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The War of the Think Tanks

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The Ankara-based think tank TEPAV caused quite a stir at the end of July with a policy note provocatively titled, "Export Losses in the EU Market."

The short note argues, by comparing pre and post-crisis episodes, that there has been an "axis slide" in the EU and Turkey, with both looking beyond the EU for export markets. The article and Bahçeşehir University think tank BETAM's policy note "Turkey in the EU Market and Its Competition," written in response to the TEPAV piece, both show that EU powerhouses France and Germany have lost some EU export share in the aftermath of the crisis. The TEPAV report's main point is that Turkey has not been able to capitalize on this gap.

Digging a bit further yields interesting results: Although Turkey has not lost its share in the EU market, with the exception of apparel, it has been outperformed by Asia in labor-intensive goods like textiles and by new EU members, or EU-12, in capital-intensive products such as autos.

There are certainly many factors at play here, such as EU-12's better success at attracting foreign direct investment, or FDI, of late, flight from quality, high price and income sensitivity of Turkey's main export products, or even sectoral specifics, as commercial vehicles, which make a bulk of Turkish motor vehicle exports, were not included in EU support programs.

But Ümit Özlale, one of the authors of the TEPAV report, argued in a phone chat that this could also be reflecting Turkish exporters' inability, despite notable improvements in the last decade, to diversify their products as much as the competition. He specifically highlighted the Chinese, who are usually flexible enough to produce the whole quality range of a product.

As for Turkey's own axis slide, while Turkish Exporters Association, or TEA, sees the term as an insult, to me, it reflects, more than anything, the deftness of Turkish exporters, who have shifted their exports, with commendable government support, to other markets following the import demand slowdown in the EU. The report makes a similar point, noting that Turkish exporters' part of global supply chains might have responded to multinational firms' change in specialization strategies.

But as Özlale noted, the trick is to be able to gain new markets without losing the EU, which provides home to half of Turkish exports. According to his calculations, the 156 percent rise in exports to the Middle East and North Africa, or MENA, when coupled with the 11 percent fall in exports to the EU, resulted in a limited 5 percent overall gain.

TEA was quick to come up with its own report, aptly titled "The Analysis of the TEPAV Report," which is just not my cup of tea: They basically make a bunch of footnote-worthy criticisms such as the time frame and choice of currency of the report, which do not change its main results at all. But by trying to divert attention from the real issues and burying their heads in the sand, they are in fact shooting themselves in the foot.

Take the EU's axis slide: It would have important implications for Turkey if it were a structural phenomenon rather than a crisis response. What if Germany and France had eyes on the MENA market? Would Turkey be able to compete with them? Or are exports to MENA lower in quality or value added than exports to the EU? Despite accusations of being controlled by unnamed powers, TEPAV is in fact doing TEA a big favor by following up on their study with such issues.

While I had high hopes for a war of the think tanks, the disagreement turned out to be just a difference in nomenclature, as TEPAV was working in percentage changes and BETAM in market shares.

As for the other responses, it hurts me to say that they seem to have been all but tanked.

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