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THE DIRECTION OF THE WORLD'S ECONOMY (2) THE EUROPEAN UNION, EURASIAN UNION, CHINA AND TURKEY

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In a previous article we had commented that Turkey would have more options as the global economic gravity shifts from the West to the East towards the Pacific. It is becoming an acknowledged fact that the global economic crisis that has come to persist and continue since 2008 is not incidental but rather a reflection of change in global balances and distribution. The formation of new balances without leading to war will take time and will evolve gradually. It has also emerged that regional initiatives are better suited than individual state undertakings to achieve new balances within global economy. Thus, new initiatives and formations are being observed for some time in South and North Americas as well as in Asia. Turkey has opted for application for membership to the European Union in 1963 at the very early stages of this formation and has taken an important step towards economic unity in 1996 with the customs union agreement. Over time it has been observed that the EUs political vision has gained weight opening the door to cultural and religious discrimination within the concept of common values for membership criteria. During the same period, Turkey, at the nexus of Europe and Asia, has witnessed new political and economic formations in Eurasia and further east in Asia and has come to detect options of diversifying its economic engagements. The European Union, also affected to a certain degree with the economic difficulties it faces, seems to have determined its enlargement boundaries. The outlook creates an impression of a fortress closing to the outside world. To the east, Russia is focused on an initiative with a new economic union, de facto preventing a further EU enlargement. As witnessed once again in the summit held in Brussels on December 21st, Russia in its relations with the EU attaches more emphasis to form rather than content and is keen to display an image of formal and cordial relationship. On the other hand, substantial issues are handled on a bilateral basis. Currently Germany seems to be the major partner. Apart from Germanys locomotive economic power, the ease of the two countries leaders to communicate without a translator also helps. Russia has assumed the Presidency of G-20 from Mexico that will last for a year. It is expected that Russias role and contributions in the G-20, the leading international organization in terms of the harmony, coordination and orientation of the global economy to which Turkey is also a member and where it will assume Presidency in 2015, will become clearer in 2013. On the other hand, it will be interesting to watch how the Eurasian Union led by Russia will develop in the face of opposition from the US and the EU. Confronted with these new developments, the function and influence of the Economic Cooperation Organization in Central Asia, where Turkey is among its

founding members, will also be important. The projection of the supply and demand of hydrocarbons (natural gas and petroleum), which is among the main inputs determining the functioning and competitiveness of global economy, is also able to provide an idea about the future. It is expected that the additional demand will essentially originate from Asia (China and India) and that the increase in the production of petroleum in neighboring Iraq will be able to provide the necessary supply. The resources of another neighbor, Iran are mostly being held in reserve for the time being. These developments must be taken into due consideration from Turkeys aspect which stands as an energy hub in the region.

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