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Internatıonal Trade Barrıers and their Effects on E-Commerce Busınesses in Turkey

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Abstract:- This study aims to understand the international trade barriers that affects e-commerce businesses in Turkey. Firstly, it does a literature review of some of the major traditional theories in international trade such as mercantilism, absolute advantage, comparative advantage, and H, O model (Factor Endowment of K, L). Next, it studies some major regional blocks and seeks to understand how the countries in these blocks manage to go pass their trade barriers and problems to successfully engage in meaningful economic cooperation with each other. In the same light, it studies the trade barriers that Turkey might be suffering with the aim of knowing why they exist and what the effects are in the Turkish e-commerce. Lastly, it presents its findings from a quantitative case study analysis done with a series of companies were administered questionnaires. The results of the study summarise this researcher's earlier thoughts that trade barriers actually have a debilitating effect on e-commerce in Turkey. Lastly, the study proposes some solutions to help solve the issue.

Keywords:- *İnternational Trade, Trade Barriers, Turkish E-commerce, Trade Theories, Classical Theories, Modern Theories.*

I. INTRODUCTİON

Its amazing how much technological advancements have made life easy and have worked a great deal to unite humans in areas unthought of before. Trade has become easier, accessible more feasible than it was before and international boundaries almost don't exist in some regions. As a matter of fact, some borders have moved from solid to liquid and this has made human relations easier and the successes on human and state development plenty. Schöfberger (2019) is of the opinion that most European nations have tirelessly fought to move from solid to liquid transnationalism. However, though much good has been gotten from the benefits of globalization, the political barriers that have resulted in the expansion of trade are also overwhelming. A good example of a barrier to trade that has solidified borders and trending on the medial is the US-Mexico border wall of president Trump. CNN (2016) reveals that though some of the wall separating the US and Mexico has been built, there is still much to achieve across its 1,900km border.

This study shall review trade theories established over the ages that have shaped business and political relations whose results today are apparent. The theories shall be used to attempt an explanation on today's complex trade and economic relations. Next, research findings shall be used to explain the challenges Turkish companies face when doing business and it shall end with recommendations that might benefit the Turkish market and ease businesses.

II. CONCEPTUAL REVİEW

- *Mercantilism*

This theory is believed to be one of the oldest theories on the planet dating back to the 15th century and sailing through to the 18th century. The most overwhelming proposal of the theory suggests that in times past, the wealth of nations were measured by the quantity of gold and silver amassed. Tribe (2014, pp. 1-14) views that state capacity then was measured by land and by the quantity of jewels such as gold and silver it could amass. One thing of significant importance to note about this theory is that its of the assertion that gold and silver are scares and hard to find. Therefore, the race to get as much as possible in order to maintain the status quo is indespenscible otherwise one finds himself stuck to serving others. Economics (2012) adds that mercantilism holds on the concepts of "bullionism" and "protectionism". What this means is that states might be on the ploy to do anything they can to get gold and silver even if it means bullying other states. This might also include those that might have acquired some but may have little state strength to protect their wealth. As such any powerful state on the prowl of these riches, would do anything possible to keep possess these resources. In addition, states in the yesteryears, had to come up with a complex system of international trade and bilateral exchange whereby the exchange of needful goods and services would equate the returns of gold and silver. Sometimes these were done rather forcefully with the central operating system coordinated by the state and it developed a concept some scholars call "neomercantilism" (Hettne, 1993). Mercantilism is one of the first theories to demonstrate the role of the state in the economy and in foreign policy (Economics (2012). As a matter of fact, Economics (2012) proposes a basic

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definition of mercantilism to be “that the primary duty of the state is to enhance and maintain both national wealth and national power”. In addition, state control in the economy lies at the epicentre of mercantilism. This means the more export a state makes to another the more its goods would leave the country. In return the importing state will have to export gold and silver to the exporting nation. So, the exporting nation makes more gold through export while the importing nation continuously spends most of its gold and silver in import. As Hettne (1993) argues, neomercantilism is totally against the import of goods and services. He continues that it strongly advocates for continuous export in order to maximise the most gains possible. Thus, the nutshell about mercantilism rests on maximum exports and the maximum acquisition of gold and silver regardless of the cost and route taken. Bridging World History (2014, pp. 3-4) adds that “mercantilism was based on the use of government intervention to promote the accumulation of profits, which was believed, would secure the prosperity and self-sufficiency of the state while benefiting those who contributed most to it, the urban commercial elite”.

➢ *Absolute Advantage*

This theory was developed by Adam Smith (1176) who is considered one of the founders of modern international trade. Infact, Schumacher (2012, pp. 54-80) thinks that the theory of absolute advantage is nothing else but international trade and the complex economic relations that might result from it. Furthermore, he continues that Adam Smith is no doubt the founder of modern economics but laments that he hasn’t received so much recognition from today’s scholars as well as practitioners of economics. Hunnicutt (2007, pp. 3) believes that absolute advantage summarily is all about financial wellness and adds that when properly applied, it carries health benefits and assures comfort from the political goods dispensed. The quality of political goods ofcourse, would depend on the regime type and the fervency of their governance. Nations that have a strong economy do not fear to take risks in investments and most times, these investments some of which might be long term, bring no small gain to the countries. In fact, the stronger the financial capacity of a state, the bigger its risks and the greater are its investment abilities. However, smaller or financially weaker states may fear to take these risks and may be busy counting their losses instead of daring again.

The basic argument of Adam Smith (1776) in his famous “Wealth of Nations” is a shift from the mainstream mercantilist argument that reigned at the time. As stated above mercantilism might be regarded as a theory that promotes a very selfish minded intent that seeks to enrich the powerful practitioner at all costs while at the same time keeping his competitors in perpetual bondage and poverty. Schumacher (2012, pp. 54-80) thinks that Adam Smith might have come out with the thought of educating the state about the gains of spending on consumers and not just on producers. While mercantilism insists on the exporting power of the state to gain wealth, Adam Smith thought otherwise and proposed the consumption capacity of citizens as well. His theory considers that while the state maintains its foreign policy of making so much money through trade, it could at the same time, purchase goods from partner and friendly countries at a lower price and at a good quality in order to assure the quality standards of its population. Schumacher (2012a, pp. 54-80) adds that division of labour is essential and leads to quantitative and qualitative production improvements. He adds that according to Adam Smith, when states promote domestic production economic growth and national wealth increases considerably and by these, states find the capacity to meet up with the wants and needs of their citizens. Another great benefit of this is that it has an effect on output and productivity which increases as well.

Schumacher (2012b, p.22-25) adds that Adam’s Smiths theory clearly states that countries that invest in their local production will turn to experience a positive change and an increase in their living standards when they specialise in particular goods and services. He adds that countries with a higher production per lower labour capital will turn to produce a particular good and would prefer to buy goods from other countries that have the same absolute advantage in production. In that way, if both countries turn to get into bilateral trade, they will simply exchange their goods with each other and at the end both countries, will have their productions in each other’s territory. In a nutshell, the theory encourages countries to specialise as that will deepen their wealth making capacity. More so, it will prevent them from spending resources in producing goods that require higher labour and capital factors of production.

➢ *Comparative Advantage*

This theory is another building block and the theories of international trade bringing with it deeper explanations of what practices might promote the wellbeing of states. Schumacher (2012b, p.22-25) is of the opinion that this theory was founded by David Ricardo and it happens to be an extension of Adam Smith’s theory. Free trade centers in the discussion of this theory and claims that countries stand to benefit from it if properly done. Econlib (2019) is of the opinion that everyone stands to benefit from international trade if they pay attention to their skills and abilities and buy other goods and services from countries that can produce them with a low comparative advantage. Faccarello (2015) thinks that two important concepts define the production capacity of states which also has a direct effect on international trade. They are labour and capital which according to him do not have the same attitude between countries. That is to say the movements of these two between countries internationally greatly differ from their mobility domestically. Furthermore, he focuses on the theories of domestic trade theory and the theory of labour value. He adds that the labour value most times determines the labour prices and therefore, the relative value of commodities. To explain this principle, he cites Ricardo the father of comparative advantage who used two countries with different production capacities to explain his point. He used England and Portugal which produce cloth and wine. According to him both countries had the capacities to produce both but differed in their labour capital. That is one country spent more on producing one of the good than the other. Therefore, he summarized that the countries should specialize on the one whose production they master the most and they can produce without spending much capital. In a paraphrase, England should concentrate more on cloth and Portugal on wine. So countries with higher comparative advantage should specialize and trade with others what they can produce as well as buy what the other can produce at a lower cost.

➢ *H, O Model (Factor Endowment of K, L)*

This model was named after Eli Hechsher and Bertil Ohlin of Swedish origins. Hence, the abbreviation of their last names H, O. Apparently, this theory is a building block on Ricardo's comparative theory of international trade. UK Essays (2015) summarizes that "Eli Heckscher (1919) and Bertil Ohlin (1933) base their assumptions on the basis for crucial and substantial theoretical developments of international trade by emphasizing the relationships between the composition of countries' factor endowments and commodity trade patterns". According to Mediawiki (2010) "the model demonstrates that a country will have a comparative advantage in producing goods that are intensive in the factor with which it is relatively abundant". It may not be wrong to think that the growth of technology which might be shifting labour from solid to liquid might have a strong effect on the global economy. This may also mean the differences between goods in the market simply come from these developed factors of production and countries that have it at their best will make the most of international trade. Since countries differ greatly in their comparative advantage, some may thrive well with labour or capital incentives. Therefore, countries with more labour than capital will definitely export more relative labour intensive goods and will most likely import goods from capital intensive countries and vice versa.

III. REGIONAL BLOCKS

The World has been grouped by countries that share the same identity, spatial space, culture and history or those that see a strong reason to bond. As such, many regional blocks do exist in the World such as the African Union, West African Customs Union, and European Union, etc who in their respects seek to promote their common good. The African Union happens to be one of the most conspicuous regional blocks to be discussed here. It was created some fifty decades ago, and it stands tall as the irreplaceable voice of the African continent under which are many sub-regional organizations. The coming to be of the African Union is as a result of the hardwork of a number of leaders who tirelessly called for the integration of Africa. Even before the declaration of independence, the march for a united Africa was already on and leaders such as Nkwame Nkrumah of Ghana, Sekou Toure of Guinea and Julius Nyerere of Tanzania were the foremost on the march to regional unity. However, it was only in the 1970s and 1980s that concrete steps were taken to establish the economic integration and creation of multinational institutions in all African sub-regional communities (Niekerk, 2006, pp. 1-12). Niekerk (2006, pp. 1-12) continues that some of the advantages of these regional blocks are that they foster trade, increase the likely hood for competition, diversification and hence specialization, investments, reforms, signaling, insurance, etc. These are paramount in the Millenium goals of the African Union and until they and many more are satisfied, the African Union cannot claim to have succeeded.

Within the African Union there are sub-regional communities that all work for the same purpose of integrating member states and creating a prosperous Africa. One of such sub-regional communities within the African Union is the Economic Community of Central African States (ECCAS – CEEAC, French acronym). International Democracy Watch (2012) writes that "ECCAS is an organization for promotion and of regional economic co-operation in Central Africa. Similarly, one of its objiectives is "the collective autonomy, raise the standard of living of its populations and maintain economic stability through harmonious cooperation".

The founding countries according to International Democratic Watch (2012) are in total eleven and they are "Gabon, Cameroon, the Central African Republic (CAR), Chad, Congo Brazzaville and Equatorial Guinea - and those of the Economic Community of Great Lake Countries (CEPGL), except Rwanda - Burundi and the Democratic Republic of Congo (DRC), as well as Angola and Sao Tome and Principe". Since its creation, this organization has known some serious troubles such as maritime piracy, the rise of armed groups, civil wars especially in the Great Lakes and partly in the Central African sub-region; trafficking, disease, famine and leadership problems related to governance among its member states. However, it has remained put on its mission statement and overall objectives to work for the development and success of the African continent regardless.

Another supporting regional community organization is Central African economic and monetary community (CEMAC). The economic community comprises of six countries, Cameroon, Gabon, Chad, Equatorial Guinea, The Central African Republic, and Congo Brazzaville. It's headquarter resides in Bangui, The Central African Republic. The sub-regional community was created and "established to promote cooperation and exchange among its members" (International Democracy Watch, 2012b). Trade agreements between the member countries are currently doing fine and the member states were able to grow up to maturity in 2017 when they finally transformed their borders from solid to liquid. Though the liquefaction of borders had been signed as early as 2013, the states were only able to overcome the many barriers they face in 2017. Added to this organization is a sister sub-regional community in West Africa called the Economic Community of West African States (ECOWAS).

The Economic Community of West African States was established by the Treaty of Lagos signed by fifteen West African Heads of State and Government in May 28, 1975 (Economic Commission for Africa, 2018). Noble, (1994) is of the opinion that when fourteen African countries using the Franc CFA foolishly succumbed to its devaluation in the early 1990s it pushed these West African countries to seek for the modification of an already existing organ founded in 1975 (Cernicky, 2004, pp. 1-2) which could satisfy their collective survival. The membership of this community includes the following: Cape Verde, Benin, Ivory Coast, Burkina Faso, Nigeria, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone and Togo (ECOWAS, 2016).

Moving a little away from the African continent, the European Union just like the African Union or the American Union of member states, (EU- henceforth) is both a political, quasi-military and economic union made up of over 28 countries that work hard to build a strong Europe that is capable of facing the challenges of the time. More so, the need to overrun the sediments of the American hegemony is a strong basis to build a more united Europe that will stand the tests of time. The European Union of today was founded by two great warring states, France and Germany that took the lead to create an atmosphere of peace and serenity. Following the democratic peace theory which asserts that two democracies cannot go to war (Mello, 2016, p.2-6), these two countries, saw the need to overcome their imperfections and unite as one. European Union (2018) writes that resistance fighters, lawyers and people from other works of life fought hard to create an organization that will advance freedom of rights and the development of persons. Civitas (2015) adds that the creation of the union was a deliberate attempt to make sure that both France and Germany were never at war again. To achieve this the European Economic Community was created and coal became their foremost trading product. Over the years the community grew from strength to strength and from policy to policy. Today, they have an agenda for dominance and presently, the idea of having a European Army floods roundtable discussions.

➢ *Trade Barriers*

In times past moving from one country to another in some regions was extremely difficult and travellers had to overcome breathtaking checkpoints and some times nagging immigration officers who took no chances. In the same light, custom regulations made it extremely difficult moving goods from one nation to another. Furthermore, they sometimes needed long periods before getting to their destination. Nevertheless, things are constantly changing with the liquidity of borders thanks to Schenghen countries that openned that door for the liquidity of borders (Bellezer, 2013, pp. 1-3). Though much has been achieved with the dissolution of borders between states like the creation of the Schenghen zone (ACS, 2018), and abolition of border checks in the CEMAC region (APA news, 2017) there are enormous challenges many countries still face especially in their business transactions. Thus, trade is constantly hindered by these countries as they follow their national policies of tight immigration and migration controls.

In simple terms trade barriers are limitations imposed on certain products or services by countries in order to protect their productions or promote their own home made products. European Commission (2016, pp. 7) reports that trade barriers could be policies codified by states to impede the smooth flow of bilateral or trilateral (multilateral) trade between countries. In the nut shell, it is a direct intention to restrict international trade (Pettinger, 2017). The European Commission (2016, pp.7) adds that as of 2017 Russia was recorded to have the highest trade barriers followed by Brazil, China and India. Some of the common trade barriers used are tariffs and quotas which are measures on goods and services that states might not want in their home country. International Trade Center (2013) writes that Mauritius just like Turkey, Mexico is one of those countries that practices Keynesianism that is state sponsored economic direction. These countries impose tariffs and quotas on foreign goods in order to protect their domestic productions. Board (2018) adds that India grew to what it is today thanks to its ability to protect domestic companies which today are leaders in Hi-tech, pharmaceuticals and agriculture.

IV. RESEARCH METHODOLOGY

One of the fundamental questions this research seeks to answer is if "international trade barriers have effects or not on Turkey's economy and if Turkish E-commerce industry will do well with or without trade barriers". To answer this question the following testable assertions were made

➢ Proposition 1: Turkey will continue to trade well with a developing economy with or without trade barriers.
➢ Proposition 2: Turkey will not trade well if trade barriers are not dismantled or compromised.
➢ Proposition 3: International trade is meaningless without their corresponding barriers.
➢ Proposition 4: Turkey needs trade barriers in order to bring out their best for national growth and development.

The data collection instrument was designed and it contained a total of about 11 open ended and closed ended questions. The study used the non-probability sampling (Laerd, 2012) which does not require analyzing voluminous data of the respondents to be selected. The respondents selected were entrepreneurs in the Turkish E-Commerce sector. The research questionnaire was administered considering gender equality and respondents were given some time to provide their answers. The instrument was administered in Istanbul, Antalya, Mersin, Konya, Gaziantep, Izmir and Ankara and the sample population was limited to local Turkish E-commerce companies. The researcher chose this sample because reaching those companies in time, distance and language exchanges were easy and less costly. More so, these cities are home to over 85% of Turkish E-commerce companies. In addition, a total of 45 questionnaires were sent out to 45 companies but only 36 came back filled giving an 80% success return in the administration of the instrument. Of the 36 questionnaires 24 were filled by males and 12 by females. This gives us a gender proportion of 66.7 % for the men and 33.3%. Secondly, though optional the respondents provided their ages which range from 25 to 55 years old.

Putting the 11 questionnaires in to place, the representatives from the various companies that is, from company 1 to company 36 were given room for an interactive quesitioning. Each company gave their point of view on the 11 questions taking in to account their day to day activities. Given that most of these companies work on same field and same export and import line, their responses turn out to be similar. In questions 1, the study noticed that Company 1, company 9 and company 16 import the same products. Company 3,12, 14 and 24 are importing same product as well. The analysis was done in this manner, involving all the companies from company 1 to company 36 so as to have a perfect knowledge of what each company or group of companies export as well as the various challenges they face in their daily businesses.

The rest of the questions were analysed in same manner right to question 11. Regrouping companies according to similarity in responses was done in relation to the various trade theories. That is each response or group of responses were analysed and attributed to the trade theories which enabled the reacher to understand the various challenges each of them go through in terms of trade barriers. Looking at the peculiar question like question 3 which seeks to know the main challenge or challenges they face on their daily import or export, a total of 21 companies that is Companies 1 to 12, 14, 16, 18, 21, 23, 24, 29, 30 and 33, were of the opinion that they suffered from high import duties which were seconded by the instability of the Turkish Liras. They shared another worry with the other respondents (19,20, 26 and 35) who admitted that despite having these import duties as a barrier, the financial requirements, logistical issues and time constraints required to deliver the goods from the producer to them were debilitating. This directly relates to the theory of economic or regional blocks. Import and export duty vary from within economic blocks as well as from one economic block to another.

In addition to the various barriers and challenges they face, each company was given a chance to say what will be the state of their businesses with the various trade barriers mention as well as without these trade barriers. A total number of 26 companies went for the fact that, their business will flow perfectly without trade barriers. Reasons being that trade barriers limits the scale of imports and exports. While a group of 5 responded that their businesses can never be better without trade barriers. They went further to say, in open economies without any trade barriers, there will be a huge tussle for customers and as such companies that are weak in customer targeting strategies like advertisement will not be able to survive the market challenges.

Basing the case study on Turkish companies, their major importation zones are Africa, Asia and South America while their export zones are the Middle East countries, Africa and Europe. A free economy or liberal economy without trade barriers, will therefore, bring in competition from some of these importation zones who turn to have both the comparative cost advantage and absolute advantage in the production of certain goods and services.

V. CONCLUSION

This study would like to firstly appreciate the founders of the trade theories discussed above. Their contributions to the wealth of knowledge is one of the reasons why trade relations between countries are getting better, not to say the least. Nevertheless, the study amid many challenges, was able to satisfy its research question, "What are the effects of trade barriers on E-commerce in Turkey? From the analysis of data, it shows that most Turkish companies suffer greatly from state imposed barriers to either imports or exports. From the analysis, many traders think that they will do better if the barriers didn't exist while a handful think otherwise. In addition, this study thinks that it would be nice for the Turkish government to relax some of its trade laws and tariffs in order to let domestic businessmen and women to make more trade benefits and connections that could in the long run, benefit the entire country. As such, the lack of these relaxed laws also affects banks that make it no easy for financial transactions especially from without the country. Moneys wired from outside Turkey sometimes do not enter the country or are not given to the beneficiaries due to cumbersome laws and restrictions and this greatly reduces the business potential of direct foreign investment.

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