

# tepaav

Economic Policy Research Foundation of Turkey

## **Economic Development in Yemen: Is there a role for Turkey?**

**Güven Sak, 11 January 2011**

# Outline

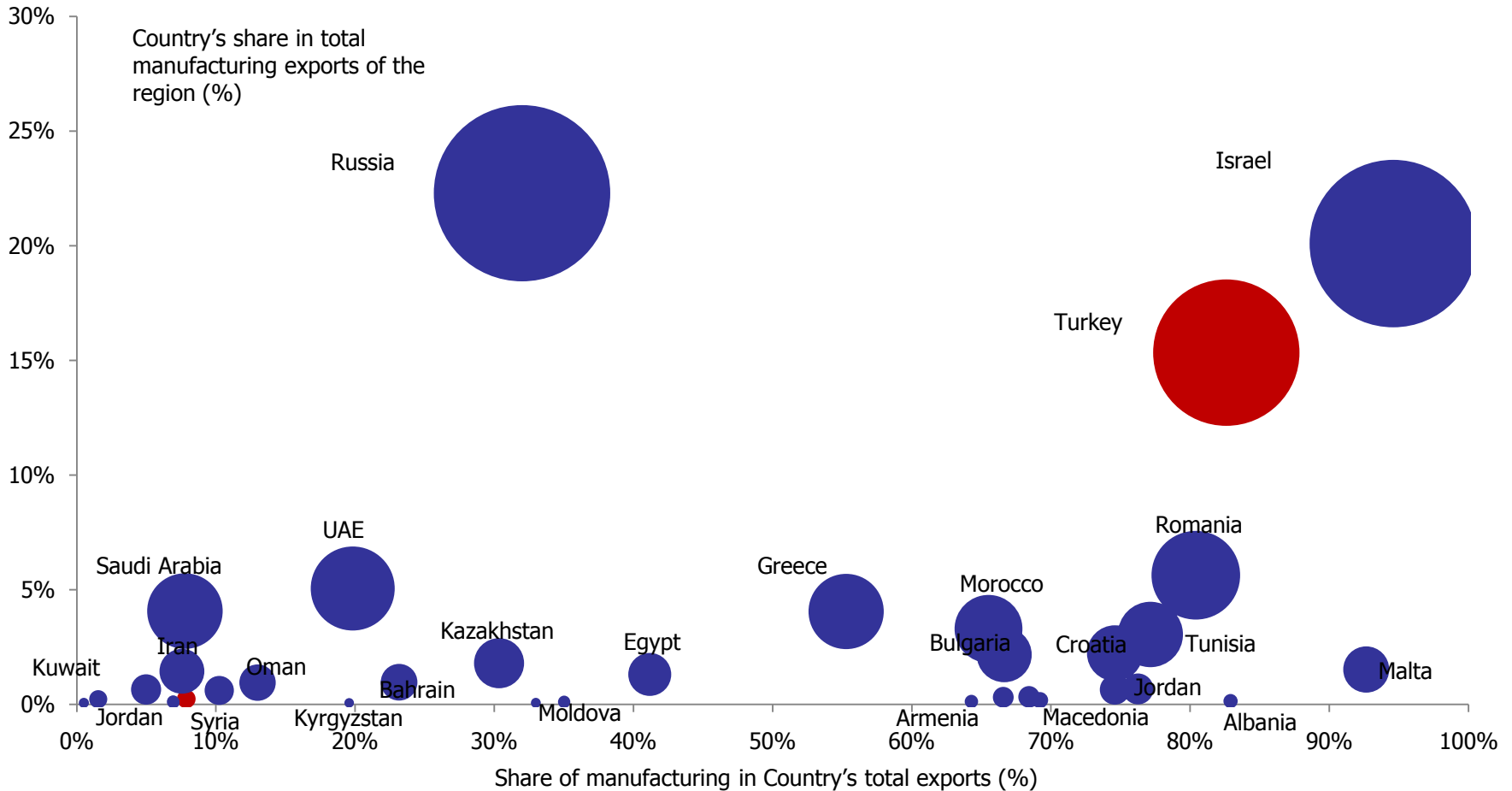
- Turkish economy and its transformation
- Turkish – Yemeni economic relations
- Where to go from here?
  - Trade diversification: wealth follows trade
  - Private sector development and capacity building
  - A pilot industrial zone project in Hodeidah

# An overview of the recent progress of Turkish economy

	1980	2001	2008
<b>GDP (billion \$)</b>	70	509	700
<b>Per capita GDP (USD)</b>	1,500	2,906	9,000
<b>Number of enterprises</b>	90,000	723,503	1,170,248
<b>Exports (USD billion)</b>	3	31	132
<b>Exports per worker (USD)</b>	65	1,456	6,229
<b>Industry share in exports</b>	10%	92%	92%
<b>Number of exporters</b>	1,000	25,000	47,000
<b>Tourism revenue (billion \$)</b>	0,3	8	21
<b>Ranking in the world (in terms of GDP)</b>	25th	21st	17th

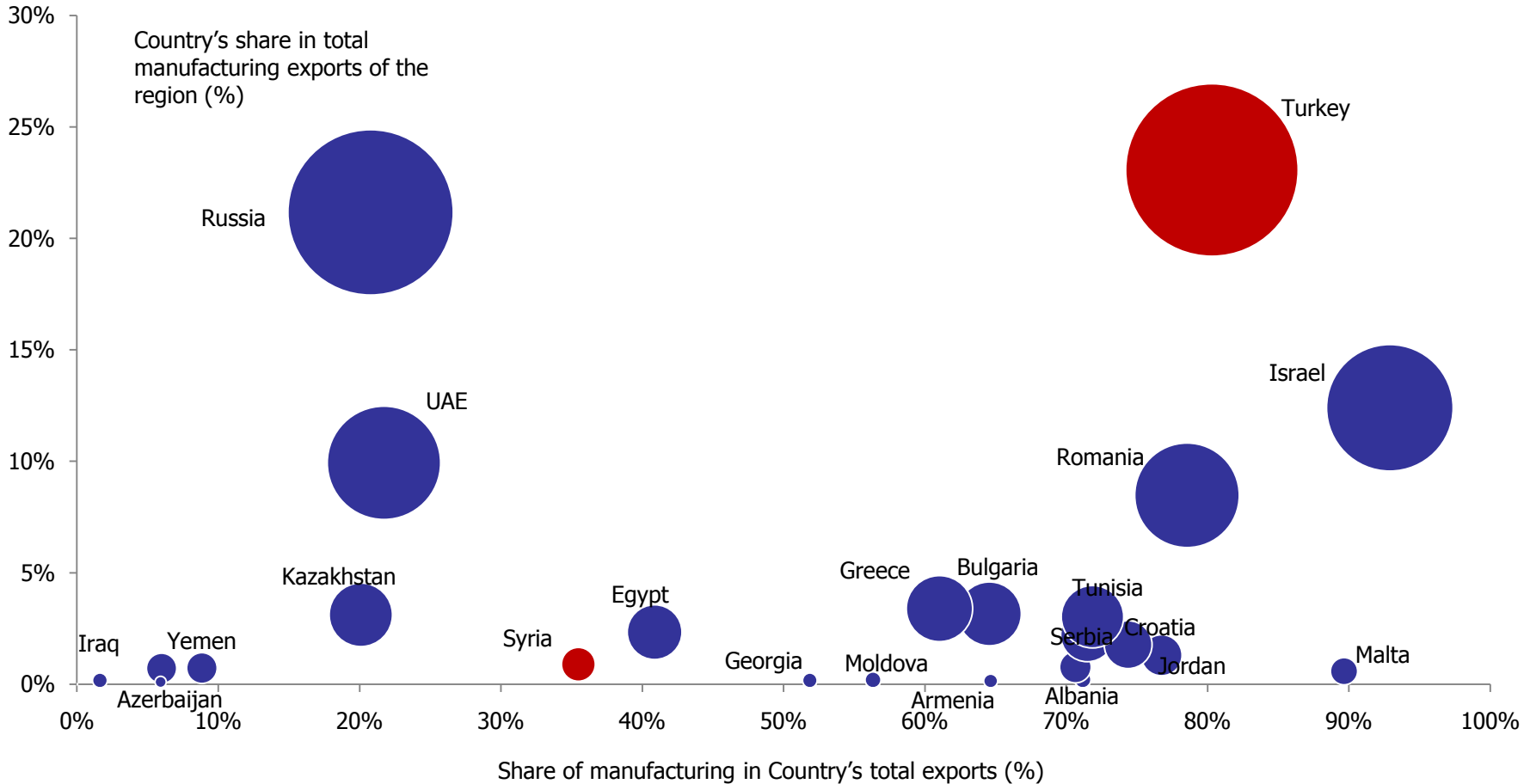
# Rapid growth in manufacturing after mid-90's

Export indicators of the countries in the region (1996)

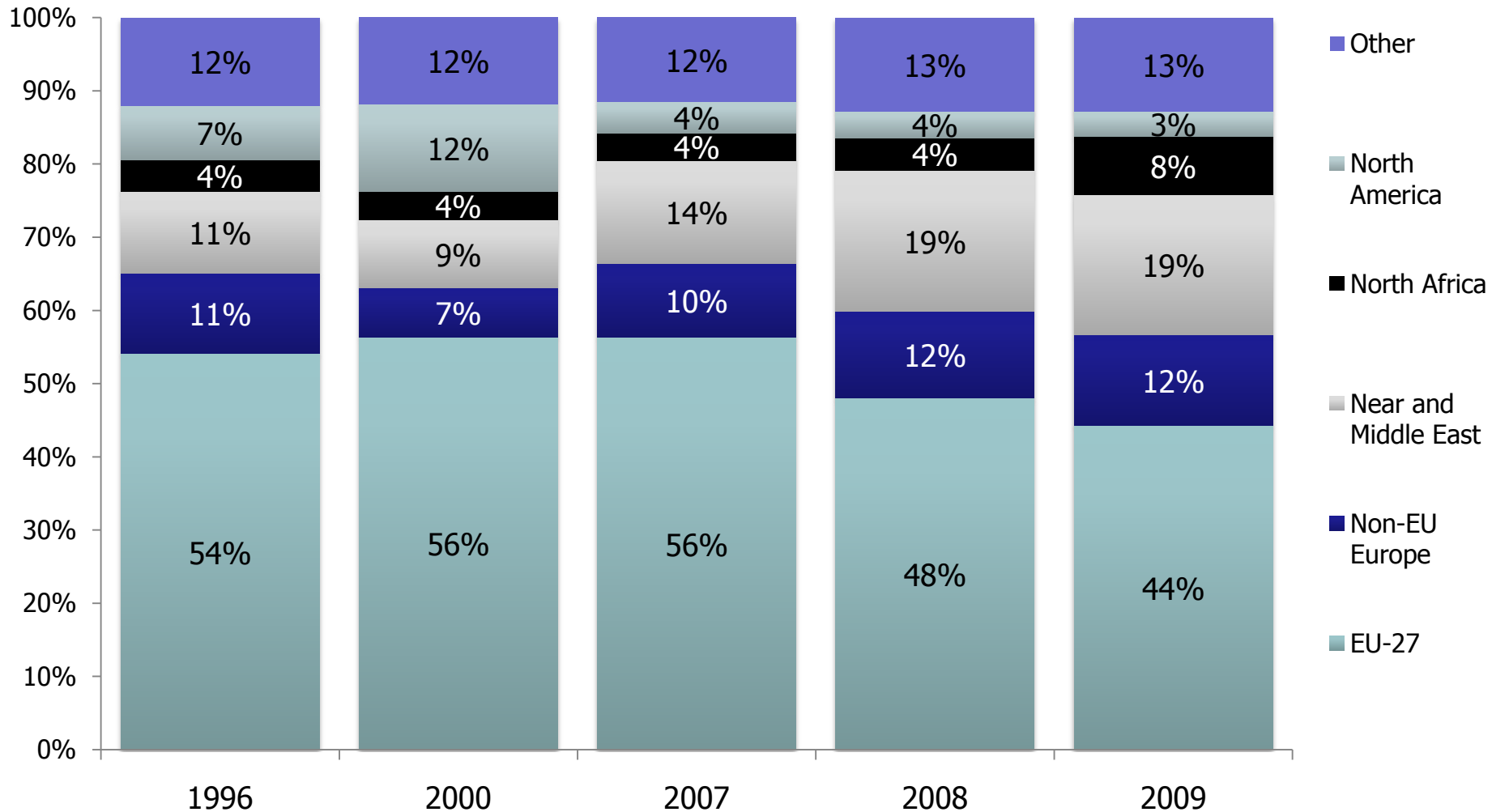


# Today Turkey is the largest manufacturer in the region

Export indicators of the countries in the region (2008)

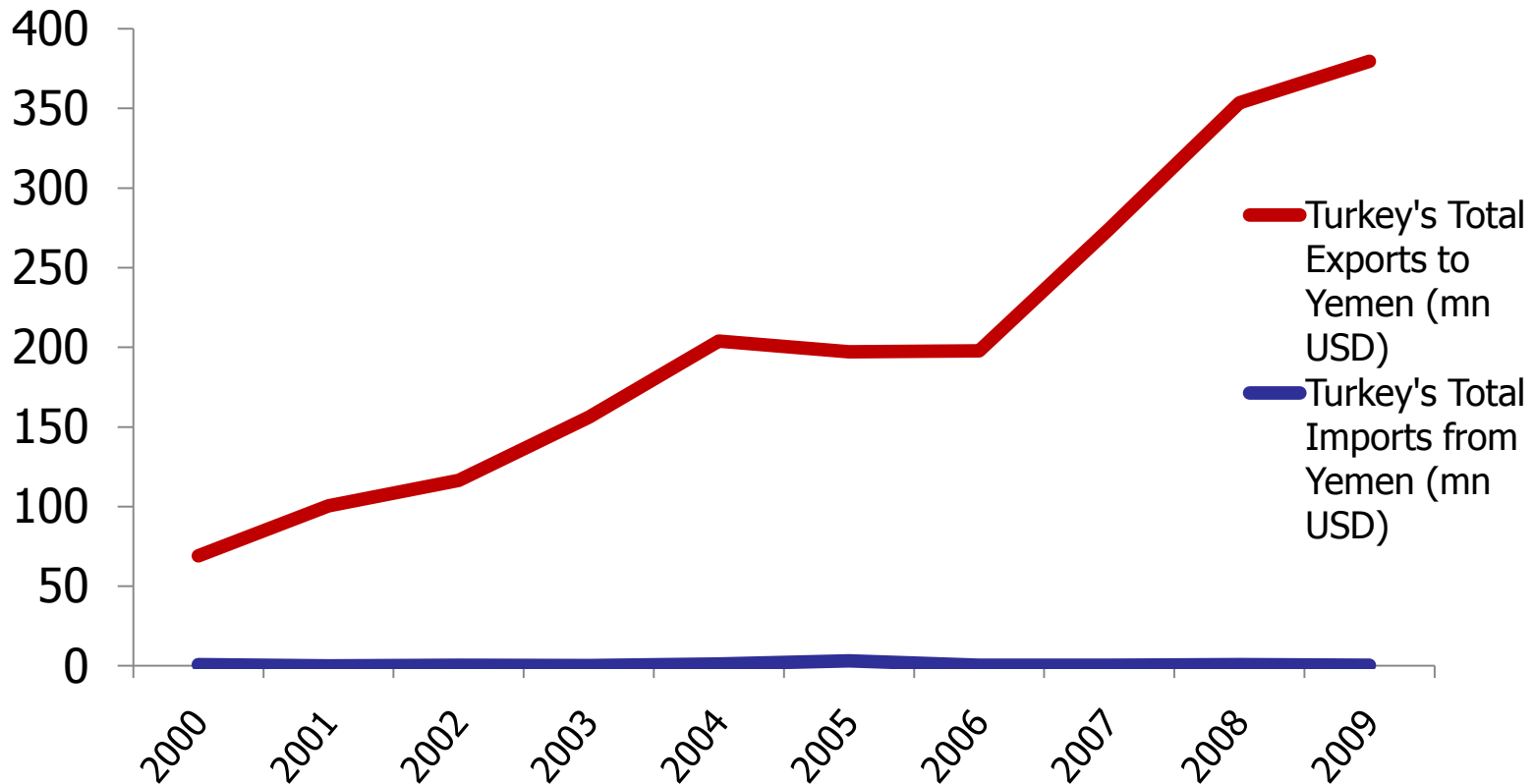


# Geographic diversification in Turkey's exports



## Turkish-Yemeni trade has dramatically increased, but is characterized by a large imbalance

Turkey's exports from and imports to Yemen, 2000 – 2009, million USD



Source: UN Comtrade

# Turkey currently is not a critical trade partner for Yemen

## Yemen's export partners (2009)

Rank	Country	% Total Exports
1	China	25.2
2	India	20.1
3	Thailand	18.3
4	Singapore	6.9
5	South Africa	6.2
6	United Arab Emirates	5.7
7	Japan	5.4
8	Saudi Arabia	2.6
9	Kuwait	1.5
10	Somalia	0.6
	SHARE OF FIRST 10	95.0
49	Turkey	0.01

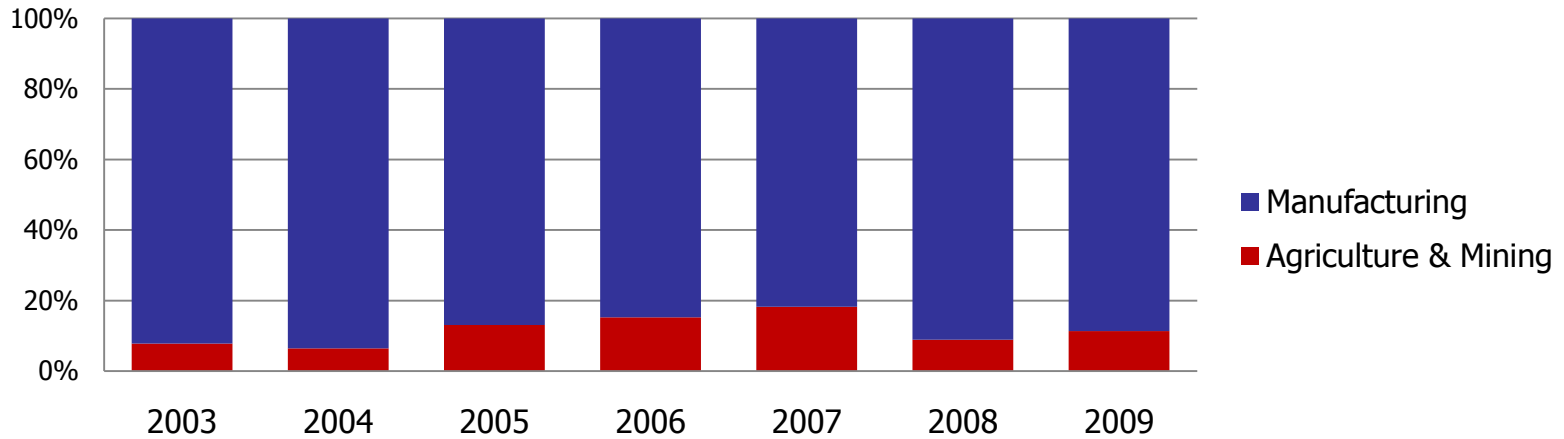
## Yemen's import partners (2009)

Rank	Country	% Total Exports
1	United Arab Emirates	9.9
2	China	9.3
3	USA	6.4
4	Japan	5.6
5	Saudi Arabia	5
6	Switzerland	4.6
7	Kuwait	4.3
8	Turkey	3.9
9	Brazil	3.8
10	India	3.7

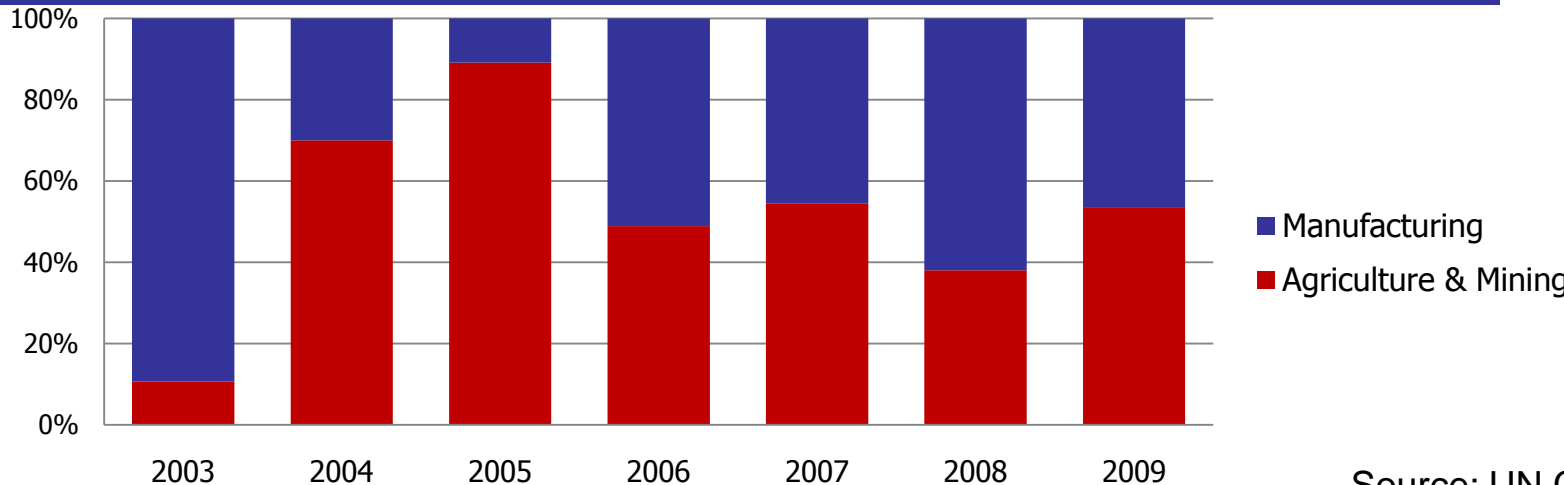


# There is a structural difference in the pattern of trade flows

Turkey → Yemen



Yemen → Turkey



## Trade in both directions is dominated by traditional products

### Turkey → Yemen

Top 10 Items (2009)	USD
Live trees, plants, bulbs, roots, cut flowers etc	289,021,211
Bird skin, feathers, artificial flowers, human hair	274,363,567
Dairy products, eggs, honey	27,436,630
Paper & paperboard, articles of pulp, paper and board	25,218,081
Edible vegetables and certain roots	20,996,606
Articles of iron or steel	9,476,532
Headgear and parts	7,893,507
Electric machinery, apparatus and appliances	6,729,276
Products of animal origin	6,098,593
Coffee, tea, mate and spices	5,899,362

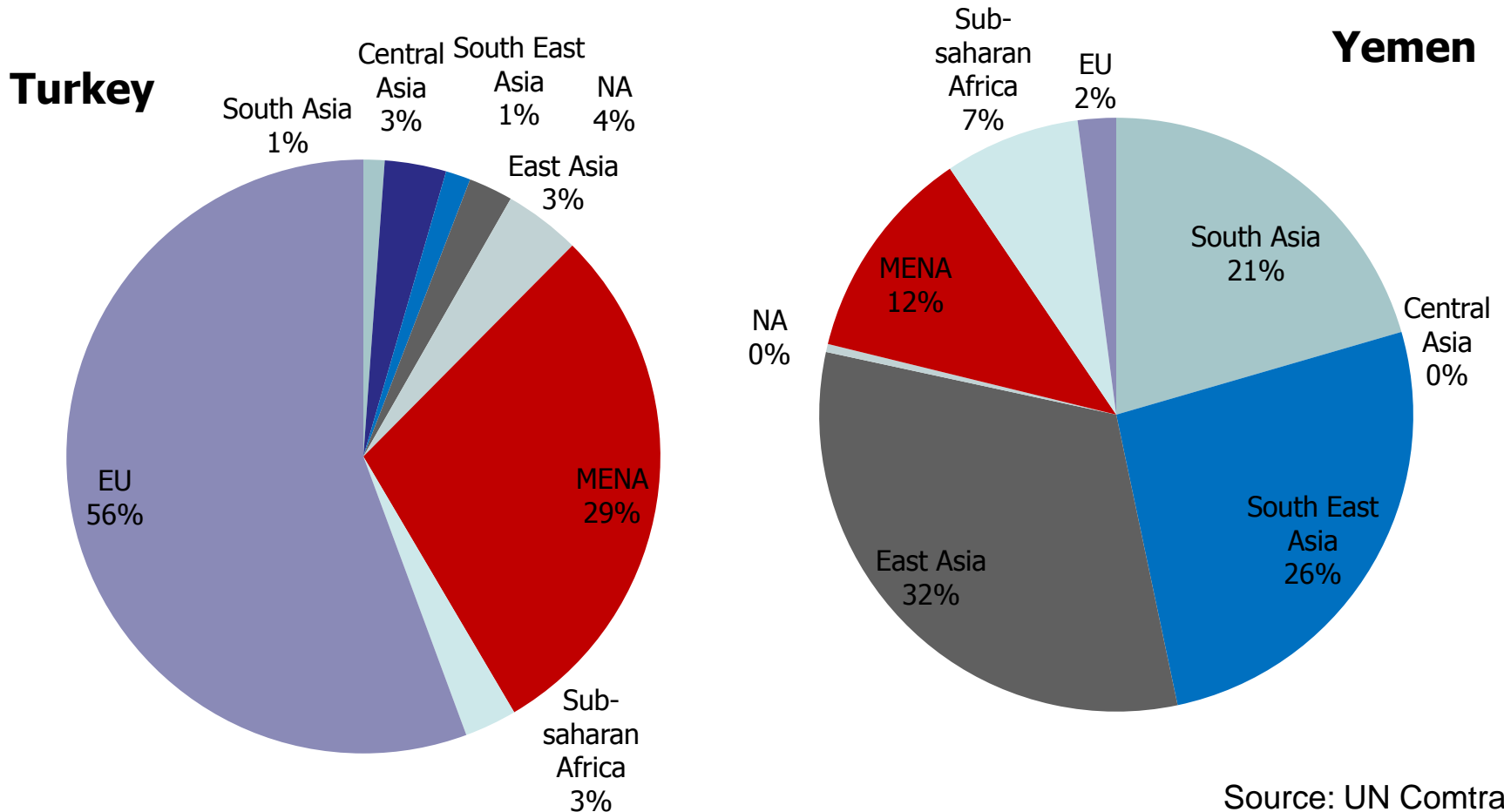
Source: UN Comtrade

### Yemen → Turkey

Top 10 Items (2009)	USD
Products of animal origin	166,169
Live trees, plants, bulbs, roots, cut flowers etc	65,545
Fish, crustaceans, molluscs, aquatic invertebrates	59,883
Soaps, lubricants, waxes, candles, modelling pastes	59,883
Articles of apparel, accessories, knit or crochet	36,397
Stone, plaster, cement, asbestos, mica, etc articles	29,148
Edible vegetables and certain roots and tubers	11,658
Iron and steel	7,580
Edible fruit, nuts, peel of citrus fruit, melons	6,745
Copper and articles thereof	1,795

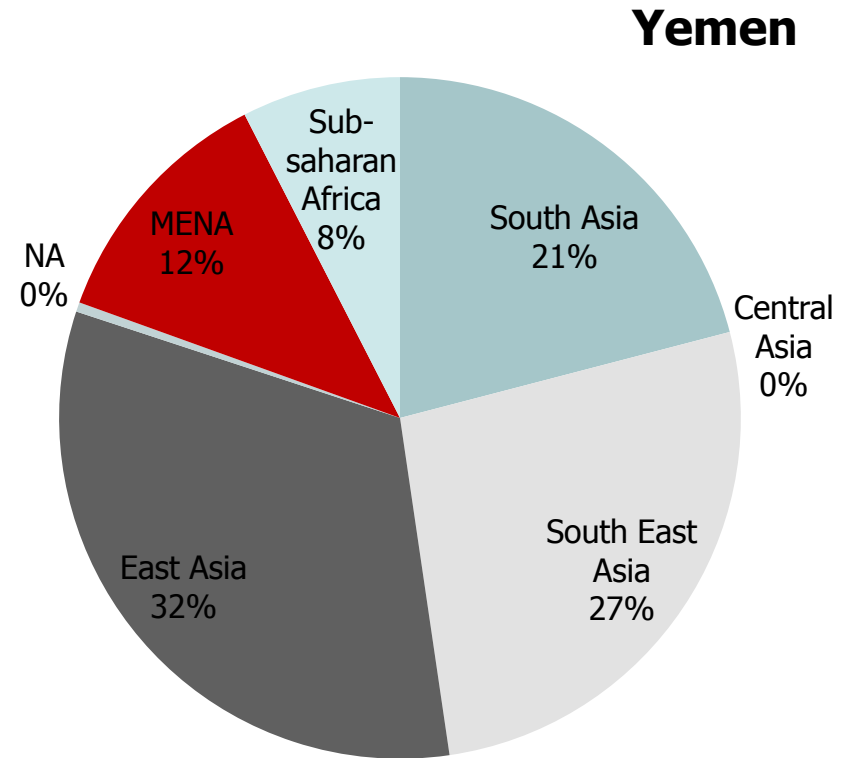
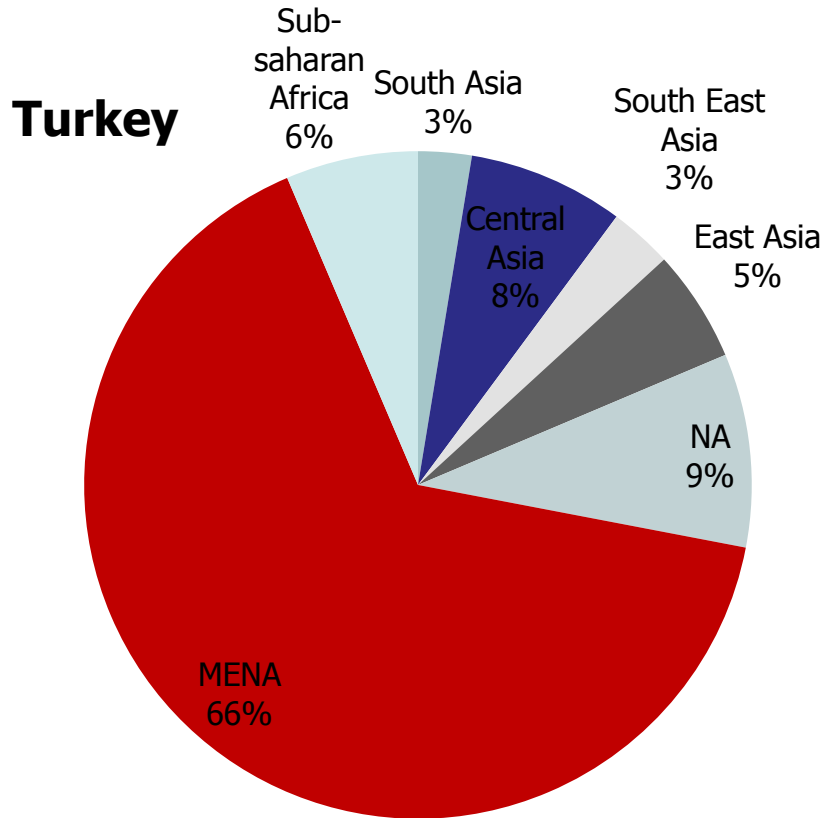
# Export markets appear to be complementary

## Export markets (2009)



# Export markets are even more complementary when we exclude Europe

## Export markets, excluding EU (2009)



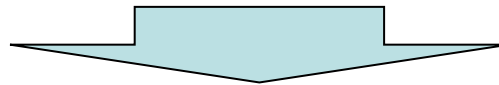
# Where can we go from here?

- Four major priorities in bilateral economic relations
  - Diversifying the trade base – increasing private sector's export capacity
  - Capacity building – rule of law; conducive regulatory environment
  - Skills upgrading – in line with the needs of Gulf Countries?
  - Private sector development
- A pilot project that can cater all three cross-cutting priorities: a conducive investment climate at the local level possible?
  - An Industrial Zone Initiative in Hodeidah
  - Islamic Development Bank and TOBB as strategic partners
  - OSTIM as an experienced developer

# Yemen's investment climate suffers from many issues

	Yemen	MENA	All Countries
% of Firms Identifying <b>Tax Administration</b> as Major Constraint	41.73	32.70	23.49
Number of <b>Power Outages</b> in a Typical Month	54.39	14.34	8.92
% of Firms with Line of <b>Credit or Loans</b> from Financial Institutions	8.09	30.03	34.50
% of <b>Exporter Firms</b>	3.08	27.26	17.92

Source: Investment Climate Surveys, The World Bank



An special economic area with a favorable investment climate!

# Hudeidah Organized Special Industrial Zone



# Why Hudeidah?

- Keen private sector interest and capacity
  - 1 million population + University with 15.000 students
- Logistics infrastructure
  - Potential to serve both the domestic market and Middle Eastern and East African countries
    - (complementary to the Aden Free Zone, which targets Gulf and Asian markets)
  - Port (6km to Hodeidah port; 30 km to Saleef deep water port)
  - International airport
  - Road access to Saudi Arabia's new economic city Jazan
- Easy access to land
  - Industrial zone on a 6km coastal line
- In line with government development plans
- Security situation much better than other regions



# What to improve?

- Capacity building and training for industrial zone development and management
- Off-site and on-site infrastructure development
- Legal framework
  - Lessons learned from the 50-year Turkish experience
  - Form of public-private partnerships – governance structure
- One-stop-shop framework
- Business development services

# Concluding remarks

- Three important binding constraints that we need to tackle in Yemen – grand design
  - Regulatory framework
  - Infrastructure bottlenecks
  - Skills compatible with growing industrial interest
- Why not focus on a pilot project?
  - Special economic zone that can tackle the constraints
- Every project needs a financing mechanism
  - Islamic Development Bank's interest in Yemen