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**CHALLENGES AND PROSPECTS OF BILATERAL TRADE RELATIONS  
BETWEEN TURKEY AND THE PHILIPPINES**

**THESIS**

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## **FOREWORD**

I set out to write this thesis revved up by an idealistic but humble intent of giving something back to my country. I thought that scholarly work was a relevant contribution as a graduate student especially if it could fill a void or if it could perhaps redirect attention to where it might be needed most. My forays and experiences in both Filipino and Turkish communities here confirmed there are many gaps that need to be filled. With these in mind, I sought out a topic that could somehow meet this purpose and ended up with what this thesis is all about – an exploratory study on the bilateral trade relations of the Philippines and Turkey.

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## ABBREVIATIONS

<b>ADB</b>	:	Asian Development Bank
<b>AFTA</b>	:	ASEAN Free Trade Area
<b>AKP</b>	:	Justice and Development Party (Adalet ve Kalkınma Partisi)
<b>APEC</b>	:	Asia - Pacific Economic Cooperation
<b>APTIR</b>	:	Asia Pacific Trade and Investment Report
<b>ASEAN</b>	:	Association of Southeast Asian Nations
<b>ASEAN TAC</b>	:	ASEAN Treaty and Amity Cooperation in Southeast Asia
<b>BBL</b>	:	Bangsamoro Basic Law
<b>BTC</b>	:	Bangsamoro Transition Council
<b>CET</b>	:	Common External Tariff
<b>CIF</b>	:	Cost Insurance Freight
<b>DEIK</b>	:	Foreign Economic Relations Board (Dış Ekonomik İlişkiler Kurulu)
<b>DFA</b>	:	Department of Foreign Affairs
<b>DOT</b>	:	Department of Tourism
<b>DTI</b>	:	Department of Trade and Industry
<b>EEC</b>	:	European Economic Community
<b>EU</b>	:	European Union
<b>FTS</b>	:	Foreign Trade Statistics Yearbook of the Philippines
<b>GDP</b>	:	Gross Domestic Product
<b>GMA</b>	:	Greater Manila Area
<b>GSP</b>	:	General System of Preferences
<b>IOM</b>	:	International Organization of Migration
<b>IMF</b>	:	International Monetary Fund
<b>ISIS</b>	:	Islamic State of Iraq and Syria
<b>MAV</b>	:	Minimum Access Volumes
<b>MFA</b>	:	Ministry of Foreign Affairs
<b>MFN</b>	:	Most-Favored Nation
<b>NATO</b>	:	North Atlantic Treaty Organization
<b>ND</b>	:	No date
<b>NTM</b>	:	Non-Tariff Measures
<b>OECD</b>	:	Organization for Economic Cooperation and Development
<b>OIC</b>	:	Organization of Islamic Conference
<b>PAFMIL</b>	:	Philippine Association of Flour Millers
<b>PCCI</b>	:	Philippine Chamber of Commerce and Industries
<b>PH</b>	:	Philippines
<b>PSA</b>	:	Philippine Statistics Authority
<b>SEATO</b>	:	Southeast Asia Treaty Organization
<b>SPS</b>	:	Sanitary and Phyto Sanitary measures
<b>TIKA</b>	:	Turkish Cooperation and Coordination Agency
<b>TR</b>	:	Turkey
<b>TRQ</b>	:	Tariff Rate Quotas

<b>TTB</b>	:	Technical Trade Barriers
<b>TUIK</b>	:	Turkish Statistical Institute (Türkiye İstatistik Kurumu)
<b>UK</b>	:	United Kingdom
<b>UN</b>	:	United Nations
<b>UNCTAD</b>	:	United Nations Conference on Trade and Development
<b>UNECE</b>	:	United Nations Economic Commission for Europe
<b>UNESCAP</b>	:	United Nations Economic and Social Commission for Asia and the Pacific
<b>UNHCR</b>	:	United Nations High Commission on Refugees
<b>US</b>	:	United States
<b>USD</b>	:	United States Dollars
<b>VAT</b>	:	Value-added Tax
<b>WB</b>	:	World Bank
<b>WITS</b>	:	World Integrated Trade Solution
<b>WTO</b>	:	World Trade Organization



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## **CHALLENGES AND PROSPECTS OF BILATERAL TRADE RELATIONS OF THE PHILIPPINES AND TURKEY: AN EXPLORATORY STUDY**

### **ABSTRACT**

The bilateral trade relations of the Philippines and Turkey are not wont to attract much attention due to the low volume of their commercial exchanges. But some questions regarding its sluggish growth beg to be asked given their long-standing relationship. This thesis looks into their bilateral trade relations specifically to know what ails and what lies ahead for it. It is an exploratory study seeking answers to these questions by probing into the nature and origins of their bilateral relations as the overarching backdrop of their specific trade relationship. It seeks to identify and describe those issues and challenges that have and continue to beleaguer the relationship in general and on both sides. Such description can provide a clearer understanding to better know what really lies ahead for both countries as it seeks to grow trade and consolidate this relationship.

It examines the state of this relationship through a historically-grounded and conceptual approach as its main rudder in identifying its challenges and prospects. It incorporates a few elements of international relations perspectives to augment the overall context at that time and not as its focal analytical frame. It adopts a general environmental analysis focusing on the global, economic and political components to explore the subject with varying levels of depth. The patterns that emerge help point to the types of challenges that plague their relations. Primary and secondary sources of data were gathered and used in this thesis. Primary data include interviews of key informants from both countries whose positions, knowledge and experiences were relevant to the topic. Secondary data include books, journal articles, news and magazine articles, and other reference materials with specific or related information to the topic. Statistical trade data were reviewed and described for a quantitative qualification of the relationship's character.

This study shows that their bilateral trade relationship has evolved from a routine yet cordial status to one that is dynamic and more cognizant of the frailties surrounding it. Currently, it still remains underexplored and prone to the erratic tendencies that characterized it in its earlier development. The more recent declines in trade volume are temporary and can be expected to rebound as it has always done previously. There is promise but a more consistent and predictable growth rests on how and when the challenges can be resolutely addressed.

More than ten challenges have been identified. Some of these challenges are general and related to common critical factors affecting international trade with their effects spilling over to these countries' trade relations. Some are specific and unique to each country. Some are inherent in weak institutions, others are systemic, others are bred by the internal and external events that unfold, and some are independent of it. Singularly or collectively, they corrode the bilateral and trade relations of these

countries. They are constraints that should not be taken lightly as the enduring nature of their trade relationship is not enough of a guarantee. Both countries can't afford to be complacent and must confront these challenges that warrant thoughtful solutions for trade to truly expand and strategically cement the relationship.

**Keywords:** *Philippines, Turkey, bilateral relations, trade relations, challenges, prospects*



## **FİLİPİNLER VE TÜRKİYE ARASINDAKİ İKİLİ TİCARİ İLİŞKİLERDEKİ ZORLUKLAR VE OLASILIKLAR**

### **ÖZET**

Filipinler ve Türkiye arasındaki ikili ticari ilişkiler, düşük hacimli ticaret değişimi nedeniyle fazla dikkat çekmemektedir. Fakat aralarındaki uzun süreli ilişki düşünüldüğünde, bu durgun büyümeyle ilgili bazı sorular sorulabilir. Bu tez, özellikle nelerin sorun olduğu ve ileride neler beklenileceğine odaklanarak bu ikili ticari ilişkiyi incelemektedir. Bu çalışma, spesifik ticari ilişkilerinin temelini oluşturan arka plan olarak, söz konusu ikili ilişkilerin doğasını ve kökenini incelemek yoluyla bu sorulara cevap arayan bir çalışmadır. İki ülke arasındaki ilişkileri genel olarak ikili ilişkileri kısıtlayan ve devam edegelen sorunları ve zorlukları tanımlamayı ve açıklamayı amaçlamaktadır. İki taraflı olarak kuşatan zorluklar ve sorunları tanımlamak ve tarif etmeye çalışmaktadır. Bu tanımlama, ticareti büyütme ve ilişkileri sağlamlaştırmak açısından her iki ülkeyi ileride nelerin beklediğinin daha iyi anlaşılmasını sağlayabilir.

Çalışma zorlukları ve olasılıkları ana dümen olarak belirleyerek, karşılıklı ilişkinin durumunu tarihsel temelli ve kavramsal bir yaklaşımla inceler. Analitik çerçeve olarak değil, o zamandaki genel içeriği güçlendirmek için uluslararası ilişkiler perspektifinin bir kaç ögesini dahil eder. Konuyu değişik seviyelerdeki derinlikte incelemek için küresel, ekonomik ve politik bileşenlere odaklanan genel çevresel analizler seçilmiştir. Ortaya çıkan modeller ilişkileri etkileyen zorlukların türlerine işaret etmektedir. Bu tezde birincil ve ikincil kaynaklı veriler kullanıldı. Birincil veriler, değişik zaman birimlerindeki dış ticaret istatistikleri ve konuyla ilgili deneyim, bilgi ve pozisyon sahibi belli başlı kişilerle yapılan mülakatları içerir. Dış ticarete dair veriler gözden geçirildi ve ilişkinin karakterinin niceliksel özelliğini belirlemek için tanımlandı. İkincil veriler, kitaplar, dergi makale ve haberleri gibi iki ülke arasındaki kısıtlı sayıdaki yazılı eseri içerir.

Bu çalışma ikili ticari ilişkinin rutin bir durumdan dinamik ve daha samimi bir duruma doğru geliştiğini göstermektedir. Şu anda, hala yeterince araştırılmamış ve erken gelişimini karakterize eden değişken eğilimlere yatkındır. Dış ticaret hacimde son zamanlarda görülen azalmalar geçicidir ve daha önceleri olduğu gibi geri tepmesi beklenebilir. Bir umut vardır fakat daha istikrarlı ve tahmin edilebilir bir büyüme zorluklarının nasıl ve ne zaman kararlılıkla ele alınabileceğine bağlıdır.

Çalışma süresince iki ülke arasındaki ilişkilerde ondan fazla zorluk belirlenmiştir. Bunlardan bazıları geneldir ve ülkelerin ticaret ilişkilerine yayılan etkileriyle uluslararası ticareti etkileyen ortak kritik faktörlerle ilişkilidir. Bazıları ülkeye özgü ve spesifiktir. Bazıları kurumsallaşmanın zayıflığı ile ilgilidir, bazıları sistematiktir, diğerleri açığa çıkan içsel ve dışsal olaylarla beslenir, diğerleri bundan bağımsızdır. Tek başına ya da hep beraber, bu ülkeler arasındaki ikili ticari ilişkileri yıpratırlar.

Ticaret ilişkilerinin dayanıklılığı garanti olmadığı için bunlar hafife alınmaması gereken zorlamalardır. Her iki ülkede kayıtsız kalmayı karşılayabilecek durumda değildir ve ilişkiyi genişletmek ve stratejik olarak sağlamlaştırmak için, özenli çözümler getirecek şekilde bu zorluklarla yüzleşmelidir.

**Anahtar Kelimeler:** *Filipinler, Türkiye, İkili ilişkiler, İkili ticaret ilişkileri, zorluklar, olasılıklar*



## **1. INTRODUCTION**

### **1.1 Background and Rationale**

If statistical trade data were the sole indicators of the state of bilateral trade relations between the Philippines and Turkey, the latest 2016 figures are dismal. This picture is incomplete but it somehow reflects a lackluster output and outcome of a relationship that has spanned all of 67 years. An annual comparative review of these trade figures yields even more disappointment – in 2013, total trade volume reached \$174.9 million but in 2016, it was down to only \$138 million. When these figures are viewed against the total trade volumes between Turkey and the Southeast Asian neighbors of the Philippines, it becomes disheartening.

A quick look into related data reveals that although Vietnam's relationship with Turkey is only 38 years old, its trade volume has dramatically grown from \$100 million in 2004 to a whopping \$1.9 billion in 2016. Singapore's trade volume has grown to \$781 million in a span of 47 years, although the deficit is on Singapore's side. Thailand's bilateral trade volume has grown to \$1.4 billion in 2016 from a mere \$200 million in 2002. And while Malaysia's relationship is slightly older than Singapore but still younger than the Philippines at 52 years, it is now Turkey's fourth largest Association of Southeast Asian Nations' (ASEAN) trading partner with trade valued at \$2.3 billion in 2016. Meanwhile, Indonesia has the largest economy in Southeast Asia and has a two-way trade with Turkey worth \$1.8 billion, notwithstanding the same number of 67 years' relationship with Turkey like the Philippines<sup>1</sup>.

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<sup>1</sup> All trade data included in this paragraph came from Turkish Statistical Institute (TUIK) and the Ministry of Foreign Affairs (MFA).

Where most of these countries show positive trade growth with Turkey, it was the opposite for the Philippines. The negative balance of trade in recent years has been utterly discouraging. Comparisons aside, at the least, one is bound to expect more from countries with longer-standing relationships like those between the Philippines and Turkey. Unfortunately, trade has remained minimal and their many years of friendship have not been aggressively translated into more substantial gains for either country. There also seems to be a mismatch between more tangible benefits for both and the diplomatic niceties by officials trumpeting “long-standing relations that have broadened and deepened” between the two countries (Ministry of Foreign Affairs n.d.). What do all these mean? Why don’t the trade figures reflect these niceties? How exactly have the relations broadened or deepened? What gives? What are the problems? Is there a silver lining?

These are many yet vital questions to ask to better understand the trade relationship between the Philippines and Turkey beyond all the diplomatic posturing and rhetoric. When relations were formally established between these two countries in 1949, there was mutual recognition and acknowledgment that the far geographical distance nor differing historical legacies, cultural milieus, or economic endowments between them would not be deterrents to friendship and solidarity. There was an implicit understanding that forging bilateral relations would and could enhance each one’s commerce and economy notwithstanding the goodwill and solidarity it fosters between peoples of each country. Although the relationship was harmonious, it was also lethargic for many years. Trade eventually commenced, people-to-people engagements increased, a few treaties signed, and along with it came the promise of a stronger and deeper partnership that could substantially impact their economies. In fact, in recent years, both countries have been stepping up efforts towards closer bilateral relations, with trade a top most priority.

This bodes well for both. Continuous efforts to strengthen the relationship can offer opportunities that may have been initially overlooked and remain largely untapped. During former Prime Minister Ahmet Davutoğlu’s last official visit to the Philippines in 2014, he acknowledged the Philippines as “a strategic friend and partner in this part of the world” and committed to “consult each other, to work together as two rising economies” (Esguerra 2014). At this luncheon meeting, an air services

agreement was signed by both governments. He also emphasized Turkey's full support to the Mindanao peace process. In turn, the Philippines naturally and warmly welcomed these developments. Former Philippine President Benigno Aquino not only thanked Turkey's support to the peace process, he also expressed hope in helping Turkey confront the Islamic State of Iraq and Syria (ISIS) threat (Calica 2014).

These are reasons to be hopeful, whether viewed from the Filipino or Turkish perspective. Despite the mediocre trade figures of the Philippines with Turkey, the positive exchanges of words by officials from each country are not hollow. The low figures reflect problems and obstacles that should be clearly identified for proper resolution if both truly want a more productive relationship. And it appears there is clear intent. There has also been action. At this juncture, the intent and action are reciprocal. But it is a reciprocity that is driven by a paradox of pragmatic and idealistic visions for their futures.

As a developing economy, the Philippines' vision of the future under the new Duterte administration embodies the Filipino people's collective aspirations for "strongly-rooted, comfortable, and secure" lives (Philippine Development Plan 2017). This vision rests on re-establishing peace and order through his anti-drugs and anti-crime campaigns, making economic growth inclusive and restructuring the country's system of government from a unitary presidential system to a federal parliamentary one (Manhit 2016). The 6.6% growth registered in the last quarter of 2016 has maintained its strong start and the past five years' robustness, with an average of 6.2% from 2010-2015 (World Bank 2016). The Philippines has so far resiliently weathered a weakened global economy better than its regional peers with sound economic fundamentals. Despite President Duterte's highly-controversial remarks and statements regarding the United States, the European Union, and even the United Nations, plus his dogged focus on his anti-drugs campaign that has elicited negative criticisms, the government has reassured investors and businesses of maintaining existing macroeconomic policies (World Bank 2016). Sustaining this steady economic growth further boosts the promise of an improved and brighter future which the current administration commits to realize.



Its foreign policy is also reflecting some changes that seek to better complement and more quickly realize this vision. Consistent with his recent acerbic criticisms against the US, President Duterte has expressed a “separation” from one of its foremost allies and trading partners through an “economic re-balancing for a closer integration with Asia” and a “stronger integration with its neighbors” while maintaining its relations with the west (Department of Foreign Affairs 2016). Its implications, if any on the Philippines’ relations with Turkey in particular, have yet to be seen or felt. Regardless of such changes, the commitments earlier made by Filipino officials and its business community remains and shall guide new and future actions or transactions.

On the other hand, and in less than a decade, Turkey’s economy quadrupled in size, making it an upper-middle income country and the world’s 17th largest economy. Its impressive economic performance reduced poverty by half over 2002-2012 and increased employment and incomes (World Bank 2016). This particular period ushered in dramatic changes as Turkey urbanized, synchronized many regulations and laws with European Union standards, and increased the breadth and scope of its public services for wider access (World Bank 2016).

Although its economic growth has started to falter amidst various domestic challenges and a deteriorating geopolitical environment, it currently envisions to be among the world’s ten largest economies by 2023 or its 100<sup>th</sup> founding anniversary (Albay 2015). It still aspires to be a full member of the EU. With its increased resources and capacities, it has since worked to expand its global and regional influence through outreach efforts to Africa and Asia Pacific, through increased official development assistance to countries in urgent need, and through active participation and mediation in conflict-ridden countries (Özkan 2011).

These ideal visions for the future for both the Philippines and Turkey are realistically achievable despite the precarious and fluid conditions in these countries. The process for these visions to be realized has started and is ongoing. The momentum has been regained and it is littered with possibilities that have yet to be fully mined to emerge, thrive, and flourish. However, it warrants strong, consistent measures to address continuing structural weaknesses. Institutions should be further strengthened and

necessary reforms made interminable. On all fronts, the momentum needs sustenance, if not, a total reboot or recharging if trade figures remain dismally low and temporarily stumped by the difficult obstacles. More specifically, this is where the commitments by all Turkish and Filipino officials become particularly crucial and significant – strengthening the bilateral trade ties between the two countries amidst the daunting challenges they both face separately and contiguously. The current conditions which find the Philippines and Turkey in transition again and adjusting to a slew of political and economic changes warrant an examination of the obstacles affecting its trade relations. Corollary to this is mapping out the terrain for those prospects and opportunities that can spur its full development as intended. This can provide valuable insights and concrete proposals for stronger and more productive cooperation that can positively impact both.

## **1.2 Research Questions and Significance of the Study**

The friendly diplomatic relations between the Philippines and Turkey has not yet been able to realize the full promise and development in trade that it portends. It is clearly apparent that it is confronted with its own share of challenges and difficulties. The minimal trade figures attest to this. There also appears to be a gap existing between the avowed intent to strengthen the relationship towards strategic partnership and the actual commercial transactions to support it. Whatever the reasons for this gap should not be taken for granted. At the same time, whereas Sevilla (2013) initially discussed these countries' relationship, he mainly focused on the active cultural diplomacy from private Turkish initiatives in the Philippines in the first decade of this century. The situation has since dramatically changed. It is now imperative to look into how both countries are realizing the envisioned partnership between their countries based on the current conditions. This sense of urgency does not run counter to previous and present, private or public initiatives and actions undertaken towards this direction. It should and complements these efforts instead.

But what exactly is the actual state of the bilateral trade relations of the Philippines and Turkey? What are the various problems or challenges that affect this relationship? What are impeding a more robust trade exchange? Have these difficulties been there all along since the beginning? Where do these problems lie –

are they institutional, systemic, or are they borne out of larger domestic and international conditions of each country, or all of these put together? Given these, what lies ahead for their bilateral trade relations?

This study explores the answers to these questions by probing into the nature and origins of their bilateral relations to better understand the situation. It looks into the trade relationship between these countries, as Turkey boosts its overall relations within the region, as its socio-cultural ties with the Philippines flourish, and continuous exchange in various forms ensues between both. It gives a historical presentation as a contextual and the main conceptual backdrop from which to view the relationship between the two countries, then it attempts to identify and describe those challenges that have beleaguered the relationship on both sides, and thirdly, it presents the current and emerging prospects that can be harnessed from a methodical examination of the questions earlier posed.

Despite many perceived differences between both, there are surprisingly many commonalities that cut across their political, economic, historical, and socio-cultural domains. The rich tapestry of study topics about both countries has not received enough attention in both countries and has just started to be noticed. This thesis merely scratches the surface. Although it attempts to build on the little that has been written about the subject, it is also hoped that its findings can redirect future research and efforts for a clearer map for foreign policy makers, investors, businessmen, academics and even those Filipino and Turkish residents in each country. It hopefully creates those openings for other questions and problems whose answers can help each country reposition themselves more strategically to each one's mutual advantage. Or that it can also spur the development of new initiatives in other areas aside from trade. At most, this paper can hopefully contribute to the impetus to further grow their bilateral trade relations in particular and overall bilateral relations in general.

### **1.3 Methodology and Approach**

This is an exploratory study that adopts a historical and conceptual approach to review the state of bilateral trade relations between the Philippines and Turkey and as

its main guide in identifying its challenges and prospects. Its focus is to gain a deeper familiarity for a well-grounded picture of the situation given that what is publicly available about their relationship is general and scant. It uses a historically-grounded presentation and general environmental analysis to explore the subject with varying levels of depth. In reviewing the past, it incorporates a few elements of other perspectives of established disciplines such as the realist and neoliberalist views, to illustrate and refer to the overall context at that time and not as the focal frame from which the relationship is analyzed.

Parallel presentations of the Philippines and Turkey's economic and political conditions that have shaped their decisions, directions, and actions are provided and examined alongside snippets of significant corresponding global events. Statistical trade data spanning the six and a half decades of the relationship are presented and described for a quantitative qualification of the relationship. This helps uncover rich, linked but nuanced and complementary insights in an open-ended but more holistic manner. Through this approach, the study reaffirms that the identified challenges and prospects do not operate within a vacuum. While it contributes to framing our present views, it also creates many openings for further exploration and study.

The heavier emphasis it puts on a historically-grounded presentation stems from the dearth of literature about both countries' ties with each other. Such approach fills this gap with relevant information spanning six and half decades that introduces each country from important angles in their development. It facilitates the synthesis of the trends and patterns that emerge throughout the six and half decades. These trends point to vulnerabilities and obstacles that are both intrinsic and extrinsic to their environments.

While this may leave either more or less room for varied interpretations, it also demonstrates how their political economies are inextricably linked to how the changes, the challenges, and the opportunities present themselves and impact on their trade relations. It presents how some of these obstacles are attributable to weaknesses and limitations from past policies, decisions and actions. The political and economic angles embedded within the over-all analysis provide more clarity about the factors and forces impeding and promoting development and progress not only of their trade

relations, but of their country's over-all progress too. It provides the broader environmental scan necessary to identify the challenges and opportunities.

As an exploratory vehicle with descriptive elements, it is not exhaustive in scope. It is limited to describing the state of their trade relations as synthesized from the historical review of its overall bilateral relations. It identifies and describes the challenges and prospects from this perspective. Although it is not exhaustive, it does provide a broader appreciation of their current individual states at various points in time and as domestic and global events marking each decade are juxtaposed for similarities and differences. From either the Filipino or Turkish perspectives, it can be assumed that both are still familiarizing themselves about each other's country. This approach thus provides a more in-depth background that can be useful to readers with little or no familiarity with either country. This study does not attempt to determine the exact causes and periods when these obstacles arose.

The challenges are described and examined taking into account the past and present domestic and international contexts that shape and affect it. A broader understanding facilitates manifold opportunities. It shows patterns in the historical evolution of each country's political economy that have impacted on their trade intents and capabilities with each other, the various situations they've been in and faced, what needs to be further strengthened, and those weaknesses and limitations that warrant immediate and strategic reforms and actions. In doing so, current and emerging prospects of this relationship can be more easily recognizable for each other's mutual benefit amidst the increased competition among countries.

More specifically, identifying and mining the prospects can confirm whether efforts are geared towards the right focus. It is quite easy to enumerate opportunities and prospects. The challenge is isolating those that are feasible and relevant based on the right diagnosis of the problems and challenges. If not, then it could aptly redirect attention and resources where it can generate the sought-after economic gains and benefits.

Primary and secondary sources of data were gathered and used in this thesis. Primary data include interviews of key informants from both countries who could

shed light on the policies, approaches, decisions and actions that have and continue to shape their trade relations undertaken by both countries. Informants were selected on the basis of their positions, knowledge and experiences' relevance to the topic. Three interviews were conducted face-to-face and one was done via an emailed interview questionnaire. Personal and direct email communications with other informants from Philippine and Turkish government agencies that monitor the country's foreign trade relations were also done. Secondary data sources include statistical trade data at various points in time, journal articles and related studies, articles published by policy research institutes, magazines, newspapers, dictionaries, and other reference materials with specific or related information to the topic. The statistical trade data gathered came from the local statistical agencies of both countries and international sources that methodically collect trade data like the United Nations Commodity Trade Statistics Database (UN Comtrade) and the World Bank's World Integration Trade Solution database (WB WITS). The statistical trade data are reported from the "Filipino" perspective meaning that it is presented with the Philippines as the primary point from which trade between the two countries happen. Thus, graphs and tables show exports of the Philippines to and its imports from Turkey, except for the Turkish Statistical Institute (TUIK) tables.

#### **1.4 Limitations of the Study**

There were some limitations encountered in the conduct of this study. The first concerned the consistency and reliability of statistical trade data. There are huge discrepancies or variances in the trade data between the Philippines and Turkey provided by the statistical agencies of both countries – the Philippine Statistical Authority (PSA) and the Turkish Statistical Institute (TUIK) – that are tasked to collect and compile such information. The discrepancies cut across all categories necessary to evaluate the full status of their trade relations like exports and imports volume as well as the number of these products that are exchanged.

Having different sets of data on the same subject was not only confounding, it made the evaluation of the status of these countries' trade relations difficult but not impossible. Trade data from international organizations collecting such data were sought instead. This posed another problem as country-specific data were also

gathered from each country's statistical agency although combining both but depending on the country perspective from which the data is viewed and gathered. More specifically, if viewed from the Philippines' perspective, the exports data show the same information as those reported by the PSA but its imports show data as reported by TUIK instead. The same goes when viewed from the Turkish perspective i.e. exports volume are those reported by TUIK while its imports reflect those reported by the PSA. It is unclear why these international organizations present imports of both countries using the export data from their statistical agencies.

While both the PSA and TUIK stand by their data, coding, and collection methods which generally are guided by international standards set by the World Trade Organization (WTO) and other multilateral institutions monitoring international trade, TUIK (2017) explained further how asymmetry in international trade statistics is a growing problem for statisticians and policy makers. They also acknowledge that a 10% discrepancy in trade data between two trading countries is normal due to the Cost Insurance Freight (CIF) and Free on Board (FOB) conversions. They provided additional reasons for the huge discrepancies that included a) different valuations for imports and exports, b) different trade recording systems, c) differences in definitions of trade partners or triangular trade, d) differences in thresholds for recording international trade and in the definition of trade in small transactions, e) differences in how customs agencies record and measure products, f) different allocation of product classification to goods or misattribution, g) smuggling, and h) irregularities in the proper recording of exchange rate fluctuations. While specific export, import, and trade volume data reveal different trajectories depending on the data set used, the over-all trend or patterns show a consistent similarity of erratic slumps and declines and growth despite these discrepancies.

A second limitation was in obtaining more detailed information and concrete examples from primary sources like the interview informants that could provide a truly complete picture of these countries' trade relations. The task proved difficult due to time constraints compounded by the restricted resources that could have bridged the gaps in distance and mobility. There were also some privileged information deemed sensitive and restricted to relevant persons and agencies that informants couldn't share.

Visits to various government agencies that monitor bilateral trade relations of the Philippines could have generated more substantial information that email communications could not fully provide. Language barriers also posed another problem in communicating with Turkish agencies. The quantity and quality of data gathered were thus confined to a few primary sources and mostly secondary data.

### **1.5 Thesis Organization**

This paper is organized in only six sections including this introductory section. The second section provides conceptual definitions of the key terms that define the subject. Concepts and terms from specific disciplines in international relations are included. It also presents a graphical presentation of the conceptual framework as the rudder synthesizing the information gathered from various sources to meet this study's objectives.

The third section is the first of this thesis' main core as it discusses at length the state of bilateral trade relations between the Philippines and Turkey, first tracing its origins and evolution within its domestic and global environments and covering the political, economic, and socio-cultural domains of each country throughout the six and a half decades of its relationship. The assessment and analysis of the events as they manifest on the trade relations are incorporated in this historical presentation.

The fourth section is this thesis' other main core as it provides the answers to the research questions. It presents and discusses the various issues and challenges affecting the bilateral trade relations between the Philippines and Turkey. Both general factors affecting international trade and its manifestations in each country as well as country-specific challenges are provided and described.

The fifth section presents the prospects culled from the historical environmental scan and analysis in the second section whereas the sixth section concludes with a summary of the answers and findings to the various questions posed in this thesis. It also presents specific recommendations for stronger bilateral trade relations between both countries as well as the implications of this thesis for future research.



## **2. CONCEPTUAL DEFINITIONS AND CONCEPTUAL FRAMEWORK**

This section dissects the conceptual definitions of primary and secondary terms and concepts used in the synthesis of this thesis' questions and answers. The key terms are bilateral trade relations and bilateral relations given that they are commonly but loosely used. The secondary terms include foreign and trade policies that are enveloped in discussions about the topic because of the overt or subtle influence these may have on it. At the same time, there are also concepts from paradigms in international relations that manifest themselves in bilateral and trade relations. Even if this thesis foregoes the use of a theoretical framework as its main analytical rudder, it retains those concepts from realism, liberalism and neo-liberalism which are some of the dominant paradigms in international relations, as descriptive tools to depict some domestic and global environmental contexts instead. These were chosen since bilateral and trade relations are examined against the economic and political conditions on domestic and global levels. While realism puts an emphasis on the political, neo-liberalism stresses the economy.

### **2.1 Conceptual Definitions of Key Terms**

Bilateral trade relations between countries are complex. It is fraught with meaning, structure, and content as it encompasses theory, policy, and business strategy on both local and international levels (Carpenter and Dunung 2012). It cannot be devoid of history either as it helps locate the reasons for its dynamics. Assumptions are easily made about countries' behaviors towards each other in various realms and the extent that their actions reflect the external and internal contexts they're in (Dunne, Kurki & Smith 2010).

Conceptually, bilateral trade relations is a positive relationship bound by the exchange of goods and services between two independent countries with established

diplomatic ties (Dye, n.d.; Carpenter and Dunung 2012). It is subsumed under the broader economic relationship of two countries given that trade is one of its components and investment the other. Bilateral trade relations involve a more sophisticated level of contact and communication facilitated by government officials or representatives and businessmen. In most cases, bilateral trade is negotiated through bilateral treaties or agreements that improves trade and investment by reducing or eliminating tariffs, import quotas, export restraints, and other barriers (Investopedia n.d.). It can also reflect the nature and relationship status between countries. Usually, countries with huge trade volumes with their trading partners imply a deep and strong relationship bound by a stable economic foundation brought by trade and investment. It can also mean that they have a broader understanding and appreciation of a country's strengths in terms of its productive outputs that can complement its own.

It is fortuitous that trade relations per se is not singly determined by trade statistics alone but the sum of various factors that make up the whole. Although trade relations are oftentimes automatically interpreted as mere product or service exchanges with quantitative indicators, it is distinguished from merely being such by the operative word "relations". Referring to "trade relations" warrants a more holistic view to look at and beyond trade volumes, export and imports, and trade balances. It denotes the broader context that includes economic, political, and socio-cultural components that complements its development. Trade relations are therefore very dynamic and do not exist by themselves or in isolation. This is the context from which the bilateral trade relations of the Philippines and Turkey is explored and described.

On the other hand, bilateral relations or bilateralism simply refer to the "relationship between two independent nations" (Carrier n.d.). Berridge and James define it as "any form of direct diplomatic contact between two states beyond the formal confines of a multilateral conference, including contacts in the wings of such gatherings when the subject of discussion is different from that of the conference and only of concern to the two states themselves" (1993, p.21, cited in Schuett 2010). Political, economic and socio-cultural factors can drive this relationship.

There are various reasons nations engage in diplomatic bilateral relations – neighboring countries benefit from a peaceful and friendly co-existence, they might share cultural and historical bonds that can be further strengthened, they can be a source of various forms of aid in times of urgent need like wars or natural disasters, or they can enhance a country's economy through trade and investment (Carrier n.d.). In most situations, the economic considerations are the ultimate drivers. Countries engaging in bilateral relations with each other take various steps to develop it like establishing a physical presence via an embassy and where its ambassador serves as a conduit promoting political harmony and unity (Carrier n.d.). Heads of state or other government officials also conduct state or official visits to each other's country for goodwill and to initiate or further discussions on areas that can strengthen their relations. Exchanges between countries take on various forms that can be socio-cultural, academic, technological, and economic in nature.

A country's government dictates the main drivers and focus of their bilateral relations with another country in conformance with its national interests. It can be a relationship where the economic aspect of the relationship has a nominal effect and is of secondary importance to a larger goal where a country's specific characteristics or values are more fitting (Schuett 2010). An example of the latter would be the concrete support required on positions of immense strategic value in multilateral institutions. For instance, strong, harmonious bilateral relations are necessary for pragmatic and utilitarian reasons supportive of specific membership bids in regional organizations where endorsements from member countries are advantageous, a broader and stronger voice and position of immense strategic value like on crucial political or environmental issues affecting a region, a country, or the world, in multilateral institutions like the United Nations (UN), the Organization of Islamic Conference (OIC), North Atlantic Treaty Organization (NATO), or the Asia Pacific Economic Cooperation (APEC). Bilateral relations in this scenario can be spread out to the cultural, political, social and economic spheres all at once or to just a few areas and are influenced by various stakeholders like art patrons and artists, politicians, academics, students, business people, humanitarian workers, consultants, etc. Interaction and exchanges can be varied and have no focal point but boosts a relationship positively.

Where bilateral relations are more economically driven for a country's economic enhancement, trade and investment are developed and nurtured. As mentioned above, trade is only one component. It is a practical way of knowing their commercial interactions and the extent of their political harmony. Countries with both trade and investments with their partners exemplify a deeper economic integration. A country's business community emerges as key actors that can influence policy and the quality of bilateral relations (Schuett 2010; Atlı 2013). Other areas adopt complementary roles as the economic character of the relationship gains the upper hand. But there is not a single or fixed route towards this end so many countries engage in socio-cultural exchanges or provide moral support to facilitate its entry and access to trade and investment opportunities.

Policy precedes bilateral and trade relations, in particular, a country's foreign and trade policies. Where foreign policy dictates a country's approach, direction, and diplomatic dealings with another to safeguard its national interests, foreign trade policy specifically outlines those laws and regulations pertaining to international trade including taxes, subsidies, quotas and which sets clear standards for trading partners to uphold (Business Dictionary n.d.; Anissimov 2016; MacMahon 2016). A country's economic state and ambitions at a given time plays a major role in defining its foreign policy (Atlı 2011). It determines how and which countries it gravitates towards depending on the economic benefits it can reap. Bilateral trade thus becomes a natural course of action that a country takes to boost its national economic interests as part of its foreign policy goals and principles.

Bilateral and trade relations are commonly viewed and interpreted using international relations paradigms in the academe. The realist standard portrays countries as power-seeking states in an international system that is devoid of order and authority. This anarchic state of the international system drives the struggle for power among states ((Waltz 1979; Burchill 2001). It generates a self-help system where states advance their national interests for security. The power struggle among strong states is balanced by increasing economic and military power and building alliances. Thus, states position themselves in terms of their capabilities and power in these areas (Atlı 2016). Increasing economic wealth is vital for security and survival and this drives them towards protectionist strategies while maximizing exports (Atlı 2016).

The liberalist paradigm mitigates the rivalry among states by idealizing it through cooperation as the motivating factor underlying states' self-interests. Cooperation is the primary strategy by which states deal with each other in an anarchic international system (Newmann n.d.) This is attained through non-state actors like international institutions where states wittingly enter into binding agreements and concertedly engage each other. Economic interdependence arises from trade which promotes more positive interactions among states (Atlı 2016; Yazgan 2016).

In a similar vein, the neo-liberalist perspective is derived from liberalism where it retains the same premises highlighting the role of non-state actors like institutions and how they influence state behavior through rule-based and cooperative behavior (Newmann n.d.). Its focus on the economic aspects of international relations is its distinguishing factor. It heralds the market as the main regulator of economic activity where state intervention is restricted to a minimum (Bello 2009). It is often associated with the free market with unobstructed competition among market forces.

Meanwhile, interdependence is simply defined by Keohane and Nye (1977) as "mutual dependence" where "dependence means a state of being determined or significantly affected by external forces" (Yazgan 2016). Interdependence exists between and among countries if the economic conditions in one country affect the other and if a country cannot afford to give up the relationship (Mansfield & Pollins 2003, cited in Yazgan 2016).

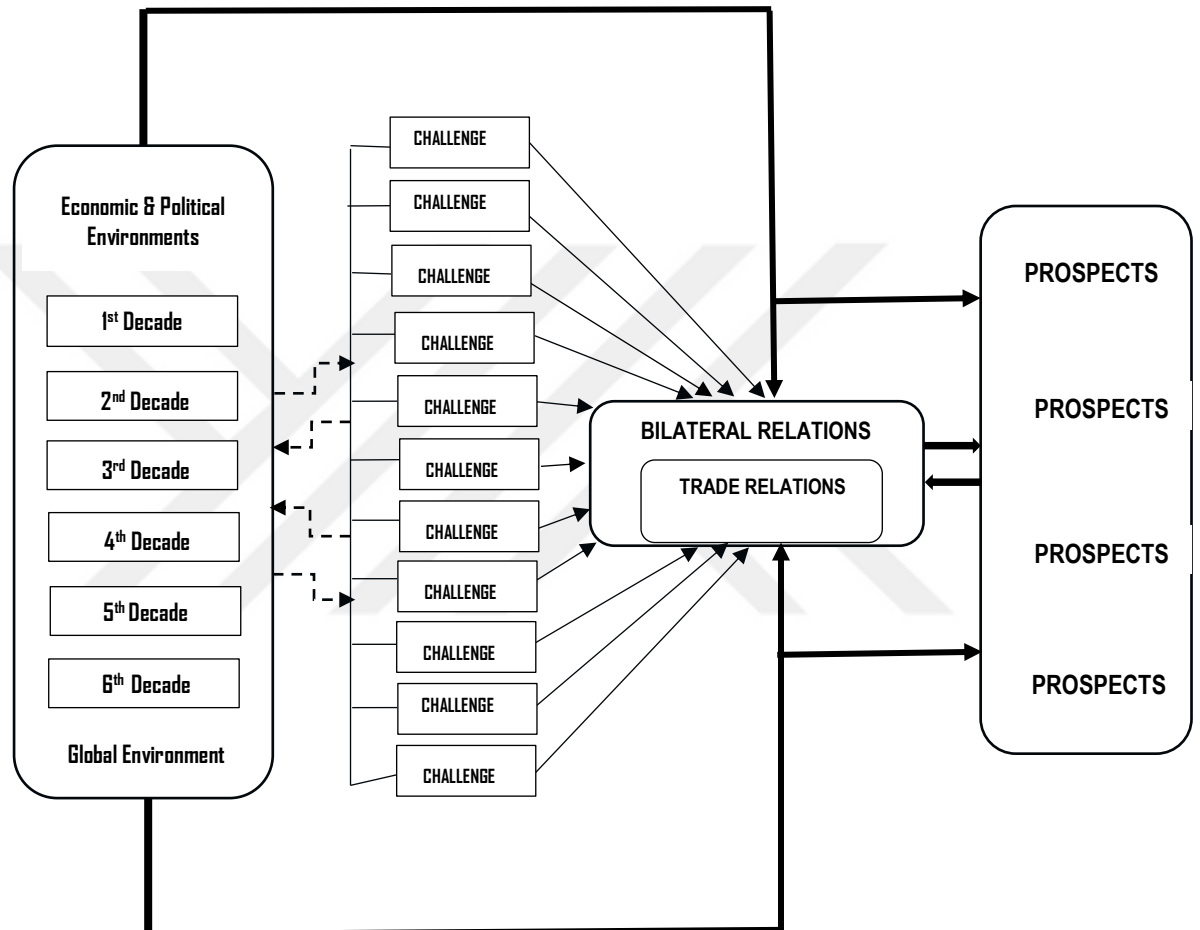
## **2.2 Conceptual Framework**

A graphical model of this thesis' conceptual framework based on the key terms defined above maps out the relationship between and among them. Following the historically-grounded approach and presentation, the economic and political conditions in each country plus the global environment throughout each of the six and a half decades influence and shape the development of bilateral and trade relations of the Philippines and Turkey. At the same time, the dynamics and inherent contradictions in these environments breed various challenges that affect and impede their trade relations. The broken lines with arrow tips are used to connect the global

environment, economic and political conditions to the challenges to signify its impermanent character.

Not all challenges are borne out of the dynamics of economic and political conditions of a country as some arise from the actual trade relations and its corresponding procedural requirements and processes. The same broken lines with arrow tips also connects the challenges back to these economic and political conditions along with the global environment indicating that some challenges have systemic roots and thus are intrinsic to the kind of economic and political system in each country. Despite the presence and effects that various challenges impose on their trade relations, it still engenders prospects that the Philippines and Turkey can individually or jointly harness. In turn, these prospects when mined, can feed the growth and development of bilateral and trade relations.

Concepts from the realist and liberalist paradigms are not reflected in this visual model as they are only supplementary adjuncts depicting some specific economic and political events that happened internally and externally. As this thesis is deliberately exploratory in form and meaning, it therefore just focuses on the key terms as seen in the visual model.



**Figure 2.1:** Visual Model of Conceptual Framework of Challenges and Prospects of Bilateral Trade Relations of the Philippines (PH) and Turkey (TR)

### **3. THE STATE OF THE PHILIPPINES AND TURKEY'S BILATERAL TRADE RELATIONSHIP: A HISTORICAL PRELUDE AND ANALYSIS**

In the Philippines' trade relationship with Turkey, it is important to trace and examine those aspects that directly and indirectly shape and impact it at various points in time, like the origins and evolution of their diplomatic relationship. Likewise, a historical flashback of their internal and external economic and political environments is presented for the larger context and perspective from which to view it from. It describes the ebb and flows of each country's economic and political development during the six and a half decades of their relationship for a broader account of and understanding of the breadth and dynamics of the relationship.

#### **3.1 Non-residential Period: Cordial but Muted**

On June 13, 1949, formal bilateral relations between the Philippines and Turkey were established with the signing of the Treaty of Friendship that sought to develop and perpetuate goodwill and friendly ties. It was marked by a polite cordiality between these new friends even if the relationship was non-residential in nature wherein both countries didn't maintain any embassy or consular offices in either country. They instead exchanged non-resident ambassadors with the Philippine ambassador to Iran accredited to Turkey and the Turkish Ambassador in Indonesia covering the Philippines (Department of Foreign Affairs 2016). This arrangement remained for four decades, and while the relationship seemed distant and lacking in depth, it was fortunately problem-free throughout this period. It was punctuated by essential diplomatic exchanges, private travels, and individual transactions between the peoples from both countries. Commerce eventually evolved with trade exchanges and transactions, albeit very minimally after 14 years. Their relationship mirrored a long past that significantly shaped and reflected its priorities, concerns, and efforts then.



When formal relations were established in 1949, much of the world then was recovering from the aftermath of the Second World War which affected countries in Europe and Asia. Beginnings of the Cold War were surfacing as countries particularly the Soviet Union and the US jostled for influence and dominance. New states and governments emerged from years of colonization like the Philippines, India, Pakistan, Indonesia, Israel, and Vietnam. New international institutions and alliances like the United Nations (UN), the International Monetary Fund (IMF), the North Atlantic Treaty Organization (NATO), and the European Economic Community (EEC) were also established to manage internal and external tensions in the post-war period.

In particular, the Philippines then only recently gained its independence in 1946 from the United States and after emerging victorious from Japanese invasion during the Second World War. However, this independence came at the cost of military and economic concessions like the retention of dozens of US military bases, provision of equal access for American citizens and corporations to the country's natural resources, import quotas on competitor products, among others.

Because its economy was critically ravaged and social dislocations were massive, the Philippines focused on post-war rehabilitation and growth from the 1950's to the 60's primarily financed by war damage payments, post-military expenditures, and rebuilding funds from the US. Later, a bilateral trade agreement was secured and institutionalized the economic concessions to the US (Sicat 2015). A Mutual Defense Treaty was signed which stipulated mutual support and defense in case of external attacks. It rationalized the US military bases on Philippine soil which entrenched US presence in the western Pacific. The Philippines also joined the Southeast Asia Treaty Organization (SEATO), an international organization for the collective defense in Southeast Asia later in 1954. Modelled after the NATO wherein each member country would defend each other, it was part of the American Truman Doctrine that sought to contain communism and provide support for countries at risk of communist expansionism.

Its strong affinity and inclinations towards the US were thus established during this time as access to reconstruction assistance was vital to offset the economy's negative

balance (Hays 2008). The country's capitulation to US demands restricted its domestic policy initiatives to redesign its fiscal and trade regime with real autonomy. Its economic recovery program aimed for industrialization by adopting import-substitution and protectionist strategies to protect the necessary domestic industries from imports. These strategies dominated its trade regime for two and a half decades and were in place when the Philippines started engaging in trade with Turkey in 1963.

On the other hand at this time, Turkey was reeling from the devastating economic effects arising from its neutral position during the Second World War. The war economy modus it adopted wherein it provisioned for the army of one and a half million soldiers on standby mode exacerbated disruptions on its foreign trade, restricted export capacities and caused high inflation followed by severe economic shortages and black markets (Celasun & Rodrik 1989). The country also felt threatened by Soviet communist expansionism as the Soviets officially demanded the status of the straits and three other provinces in the eastern frontier region. It parried the threat with US aid from the Marshall Plan and under the Truman Doctrine but also to cope with its economic difficulties. Turkey found external support against the Soviet threat while the Americans were actively building up its alliance against the Soviet expansionism and facilitated the convergence of Turkish and American policies (Rustow 1987, cited in Özdemir 2000.). Their adherence and solidarity with the west was further boosted when Turkey sent troops to the Korean War in 1950. This facilitated Turkey's further western integration in its path toward modernization. Soon after in 1952, Turkey became a member of the NATO, a US-led peacetime military alliance for collective and mutual defense and security against attack from an external party.

At this particular juncture in the immediate post war years, it becomes more palpable how the Philippines and Turkey's paths formally converged. Though separated by distance, culture, economic endowments, and varied historical legacies, their late developing status implied shared struggles from which lessons could be harnessed and culled. There also were potential opportunities that lay in their differences that didn't pose threats nor risks to their domestic conditions and aspirations. Moreover, both countries' connection to and relationship with the west, particularly the US,

whose economic and ideological influence extended throughout Europe and Asia, was another shared denominator although an indirect one. It was an implicit offshoot of their connection to the western bloc after the Second World War which reflected their external perspectives and shaped the alignment of their security and economic interests (Karadağ 2010). Both countries sent troops to fight in the Korean War in support of the South Korean side. Although clearly cognizant of their weak economic status and vulnerable security conditions amidst the bipolar balance of world power that was the Cold War, they were staunch supporters of western democracy. They were also bound by their shared commitment to promote international cooperation for global peace and order as founding members of the United Nations in 1945 and as active participants in the 1955 Bandung Conference to promote economic and cultural collaboration with each other and 27 other Asian and African countries. However, it was not coincidental that their being aligned with the western bloc and Allied powers up until the United Nations was established factored in their membership. In effect, these shared commonalities made it easy to be friends amidst an insecure world recovering from war.

The formal coming together of the Philippines and Turkey embodies both realist and liberalist responses to the overarching events of the time. Ensuring their security and stability was of paramount importance as they sought to build their economies. Aligning themselves with the western block, the US in particular, provided them with a sense of security emanating from the power of this block. Likewise, their participation and membership in international institutions like the UN, NATO and SEATO, provided a platform to explore various ways of cooperation to further their specific national interests. Cooperation through and in these institutions bolstered their sense of security.

Their coming together was initially very laid-back as the economic dimension of the relationship would only come 14 years later. The absence of a physical presence in the form of an embassy in their countries contributed to this muted relationship. Naturally, there were other reasons attributable to the political and economic realities of the period but the financial costs of establishing and maintaining an embassy during the post war years was a huge demand. The relationship first needed to grow and deepen to justify the financial outlays for maintaining an embassy. At most, their

relations were friendly and showed promise while at the same time providing the assurance that they had a friend in each other's part of the world. Interestingly, the economic and political tracks that the Philippines and Turkey have had throughout these four decades illustrate some stark parallels indicating their priorities and the seemingly perfunctory attitude underlying it, or lack of it, towards each other then.

### **3.2 The Start of Trade**

The lack of a physical diplomatic presence on the ground had its own share of challenges, but it was not a deterrent to trade. Establishing economic relations was an important but implicit goal of their bilateral diplomatic relations that sought to promote it in all areas. Furthermore, trade could foster the development of these countries' limited interactions.

In 1963, both countries started their first trade exchange.<sup>2</sup> The economic dimension of the relationship between the Philippines and Turkey took 14 years to incubate. Why it took this long is unclear but the non-residential nature of the relationship could possibly have contributed to this. While trade spurs economic growth, it also requires a capable economy for it to flourish. Both countries were still rebuilding their countries at this time. That they finally engaged in trade typified the commercial liberalist standard where such interactions engender cooperation to further their national interests.

Turkey was the 66th trading partner of the Philippines among a total of 99 countries including six "territorial and insular possessions" of the United States then<sup>3</sup>. The Philippines main imports from Turkey in 1963 were leaf tobacco (unstripped) totaling \$50.2 thousand dollars while its main exports were desiccated coconuts totaling \$8 thousand dollars. Total trade balance was just \$58.4 thousand dollars at the currency exchange rates then. It was a minimal starting figure but it put them

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<sup>2</sup> The actual start date of trade between both countries has been based on available data from the Philippine Statistics Authority (PSA) culled from its Foreign Trade Statistics publication by the Bureau of Census and Statistics under the Philippine Department of Commerce and Industry in 1963. The Turkish Statistical Institute (TUIK) has trade statistics for both countries dating back to 1969. UN Comtrade and the WB WITS' data starts from 1989 and 1996 respectively.

<sup>3</sup> These included Alaska, Hawaii, Guam, Wake Island, Puerto Rico, Panama Canal Zone, and other US Insular Possessions (Foreign Trade Statistics of the Philippines 1963).

inside each other's markets. It created an opening that allowed a peek into the nitty gritty of each other's commercial and trade environments. It was the start of what eventually would blossom into a \$138 million dollars trade volume. Unfortunately, it would remain as an under-used opportunity that each would be comfortable with for many years.

In the first decade since this first large-scale commercial transaction, their trade exchanges revolved around five major export and import products. It could be surmised from the nature of the product exchanges that these were mostly intermediate goods used as raw materials for finished products. The Philippines top exports to Turkey then were abaca or Manila fibers (Musa textiles), cordage fibers, and desiccated coconuts<sup>4</sup>. Its top imports from Turkey were leaf tobacco and tobacco related materials. These product types and categories would continue until the second decade since trade started. These types of products filled a need and were gained for other reasons like good value for price but they were not strategic products that would constitute dependence on each other for it. They were intermediaries or raw materials for the final production of other finished products.

New products were bought in bulk at certain periods like vegetable saps, industrial and household sewing machines, electro thermic apparatus, and even used clothing accessories but these were only one-time imports in 1970. From 1963 until 1970, there were two downward spirals in total trade exchanges between them attributable to the lower imports from Turkey in 1965 and zero exports from the Philippines in 1968. Other than this, trade volume between them grew by a whopping 3248.29 % within the first eight years of trade. This impressive growth was largely due to the high volume of Philippine exports to Turkey. Unfortunately, total trade volume would significantly drop by 97.45% in 1971.

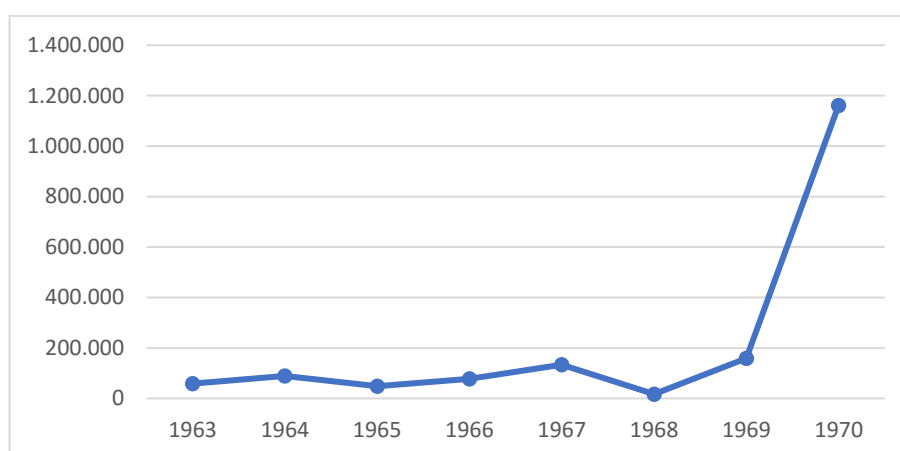
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<sup>4</sup> Abaca fibers are native to the Philippines and originally used for making rope, twines, and specialized paper products like tea bags, filter paper and banknotes. Desiccated coconuts are dehydrated coconuts.

**Table 3.1:** Bilateral Trade of the Philippines and Turkey 1963 – 1970 (Millions USD)

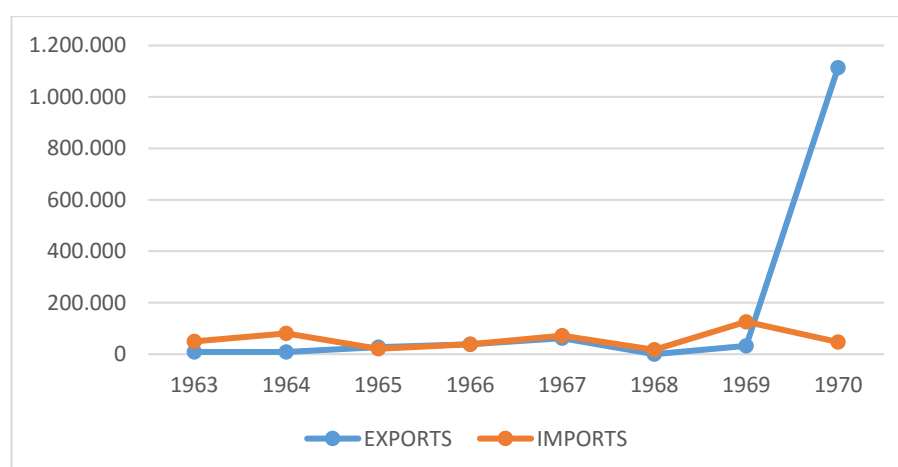
YEAR	EXPORTS	IMPORTS	TOTAL TRADE VOLUME	TRADE BALANCE
1963	8,137	50,277	58,414	42,140
1964	8,793	80,399	89,192	71,606
1965	27,904	20,919	48,823	-6,985
1966	38,581	38,792	77,373	211
1967	61,758	72,029	133,787	10,271
1968	0	17,095	17,095	17,095
1969	32,724	126,082	158,806	93,358
1970	1,114,039	47,311	1,161,350	-1,066,728

Source: PSA



**Figure 3.1:** Total Trade Volume of the Philippines and Turkey 1963-1970

Source: PSA



**Figure 3.2:** Exports and Imports Volume of the Philippines and Turkey 1963-1970

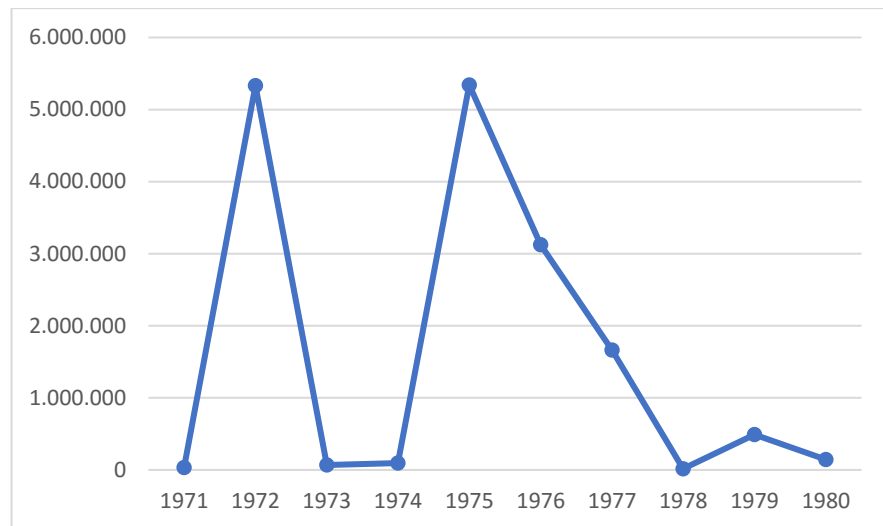
Source: PSA

The second decade from 1971 to 1980 since trade started witnessed the start of an erratic and patchy trade relationship marked by dramatic surges and slumps in their trade exchanges. In 1971, trade volume fell by 97 % from a total trade high of \$1.1 million to only \$32 thousand. This was due to the huge reduction in Philippine exports to Turkey from the previous \$1.1 million to only \$4 thousand or a whopping 26,174 % decrease. Total trade fiercely rebounded the next year by an astounding 16,419 % increase from a low \$32 thousand to \$5.3 million dollars in 1972 due to a rise in Philippine exports. Although Turkey’s exports registered a 26.7% increase, it was incomparable to its imports from the Philippines. This surge was not sustained as the following two years saw declines in total trade – from \$5.3 million to a low of \$95,496 thousand dollars in 1974 but which was higher than the \$66 thousand the previous year. It would surge highly again by a 5493 % increase then fall thrice the following three years thereafter. From 1977 to 1978, it would significantly drop lower from \$1.6 million to only \$16,125 thousand though slightly better than the minuscule \$4 thousand in 1971. There were zero Turkish imports to the Philippines in 1978. This same scenario of zero Turkish imports repeated itself in 1980 although higher volume of Philippines exports to Turkey ramped up the trade volume to \$14 thousand. This decade ended with a significantly lower trade volume than when it started. There were specific periods of political turbulence in both countries that extended to its economy and trade capacities in those years that saw drastic drops in Turkish exports. Table 3.2 and Figure 2 show these surges and drops in their trade.

**Table 3.2:** Bilateral Trade of the Philippines and Turkey 1971 – 1980 (Millions USD)

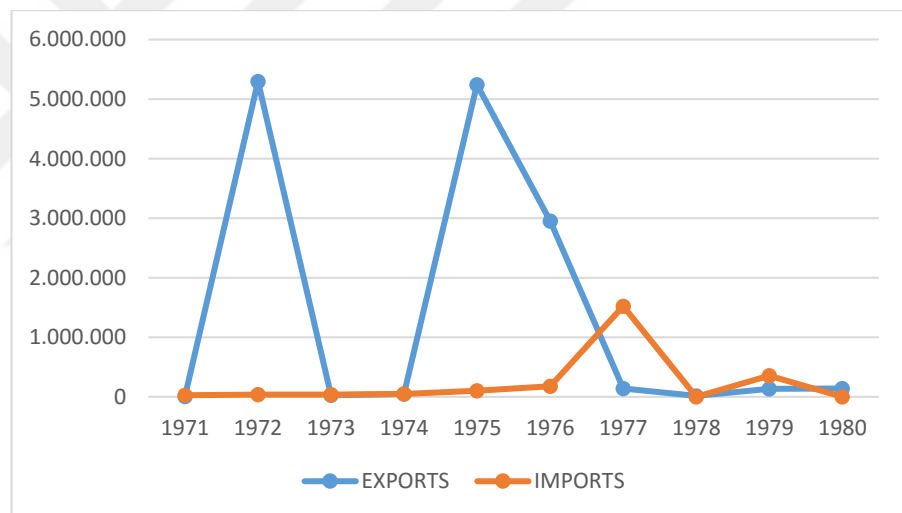
YEAR	EXPORTS	IMPORTS	TOTAL TRADE VOLUME	TRADE BALANCE
1971	4,240	28,033	32,273	23,793
1972	5,295,954	35,515	5,331,469	-5,260,439
1973	27,705	39,098	66,803	11,393
1974	47,946	47,550	95,496	-396
1975	5,241,655	99,926	5,341,581	-5,141,729
1976	2,949,942	174,903	3,124,845	-2,775,039
1977	141,422	1,522,542	1,663,964	1,381,120
1978	16,125	0	16,125	-16,125
1979	134,505	357,009	491,514	222,504
1980	142,230	0	142,230	-142,230

**Sources:** TUIK and PSA



**Figure 3.3:** Total Trade Volume of the Philippines and Turkey 1971 – 1980

Sources: TÜİK and PSA



**Figures 3.4:** Exports and Imports Volume of the Philippines and Turkey 1971 – 1980

Sources: TÜİK and PSA

These fluctuations in their total trade volumes due to corresponding surges and declines in their exports and imports were reflective of various events and factors that beset both countries. Interestingly, there were some parallels in the political and economic conditions of both countries during this period as marked by ebbs and flows of their trade exchanges. The economic and foreign trade regimes of the Philippines and Turkey in the 60's up to the 70's also exhibited some similar patterns of Keynesian economics. It was the prevalent economic approach that guided late developing countries characterized by state intervention and social protections



necessary for their growth and stability (Bello 2009; Şener 2004). Both adopted inward-oriented and protectionist policies presumed to be vital stimulants of economic growth to deepen its industrial structure and to protect its young industrial sectors from external competition through high tariffs, capital controls, and subsidies to build their economies. However, it also facilitated the emergence of the intermediate goods sector. Growth would be registered but inconsistently, as the strategy was counter-intuitive and kept them from substantially integrating into the internal division of labor and the optimal allocation of the factors of production (Celasun & Rodrick 1989; Austria 2002). The import-substitution industrialization strategy though was coupled with intensive government intervention and involvement in Turkey (Bayar 1996; Lovatt 2001; Bredenkampf, Lindgren & Serdengeçti 2009). In the Philippines, the same strategy was called exclusivist nationalism by Sicat (2015) as it sought to minimize economic foreign participation and incentivize protection in spite of negative balances. There would be periods of unsustainable economic growth and expansion, but it also contracted and declined thereafter. Weak macroeconomic policies, heavy indebtedness, budget deficits, imbalances in the balance of payments, mismanagement, political power struggles, people's unrest and discontent, and economic and political crises – all contributed to this boom and bust cycle. It also reinforced pre-existing priorities and the focus on their immediate circle and network of friends, strategic allies, and trading partners during this time frame - for the Philippines, the US and Japan were its foremost allies, trade partners, and aid sources whereas for Turkey, it was Western Europe and the US. As the import-substitution strategies later run its course and reached its limits, both countries would eventually liberalize and open up their economies facilitating new waves of growth.

The Philippines' economy modestly grew during this period in spite of the limitations. This continued throughout a succession of presidencies until the late 60's which created mediocre results that fell beneath the country's industrialization goals and targets. Efforts to liberalize the economy towards export-led industrialization were resisted. During the 1970's, its economy grew but largely due to foreign loans. Economic liberalization was espoused. Tariff rates were reduced to enhance global competitiveness in local industries and restrictive laws on foreign investment were amended (Ballester et. al). These measures proved inadequate as the country's

foreign debts ballooned. Later into the mid-80's, this growth earlier experienced declined. The martial law declared in 1972 by then President Ferdinand Marcos could only temporarily mask the structural inadequacies and the country plunged into deep political and economic crisis.

In Turkey, state-led import-substituting industrialization through protectionism and economy-wide planning in the 50's through the 70's was also clearly the main trend in its policies to protect its nascent but key industries in textiles, telecommunications, and energy. It was oriented towards the domestic market with state involvement throughout these three decades. İsmihan & Özcan (2009) explain that trade restrictions coupled with public investment, aimed at increasing domestic production capacity particularly in the manufacturing sector, led to high growth rates and modest capital accumulation. Economic disruptions occurred once a decade, as in a military coup in 1960, wherein imports would increase but offset the balance of payments warranting austerity programs to reduce demand for foreign goods. The economy eventually recovered in the 60's and continued to expand into the 70's only to be disrupted again by another military intervention. The ensuing coalition government that took over failed to undertake the necessary structural and fiscal adjustments and reforms which led to an economic crisis in 1978 -1979. Another military coup occurred in 1980.

Shifts in economic policies marked the 80's with export-led industrialization to encourage exports to finance imports. Turgut Özal's strategy to replace protectionist policies with a comprehensive economic reform package consisting of tighter control on credit and money supply, devaluation of the Turkish lira and flexible exchange rates, the elimination of most subsidies, tax reforms, deregulation, privatization, promotion of foreign investment among others, opened up the economy and led to renewed economic growth. Merchandise exports increased from \$2.3 billion in 1979 to \$8.3 billion in 1985. Merchandise import didn't keep up but it helped reduce the trade deficit. Turkey's economic transformation indicated it was moving towards a neoliberalist order where the market was championed as the chief economic regulator in place of the state (Şener 2004).

In the Philippines, the country plunged into a political and economic crisis. The economy was heavily burdened due to huge foreign debts and access to international credit became problematic owing to the country's lower credit standing. Although trade restrictions were significantly reduced earlier, exports remained the same while imports continued to increase. This increased the negative trade balance tenfold between 1986 and 1989. Reforms were instituted to further open the country's economy and improve foreign trade. The first phase of the tariff reform program was implemented to reduce or phase out tariff protection considered excessive and obsolete (Songco 2004; Laluna, Paras & Soliva 2006). Export taxes, except on logs, were removed and import licensing procedures enforced. The country adopted the World Bank-imposed structural adjustment program in the early eighties for a stronger economy to service its massive foreign debts (Bello 2009). Like Turkey, it was a glaring sign of the neoliberalist direction it adopted.

Regardless of these conditions, trade endured and advanced between them in the next decade of the 80's. This signified that there were product needs that each country met at favorable conditions for each other. However, its advance was unsteady and better described as volatile with two years of decline in 1984 and 1987 followed by large then moderate increases thereafter until the decade's end. Exports experienced two steep increases from 1982 to 1983 and from 1985 to 1986, registering a 599.8 % increase and a 1318 % increase respectively. Imports also registered a steep increase of 588 % from 1987 to 1988 and the drops it experienced were moderate and not as dramatic as in the previous decade.

The types of exported and imported products from each country also grew during this period from an average of two products until the 70's to an average of 12 new and different product types in the 80's. Meanwhile, Turkish imports averaged from two products to seven different product types. Rounding up the list of the Philippines top exports during this decade were coconuts while its top imports from Turkey were tobacco fillers and binders. Both were intermediate goods used in the production of other finished products. The products were necessary but were still not of strategic importance for either country.

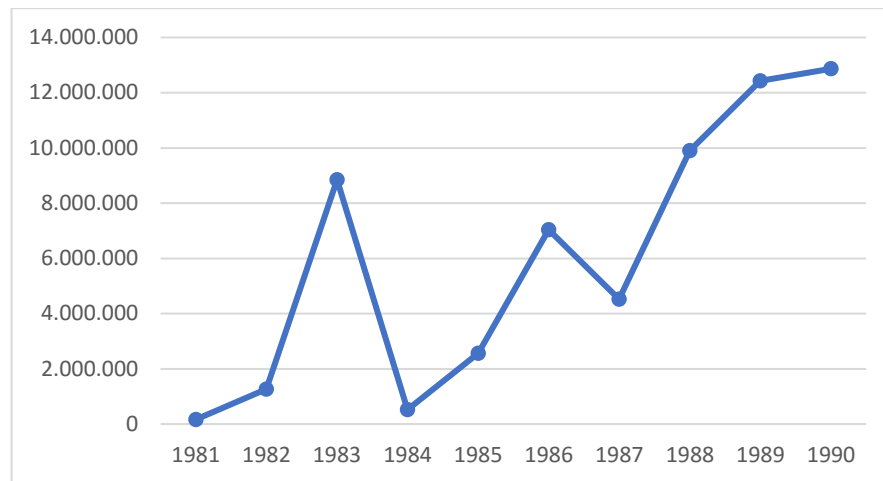
What was particularly significant was that total trade rose from \$165 thousand in 1981 to \$12.8 million by 1990 or an 8945.9 % increase in 10 years. The decade registered better trade performance with improved trade flows despite some falls. The balance of trade between the two countries was more favorable for the Philippines for six years out of ten within the decade. In 1989, the Philippines was included among several other Asian developing countries to benefit from Turkey's General System of Preferences.<sup>5</sup> Whether the benefits and opportunities from the GSP were utilized or not by Filipino businessmen from then on is unclear.

**Table 3.3:** Bilateral Trade of the Philippines and Turkey 1981 – 1990 (Millions USD)

YEAR	EXPORTS	IMPORTS	TOTAL TRADE VOLUME	TRADE BALANCE
1981	164,849	1,000	165,849	-163,849
1982	1,259,748	6,687	1,266,435	-1,253,061
1983	8,816,679	27,253	8,843,932	-8,789,426
1984	350,144	173,113	523,257	-177,031
1985	353,206	2,205,363	2,558,569	1,852,157
1986	5,009,590	2,030,828	7,040,418	-2,978,762
1987	3,209,261	1,314,184	4,523,445	-1,895,077
1988	848,492	9,048,490	9,896,982	8,199,998
1989	3,479,146	8,954,243	12,433,389	5,475,097
1990	5,597,720	7,268,389	12,866,109	1,670,669

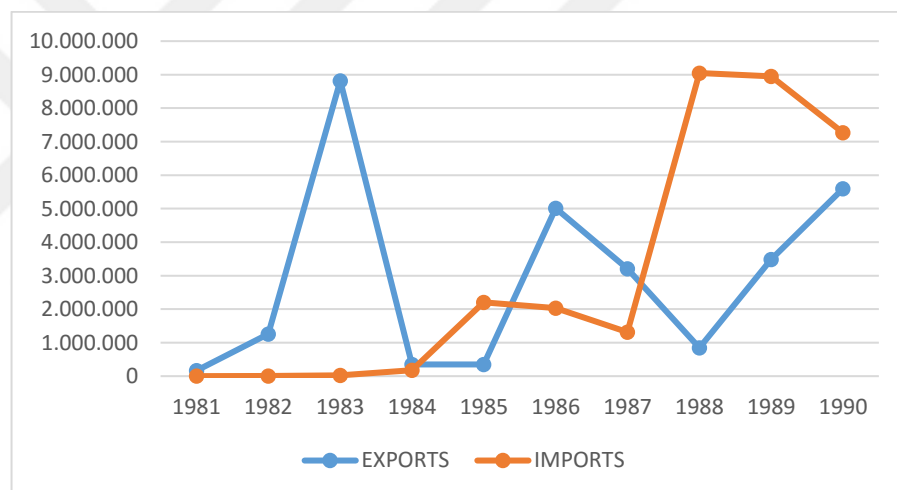
**Sources:** TUIK and FTS

<sup>5</sup> The Generalized System of Preferences (GSP) seeks to help the economic development of developing countries with benefits such as “enabling qualified products to enter the markets of preference-giving countries at changing rates from duty free to reductions in the MFN rate. Turkey grants preferential treatment to 145 selected developing and least developing countries and territories as classified by the World Bank in line with the EC. Preferences are granted for all industrial products and certain agricultural products (UNCTAD 2007).



**Figure 3.5:** Total Trade Volume of the Philippines and Turkey 1981 – 1990

Sources TÜİK and PSA



**Figure 3.6:** Exports and Imports Volume of the Philippines and Turkey 1981 – 1990

Sources: TÜİK and PSA<sup>6</sup>

During the eighties, the Philippines' and Turkey's shift from protectionist policies to export-oriented industrialization strategies became necessary to break away from the cyclical pattern of growth and deflation. It also corresponded to and reflected the fast-spreading economic changes around the world. The global economy was increasingly liberalizing among industrialized countries, a trend many economists credited to the Reagan Boom, starting from 1982-1989. It was marked by what

<sup>6</sup> Although the UN COMTRADE and WITS databases only include trade data starting from 1989 and 1996 respectively, the author adopted their report format source by using Philippine export data from the Foreign Trade Statistics Yearbook of the Philippines (1971-1980) whereas the import data are from TÜİK

Anderson (1990) describes as “the greatest economic expansion the world has ever seen in any country, at any time” due to the huge number of jobs, goods, services, and over-all wealth produced.

International trade was stabilizing as a result of reduced barriers in production of goods and services and less government regulation especially in countries like the UK and the US. The United Kingdom (UK), then headed by the first female leader of a Western country, Margaret Thatcher, introduced economic reforms such as the de-regulation of the stock market and the privatization of industries that paralleled those of the US. The International Monetary Fund (IMF) and the World Bank (WB) provided financial assistance to many developing countries across the world even as they were undergoing multiple debt crises at the time.

The Cold War was still ongoing then in the early to mid-80’s with heightened tensions between the superpowers as each either continued or increased support to other countries under or within the scope of their influence in the form of military or economic aid. Peace remained fragile in various regions, some of which bore traces of the Cold War conflict, among other reasons.

Although the Cold War influenced the Philippines and Turkey’s alignment of interests early on in these four decades, there were both subtle and obvious shifts in their approach towards foreign countries. This suggested how their prevailing economic and political conditions compelled them to broaden the scope of their foreign relations horizons to prioritize their national interests. It did not however make them veer far away from their primary partners at that time.

For instance, in response to the global oil crisis unfolding then, the Philippines engaged more with Arab countries in the Middle East for its oil supply to protect Filipino labor which was fast growing in that region and the crucial role of the Organization of the Islamic Conference as it sought observer status (Sevilla 2013). It also reached out to socialist countries by establishing formal diplomatic and economic relations with the People’s Republic of China who provided the Philippines with much needed crude oil. Diplomatic missions were also sent to Eastern European countries like Poland, Czechoslovakia, Romania, East Germany,

the Soviet Union, and Bulgaria (Resos 2014). In 1976, formal diplomatic relations were established between the Philippines and the Soviet Union which paved the way for the importation of petroleum products.

During President Corazon Aquino's administration in the 80's, development diplomacy assumed center stage reflecting its development agenda through the pursuit of trade, investment, and technology, tourism, and aid opportunities abroad. The Philippines co-founded the Asia Pacific Economic Cooperation (APEC) in 1989 and also significantly contributed to the realization of the ASEAN Free Trade Area (AFTA) designed to boost foreign trade. It should be noted that while the country was expanding its strategic horizons on the international arena, its relations with the US remained as a focal point of its foreign policy.

This broadening of foreign relations was also evident in Turkey. Turkey's affinity with the west was significantly influential at several certain points during the Cold War and for many years, it focused on strengthening and expanding these ties as marked by its general cooperation with US allies in the Middle East to limit the influence of countries associated with the Soviets. But it declined in the 60's towards the 70's in contrast to the late 50's. Turkey's intervention in Cyprus in 1974 led to a deterioration of its relations with the US and western European countries due to the US-led sanctions. The sanctions' effects on Turkey facilitated a revival of ties with the Soviet Union who offered economic assistance. It also drove them to improve its relations with other Eastern Bloc countries, its Arab neighbours, and other non-aligned countries.

Meanwhile, its policy and approach towards the Asian-Pacific region in general was passive and comfortable. Although it already enjoyed diplomatic and economic relations with many Asian countries, its relationships with those from Northeast Asia like Japan, South Korea, Taiwan and China were closer and loomed larger than the rest (Çolakoğlu 2012). It further cultivated its ties with Japan for instance, as it highly viewed its rise and development as the first Asian modernized country as a model (Çolakoğlu 2013). Turkey also increased its engagement with other rising Asian tigers of the decade like Taiwan, South Korea, Hong Kong, and Singapore. In

the latter part of the decade, it increased its diplomatic interactions with China and actively explored it as a trading partner.

Likewise, its relationship with some Southeast Asian countries like Indonesia and Malaysia were deeper due to their past historical links tracing back to the Ottoman Empire plus their shared cultural Muslim bonds (Çolakoğlu 2013). These deep ties easily extended to the economic sphere as manifested in their higher trade exchanges in subsequent decades. For countries like the Philippines, although the relations were cordial, trade was still muted and at a comparatively lower level even as it registered increases every decade. At this point, the value that the Philippines could offer Turkey has not been fully recognized and thus could not be more fully explored and tapped. Instead, those countries that were well within the range of its active orbit were those that exhibited the most strategic potentials for Turkey's national interests.

**Table 3.4:** Total Trade Volume of East and Southeast Asian Countries with Turkey

	<b>1983</b>	<b>1985</b>	<b>1987</b>	<b>1990</b>
<b>Japan</b>	386,061,850	549,247,479	1,016,164,403	1,358,889,358
<b>South Korea</b>	19,163,250	32,407,063	76,572,424	410,462,262
<b>Taiwan</b>	7,153,863	15,096,494	75,155,971	301,725,214
<b>Malaysia</b>	79,783,013	78,328,806	122,445,177	24,333,433
<b>Singapore</b>	24,333,433	22,535,050	19,816,857	111,039,806
<b>Indonesia</b>	5,756,100	14,670,745	16,134,469	47,469,752
<b>Philippines</b>	8,843,932	2,558,569	4,523,445	12,866,109

**Source:** TÜİK

From this context, what stands out about the Philippines and Turkey is how their limitations and vulnerabilities as young democracies and late developing economies encroached on their abilities to explore the unfamiliar commercial terrain beyond their nearby territorial neighbourhoods. Trading systems and processes were not yet as modernized and doing so required prioritization for capital investments. Notwithstanding the huge added costs of maintaining an embassy or a consular office, the prolonged absence of this type of tangible diplomatic presence in each country meant missed opportunities in regional dialogue and cooperation. More feasible socio-cultural interactions to better understand each other towards building more common economic interests through trade were either ignored or overlooked.



It limited their chances to probe the potentials that a more active and dynamic engagement with each other could have presented. Distance was a big challenge but it could have been better managed as both already had trading partners and friends outside of their regions. There obviously were other factors that impinged on their limited trade relations. But as their narratives reveal, the many and varied demands imposed by their domestic environments at various points, marked by inconsistent economic growth, various financial realities, instability and unrest during economic and political downturns, kept most of their priorities confined to their comfort zones - their immediate and familiar trade and security partners and their neighboring countries.

### **3.3 Residential Period: A Reawakening for Continuity and Change (1990's Onwards)**

The nineties and the start of the twenty first century ushered in encouraging changes in their bilateral relationship. The routine nature yet friendly manner in which their relations continued in the past 41 years took a welcome boost when Turkey opened its resident embassy in Manila on December 1990 with Erhan Yiğitbaşıoğlu as the first resident ambassador. The Philippines opened a consular office in Istanbul on this same year. This was followed in October 1991 when the Philippine Embassy eventually took up office in Ankara with Bonifacio Arribas as the first resident ambassador. The remote connection and operations from Iran and Indonesia were broken and within two years, both not only had embassies in each country, but honorary consular offices too. Turkey later established an honorary consulate in Cebu, a province in the Visayas region in the Philippines in 1992. These developments definitely augured very well for both as it facilitated greater solidarity, interaction, and cooperation between them (Punzalan 2016). Whatever geographical and cultural gaps existed were narrowed down with their diplomatic presence on the ground. The recognition was no longer tacit. The opportunities to deepen and strengthen the relationship on all fronts widened.

Bolstering these positive developments was the first official visit by then Philippine President Fidel V. Ramos' to Turkey in March 1995 where he held formal talks with the Turkish president and other key political leaders including the head of the

Turkish Congress. This visit tackled trade, tourism, education, and culture. It also sought to enlist Turkey’s cooperation in its anti-terrorism and anti-crime campaigns.

This visit was later reciprocated by Turkish President Süleyman Demirel in February 1999 when he went to the Philippines with a delegation of other government officials and private businessmen. These official high-level visits between the two countries provided a good platform to further their bilateral relations for mutual interests. They bore concrete fruits through formal agreements that clearly outlined trade and commercial conduct such as the Economic and Technical Cooperation Agreement and the Agreement of Mutual Promotion and Protection of Investments. These agreements sought to promote greater economic cooperation between both countries and were anchored on the reciprocal promotion and protection of economic investments that favor the economic prosperity of both countries (Ministry of Foreign Affairs 2012). On the political side, a Memorandum of Understanding on the Establishment of the Political Consultation Mechanism and the “Agreement on Visa Exemption for the Diplomatic and Official Passport Holders” were also signed during this period. These agreements reflected the growing commitment towards stronger bilateral ties between the two countries.

**Table 3.5:** Signed and Pending Trade Agreements between the Philippines and Turkey

<b>AGREEMENTS</b>	<b>DATE SIGNED</b>	<b>RATIFICATION</b>	<b>ENTRY INTO FORCE</b>
Trade Agreement	March 1995	September 1996	
Agreement on Cooperation in the Field of Tourism	March 1995	September 1995	October 1995
Cultural and Education Cooperation	March 1995	November 1995	
Agreement on Economic and Technical Cooperation	February 1999	October 1999	November 1999
Agreement of Mutual Promotion and Protection of Investments	February 1999	November 1998	
Agreement on Visa Exemption for the Diplomatic and Official Passport Holders	February 1999	September 1999	April 1999
Prevention of Double Taxation Agreement (2009)	March 2009	January 2014	
MOU for the			

Establishment of a Political Consultation Mechanism between the DFA Philippines and MFA Turkey	June 1999	October 1999	December 1999
FSI of DFA Philippines and Diplomacy Academy of MFA Turkey	March 2014		
Air Services Agreement (2014)	November 2014		

**Source:** Southern European Division Department of Foreign Affairs (DFA) Philippines.

The increasing cooperation and exchanges between both countries extended to different sectors and areas of interest even on an informal and private basis. Individual and independent bodies by themselves are mediums for influence. They are indirect cultural vehicles that can shape perceptions and attitudes. In 1997, the Tolerance High School, the first Turkish-owned and managed non-sectarian school was established in Zamboanga City in the southern part of the Philippines. Mirroring its name, the school promoted an environment of “tolerance, love, concern, and success” with science and math as its pillars for excellence. Although an economic investment as well, Sevilla (2013) notes that the school served as a steward of friendship, peace, cultural harmony, and inter-faith dialogue through education. This was especially important since the southern part of the Philippines where most Filipino Muslims reside, had been wrought by an internal conflict that impeded its progress and development (Sevilla 2013). Moreover, Turkey sponsored Filipino scholars for undergraduate and graduate higher education in Turkish universities.

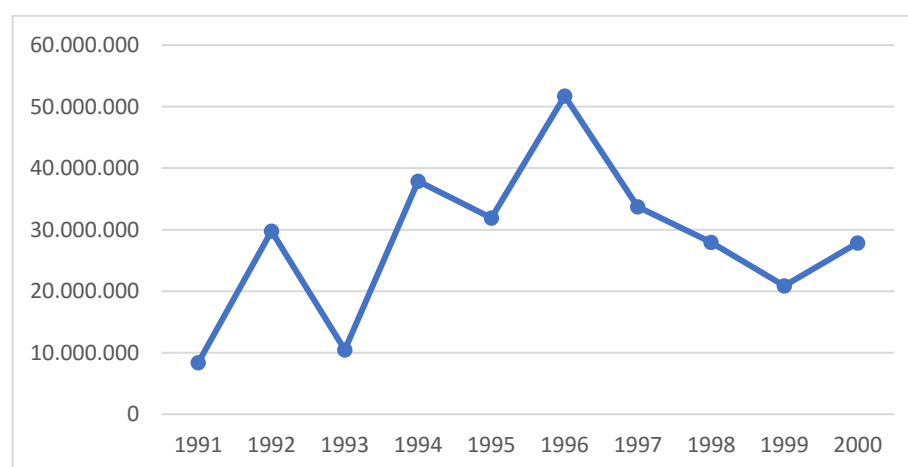
The encouraging changes extended to the economic front as the fluctuations in total trade volume that marked the previous decades were not as pronounced although it was still erratic. There were still big surges like the 256 % increase from 1991 to 1992, for instance. The decline in trade volume from 1997 to 1999 were not as distinctively high nor steep compared to slumps in previous decades. Trade was more dynamic as it expanded further in volume and product diversity despite the volatility. Trade volume peaked at a total of \$51.7 million in 1996 though this wasn’t sustained and it fell again the following years. The trade volume reached a total of \$27.8 million in 2000.

Philippine exports to Turkey increased by 125 % by the time the decade of the 90's ended. Its exports totaled only \$5.3 million in 1991 but grew to \$12 million in 2000 while Turkey's exports grew by 427% or \$2.9 million to a total of \$15.7 million. Trade deficits alternated between both countries where it was favourable for the Philippines and Turkey equally in this period. There was more diversity in products traded as the Philippines averaged a total of 34 different export product types while Turkey exported an average of 33 products. This increased product quantity and diversity indicated a growing recognition of the prospects of expanded trade. There was a greater awareness of the wider range of products each country offered which each one could avail of pending suitable terms and conditions.

**Table 3.6:** Bilateral Trade of the Philippines and Turkey 1991 – 2000 (Millions USD)

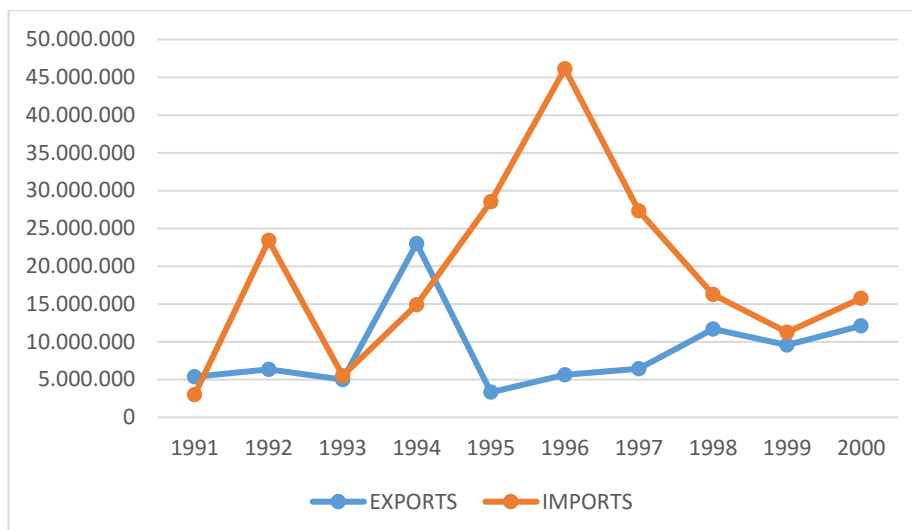
YEAR	EXPORTS	IMPORTS	TOTAL TRADE VOLUME	TRADE BALANCE
1991	5,363,730	2,989,897	8,353,627	-2,373,833
1992	6,351,885	23,407,908	29,759,793	17,056,023
1993	4,993,347	5,488,575	10,481,922	495,228
1994	22,999,927	14,910,207	37,910,134	-8,089,720
1995	3,315,151	28,560,631	31,875,782	25,245,480
1996	5,603,365	46,130,386	51,733,751	40,527,021
1997	6,413,186	27,330,761	33,743,947	20,917,575
1998	11,676,603	16,267,374	27,943,977	4,590,771
1999	9,578,238	11,264,357	20,842,595	1,686,119
2000	12,088,251	15,761,824	27,850,075	3,673,573

**Sources:** UN COMTRADE and WITS



**Figure 3.7:** Total Trade Volume of the Philippines and Turkey 1991 – 2000

**Sources:** UN COMTRADE and WITS



**Figure 3.8:** Exports and Imports Volume of the Philippines and Turkey 1991 – 2000

**Sources:** UN COMTRADE and WITS

At this time, the Philippines then was fully engaged in political and economic recovery efforts led by President Corazon Aquino after 21 long years under former President Marcos’ rule. She pursued the economic liberalization policy started during the Marcos administration in the early 80’s and capped her rule by signing into the 1992 AFTA, characterized by new tariff commitments to the international community specifically, the ASEAN member countries (Laluna, Paras & Soliva 2006).

The foreign trade regime was significantly boosted under the Ramos administration as trade policy reforms were taken. In an effort to make the country a “newly industrializing economy”, trade and investment were radically liberalized. The neoliberalist direction earlier started in the 80’s was heightened at this time (Bello 2009). Its centerpiece marker was the tariff liberalization. The next phase of the tariff reform program reduced tariff rate from 28 % to 20 % on all but a few sensitive products. More revenues were raised through tax-enhancement measures, the country’s debts were better managed, but more importantly, the government instituted vital changes through structural policy reforms like privatization of public utilities and deregulation. This expedited liberalization, further opened the country to foreign trade, investments and relations, and integrated the country’s economy with the global financial markets. Trade facilitation modernization and reforms transpired during this period to comply with international standards and

commitments (Macasaquit 2009). The country also joined the WTO and upheld its commitments to the APEC and AFTA. Because of these, the country was almost at par with other Asian tigers like Taiwan, South Korea, Thailand, and Malaysia. The country regained its confidence as the economy was put back on track through the wide range of political and economic reforms.

The 1997 Asian Financial Crisis dampened this positive momentum but the sound structural macroeconomic reforms earlier put in place by the Ramos administration established good institutional foundations that mitigated its effects on the country's economy compared to other Southeast Asian countries. The reforms extended to many other areas beyond the economy. President Ramos refined the country's foreign policy aimed at enhancing national security, promoting economic diplomacy, protecting its workers and nationals abroad and bolstering a positive image abroad. It capitalized on its newfound confidence and growing economy as a main driver to attract foreign investments, find new markets for its export products, and improve existing trade with its various partners.

Enhancing existing relations and cultivating new ones were intently pursued through summit meetings and state visits to boost foreign trade, investments and official development assistance. President Ramos' official visit to Turkey in 1995 was thus no surprise. It was a concrete manifestation of his determined intent to keep the country connected and globally competitive for continued growth and stability.

As the 90's ended on a hopeful note with all these promising reforms and despite the Asian crisis' effects, the Estrada administration took off on a good start anchored on a pro-poor platform. The country initially attracted more foreign investments owing to the positive initiatives from the previous administration. It was during this period of positive undertakings and outcomes that President Süleyman Demirel visited the country in 1999. It laid a stronger foundation for the commitments made to each other through the treaties both countries signed.

But these notable actions and contributions were cut short when President Estrada was forced to resign in 2001 under the weight of a controversial impeachment trial

and plunder charges against him. Confidence earlier regained by the Filipino people and foreign investors diminished amidst various scandals that rocked the government.

Then again in Turkey, the country experienced economic growth in the early years of the 90's with its open economy that saw financial de-regulation completed under Prime Minister Özal's rule. Foreign capital became available and the foreign exchange gap was reduced and led to the Turkish lira's appreciation against major currencies. This enabled financing of the growing fiscal deficit of the public sector and the rise of wage costs in the labor market (Köse & Yeldan 1996). On the trade front, new export policies such as diversified export credit programs and free market conditions for foreign exchange rate were enforced to improve the balance of payment deficit and foreign trade. Turkey took other measures to adjust and conform its foreign trade policy to the European Union's requirements in almost every aspect of business (Köse & Yeldan 1996). It also continued exploring other foreign markets' potentials.

During this period, Turkey tried to trade with all countries and country groups with more attention given to the EEC and other countries like Japan, the Soviet Union, and Eastern European countries, among others. Although trade with the EEC was slightly declining at this particular time, its outreach and trade with the other countries were complementary and partially interdependent (Hiç 2009). Economic and political relations with the US also increased especially after Turkey aligned itself with the US-led coalition in the Gulf War. These efforts reflected Özal's "multilateral approach and economic pragmatism" in its foreign economic and political relations that sought to continue and strengthen existing ties and develop new ones in all parts of the world (Hiç 2009; Makovsky 1991).

Turkey was beleaguered anew by uncertainties and instability by 1994 under a new administration and until the decade's end. Uneven growth and persistent high inflation continued and heightened. While Özal's efforts to open up its economy through liberalization brought some improvements, it was insufficient to sustain it. Bayar (1996) attributes this to the lack of a strategic plan to complement export and market-oriented reforms instituted. He also notes that external events like the Gulf

War, parliamentary elections, and the midyear change in government impacted economic performance in 1991, rendering it highly volatile and causing anxiety in the foreign exchange and financial markets (Bayar 1996). Turkey's trade balances were naturally affected as the exports' growth rate slowed down. This was further exacerbated by the recession in some OECD countries. However, imports boomed arising from the liberalized trade regime.

However, the instability remained as the country plunged into a severe economic crisis. Its economy contracted exhibiting the highest recorded decrease in output, the inflation rate skyrocketed by 100%, and the Turkish lira substantially depreciated by almost 70% against the US dollar, and interest rates, particularly treasury bills, soared. The country also found itself constantly transitioning from one government leader to another up till the end of the 90's. Such setting was disruptive and hindered the steady improvements in the Turkish economy contributing to the diminished confidence and building crisis (Koch & Chaudhary 2001, cited in Chen et al. 2014).

On the global stage, this decade also saw the end of the Cold War that culminated in the disintegration of the Soviet Union in 1991. This elevated the neoliberalist order by default throughout most of the developing world as there were no real alternatives (Bello 2009). The European Union (EU) was formed in 1992 by 29 member states for a peaceful, united, and prosperous Europe that provided a single market for the free flow of trade across EU borders. This contributed to steady economic growth for them but which also was experienced in the US, Singapore, Hong Kong, Taiwan, South Korea, Brazil, Mexico, India, Malaysia, and many other Eastern European countries. The World Trade Organizations (WTO) and the North American Free Trade Association (NAFTA) were established as more countries responded to economic liberalization and international trade continued to expand. In fact, Turkey joined the WTO in March 1995, in the midst of the economic crisis it was then experiencing, and only two months since the WTO was formed. Its membership was a concrete indicator of its opened economy and adoption of liberalization measures.



The end of the Cold War had significant repercussions on Turkey's approach in its foreign relations. It increased policy independence as whatever explicit and implicit restraints it imposed before were now gone (Makovsky 1991). It became more active in its foreign relations and policy that emerged during former Prime Minister Özal's rule which was further energized in later years (Makovsky 1991). This activist foreign policy would later shape and lead the country's progressive outreach efforts in the Asian Pacific region from which Turkey's bilateral relations with the Philippines would be further invigorated. In fact, President Süleyman Demirel's state visit to the Philippines in February 1999 was considered a "first step in Turkey's ascension to the ASEAN market" due to its increasing importance in world trade and production (Hürriyet Daily News 1999). This opened up more possibilities and opportunities in all aspects of its relations.

It is worth noting that Turkey had already gradually achieved a moderate level of prosperity at this time despite the episodic economic and political crisis that plagued it. These crises definitely slowed down its growth and magnified the obstacles towards modernization, but it also represented a pattern resulting from structural and systemic weaknesses in its local and international environment that continues to this day.

### **3.4 2000's: More Promising Developments**

The previous decade witnessed stronger bilateral relations between the Philippines and Turkey. The official state visits by the presidents of both countries and the treaties agreed upon afterwards sparked an increased interest in more seriously exploring the potentials of what each could offer. Filipino government dignitaries conducted private and official visits to Turkey for various reasons. In 2001, a Filipino consulate post headed by honorary consular officers was established in Mersin. In Manila, the Turkish Embassy set up a foreign trade consultancy office in 2004. Four other Filipino consulates ad honorem were also opened in Izmir in 2007, and Gaziantep in 2010. Alongside these, the election of a Turkish diplomat-educator in the Organization of Islamic Conference (OIC) in 2005 also brought both countries' political interests closer together as the Philippines bid for OIC membership (Sevilla 2013).

In 2009 or ten years after the last official state visit by President Demirel, then Philippine President Gloria Macapagal-Arroyo went to Turkey to commemorate the 60th anniversary of diplomatic relations between the two countries. Aside from economic trade, security issues and the Mindanao peace process were also discussed especially since Turkey was and remains supportive of the resolution to the Islamic insurgency in the Philippines. This was a relatively new aspect as Turkey had started to assist countries via mediation and conflict resolution. Another agreement, the “Prevention of Double Taxation Agreement” was also forged and signed in 2009.

These developments were promising and concrete outcomes of commitments to strengthen its relations. Despite the challenges each country faced, the momentum was gradually sustained. Trade continued and expanded in conjunction with these enhancements. Although trade volume fell by 28 % from 2000 to 2001, there occurred a substantial rise in trade volume where it increased from \$19.8 million in 2001 to \$70 million or a 253 % increase from 2001 onwards to 2010 and when the economic reforms during the Ramos administration took effect. The increase wasn't seamlessly steady as it fell three times in this decade. However, these slumps were not sharp, ranging from .05% to 12% at most, compared to those in the 70's, 80's and 90's which saw very steep drops as high as 99% from 1977 – 1978 or the 94% decrease from 1983 – 1984. The export volume of Filipino products to Turkey were considerably higher than its imports, peaking at a total of \$78.7 million in 2006 whereas its imports reached \$97.4 million in 2008. Exports to Turkey reached its highest peak in all trading years combined within this decade although it was below the \$100 million mark. It was comparatively lower to its combined imports which grew beyond this mark in later years. Imports from Turkey also rose and were more diverse averaging at 59 different products compared to 54 Turkish exports<sup>7</sup>. Trade balance was also more favourable to Turkey as the Philippines incurred more trade deficits throughout this period.

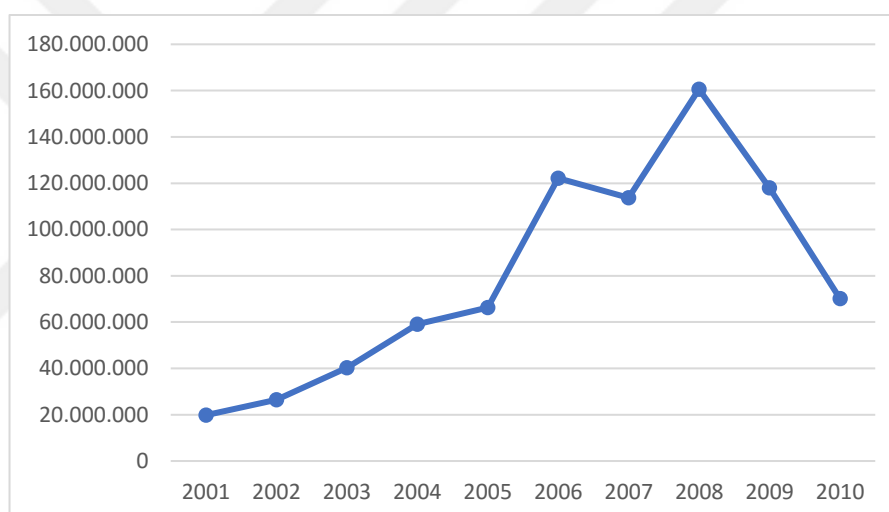
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<sup>7</sup> A list of the various top ten export and import products from each country is found in the Appendices section of this thesis.

**Table 3.7:** Bilateral Trade of the Philippines and Turkey 2000 – 2010 (Millions USD)

YEAR	EXPORTS	IMPORTS	TOTAL TRADE VOLUME	TRADE BALANCE
2001	7,033,094	12,787,221	19,820,315	5,754,127
2002	11,204,215	15,298,249	26,502,464	4,094,034
2003	12,855,026	27,402,047	40,257,073	14,547,021
2004	22,997,698	36,115,042	59,112,740	13,117,344
2005	35,777,729	30,571,005	66,348,734	-5,206,724
2006	78,711,107	43,437,875	122,148,982	-35,273,232
2007	73,434,354	40,246,495	113,680,849	-33,187,859
2008	63,174,331	97,422,684	160,597,015	34,248,353
2009	33,901,575	84,132,241	118,033,816	50,230,666
2010	61,884	70,082,745	70,144,629	70,020,861

**Sources:** UN COMTRADE and WITS



**Figure 3.9:** Total Trade Volume of the Philippines and Turkey 2001 – 2010

**Sources:** UN COMTRADE and WITS



**Figure 3.10:** Exports and Imports Volume of the Philippines and Turkey 2001 – 2010

**Sources:** UN COMTRADE and WITS

On the Philippines' side, the economy rebounded and grew at its fastest pace in three decades in 2007. The Philippine peso strengthened and was East and Southeast Asia's best performing currency from 2005 – 2006. The country managed a positive growth rate and capably weathered the 2008 global financial crisis that seriously affected many industrialized and developing countries worldwide leading to a contraction in international trade. Unfortunately, the Arroyo administration's achievements would be overshadowed by the various political crisis and scandals that besieged it. Whatever growth achieved did not inspire confidence and transformation.

When Benigno Aquino was elected president in 2010, he worked to prevent corruption, improve the country's business environment, and alleviate poverty. To attract more foreign investment, the president signed an executive order that removed foreign ownership restrictions on lending companies, financing firms, and investment houses. The country's economy expanded and regained more strength. A steady economic growth rate, improved fiscal governance, slower inflation and low budget deficits drew local and international accolades. And for the first time in its history, international credit rating agencies upgraded the country's investment grade because of the economic take-off from the growing business process outsourcing industry, overseas remittances and the various reforms in good governance. Trade policy

remained the same since 2005 where tariff was the main policy instrument. The Philippines remained as one of the best-performing economies in the Asian region, second to China from 2010 up till 2015. However, natural disasters like Typhoon Haiyan and the 7.2 magnitude earthquake in Bohol province in the Visayas region constrained the economy from growing higher. Sadly, the robust economic growth had inadequate social impact as it did not trickle down to the underprivileged sectors who needed it the most.

The government actively engaged in economic diplomacy to advance its agenda in the international arena during this period. This was anchored on securing more export markets and boosting tourism, attract more investments and protect overseas Filipino workers. The government also sought to strengthen its relationship with the US amidst the growing tensions from territorial disputes with China over the South China Sea and several islands within. It more actively engaged with the country's traditional economic and commercial partners in Asia, North America, and Europe while pursuing new ones in South and Central Asia, South America, the Middle East, and Africa. The socio-political and economic climate projected a generally positive and encouraging environment for business and trade.

Such conditions were favorable for its trade relations with Turkey because even if these were at a lower level compared to Singapore, Indonesia, Malaysia, and Thailand, they were still expanding. By 2015, Turkey was the 57th trading partner of the Philippines or nine notches higher than in 1963 when trade data was first recorded. The Philippines was the 102th trading partner of Turkey during this year.

The second half of this decade witnessed steadier trade relations characterized by the highest exchange volumes reaching \$186.3 million in 2012. Such growth couldn't be sustained nor pushed farther up as it fell three more times but was interspersed with a slight rise in between falls from 2013 to 2016. Total trade volume was \$138.2 million in 2016 or a 25.7 % decrease from its \$186.3 million peak in 2012. It is considered a minimal figure by both countries especially when compared to trade levels of Turkey with other Southeast Asian countries. The volatile pattern remains because even if trade volume continued to expand, it could not evade falling again in two consecutive years. However, what's positive about it is that trade performance

remained active and has continuously risen throughout the 67 years in spite of the many dramatic fluctuations it experienced. Its trajectory indicates the undiscovered and unrealized potentials alongside the many obstacles that sustain its erratic nature. Its erratic nature mirrors both countries' own volatile political and economic environments as well as the various challenges that warrant serious attention and resolution.

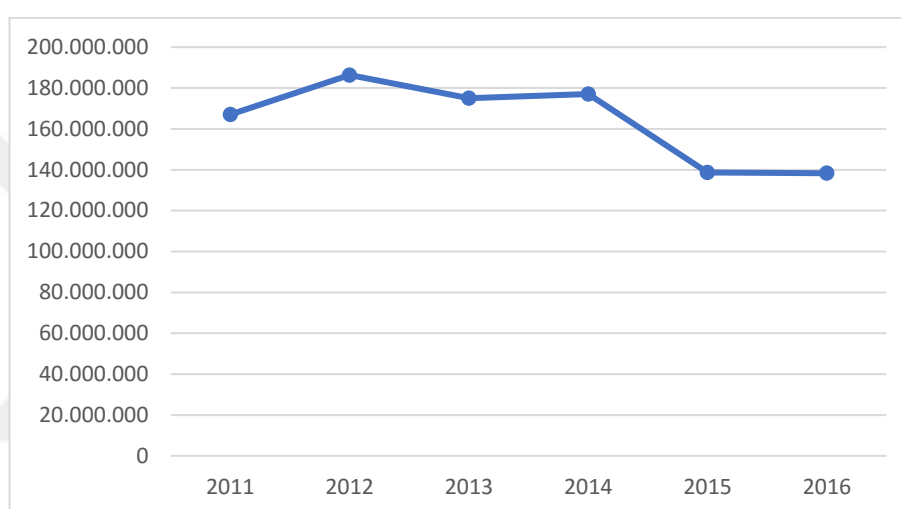
Philippine exports to Turkey also declined while its imports saw significant increases up to its highest level at \$144 million in 2012. It would fall again till 2016 but interrupted by a rise in 2014. The export volume throughout this period did not and could not match the peak export volume totalling \$78 million which it reached in 2006. It fell by 59.8 % to only \$31 million in 2016. Even if the number of export products slightly increased, the volume remained low. Meanwhile, there was an average of 69 import products from Turkey by 2016. Although the range of products exchanged between both countries became more diverse and increased in range, these were consumer and intermediate goods that were not exactly the strategic resources or products that would increase interdependence. From a liberalist perspective, in spite of the increased trade volume, there can't be a significant interdependence given the meager exchanges and types of products compared to their foremost trading partners. Alternative sources existed but ensuring that incentives are in place for each other can grow the confidence needed to expand faster.

The export growth rate of the Philippines towards Turkey has been decreasing due to weaker economic growth in Turkey, among some reasons. Naturally, causes for such should not be attributed to one single factor and never in isolation from the over-all trade performance of the country. And even if it has decreased in recent years, it appears to be another of those hiccups that both countries are eventually able to recover from but depending on changing fortunes and their stability.

**Table 3.8:** Bilateral Trade of the Philippines and Turkey 2011 – 2016 (Millions USD)

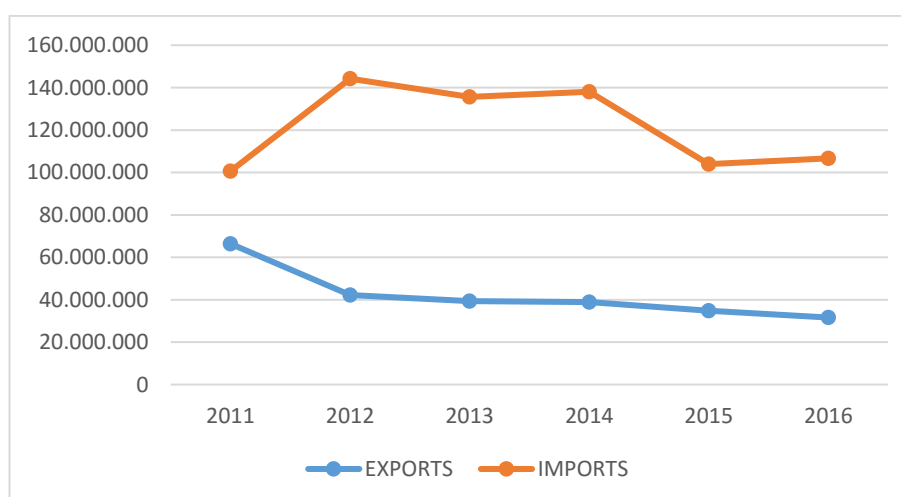
YEAR	EXPORTS	IMPORTS	TOTAL TRADE VOLUME	TRADE BALANCE
2011	66,373,455	100,612,176	166,985,631	34,238,721
2012	42,159,461	144,196,316	186,355,777	102,036,855
2013	39,349,037	135,609,630	174,958,667	96,260,593
2014	38,909,349	138,095,212	177,004,561	99,185,863
2015	34,853,137	103,873,859	138,726,996	69,020,722
2016	31,610,000	106,682,859	138,292,859	75,072,859

**Sources:** UN COMTRADE and WITS



**Figure 3.11:** Total Trade Volume of the Philippines and Turkey 2011 – 2016

**Sources:** UN COMTRADE and WITS



**Figure 3.12:** Exports and Imports Volume of the Philippines and Turkey 2011–2016

**Sources:** UN COMTRADE and WITS

While there were several ebbs and flows in the actual trade exchanges, their relations were put to a more difficult test when in 2012, Filipino flour millers alleged Turkish flour dumping against WTO policy where it was reportedly sold at lower prices compared to Philippine local flour (Domingo 2014). Wheat or meslin flour has been the top commodity Turkish import to the Philippines categorized under cereals and cereal preparations since 2009. It accounted for \$70 million US dollars of its imports (DTI-Export Marketing Bureau, cited in Philippine Embassy Briefing Paper 2016). It was a contentious issue not only between the Filipino flour millers and Turkish businessmen but it also caused a wedge among the Filipino businessmen and flour millers who bought Turkish flour for their finished baked products.

The issue attracted media attention as both sides campaigned and lobbied to present their positions. In fact, the Philippines Association of Flour Millers (PAFMIL) even elevated their campaign to other ASEAN members who also imported flour from Turkey. Ric Pinca, PAFMIL Executive Director alleged that Turkish flour “endangered the viability of Southeast Asian countries’ flour milling industries” aside from threatening its food security (David 2014). Filipino trading partners of Turkish wheat exporters supported appeals for the provisional duties’ suspension to no avail.

In November 2014 after investigating the allegations, the Tariff Commission imposed anti-dumping duties to 13 Turkish firms ranging from 2.87 % to 16.19 % of the shipment price<sup>8</sup> (Domingo 2014). There was a 42.7% marked decrease in wheat imports the following year and 41% decrease in 2016 indicating a slight difference. The reduced wheat imports dragged down the total trade volumes between both countries. The issue might have caused a reduction in wheat imports by the Philippines two years after the Tariff Commission’s ruling, but it fortunately did not totally sour trade relations. It was a setback that the Turkish side and its Filipino

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<sup>8</sup> Anti-dumping measures are trade protection mechanisms under the WTO. If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be “dumping” the product. WTO agreement allows governments to act against dumping where there is genuine (“material”) injury to the competing domestic industry. In order to do that the government has to be able to show that dumping is taking place, calculate the extent of dumping (how much lower the export price is compared to the exporter’s home market price), and show that the dumping is causing injury or threatening to do so.



counterparts could rise from. In fact, it spurred new promotional efforts by Turkish businessmen highlighting the diversity and quality of its products (Magkilat 2016).

**Table 3.9:** Turkish Flour Export Prices to ASEAN FOB US\$/MT

ASEAN	2007	2008	2009	2010	% Discou nt	2011	% Discou nt	2012	% Discou nt	July 2013	% Discou nt
<b>Indonesia</b>	\$29 1	\$47 8	\$27 9	\$28 4	52.7%	\$36 6	38.9%	\$35 1	25.2%	\$37 1	27.6%
<b>Philippin es</b>	\$23 5	\$42 8	\$29 0	\$27 6	54.0%	\$38 8	35.3%	\$34 9	25.7%	\$37 7	26.4%
<b>Thailand</b>	\$24 8	\$49 4	\$33 1	\$31 7	47.2%	\$42 1	29.9%	\$40 0	14.8%	\$42 6	16.7%
<b>Malaysia</b>	\$27 5	\$46 1	\$29 7	\$25 0	58.3%	\$36 9	38.4%	\$36 7	21.9%	\$43 7	14.7%
<b>Singapor e</b>	\$31 6	\$44 5	\$28 9	\$27 7	53.8%	\$40 1	33.1%	\$40 7	13.3%	\$43 9	14.2%
<b>Vietnam</b>	\$0	\$0	\$30 4	\$28 0	53.3%	\$31 8	47.0%	\$33 7	28.3%	\$45 7	10.8%
<b>Iraq</b>	\$32 8	\$52 1	\$35 5	\$35 7	40.5%	\$46 9	21.8%	\$45 2	3.8%	\$50 7	0.9%
<b>Turkish Domestic Flour Prices /MT</b>				\$60 0		\$60 0		\$47 0			\$512

**Source:** Pinca 2013.

Meanwhile, the 2000's decade started roughly for Turkey. It experienced what many ascribe to as the most serious financial and economic crisis in its post-war history in 2001 that was triggered by political disharmony. Earlier stabilization efforts and structural reforms, or the lack of it, were insufficient and could hardly stem the build-up of factors that later blew up into the country's worst economic recession. The discord between the president and the coalition government shook the fragile confidence in the market and unnerved investors who quickly rushed to exit (Bredenkamp, Lindgren & Serdengeçti 2009). A new economic team under Kemal Derviş, a senior World Bank official then appointed as Minister of Finance and Economy, worked on repairing the damages with IMF-endorsed stabilization program. These included radical banking reforms like the restructuring of state-owned and failed private banks and closer bank supervision, stabilized the budget with

new fiscal measures and tighter controls on public sector pays and income policies, revitalized the privatization program covering the telecommunications, natural gas, electricity, sugar, and tobacco sectors, and provided a new anchor for inflation to replace the exchange rate peg (Bredenkamp, Lindgren & Serdengeçti 2009).

The comprehensive rescue and reform program worked. By 2002, Turkey's economy was recovering as inflation dropped, real per capita incomes increased, and business confidence rose. Privatization was more aggressively implemented turning in an unprecedented increase in proceeds compared to previous decades with many of the biggest private companies engaged in international markets. Foreign direct investment increased from \$5 billion until 2004 to \$50 billion in 2007 (Bredenkamp, Lindgren & Serdengeçti 2009; Bank & Karadağ 2012). The turnaround was quick as the various reforms strengthened its economic fundamentals and brought significant growth and progress for several years up till 2008 that impressed the world. A more stable and market-friendly environment emerged. The transformation stabilized its financial footing, modernized its economy more quickly, and enabled its banking system to boost development through wider access to credit (Bredenkamp, Lindgren & Serdengeçti 2009). When the 2008 global financial crisis happened, its growth contracted but the country weathered the crisis and rebounded in 2010 – 2011, it sustained high growth performance, as exports returned to normal levels following the recession (Department of Trade and Industry 2015).

The positive trends extended to other spheres. The single-party government of the Justice and Development Party (AKP) and its parliamentary majority ensured consistency and stability after several critical periods in the previous decades (Esenbel & Atlı 2013). Civilian supremacy was reinforced and major constitutional reforms enacted as part of its European Union (EU) accession plans thus solidifying the AKP's positive role and image as a liberating socio-political force in the country (Bank & Karadağ 2012; Heydarian 2013). Moreover, it broadened its perspective and approach in its foreign relations. While its aspirations for EU membership remains, it has since been actively diversifying its reach to include more countries than ever before and engaging old and new friends in multiple issues (Kalın n.d.). Turkey's growing tangible and understated presence in various forms have been and are

gradually being spread throughout the Balkans, the Middle East, Africa, Latin America, and Asia Pacific.

Regarding the latter, the once-overlooked and poorly prioritized region has since gained more serious attention from Turkey. Recognizing the region's growing role as a key engine in the global economy, it has been trying to catch and make up in its dealings with many countries in the Asian Pacific region. In fact, its own Ministry of Foreign Affairs (2015) states that the "defining theme of the 21st century will be the rise of the Asia Pacific region". The Asia-Pacific region has also retained its position as the world's largest trading region in 2015 (Asia Pacific Trade and Investment Report 2016). Its combined demography accounts for half of the world's population, with countries like the Philippines having increasing numbers of consumers and potential investors. This keen interest in the Asia-Pacific region plus the renewed vigor and energy with which Turkey has been pursuing this is part of its over-all and grander aspirations to be amongst the world's top 10 economies by 2023, or the 100th anniversary of the founding of the Turkish Republic (Albay 2015). Its enhanced engagement in the region is part of its over-all Asia Pacific Commercial and Economics Relations Development Strategy 2005.

But it is also reflective of Turkey's new and broader foreign policy paradigm under the AKP government. Its foreign policy has assumed an "activist" bent and "comprising the new geostrategic environment the country finds itself in (Kalın n.d.; Esenbel & Atlı 2013; Tekin & Tekin 2015). This has provided the impetus to actively reach out to the region by reaffirming and strengthening old ties while creating new ones through economic, political, humanitarian assistance and mediation, and cultural means.

In recent years, Turkey has been stepping up its work towards reinforcing its existing long-standing relations with other Asian countries like Japan, Singapore, Pakistan, South Korea, China, Indonesia, and Malaysia while building new relationships with Vietnam, Cambodia, Myanmar, Sri Lanka, and Brunei. It has also been reaching out to Papua New Guinea, Laos, and Fiji. By inaugurating new embassies, providing humanitarian aid and bilateral visits to these countries, it is working towards strategic partnerships to realize its objectives of its evolving "Look East" policy and its over-

all Asia Pacific Commercial and Economics Relations Development Strategy 2005 geared to boost trade and investment in the region (Albay 2013). It has been belated, but the benefits of closer economic partnerships with the region's countries has finally dawned on Turkey especially since it has remained a low priority for many decades.

**Table 3.10:** Asian Countries Visited by Top Turkish Officials in the 2000s

<b>YEAR</b>	<b>COUNTRY VISITED</b>
2003	Pakistan
2004	Japan, South Korea
2005	Indonesia, Malaysia, Thailand, Sri Lanka, Pakistan
2006	Indonesia
2007	Pakistan
2008	Japan, India
2009	China, Pakistan
2010	South Korea, China, India
2011	Indonesia, Nepal
2012	China, Brunei
2013	Brunei
2014	Philippines, Singapore, Japan, Malaysia

**Source:** Kalın 2011.

Beyond official and state visits or opening new embassies, Turkey has been engaging in humanitarian diplomacy through foreign aid in Southeast Asia, specifically through its donations to the International Organization of Migration (IOM) and the United Nations High Commission for Refugees (UNHCR) for the Rohingya Muslims, following the 2004 tsunami in Indonesia and in the aftermath of Typhoon Haiyan's onslaught of the Philippine's Visayan islands. It commits support for developing countries' sustainable growth by contributing to social and economic development of the region through its Turkish Cooperation and Coordination Agency (TIKA). Since 2008, its contributions to ASEAN member countries has reached 6.28 million US dollars (Ministry of Foreign Affairs 2015).

It has also been seeking to boost its institutional ties with the ASEAN. In 2010, Turkey was admitted to the ASEAN Treaty of Amity and Cooperation (TAC) and has pledged to become an active ASEAN dialogue partner which is the highest level of institutional relationship. As Prime Minister Ahmet Davutoğlu has stated in his 2013 visit to Hanoi in Vietnam, "We are determined to join all regional organizations

either as a member, a dialogue partner, an observer or a cooperation partner. We are actively taking part in the workings of almost every regional organization in the world” (Atlı 2015). It presented the advantages that the ASEAN can gain from Turkey’s engagement such as in parrying Islamophobia, racial discrimination, and in combatting terrorism (Sevilla 2013; Atlı, 2015). This is where Turkey’s activated role in the Asia Pacific region is timely and significant. It has widened the arena and opened new doors for socio-economic and cultural learning and engagement among the various countries. For the Philippines in particular, this Asian Pacific outreach effort by Turkey has served as a valuable impetus to grow and strengthen its relations for mutual benefit economically, politically, and socio-culturally. More importantly, this catching up has also been evident in Turkey’s increased efforts in countries like the Philippines.

The positive momentum towards a more productive relationship between Turkey and the Philippines continued against this backdrop of their outreach far beyond their regional neighborhoods. Business organizations like the Turkish Chamber of Commerce in the Philippines was established in February 2011 then followed by the Philippine - Turkish Business Council in March of the same year under the auspices of the Philippine Chamber of Commerce and Industry (PCCI 2016). These serve as direct conduits to explore the available fields for investments and the trade of more products and services. It facilitated viable business networks in tourism, school and housing project construction, furniture, energy, business process outsourcing and food processing (Sevilla 2013). From 2010 onwards, through private and public initiatives, representatives from both countries would speak precisely about the state of and how to further enhance bilateral relations. Participation in trade fairs and business exposure programs in both countries also increased during this period. It also provides direct economic assistance and disaster relief.

There were also non-profit organizations that were created like the Pacific Dialogue Foundation in the Philippines, an initiative of private Turkish nationals, which up to date seeks to expand the arena for sustainable and constructive environments for intercultural and intracultural dialogue, understanding, cooperation, and collaboration between the peoples of both countries. It fosters such by organizing visits to Turkey by Filipino businessmen, academics, researchers, local and national

government officials. Through such socio-cultural initiatives, deeper cultural appreciation and understanding are enhanced which indirectly reinforces trade relations.

In 2014, Turkish Prime Minister Ahmet Davutoğlu visited the Philippines and met with Philippine President Benigno S. Aquino to commemorate the sixty fifth anniversary of formal relations between the Philippines and Turkey. The Prime Minister categorically stated and recognized the Philippines as its “strategic partner and friend in this part of the world” as it transformed its good relations with the country towards strategic cooperation (Esguerra 2014). More importantly, it was at this state visit that Turkey targeted to increase its current trade volume to \$1 billion “as early as possible” (Esguerra 2014). An air services agreement was signed ensuring direct flights between these countries for tourism, trade, and investments. President Aquino assured Turkey of its continued support in confronting the threats posed by the terrorists. It is significant to note that these various developments and initiatives highlighted the enhancement of its trade relations.

The Turkish Embassy in the Philippines also expanded with the establishment of the Defense Attaché Office and the Office of Turkish Cooperation and Development Agency in 2015 as concrete measures of its commitment for closer working ties with the Philippines.

To ensure that its commitments moved forward, consultative meetings were held between officials from both countries. In March 2016, one such meeting was held in Ankara to review and discuss issues ranging from bilateral trade, the status of impending bilateral agreements in the fields of defense and military cooperation including visits by Turkish Navy vessels to the Philippines, transnational crime, agriculture, tourism, educational, cultural, consular, maritime, and development cooperation, agreement on mutual administrative assistance in customs matters, and others (Philippine Embassy Briefing Paper 2016). People-to-people contact and exchanges continued growing as these developments in the official formal public arena unfolded. According to the Ministry of Culture and Tourism of Turkey, there have been 69,229 tourist arrivals from the Philippines compared to 59,734 arrivals to Turkey in 2013 (Ministry of Culture and Tourism, cited in Philippine Embassy

Briefing Paper 2015). Though it is still a small amount, it is valuable as it reflects a growing interest and the intent to sustain this interest from both countries.

On the other end, Turkish tourist arrivals to the Philippines from January to December 2016 registered a 30.83 % increase compared to the same period in 2015 (Department of Tourism, cited in Philippine Embassy Briefing Paper 2015). The gradual yet continued increase of Filipinos visiting Turkey for tourism, study, employment and economic purposes and vice versa contributes to a personal and closer exposure and introduction to each other's culture. Such have even resulted to intermarriages between Turkish and Filipino nationals thus paving the way for more meaningful interaction and deeper integration for a deeper understanding about each other's culture and more economic opportunities for both. The economic aspect cannot be ignored. Small and medium enterprises arise from such interactions and some of whom become direct exporters, importers or internationalized subcontractors with links to large international corporations or large domestic companies that are export-oriented.

These various developments have definitely re-energized the relationship between the two countries. It reaffirmed the intent to grow and deepen the relationship towards the strategic partnership envisioned by former Prime Minister Davutoğlu. But both countries have to work harder towards the strategic partnership it seeks that is marked by \$1 billion trade target in five years.

The official diplomatic and private efforts, actions, and initiatives by Turkish individuals and organized groups on the cultural, social, educational, and economic fronts have widened exposure to and enlightened Filipinos to the modern Muslim democracy that Turkey is, demystifying the Muslim or Islamic stereotypes wittingly and unwittingly propagated in and by media (Sevilla 2013). In a predominantly Catholic country like the Philippines but where its minority Muslim residents suffer from ethno-driven conflicts and secessionist campaigns, these types of engagement by Turkey fosters goodwill and promotes better understanding. In turn, the Philippines has warmly embraced these developments and reciprocated accordingly with its own endeavors. The increase in Filipino tourist visits to Turkey is a concrete example of the growing interest that this exposure has sparked.

That Turkey has engaged in more initiatives to draw closer to the Philippines during this period is indicative not only of serious intent and commitment, but also their increased economic capacities to pursue its ambitions and broaden its regional and global roles (Aras 2009; Ünay 2007, p. 2, cited in Tekin & Tekin 2015). Clearly, the economic transformation it underwent from 2002 – 2007 have significantly facilitated this outcome. Turkey's growing prosperity, although wracked by its own share of challenges, has imbued it with a renewed confidence to ardently pursue its ambitions. It has also allowed it more flexibility in its foreign relations and actions. On the other hand, while the Philippines' growth has been encouraging and welcoming, it continues to explore ways where it can better maximize its capabilities to match and grow the initiatives that have sprung from Turkey's increased efforts.

### **3.5 The Current Situation: Parallels of Transition and Uncertainty Again**

As the second decade of this 21st century draws closer to its end, both countries once again find themselves in the crucible of important transitional changes emanating from a series of significant political and economic events with important implications on their individual present and future as well as their relationship.

In the Philippines, while the 10-month old Duterte administration still enjoys popular support among Filipinos, it has also triggered a new wave of anxiety for growing numbers of locals and outside observers. The transition has been smooth but many uncomfortable adjustments are still ongoing especially because of the new president's unconventional leadership and vision, blunt, coarse, but populist image and demeanor, and his irrepressible communication style. The new administration's specific anti-drugs and crime focus has aroused negative attention locally and internationally with the high numbers of victims of extra-judicial killings. The road towards lasting peace to resolve decades of conflict in Mindanao island and with the local communists remains uncertain even as peace talks with the latter are ongoing. An expanded Bangsamoro Transition Council (BTC) has been instituted to include more voices in redrafting a new Bangsamoro Basic Law (Ranada 2016). At the same time, whereas previous presidents have sought to diversify its foreign relations portfolio, Philippine foreign policy still operated largely under the shadow of US policies. President Duterte's pronouncements vowing to uphold national interests at



all costs by “separating” from the US, its long-time, foremost ally and trading partner, to “pivot towards China”, while more closely engaging with Russia, has discombobulated and confounded many. Explicitly intent on pursuing a truly independent foreign policy free from any foreign influences or dictates but one that is more diversified to include more partners, it remains to be seen whether it is mere strategic posturing or just bombast. The diversification of its foreign relationships is nothing new except that this time around, the government through the president is overtly assertive. What is being closely watched is how it will concretely materialize in terms of investments, trade, security or defense arrangements, tourism, and cultural engagements. This pivot does not in any way negatively affect its relations with Turkey. Considered a non-traditional and under-explored market, the new independence that the Philippine government is expressing can even turn out better for its trade relations.

On the economic front, the government has repeatedly reassured local and international business communities of its commitments to honor trade agreements and protect foreign investments. Last quarter 2016 figures also pointed to a stellar 6.6% growth backed by domestic consumption and higher investment. The industrial and services sectors are expected to remain strong and vibrant along with a sound financial system, moderated inflation, continuous remittances from Filipino overseas workers, and growth in tourism and the information technology and business processing outsourcing sectors. Developing infrastructure has been set as a government priority. These recent financial trends have not gone unnoticed and global economic institutions like the World Bank (WB) noted these as indicative of high confidence among investors and consumers (Rappler.com 2016). The Asian Development Bank (ADB) was more specific in its optimistic forecasts of the Philippines achieving upper middle-income status by the end of this decade with an economic output worth about \$292 billion (Leoncio 2017). The government expects whatever jitters that abound to be short-term given that the country is flexible enough to adjust accordingly given the sound macroeconomic fundamentals in place that are being continued. Moreover, the government expects that its Philippine Development Plan (PDP) 2017 – 2022, a holistic and comprehensive approach to inclusive and sustainable growth, can show how it shall steer the country towards

this vision and thus can allay fears and inspire confidence and cooperation instead (National Economic Development Authority 2017).

The contrasts between the calibrated optimism and skepticism in the Philippines are less pronounced when reviewing the current conditions in Turkey. The voices of doom and gloom are hard to placate as the levels of uncertainty also abound. But this is to be expected as Turkey has managed to expand its role regionally and globally and thus attracts more attention. For one, the year opened ominously with the deadly mass shooting on a popular cosmopolitan nightclub in Istanbul. In 2016 alone, the country was hit by a total of eighteen terror-related attacks in the capital city Ankara, the commercial and cultural hub Istanbul, the south eastern borders, and others (TRT World, n.d.). On top of these, the July 2016 failed coup spawned a state of emergency that massively purged the military, judiciary, media, and the academe of those associated with the Hizmet movement accused to have masterminded the coup. The crackdown is being alleged to have included other independent critics of the government. The armed conflict with the Kurdistan Workers' Party (PKK) and threats stemming from neighboring countries like Syria, Iran, and Iraq continue to cause unrest and anxiety.

Amidst all these unsettling occurrences, a national referendum shall be held on April 2017 to approve or reject a presidential system of government to take effect in 2019 (The Economist 2017). The Justice and Development Party (AKP) has been pushing for such to ensure stability whereas its critics worry about a lack of checks and balances and the concentration of too much power and authority on the president that can easily be abused (The Economist 2017).

The volatility has definitely extended to the economy. The economic strides achieved from 2002 – 2007 that saw an average of 7.2% growth have been interrupted. Growth has weakened and slowed down. Even as fourth quarter 2016 figures have yet to be released, it is expected to be under 3% (OECD 2016). Incomes have hardly risen in the past years and average inflation has exceeded the central bank's targets in all but one of the past ten years (The Economist 2016). Foreign direct investment has been sliding and exports have likewise been reduced. The manufacturing, construction, services, and agricultural sectors have all contracted in the third quarter of 2016. Tourism has also been negatively affected with a 30% drop

compared to 2015 figures. The Turkish lira has plummeted anew as credit rating agencies downgraded Turkey to sub-investment grade and causing the accelerated flight of short-term foreign investments (Sönmez 2017). Earlier measures by the government to stimulate the economy through massive spending have been insufficient (Focus Economics 2016). The turbulent environment all but seems familiar again as the political volatility and fragile security within undermine growth and threatens trade. The trade figures in the second half of this decade as seen above lend much credence to the realities of these threats. The last two years' downwards trend in trade volume may be temporary but it is also an indicator of its many vulnerabilities.

While economic considerations are pressing matters that can modify and redefine a country's policies and actions within and outside its boundaries, the implications of this economic slowdown on these aspects are still evolving. The conditions remain very fluid, particularly in its regional neighborhood and its relationship with the European Union and the US. But the specific inroads Turkey has made in the Asian Pacific region can be expected to remain steady and even move forward in some of its countries. That it has already recognized the region's potentials and acted to present its own for cooperation and mutual benefit is significant. It means that it is unlikely that it shall revert back to ignoring or underestimating the region after all the efforts, time, and resources it has gradually been pouring into it. The push and pull factors that Esenbel and Atlı (2013) notes - global and regional developments and the global realignments- as drivers of its foreign policy activism which influenced its active outreach to the region very much remain. In this regard, this naturally presents and widens the openings for its bilateral trade relations with the Philippines, notwithstanding how it shall address the various barriers that keep it from fully unlocking the real and deeper value they have of each other.

#### **4. ISSUES AND CHALLENGES AFFECTING THE PHILIPPINES AND TURKEY'S BILATERAL TRADE RELATIONS**

The commercial inroads carved in six and a half decades of bilateral relations between the Philippines and Turkey have been valuable. It took a long time and sluggish pace for any improvements but the minimal trade figures cannot just be dismissed as they contradict the continued interest and intent of both countries. This contradiction has been weighing down the relationship from realizing its full potentials. It is clear that their trade relations remain vulnerable to various threats and risks.

The challenges that abound arise from different fronts. Some are general in nature that both countries, and any trading country for that matter, face and are confronted with when engaging in international trade. These general challenges are related to the common critical factors affecting international trade in general and how its effects spill over to their trade relations. Some of these manifested themselves early on and others surfaced much later. It also includes the countries' perceptions of the problems based on their actual conduct and experiences. As some of these may be more evident and heightened in one country, they are not necessarily exclusive or solely confined to it. Some exert a bigger influence than the others. The degree and extent to which these challenges manifest themselves in either country varies. Its effects may be present but less obvious in one country compared to the other.

There are also those specific challenges that are unique to each country. They stem from each one's particular political and economic conditions, attitudes, reactions and responses to their internal and external environments. The confluence of these various issues are indeed challenging as they can either derail, imperil, or erode current trade relations. Meanwhile, the inherent fundamental differences of the

Philippines and Turkey, like their resource endowments and level of development for instance, have and can also enable these vulnerabilities. Whether these challenges or impediments can either be a boon or bane also depends on how these are viewed and dealt with. As almost always, each country's specific perceptions and attitudes towards these challenges matter. This chapter describes these various challenges. These are presented and discussed in no specific order.

#### **4.1 Domestic and Global Environments**

The domestic and global environments are general factors that affect bilateral trade relations either positively or negatively. The historical review in the previous chapter proves that the economic and political conditions in both countries are essential for trade relations to thrive and flourish. It shows that unsteady and unfavorable macroeconomic fundamentals weaken and slow down the economy and political instability foments uncertainty. Atmospheres wracked by ambivalence and uncertainty pose threats and risks to trade relations that are still being consolidated like those between the Philippines and Turkey. The reverse is that countries powered by steady economic growth can better build productive and trading capacities and be assured that their trade relations consistently expand. Furthermore, the interdependence of countries arising from globalization and the economic liberalization adopted by many is mostly economic in nature making most, if not all countries, highly exposed to this and to the global events which shape it. In this regard, particular incidents or events in both these domains that occurred only in either the Philippines or Turkey are highlighted in this section.

Some situations are particularly significant and urgent because of the magnitude of the risks they pose. In the Philippines, the unstable peace and order situation due to extremist groups especially in Mindanao, the southern part of the Philippines and with a sizeable Muslim population, is another impediment to trade and other economic activities in the region because eight of the top ten agri-commodities exported by the Philippines originate here. It can also threaten activities of Turkish-Philippines collaboration in the area as the Turkish Cooperation and Coordination Agency (TIKA), whose Philippine office contributes to Turkey's bilateral relations with the Philippines, sponsors livelihood projects in partnership with the

Bangsamoro Development Agency (BDA) in Cotabato province (Manila Times 2016). Such initiatives are instrumental to facilitating and enhancing trade as well. Future projects targeted at fostering cultural dialogue while also uplifting economic conditions in this region are vulnerable.

Hanging in the air too is the status and future of the Mindanao peace process which resulted to a signed agreement between the armed group representing the Muslim minority of the Philippines and which encompasses political, security-related, and socio-economic measures for the region with a certain degree of autonomy. The agreement, part of a larger bill called the Bangsa Moro Basic Law (BBL) still pending in Congress, was negotiated during President Aquino's term. It is uncertain whether the new Philippine administration will uphold and back this or not as there have been previous examples wherein relevant policies were suspended (Çolakoglu 2014). The expanded Bangsamoro Transition Council (BTC) still has to convene a Bangsamoro Assembly to serve as a consultative body for the proposed Bangsamoro Basic law (BBL) (Sabillo 2016). Attaining genuine, long-lasting peace and order in Mindanao is important for the vast economic and social dividends not only for Mindanao but the entire country (Campo & Judd 2005).

Another significant aspect of the Philippines' internal environment is its inherent vulnerability to natural disasters like typhoons and earthquakes. Its physical location along a typhoon belt and the Pacific Ring of Fire where many of the earth's volcanic eruptions and earthquakes happen, heightens this risk. The effects of typhoons, earthquakes, or volcanic eruptions on life, limb, property and the economy are huge due to lost or displaced lives, ruined agricultural lands, damaged commercial and industrial properties and massive work disruptions. It can reverse whatever economic and development gains achieved earlier. Gassebner et al. (2010) and Oh ad Reuveny (2010) empirically observed that earthquakes, storms, and floods affect countries' bilateral trade, illustrating that a large disaster reduces exports and increases its imports by 2 % on average (cited in Felbermyr and Groschl 2013). The degree of severity and frequency of typhoons during the rainy season traditionally influences the agricultural output and Philippine GDP growth (Polvorosa 2016). However, at this particular time the El Niño is also expected to contribute in dragging down economic growth through droughts in this region of the world and resulting shortages

can trigger price pressures. Thus, much will depend on the strength of the El Niño in gauging its impact especially on Philippine agriculture.

The country's competitiveness is hampered by the high costs of doing business due to high electricity costs and inadequate infrastructure. That the Philippines has the highest electricity rates in all of Southeast Asia mean that it is the biggest expense for industrial firms and is thus a paramount challenge (Tiglao 2014). Poor infrastructure in the energy, transport, and communications sectors remains a huge bottleneck that have been administered with palliative measures. These problems include an outdated telecommunications system, poorly-maintained road and bridge networks, congested airports and sea ports, slow internet, power failures and water shortages all of which weaken its manufacturing and industrial base. Polvorosa (2016) opines that if these infrastructure problems are not fully addressed, they threaten to hold back the country from progressing faster.

On the other hand for Turkey, some of the same reasons that propelled it towards the Asian-Pacific region threaten to undermine these gains. There are the serious security threats looming over the country and caused by the political instability within the region and its neighboring countries like Syria and Iraq. It is a major concern that can seriously drag down its volatile economy that is still reeling from the global economic slowdown. While it was this slowdown which pushed the country to find alternative trading partners elsewhere, it can certainly weaken its investment and development assistance capabilities as well as its trade commitments to its new trading partners in Asia.

The aftermath of the July 2016 aborted coup has also magnified the divisions within the country causing more uncertainty and demoralization especially among those sectors affected by the crackdown on those associated with the Hizmet movement. There also emerged new dilemmas as the conflict and rift between the Turkish government and this movement unfortunately extends beyond the country and the government seeks to eliminate the movement's influence in recipient countries (Atlı 2015). The private initiatives and projects in several Asian Pacific countries led by this movement under the auspices of the Turkish government before, and which have been at some point instrumental in increasing Turkish presence and awareness and in

promoting and facilitating trade, have to conform now to such developments (Balli, Civan & Uras 2015). Adjustments are necessary to avoid confusing and imperilling the goodwill, trust, and respect such projects have already gained. As in the Philippines, these projects remain, but they have to operate within the limits in the public and official domain of its government foreign policies and actions.

Meanwhile, the global economy has been weak and slow to recover since the 2008 global financial crisis. Global output growth slowed down to an average of 3.2 % in 2008 – 2015 from an average growth of 5.1 % in 2000 – 2007. (Hill, cited in Philippine Development Plan 2017). The world is anticipating the new economic policy directions of the US as this has global repercussions. Developments in the last two years indicate a worrisome economic and trade slowdown worldwide and in the Asia Pacific region. Changes in the fundamental structure of world trade are seen to cause repeated trade stagnation or what is now labelled as the “great normalization” (Akhtar & Stone 2016). World merchandise trade volume exhibited the slowest growth since the global financial crisis at just 2.2 % in 2016 (Philippine Development Plan 2017). The same goes for global export trade volume which significantly decelerated to 3.0 % in 2008 – 2015. Protectionist policies are also making a comeback on the global stage, thus possibly making preferential or multilateral trade agreements difficult to conclude and heightening risks of neglecting international trade rules (Philippine Development Plan 2017).

Other global issues have incidental effects too. The Turkish Ministry of Foreign Affairs (2017) acknowledges how climate change, increased energy demand, poverty, migrations, territorial integrity, terrorism and world security, population growth, etc. cause huge changes and uncertainty. High levels of uncertainty are not good for the country’s economy and trade is hinged on the economic strength of the country. Taglioni & Zavacka’s (2013) research findings discuss uncertainty as an important factor negatively affecting trade flows specifically in those countries where exporters sell their goods. They posit that the uncertainty has to be strong enough to induce negative effects, citing the global financial crisis as an example. This is corroborated by how uncertainty shocks generate sharp recessions wherein firms briefly stop or reduce their investments and hiring causing reduced productivity (Bloom 2009).



## 4.2 Cultural Factors

There are other non-economic and intangible factors like culture that affect international trade and economic development which are inconspicuous but are more far-reaching (Hezel 2009).

It is a notion that has been pointed out in the early 20th century by the German sociologist Max Weber who wrote that cultural or religious values affected economic output, contending that Protestants were more productive than Catholics because of a work ethic grounded on the belief that pursuing wealth was a duty (Hezel 2009). Even as others caught on the concept, it would be played down especially by economists. It is easy to see why.

As the embodiment of the ways, behaviors, beliefs, values, practices, rituals, and ideas characteristic of a race or people, culture is a very broad concept. Guiso, Sapienza, and Zingales (2006) emphasize that the means it can be incorporated into economic discourse is ambiguous making it difficult to test. Nevertheless, they are able to narrow down the concept to show how it is linked to economic outcomes by focusing on beliefs and values. In a later study, the same authors demonstrate that people's trust in their country's institutions and fellow countrymen influence economic activities and that cultural differences play an important role in the economic interactions between countries (Guiso, Sapienza & Zingales 2009). This is echoed in a study by Gökmen (2014) wherein culture causes uncertainty and becomes an obstacle to bilateral trade relations between countries wherein those countries that are "culturally-closer trade more with each other". His findings showed that two countries with distinct religious majorities and different dominant ethnicities had lower bilateral import flows compared to those countries sharing the same majority religion and ethnicity (2014). Being culturally closer implies near similarities in values, beliefs, traditions, language, religions, work ethics, ideas, etc. and other cultural forms and manifestations. For example, countries in the same region tend to exhibit cultural similarities.

In the same vein, Molhmann (2009) cites studies by Elsass and Veiga in 1994 showing that large cultural distances increase trade costs and reduce trade because of

difficulties in understanding, controlling, and predicting other's behaviors.<sup>9</sup> The cultural distance can cause breakdowns in business deals as differences in perceptions hinder the development of rapport and trust (Parkhe, 1991; Neal, 1998, cited in Molhmann, 2009).

In the bilateral trade relations of the Philippines and Turkey, while businessmen and diplomats might not overtly or consciously acknowledge it, the low trade volume exchanges demand that all factors in examining causes are considered. Cultural barriers are therefore included. What and how do cultural factors act as hurdles in their trade relations? Sharing an official and common language is vital in promoting understanding and economic exchanges and increases trade flows (Egger & Lassman 2012, cited in Otten 2013). Melitz (2008) explains how linguistic commonality directly eases communication and facilitates trade rather than through translation (cited in Gökmen, 2013). Whereas English is the international language used between these countries, the varying levels of its command and proficiency between and amongst their representatives can compromise full understanding and effective and efficient communication. Translators are used but the quality and proficiency of translators have to be ensured so nothing is lost in translation. Moreover, problems can arise if the language used in export-import procedures, requirements, rules and regulations, trade catalogues, price lists, and all other related matters are in the country's native language and has no equivalent English translation. This slows down discussion and negotiations as time, effort, and resources are required for its accurate translation and interpretation. All these can dampen enthusiasm, intent, and determination in pursuing more business.

Shared beliefs stemming from common bonds of faith as well as a closely-linked historical heritage can facilitate an emotional connection and trust vital to strong relations. They also might not figure heavily as businessmen's primary concerns in negotiations or trade missions, but these contribute to the over-all atmosphere by reducing unease because of inherent familiarity with cultural and religious practices. These shared beliefs and practices provides more reasons and opportunities to grow and enrich the trade and business relationship. On the contrary, having divergent

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<sup>9</sup> Cultural distance is defined here as the extent to which the shared norms and values in one country differ from those in another (Koçut and Singh, 1988; Hofstede, 2001).

backgrounds and beliefs mean that more efforts, time, and resources are necessary to find and develop common ground. While trade and its corresponding benefits are incentives and stimuli by themselves, they can be further enhanced with a deeper cultural understanding.

### **4.3 Administrative and Procedural Mechanisms**

Translating diplomatic commitments into specific trade outcomes also means going through governmental administrative processes and procedures. Agreements made at the presidential and ministerial level usually have to be sifted and refined before they are implemented. The collective effort and cooperation of various government agencies whose mandates oversee foreign relations and trade are usually done through interagency and joint-working groups. These are some of the channels to discuss issues concerning whatever agreements to be finalized. They set the overall tenor of how these agreements should be operationalized. Much of the norms and regulations for clearing roadblocks and instituting the appropriate frameworks are taken care of in these interagency and joint working group meetings according to Philippine Ambassador to Turkey Rowena M. Sanchez during an interview in August 2016. They are thus essential cogs in the bilateral trade wheel and cycle.

Aside from this, the design of these processes and mechanisms therefore matter for efficient and effective implementation. Duplication or overlaps in functions and responsibilities are examples of poor process design that cause confusion and creates unnecessary complications or problems.

These two factors can jointly create bottlenecks in getting a bilateral agreement finalized then operationalized. Ambassador Sanchez during the same 2016 interview explained that scheduling and procedural delays of governmental interagency meetings in the Philippines, particularly in 2016 which was considered an “electoral year”, contributed to the slow movement in the finalization of bilateral agreements with Turkey. There are four pending agreements waiting to be finalized that would strengthen its relations and enhance trade but these have to first go through the governmental administrative processes. Its sluggish pace can discourage businessmen who eagerly wait for the approval and finalization of such agreements.

#### **4.4 Trade facilitation**

Trade facilitation is a vital component for success in economic development in general and international trade in particular (World Bank, cited in Kleen 2002). Trade facilitation measures are essential especially for developing countries to expand trade and benefit from globalization. The WTO defines trade facilitation as “the simplification and harmonization of international trade procedures,” with trade procedures being “the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of good in international trade” (Kleen 2002). Its primary goal is to facilitate efficient, fast, cost-effective, predictable, and safe trade across borders (United Nations Economic Commission for Europe 2012). It takes place at three levels wherein agreements are developed and negotiated at the regional and international levels while the operational implementation of the measures happen at the national level (UNECE 2012). There is a greater onus at the national level as it requires coordinated efforts and tight cooperation among various governmental agencies for seamless operations.

For countries with bilateral trade relations, taking trade facilitation matters for granted can be very costly and counter-productive. They present many challenges by the sheer complex nature of the requirements, regulations and procedures involved in the trade process. Security concerns and measures compound the challenges as the system by itself can be vulnerable.

Some of the challenging obstacles that have been previously identified by concerned trade groups include unnecessary and unclear regulations, inconsistently applied and inefficient procedures, onerous data and documentation requirements, lack of transparency and predictability, manual systems in lieu of automated ones or the weak use of information technology and poor cooperation among governmental agencies with regulatory functions and in charge of monitoring, licensing and certifications (UNECE 2012; Kleen 2002). While these are the most common problems that have been identified, they take on different dimensions or forms depending on the specific country.

Although both the Philippines and Turkey have ratified the WTO's Trade Facilitation Agreement in October and March 2016 respectively, with Turkey having already taken several measures among its regional neighbors under the agreement, implementing all components of trade facilitation measures requires a strong commitment and will, a clear sustainable plan, cooperation with the business sector, and sufficient fund resources and quality technical assistance.

#### **4.5 Knowledge and Understanding of Local Markets and Products**

It is imperative for trading partners to have a good and thorough understanding of their partner's market and products to fully benefit from the trade relationship. This seems to be an obvious prerequisite but the depth and breadth of the understanding of the market can be easily underestimated. It takes more than just a country brief or report with statistical and descriptive data to provide the relevant and necessary substantive information vital to making crucial trade decisions. It can jumpstart a trade relationship but is insufficient in the long run.

As each market has its own specific characteristics and varies in scale, form, reach, volume, participants, products, services, weights and measures, marketing methods, and even social codes of market conduct, etc., subject to internal and external influences, getting updated and accurate information can be challenging (Singh 2016). Weak knowledge and understanding of the market's nuances mean under-maximized trade opportunities, the inefficient matching of comparable products and services with the country's specific needs or worse, trade imbalances. Finding the proper market for a country's products and services becomes especially daunting under such circumstances.

For instance, Volkan Yüzer, the Foreign Economic Relations Board Regional Coordinator for its Turkey-Asia Pacific Business Councils (DEİK) explained in an August 2016 interview, that Turkey is "still trying to find out how to sell their goods to the Asian Pacific region" and with regards to the Philippines, he adds that "the Philippines is generally still an unknown market" and that "Turkey doesn't fully know what the Philippines needs that it can meet and provide". He also adds that the lack of strong and reliable counterparts or point persons that can provide accurate

and timely information compounds the problem. Özcan (2011) also reasons that this lack of information is the biggest problem that persists in Turkey's relations with Africa and Asia despite the positive developments in diplomatic and political areas. Philippine Ambassador to Turkey, Rowena M. Sanchez (2016) also lamented that the weak awareness of each other's products and capabilities remains a hindrance. These sentiments reflect the frustration over the low level of understanding of both markets.

Furthermore, the ability to compete in the market is weakened on the grounds of insufficient information leading to a shallow understanding and inaccurate market appraisals of appropriate products, quality, price, supply capabilities, etc. Complicating matters is how gathering relevant data and information can require a lot of time, is costly and difficult as they usually originate from various government agencies and are often buried in legal and regulatory documents. It is also resource-intensive thus increasing time and cost requirements for proper assessments.

Countries committed to a stronger trade relationship are bound to gain more by consistently and systematically building on the initial information gathered from its early exchanges. This can lead to a more extensive and methodical study of the country market that can help identify specific gaps in products that each country can fill. It can more easily facilitate accurate and efficient matching of comparable products and services with the specific needs of each country. Although both countries have gotten to know more about each other, their knowledge and understanding of each other remain inadequate.

#### **4.6 Non-Tariff Measures**

The liberalization and reduction in tariffs has become common with more open economies, but alongside this happening has been the increase in non-tariff measures (NTM's). Non-tariff measures may include any policy measures aside from ordinary customs tariffs that can affect the international trade on goods, changing quantities traded, or prices or both (De Cordoba et. al 2013). It includes all measures that modifies international trade conditions whether these are regulations that are restrictive or facilitative (De Cordoba et. al 2013). Although non-tariff measures are instituted for various reasons like health and safety considerations or to establish

quality standards, it has other subtle and indirect effects which can have protectionist intents and be discriminatory especially towards developing countries. For instance, those measures which require quality standards are protectionist in a positive sense but might be too demanding and costly for poorer countries to comply with. As such, it can thus be restrictive on trade and create difficulties in trade relationships. In the Asia Pacific region, there has been a record increase in certain key NTM's in 2015 (Akhtar & Stone 2016).

There are several different non-tariff measures (NTM's) used by trading countries that have been categorized by the UNCTAD and aggregated into groups depending on their scope and design such as the technical measures like sanitary and phytosanitary measures (SPS), technical barriers to trade (TBT's), pre-shipment inspections and non-technical measures which include quantitative restrictions, government participation in trade, non-tariff charges, customs procedures and administrative policies, and technical standards. Some of these measures actually safeguard the health and safety of consumers from unsafe, deficient, and inferior products whereas others are regulatory in nature for standards and requirements on labels, packaging, markings, testing, inspection and quarantine processes as well as information dissemination by exporters. These become restrictive and inhibits market access due to the additional compliance costs especially if the standards or quality criteria are more stringent than from their own countries or exceed multilaterally-accepted norms (Pasadilla & Liao 2006). Time expectations in implementation or the nature of the supply chain further complicate the situation. The compliance costs can even go higher if complying requires international outsourcing when local services and infrastructure are unavailable. For instance, instruction and ingredient labels have to be in the native language of the country goods are exported to and will thus require reliable translation services.

Aside from the cost adjustments, measures hinged on scientific premises and cloaked in the corresponding technical language can cause additional difficulties for those who have less capacity to question such arguments (Pasadilla & Liao 2006). In other instances, data collection to meet certification requirements can be time-consuming. This might not be too demanding to comply with for those countries

with quality standards in place but may be prohibitive and challenging to less developed countries whose standards might be different.

As a concrete example, the European Union is a major export destination of various Philippine products ranging from electrical and electronic equipment to processed food, fish, and agricultural products, among others. Their health and sanitary regulations are complex and maintain high standards for food safety but some of which are even sometimes higher than those set under the Codex making it harder and longer to comply with (Avila 2005)<sup>10</sup>. In such cases, the SPS measures here become impediments as the comparative levels of health and safety standards are disparate and more stringent than the international standards.

Moreover, there are more NTM's, particularly SPS and customs and administrative requirements imposed on agricultural products like live animals, meats, dairy, fruits and vegetables compared to manufacturing products (OECD 2005; Dean, et.al, 2003, cited in Pasadilla & Liao 2006). This means that exports of this nature go through more market challenges than their manufacturing counterparts (Pasadilla & Liao 2006).

#### **4.7 Tariffs and Quotas**

The liberalized economies of many trading countries have reduced trade barriers but have not fully eliminated it. All trading countries up to a certain extent charge tariffs or import duties to limit imports and raise revenues. Tariff rates are also put on exports of raw materials. They also impose quotas or limits on the quantity of specific type of goods imported into a country which may be either voluntary or legally enforced. Both tariffs and quotas are protectionist measures to regulate trade volume between countries and protect their domestic industries (Radcliffe 2008). Trade reforms have been implemented to remedy such barriers, but the existing ones compound the over-all trade costs in conjunction with other impediments.

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<sup>10</sup> The Codex Alimentarius includes international food standards, guidelines and codes of practice contribute to the safety, quality and fairness of this international food trade. Currently the Codex Alimentarius Commission has 188 members - 187 member countries and 1 member organization (EU), 240 Codex Observers-56 IGOs, 168 NGOs, and 16 UN.



Although quantitative restrictions on imports of food products has been lifted in the Philippines, Tariff-rate quotas (TRQ's) and Minimum Access Volumes (MAV) still remain on a number of sensitive products such as corn, poultry meat, pork, sugar and coffee (Export.gov n.d.). In-quota and out-of-quota tariff rates averaged 36.5 % and 41.2 %, respectively, and have not changed since 2005 (Export.gov n.d.). Importers who are out of quota are subjected to higher tariff rates (Austrade n.d.). Likewise, the average tariffs on agricultural products have increased from 11.85 % in 2006 to 11.98 % in 2014 (Austrade n.d.). Indirect taxes like excise and value-added tax (VAT) of 12% are also levied on the sale of imported goods and services. There are some products exempted from these taxes.

On the other hand, the Customs Union Common External Tariff (CET) is applied to industrial goods which allows goods to travel between Turkey and the European Union without customs restrictions. Unfortunately, this is only applicable to its EU trading partners. For trade with Asian countries, the Turkey's customs duties for imports are calculated ad valorem or according to value on the Cost, Insurance and Freight (CIF) value of the goods. CIF value is the price paid for the goods plus all the related transportation costs incidental to delivery of the goods from the port or place of export in the country of export to the port or place of import in the country of destination (Export.gov n.d.) A Value-added tax at 18% is imposed on imports. The tariffs and quotas are significantly reduced or absent if the countries have free trade agreements between them.

#### **4.8 Distance**

The geographical distance between countries has been and still is an essential element in understanding international trade flows. There is voluminous literature on the subject that shows its relationship to trade using the gravity model to estimate its effects<sup>11</sup>. Several studies since the model was introduced in 1954 up to the current

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<sup>11</sup> The Gravity Model predicts bilateral trade flows based on the distance between two units as well as their respective economic dimensions. It proffers that the relative economic size induces countries to trade with each other while large distances weakens the attractiveness. The gravity model is now seen at the workhorse of trade theory, and especially in terms of forecasting the impact of changes in trade policy on trade costs. The model is flexible in that 'distance' between countries can include a range of relevant variables, including cultural and political differences between trading nations (Economy Watch, 2010).

times have established how distance is a strong determinant of the intensity of trade flows by showing that countries that are geographically proximate tends to trade more and that distance's negative impact on trade has in fact been slightly increasing (Beckerman 1956, cited in Srivastava 1986; Leamer 1993; Frankel 1997; Disdier & Head 2008, cited in Magerman 2015). In this regard, distance acts as barrier between trading partners because of the increased costs incurred in transporting goods. Baxter & Kouparitsas (2005) reaffirm that higher transport costs are associated with trading countries with greater distances between them thus reducing its gains and trade itself.

However, other studies have also shown that the negative effects of distance over time diminish due to technological advances in transportation, infrastructure and communication as well as increased globalization and that they don't take into account the extensive trade margins (Boisso & Farrantino 1993; Eichengreen & Irwin 1998; Brun et al., 2005; Felbermayr & Kohler 2006, Coe et al. 2007, cited in Magerman 2015; Leamer & Levinson 1995, cited in Bleany 2013). Notwithstanding these contradictory results, there is ample evidence that point to distance as a trade deterrent thus posing difficulties for countries geographically farther from each other.

The far and long distance between the Philippines and Turkey was in fact mentioned by Volkan Yüzer, Turkey's Foreign Economic Relations Board Regional Coordinator for its Turkey-Asia Pacific Business Councils (DEIK) in August 2016, as one of the major difficulties that compound the weak and inadequate knowledge of what Turkish products best meets the Philippines' market. He explained that the far distance increases the logistical costs which isn't yet matched by their trade volume. A study by Djankov et.al in 2006 showed that distance reflects logistical difficulties where "each additional taken to move the goods from warehouse to the ships reduces trade by at least 1 %" (cited in Deluna & Cruz 2014).

This assessment is corroborated by Deluna and Cruz' (2014) study that demonstrated how merchandise export flows of the Philippines was significantly affected by the distance between sixty nine of its trading partners, their incomes, and market sizes from 2009 to 2012. Their study included countries based on their relative importance to Philippine merchandise exports. It showed those countries that were within the five thousand kilometers linear distance from the Philippines like its

Southeast and East Asian neighbors Japan, China, Singapore, South Korea, Thailand, Malaysia, Taiwan, and Vietnam had higher concentrations of merchandise exports accounting for 70 % of total merchandise exports. Those countries farther in distance by five to 10 thousand kilometers accounted for only seven % in total merchandise exports. The exception was the United States which was even farther and within the 10 thousand to 15 thousand kilometers distance range which garnered 23% of total merchandise export. This was attributed to the close and long-standing relationship between the two countries strengthened through bilateral trade agreements. Their findings confirmed that farther distance ranges reduced the market share of Philippine merchandise exports. It also revealed the higher transport, communication and transaction costs incurred due to the greater distance where a percent increase in bilateral distance, decreased export flows by 1.21% (Deluna & Cruz 2014).

Similarly, Civan, Genç and Atakul's (2013) study found a negative relationship between trade volume and geographical distance. Countries that were 10% farther away from Turkey than others have 7.9% less in total trade volume, *ceteris paribus*. The authors posit the higher transportation and communication costs deterring more and higher trade (Civan, Genç & Atakul 2013). There naturally were exceptions where the geographical distance among countries didn't constitute an obstacle for the development and enhancement of trade relations, as in Turkey's trade with Indonesia, another Southeast Asian country and farther than the Philippines in distance. The confluence of other factors like their long cultural bonds and historical ties plus the possibility of having stronger institutional frameworks and capabilities or the complementarity of their products can supersede the far distance as a challenge and trade deterrent.

#### **4.9 Intense Competition**

Intense competition is another cause for concern though its effects on the trade relationship between the Philippines and Turkey are not outrightly visible. Since Turkey has become an emerging market with increasing clout beyond its regional neighborhood because of its soft power initiatives in Asia Pacific, competition among Southeast Asian countries seeking to expand traditional and non-traditional markets for its goods and services and attract concrete investments is a reality that

has to be thoughtfully addressed. The Philippines has to work hard in marketing itself and its offerings given that Malaysia and Indonesia enjoy stronger religious and cultural bonds that extend themselves to the economic spheres. These countries offer some products similar to Philippines exports like coconuts and palm oil. Likewise, Japan, Singapore, China, and Pakistan share longer bilateral and informal histories with Turkey, some dating back to the Ottoman era, and which provides some advantages. The road to larger market share should not at least strain current relationships.

Likewise for Turkey, the competition has manifested itself in its intent and attempts to gain a wider market share for its wheat or meslin flour exports to the Philippines. Wheat or meslin flour is the top Turkish import commodity to the Philippines accounting for \$70 million US dollars of its imports (Department of Trade and Industry Export Marketing Bureau, cited in Philippine Embassy Briefing Paper, 2016). The Philippines also imports wheat from the United States and Australia. But in 2012, the local flour millers alleged Turkish flour dumping against WTO policy where it was reportedly sold at lower prices compared to Philippine local flour. The Tariff Commission imposed anti-dumping duties to 13 Turkish firms ranging from 2.87 % to 16.19 % of the shipment price after investigating the allegations in November 2014 (Domingo 2014)<sup>12</sup>. While the more obvious issue at stake here is the effects of anti-dumping duties on future trade exchanges, the underlying cause for such was the attempt to gain wider inroads into the Philippine market. Managing the competitive market situation warrants striking a delicate balance in maintaining healthy relationships with its neighbors and trading partners.

#### **4.10 Specific Strategy or Lack of it**

Categorical declarations of a strategic partnership expressed by former Prime Minister Davutoğlu and former President Benigno Aquino's assurances of continued

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<sup>12</sup> Anti-dumping measures are trade protection mechanisms under the WTO. If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be "dumping" the product. WTO agreement allows governments to act against dumping where there is genuine ("material") injury to the competing domestic industry. In order to do that the government has to be able to show that dumping is taking place, calculate the extent of dumping (how much lower the export price is compared to the exporter's home market price), and show that the dumping is causing injury or threatening to do so (WTO 2012).

support in 2014 implied that such has already been achieved and currently exists. While the enhanced and steady relationship status that emerged during the current residential period of its bilateral relationship is a positive outcome of reciprocal efforts throughout the years, the bleak totals and erratic nature of trade exchanges belie it. The question of whether this relationship has indeed reached a strategic level begs to be asked and qualified.

But what exactly constitutes a strategic partnership? How is this different from the current status of the friendly but more active bilateral relationship the Philippines shares with Turkey? Sometimes used interchangeably with alliances, it entails the collaborative and cooperative efforts of both towards a common goal by complementing each other's strengths (Villaruel 2015). On the other hand, Villaruel (2015) further clarifies that an alliance implies a security-oriented, binding political and legal relationship geared towards a specific objective directed at a third party.

As a strategic partnership in international relations is often equated to a security and defense-oriented agreement between countries, it thus reflects a formal bilateral relationship more important than others. Amador and Credo (2015) define a strategic partnership to mean "an elevation of bilateral exchanges that creates room for bilateral strategic dialogue mechanisms that are conducted in the ministerial-level. It is comprehensive and includes economic, functional and socio-cultural cooperation". It warrants a convergence of interests based on common values and goals and developed through an intentional process where resources are shared and complementary strengths are leveraged to achieve the goals (Rai 2016; Kuder n.d., cited in Terizakis & Yu 2016). Its overarching goal is a progressive relationship that extends to their peoples' living conditions (Amador & Credo 2015).

There are already existing elements of such a partnership between the Philippines and Turkey but more waits to be done. The relationship's foundation requires a more solid and sturdier base. The economic pillars of the bilateral relations remain underdeveloped. Nonetheless, the parties hope to further economic ties by developing new projects under this framework. As strategic partnership is often loosely used as diplomatic jargon, it cannot just be agreed upon on the basis of expediency. It thus becomes incumbent upon both countries to ascertain what it

really means to be strategic partners. Underlying this is the immediate need for a more refined and well-crafted strategy that clearly defines its priorities and long-term targets vis a vis each other. This strategy will serve as a concrete roadmap outlining the responsibilities and the steps to take to cover which areas or sectors can be realistically targeted. The one billion dollars trade volume target stated by former Prime Minister Davutoğlu is very specific that awaits the strategy outlining the steps and mechanisms to achieve it.

In light of their different commitments to other trading partners, how important are they to each other in terms of what each can offer economically, socially, culturally, and politically? For instance, how can Turkey harness its bonds with the Philippines' Muslim minority to generate more socio-cultural and economic opportunities that can replicate itself beyond the Mindanao region where Filipino Muslims mostly reside? How can both enhance the commonalities apparent in their diverse cultures, like their strong family values or even their religious orientation within the context of their secular societies, despite the Philippines being dominantly Catholic and Turkey having a Muslim majority? These are just some questions that can and must be further explored to help identify and craft the suitable strategy in elevating its relationship to a strategic level. Without a strategy, the responsibilities and process can be easily muddled or falsely interpreted.

#### **4.11 Corruption**

It goes without saying that corruption is very challenging for trading countries. Corruption is defined here as the abuse of public or private office for personal gain (Asian Development Bank 2000). Unfortunately, customs administrations of transitional economies are often plagued by this problem and thus have been ranked amongst the most corrupt government institutions (Transparency International 2008, cited in Ndonga 2013). Within the customs administrations, corruption involves customs officials' misuse of power for private gain. While no country is corruption-free, both the Philippines and Turkey are familiar with the problem as they have been plagued with it in the past or are still battling the issue.

Corruption in customs administrations takes various forms and is categorized by Hors (2001) as either routine, fraudulent or criminal corruption (cited in Ndonga 2013). These vary from country to country ranging from bribery, extortion, nepotism, cronyism, embezzlement, kickbacks or unauthorized commissions, patronage, diversion of public revenues, theft of government assets and smuggling. It can also sometimes assume characteristics specific to a country like scams perpetrated by customs personnel with accomplices from logistics, shipping, warehouse companies and the like. Examples of routine corruption are bribes demanded for normal or routine procedures to expedite the clearance of shipments. Delays are done deliberately like when personnel wittingly complicate the clearance process to compel “grease payments” (Hors 2001, p. 59, cited in Ndonga 2013). They disseminate important information piecemeal or require unnecessary actions. Fraudulent corruption is exemplified through misdeclaration, misclassification or wrong import or export valuations, and operators seeking customs personnel’s approval of their dishonest actions. This results to reduced revenues from wrong calculations of duties for misclassified or misdeclared products. Usually, bribes or kickbacks are used to facilitate customs’ cooperation. Criminal corruption also entails bribes to allow operators to bring in or smuggle illegal stuff like drugs, arms and other goods or substances (Ndonga 2013). Other cases involve the large scale pilferage of goods from security or public-bonded warehouses.

Corruption hampers trade and economic growth on local and global levels (Reinsch 2008; deJong & Bogmans 2011; Thede & Nils-Ake 2012). It distorts markets, increases trade costs and causes trade inefficiency (Deluna & Cruz 2014). It causes unreported trade, deprives government of revenue, and reduces trade such that it causes cynicism and lack of confidence – risk-averse or frustrated traders may opt out of doing or continuing business in a country where it is prevalent and unchecked (De Jong & Bogmans 2011). The risk of attracting traders with lower quality and ethical standards becomes higher because of this. It also hinders and slows down trade transactions as search costs of finding honest business partners surge (Thede & Nils-Ake 2012).

The causes of corruption vary depending on a country’s particular situation. However, it is usually systemic and embedded in a country’s history, bureaucratic

traditions, and economic policies and is relative to the particular state of affairs (PREM 1997, p.12, cited in Ndonga 2013). In both the Philippines and Turkey, the customs administrations are commonly perceived as the most corrupt sectors in government.

#### **4.12 Other Challenging Factors**

There are still other challenging factors that by themselves seem minor and without obvious immediate effects thus not requiring urgent responses. However, its cumulative effects can be detrimental if completely ignored and neglected. Some of these are more evident and heightened in the Philippines but not necessarily unique or confined to it. These may also be occurring in Turkey but may assume a different form or in reduced levels or degrees of incidence. Nevertheless, their repercussions on their trade relations should not to be dismissed.

One of these factors pertains to the frequency of changes of policy and regulations of the customs regimes. For instance, it should be expected that customs reforms shall be a continuing process in the Philippines as it strives to improve the bureaucracy and as such, changes undertaken may be disruptive. Moreover, political and economic events naturally affect trade and the constantly-changing environment can be manifested not only in policy but also in procedures and requirements.

Another problem is the quality and level of institutional and administrative capacities to efficiently and effectively handle the complexities of international trade. An efficient system in all areas and phases of the trade process is important but can be rendered inutile in the face of incompetence and poor management abilities to run and implement it. Inefficiency in public institutions and agencies provoke negative sentiments such as low confidence from local and foreign traders (Taningco 2012). Time and resources are unnecessarily wasted because of weak institutional capacities.

Amongst these various issues, there is one other that is specific to Turkey. Since it has also re-energized its ties with several Asian countries it has had formal relations with, it has also started new ones all within the same time frame as part of its overall



Asia-Pacific strategy. It is not uncommon to have formal bilateral trade relations with many countries. In fact, it is beneficial to have many friends and allies. The challenge falls on effectively managing the demands and expectations from these relationships. In Turkey's case, there is the risk of spreading itself too thinly that it overlooks opportunities and potentials from each country. Resources, time, and energy have to be shared and commitments upheld and followed through. This is a situation born out of expanding its efforts in the Asia-Pacific region while also attending to other pressing matters internally and externally such as the Syrian refugee crisis and conflicts in neighboring countries, all of which need to be addressed (Albay 2015; Çolakoğlu 2013).

Given such, Çolakoğlu (2013) posits that Turkey might not be able to allocate adequate time and resources with respect to its long-term Asian Pacific strategy. There is the possibility that it can fall short of the expectations that it has helped build up by stepping up its diplomatic reach-out to many Asian countries. Capabilities and resources under its disposal may not sufficiently match its intent and targets, and this can be reason to not fully deliver on the expectations and commitments it has made (Atlı 2015). By simultaneously rekindling and establishing ties with several Asian countries, while being pulled from all sides by its other domestic and international concerns in the West and the Middle East, Turkey's credibility and reputation are at stake.

These various challenges whether singularly or collectively are no trivial matters. If both countries are to realize its intent of a strategic partnership hinged on strong trade relations, they know well enough not to allow themselves to get derailed or overcome by it. A deft balancing act with due care and diligence, solidly resting on a deliberate and thoughtful strategy and approach, is imperative and certainly warranted. And indeed, as the historical prelude and background has shown, their bilateral trade landscape isn't all negative. There are some worthy prospects that wait to be recognized, accepted and then harnessed.

## **5. WHAT LIES AHEAD: FUTURE PROSPECTS**

The challenges seem daunting but they are not insurmountable. Despite what appears to be many constraints, the relationship between the Philippines and Turkey as a whole has proven to be enduring. This by itself is a testament to what has yet to come. It shows promise not so much due to the expressed intents of both countries, but because its full potentials have not been exploited and have yet to be realized. There is much room for continued exploration, discovery, and maximization of the various opportunities that remain untapped.

This positive outlook is contingent though on whether both countries deem it urgent enough to decisively address the various challenges confronting their trade relationship. The challenges and risks cannot and should not be underestimated. Recognition and acknowledgement are only the first steps that should be subsequently followed by how they will respond to it. Some responses require singular actions, others need collaborative work. If both countries remain purposive, open, innovative, flexible, and committed to deepening the relationship, they will face the hurdles head on buoyed by the prospects for extending cooperation and trade. They can expect more mutually beneficial outcomes that transcend the economic sphere. Fortunately, there are visible signs that both remain encouraged and ready to build on the new openings created by previous high-level official state visits and complemented by private initiatives and projects from both ends.

There are encouraging prospects in some areas that are growth drivers for two-way trade expansion and investment. For one, the Philippines' economic growth has been steadily holding up over recent years despite the global trade slowdown. Dubbed as one of Asia's "fastest-rising economies", it has resiliently weathered a weakened global economy better than its regional peers due to "minimal exposure to troubled international securities, lower dependence on exports, relatively resilient domestic consumption, large remittances from four to five million overseas Filipino workers,

and a rapidly expanding business process outsourcing industry“ (The Economist 2015; Polvorosa 2016). Its improved and sound economic fundamentals and good governance reforms will help the country ride through the domestic issues it is currently facing. This enhances the country’s promising position in the changing environment. It is the ASEAN’s second largest market and thus offers a sizeable share given that 70 % of its GDP is driven by private consumption boosted by its expanding middle-income base with an increasing appetite for quality consumer goods like consumer electronics, clothing and apparel, packaged foods that are not yet domestically produced. This is an enticing prospect that its trading partners can benefit from especially those that can provide high-quality products that are likely to appeal to the growing numbers of discerning Filipino consumers. Its potential to be a leading Asian emerging market is marked by economic growth projections from US\$300 billion in 2016 to US\$700 billion in 2025, becoming a trillion dollar economy in US dollar terms by 2030 (Biswas, cited in Remo 2016).

Other industry sectors in the Philippines should be monitored and closely explored. For example, the country’s furniture industry considered the “Milan of Asia” offers one of the world’s quality and well-designed furniture from the traditional to the casual contemporary to the experimental (Gov.ph, n.d.; Abad 2008). It produces a diversified array of furniture made from wood, stone, bamboo, leather, wrought iron, marble and plastic creatively handcrafted into various furniture parts and products such as leg items for chairs, tables, beds, setters case goods such as cabinets, desks, chests of drawers, kitchen storage units, combinations for building/home fittings, shelves and ornaments (Abad 2008). It can possibly fill in some of Turkey’s need for home and office furniture and decorations, among others that also included energy, construction and natural gas. These needs were pointed out by Ali Eziņ, chairman of the Kayseri Chamber of Commerce in Turkey who joined a trade and investment forum attended by Filipino and Turkish delegates in Manila (GMA News 2012).

Furthermore, others that haven’t gained enough attention in previous years but are worth looking into in the present are the shipbuilding, automotive, and aerospace industries wherein the Philippines assumed the top fifth rank in the global shipbuilding industry, increased vehicle sales, and the aerospace manufacturing industry’s expansion to \$2.71 billion in 2015 (Polvorosa 2016). There are also other

products that offer good prospects to increase trade with Turkey according to Philippine Ambassador to Turkey Rowena M. Sanchez in an August 2016 interview. These include natural organic products, tropical fruits and dried fruit products, and the pili nut (August 2016). While fruits and nuts are some of the Philippine products already exported to Turkey, there is certainly more room for growth. For instance, several tropical fruits like avocados and grapefruits sold in large Turkish supermarket chains like Carrefour and Migros are imported from Peru which is even farther in distance than the Philippines. The pili nut is also gaining more attention internationally and it is a product that is so far only produced and commercially processed in the Philippines (Tradewinds Bicol 2012). It comes from the pili nut tree *Canarium Ovatum* which is native to the coastal areas of Southeast Asia. Most if not all of the parts of the tree have beneficial uses for food, as growing mediums for orchids, as furniture, for perfumes, plastics and printing inks, pharmaceuticals, lacquer, varnish, adhesives, and many more.

On Turkey's side, its geostrategic location and importance easily stands out as the steadiest and continuous factor that is valuable for increased trade and commerce. Its unique natural position provides a vital link from the West to the East as it serves as a gateway to Europe, the Middle East, North Africa, and Central Asia. In terms of trade and investment, this provides access to more than 50 countries and a wide market accounting for one fourth of the world economy (Ministry of Foreign Affairs n.d.). Through this advantage as a regional commercial hub, Philippine exports gain a wider mileage and exposure in Central Asia, the Caucasus, the Middle East and even Africa. Although the Philippines has ties with these regions and countries, the closer relationship that Turkey has with countries in these regions due to their strategic location presents indirect ways of expanding its marketing reach.

The dramatic transformations that Turkey has undergone throughout the years to become the 17th largest economy in the world with its increasing regional and global influence offer significant opportunities that should not be missed. Foreign trade assumed a larger and more important role in its economy and coupled with its aspirations to become one of the world's ten largest economies in 2023, Turkey is both compelled and motivated to remain alert and responsive to emerging markets like the Philippines. Its status as a "trading state whose foreign policy is shaped

increasingly by economic considerations” as described by Kirişçi (2009), sustains the stimulus to be alert and proactive. This proactive stance underlies its current foreign policy geared towards strengthening its foreign relations through trade and investment (Kalın n.d.). It makes them more keenly aware to not overlook or underestimate the potentials of countries like the Philippines despite the challenges that abound. The need to explore all options in reaching its \$1 billion trade target within five years with the Philippines is high.

Concretely, this proactive attitude is best exemplified in their attempts to increase their wheat exports to the Philippines despite the anti-dumping penalties imposed on Turkish flour exporters in 2015. The Turkish Flour Yeast and Ingredients Promotion Group (TFYI) led by its chairman Turgay Ünlü hosted a delegation of Filipino journalists in January 2017 to debunk false allegations of the inferior quality of Turkish wheat (Flores 2017). He updated the group about the new quality-certification system for flour that would be first implemented in the Philippine market. He also shared that free Turkish flour shall be distributed to industrial producers and bakeries for various quality tests and trials as part of this plan this year (Flores 2017). The Turkish Exporters Assembly representatives who also joined these meetings emphasized the range of other products such as textiles, garments, and even weapons that could be bought from Turkey. This type of lobbying and promotion was not the first time that Turkish businessmen have done such. But it is significant as it clearly illustrates how these determined efforts embody the Turkish government’s broader vision and resolve.

In the final analysis, these are all tantalizing prospects that can be realized. It depends though on a stronger intent matched with a clear vision, specific strategy, and realistic action plan that take into account its priorities on what to address first and the specific steps outlining how to address them. At present, both countries are capable of building upon these opportunities that can certainly strengthen the relationship towards becoming a true partnership where their economic interests should be continuously expanded.

## 6. CONCLUSIONS

This thesis was intended to be an exploratory investigation, attempting to draw deeper insights on the bilateral trade relations of the Philippines and Turkey using a historical perspective and applying this to know and understand the various challenges that have been impeding a more robust trade exchange. It traced its origins, the ebbs and flows of the relationship, focusing on the domestic economic and political conditions of each country, against a broader global contextual backdrop, to make sense of its long-standing sluggish character and minimal trade volume. It brought to the fore some of the opportunities and prospects to grow trade between them beyond the narrow range of products and markets that have dominated its exchanges.

Through the years, this relationship has undergone substantial changes, evolving from its initial cordial status to a dynamic one that is now more cognizant of the frailties surrounding it. Its dynamism is reflected in the continuous efforts to find how best to overrun these frailties and aptly seize the opportunities. However, to date, the bilateral trade relations of the Philippines and Turkey remain underexplored and prone to erratic tendencies that earlier characterized it. The more recent declines in trade volume are temporary and can be expected to rebound as it has always done previously. There is promise because throughout 67 years, its relationship has proven to be enduring. However, a more consistent and predictable growth rests on how and when the challenges can be resolutely addressed.

The historical review gave many insights on the development of trade between them. It showed that the status of a country's economic and political conditions is essential for trade relations to thrive and flourish. It also revealed parallel patterns that pointed to where some of these vulnerabilities lay - some were inherent in weak institutions, others were systemic, others were bred by the internal and external events that

unfolded, and in some instances, it was unaffected and independent of these external events.

It explained that both have been besieged by critical political events and crises that either undermined or propelled their growth at varying points in time. As late developing countries, they shared broadly-defined trajectories that ascribed to the western blueprint to modernization designed by international financial institutions like the IMF and the WB. Responding to globalization trends, they both took similar paths towards industrialization - transitioning from restrictive and protectionist trade regimes in the early decades of their relationship towards liberalization, an outward-oriented industrialization strategy, and a freer, open market economy. In the process, they also adopted substantial economic, trade and investment policy reforms that brought progress and development, albeit in varying degrees. The reforms improved resource allocation, increased productivity, enhanced competitiveness, and enabled greater integration in the global markets.

But these outcomes fell short and did not fully reach the potentials of trade relations of the Philippines and Turkey. It also remains to be seen whether these reforms are really sustainable and to what extent they have been implemented. The transition process from the protectionist regime to an open and liberalized economy has been littered with difficulties. These difficulties extended themselves and naturally affected their trade relations. From the beginning to date, various hurdles have weighed it down and still bars it from being maximized. As we have seen, trade relations do not and cannot exist in a vacuum and as such, it remains embedded in its domestic and global environments. Thus, the economic and political scenarios in each country mold the shape and form in which some difficulties are manifested. In the Philippines, the government's anti-drugs campaign is generating political controversies with economic repercussions. In Turkey, its over-all security is under threat from local and foreign terrorists.

Growing global uncertainties and the current international trade slowdown will likely persist. Moreover, a comeback of protectionist policies is being felt which negatively affects engaging in preferential and multilateral trade agreements for increased market access. Cultural factors like language differences incur additional resources

and time and dampen trade exchanges. Administrative delays in processing tabled agreements by joint working committees slow it down. Similarly, the low level of knowledge and understanding of each other's markets and products conceals the available opportunities. Where inefficient and weak trade facilitation measures can be expensive and counter-productive, non-tariff measures can be complicated, inequitable and insular in spite of its intentions for reliable quality and standards. Trade barriers such as quotas and tariffs remain though at reduced or zero amounts depending on whether a trade agreement exists. The Philippines and Turkey do not have a free trade agreement as the level of trade remains discouragingly low. Furthermore, the geographical distance between them negatively impacts trade and discourages those small and medium enterprises who are increasingly engaged in foreign trade. Although this, like cultural factors, can be contravened by technological advances, good communication, infrastructure, transportation, efficient trade facilitation and the potential of high trade volumes, it is considered a primary obstacle for now.

Competition is intense in free and open markets and for the Philippines, this means grappling with the realities that its regional neighbors just might have what Turkey needs at better prices and conditions than it currently offers. Or in Turkey's case, it has to contend with resistance from local flour millers and the long-time wheat trading partners of the Philippines. All these put together are corrosive whether singularly or collectively to trade relations but shortcomings in trade policy and the lack of a clear and specific trade relations strategy can derail it further. Identifying and describing all these is necessary not only to define their value to each other in the larger context of its relationships and alliances with other countries in the region, but to map out the steps towards a common goal.

These challenges can blur the economic outlook and dim the chances of current prospects. But so far, these have not been a deterrent for both countries to see that there is indeed a larger picture. There are potentials waiting to be tapped. And both countries are more aware of it now than before. The enduring nature of its relationship that has since been imbued with more determination from both sides plus the economic potentials of the relationship can keep it positively moving forward. This is its saving grace for now.



## **6.1 Recommendations and Implications for Future Research**

Each of the challenges described entail a parallel response but which can also be part of an integrated and well-thought out specific strategy to develop the bilateral trade relations of the Philippines and Turkey. In the broader scheme, starting with a clear strategy supported by a realistic action plan is the bottom-line requirement towards achieving the strategic partnership both countries aspire for. This strategy can draw from each country's medium-term development plans – the Philippine Development Plan 2017-2022 and Turkey's Vision 2023, as its general blueprint and which strongly resonates with each one's goals and aspirations. It should include a thorough appraisal and assessment of the relationship from all angles and specify its objectives and the steps to address the various obstacles that hamper its growth.

Aside from this, it is necessary to continuously drum up more interest in each other. Sustained interest leads to wanting to know each other more deeply on those aspects that matter. Formal and informal ways in more innovative forms should be used for this purpose to have a wider reach. These also lead to cultivating a deeper cultural understanding of each other to help bridge gaps even in the business sectors which undertake trade activities. Bilateral trade relations will benefit from these as cultural nuances are acknowledged, respected, and worked around with if some might be unfavorable. Turkey's initiatives in this area that present opportunities for Filipinos to get to know more about the country and its culture are commendable and should be continued and expanded. Its growing sponsorship of Filipino students through scholarships allows the language to be learned facilitating a more intimate integration into Turkish society. Whether these students opt to work in Turkey or in the Philippines, they will be assets to their employers due to the multicultural perspectives and language skills they have gained in the course of their studies. Universities in both countries should seriously explore exchange programs with each other not only to develop cultural understanding but to generate research studies to aid policy and action planning. Innovative programs and activities that can spark greater interest in each other will also be helpful.

It is also very important to ensure that reforms in the trade regimes that have been proposed previously by scholars and business people but are still pending, be implemented already. These include streamlining of export and import procedures and other components of trade facilitation. Processing and finalizing agreements through the joint working groups and interagency committees should also be attended to with a mindful urgency.

High-level exchanges between official and private representatives from each country should also be maintained and increased. This can ensure that pertinent information culled from all sources are discussed and harmonized if there are discrepancies such as those existing in statistical trade data, for instance. It also reinforces the value and importance that each country has of each other. Despite the ease from technological advancements in communication, person-to-person exchanges offer more opportunities for deeper engagement and results-oriented dialogue.

In terms of future research, the exploratory nature of this thesis opens up many avenues on the same topic alone and beyond it. A more sophisticated analysis of trade performance and relations using econometric models can go a long way in explaining the vagaries of trade relations of the Philippines and Turkey. Various models and approaches can be used to deeply analyze the Philippine export niches in Turkey and vice versa to more accurately identify Turkish products that the Philippines need and imports more or in identifying specific gaps in products and services that each country can better fill in. For example, assessing the position of Philippine exports in the Turkish market by considering the share of the products in Turkey's imports and vice versa is another area that can provide a more complete picture. How this is changing vis a vis the products' share in Turkey's overall imports will also be important. Meanwhile, a theoretical approach will be intellectually stimulating as it can corroborate the many studies conducted highlighting the strengths and weaknesses of the international systems influencing these countries' economies.

Furthermore, because this thesis identifies and describes the challenges plaguing their trade relationship, each challenge can be studied at length for a deeper appreciation of its nature and breadth. Case studies highlighting the specific

experiences of Philippine and Turkish firms involved in bilateral trade can be done to provide concrete examples or manifestations of the challenges described. This can more clearly identify those trade facilitations measures, NTM's, tariffs and quotas as they specifically apply to those Philippine and Turkish exporters and importers.



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## APPENDICES

### APPENDIX A: Bilateral Trade Data between the PHILIPPINES and TURKEY 1989 – 2016

Data from the United Nations Comtrade (UN Commodity Trade Statistics Database)  
and World Bank World Integrated Trade Solutions (WB WITS)  
Data Starts from 1989 onward

Year	Exports	Imports	Total Trade Volume	Trade Balance
1989	3,479,146	8,954,243	12,433,389	5,475,097
1990	5,597,720	7,268,389	12,866,109	1,670,669
1991	5,363,730	2,989,897	8,353,627	-2,373,833
1992	6,351,885	23,407,908	29,759,793	17,056,023
1993	4,993,347	5,488,575	10,481,922	495,228
1994	22,999,927	14,910,207	37,910,134	-8,089,720
1995	3,315,151	28,560,631	31,875,782	25,245,480
1996	5,603,365	46,130,386	51,733,751	40,527,021
1997	6,413,186	27,330,761	33,743,947	20,917,575
1998	11,676,603	16,267,374	27,943,977	4,590,771
1999	9,578,238	11,264,357	20,842,595	1,686,119
2000	12,088,251	15,761,824	27,850,075	3,673,573
2001	7,033,094	12,787,221	19,820,315	5,754,127
2002	11,204,215	15,298,249	26,502,464	4,094,034
2003	12,855,026	27,402,047	40,257,073	14,547,021
2004	22,997,698	36,115,042	59,112,740	13,117,344
2005	35,777,729	30,571,005	66,348,734	-5,206,724
2006	78,711,107	43,437,875	122,148,982	-35,273,232
2007	73,434,354	40,246,495	113,680,849	-33,187,859
2008	63,174,331	97,422,684	160,597,015	34,248,353
2009	33,901,575	84,132,241	118,033,816	50,230,666
2010	61,884	70,082,745	70,144,629	70,020,861
2011	66,373,455	100,612,176	166,985,631	34,238,721
2012	42,159,461	144,196,316	186,355,777	102,036,855
2013	39,349,037	135,609,630	174,958,667	96,260,593
2014	38,909,349	138,095,212	177,004,561	99,185,863
2015	34,853,137	103,873,859	138,726,996	69,020,722
2016	31,610,000	106,682,859	138,292,859	75,072,859

**APPENDIX B: Bilateral Trade Data of the PHILIPPINES and TURKEY 1963-2000**

Data from the Foreign Trade Statistics Yearbook of the Philippines Statistics Authority (PSA)  
Data starts from 1963 onwards

<b>Year</b>	<b>Exports</b>	<b>Imports</b>	<b>Total Trade Volume</b>	<b>Trade Balance</b>
1963	8,137	50,277	58,414	42,140
1964	8,793	80,399	89,192	71,606
1965	24,591	20,438	45,029	4,153
1966	33,932	37,904	71,836	3,972
1967	54,316	70,323	124,639	16,007
1968	0	16,698	16,698	16,698
1969	28,781	123,491	152,272	94,710
1970	1,114,039	80,436	1,194,475	1,033,603
1971	4,240	29,302	33,542	25,062
1972	5,295,954	40,887	5,336,841	5,255,067
1973	27,705	742,305	770,010	714,600
1974	47,946	76,322	124,268	28,376
1975	5,241,655	426,735	5,668,390	4,614,920
1976	2,949,942	287,120	3,237,070	2,662,814
1977	141,422	870,995	1,012,417	129,573
1978	16,125	3,558,241	3,634,366	3,482,116
1979	134,505	682,057	816,562	547,552
1980	142,230	590,901	733,131	448,671
1981	164,849	669,386	834,235	504,537
1982	1,259,748	2,278	1,262,026	1,257,470
1983	8,816,679	34,113	8,850,792	8,782,566
1984	350,144	1,340,643	1,690,787	990,499
1985	353,206	2,582,031	2,935,237	2,228,825
1986	5,009,590	3,000,352	8,009,942	2,009,238
1987	3,209,261	3,793,689	7,002,950	584,428
1988	848,492	6,264,687	7,113,178	5,416,196
1989	3,479,146	8,638,965	12,118,111	5,159,819
1990	5,597,720	8,088,023	10,656,899	2,490,303
1991	5,363,730	5,293,169	10,656,899	70,561
1992	6,351,885	26,830,063	33,181,948	20,478,178
1993	4,993,347	5,983,939	10,977,286	990,592
1994	22,999,927	16,066,489	18,366,416	-13,766,562
1995	3,315,151	18,975,537	20,310,498	-13,640,386
1996	5,603,365	52,997,872	58,601,237	-1,957,235
1997	6,413,186	13,633,88	30,098,194	-17,271,822
1998	11,676,603	13,633,838	25,310,441	-1,957,235
1999	9,578,238	13,316,603	22,894,841	-3,378,365
2000	12,088,251	10,239,516	22,327,767	1,848,735



## Bilateral Trade Data between the Philippines and Turkey 2011 – 2016

Data from the Foreign Trade Statistics Yearbook of the Philippines Statistics Authority (PSA)

<b>Year</b>	<b>Exports</b>	<b>Imports</b>	<b>Total Trade Volume</b>	<b>Trade Balance</b>
2001	7,033,094	10,521,333	17,554,427	-3,488,239
2002	11,204,215	10,867,402	22,071,617	336,813
2003	12,855,026	22,813,949	35,668,975	-9,958,923
2004	22,997,698	22,054,336	45,052,034	943,362
2005	35,777,729	22,413,769	58,191,498	13,363,960
2006	78,711,107	21,315,859	100,026,966	57,395,248
2007	73,434,354	32,549,162	105,983,516	20,106
2008	63,174,331	51,038,210	114,212,541	97,486
2009	33,901,575	52,114,277	86,015,852	22,395
2010	61,884,700	53,369,697	115,254,397	8,515,003
2011	66,373,455	87,783,522	154,156,977	21,410,067
2012	42,159,461	129,265,106	171,424,567	-87,105,645
2013	39,349,037	112,655,251	152,004,288	-73,306,214
2014	38,909,349	101,049,417	139,958,766	62,140,068
2015	34,853,137	89,119,777	123,972,914	54,266,640
2016	31,610,000	82,859,918	114,469,918	51249918

**APPENDIX C: Bilateral Trade Data between Turkey and the Philippines 1969  
– 2000**

Data from the Turkish Statistical Institute (TUIK)  
Data starts from 1969 onwards

<b>Year</b>	<b>Exports</b>	<b>Imports</b>	<b>Total Trade Volume</b>	<b>Trade Balance</b>
1969	32,724	126,082	158,806	93,358
1970	1,825,973	129,931	1,955,904	-1,696,042
1971	21,804	28,033	49,837	6,229
1972	4,578,210	35,515	4,613,725	-4,542,695
1973	22,599	39,098	61,697	16,499
1974	14,081	47,550	61,631	33,469
1975	2,028,938	99,926	2,128,864	-1,929,012
1976	1,422	174,903	176,325	173,481
1977	1,096	1,522,542	1,523,638	1,521,446
1978	19,025	0	19,025	-19,025
1979	49,658	1,000	50,658	-48,658
1980	252,949	0	252,949	-252,949
1981	275,181	1,000	276,181	-274,181
1982	744,155	6,687	750,842	-737,468
1983	203,466	27,253	230,719	-176,213
1984	4,273,477	173,113	4,446,590	-4,100,364
1985	1,604,060	2,205,363	3,809,423	601,303
1986	10,847,044	2,030,828	12,877,872	-8,816,216
1987	4,768,273	1,314,184	6,082,457	-3,454,089
1988	2,532,088	9,048,490	11,580,578	6,516,402
1989	5,830,520	8,954,243	14,784,763	3,123,723
1990	4,946,736	7,268,389	12,215,125	2,321,653
1991	5,305,257	2,989,897	8,295,154	-2,315,360
1992	9,013,477	23,407,908	32,421,385	14,394,431
1993	9,068,026	5,488,575	14,556,601	-3,579,451
1994	13,957,881	14,910,207	28,868,088	952,326
1995	7,943,215	28,560,631	36,503,846	20,617,416
1996	17,183,463	46,130,386	63,313,849	28,946,923
1997	27,233,350	27,330,761	54,564,111	97,411
1998	33,826,591	16,267,374	50,093,965	-17,559,217
1999	27,864,573	11,264,357	39,128,930	-16,600,216
2000	28,555,337	15,761,824	44,317,161	-12,793,513

## BILATERAL TRADE between the PHILIPPINES and TURKEY 2011 – 2016

Data from the Turkish Statistical Institute (TUIK)

Year	Exports	Imports	Total Trade Volume	Trade Balance
2001	35,981,973	12,787,221	48,769,194	-23,194,752
2002	43,577,318	15,298,249	58,875,567	-28,279,069
2003	59,557,934	27,402,047	86,959,981	-32,155,887
2004	111,868,193	36,115,042	147,983,235	-75,753,151
2005	117,331,793	30,571,005	147,902,798	-86,760,788
2006	130,298,142	40,246,495	170,544,637	-90,051,647
2007	196,553,074	97,422,684	293,975,758	-99,130,390
2008	142,256,329	84,132,241	226,388,570	-58,124,088
2009	98,699,367	84,132,241	182,831,608	-14,567,126
2010	107,400,070	70,082,745	177,482,815	-37,317,325
2011	122,311,390	100,612,176	222,923,566	-21,699,214
2012	157,737,496	144,196,316	301,933,812	-13,541,180
2013	135,609,630	181,168,594	316,778,224	45,558,964
2014	113,986,507	138,095,212	252,081,719	24,108,705
2015	115,774,073	103,873,859	219,647,932	-11,900,214
2016	122,374,755	106,682,859	229,057,614	-15,691,896

## **APPENDIX D: Export and Import Products**

### **Top Ten Philippine Exports to Turkey in 2015:**

1. Desiccated coconuts, fresh or dried
2. Storage units
3. Personal deodorants and anti-perspirants
4. Digital monolithic integrated circuits
5. New pneumatic tires, of rubber, of a kind used in bicycles
6. Milk and cream, in powder, granules, or other solid forms, of a fat content, by weight exceeding 1.5%, concentrated other than 040221
7. Carageenan, seaweeds and other algae, n.e.s.
8. Gear boxes
9. Tunas, skipjack and bonito (*Sarda spp.*), whole or pieces, but not minced, prepared or preserved
10. Polyethylene having a specific gravity of 0.94 or more in primary forms

### **Top Ten Turkish Exports to the Philippines in 2015:**

1. Wheat or meslin flour
2. Other medicaments (excluding goods of heading No. 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms or packings for retail sale
3. Coins (other than gold coin), other than sub-item 711810
4. Medicament containing penicillin or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms or packing for retail sale
5. Other shotgun cartridges and parts thereof; air gun pellets
6. Cooking appliances and plate warmers, of iron and steel, using gas fuel or for both gas and other fuels
7. Tobacco, not stemmed or stripped
8. Whey and modified whey, whether or not concentrated or containing added sugar or sweetening matter
9. Coin (other than gold coin), not being legal tender
10. Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferryboats of all kinds

## **APPENDIX E: Interview Questions for the Philippine Ambassador to Turkey\***

1. How did this relationship start? Who initiated the establishment of formal relations between both countries in 1949?
2. What prompted the establishment of formal relations between both countries back then? Was it a result of private business initiatives or socio-cultural engagements by private individuals which the state adopted, or simply an offshoot of mutual intent and foreign policies of both PH and TR governments then?
3. Why did it take 41 years before embassies in Manila and Turkey were established by both countries? Were there any obstacles or problems that prolonged the establishment of embassies in both countries? If yes, what were these problems/obstacles?
4. What were the various activities, events, actions, agreements, or exchanges that marked the following periods in the PH relationship with TR: Were there any specific events that marked each period?
  - a) Non residency period (before embassies were established)
  - b) Residency period (after embassies were established)
  - c) 90's
  - d) 2000's
5. What was the first event, exchange, agreement between the two countries – were there trade and commercial exchanges first or were they socio-cultural or socio-political in nature? Or were they simultaneous?
6. What defines the way, nature, or direction on how the Philippines forges and nurtures its relationship with Turkey?
7. How would you characterize or describe the relationship of Turkey and the Philippines before the embassies were established? After the embassies were established until the early 2000's?
8. How would you characterize or describe their current relationship – in the economic sphere, political, socio-cultural aspects?
9. Can the relationship between the PH and TR be measured? If yes, in what ways? What specific indicators can be used to support your description of their relationship?

10. Are there more than the three existing signed agreements between PH and TR that are being discussed and negotiated (Air Services Agreement, Agreement on Economic and Technical Cooperation, Avoidance of Double Taxation)? What are these?
11. Have these treaties been effective in enhancing relations? If yes, in what ways?
12. What other measures and actions do you know of that have been taken to implement and concretize these treaties and agreements to generate concrete outputs in trade, commerce, etc.?
13. What is the status of these agreements and treaties between these countries? Are they time-bound?
14. How do you think the coup aftermath will affect the relationship between both countries?
15. How will the current political developments in TR affect bilateral relations with PH in particular?
16. What are the current obstacles to the bilateral relations between the two countries from the Ph perspective? How can these impact trade in particular? Please be specific.
17. How are these being addressed?
18. Did the flour dumping issue and the subsequent decision of punitive tariff by the Tariff Commission reduce interest in trade ventures in PH?
19. How do the socio-political and cultural engagements and exchanges with TR affect its current economic relationship?
20. What are the concrete economic prospects for Turkey in the Philippines and vice versa in the current period?
21. Are there many opportunities for the private sector of the Philippines to penetrate the Turkish market? If yes, what are these? In what areas or fields?
22. What does the Philippines hope and expect from its relationship with Turkey given the current developments?
23. Will there be a shift or change in foreign policy under the Duterte Administration? If yes, how would this affect previous initiatives, projects, and actions?

24. How can trade between the two countries be improved? Are there any specific requirements or requests by either country for trade to increase?
25. How does the Philippines hope to compete for Turkish investments and increased trade amidst competition for the same with other Asian countries?

\*Rowena M. Sanchez, Ambassador

Philippine Embassy

Çankaya, Ankara

Interviewed on August 12, 2016

\*Roberto Ferrer, Consul General

Philippines Embassy

Çankaya, Ankara

Interviewed on August 12, 2016

## **APPENDIX F: Interview Questions for Mr. Volkan Yuzer\***

1. What defines the way, nature or direction on how Turkey forges and nurtures its relationship with the Asia Pacific region?
2. What are the determining factors that guide your council in identifying which country to trade and invest in? Are there any criteria or specific requirements which guide your council in identifying which country to trade and invest in?
3. What are the procedures and steps that a business organization have to follow once a trade agreement has been reached between two countries? Can you provide a specific example in one country where these steps have been fully implemented?
4. What have been the previous programs and projects of DEIK in the Asia Pacific region – specifically in Southeast Asia in the recent years?
5. What are DEIK's current plans, programs, and projects for the Asia Pacific region?
6. How do you think Turkey can manage the simultaneous expectations and intentions for increased trade and investment among the Southeast Asian countries it has bilateral relations with (Singapore, Malaysia, Thailand, Cambodia, Vietnam, Philippines, Indonesia)?
7. What have been the previous obstacles or issues that have affected Turkey's trade with the Asia Pacific region / Southeast Asian countries / the Philippines in particular based on your council's concrete experiences?
8. How has Turkey /your council addressed these obstacles?
9. What are the current obstacles and challenges Turkey is now facing in trade with the Asia Pacific region/ Southeast Asian countries / the Philippines in particular?
10. How does it address these challenges?
11. What are the current opportunities or potentials in the Asia Pacific region/ Southeast Asia / the Philippines in particular, that Turkey would like to use, develop, and exploit?
12. How can it use or tap these opportunities and potentials to strengthen and nurture the relations between the countries?

\*Volkan Yüzer, Regional Coordinator



Foreign Economic Relations Board (DEİK)

Turkey – Asia Pacific Business Councils

Interviewed on August 23, 2016

**APPENDIX G: Interview questions for Selçuk Çolakoğlu\* and Altay Atlı\*\***

1. In what ways have Turkey's foreign policy objectives differed over the years and what accounts for these changes?
2. How have these changes impacted on its relations and dealings with countries in the Asia Pacific region?
3. What defines the way, nature, or direction on how Turkey forges and nurtures its relationship with the Asia-Pacific region?
4. What are the highlights of Turkey's foreign policy in the Asian-Pacific region?
5. Are there criteria which guide Turkey in identifying which country to trade with and invest in?
6. (Atlı) What do you mean by foreign policy activism?
7. What defining factors affect Turkey's decision for free-trade agreements with Asia-Pacific countries?
8. Is Turkey on track in terms of its economic goals and aspirations of being among the world's 10 largest economies by 2023?
9. How can Turkey's current relationship with the Philippines be characterized?
10. What are the major challenges/obstacles that Turkey faces in its outreach to Asia-Pacific countries? To the Philippines?
11. How do you think can Turkey further enhance its relationships with the Philippines? With other Asia-Pacific countries?
12. What are the available opportunities in Turkey that Asia Pacific countries like the Philippines seize and exploit?
13. How do you think the recent coup would affect Turkey's relationship with its trading partners in the Asian Pacific region?

\*Professor Dr. Selçuk Çolakoğlu  
Faculty of Political Sciences  
Department of International Relations  
Yıldırım Beyazıt University, Ankara

\*Professor Dr. Altay Atlı  
Researcher/Writer  
İstanbul Policy Center  
Sabancı University

Interviewed on August 12, 2016

Interviewed August 16, 2016



# Irene Mylene P. Anastacio

Gümüşpala Mahallesi Gümüşpala Caddesi  
Avcılar, Istanbul, Turkey  
irmylanastacio@gmail.com



## PROFILE

A dynamic professional generalist with tested leadership and support abilities in organizational development, capacity building, program and project management, resource mobilization, liaison and advocacy, training and module design • Diligent, decisive, flexible, competent, creative, personable, organized, committed • Knowledge and competencies enhanced by multicultural professional experiences in four countries

## HIGHLIGHTS OF PROFESSIONAL EXPERIENCE

### *English Instructor, English Preparatory Program*

Nişantaşı University, Istanbul, Turkey

2015 - 2016

- Taught English listening and speaking skills to a total of 170 students from 8 classes in 3 different levels (A1, A2, B1)

### *Lead Instructor, Leadership and Culture Course, Delightful Istanbul 2015*

Istanbul Aydın University, Istanbul, Turkey

Summer 2015

- Conducted a training needs survey among course participants
- Designed and developed the training modules for 7 out of 10 course topics
- Conducted 7 out of 10 topics of the Leadership and Culture Training Course participated in by 31 students and professionals from 12 countries in Western Europe, North America, and Southeast Asia

### *Organizational Development Consultant*

Metro Manila Philippines

2013 – 2014

- Managed special projects and expatriate employee benefits surveys for the International Civil Service Commission (ICSC) and the United Nations Development Programme-Pakistan (UNDP)
- Provided strategic organizational and logistical support to the Natasha Goulbourn Foundation (NGF), MCS Batch 80 Girls' High Alumni Association, Inc., with rebuilding and consolidation strategies, resource mobilization projects, conflict resolution, and recruitment
- Provided organizational audit and training support to Integrative Learning International, Inc. clients

### *General Manager, Dyno Genserve, Inc., Metro Manila Philippines*

2010 – 2012

- Oversaw strategic and administrative functions of the company
- Boosted clientele satisfaction and patronage by 80% with innovative recruitment, matching, and screening services

- Strategically repositioned the company within the district gaining 75% market share of clients with enhanced job matching and placement services

***Community Liaison Officer, United Nations Pakistan***

Islamabad, Pakistan

2006 -

2009

- Provided direct guidance, support, and information services to 476 United Nations expatriate staff and their families from 19 UN agencies through counseling, print and electronic guides and references, organizing events, and community activities
- Developed, broadened, and consolidated the professional and social network of service providers by 85% significantly mitigating transition and relocation-related stresses of UN expatriate staff and their families
- Developed and designed the concept and content of an online web directory of 900 service providers, a domestic help database with 400 entries, a website comprehensively tackling settling-down-in-Pakistan matters, a weekly e-bulletin with a 2000 mailing list of expatriates and Pakistani nationals, and a quarterly news magazine with a 1200 circulation covering expatriate issues on a shoestring budget

***Emergency Response Administrator, American Refugee Committee International (ARC)***

Islamabad, Pakistan, [www.archq.org](http://www.archq.org)

2005

- Set-up the emergency response personnel infrastructure by recruiting 80% of medical, water and sanitation, shelter and construction professional staff for earthquake relief efforts in only 3 months
- Guided and trained newly-recruited local and expatriate field staff into the Emergency Response Program (ERP) for their quick and smooth integration
- Created detailed orientation guidelines and mapped specific administrative and field task-related procedures for these staff

***Agency Director, Putnam Family Support and Advocacy, Inc. (PFSA)***

Carmel, New York, USA

2003 – 2005

- Expanded its individual and institutional donor network by 85% generating an additional \$105,000 in funds through novel and creative fund-raising strategies
- Recruited and trained new Board members towards sustaining and strengthening Board membership and governance
- Enhanced staff capabilities and performance by 90% by upgrading and institutionalizing a regular staff development and training program
- Integrated a customized donor-tracking and beneficiaries database software program that systematized its fundraising infrastructure

***Executive Director, PH Domain Foundation (PHDF)***

Metro Manila, Philippines, [www.phdf.org.ph](http://www.phdf.org.ph)

1999 -

2002

- Established the PHDF as a corporate foundation for sister companies, Dot PH and the E-Mail Company (EMC) from scratch with Board development and recruitment,

formulating and directing its fundraising, staffing, training, social marketing, program development and implementation, and administration

- Mobilized \$45,000.00 or its Philippine Peso equivalent of \*P1.9 million through grant proposals and generation of in-kind donations for program requirements
- Developed a volunteer development program within its mother corporations with about 80% employee participation in service delivery

***General Manager, E-Mail Company and Dot Ph***

Metro Manila, Philippines, www.dot.ph

1997 – 2002

- Recruited, hired, and trained 40 office staff in various positions
- Reduced staff turnover from 80% to 10% in 3 years with an optimized organizational system
- Reorganized sister companies towards shared internal functions and services maximizing resources by 85%
- Developed customer support strategies and systems reducing client churn by 75%
- Negotiated multi-million-peso agreements by 90% with various providers and vendors for long-term professional partnerships
- Provided direct and strategic support to the company president and CEO by concretely articulating his vision to employees and clientele helping unify sister companies
- Served as key liaison and official company representative in the Internet industry alliances during these companies' formative and most critical periods

***Program Administrator, Confederation of Urban Poor Organizations***

Metro Manila, Philippines

1993 – 1996

- Developed and strengthened partnerships with government agencies, local and international organizations, and the private sector
- Mobilized \$113,200 or its Philippine peso equivalent of P4.7 million through grants and pledges from support groups for the urban poor
- Oversaw the implementation of integrated welfare and education programs in 30 urban poor communities city-wide

***Projects Officer, Association of United and Free Women, Inc.***

Metro Manila, Philippines

1987 -1992

- Raised a total of \$226,415 or its Philippine peso equivalent of P12 million for various women and children programs through grants and a fundraising telethon campaign in Oslo, Norway
- Supervised the implementation of various integrated projects for women and children in 7 communities nationwide

**OTHER RELEVANT INFORMATION**

Key organizational representative in various international conferences as speaker/presenter • Participated in local and international trainings on leadership, management, newsletter and press release writing, customer service, campaign management, advocacy work, coalition building, critical incident counseling, cross-

cultural awareness • Served as the UN Club Pakistan's Board of Trustees' Vice President • With published works

## **EDUCATION**

**Candidate, Masters in Business Management**, İstanbul Aydın University, Turkey  
**B.S. Psychology**, University of the Philippines, Diliman, Quezon City  
**Professional Teacher's Certificate**, University of the Philippines Open University (UPOU)  
**Teaching English as a Second Language Certificate Course (TESOL)**, TESOL Philippines

