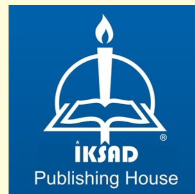
International Economic Terms and Theories

Dr. Öğr. Üyesi İsa Altınışık



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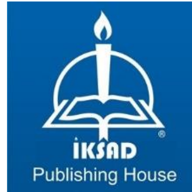

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PREFACE

International economics, as a branch of science, is being renewed day by day with the increase and diversification of trade volumes between countries. As the relations between countries change day by day, the science of international economics is also reshaped. International economics has a dynamic structure. In our book, the theories and concepts of international economics are given in dictionary format. Important theories in international economics are explained in more detail.

İsa Altınışık

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INTRODUCTION

International economic relations began with human history and have continued to develop until today. Today, the development in technology and transportation has reached unimaginable levels. This development has caused the world to become smaller. The distances between people have become as short as the keys of a computer and a phone. With the shortening of distances, buying and selling of goods, services and capital has become easier both within the country and outside the country's borders.

These developments have increased the importance and development of international economics, which is a sub-branch of economics, day by day.

1.Anti-Trade Growth

In the case of growth resulting from a faster increase in the factor used intensively in the importable goods sector, the production of importable goods increases at a higher rate than the production of exportable goods. Therefore, there is a downward trend in foreign trade volume. This type of growth is called contralateral growth in trade. Counter-directional growth in trade means that the amount of goods produced in the national economy becomes equal to the amount of goods consumed over time. (fbemoodle.emu.edu.tr, 2023)

2.Arbitrage

Arbitrage is the process of buying foreign currency in the market where it is cheap and selling it in the market where it is expensive. The process of making a profit by taking advantage of the harmony between cross rates is called arbitrage. (Altinok, 2009, p.446-447)

3.Autarchy

It describes a closed, self-sufficient economy with no international trade. Those who govern the country can minimize foreign trade transactions with the tools they adopt (such as monetary policy, fiscal policy, taxes, quotas and

subsidies). As a result, the country can adopt development in predetermined sectors such as industry, agriculture, service and technology production by using its resources. For this purpose, it may apply a restrictive or prohibitive policy in import transactions. (https://anabilgi.anadolu.edu.tr) The aim of autarchy is to minimize dependency. States organize themselves according to their own resources. (akademikparadigma.com, 2023) It is a practice that has become obsolete in today's global economy.

4.Barter

It is an exchange transaction between two companies in two countries. The same two companies exchange a certain amount of money in the designated currency. Cash payment is not possible. There is mutual exchange of goods. Transactions are made on a contractual basis; The terms of the contract should explain how the damage that will occur if one of the parties does not fulfill its obligations will be compensated. Damage is compensated in two ways: monetary or property-based. (www.iso.org.tr, 2023) One of these methods should be chosen. This method is especially used in times of crisis. With this method, unused resources are mobilized and stocks are melted. (Büyükkaracığan, 2016) Barter is a system implemented in periods when exports or imports decrease. Barter is the exchange of goods for goods without the need to pay foreign currency. Just as the exporter has the right to import goods equal to the value of the goods he exported, the importer is also obliged to export goods equal to the value of the goods he imported. To form a barter system, two countries, two exporters and two importers are required. Because the exporter will confront the importer, and the importer will confront the exporter. (Özgüven, 1991, p.527)

5.Balancing (Offset) Agreements

One of the forms of contractual trade that can be considered in the group of affiliated trade transactions is balancing agreements. Here, too, there is an

initial sale transaction made in exchange for free foreign exchange. Often this initial sales transaction requires a payment large enough to significantly undermine the foreign exchange reserve situation of the recipient country. Therefore, in the second stage, the seller country provides foreign exchange earning or foreign exchange saving services in order to alleviate and balance this foreign exchange pressure on the buyer country. (avys.omu.edu.tr/, 2023)

6.Bid Curves

The offer curve shows the amount of goods that a country will offer of its own goods for each unit while increasing the amount of goods it will import by one unit. As the total amount of imported goods increases, the amount a country will offer of its own goods in exchange for one unit of imported goods gradually decreases. This is due to the law of supply and demand. As the amount of imports increases, imported goods will become abundant within the country, and as they become more abundant, their marginal benefits will decrease, and as a result, their prices will also decrease. On the other hand, as the amount a country exports of its own goods increases, the amount of that good within the country will decrease, that is, it will become scarce. As it becomes scarcer, its marginal benefit will increase, ultimately increasing the price. In summary, as the foreign trade volume increases, the value of imported goods will decrease and the value of exported goods will increase. Therefore, a country will offer less for its import goods, whose value is decreasing, than its own export goods, whose value is increasing. A point on an offer curve simultaneously represents the supply of exports, the demand for imports, and the terms of trade. (Ersungur, 2019, p.41)

7.Buyback Transactions

The most commonly used form of affiliated trading is "buyback". Here, a private company from a technologically developed country sells machinery, equipment, production technology or a turnkey factory to a less developed

country. However, it undertakes to buy back some of the goods to be produced in the facilities to be established. (avys.omu.edu.tr/, 2023)

8.Classical Liberalism

We can list the basic elements advocated by classical liberalism as follows; private property, unhindered market economy and the rule of law. (dergipark.org.tr) Liberalism gained its name only when the ideology began to take shape in the early 19th century. He got it a century later. Classical liberalism is the original version of the ideology. This qualifying adjective has been replaced relatively recently by the original version, which has been significantly modified. He took it out of his need to distinguish himself from perverted forms of liberalism. (https://dergipark.org.tr) Undoubtedly, there have been many ups and downs in world political history. Sometimes, there were struggles for freedom against monarchs or oppressive groups of the day, sometimes as a result of interstate wars, collectivist, centrally planning, standardizing systems became popular, and then the importance of freedom and individuals was understood again, and this history continues with its ebb and flow. In today's world, as in the past, rising authoritarianism in various parts of the world is discussed, and while these discussions are carried out, the intellectual basis used to explain the paths to a democratic government and a peaceful, prosperous world is mostly liberal values, the foundations of which were laid in the 17th century. What Daron Acemoglu calls "inclusive institutions" in his work titled The Wealth of Nations can undoubtedly be achieved with the existence of liberal principles. Because when liberalism is mentioned, a political ideology that advocates private property rights, an unhindered market economy, the right to fair competition provided by the rule of law within this economy, freedom of expression and press, human rights and all of these to be guaranteed by the constitutional system comes to mind. In particular, classical liberalism argues that individual freedom and limited

government are the best ways for people to create a free society. Although it has experienced crossroads within itself and has been divided into various factions such as social liberalism and anarcho-capitalism, the faction we will discuss in this article will be classical liberalism. In my opinion, classical liberalism stands in the middle of these two factions. It neither invites the state to eliminate social imbalance, like social liberalism, nor excludes the state as a complete evil, like anarcho-capitalism. (http://www.liberal.org.tr)

9.Clearing

Clearing is a broader application of the barter system. Clearing is also based on agreements between countries and goods are exchanged for goods without the need for payments in foreign currency. However, as in the barter system, payments are made to the clearing office, not directly to the exporter. The exporter also receives his receivables from the clearing office. Another feature of the clearing system is that the exporter is not obliged to import goods. However, there is such an obligation in barter. The importer pays his debt to the clearing office in national currency at the exchange rate determined in advance for a certain period of time. The exporter receives his receivables in national currency at the same exchange rate. (Özgüven, 1991, p.529)

10.Contract Manufacturing

Contract manufacturing is a method of outsourcing production to another company or workshop, instead of producing within a company or brand's own structure. In this method, the parent company undertakes processes such as design, planning and marketing, while it transfers the physical production process of the products to another manufacturer. Contract manufacturing enables especially small and medium-sized businesses to gain competitive advantage and reduce production costs. In contract manufacturing, a contract is usually made between the main company and the subcontractor. The contract specifies the features of the products to be produced, quality standards,

production quantities, delivery dates and other important details. The subcontractor carries out the production in accordance with this contract and delivers the products to the main company. (kobivadisi.com/, 2023)

11.Continuous Dumping

Due to the narrowness of the domestic market volume, the manufacturer constantly sells to international markets at a price slightly above its cost in order to reach the optimum capacity, benefit from economies of scale and maximize its profits. (Bocutoğlu, Berber and Çelik, 2007, p.357.)

12.Convertibility

The ability to convert a national currency into other currencies and gold without any restrictions is called convertibility. Very few countries' currencies meet such a definition of convertibility. Undoubtedly, it is not easy for a country's currency to gain convertibility. For this reason, it is of great importance that the balance of payments is stable and that it has sufficient gold and foreign exchange reserves to resist speculative actions. In addition, the economic policies followed by the country in question must be stable. (Parasız, 2006, p.539-540)

13.Counterpurchase Transactions

In trade through counterpurchase, a private company sells goods to a foreign state and purchases goods from that country after a certain period of time. In accordance with the agreement reached, the first sales transaction and the second purchase transaction are linked together. The obligation of the private company to purchase from the country where it sells goods arises from the requests of the importing country. In other words, the foreign state puts forward the condition that the private company purchases its goods in order to purchase its goods. There is also often no relationship between the types of goods sold and the types of goods subsequently accepted for purchase. The

periods allowed for counterpurchase may vary between three and five years. (avys.omu.edu.tr/, 2023)

14.Currency Speculation

It is a commercial transaction made based on predictions about the future value of an economic value, with the aim of making a profit in the future and assuming a risk, unlike arbitrage. For example, a speculator speculating in the forward market first makes a prediction about what future spot rates will be, then compares this with the forward rates at the same time and makes futures contracts accordingly. The speculator's forward selling transaction is called "short position", and his forward buying transaction is called "excess position". (getmidas.com/, 2023)

15.Customs Union

It is a more comprehensive type of economic integration than a free trade area. Here, in addition to the conditions in the free trade area, this type of economic union is at a more advanced level of economic union than the free trade area, since the possibilities of the member countries of the union to follow a free foreign trade policy are limited. In the customs union, it is envisaged to create a common market only for goods and services by removing tariff and quota limitations between member countries. For this reason, combining economic policies with the international mobilization of production factors, which requires further rapprochement, is out of the question at this stage of economic unification. (Karluk, 1991, p.235-236)

16.Destructive Dumping

It is a company's temporary price reduction to eliminate its competitors in foreign markets. The company gains monopoly power after its competitors cannot stand it and withdraw from the market. And it raises prices to cover losses from dumping. (Bocutoğlu, Berber and Çelik, 2007, p.356.)

17.Dumping

Dumping is when an exporting company sells its goods or services abroad at lower prices than the domestic market. The logic of this concept, which has meanings such as lowering and lowering, is based on the comparison of the prices offered to both markets. So actually this method is not just about selling products to other countries at low prices. Even though the prices are high, if they are lower than domestic prices, it can be said that there is dumping here as well. There are multiple reasons why companies prefer this method. Among these, the desire to rise to a leading position in sectoral competition comes to the fore. When a good is sold at lower prices than the domestic market, it faces high demand. High demand not only increases companies' revenues but also enables them to liquidate their stocks. At the end of this process, it is inevitable that the company will eliminate its competitors from the sector and become a monopoly. Therefore, this practice is limited by taxation and sanctions, the conditions of which vary from country to country. (getmidas.com/, 2023)

18.Dutch Disease

"Dutch Disease", also called "Dutch Syndrome" or "Excessive Hot Money Disease", is when a development that is beneficial to the economy produces harmful results after a while. Dutch Disease is defined as a decrease in production as a result of the shift of production factors from a developing and prospering economy to another economy. With the discovery of natural gas in the Netherlands in the 1960s, the value of the national currency in the Netherlands increased significantly. As a result, although there was an increase in cheap imports, a decrease in exports was observed. The process of decreasing production due to increased imports has been described as the "Dutch Disease". During the disease, short-term capital inflows and a decrease in the real effective exchange rate increase the value of the national currency, while

consumption increases and the demand for non-tradable goods and services increases. This spiral continues with increasing wages in the country's economy, and profit margins are gradually decreasing in tradable sectors whose prices are determined in international markets. The critical variable in the phenomenon that this term tries to explain is the overvaluation of the national currency as a result of foreign exchange abundance. In some countries, this abundance of foreign exchange is reflected in natural gas, the increase in the income of oil producing countries as a result of the increase in oil prices, or the increase in the income of the countries producing these products as a result of the bad weather conditions in the world markets for a strategic commodity such as coffee, which is not a natural resource, and the increase in world food prices. As similar cases are repeated in other countries, the term has become increasingly common in the literature. Experimental studies show that remittances and foreign aid create similar results. In other words, new factors that can trigger Dutch Disease are added every day. When triggered by any of these, foreign currency begins to flow into the country and then the country's national currency becomes overvalued. This situation disrupts the export of industrial products, agricultural products, or both, depending on the field in which the country specializes. And eventually many sectors, especially agriculture and industry, collapse. According to another cumulative definition, when the supply of precious metals or goods suddenly increases, consumption of both tradable goods and non-tradable goods increases as welfare increases. Since non-tradable goods must be produced in the domestic market, the workforce begins to shift to the non-tradable goods sector. While the physical marginal productivity of labor decreases in the non-tradable sector, it begins to increase in the other sector. Since the value of the marginal product of labor must be the same in equilibrium, the price of non-tradable goods in terms of tradable goods increases and the exchange rate appreciates in real terms. The demand for tradable goods is increasing faster than the demand for non-tradable

goods, and increasing import demand increases the foreign trade deficit. The high trade deficit is financed by the portion of precious metals entering the country that is not used by the state. Exports may also increase during this period, but this is despite or because of the reduction in the labor force used in the production of tradable goods. The decrease in employment is reflected as an increase in productivity in the tradable sector. As precious metal inflow continues and expectations develop in this direction, both prosperity and consumption increase in the country. (politikaakademisi.org/, 2023)

19.Economies Of Scale Theorem

In the Heckscher-Ohlin model, constant returns to scale are assumed in the production of firms. That is, it was assumed that if the amount of inputs were doubled, for example, production would also double. If increasing returns to scale are assumed, then doubling input quantities will more than double output. This means that the amount of input required to produce one unit of product decreases and, given input prices, the average cost decreases. (bilgipedia.com.tr/, 2023) Economy of scale is an economic concept based on increasing the production amount to reduce production costs in the production of a product or service. This concept enables the production costs to be reduced by increasing the production amount and thus the product or service to be sold at a more affordable price. Economy of scale increases the competitiveness of businesses by reducing costs in the production of a product or service and thus helps businesses make more profits. Economies of scale are divided into two types: internal and external. Internal Economies of Scale; If costs decrease or increase depending on the scale of production a company has, this is called internal economies of scale. Specialization of workers, increase in capital productivity, and specialization of management staff can be given as examples of internal economy. External Economies of Scale: If costs decrease or increase as a result of developments in the sector in which the company operates, this is

considered as external economies of scale. For example, reasons such as the development of technology and the increase in demand for the industry are evaluated under the name of external economies of scale. (mikro.com.tr/, 2023)

20.Exchange Control

Another tool for restricting imports in quantity is exchange control. In fact, the fixed exchange rate system and quotas can only be applied together with foreign exchange control. Quotas are based on restricting the flow of goods, while exchange control is based on restricting the flow of foreign currency. If these policy tools are implemented together, imports can be reduced effectively. There is no free foreign exchange market in the exchange control system. All types of foreign exchange transactions are carried out at official prices determined under the supervision of the government. The government strictly controls foreign exchange buying and selling through the central bank and determines import quotas accordingly. It is determined how much foreign currency will be allocated for each good. (Şahin, 2006, p.553.)

21.Export-Oriented Industrialization Strategy

The primary development strategy to be followed by those who see exports as the source of growth and aim to specialize in the export of industrial products is the export-based industrialization strategy. According to this strategy, within the framework of international division of labor based on comparative advantages in free trade and market mechanism, a country can increase its exports and achieve industrialization by producing in sectors in which it is superior. The success of the export-oriented industrialization strategy depends on the high a priori and backward linkage of the export sector, giving incentives to export-oriented industries and the stability of the exchange rate. The big push model, one of the development theories, forms the intellectual basis of the export-based industrialization strategy. Within the framework of this strategy, certain industries are given priority in development.

With financial support such as export subsidies, states systematically try to improve their comparative advantage and keep their products in foreign markets at competitive prices. The tools of this strategy are; exchange rate policy (within the scope of export promotion, the value of the national currency is kept low for the foreseeable future. The incentive can be made permanent through devaluations.), tax rebate on exports (the state can reduce the taxes included in the cost of export products, thus ensuring that the goods remain in the market at a competitive price), incentive policies (the state controls the quality of export goods, provides guiding information for exports, provides marketing support), other practices that encourage exports (exports are encouraged with practices such as export credit, export insurance, transportation facilities, infrastructure development). The industrial rise of newly industrialized countries occurs mostly in interrelated sectors such as automobiles, steel and machinery. Protective policies that pave the way for export products are maintained. This policy is continued until domestic producers achieve competitive cost and quality levels in international markets. (strasam.org/, 2023)

22.Factoring

In forward sales, it is the intermediary activity of the seller to take over the receivables and provide financing for it. The company that takes over these rights is called factoring company or simply factor. Factoring is an activity that can be encountered in domestic and foreign sales. Recently, it has begun to gain popularity as a source of financing in foreign trade. Generally, small and medium-sized businesses resort to financing through factoring for their forward sales. These companies mostly operate in the consumer goods industries. (Seyidoğlu, 1992, p.247)

23.Factor Inactivity (Specific Factor) Model

Stolper-Samuelson's Income Distribution Model is explained by the mobility of labor and capital factors. The model is based on full mobility of labor in the agricultural and industrial sectors. According to the Factor Immobility Model, one of the production factors may be immobile and this will have different results on income distribution. For example, in a representative economy labor is an abundant factor. Capital is the scarce factor. There are only agricultural and industrial sectors in the economy. While the industrial sector is a capital-intensive factor, the agricultural sector is labor-intensive. In both sectors, products are produced using labor and capital factors. When we look at both sectors, labor is mobile in both sectors. But capital is immobile. With free trade, the prices of agricultural products increase and as a result, agricultural production increases. On the other hand, the prices of industrial goods are falling and industrial production is decreasing. As a result of the economic interaction occurring in these sectors, workers in the industrial sector are starting to shift to the agricultural sector. Since this interaction will increase labor demand in both sectors, nominal wages will also increase. On the other hand, with free trade, it will increase the demand for capital in the agricultural sector. However, increasing imports of industrial goods in the industrial sector will reduce capital demand. As a result, while the return on capital will increase in agriculture, the return on capital in the industrial sector will decrease. These results in the agricultural and industrial sectors do not coincide with the results of the Heckscher-Ohlin Model. Basically, in the Heckscher-Ohlin Model, when free trade is made, the income of the abundant factor is expected to increase and the income of the scarce factor is expected to decrease. However, according to the Factor Immobility Model, as stated in the example, the return on capital decreases only in the industrial sector; Return on capital increases in the agricultural sector. In addition, according to this model, the direction of the change in real wages as a result of free foreign trade also depends on the amount of goods consumed by

workers. Accordingly, as a result of free foreign trade, there is a decrease in the real incomes of those who consume more agricultural products, that is, the sector production in which the country's abundant production factors are used intensively; An increase is expected in the real incomes of those who consume more industrial products that produce in the sector where the scarce production factor in the country is used intensively. (utl503.cankaya.edu.tr/, 2023, p:52-54)

24.Fixed Exchange Rate

In the fixed exchange rate system, the central bank determines the exchange rates itself and maintains these exchange rates for a certain period of time. In this case, the central bank tries to cover the supply and demand differences that may arise in exchange rates with foreign exchange reserves. (Paya, 2013, p.175.) When the demand for foreign exchange increases in the market, the exchange rate remains under pressure to increase. To prevent this pressure, the central bank increases the foreign exchange supply by selling foreign currency to the market in exchange for local currency. Conversely, when there is a surplus of foreign exchange in the market, the exchange rate is pressured to fall. In this case, the central bank tries to eliminate the pressure by purchasing foreign currency from the market. In order for the central bank to carry out these transactions, that is, to ensure stability in the exchange rate, it must have a large amount of foreign exchange reserves. (Berber, Bocutoğlu, 2016, p.382.)

25.Free Trade Zones

Although it is located within the political borders of the country in which it is located, it is outside all or part of the commercial and economic legal rules and legislation in force of that country and is not included in the customs line; zones established near international ports or airports; It is defined as a “free zone” in the literature. Free zones are special areas where imported commercial products can be brought duty-free, stored, processed for production purposes or

for other reasons, and where commercial and legal limiting factors are minimized. In free zones, different incentives are applied for industrial and commercial activities, thus aiming to increase foreign trade, export-oriented activities, foreign currency inflow and foreign capital investments. Free trade zones also aim to create different business lines and thus increase employment, while providing domestic producers with a competitive advantage in world markets. Free zones, which aim to increase employment and foreign exchange income and develop imports and exports, are of great importance for the cultural enrichment of the region in which they are located and for the economic development of the countries. The free zone concept offers great advantages, especially for countries experiencing employment problems and economic fluctuations, such as Turkey. It is known that the number of people employed in free zones in Turkey today is over 46 thousand. Turkey, which acts as a bridge between Asia and Europe in international trade, provides serious economic benefits by using the advantage of its geographical location with its 21 free zones today. Rather than increasing the number of free zones in the coming years, it is aimed to use existing free zones more effectively and increase their capacity and efficiency. (esalco.com/, 2023)

26.First Best Theorem

While welfare-enhancing developments have occurred among member countries in customs unions as a result of the removal of customs tariff walls and the expansion of free trade areas, welfare-reducing factors may also arise due to customs walls imposed on third countries. The best way to achieve optimum welfare in a world market where the Perfect Competition Market is valid is Pareto optimum. However, it is not possible to achieve optimum welfare in customs unions. Increasing welfare is at stake here. This can also be considered under the “second best case” theory. Free trade and full competition policies are the best policies to increase world welfare. The absence of a

difference between private benefit and social benefit is one of the most important foundations of full competition. To put it differently, market prices show the cost and gain of a good or service to both individuals and society. In such a world, the "first best" policy is for governments not to intervene to create a difference between social and private prices. However, if this cannot be achieved, taking other interventionist measures to compensate for existing market disruptions may be a "second best" policy. The second best theorem is valid when perfect competition does not dominate the entire economy. The most important consequence of this theory is that if the position of perfect competitive equilibrium in other sectors of the economy cannot be achieved, the position of perfect competitive equilibrium in other sectors of the economy may not be optimal. (isletmeportali.com/, 2023)

27.Flexible Exchange Rate

In the flexible exchange rate system, foreign exchange supply and demand can change daily according to conditions. In this system, an increase in the demand for a foreign currency causes the price of that foreign currency in terms of the domestic currency to increase. In the foreign exchange market, when the supply of a country's currency exceeds its demand, it causes the currency to lose value. In other words, the decrease in the amount of foreign currency that can be purchased with one unit of domestic currency is called depreciation of the domestic currency. The opposite of money losing value is money gaining value. The appreciation of the currency causes the amount of foreign currency that can be purchased with one unit of domestic currency to increase. (Alkin, Yıldırım and Özer, 2003, p.447)

28.Foreign Trade Flows Approach

In the Theory of Foreign Trade Flows, the exports and imports of goods of that country determine the value of that country's currency. When a country's foreign trade balance is in surplus, that is, exports exceed imports, the external

value of its national currency increases. On the contrary, if imports exceed exports, the national currency loses value. In this theory, all factors that affect a country's exports and imports also affect the external value of money. These factors include the relative prices of domestic and foreign goods, real income increases in domestic and foreign economies, shift of consumer preferences to domestic or foreign goods, technological developments, and increases in factor stocks. If the country under study and its trading partners are also growing, they will consume more foreign goods due to increased per capita income. Thus, the foreign exchange supply of the first country increases. In this case, what the change in the exchange rate will be depends on whether the country's exports increase faster or slower than its imports. To summarize, the national currencies of countries that grow faster than other countries will lose value in foreign exchange markets, and on the contrary, the national currencies of countries that grow slower compared to the outside world will gain value. In real life, it is often seen that the currencies of rapidly growing countries gain value, while the currencies of countries that are in recession lose value. This shows that the trade flows approach cannot always explain the real situation. Moreover, according to this approach, while the national currencies of countries with a foreign trade balance sheet deficit should lose value, for countries in this situation, most of the time there is no decrease in the value of the national currency, and even the currency gains value. (siirt.edu.tr/, 2023)

29.Forfaiting

Forfaiting is a financing method that can be applied in credit exports. That is, the exporter who exports goods or services on credit transfers his receivables arising from this sale to a bank or financial institution that performs forfaiting. In this way, one can obtain the liquidity that corresponds to the sale without waiting for the end of the maturity date. Here, the bank that takes over the receivables also assumes the risk of the importer not paying the sales price.

In other words, the institution performing the forfaiting transaction does not have the authority to apply to the exporter again if the importer does not make the payment. Purchased receivables are generally securities in the form of policies or promissory notes. Therefore, forfaiting is often applied to forward sales transactions guaranteed by a bank or public institution. (Seyidoğlu, 1992, p.278)

30.Forward

This process; It is the conclusion of a contract by determining the maturity, quantity and price of the goods to be delivered at a later date. Forward transactions; It can be made in foreign currency, gold or a commodity. Forward transactions are preferred in periods when exchange rate fluctuations occur frequently. Forward is a form of investment in which assets are protected against exchange rate fluctuations. In cases where it is thought that the exchange rate will rise, forward is made to protect the foreign currency on hand and to minimize the risk rate. In this investment, where the conditions are determined by contract, there are two parties, the buyer and the seller. Both parties agree with the contract not to change the quantity and price of the goods again. Thanks to forward transactions, being affected by product prices that will increase in the future is prevented. This transaction allows you to sign a contract for a good that will be needed in the future with a lower foreign currency amount in advance. Even if no payment is made during the contract, the same amount and price will be valid on the specified date, despite all exchange rate fluctuations. Forward is related to how much value the previously purchased goods gain in rising markets. Thanks to forward transactions, while the principal is valued depending on the exchange rate, profitable purchases and sales can be made for the future date at cross rates. Depending on the exchange rate valid when the contract is made, there is a risk of loss as well as the advantage of making a profit in the future. (getmidas.com/, 2023)

31.Heckscher-Ohlin Theory

A relatively labor-abundant country has a comparative advantage in labor-intensive goods, and a relatively capital-abundant country has a comparative advantage in capital-intensive goods. Therefore, a relatively labor-abundant country produces labor-intensive goods more than it consumes and exports more than it consumes, and produces less capital-intensive goods than it consumes and imports them from another country to meet the consumption gap. Similarly, a relatively capital-abundant country produces more capital-intensive goods than it consumes and exports more than it consumes, and produces less labor-intensive goods than it consumes and imports them from another country to meet the consumption gap. Other theorems and the general functioning mechanism of the theory are determined according to the Heckscher Ohlin Theorem. Of course, it can be said that this theorem and other theorems cannot explain real events and are unrealistic. The aim of the theory is to examine the impact of factor endowments across countries and sectors, which is one of the many factors that determine foreign trade, on foreign trade under the conditions of full competition and zero government intervention. (Demiröz, p.58)

32.Hedging

It is a method used to protect businessmen and producers who will make buying and selling transactions in foreign exchange, securities or commodity markets after a certain period of time, against the losses that may arise from a possible change in prices during this period. Let's take an example from foreign exchange markets. Let's consider an importer who placed his order today. Payment will be made approximately three months after the goods arrive. If exchange rates rise during this period, the importer will suffer a loss. Because it will have to pay a larger amount of Turkish Lira in exchange for foreign currency, which is the import fee. In this case, the importer can benefit from

forward foreign exchange market services to protect against exchange rate risk. In this market, the required amount of foreign currency is purchased, provided that it is delivered after three months. The price of the forward foreign currency purchased is determined in the contract made today. Therefore, when the period expires, the importer will take over the foreign currency he purchased by paying the required Turkish Lira. Therefore, by making such a transaction in the forward foreign exchange market, all losses that may arise from changes in exchange rates are prevented. These transactions made in the forward market to protect against the losses of exchange rate changes are called Hedging transactions. Undoubtedly, exporters who will earn foreign currency income in the future show the opposite behavior. In other words, they sell the foreign currency they will earn tomorrow, today, with a forward sales contract, to be delivered in the future, against the possibility of a drop in exchange rates. Hedging transactions in securities markets are very similar to this. In fact, hedging transactions first appeared in commodity markets. To explain hedging activity, let's take a manufacturer that sells flour. This person is worried that the prices will drop until he grinds the wheat he bought today and puts it on the market. I wonder if he will want to insure himself against such damage. What needs to be done here is to make a second transaction, with delivery tomorrow, to balance today's transaction. Such as balancing today's purchase transactions with forward sales or today's sales transactions with forward purchase transactions. Accordingly, the flour producer must sell an amount of wheat equal to the wheat he has not sold today, on deferred delivery. Let this period be three months. Let's say that three months later, wheat prices actually decreased. In this case, he may incur a loss as the value of the wheat he holds by not selling it beforehand decreases. However, he also makes a profit because he sells the same amount of wheat at a high price, provided that it is delivered three months later. Therefore, as long as his gain on one side balances his loss on the other, this person has no net profit or loss. Undoubtedly, this situation

depends on the difference between the price paid when purchasing the wheat and the price applied to the forward delivery sale. The closer these two are, the safer the hedging is. However, it is normal to experience a loss in real life. However, these losses are insignificant compared to what would otherwise be suffered. A businessman who does not resort to hedging is considered to be speculating as he assumes all the risks of price changes that may occur in the future. (Seyidoğlu, 1992, p.342-343)

33.Import Bans

A more radical method of restricting imports is import bans. Goods whose import is prohibited are not allowed to enter the country or pass through customs. It is clear that the central bank will not allocate foreign currency for goods whose import is prohibited. By imposing import bans, the import of goods that are considered unimportant or luxury for the economy is prevented and scarce foreign exchange resources are allocated to imported goods that are more important for the economy. Domestic industrial goods are effectively protected against foreign competition. The widening of balance of payments deficits is prevented. If import bans can be implemented more strictly and effectively than quota and customs duty policies, their results are certain. However, we should not forget the serious distorting effects of this policy. Import bans isolate the country from the outside world. Domestic prices are disconnected from world prices. Resource distribution in the country is disrupted and rents become widespread. (Şahin, 2006, p.553.)

34.Import Substitution Industrialization Strategy

Import substitution industrialization strategy is one of the most effective ways to reduce economic dependence. It is the process by which a state attempts to achieve economic growth by increasing protective customs tariffs to prevent imports and replacing them with domestically produced goods. Industrialization is aimed through the domestic production of products

imported from abroad. Substituting imports and thus getting rid of foreign dependency and becoming a self-sufficient economy is the national goal of most underdeveloped countries. Since import dependency can hinder the political independence of that country, an import substitution industrial strategy is followed in order to overcome this. The characteristic feature of this strategy is that the main target of production is domestic markets and the public sector is increasingly intervening in economic life. In this way, foreign exchange savings are achieved through production and dependence on imported goods is reduced. The external deficit is reduced to a minimum. Foreign currency is spent on imports of intermediate and investment goods that cannot be produced domestically. This strategy has been successfully implemented throughout the historical process. Taking into account Hamilton's report titled On the Manufacturing Industry dated 1791, the USA placed an embargo on British goods in 1807, thus the American manufacturing industry developed. All major European powers, including Russia and Japan, saw that military power depended on industrialization and implemented protectionism to develop their manufacturing industries. The state supports industrialists with low-interest loans, cheap energy and raw material supply, investment discounts and tax exemptions. (strasam.org/, 2023)

35.Import Quotas

One way to reduce balance of payments deficits by keeping imports under control is to impose import quotas. Predetermining the volume of goods to be imported, either physically or in value, is called quota. Quotas are prepared as lists showing the amount of goods to be imported within a period. (Şahin, 2006, p.551.)

36.Impoverishing Growth (Bhagwati)

Edgeworth was the first economist to observe that the deterioration in the country's foreign trade negatively affected economic growth. Indian economist

Jagdish Bhagwati showed in 1958 that in some cases growth can clearly lead to a decline in welfare. Thus he put forward the impoverishing growth thesis. Otherwise known as Bhagwati thesis. Bhagwati developed the theoretical foundations of impoverishing growth. Bhagwati developed the theory of the negative impact of the increase in foreign trade on the terms of trade, put forward by Edgeworth, and presented it in more detail. Economic growth has two contradictory effects. If growth increases trade after economic growth, the terms of foreign trade change to the detriment of the country while the trade volume increases. On the other hand, if growth shrinks trade, the terms of trade change in favor of the country and the trade volume shrinks. The ratio between export prices and import prices is expressed as the terms of trade. Terms of trade show whether a country makes money from foreign trade due to changes in the prices of goods it sells to or buys from other countries. When trade-enhancing growth occurs, growth causes impoverishment when the welfare loss in the terms of trade is greater than the welfare increase resulting from growth. This situation is called impoverishing growth or the Bhagwati thesis. (dunyadaticaret.com/, 2023)

37.International Factor Price Equality Theorem

The Factor Price Equality Theorem is a theorem put forward by Paul Samuelson in a study dated 1948, stating that in case of free trade, relative factor prices in two different countries will tend to equalize in case of autarky due to the pressure of competition. Nominal prices of factors need not be equalized, but relative prices must be equalized. Among the factors in a country, the relatively expensive one before entering into free foreign trade will become cheaper compared to the other factor after entering into free foreign trade, and the relatively cheaper factor will become expensive compared to the other factor. One example shown and referenced for Factor Price Equation is relative wages. If two countries agree to a Free Trade Agreement, relative wages for

identical jobs in both countries will converge. After the signing of the North American Free Trade Agreement, for example, while the relative wages of unskilled labor fell significantly in the United States, they rose in Mexico. The same phenomenon is also observed in the European Union. There is a strong result we can obtain from this theorem. If free trade between countries can be established without any obstacles, not only the goods market but also the factor markets will become a single market. In other words, even if the movement of labor and capital between countries is not free, equality of factor prices between countries can be achieved only through the circulation of goods. This view was emphasized by Abba Lerner in his 1952 work. It is also clear that this theory is used as a justification for not granting the right to free movement in order to prevent intensive labor migration from poor countries. For example, the Frenchman tells the Africans, "You don't need to come to my country, if you buy my goods, you will eventually get the same wage as my workers." (Demiröz, p.58-59)

38.Invisible Obstacles

Unlike tariffs, they are foreign policy instruments that strictly limit the entry of the goods in question into the country. Import quotas, import bans, export restrictions, foreign exchange allocations, invisible barriers can be listed as non-tariff barriers. (Erdemir and others., 2019, p.14) Invisible barriers are those that deter imports by introducing standards such as quality, health, safety and environment for imported goods without being seen by the institutions and agreements in question.

39.Law Of Mutual Demand

The model was introduced by J. Stuart Mill. Mill is the first economist to include demand conditions in foreign trade. Accordingly, the mutual demands of countries for each other's goods determine the terms of foreign trade. A country demands a certain amount of another country's goods in

exchange for a certain amount of goods it will give. If the amount that two countries want to give is equal to the amount they want to receive, the foreign trade volume and terms of foreign trade are determined. In other words, the terms of trade are determined at the point where the mutual demands of the two countries are equalized. It is the degree of severity of the need for imported goods that determines the amount of goods that a country will demand from the other country's goods in exchange for the goods it will export. If the degree of need for imported goods is high, less imported goods are demanded in exchange for a certain export good. If the demand for imported goods is low, then more imported goods will be demanded. (Ersungur, 2019, p.41)

40.Leasing

Leasing refers to the leasing of industrial establishments or investment goods by investment goods producers or private leasing companies. Parties in financial leasing; producer, lease financing company and tenant. The lease financing company may actually have a financial connection with a bank that will finance it. (Yüksel, Yüksel and Yüksel, 2004, p.350)

41.Leontief Paradox

Contrary to the assumptions of factor endowment theory, it is very difficult to determine which capital-labor combination a produced good consists of. Therefore, this theorem could not be tested for a long time. Harvard University professor Wassily LEONTIEF developed the input-output table technique, which is used to quantitatively measure the forward and backward dependencies between sectors in a country in the 1930s. Therefore, the Heckscher Ohlin theory was tested for the first time by Leontief in America. This study concluded that, contrary to the factor endowment theory, the USA, the country with the largest capital stock in the world, exports labor-intensive goods and imports capital-intensive goods. This is called the LEONTIEF PARADOX. Since the Leontief Paradox revealed that the Factor Endowment

Theory may be insufficient to explain world trade, and that this theory is insufficient to explain why a large part of world trade is between similar or developed countries, and some assumptions do not reflect changing world conditions, new theories have emerged that eliminate these deficiencies. . (Öz, bilgipedia.com.tr, 2023) Leontief paradox states that industrialized countries still have more labor supply than developing countries. indicates that he has. In 1953, Wassily Leontief published an article that turned the ideas of traditional economics upside down. Different theories of international trade tended to consider countries with more developed economies as having capital-intensive, rather than labor-intensive, production. That is, as technology advances and worker productivity increases with it, less work is needed to produce the same thing. Or in other words, the worker who previously produced one unit would, with advancements, produce two units. When he started working on it, Leontief wanted to see if that was really the case. That is, if it is true that the most developed countries use lower labor force. With statistics in 1947, Leontief began to investigate empirically whether this was truly the case. When he finished his study, he realized that in the case of the United States this theory did not show that. In other words, it confirmed how the United States focuses its exports on labor-intensive products, not capital, based on its own data. The United States, which has emerged as the world's most powerful economy, has spent more labor than other developing or less developed countries, unlike the traditional economy. Leontief's conclusion was that the most developed countries not only had a greater supply of labor but were also more educated. Thus, most developed countries invested capital to educate their citizens, thereby making them more productive. By being more productive, they gained a competitive advantage over the rest of the world. Therefore, according to Leontief, the difference was not whether the work was more or less labor- or capital-intensive. The main difference was that developed countries were able to produce much more and better, thanks to the education of their workforce.

(tr.economy-pedia.com/, 2023)

42.Mercantilism

After the end of feudalism, mercantilism emerged. It was influential in the 16th and 17th centuries. During this period, Western European countries (England, France, Spain, Netherlands, Belgium) dominated the world economy. The mercantilist period was a period when national states were established instead of feudalism. In the mercantilist system of thought, the most important resources are gold and silver. (Altınışık, 2022, p.39) The main purpose of mercantilism is to shape foreign trade policy in a way that increases the gold stock of the treasury. Geographical discoveries increased the trade volume and enabled the emergence of this period. The main purpose of mercantilism is to increase the gold stocks of the treasury through foreign trade. The source of the wealth of countries is precious metals. Especially the increase in gold stock is an indicator of political and economic power. For this reason, there is intense state intervention in foreign trade. While imports were restricted, an export-oriented structure was created. Mercantilists developed merchant fleets because they attributed increasing gold inflows to the development of the merchant fleet. Again, according to Mercantilism, they assumed that the world's wealth was constant, that is, the amount of gold and silver was constant. While one party makes a profit from the trade, the other party loses the same amount. After the industrial revolution (with the use of steam power instead of muscle power), Liberal views began to replace Mercantilism. Steam was used in industry and large industrial cities were created. Mass production started. Free trade ideas emerged. Classical economics began to be influential with the works of Adam Smith. (Dinçer, p.9-10)

43.Neutral Growth

Economic growth is basically the continuous increase of real income per capita. The effects of economic growth on the external balance are through consumption, savings and investment. Growth is the increase in the production potential in the economy and the income level corresponding to this potential in the medium and long term. The impact of economic growth on external balance is based on the import function, which shows the positive relationship between imports and national income. Accordingly, in developing countries that use high amounts of imported inputs such as raw materials and investment goods in their production and grow based on imports, economic growth leads to an increase in imports and serious deteriorations in the current account account due to marginal import and consumption trends. balance. As a result of the increase in factor supply, neutral growth, trade-enhancing growth and trade-inhibiting growth may occur. Growth occurs when the supply of production factors increases and productivity increases as a result of technological development. As growth occurs, the production possibilities curve shifts to the right. There are two basic conditions for neutral growth. The first is that the factors increase at the same rate as before the growth, so the distribution of the new factors between the two sectors is exactly the same as before. Relative factor prices do not change. The second condition is that the consumption of the two goods continues at the same rate. For consumption to increase at the same rate as before growth, the percentage increase in consumption of each good must equal the percentage increase in income. That is, if the factors increase at the same rate, if the distribution of factors to different sectors of the economy occurs at the same rate, and if consumption increases at the same rate as growth, neutral growth occurs. (Dinçer, p.77-79)

44.Occasional Dumping

Stock increases in companies occur due to reasons such as contraction in

demand in the economy, changes in tastes and preferences, and unplanned production by companies. In order to liquidate these stocks, a one-time sale is made at a low price. This type of dumping favors foreign consumers but reduces sales of foreign producers and causes short-term losses. (Bocutoğlu, Berber and Çelik, 2007, p.356.)

45.Opportunity Cost

The main criticism of classical foreign trade theories is that they are based on the labor theory of value and assume that other factors other than labor have no effect on cost and foreign trade. Neo-classical economists used the concept of opportunity cost. The concept of opportunity cost includes the concept of opportunity cost, which includes other factors besides labor. They revised the Ricardo model without touching its foundation. Accordingly, production takes place with the joint contribution of all factors used. The role of consumption in shaping life has become increasingly evident. Consumers want not only to meet their needs, but also to enjoy the consumption experience. (Yörük, 2023, p.30) Therefore, cost, which is the opposite of efficiency, is the sum of the resources required to produce one unit of goods. It is calculated by adding the monetary values of the factors used. The opportunity cost of a good is equal to the amount that must be given up in the production of another good to free up the resources needed to increase production of that good by one unit. So opportunity cost is 1 br of a good. It is the amount that the production of other goods is given up in order to produce more. According to opportunity cost theory, production cost; 1 br. It is the cost incurred to produce. In economics, the best alternative given up to obtain something is called opportunity cost or abandonment cost. The opportunity cost of a good is equal to the amount that must be given up in the production of another good to free up the resources needed to increase production of that good by 1 unit. In opportunity cost theory, it is assumed that resources are used at full employment level. When more than

one production factor is involved in production, it becomes difficult to make comparisons between countries in terms of factor productivity. To overcome this difficulty, instead of efficiency, production cost, which is the opposite of this concept, is addressed. According to the opportunity costs approach, the cost of production is equal to the sum of the resources required to produce one unit of goods. The increase in costs with the expansion of production volume is called increasing opportunity cost. As resources are transferred from one segment to another, if each new resource contributes less than the previous one, there are increasing cost conditions in production. Increasing costs occur either because production factors are not homogeneous or because production factors are not used with the same intensity on all goods. If costs increase as production changes, there are increasing costs in production. Factors of production are not used at a constant rate in the production of all goods, and the production of all units of a factor is not homogeneous. The reason for the lack of specialization in production is the increasing domestic production costs due to the increase in production. Fixed opportunity cost is when costs remain constant despite changes in production. In other words, the resources transferred from one industry to another are equally productive in both sectors. This can be achieved either by full substitution of production factors for each other or by each unit of the factor being of the same quality. As a result of fixed costs, full specialization is achieved in production. As a result, the fact that costs remain constant despite changes in production is called fixed opportunity cost. The decrease in costs with the expansion in production volume is called decreasing opportunity cost. The increase in production provided by each transferred resource is greater than the previous one. This increase in productivity is explained in economics by internal and external savings. Internal savings are the increase in production volume, thus positive developments arising from within the company. External savings, on the other hand, arise due to the expansion not only within an economy but also in the industry to which it is

affiliated as a whole. If costs decrease while production increases, there are decreasing costs in production. In case of decreasing costs, the increase in production provided by each transferred resource is greater than the previous one. These increases in productivity are explained in economics by internal and external savings or economies of scale. The Ricardian model and opportunity cost are inverses of each other. In opportunity costs, if other factors are not only adhered to the labor-value theory but also participate in production, the total cost is obtained. It refers to the cost that must be given up in the production of another good in order to produce 1 additional unit of a good. In this theory, it is assumed that the factors of production are at full employment. In opportunity cost, production costs involved in production are collected under a currency or a common value. (Değer, Öztürk, 2020, p.15-18)

46.Option

The buyer of an option acquires a right, but not an obligation, to buy or sell a certain amount of foreign currency at an agreed rate and date; In other words, he may not exercise this right if he wishes. However, if the buyer does not exercise this right of choice, the buyer pays a certain premium to the seller. Just as option purchases/sales can involve foreign currency or movable values in financial markets, commodity purchases and sales can also be subject to the same transaction. Only the option buyer is in a position to decide whether the option will be exercised or not. So the option seller has to wait for his decision. So, while the option owner's risk in this transaction consists of paying the premium, the waiting seller faces the possibility of taking risks much higher than the premiums he receives in the face of adverse developments in the market. The initially agreed price that will be valid if the option is exercised is called the strike price. In a call option, if the strike price is below the market price, it is an in-the-money option; if the strike price is equal to the market price, it is an at-the-money option; if the strike price is greater than the market price,

it is an out-of-the-money option. In the put option, if the strike price is greater than the market price, there is a profit; if it is equal, there is a breakeven option; if it is less than the market price, there is a loss option. To purchase the option, a price is paid to the party selling the option and this is called option premium. Since the maximum possible loss of the party purchasing the option is free to use the option or not, although the option premium in question is the maximum possible loss of the party selling the option, there is no limit. (Yüksel, Yüksel and Yüksel, 2004, p.798-800)

47.Portfolio Approach

According to the Portfolio Approach, changes in exchange rates are determined by the returns of securities in countries. In this context, the main factor that determines the returns of securities in a country is the prices, that is, supply and demand, of the relevant securities. When the price of a security decreases in a country, the expected return and international demand for that security will increase. As a result of the increase in demand for securities in the country, the supply of foreign currency will increase and the value of the foreign currency in question will decrease. Thus, the value of the national currency will increase. For this mechanism to work, there must be no exchange rate risk between countries, and the total risks and transaction costs of securities must be equal in all countries.

48.Polarization Theory

Polarization Theory is an economic approach that argues that free trade between developed and underdeveloped countries will work against underdeveloped countries. Polarization Theory was put forward by Swedish economist Gunnar Myrdal. According to this theory, economic union and free trade between developed countries and underdeveloped countries work to the detriment of underdeveloped countries. As a result, rich countries become richer and poor countries become poorer. There is a loss of welfare in poor

countries. Gunnar Myrdal says that there are two main reasons why trade between two countries with different levels of development works to the detriment of the less developed one. These; The industry of the less developed country does not have the power to compete with the industry of the more developed country. For this reason, the industry of the underdeveloped country will soon collapse, unable to compete with the industry of developed countries. As a result of free trade between developed and underdeveloped countries, some production factors (such as qualified labor and capital) that are already in small numbers in the underdeveloped country migrate to the developed country. As a result, the production potential of underdeveloped countries, which lose their qualified production factors to developed countries, suffer from this relationship. Thus, over time, the development gap between this country and developed countries will widen further. (tarihibilgi.org/, 2023)

49.Product Periods Hypothesis

Another study linking foreign trade with technological development is the product cycle hypothesis developed by Raymond Vernon in 1966. According to Vernon, every product has a product life cycle consisting of three stages. These are the new product, maturation and standardization stages. According to Vernon, technological developments that enable the production of new products occur in industrialized countries where the workforce is more educated and qualified and where research and development are higher, and where income levels are high. Moreover, according to Vernon, the innovative company that produces the new product prefers to produce the product in the country where the innovation emerged. Because the innovative company wants to establish close contact with consumers, closely monitor consumers' reactions to the new product, and make changes in the product in line with consumer preferences. The fact that the innovative company, which has been in a monopolistic position for a certain period of time due to patent laws, has the

opportunity to pass on the additional costs that it may impose on itself to the consumers, makes it possible for the innovative company to produce the product in the developed country in terms of production costs. After the new product is produced in the developed country, it is exported to other developed countries. The phase up to this point is called the new product phase. According to Vernon, the new product phase is followed by the maturing product phase. In this second stage of the product life cycle, the general standards of the product become clear. Skilled labor-intensive small-scale production in the previous stage is replaced by capital-intensive large-scale production and economies of scale are benefited. In addition, patent rights expire at the mature product stage and the product can be imitated by rival companies, and therefore rival companies can gain an advantage by producing the product at a lower cost. At this stage, where the difference in production costs becomes an important competitive element, innovative companies located in developed countries prefer to establish factories in those countries instead of exporting the product to other developed countries. In Vernon's product cycle hypothesis, the third and final phase of the product life is the so-called standardized product phase. At this final stage, the general standards of the product become very clear. On the other hand, the product is well known to both consumers and manufacturers. Additionally, at this stage, unskilled labor is used more in the production process and price competition increases. At this stage, the product begins to be produced in developing countries where labor costs are cheaper, through direct investment or imitation. Thus, the developed country, which is now interested in the production of other new products, imports the standardized product from developing countries as well as developed countries. (Ünsal, 2005, p.2014-2016.)

50.Purchasing Power Parity

Purchasing power parity is the famous law of one price applied to foreign exchange markets. Before explaining the purchasing power parity theory and exchange rate predictions based on this approach, let's make some explanations about the law of one price. A natural consequence of free competition markets, where information about market conditions in which there are many buyers and sellers can be obtained at very low costs, is this: The price of a tradable good or other economic asset, converted into a certain national currency at the current exchange rate, should be the same everywhere in the world. The difference that may arise between the prices of this good in different markets cannot be greater than the transportation costs required to deliver this good from one market to another. Let's give an example of the operation of the law of one price in commodity markets by considering Turkey and the USA. Let's say, in the absence of obstacles such as customs tariffs and transportation costs, the current exchange rate is 1.25 TL: 1 $, while the ton of wheat is 100 $ in America and 175 TL in Turkey. When converted to Turkish lira, this means that wheat costs 125TL in the US (or the price of Turkish wheat in dollars is $140). As can be seen, wheat prices are cheaper in the USA than in Turkey. This difference immediately motivates the arbitrageur seeking profit. When wheat is bought from the USA and sold in Turkey, a profit of 50 TL (or $40) is made per ton. In addition to making profits for the arbitrageur, the above mechanism has the effect of bringing prices to the same level in two countries. Namely, purchasing wheat from the USA has an increasing effect on the prices in this market, and selling it in Turkey has a decreasing effect on the prices here, thus the broken price harmony between international markets is restored. This phenomenon, called the law of one price, is a result of international arbitrage activities. Arbitrage tries to make a profit from the price differences that occur at a certain time, without taking on any risk. For this reason, it acts according to the principle of "buy cheap, sell high". This mechanism prevents prices from

deviating from each other within very narrow limits. The law of one price can be applied to all economic assets subject to international trade. For example, if applied to commodity markets, the interest rates of the same good, if applied to foreign exchange markets, of a certain foreign currency, and if applied to capital markets, the interest rates of bonds linked to the same currency must be the same in all markets. (siirt.edu.tr/, 2023) An economic theory that compares the currencies of two countries with the value of a basket of goods and services is called purchasing power parity. According to this theory, considering the exchange rate, if two countries pay the same price for the same basket, the currencies of the two countries can be said to be in balance. Purchasing power parity is usually calculated in terms of the US dollar. In this way, it is possible to make a comparison between the national incomes of countries.For purchasing power parity to be meaningful, a large number and variety of goods and services must be included in the basket in question. Since data needs to be collected from many countries for this work, the size and complexity of the work to be done is large. For this reason, the International Comparison Program (ICP) was established in 1968 by the United Nations and the University of Pennsylvania to calculate purchasing power parities. (kanalfinans.com/, 2023)

51.Quotas (Quantity Restrictions)

Quota means quantity restriction. The main reason for the implementation of the quota system is that the country's imports are too high compared to its exports and it is desired to ensure this by applying a distinctive control system to imports. Today, quotas are effectively implemented to meet balance of payments crises, agricultural price support programs, and national security purposes. (Altınok, 2009, p.428-429)

52.Rybczynski Theorem

According to this theorem, if the supply of a factor increases, the production of the good that uses it intensively increases, and the production of the other good decreases. If this factor is the factor that the country uses extensively in the goods it exports, this will lead to an increase in both the country's exports and imports, so this is called foreign trade-enhancing growth. However, if this increasing factor is the factor that the country uses intensively in the goods it imports, this will cause a decrease in both the country's exports and imports, and this is called foreign trade-reducing growth. (Uğur, 2022, p.19)

53.Second Best Theorem

If full competition conditions are met in every field in an economy, the optimum solution has been reached in that economy. Therefore, economic welfare is maximized. However, if full competition conditions have been disrupted in an area due to state interventions, correcting this may not help reach the optimum solution. In this case, interventions in the economy in other areas will provide solutions closer to the optimum result. These are also called second best solutions. The first best solution is undoubtedly the absence of any intervention in the economy or the full realization of competitive conditions. For example, let's say a tax in the form of Value Added Tax is collected from a good within the country. In this case, it would be more beneficial to the welfare of the country not to tax the entry of similar goods into the country from abroad, but to tax imports at the same rate. Because, while taxes are collected on goods produced domestically, excluding these goods from taxes on imports will have regressive effects on domestic production and encouraging imports. This has a decreasing effect on the welfare of the country. Therefore, in this case, the tax on domestic goods must be balanced by placing it on imports. As seen in this example, a new intervention in the economy may be more beneficial in terms

of welfare than an intervention. Surely the best policy is no intervention at all. Because in this case, private and social costs are equalized. However, if it is not possible to achieve this, then imposing new restrictions in response to existing restrictions would serve the economy better. Second best Theory by R.G. It was developed by economists such as Lipsey and K. Lancaster and has a very widespread use in economic life. (nedir.com/, 2023)

54.Similarity Theorem In Preferences

Swedish Brunstam Linder developed the similarity hypothesis. According to this hypothesis, Linder argued that trade in non-homogeneous industrial goods depends on the similarity of tastes and preferences between countries, that is, on demand conditions. Relative income level is the main factor in determining tastes and preferences. According to the theory, companies operating in the country produce goods that appeal to the majority of the population and have a wide market. Expertise is increasing in the production of products produced over a certain period of time. As a result of this expertise, these products will begin to be exported to countries that consume similar products. However, the demands of the people outside the majority will be met from countries with similar preferences. According to the demand conflict thesis, trade in industrial products will be concentrated especially between countries with similar preferences and income levels. The Linder hypothesis has found little support in countries other than his own country, Sweden. Moreover, it is insufficient to describe goods that do not have a domestic market but are produced and exported. (econometricnotes.wordpress.com/, 2023)

55.Stolper-Samuelson Theory Of Income Distribution

According to the theorem, under the assumptions of income distribution theory, an increase in the relative price of a good will also lead to an increase in the relative return of the factor intensively used in the production of that good

and a decrease in the relative return of the other factor. It was first put forward in 1941 in a study by Wolfgang Stolper and Paul Samuelson within the framework of the income distribution theory model. As a concept, its effects have been examined in all similar situations. For example, in a 1977 study by Ronald W. Jones and José Schheinkman, it was shown that factor prices move together with finished goods prices as predicted by the theorem, even under very generalized conditions. In the original income distribution theory model, there are two goods and two factors, and each factor is considered homogeneous within itself. Therefore, the first studies based on the theorem could not make a prediction about the unskilled labor force and its wage level in high-income countries after free trade. Later, in some new studies that accept the workforce as heterogeneous, it has been observed that the Stolper Samuelson effect is strong between labor wages at different education and productivity levels and the prices of the goods they are intensively used in their production. Stolper Samuelson's Theorem is also directly linked to the Factor Price Equality Theorem. Accordingly, in a country where labor was expensive before free trade, with free trade, labor will become relatively cheaper and capital will become relatively expensive. The reverse is also true for other countries. This is the mechanism revealed by Stolper Samuelson's Theorem. This process will continue until the returns to labor and capital are equal in both countries, in accordance with the Factor Price Equality Theorem. Stolper Samuelson Theorem is also a reference source for protectionist policy practices. If a country in a low income group wants to rise to a higher income group and develop, it has to industrialise. However, since Free Foreign Trade will lead to partial specialization, which will cause labor, which is a relatively abundant factor in the country, to be employed more intensively, it will lead to an increase in relative wages and a decrease in profits. In this case, international specialization initiates a process that will hinder the development of low-income countries. Therefore, Stolper Samuelson Theorem, contrary to its

purpose, is presented by some economists as a justification for protectionist policies. (Demiröz, p.59-60)

56.Singer-Prebisch Thesis

This view was put forward separately by German Economist Hans Singer and Argentinian Economist Raoul Prebisch after the Second World War. This view later became widespread. According to this theory, in the long run, the terms of trade change in favor of underdeveloped countries exporting agricultural products and in favor of developed countries exporting industrial products. Such an outcome would mean that some of the national production in underdeveloped countries would be transferred to industrialized countries. Therefore, this view aroused great interest especially among economists of developing countries. This thesis was strongly defended by underdeveloped countries against developed countries, both at UNCTAD meetings and other international forums, and compensation for the losses suffered was demanded from developed countries. Under the influence of this thesis, Prebisch suggested that underdeveloped countries should industrialize behind dense protective walls for development. Although no definitive conclusion can be drawn from applied research on the long-term course of terms of trade, some reliable theoretical explanations have been put forward to support the Singer-Prebisch Thesis. Some of these aim to show that the demand for agricultural products around the world is decreasing, while the demand for industrial products is increasing over time. For example, the decrease in food demand as income increases, the reprocessing of scrap metals in industrialized countries and the decrease in the demand for agricultural products exported by underdeveloped countries due to the use of artificial raw materials instead of natural raw materials in these countries. Some of the reasons for this are the rapid production increases in the export sector in underdeveloped countries and the inability of underdeveloped countries to benefit from its positive effects.

For example, rapid technological development not only increases production but also reduces prices. However, these productivity increases cannot be sustained in the country due to the absence or weakness of monopolistic organizations and labor unions. As a result, it is transferred to other countries in the form of low prices. According to another factor, the structural flexibility of underdeveloped country economies is generally very low. The views we have mentioned have pushed underdeveloped countries to further industrialize. Underdeveloped countries have advocated transferring more resources to cover the losses they have experienced as a result of worsening terms of trade. (nedir.com/, 2023)

57.Skilled Labor Theorem

Keesing and Kenen pointed out that most of the foreign trade differences between industrialized countries can be explained by differences in qualified labor force. According to Keesing and Kenen's view, countries concentrate their production in the areas in which they have skilled workforce. On the other hand, countries where unskilled labor is abundant have an advantage in the production of goods where unskilled labor is intense. There is a great similarity between factor endowment theory and skilled labor theory. Both training the workforce and creating physical capital require savings. In real life, qualified labor-intensive goods and capital-intensive goods are generally the same. For this reason, some economists propose to combine these two under the name derived resources. This modified version of the Heckscher-Ohlin theory is called neo-factor hardware theory. (Seyidoğlu, 2009, p. 00-101)

58.Subsidies

The state sometimes provides aid to individuals and institutions. This aid is sometimes free of charge. This aid can be in the form of money, goods or services. The government can provide subsidies to achieve various social and economic goals. For example, the price of a good consumed by the public can

be kept low. The state covers the difference from budget revenues. The aim here is to protect the consumer whose purchasing power has decreased. Conversely, additional payments to the market price may be made to the producer in order to protect the producer. Similarly, in order to encourage exports, it may pay a certain subsidy to the exporter per foreign currency it brings into the country. Subsidy can be made through direct or indirect means. For example, supports given in the form of money per unit production fall into the first group. However, practices such as giving low-interest loans to producers or exporters and providing commodity inputs at cheap prices are examples of the second group. (Altinok, 2009, p.428-429)

59.Swap

Swaps are contracts in financial markets in which interest payments and foreign currency are exchanged depending on the obligations, within a certain period of time. The purpose of swap transactions is to minimize the risk arising from changes in foreign exchange rates. As a result, the risk arising from volatility is prevented. Within the scope of swap transactions; Currency swap, interest swap and cross currency swap transactions are carried out. In a currency swap, the parties exchange a certain amount of currencies at previously agreed rates and conditions, while in an interest swap, it envisages the exchange of interests to be calculated according to different interest rate principles on an indicative principal amount, at maturities agreed between the two parties. In a cross currency swap, the parties borrowing in different currencies and on a different interest structure (fixed or variable) agree to fulfill the principal and interest payments for the other party's debt and fulfill the necessary obligation. (ekonomim.com/, 2023)

60.Switch Trade

Switch trade is a form of trade carried out by intervening a third country as a result of two-way clearing transactions, when the goods that one of the two

countries wants to buy do not match the goods that the other country wants to sell. (ww4.ticaret.edu.tr/, 2023)

61.Technology Gap Theorem

It was put forward by Posner in 1961. This is also called the delayed imitation hypothesis because it focuses on the lag time between the initial invention of the good and its imitation by others. According to the basis of this theory, a significant part of the trade between developed countries consists of new goods and the production processes of these goods. New developments are protected by patent and intellectual property rights laws. In other words, the company that finds an innovation for the first time becomes its monopolist. In accordance with these laws, others are prevented from using this invention without permission. Therefore, according to the technology gap hypothesis, developed countries that find a new good or production process become the first exporters of these goods because they are protected by intellectual and property rights. However, over time, other countries also gain access to this technology through imitation, learning or other means. Therefore, after underdeveloped countries acquire this technology, they begin to produce and export the good in question at a lower cost than those who first invented it, due to reasons such as cheap labor force or superiority of natural resources. Since the first inventors of the goods could not compete with these countries that came later, they now import goods from abroad. (Seyidoglu, 2009, p.101))

62.The Importance Of Being Insignificant (Small Country Advantage)

As a special case of the law of mutual demand, the model called small country advantage is included in the literature. Accordingly, if the balances in the foreign trade of a large country and a small country are on the internal cost lines of the large country, the small country will be more profitable from trade. Although these balances are not always on the domestic cost lines of the large

country, they may be close to the domestic cost line. In the literature, this is called the importance of triviality or the small country advantage. The concept of size in terms of countries is not related to the size of the countries such as surface area and population. What is important is that a country is an important producer or consumer of a good. In this context, small countries cannot create a supply and demand large enough to change the terms of foreign trade. Because their resources and production capacities are limited. Moreover, their consumption capacity is limited in terms of income and number of buyers. In the real world, international prices of some products depend on the mutual demand of the major producers and consumers of those products. Therefore, small countries have to accept the prices in the market as given and continue their foreign trade at these prices. (Ersungur, 2019 p.45)

63.Theory Of Absolute Advantages

In his work "The Wealth of Nations", Adam Smith claimed that the determining factor in international trade is the costs of production based on the use of labor. In other words, based on the Labor-Value Theory, Smith assumed that a country could produce one or more goods more cheaply than other countries and therefore have an Absolute Advantage in the relevant good or goods. According to this approach, known as the Theory of Absolute Superiority: A country should specialize in the production of goods that it can produce at a lower cost than other countries and export these goods abroad. It should not produce the goods that it produces at a higher cost than other countries and import them from other countries that produce these goods cheaper. In short, countries should not produce the goods they produce expensively and import them from abroad, and they should only produce and export the goods they produce cheaply. While such specialization and division of labor between countries ensures that goods are produced where they are produced at the lowest cost, people will be able to consume a wide variety of

goods at lower prices. This will mean an increase in economic efficiency and welfare, as well as an increase in world wealth measured by the goods and services produced. Let's explain Smith's Theory of Absolute Superiority with an example. Let the sample countries be Türkiye and Germany, and the goods discussed are clothes and televisions. Production conditions in the countries are as follows. In Turkey, a worker must work 10 days to produce one unit of clothing, while he must work 50 days to produce a television. In Germany, it is enough for a worker to work 50 days to produce one unit of clothing, and 10 days to produce a television. Türkiye has absolute superiority in dress, and Germany has absolute superiority in television. Because Turkey uses less labor than Germany to produce one unit of clothes, and Germany uses less labor than Turkey to produce one unit of television. If the Labor Theory of Value is kept in mind, it can be seen that clothes in Turkey and televisions in Germany are cheaper goods. As a matter of fact, considering that a worker is paid 1 gold per day, a dress in Turkey will cost 10 gold and a television will cost 50 gold. In Germany, a dress will cost 50 gold coins, while a television will cost only 10 gold coins. In summary, clothes in Turkey and televisions in Germany are cheap goods. In terms of foreign trade, Turkey should specialize in dress production and export it to Germany, and it should import expensive television from Germany rather than producing it itself. While Germany should give up dress production and import its needs from Turkey, it should specialize in television production and export televisions to Turkey. With this division of labor and specialization, both countries can effectively use the resources they have. In addition, with such specialization, countries have the opportunity to produce and consume more televisions and clothes than before foreign trade. This example applies when both countries have an absolute advantage in only one good. (Değer, Öztürk, 2020, p.11)

64.Theory Of Comparative Advantages

David Ricardo took the Theory of Absolute Advantage one step further and showed that countries can profitably participate in foreign trade even if a country produces both goods cheaply or expensively. According to Ricardo, what is important in foreign trade is not a country's absolute advantage in the relevant goods, but the comparative degree of its advantage. Because foreign trade is shaped by comparative advantage and a country can benefit from foreign trade even if it produces both goods at a lower cost than other countries. Likewise, a country can increase its benefits by participating in foreign trade even though it produces both goods at a higher cost than other countries. We can explain Ricardo's statements with an example. Let's say the sample countries are Turkey and Germany, and the goods in question are clothes and televisions. Let's say the production conditions in the countries are as follows: In Turkey, a worker must work 10 days to produce one unit of clothing, while he must work 50 days to produce a television. In Germany, this time, a worker must work 5 days to produce one unit of clothes, and 10 days to produce one unit of television. As can be seen, Germany can produce both clothes and televisions cheaper than Turkey. As a matter of fact, considering that a worker is paid 1 gold per day, a dress in Turkey will cost 10 gold and a television will cost 50 gold. In Germany, a dress will cost 5 gold coins, while a television will only cost 10 gold coins. In other words, Germany has an absolute advantage over Turkey in both goods. In this case, there is no need for Germany to engage in foreign trade. Because Germany produces and consumes both goods more cheaply. Likewise, Türkiye produces both goods at a higher cost than Germany. In this case, it seems impossible for Turkey to sell any goods to Germany. In short, if one of the countries has an absolute advantage in both goods, foreign trade may be seen as an unnecessary activity. However, if we look at the figures a little more closely, we see that Germany's superiority is not the same in both goods. While Germany produces clothes 2 times cheaper than Turkey (10/5=2),

it produces televisions 5 times cheaper (50/10=5). Likewise, although Turkey produces both goods at a higher cost than Germany, this cost difference is not the same for both goods. In other words, while Turkey produces clothes only 2 times more expensive than Germany, it produces televisions 5 times more expensive. In this case, comparative advantage rather than absolute advantage should be taken into consideration. In other words, it shows that Turkey has a comparative advantage in dress and Germany has a comparative advantage in television. These cost differences between countries point to profitable foreign trade opportunities. We can see this situation by looking closely at domestic prices. In Turkey, you have to give 5 clothes to buy a television. Because it takes 10 days to produce one unit of clothes and 50 days to produce one unit of television. If 1 TL was given for each working day, one unit of clothes would cost 10 TL and one television would cost 50 TL. In short, relative domestic prices in Turkey will be in television terms as 1 television = 5 dresses. In Germany, paying 2 clothes is enough to buy a television. Because it takes 5 days to produce one unit of clothes and 10 days to produce one unit of television. If 1 euro was given for each working day, one unit of clothes would cost 5 euros and one television would cost 10 euros. In short, relative domestic prices in Germany in television terms are 1 television = 2 clothes. In an environment of free trade, if a merchant from Kayseri buys 10 dresses from Turkey and takes them to Germany, he will be able to buy 5 televisions in return. Because in Germany, 1 television is worth 2 clothes. However, the same trader in Turkey could buy 10 dresses and at most 2 televisions. For this reason, by producing clothes in which it has a comparative advantage and selling them to Germany, Turkey will be able to access more televisions than it can produce and therefore consume in a closed economy. Likewise, if a merchant from Berlin, Germany, brings a television to Turkey, he will be able to buy 5 dresses in return. Because in Turkey, 1 television is worth 5 dresses. However, the same merchant could buy at most 2 dresses in exchange for one television in

Germany. For this reason, by producing television, in which it has a comparative advantage, and selling it to Turkey (even though it produces both goods cheaply), Germany will be able to access more clothes than it can produce and therefore consume in a closed economy. In summary, from the current cost structures, it can be seen that clothes in Turkey and televisions in Germany are cheaper goods. For this reason, Turkey should specialize in dress production and export it to Germany and import television from Germany. Germany, on the other hand, should give up dress production and import its needs from Turkey, and should specialize in television production and export televisions to Turkey. Thus, although Germany has an absolute advantage in both goods and Turkey produces both goods at high costs, foreign trade based on comparative advantages will benefit both countries. Because foreign trade provides countries with more consumption opportunities than a closed economy. If domestic prices are not different, profitable foreign trade is not possible. Because the comparative advantage between countries is at the same level, foreign trade becomes meaningless. We can explain this exception with an example. Let's say the sample countries are Turkey and Germany, and the goods in question are clothes and televisions. Let's say the production conditions in the countries are as follows: In Turkey, a worker must work 25 days to produce one unit of clothing, while he must work 50 days to produce a television. In Germany, a worker must work 5 days to produce one unit of clothing, and 10 days to produce a television. Germany produces both goods at a lower cost than Turkey. In technical terms, Germany has an absolute advantage in both goods. However, it is not important whether a country has an absolute advantage in both goods, what is important is the degree of this superiority, that is, comparative advantage. Therefore, when we look at comparative advantages, Germany has an equal comparative advantage in both goods (25/5=5 and 50/10=5). Likewise, Türkiye has a 5-fold disadvantage in both goods. That is, the degree of comparative advantage is equal in both goods.

In this case, profitable foreign trade will not be possible. Because domestic prices are the same in both countries, this makes foreign trade unnecessary. When we look at domestic prices, we see that the dress in television terms is the same in both countries. If we remember the example we gave before, it does not change anything if the merchant from Kayseri buys clothes from Turkey and takes them to Germany. Because the rate of change is the same in both countries. Likewise, when a Berlin merchant brings a television from Germany to Turkey, he can buy as many clothes as he can buy in Germany. Therefore, having the same domestic prices (equal degree of comparative advantage) eliminates profitable foreign trade opportunities between the two countries. There is no need for either Germany or Turkey to engage in foreign trade. However, let us remind you again that this is an exceptional case. (Değer, Öztürk, 2020, p.11-13)

65.Trade-Increasing Growth

It is a result of examining the relations between economic growth and foreign trade on two-country, two-good standard foreign trade models. Growth may be a result of factor increases or advancement in technology. Normally, growth is an event that increases the economic welfare of the growing country. However, under certain conditions, growth can change the terms of trade to the country's detriment. This means that some of the income increases resulting from the deterioration in the terms of trade are transferred to the other country, resulting in a decrease in welfare increase. Such a situation arises, for example, in the case of trade-increasing growth. Trade-enhancing growth means that, considering both production and consumption effects, the supply of goods that the country can export and the amount of goods it wants to import will increase after growth. In other words, it is the growth of the foreign trade triangle or the increase in foreign dependency. In the two-country model, under conditions where there is no growth in the other country or the growing country is a large

country, trade-enhancing growth turns the terms of trade against the country and leads to a loss of welfare through this channel. However, a growth that reduces the supply of exported goods and the demand of imported goods, that is, a growth that narrows the foreign trade triangle and reduces foreign dependency, has opposite results. This type of growth is called trade-reducing growth. If there is no growth to balance this in the other country or if the growing country is a large country, trade-reducing growth changes the terms of trade in favor of the country and thus increases the welfare of the country in addition to the increase in welfare provided by growth. (www.nedir.com/, 2023)

66.Triple Trading (Switch)

The emergence of imbalance in mutual trade agreements is a common situation. Therefore, there is a surplus of unused money or goods in one of the party countries. Another method created to exploit these vulnerabilities is for a third party to intervene and take over the purchasing right. Switch companies specialized in this field receive this surplus through commission or discount and sell the goods they buy to the party in need by exchanging them for other goods in return. The method of purchasing more goods than needed, making changes to them and exporting them again is called re-export. (www.iso.org.tr/, 2023)

67.Voluntary Export Restrictions

This exception is a deviation from the basic principles of the World Trade Organization, which is that customs tariffs should be used as the only means of protection and that quantitative restrictions should not be used for protection purposes. Such agreements were frequently implemented in the 1970s, especially by the USA and the European Community, as they were known at the time. In fact, voluntary export quotas emerged as a result of pressure put on exporting countries by importing countries that could not compete with foreign

producers in order to protect domestic producers. An important factor in exporting countries restricting their exports voluntarily is that the importing country uses its political influence. As a matter of fact, in the mid-1960s, the USA asked Japan to limit the export of textile products, otherwise it would increase the customs duties on textile imports. Thereupon, Japan had to impose a voluntary quota on textile exports to the USA. (kenancelik.net/, 2023)

68.Warehouses

There are certain customs and paperwork procedures that must be carried out when companies carry out import and export transactions. When goods are sent abroad or brought into the country from abroad, the customs procedure that must be followed takes a certain amount of time. In this process, the need to keep the relevant goods in a warehouse arises. Warehouses located close to customs to meet this need are called "warehouses". Goods waiting in the warehouse are considered commercial goods for which tax has not yet been paid, and there is no period for them to be kept there. In other words, there is no minimum period for which goods should be kept in the warehouse or a maximum period for which they can be kept there. The goods may be kept in the warehouse until the customs and paperwork procedures are completed. On the other hand, if deemed necessary by the customs administrations, if the goods will be used in another transaction, a new customs-approved transaction or use may be assigned to the goods. In such a case, all transactions of the goods must be completed and exited within 30 days from the date of registration of the relevant declaration. Otherwise, the goods will be discharged from the warehouse. (sertrans.com.tr/, 2023)

69.Young Industry Thesis

An old view advocating that the state implement a protective foreign trade policy for the purpose of economic development. Accordingly, when an industry is newly established, its costs are high, so it is not possible to compete

with previously established and developed ones. However, if this industry is protected from the competition of the foreign market for a while, it will become competitive. Because as the production volume expands, cost-reducing factors will take effect and the industry will gain experience. As the production volume expands, the factors that reduce the cost include the ability of the worker to learn the job by doing and the ease of providing raw materials and technical information. These are known economies of scale effects in production. If such industries, which have the potential to develop in the future, cannot benefit from the protection of the state when they are first established, they cannot compete with foreign companies, and thus they will collapse before they have the opportunity to develop. Protection from external competition gives them the opportunity to move past the "childhood" stage and develop. The young industry thesis foresees an industrialization in line with Dynamic Comparative Advantages. According to the young industries thesis, protection from foreign competition will be temporary, not permanent. In addition, protection is selective, not general. In other words, not all industries should be protected, but only those that will develop and gain competitive power in the future. This theory has an important place in the development of underdeveloped countries. However, it should be noted that it causes significant problems in practice. Namely, there are countless examples of industries that were not able to develop even though they were protected for a very long time because they were chosen incorrectly. Moreover, once an industry is protected, it is considered a right and it is not possible to remove the protection again. Others point out that because profits will be high in a protected industry, entrepreneurs will not make an effort to reduce costs. Therefore, it is suggested that the protection should be gradually reduced along with the decrease in costs as a solution. (nedir.com/, 2023)

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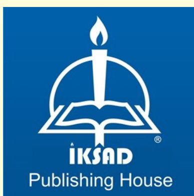

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