



The Economic Policy Research Foundation of Turkey

Towards a New Industrial Policy Framework for Turkey?

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Ankara, 10 May 2013

TEPAV's journey in Industrial Policy

- 2005: Investment Climate Assessment, with the World Bank
- 2006: 9th Development Plan, Industrial Policy Ad-Hoc Commission, with State Planning Organization
 - 2007-2008: Secretariat of DOIK, Competitiveness Council
- 2008-2009: Industrial Strategy Document, with Ministry of Industry
- 2010-2012: Various sectoral and regional studies
- 2012-2013: 10th Development Plan, Transformation of the Manufacturing Industry Ad-Hoc Commission with Ministry of Development

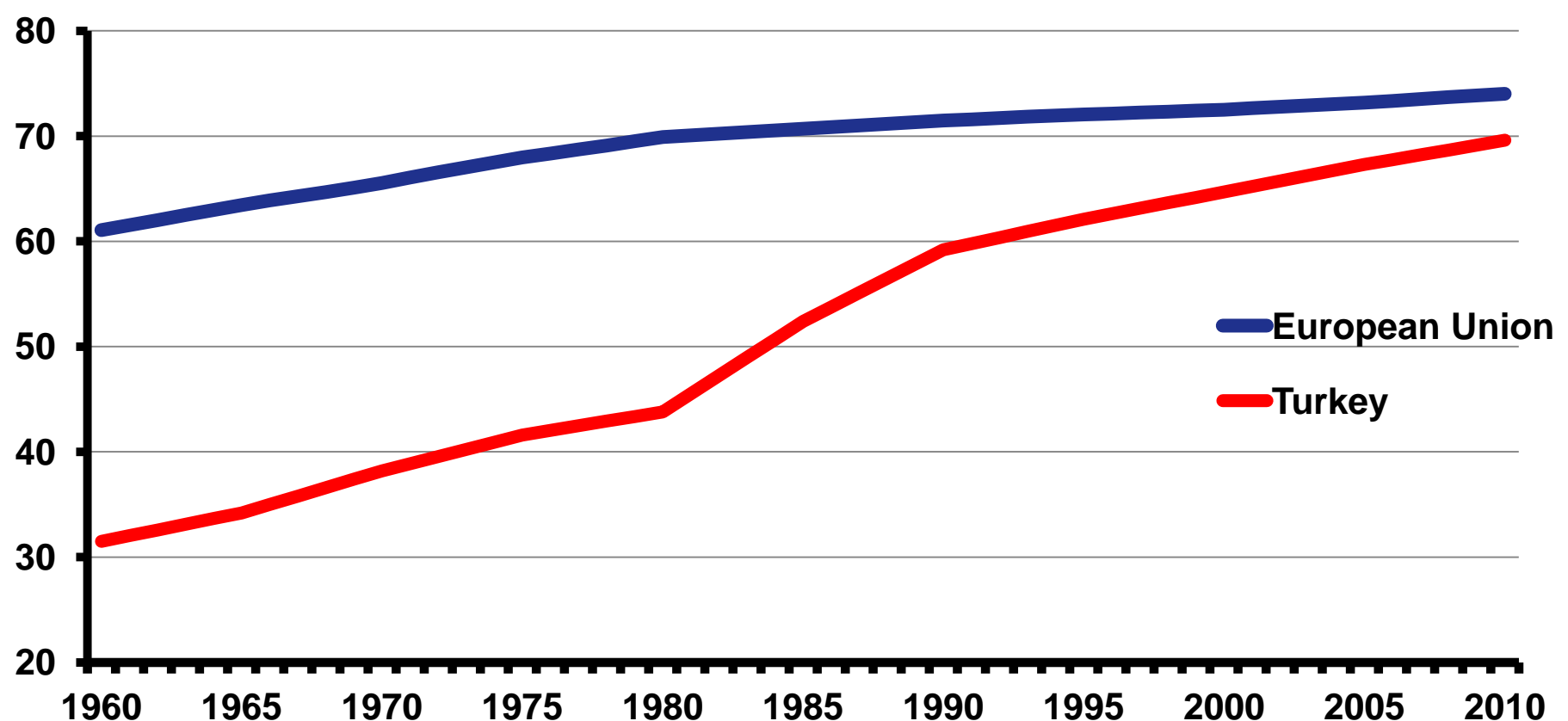
Outline

- Major findings on Turkey's transformation
 - ➔ Why can't our manufacturing get sophisticated enough?
- How can we trigger and speed up transformation in Turkey's manufacturing industry?
 - ➔ Framework proposal from the Ad-Hoc Commission report
- Questions & takeaways (pictures..)

Key dynamic: rapid urbanization

(= main source of economic growth)

Urban population as a percentage of the total population in Turkey and EU countries, (%), 1960-2010

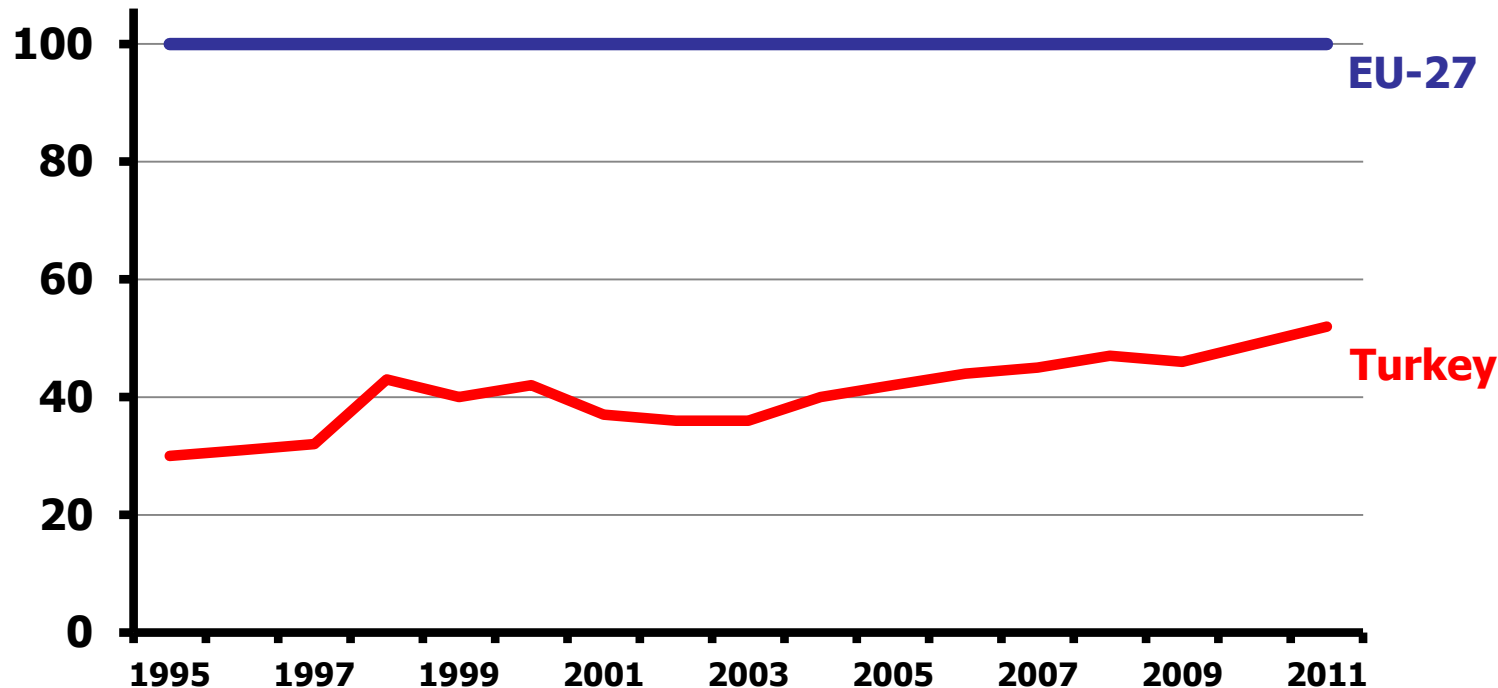


Turkey: an outlier?

World Ranking (by change in urbanization rate in the last 52 years)	Country*	Urbanization difference during the last 50 years	Urbanization rate in 1960	Urbanization rate in 2012	Years of Schooling, 2012	Share of High Tech. in Exports, 2011
1	Korea	55.5	27.7	83.2	11.6	29
2	S. Arabia	51.0	31.3	52.3	7.8	0.7
3	Angola	48.7	10.4	59.1	4.7	
4	Malaysia	45.1	26.6	72.1	9.5	45
5	Algeria	42.4	30.5	72.9	7.6	0.5
6	Turkey	39.9	31.5	71.4	6.5	2
7	Brazil	38.5	46.1	84.6	7.2	11
8	Cameroon	38.1	13.9	52.1	5.9	5
9	Indonesia	36.1	14.6	50.7	5.8	11
10	Iran	35.3	33.7	69.1	7.8	5

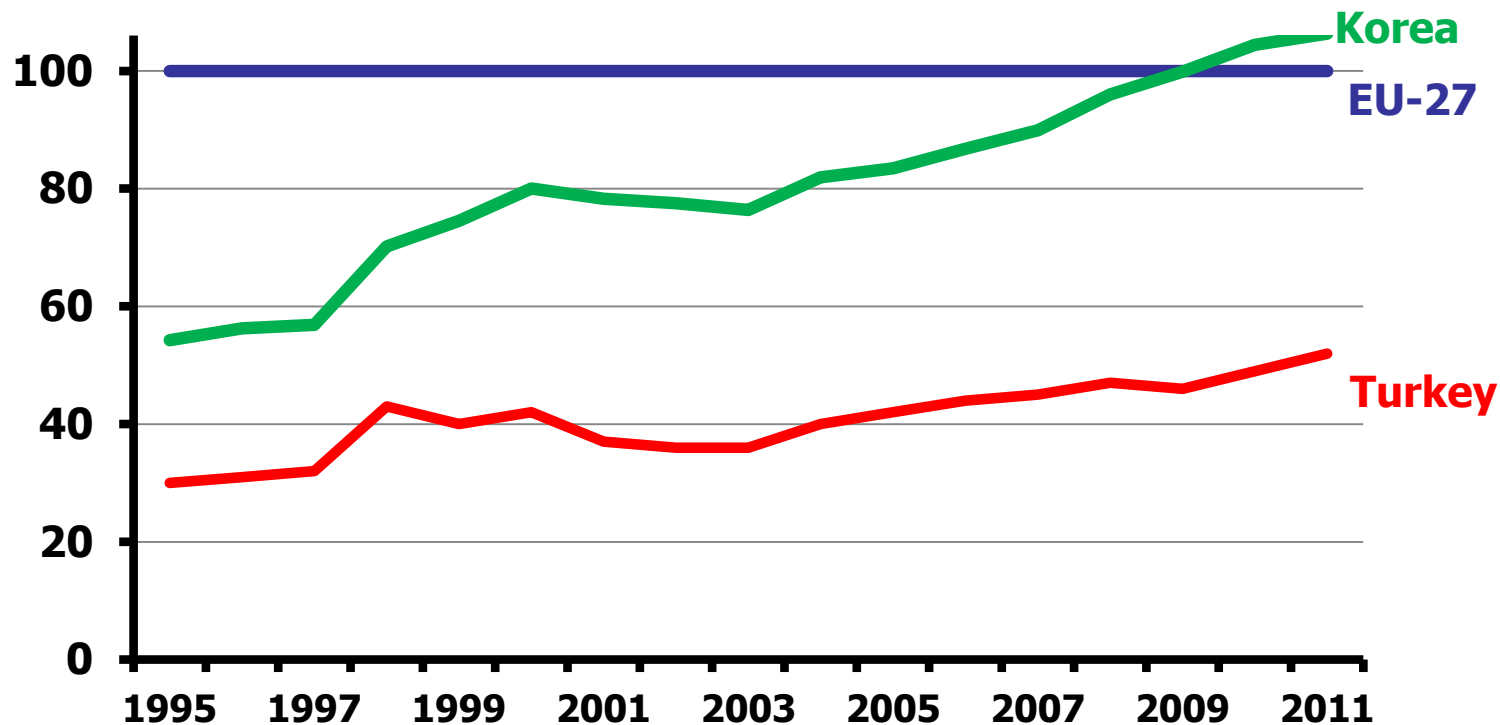
Convergence to the EU income: we weren't expecting this fast

GDP per capita of Turkey as percentage of EU-27 GDP per capita, 1995-2011, PPS



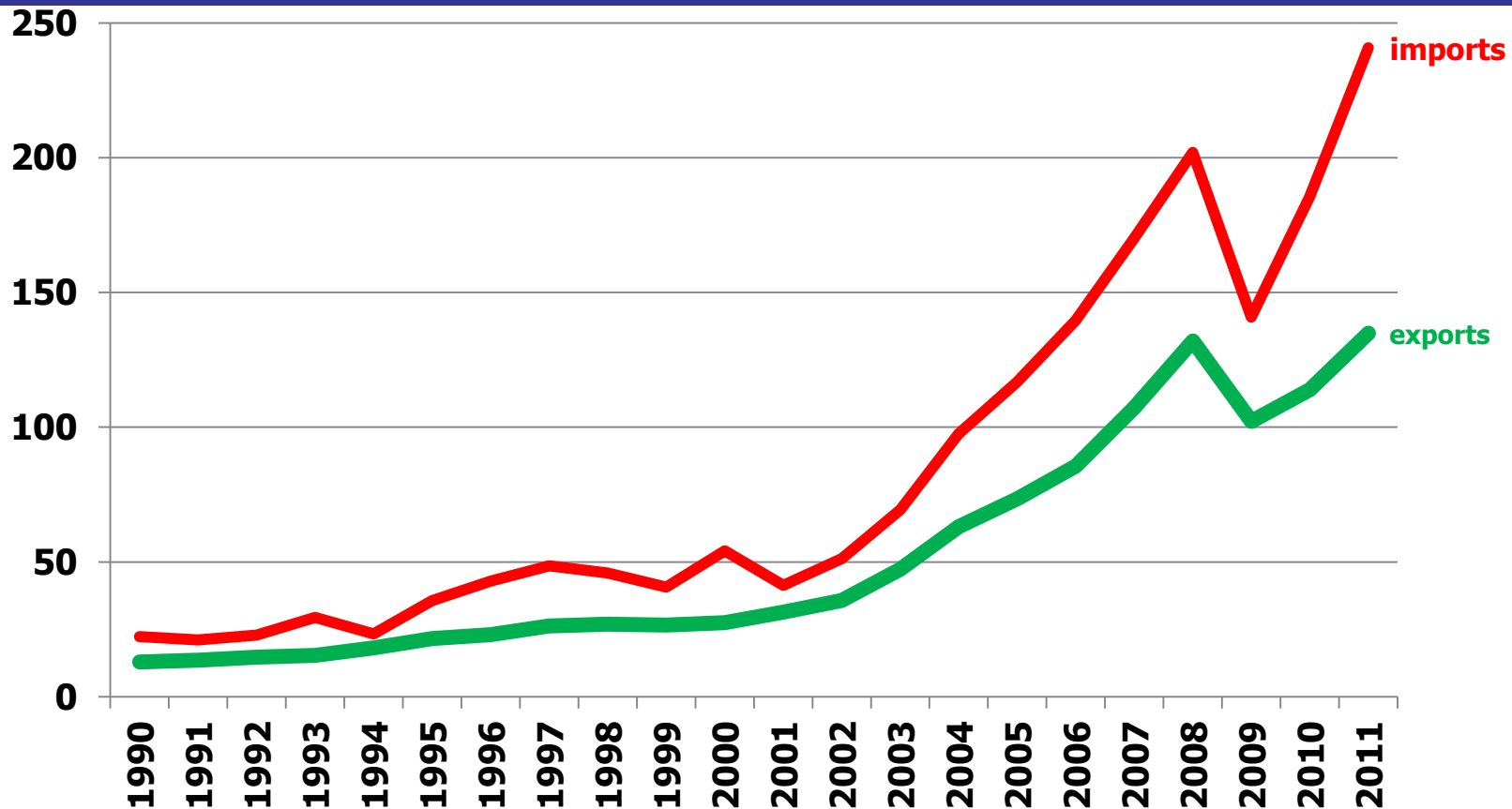
However, it could have been much faster

GDP per capita of Turkey and S Korea as percentage of EU-27 GDP per capita, 1995-2011, PPS



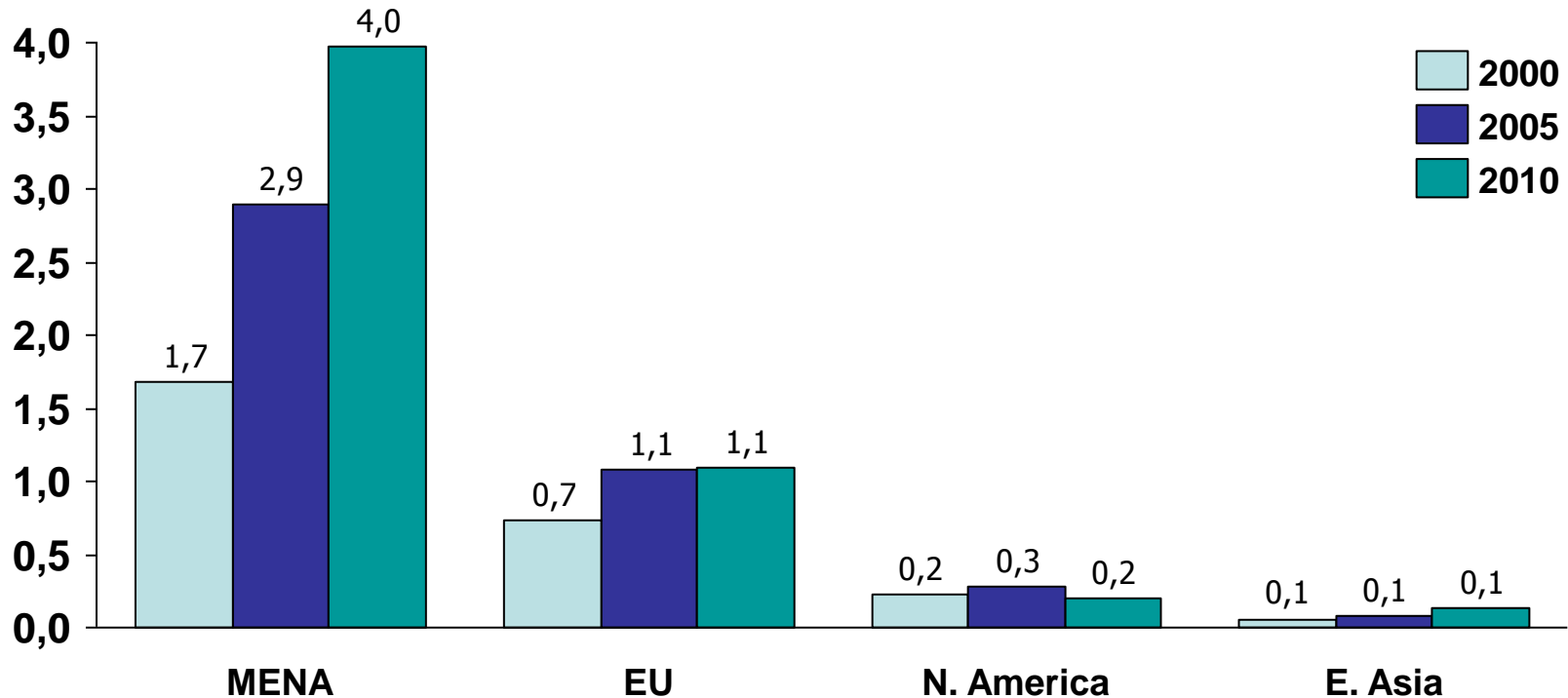
Rapid trade integration after 2001 crisis

Turkey's imports to and exports from the World
1990-2011, USD bn



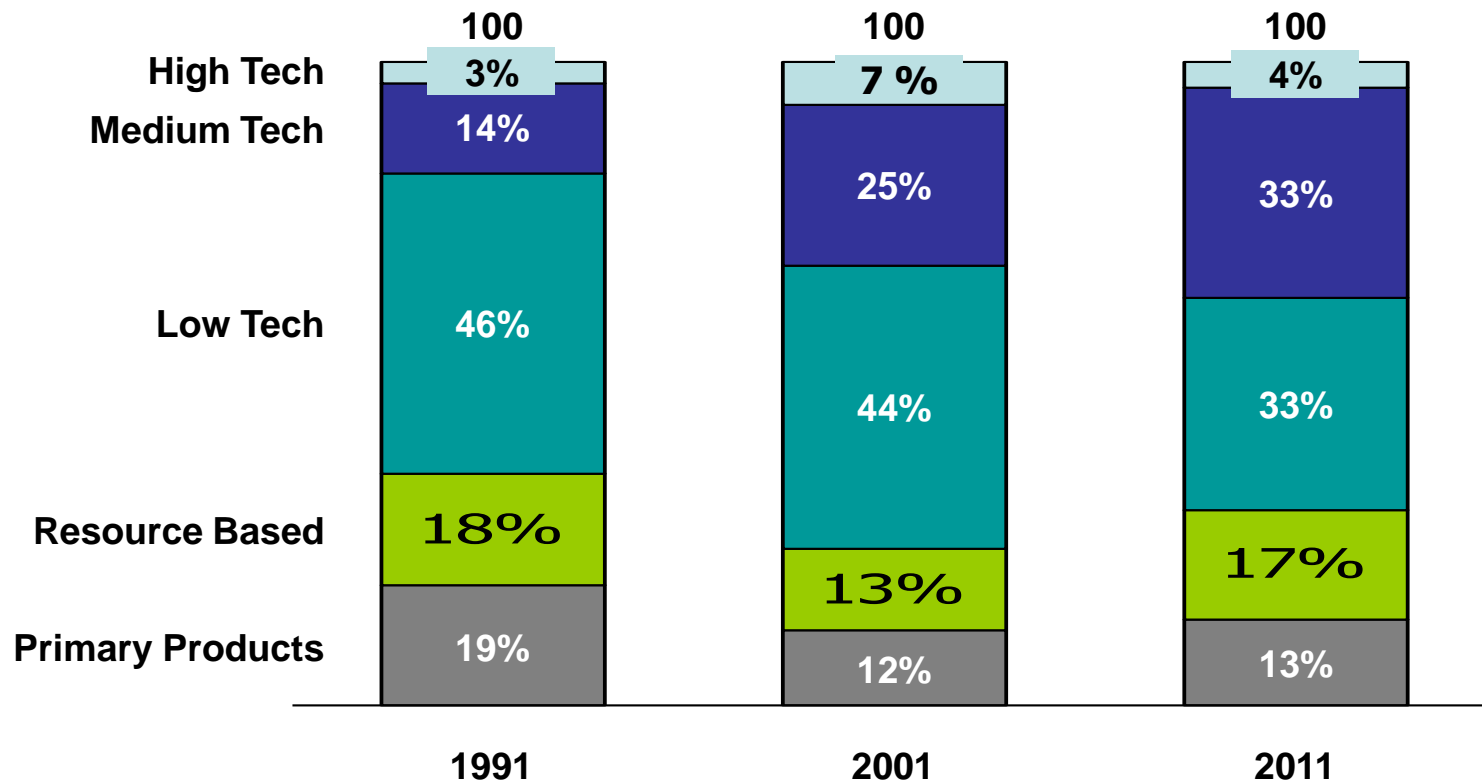
Presence in world markets: out of sight, out of mind?

Share of Turkey's exports the imports of main regions
2000-2005-2010, %



Sophistication of Turkey's exports..

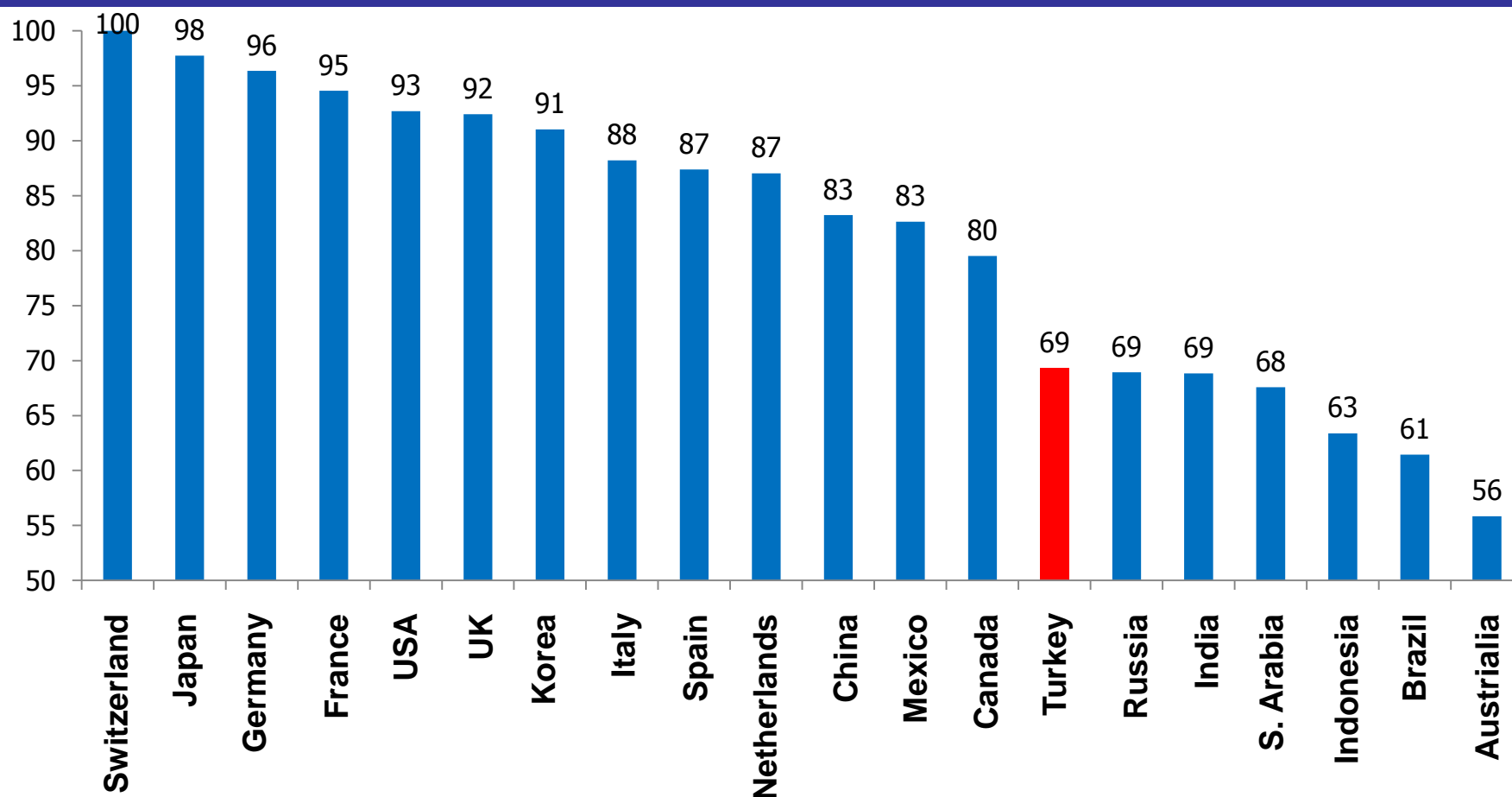
Technological breakdown of Turkey's total exports,
2000-2005-2010, %



Making a sophistication jump? How?

Export sophistication index (EXPY) for the top 20 largest economies, 2010

Normalized values, Switzerland= 100, Nijer=0

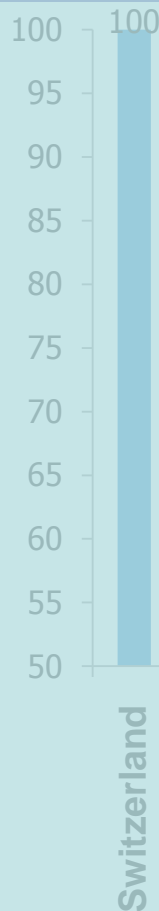


Making a sophistication jump? How?

**2023 export target is USD 500 billion.
This implies doubling world market share.**

How?

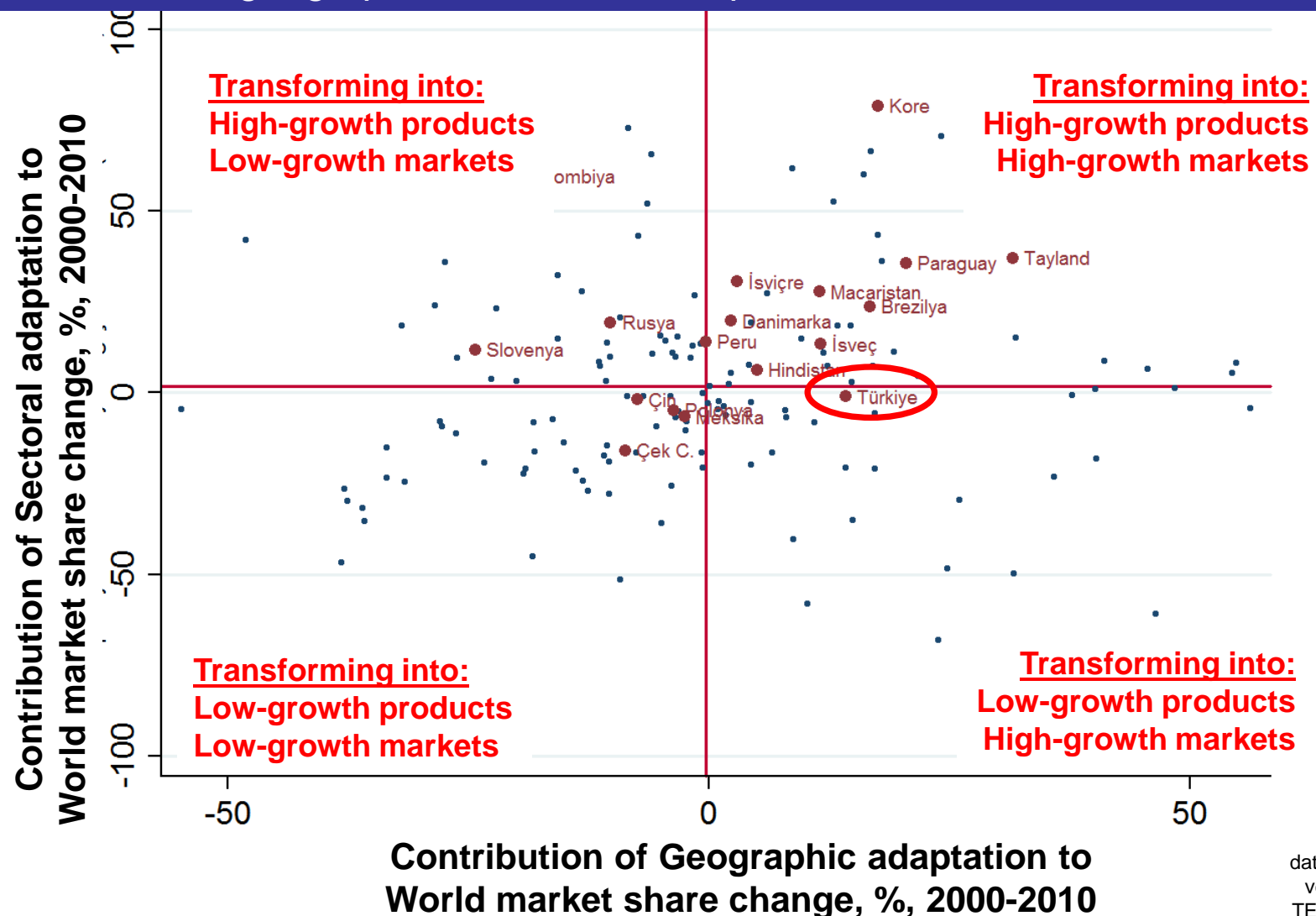
- 1. Increasing competitiveness
(selling more of the same goods to the same markets)**
- 2. Entering new markets
(penetrating into high growth markets?)**
- 3. Producing new products
(penetrating into high growth products?)**



Turkey cannot transform its product basket

In the last decade, Turkey's world market share went up from 0.42% to 0.92%

Decomposition of the change in world market share,
geographic vs. sectoral adaptation, 2000-2010, %



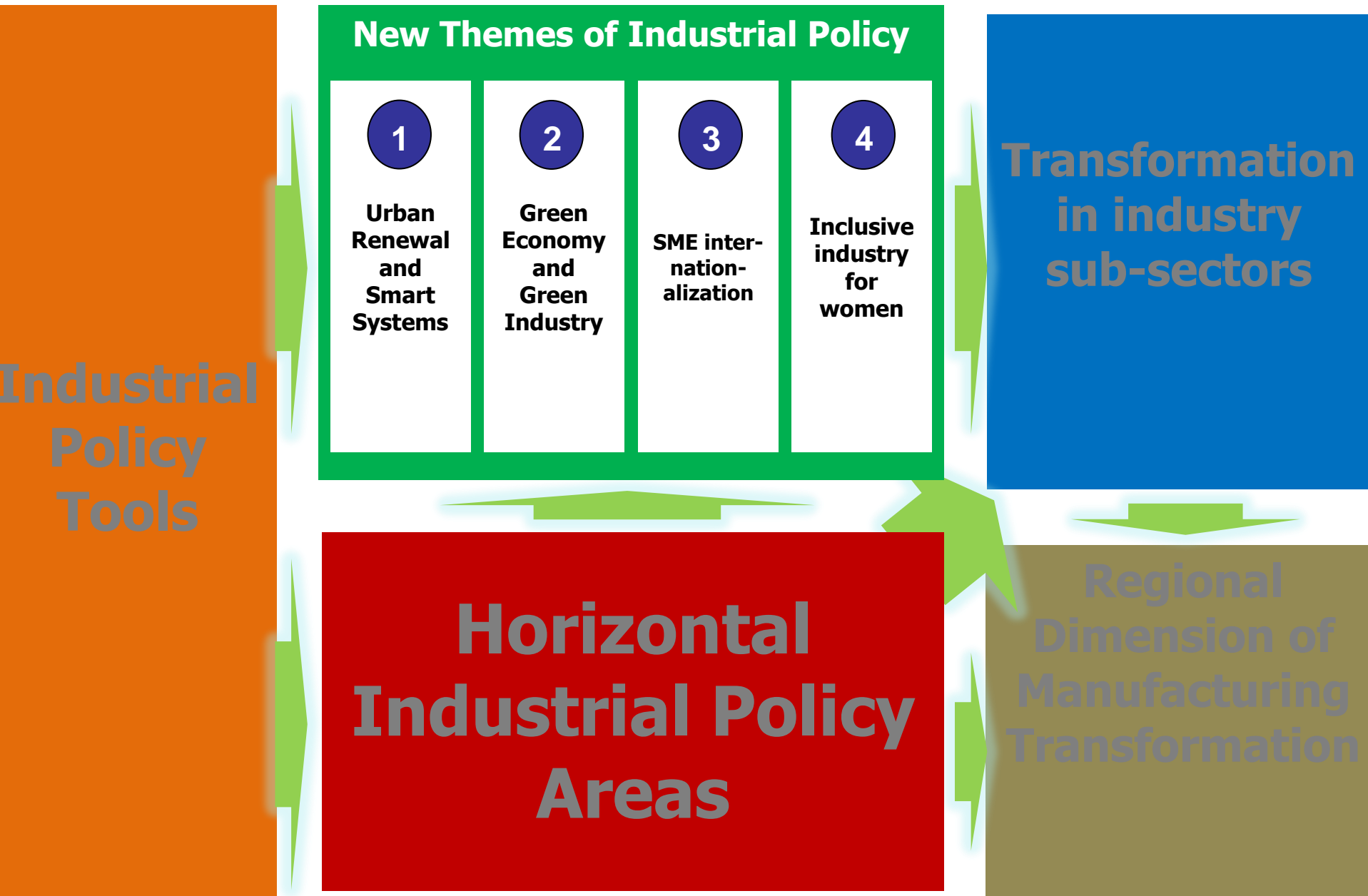
Source: BACI dataset, Memedovic ve Iapadre (2009), TEPAV calculations

How can we transform manufacturing industry in Turkey?

- Prerequisite for being transformative: selective discrimination
- But how?
 - ➔ «Smart» choices
 - ➔ «Transparent» discrimination
 - ➔ «Effective» implementation capability
 - ➔ «New» targets and themes
 - ➔ «Orchestration»







Industrial Policy Tools

Public Procurement

State Aids and incentives

Tax system

Regulations

Dialogue and cooperation mechanisms

International agreements

New Themes of Industrial Policy

1

Urban Renewal and Smart Systems

2

Green Economy and Green Industry

3

SME internationalization

4

Inclusive industry for women

Transformation in industry sub-sectors

Horizontal Industrial Policy Areas

Regional Dimension of Manufacturing Transformation

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Logistics

Access to land

Access to finance

Research & Development

Design

Intellectual Property Rights

Measurement, Standards, Test & Quality

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Playing a different kind of music?



Or?



It should be possible...

