

NAME and SURNAME: HALİL UÇAL

TITLE: THE CYPRUS ISSUE IN THE PROCESS OF EUROPEAN UNION AND PREDICTING THE POTENTIAL TRADE VOLUME BETWEEN TURKEY AND SOUTH CYPRUS BY USING GRAVITY THEORY

ABSTRACT

The European Union and the Cyprus Issue are the two main subject in international relations of Turkey. In the expansion process of EU in 2003, the Greek Cypriots was accepted as the only representative state of the Island. After that, the Cyprus Issue has become one of the main subject which is started to be discussed in EU process. Turkey, which has no political and economic relations with Greek Cypriots, has to allow Greek Cypriots' airlines and ships to use Turkish ports as a result of Customs Union. If Turkey accepts this new situation before the solution in the island, this will be a political victory for Greek Cypriots. However, this situation has not only a political meaning but also an economic meaning for the Greek Cypriots. This is because, Greek Cypriot is a small island which is mainly dependent to abroad in external trade. In this study, potential trade gains are predicted for two countries under the assumption of normal relations. The Gravity Theory, which has used in several international trade studies, is used for this prediction. In many studies, the Gravity Theory has been very useful to find the countries' potential external trade and the determinants of the external trade. In this study, the determinants of Turkey's external trade are measured and used to find potential external trade between Turkey and Greek Cypriots. The predicted potential trade volume does not seem to increase Turkey's bilateral trade very much. However, the same volume reaches very important portions in Greek Cypriots' external trades. According to the estimation results, Turkey has a potential to be one of the main trade partners of Greek Cypriots. This conclusion shows that Greek Cypriots' aim is not only political but also economical.

KEYWORDS

Gravity Theory, Cyprus Issue, External Trade, European Union