

## **ABSTRACT**

### **Master Thesis**

## **TURKEY'S AGRICULTURAL TRADE LIBERALIZATION AND ENVIRONMENT INTERACTION**

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The increase observed in both general and agricultural trade leads to some positive consequences such as production, employment, and gross domestic product (GDP), and some negative ones such as environmental degradation caused by deployment of the natural resources. Turkey's foreign trade on the other hand has been rising with the process of liberalization and globalization. In this process to be able to determine the impacts of increasing trade on the environment is quite essential for both forecasting the possible damages beforehand and maintaining the sustainable development. In this study first of all, Turkey's economic, agricultural and environmental policies are examined and relation to the EU's agricultural and environmental policies were scrutinized. The impacts of various variables such as Turkey's GDP, total, and agricultural trade on the emission levels were analyzed employing Environmental Kuznets Curve (EKC). In the study annual time series data covering from 1968 to 2001 were used. The CO<sub>2</sub> emission was chosen as dependent variable while GDP, trade openness index, and agricultural openness index were used as independent variables. The results show that as real GDP increases 1 \$, the CO<sub>2</sub> emission increases by 2.69 kg per capita as well. However as GDP rises further, which is square of that variable, the emission level per capita decreases. These results confirm the relationship between GDP and emission level as asserted by the EKC. On the other hand, trade openness index increases the per capita emission by 16.52 kg. Agricultural openness index decreases the emission level, however, it is not significant. The results indicate that increase in production and trade activities in Turkey raises the emission level, which confirms the Pollution Heaven Hypothesis (PHH). Turkey needs to integrate the principles of sustainability into the formulation of agricultural policies in order to maintain a sustainable development in the process of globalization. In this process, the European Union's (EU) common agricultural policy covers environmental standards and sets new standards. That way, the EU is transferring its longtime price policy into the environmentally friendly direct payments programs. From this point of view, Turkey needs to take some necessary measures such as providing its farmers with universally set income, preventing the exploitation of common resources, conservation of the soil and water; and in terms of trade, should set and control sanitary and environmental standards in its imports.

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