EFFECTS OF GEOPOLITICS ON ECONOMIC PERFORMANCE: COMPARISON BETWEEN TURKEY AND SOUTH KOREA

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Abstract - This study focuses on effects of geopolitics on economic performance. South Korea and Turkey were taken separately while arguing problem. South Korea – USA relations and Turkey – EU relations was held in economic way in order to explain importance of geopolitics. Results showed that geopolitics have influence over development but other dynamics has more significant in the Turkey's and South Korea's perspective

Index Terms - South Korea – USA relations, Turkey – EU Relations, Economic Development

I. INTRODUCTION

In the term of globalization, geopolitics has become widely encountered term. Actually, geopolitics, as most of the times have noted, is a term that is quite difficult to define [1]. It includes both geographical and political terms. In the viewpoint of politicians and leaders geopolitics also parts of history and society [2]. In this paper, events which are related to geographic location will be underlined and will be held as a part of geopolitics. In order to determine the effects of geopolitics on economic growth two countries will be held with similarities and contrasts. Historical process of both countries will also be used as an indicator to express divergence of countries.

II. LITERATURE

Krieckhaus (2017), argued the geopolitics and effect on Korea's economic success in the way of historical perspective and comparison with BRIC's. Luttwak (1990), underlined the two block system and transformation from geopolitics and geo-economics. Nayar (2007), argued the structure of geopolitics and effects on economic development.
In most the researches geopolitics of Turkey and South Korea was held separately. Most of the works related with the geopolitics of Turkey were focused on relations with European Union, United States of America and Russia. They mostly have some parts referring to economics but almost all of them do not take economic performance as priority. This paper will try to make readers to understand effects of geographical difficulties on economic development in Turkey.

III. HISTORICAL PERSPECTIVE

Korea has different history in the viewpoint of economics. In 1910 Korea became a colony of Japanese Empire by force. Colony situation continued until to the end of World War II, 1945. After liberalization from Japanese Empire country were divided into two parts by the superpowers. Modern South Korea was founded after that in 1948. Modern Turkey was found in 1923 by the great leader Mustafa Kemal Ataturk who made lots of reforms either economic or most of the ways. There are lots of differences between Turkey and Korea. The main difference is Turkey never became a colony. Becoming a colony is one of the worst things for nations without argument. But in economic way Korea could have used kind of benefit that know-how coming from Japanese whereas Turkish Society (in the period of Ottoman Rule) was lacking of it.

IV. ECONOMIC PERFORMANCE

Korean War was ended in 1953. At that time per capita GDP was only 66 USD in South Korea [3]. Turkey which also sent troops to Korea war was in the better situation with the 247 USD per capita GDP [4]. Turkey fall behind of South Korea in 1980.

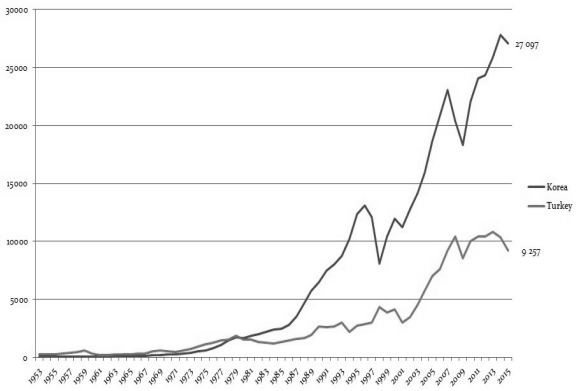


Figure I: GDP per Capita of Turkey and South Korea

In the end of 2015 Korea reached more than 27.000 USD per capita GDP whereas Turkey was only around 10.000 USD per capita GDP. It is clear that there are plenty of reasons behind these two different economic

performances by Turkey and South Korea. However, only some parts which are related with the geopolitics will be held in this paper.

V. GEOPOLITICS OF SOUTH KOREA AND ECONOMIC PERFORMANCE

South Korea has only one land border with North Korea. Even the country is peninsula; due to inactive border on the north it actually likes an island. It is clear that there is no way to reach South Korea from land without the permission of North Korea. It may seem like big disadvantage but most of the people believe that that could be a huge advantage for Turkey which will be held in next section.

In the colonialism period first positive effect was on the human capital of South Korea. During Japanese rule male primary school enrollment rise from 20 to 70 percent whereas female primary school enrollment rise from 0 to 20 percent [5]. This relatively educated human capital was played an active role in Korean development. In the early developmental stage (60's and 70's) South Korea's GDP mostly depended to export. Cause of that was choosing export oriented development model instead of import substitute model. This choice was also connected with the relations with United States of America. More than that United States of America was South Korea's primary market [6].

After Korean War, Korean peninsula became a playground for two superpowers. Due to support liberal Korea USA significantly supported South Korea both in military and economic areas. Economic support was accelerated the economy starting with manufacturing industry. One of the most important things that were done by South Korean government was economic development plans. South Korea started economic development plans in 1962. The key issue in the plans was industry targeting. Economic development plans and industries that targeted can be seen in figure II [7].

Plan	Dates Covered	Major Targeted Industries
First Plan	1962 – 1966	Electricity, PVC
Second Plan	1967 – 1971	Petrochemicals
Third Plan	1972 – 1976	Iron, Electronics
Fourth Plan	1977 – 1981	Iron, Shipping, Machinery
Fifth Plan	1982 – 1986	Electronics, IT
Sixth Plan	1987 – 1991	Automobiles, Machinery
New Economy Plan	1993 – 1997	Growth potential industries

Figure II: South Korean Economic Development Plans

Unlike the soul of liberalism, South Korea prepared plenty of development plans and mostly stickled into plans. Government played an enormous role in the field of development. Every plan included growth rate goal. South Korea managed to growth more than planned almost in each plan period. Figure III shows that planned growth in economic development plans and actual average annual growth during the years of plans [7].

Plan	Dates Covered	Planned Growth	Actual Growth
First Plan	1962 – 1966	7.1 %	7.8 %
Second Plan	1967 – 1971	7 %	9.6 %
Third Plan	1972 – 1976	8.6 %	9.2 %
Fourth Plan	1977 – 1981	9.2 %	5.8 %
Fifth Plan	1982 – 1986	7.6 %	9.8 %
Sixth Plan	1987 – 1991	7.3 %	10 %
New Economy Plan	1993 – 1997	7.6 %	9.8 %

Figure III: Planned and Actual Growth of South Korea

There might be lots of reasons to count as a reason of that rapid growth. Of course the commitment of South Korean society comes first. More than that Krieckhaus (2017), underlined that democratization and liberalization was major effects on development path. Krieckhaus (2017), also argued that Free Trade Agreement regime of South Korea has an important role on its development. South Korea persuaded FTA with USA so stay in their market. FTA was signed between two countries in 2007 [6]. Even signing a FTA with leading economy is something but the structure of the economy is more than that. When a country signs FTA it can freely export goods to another part of agreement. At that point quality and quantity of exported goods have importance. If any of the exporter country can add value to the products that it is exporting could gain important revenues from them. Otherwise quantity of export could rise but it will have less importance on revenue. South Korea persuades free trade agreements due to type of the goods that she is willing to export. Due to rising quality of education and research activities she can add enormous value on products that she is exporting with the power of free trade agreements.There can be lots of ways for measuring added value on products. Even though input and output analysis could be the best way for measuring, it is quite hard to show the value added to product which exported. In this paper share of high technology exports in total manufactured goods are taken as an indicator. Figure IV shows the ratio of high tech exports of total manufactured goods for South Korea in the time period from 1990 to 2015 [8].

It can be seen from the Figure IV that high technology exports of South Korea have reached the maximum level at the end of 90's with 35 %. The ratio has stabilized in past decade just over 25 %.

In conclusion of this part, it can be said that South Korea took advantage of geopolitics which somehow effected on its economic performance. In order to take advantage South Korea used economic planning since the early stages of its development. Smart moves and chasing the intelligence made South Korea to growth rapidly and to reach high income levels.

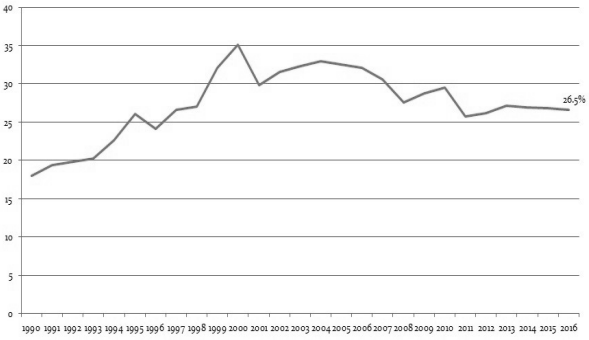


Figure IV: High Tech Exports of South Korea

V. GEOPOLITICS OF TURKEY AND ECONOMIC PERFORMANCE

Unlike South Korea, Turkey has land border with eight different countries. On the western part, she has a border with two European Union member Greece and Bulgaria. On the eastern part there are four borders with three former Soviet republics Georgia, Armenia and Azerbaijan (Nakhichevan) and Iran from the south eastern part. On the southern part there are two borders. One of them which is also the longest one with almost 900 kilometer with Syria. Lastly there is an Iraqi border with more than 350 kilometer.

Locked between Europe and Asia Turkey followed the Europe but never able to escape from eastern rules. One of the reason of the family planning never became a major issue. Figure V shows the population in Turkey and South Korea over years.

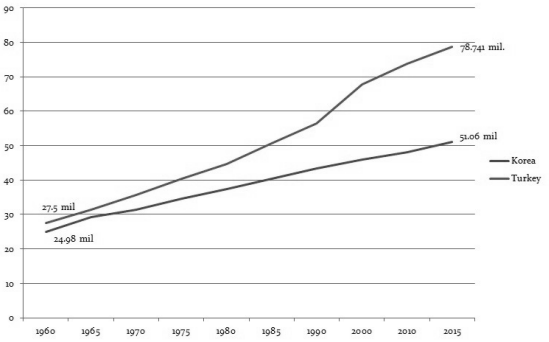


Figure V: Population in Turkey and South Korea

Figure V shows that Turkey and South Korea almost have same population after Korean War in 1953. South Korea's population was 24.98 million people whereas Turkey's was 27.5 million. When the time passed South Korea stick to family planning and reached 51.06 million in 2015. Turkey has reached to 78.74 million in 2015 [3] – [4].

Actually the growth differences on population have lots of meaning of economic performance as it can be rate through the formula below:

GPD per capita = GDP / Population

When most of the scholars agreed that rapid growth of population shall lead to social and mostly economic problems in 1963 it is quite surprising to see that result in the end [9].

On the way to development Turkey was an also prepared economic development plans. In the early plans Turkey showed a good performance. In later plans Turkey was unable to reach the planned growth rates. Figure VI shows that planned growth in economic development plans and actual average annual growth during the years of plans [10].

Plan	Dates Covered	Planned Growth	Actual Growth
First Plan	1963 – 1967	7 %	6.6 %
Second Plan	1968 – 1972	7 %	7.1 %
Third Plan	1973 – 1977	7.9 %	6.5 %
Fourth Plan	1979 – 1983	8 %	2.4 %
Fifth Plan	1985 – 1988	6.3 %	5 %
Sixth Plan	1990 – 1994	7 %	- 6.1 %
Seventh Plan	1996 – 2000	5.5 - 7.1 %	3.1 %
Eighth Plan	2001 – 2005	6.7 %	5 %
Ninth Plan	2007 – 2013	6.5 %	3.85 %
Tenth Plan	2014 – 2018	5.5 %	-

Figure VI: Planned and Actual Growth of Turkey

To sum up lots of economic development plans were made by Turkey but never followed with two earlier exceptions. On the terms of geopolitics Turkey had one minor advantage that she has cheaper labor cost than EU. In order to gain advantage of them Turkey and EU sign Customs Union agreement this can be defined that is more than free trade agreement. Agreement signed in 1995 and still in action since 1996. As a result of this agreement bilateral economic relations between Turkey and EU rapidly grew. As mentioned in previous chapter it is more than quantity. Did Turkey gain a big advantage from free trade with EU? The answer is no because the structure of Turkey's export was weak and still it is. The ratio of high tech exports of total manufactured goods can be used like it was done in previous chapter. Figure VII shows the ratio of high tech exports of total manufactured goods for Turkey in the time period from 1990 to 2015 [8]. It can be seen from the Figure VII that high technology exports of Turkey never reached the 5 %. That means that FTA with EU or other countries can grow the quantity of exports but it will have little effect on revenues.

The biggest disadvantage of geopolitics for Turkey was definitely the events which were occurred in her southern neighbors.

Lots of events starting from first gulf war in 1991 to Arab Spring in 2010 can be count as negative effects. Turkey mostly opened her borders to people who need help. As a result of these Turkey become the country on earth with the most refugees by the end of the year 2016. There are more than 2.5 million refugees living in Turkish soil. It affects the country's both economic and social status very badly.

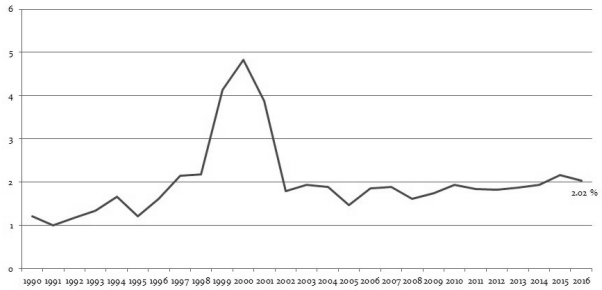


Figure VII: High Tech Exports of Turkey

CONCLUSION

Development can be effect by various determinants. Geopolitics is one of them. In this paper geopolitics of Turkey and South Korea was argued. Results showed that geopolitics have influence over development but other dynamics has more importance in the Turkey's and South Korea's perspective.

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