

# tepaV

economic policy research foundation of turkey

## Turkey's transformation and some comments on Turkey- Syria relations

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# Agenda

- Changing economic environment in Turkey
  - 1980-1990
  - 1990-2001
  - After 2001
- Turkey and Syria's bilateral trade
- Some problems that constrain economic relations to intensify

# Economic Policy Research Foundation of Turkey (TEPAV)

- Established in 2004, with the support of the Union of Chambers and Commodity Exchanges of Turkey (TOBB)
- Independent, non-partisan think tank in Ankara
- Focuses on economic policy, competitiveness, governance and stability.

[www.tepav.org.tr](http://www.tepav.org.tr)

# Economic liberalization and export led growth strategy

## *1980-1990*

- Turkey's economic policy framework and reform agenda were based on economic liberalization during 1980s

→ 24 January 1980 Measures

- Reforms to ensure proper functioning of market mechanism
- Trade liberalization
- Fiscal liberalization
- Abolishing all sorts of subsidies except export subsidies
- Decreasing state's share in total economic activity

→ Financial liberalization in 1989

# Some economic indicators

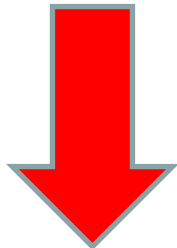
	1980	1990	2001	2006
GDP per capita (PPP)	2,242	4,461		
Exports (million USD)	2,910	12,959		
Imports	7,513	22,407		
Inflation	45%	60%		
FDI (million USD)	18	684		
Domestic debt / GDP	45%	14%		

## Average annual growth rates

	1980-1990	1990-2001	2001-2006
Real GDP	5.21%		
GDP per capita (PPP)	7.12%		
Exports (million USD)	16.11%		
Imports	11.55%		

## A period of economic crises *1990-2001*

- Macroeconomic and political instability
- High public sector debt
- High budget deficits
- High and chronic inflation
- High interest rates



- Excessive boom-bust cycles

# Some economic indicators

	1980	1990	2001	2006
GDP per capita (PPP)	2,242	4,461	6,031	
Exports (million USD)	2,910	12,959	34,373	
Imports	7,513	22,407	38,103	
Inflation	45%	60%	69%	
FDI (million USD)	18	684	3352	
Domestic debt / GDP	45%	14%	69%	

## Average annual growth rates

	1980-1990	1990-2001	2001-2006
Real GDP	5.21%	2.52%	
GDP per capita (PPP)	7.12%	2.78%	
Exports (million USD)	16.11%	9.27%	
Imports	11.55%	4.94%	

# A new era after 2001 crisis

- After 2001 crisis a new economic program has been implemented
  - Strong macroeconomic policy framework
  - Structural reforms
  - Independent central bank
  - Banking sector reform
  - Floating exchange rate regime
  - A better investment climate
- Successful implementation of the economic program triggered a deep structural transformation



# Some economic indicators

	1980	1990	2001	2006
GDP per capita (PPP)	2,242	4,461	6,031	9,073
Exports (million USD)	2,910	12,959	34,373	91,912
Imports	7,513	22,407	38,103	132,088
Inflation	45%	60%	69%	9.70%
FDI (million USD)	18	684	3,352	20,168
Domestic debt / GDP	45%	14%	69%	43.7%

## Average annual growth rates

	1980-1990	1990-2001	2001-2006
GDP (in reel terms, YTL)	5.21%	2.52%	7.20%
GDP per capita (PPP)	7.12%	2.78%	8.51%
Exports (million USD)	16.11%	9.27%	21.74%
Imports	11.55%	4.94%	28.23%

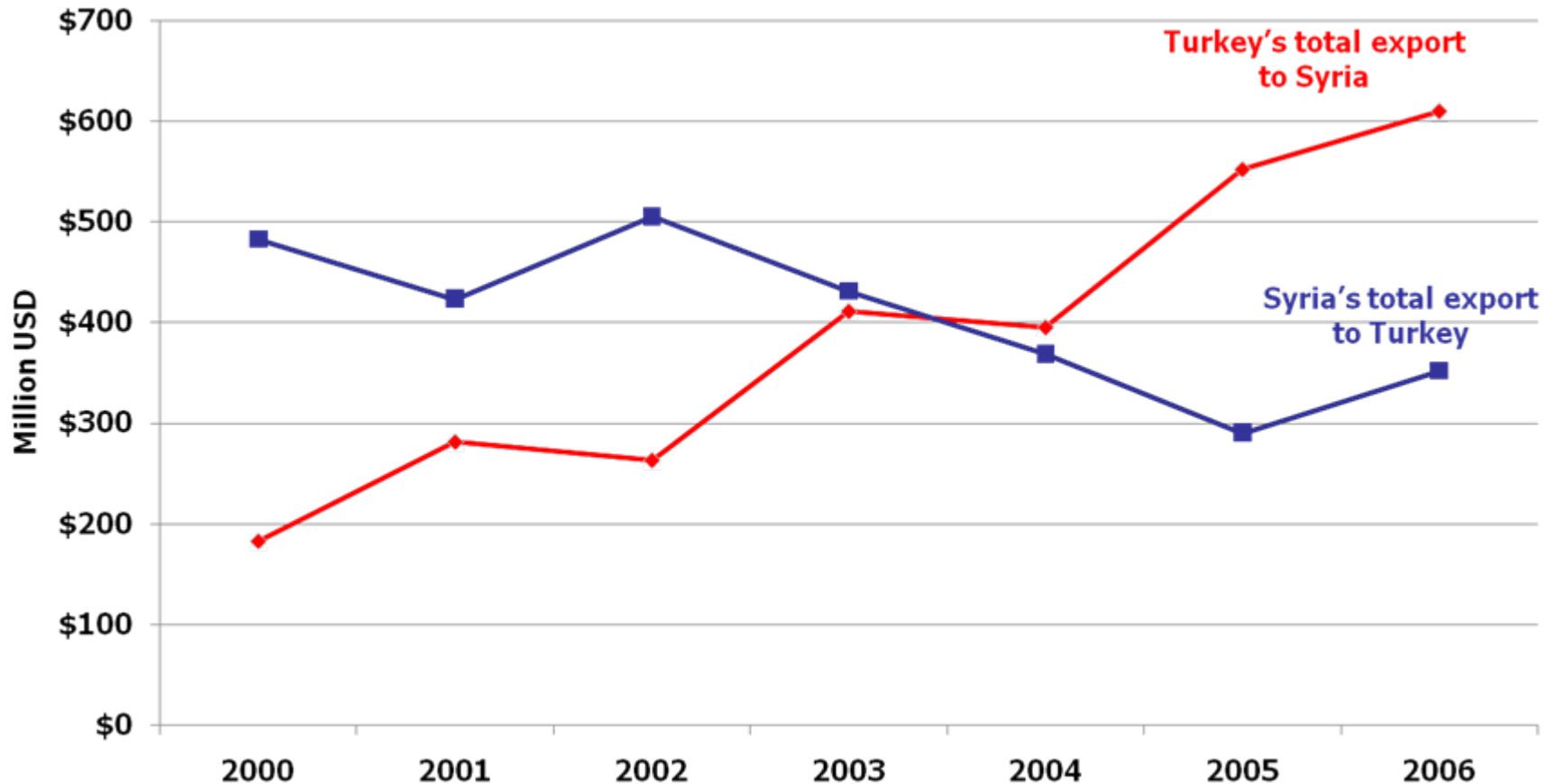
# Today's question: How to sustain growth process?

- It is apparent that status quo is not sufficient to sustain growth
  - Low growth rates in 2007 supports this view
- A new, second generation reform package should be designed and implemented immediately
- What are the priorities?
  - Sustaining macroeconomic stability
  - Labor market reform
  - Increasing firms' access to finance

- *Bilateral trade issues*

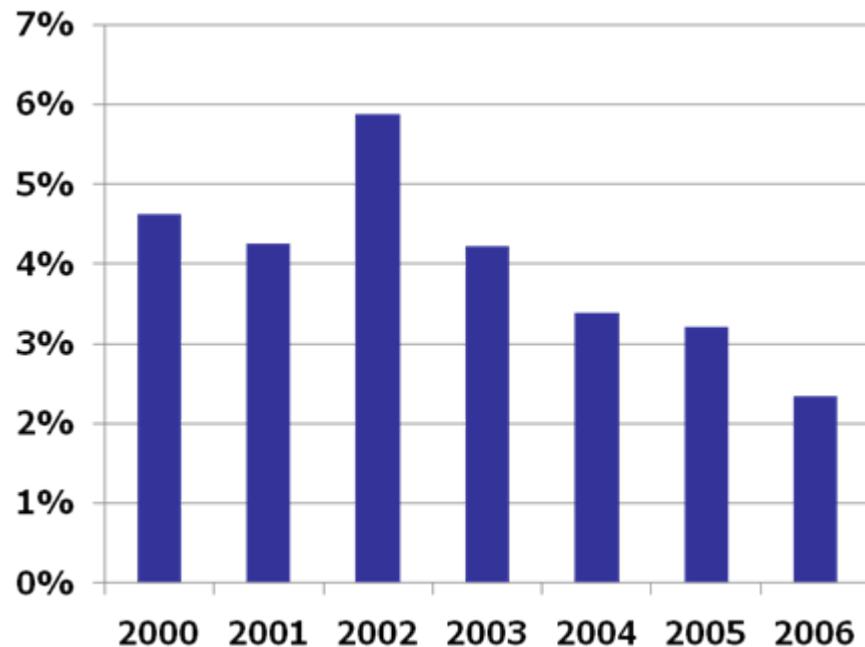
# Bilateral trade between two neighbours is far below the potential

Bilateral trade between Turkey and Syria (Million USD, 2000-2006)

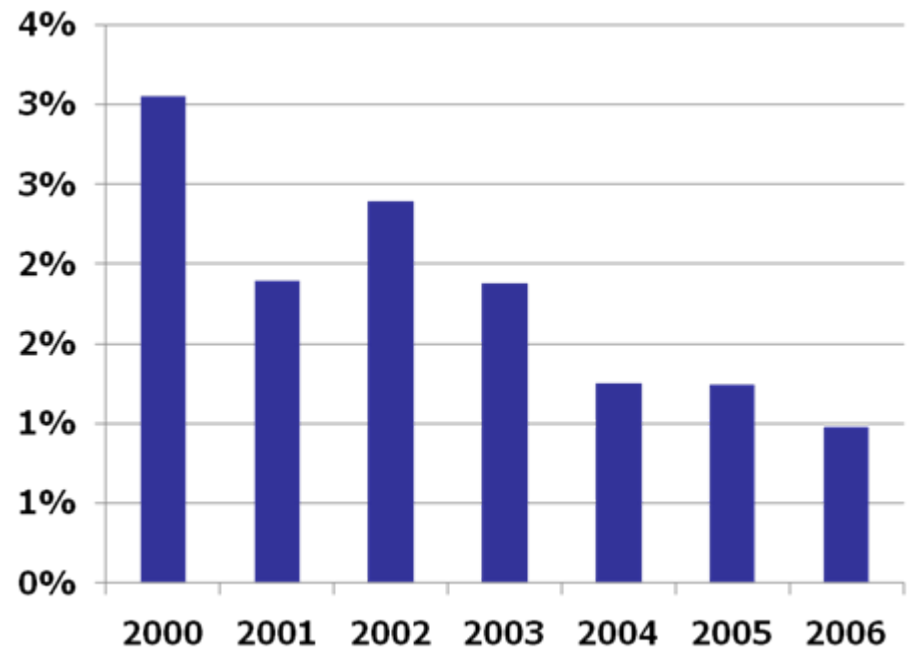


# Bilateral trade between Turkey and Syria is not improving (1)

Share of Turkish exports in Syria's total imports



Share of Syrian exports in Turkey's total imports



# In order to boost bilateral economic relations

- Need to resolve the following problems in the short term
  - Banking sector related problems
  - Quality certification requirements
  - High reference prices for Turkish exports
  - Partial implementation of free trade agreement between Turkey and Syria
  - Hidden costs in transportation
  - Visa problems