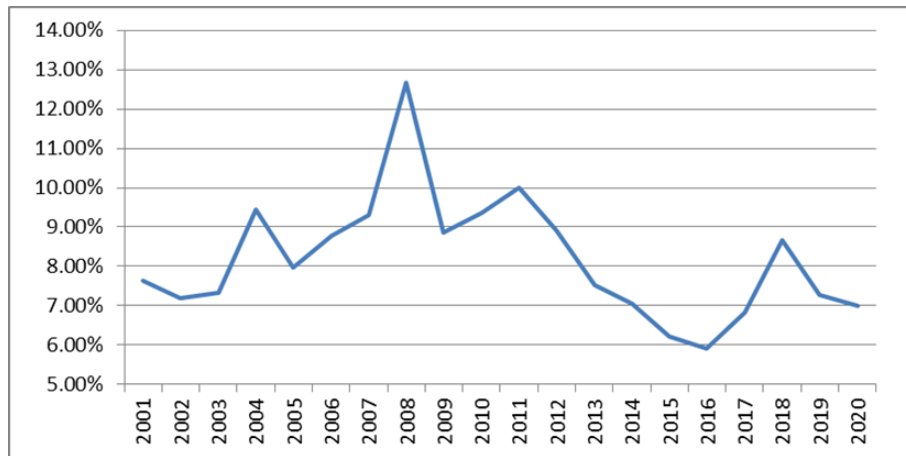
Source: TurkStat, Statistical Indicators, 1923 – 2013, 2014.

Figure 1. The Share of Exports to the US and Imports from the US in Turkey's Total Exports and Imports

During the 21st century, the political and economic relations between the US and Turkey were positive in general. However, after Donald Trump's election as the president of the US in 2017, these relations deteriorated rapidly. The US started to use foreign trade policies as a pressure tool explicitly based upon its hegemon power on several countries including Turkey. These policies have had negative impacts primarily on steel and aluminum sectors. The Trump Administration started to apply 25% tariff on steel imports and 10% tariff on aluminum imports that have been made from numerous countries including Russia, China, Japan, India and Turkey in 2018, in order to protect its national security under the Section 232 (Salotti et al., 2019, p. 7). Starting from 2000s, the US's steel and aluminum imports

significantly increased and damaged domestic producers, so at first sight, it might be concluded that these tariffs were applied for both increasing national welfare and gaining domestic political support. However, the US doubled these tariffs and raised the steel tariffs to 50% and the aluminum tariffs to 20% for Turkey in August 2018. Donald Trump announced that the reason behind the increase of the tariffs was the rapid depreciation of Turkish lira's value against the US dollar and the increase of domestic steel production in the US had not reached to desired levels (Tankersley et al., 2018). However, many opinions state that there are not only economics reasons, but also political reasons behind the tariff increase. It is claimed that the trail of Pastor Andrew Brunson, who was arrested within the scope of the coup attempt of 15 July 2016, was directly related to this tariff increase. After the Pastor was released in October 2018 and went back to the US, Donald Trump halved the tariffs and decreased them to 25% for steel and 10% for the aluminum again in May 2019.

Raw steel, raw aluminum and their products are Turkey's essential export goods. In 2010, the share of the export value of these products were 7.63% in total exports and increased up to 12.67% in 2008, however, it decreased to 8.66% in 2018, 7.26% in 2019 and 6.99% in 2020.

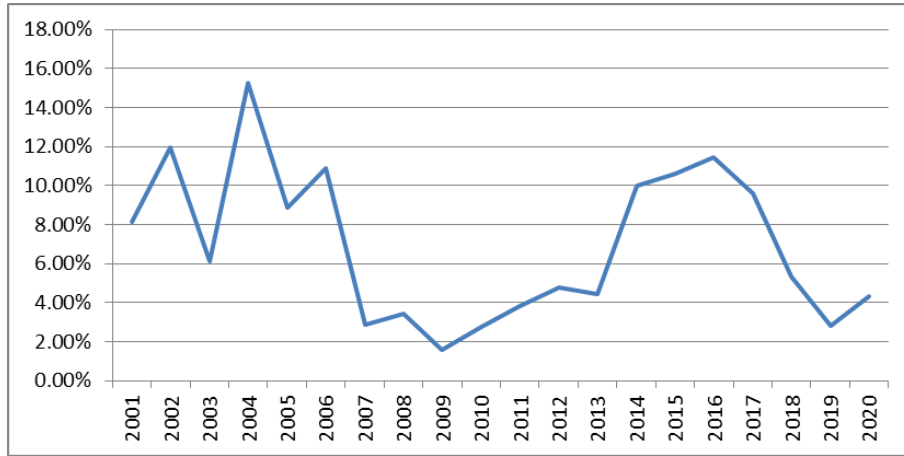


Source: UN, UNCTAD Comtrade, 2021

Figure 2. Share of Steel and Aluminum Exports Value in Turkey's Total Exports Value

The US is also an important market for Turkey's steel and aluminum exports. However, it is not possible to state that the trade volume of these goods between the two countries has always been steadily growing. The share of Turkey's steel and aluminum exports to the US in its total steel and aluminum exports was 8.15% in 2001 and reached 15.27% in 2004, as it was the highest value of the previous 20 years. Due to 2007 – 2008 financial crises, this share fell down to 1.60% in 2009, but started to rise again in 2010. It reached to 11.44% 2016, however,

after the imposition of the tariffs it fell to 5.36% in 2018, 2.82% in 2019. It increased again to 4.31% in 2020 after the tariffs were halved.



Source: UN, UNCTAD Comtrade, 2021.

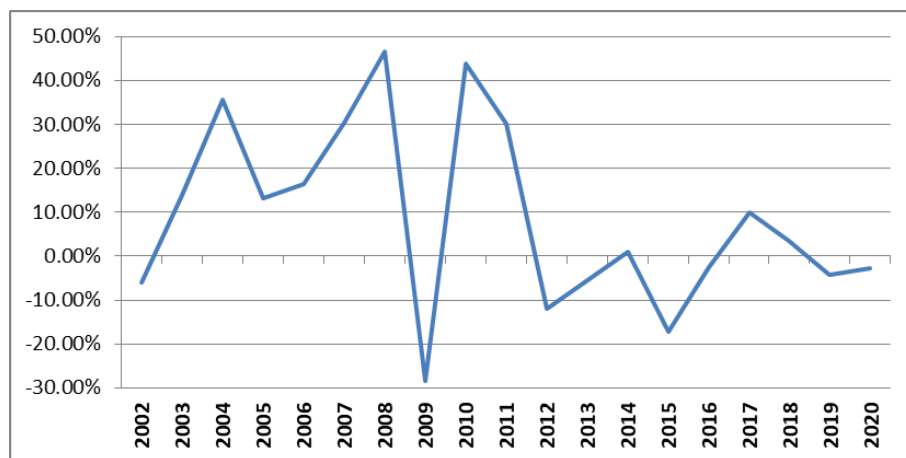
Figure 3. The Share of Turkey's Steel and Aluminum Exports to the US in Its Total Steel and Aluminum Exports

The value of steel and aluminum exports of Turkey to the US in Turkey's total export value is quite low. It was 1.18 billion US dollars in 2014 and it was only 0.71% of Turkey's total export value. This share fell down to 0.2% in 2019. However, the value of Turkey's total exports to the US increased by 10.1% in 2017, 7.0% in 2018 and 7.7% in 2019 (TurkStat, 2020). These numbers show that the US's trade pressure policies did not affect Turkey's export growth in total. However, Turkey's total steel and aluminum export increased by 27.5% in 2017 and 35.36% in 2018 but decreased by 9.66% in 2019 and 9.69% in 2020. It is not possible to say that the only reason behind this fall is the tariff increase. The global demand of steel and aluminum shrank in 2019 and 2020, also, the trade policies of the US induced protectionist tendencies among the other countries in several areas. These factors also have significant negative contributions on the decrease of steel and aluminum trade not only in Turkey, but also in global scale. Yet, Turkey was still the 8th biggest steel producing country and its steel and aluminum production growth rate ranked the 1st among the first 10 countries in 2019 (Özden et al., 2020, p. 11).

The US imposed another trade sanction to Turkey over the Generalized System of Preferences (GSP). GSP was put into effect in 1975 by the US and it allows 131 countries to export 3474 different goods to its market without any tariffs. Turkey had been a member of the program since its beginning (USTR, 2006). However, although steel and aluminum tariffs were halved

in May 2019, the US announced that Turkey was developed enough not to be a member of GSP program anymore and its membership was terminated (Pamuk & Beech, 2019). The US imported several items from Turkey under the scope of GSP such as agricultural products, vehicles, machinery and their spare parts, jewelry and plastics (Anadolu Ajansı, 2019). Although its termination from the program, Turkey's export to the US increased to 8.97 billion US dollars in 2019 from 8.3 billion US dollars in 2018. It reached to 10.19 billion US dollars in 2020 (UNCTAD, 2021). The US was the 5th biggest export market for Turkey in 2018 and 2019 and it became the 3rd in 2020 (TurkStat, 2021). Although Turkey's GSP membership was terminated, it did not affect Turkey's exports to the US at all. There are several reasons behind it such as the US's weakening hegemon position since 1970s and increasing effects of new superpowers such as Russia and China.

Following the imposition of high tariffs in 2018, Turkey started to impose retaliatory tariffs to the US as well. New countervailing tariffs were put into effect for the imports from the US and their rates were between 4% and 70%. The total value of the imports affected from these tariffs were 790 million US dollars in 2019. After the US doubled the tariffs in August 2018, Turkey also raised the countervailing tariffs to 4% - 140%, however, as the US halved them in 2019, Turkey also cancelled the second tariffs rise (Akhtar, 2021). Turkey's retaliatory tariffs included several products such as dried nuts, rice, alcoholic beverages, tobacco, coal, paper and passenger vehicles ("ABD Menşeli Bazı"... , 2018). Turkey's export from the US have had an increasing trend for the last 20 years. It increased by 13.97% in 2003, however, due to the 2007 – 2008 financial crises, it decreased by 28.40% in 2009. In 2010, it increased again by 43.69%. Turkey's imports from the US started to decrease due to the trade war and it fell by 4.28% in 2019 and 2.72% in 2020.



Source: UN, UNCTAD Comtrade, 2021.

Figure 4. The Growth Rate of Turkey's Imports from The US

The data shows that although the US uses its hegemon power by creating pressure via trade policies, Turkey's international trade keeps growing. Although the US increased tariffs against Turkey, its imports from Turkey increased year by year. On the contrary, Turkey's imports from the US decreased in 2019 and 2020, so the foreign trade deficit of the US arising from its trade with Turkey increased in both years. Turkey's foreign trade deficit arising from its trade from the US was 4.07 billion US dollars in 2018 and it fell to 2.88 billion US dollars in 2019 and 1.32 billion US dollars in 2021 (UNCTAD, 2021).

In this study, Autoregressive Distributed Lag (ARDL) Model is used to understand the effects of the tariffs imposed by the US against Turkey. The cointegration relationship between Turkey's exports to the US and the tariffs imposed by the US is analyzed with the model.

4. LITERATURE

There are several yearly reports about the trade relations between Turkey and the US prepared by the institutions such as Ministry of Commerce, the Foreign Economic Relations Board of Turkey (DEİK), associations such as Turkish Industry and Business Association (TÜSİAD) and several exporters' unions. These reports generally contain visual and verbal information related to the types of the goods and services, volume of the trade, growth rates and trade potentials in the future.

One of the leading studies on the relation between tariffs and trade volume is made by Mordechai E. Kreinin in 1969. The study investigated the effects of tariff changes in the US for 1954 – 1956 period and it showed that the import volume of the goods of which the tariffs were reduced increased by 59% (Kreinin, 1961, p. 315).

Thompson & Reuveny (2003) studied the relationship between tariffs and trade fluctuations for Britain, France, the US, Germany and Japan by using the data covering 1854 – 1990 period. They concluded that, in general, the antecedence of trade on protectionism predominates over the antecedence of protectionism on trade.

Another wide research made the understand macroeconomic effects of the tariffs by Furceri et al. (2019). Impulse response functions were estimated for 151 countries covering 1963 – 2014 period. According to the results, although the tariff increases have significant effects on unemployment, inequality, and real exchange rate, their effects are relatively small on trade balance (Furceri et al., 2019, p. 15).

The recent econometric studies analyzing the effects of the tariffs on foreign trade are generally focused on the trade war started by the US. Handley et al., (2020) analyzed the relation between the US's tariff increase and the export growth rate on firms' level. The results show that increasing tariffs weakens the export growth rate of the firms located in the US. Berthou & Stumpner (2020) analyzed the effects of the tariffs raised due to the trade war between China and the US on total export value. The data between 2017M1 and 2019M period are used for 33 trade partner countries. According to the results, the raise of the tariffs decreased both China's and the US's exports to the given trade partners.

There are also a number of studies made for the other countries rather than the US. For example, Isakova et al. (2016) studied the importance of the tariffs under the scope of Eurasian Customs Union that was established by Russia, Kazakhstan and Belarus. The research shows that the tariff changes have no effects within the union. Only Russia's tariff decrease increased its exports to the third countries. Gutierrez & Machuca (2021) did a study for Spain and used export and tariff data involving 1995 – 2019 period. Gravity model used for this study and it shows that a permanent increase of the tariffs decreases Spain's exports in the long term.

5. METHODOLOGY AND FINDINGS

5.1. Data Set and the Model

The data set used in this study is yearly and covers 1991 – 2019 period. The first data is value of the Turkey's export to the US in US dollars term and the second data is weighted average of the most favored nation (MFN) tariffs imposed to Turkey by the US. The export value data is obtained from the UN Comtrade database and the tariff data is obtained from the database of World Trade Integrated Solutions (WITS). Both data are normalized as their natural logarithms are taken. Export value data is denoted as $LEXPUS$ and tariff data is denoted as $LMFN$. The model is given below as $LEXPUS$ is the dependent variable and $LMFN$ is the independent variable:

$$LEXPUS_t = \beta_1 + \beta_2 LMFN_t + \varepsilon_t \quad (1)$$

The graphs of the data are below:

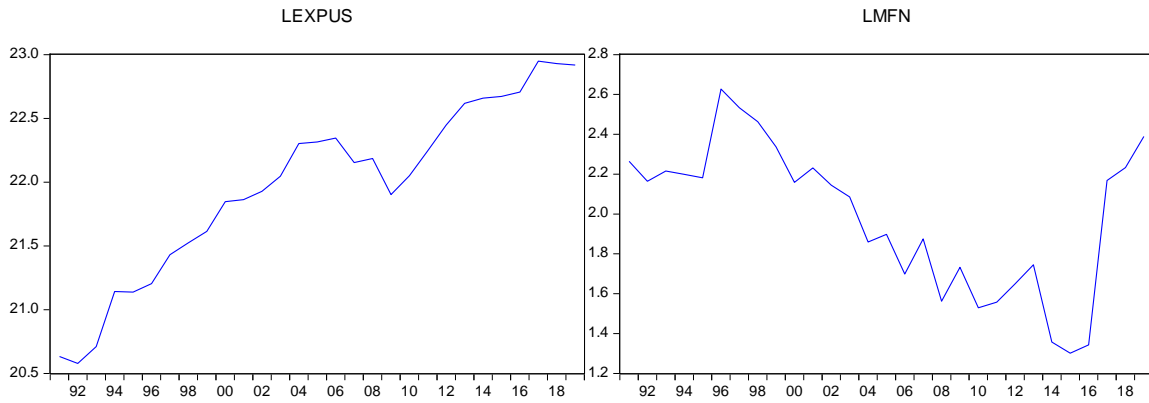


Figure 5. The Natural Logarithms of Turkey’s Export Value to the US in US Dollars Term and Weighted Average of MFN Tariffs Imposed to Turkey by the US

5.2. Unit Root Test

Firstly, the stationarity of the data is controlled with the unit root test. The model should be established as below for the unit root tests that follow stochastic processes:

$$Y_t = pY_{t-1} + \mu_t \quad -1 \leq p \leq 1 \quad (2)$$

This model is calculated and if $p = 1$, than the data have a unit root, pure random walk and non-stationary (Sevüktekin & Çınar, 2014, p. 326). If $|p| < 1$, than Y_t is stationary. The test developed by Dickey and Fuller is used to calculate whether Y_{t-1} is 0 or not. According to this test, the null hypothesis is $\delta = 0$ (or $p = 1$, because $\delta = p - 1$) and the t value follows τ (tau) statistics for the Y_t coefficient.

The Dickey – Fuller (DF) test assumes that μ_t error term has no correlation, however, in some cases, μ_t is correlated. Dickey and Fuller improved the DF test to solve this problem by adding lagged values to ΔY_t dependent variable. This test is known as Augmented Dickey – Fuller (ADF) test the regression estimated by this test is below:

$$\Delta Y_t = \beta_0 + \delta Y_{t-1} + \sum_{i=1}^m \alpha_i \Delta Y_{t-i} + \mu_t \quad (3)$$

μ_t shows white noise error term in above regression. The number of the lagged value terms is calculated here to eliminate the correlation and this number is added to the error term. ADF test is also based on $\alpha_i = 0$ hypothesis as DF follows an asymptotic distribution.

Table 1 shows the results of ADF unit root test that applied to the data used for the analyze:

Table 1. Results of ADF Unit Root Test

LEXPUS		LMFN	
I(0)	I(1)	I(0)	I(1)
-1.925651	-5.140427 ^a	-1.168242	-3.765189 ^b

Note: Schwarz Information Criteria is used for the test and maximum lag length is defined as 7. ^a shows significance on 1% level, ^b shows significance on 5% level and ^c shows significance on 10% level.

The test results show that *LEXPUS* is non-stationary on the level however, its first difference is stationary within 5% significance. *LMFN* is also non-stationary on the level however its first difference is stationary within 1% significance. According to the results of ADF test, both data is stationary on *I(1)* so ARDL Model is suitable to test the cointegration.

5.3. Autoregressive Distributed Lag (ARDL) Bounds Test

Cointegration tests are used to figure out whether there is a long-term relation between the variables for the time series analysis. Normally, all the series have to be stationary for this test, however, if the series are non-stationary separately but create a stationary process as a group, application of cointegration tests becomes possible (Bozkurt, 2007, p. 109).

ARDL, which was developed by Pesaran, Shin and Smith (2001), is one of the most suitable tests to analyze cointegration regardless the stationarity levels of the data. The test gives better results when lagged values of the variables are not taken into consideration (Sevüktekin & Çınar, 2017, p. 576). The model of the test is below:

$$\Delta Y_t = \alpha_0 + \sum_{i=1}^n b_i \Delta Y_{t-i} + \sum_{i=1}^n c_i \Delta X_{t-i} + d_1 Y_{t-1} + d_2 Y_{t-1} + \varepsilon_t \quad (4)$$

In this model, Δ denotes the difference operator, ε_t denotes independent random errors with zero mean and finite covariance matrix, α_0 denotes the constant term, b_i and c_i denotes lagged terms and d_1 and d_2 denotes cointegration terms. Bounds F-Test is used for this model to find out whether there are one or more cointegration (Jenkins & Katırcıoğlu, 2010, p. 1701-1705). The bounds test model for the long-term relation analysis is as below:

$$Y_t = \alpha_0 + \sum_{i=1}^n a_{1i} \Delta Y_{t-i} + \sum_{i=1}^n a_{2i} \Delta X_{t-i} + \mu_t \quad (5)$$

There are three factors controlled to evaluate the results of ARDL Bounds Test:

- $F\text{-Statistics} < I(0) \text{ Bound} \rightarrow$ There is no cointegration.
- $F\text{-Statistics} > I(1) \text{ Bound} \rightarrow$ There are one or more cointegration.
- $I(0) \text{ Bound} < F\text{-Statistics} < I(1) \text{ Bound} \rightarrow$ The decision is inconclusive.

Before using ARDL Bounds Test, heteroscedasticity, histogram – normality and serial correlation LM test are applied to the data and they passed all these diagnostic tests. Besides, Maximum lag lengths necessary for the ARDL test are shown in Table 2:

Table 2. Maximum Lag Lengths

Number of Lags	AIC	SC	HQ
0	2.263140	2.360650	2.290185
1	-0.978191*	-0.685661*	-0.897056*
2	-0.756423	-0.268873	-0.621197
3	-0.599719	0.082851	-0.410403
4	-0.501990	0.375600	-0.258584

Note: * denotes the lowest critical value that indicates the maximum lag length.

All Akaike, Schwarz and HQ information criterions show that the maximum lag length is 1. According to this result, if bounds test shows that there is a cointegration, ARDL (1, 0) model is going to be used to test long-term relationship.

The results of the ARDL Bounds test applied to *LEXPUS* and *LMFN* are shown in Table 3:

Table 3. The Results of the ARDL Bounds Test

ARDL Bounds Test Statistics	Value	k
F-Statistics	1.733083	1
Critical Value Bounds / Significance Levels		
	I(0) Bound	I(1) Bound
10%	4.05	4.49
5%	4.68	5.15
2,5%	5.3	5.83
1%	6.1	6.73

The results show that the value of F-Statistics is below I(0) bound at all significance levels including 10%. According to these results, there is no cointegration between Turkey's export

value to the US in US dollars terms and the weighted average of the MFN tariffs imposed to Turkey by the US.

CONCLUSION

Hegemony concept has existed since the birth of the modern states. As Gramsci analyzed hegemony as a theory, several American political scientists and economists presented the Hegemonic Stability Theory after the World War II and they argued that a hegemon country is necessary for the establishment of a global order and ensure its stability. Following the WWII, the US became the hegemon country, however, its hegemonic power weakened after Bretton Woods system officially collapsed and followed by the petrol crisis in 1973 and new superpowers started to rise by the end of the 20th century. Nevertheless, the US is still holding sufficient hegemon power, especially to direct the international trade.

The US adopts several tools when using its hegemon power and these are military, cultural and economic elements. It has been using economy as a pressure factor for years. Increasing tariffs, freezing assets, imposing embargos, export and import bans are the main tools used for this purpose. Turkey also faced these kinds of pressures. The arms embargo imposed after the Cyprus Peace Operation is the most known example of it.

After the Cyprus Peace Operation sanctions, the relationship between the US and Turkey had been stable in general, however, as Donald Trump was elected as the president in 2017, the relationship between Turkey and the US started to experience several problems. The Trump Administration applied pressure to Turkey by using tariffs as a tool similar to what it was done to other several countries, notably to China. Steel tariffs were increased to 25% and aluminum tariffs were increased to 10% for almost all trade partners in June 2018. However, these rates were doubled for Turkey in August 2018. Turkey started to impose retaliatory tariffs as a reaction, firstly increased the tariffs for many goods to 4% - 70% and in August 2018, these tariffs are revised as 4% - 140%. Turkey was also excluded from the GPS program in 2019.

The analyze that covers 1991 – 2019 term has revealed that the tariffs applied by the US to Turkey did not affect Turkey's exports to the US on macroeconomic scale. Turkey's exports to the US have been growing despite of the economic pressures. On contrary, especially in 2019 and 2020, Turkey's imports from the US decreased and the deficit of Turkey's trade with the US shrank.

As a result, Turkey's total exports were not affected from the trade war started by the US. On sectorial level, especially steel and aluminum sectors are negatively affected, however, the reports state that the decrease of the domestic demand also has a significant contribution on the recession of these sectors. Although there are several economic effects due to the US's economic pressures on Turkey such as dramatically decreasing value of Turkish Lira and weakening domestic purchasing power, these factors also contributed the increase of Turkey's exports as the goods and services produced by Turkey have become internationally competitive.

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