

WTO General Council: Turkey

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1 Introduction and Executive Summary

2018 so far has been a challenging year for Turkey, both economically and societal. While the country's governmental system was rocked by fundamental transformations under President Erdogan, Turkey also entered a currency crisis, causing the Turkish Lira to plummet and Turkish fortunes to shrink (see Section 6 and Figure 1).

Over the past two decades, Turkey has emerged into a newly industrialized nation. It is well connected into Europe and covers a key geographical locations for all Eurasian trade. With the challenges past and present in mind, Turkey must now orient itself in the world, foster its existing trade relations and seek new ones. For Turkish delegates this means

- convincing its trade partners of the strength of the Turkish economy,
- sustaining current trade relationships (e.g. EU),
- secure foreign direct investments to lessen currency crisis.

This brief dossier may provide Turkish delegates with some preparatory insights and is a good place to start with the research for the upcoming debates and negotiations in the WTO General Council.

2 Trade Balance

3 Economic Structure

Over the past decades, Turkey has always been classified as an emerging market. Its extensive growth rates have Turkey a prime target for foreign direct investments, starting an age of industrialization. Today, a growing number of economists view Turkey as developed or newly industrialized country.

Turkey has a very strong agricultural sector, putting it among the world's leading producers of various fruits and vegetables. Although agriculture still employs a quarter of the workforce, it consists of mostly smaller and non-industrial farms. This shows in terms of revenue, with agriculture contributing to only 6.7% of GDP.

The industrial sector, accounting for a third of the GDP, has been the governments main focus since the 1950s. After a successful period under protectionist policies, a more liberal approach was introduced in the 1980s. This led to greater private sector-based growth and laid the ground for Turkey to emerge from a developing toward an industrialized nation.

With an average GDP-growth of 6% since the 1990's, Turkey's industry is able to successfully compete on an international level. Abundance of natural resources, a strategic geographical location and a strong domestic market are key factors for the Turkish industry. Its most important branches include include textiles, iron and steel, chemicals, cement, food processing, motor vehicles, construction, glass and ceramics, and mining. [4]

Services make up about two thirds of the economy, with as its tourism as its fastest growing and most renowned representative. The



Fig. 1: Exchange rate of the Turkish Lira in Euro. Despite the Lira's constant loss of value acceleration, 2018 marks a new chapter, as the Lira first breached the mark of five TYR per EUR in early 2018. Since then, the Lira almost halved its value. [3]

tourism sector also accounts for around 10% of employment and 8% of GDP. The attempted military coup in 2016 and the political developments following these events lead to the absence of international tourists, causing a major economic backlash for the whole country.

4 Trade Partners

Turkey's main trading partners are Germany and the EU in general, with whom they share the EU Customs Union. The customs union is working in very much in Turkey's favor, as it provides a market for Turkish industrial exports, while on the other hand providing valuable foreign investments by EU companies.

Outside the EU, Turkish exports are equally distributed between non-EU Western and Arabian countries. Main import partners are China, with whom Turkey shares a trade balance of \$ -23 mln., as well as Russia. In total, however, the EU is Turkey's most important trading partner.

Turkey will have to choose, whether it wishes to continue its EU-ties despite the constant quarrels over refugees and civil rights or whether Turkish trade interests can also be fulfilled overseas.

5 Trade Interests

Turkey is currently at a tipping point; it can only overcome its inner civil struggles by also overcoming its economic struggles. While the domestic and geopolitical instability have decreased trust in the Turkish economy, its advantages have often been neglected. Turkey is a country with a strong workforce and healthy demographic and holds a strong industrial base. Its geographic location can be key in the trade networks of the future. As China pushes for a new silk road, the Bosphorus should become the new central Eurasian junction.

6 Recent Developments

Since the beginning of 2018 the Turkish economy has been experiencing turbulences due to increasing inflation and interests, in correspondence with a plummeting Turkish lira. The Turkish government has long been running an immense current account deficit, which was outbalanced through foreign investments and foreign currency lending. President Erdoğan tried to manage the crisis with an increasing protectionist agenda that accompanied the rising Turkish authoritarianism.

7 References

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