



ANALYSIS OF TRENDS IN TURKEY'S EXPORT STRUCTURE IN RECENT YEARS

As of 2018, the global trade volume reached \$19.67 trillion where 10 major economies amounts to 53.3% of the total trade, and the share of developing countries are equal to 44%. In this list, Turkey ranks 31st in exports with \$168 billion, and 25th in imports with \$223 billion. In line with the 11th Development Plan for the 2019-2023 period, which was announced in July 2019, and the Turkish government's Vision 2023, Turkey plans to increase its export volume to \$226.6 billion in 2023. When we examine the achievability of this target, we find that after a contraction in 2015 the export volume started to rise since 2017 and reached \$180 billion in 2019 with an annual increase of \$12 billion in 2017-2019. Given this upward trend, if it would not be affected by any future international economic crisis, Turkey will be able to reach its export target of \$226 billion in 2023 without any difficulty.

The analysis of Turkey's export performance on the regional and product bases provides us with various interesting findings. According to the distribution of exports by the provinces in 2018, there are 17 Turkish provinces with total exports of more than \$1 billion. With \$72.1 billion, Istanbul takes the leading position, followed by Kocaeli with \$14.1 billion, Bursa with \$13.1 billion, Izmir with \$9.8 billion, and Ankara with \$7.7 billion. The share of the first five cities in total exports is around 70%, while Istanbul accounts for nearly half of the country's export volume with a 42% share. The growth rates of the annual export volume show that the total amount of exports grew by 7% in 2018, while this figure for Istanbul is 15.2%. The largest increase in the country was observed in Samsun with 36.4%, and the export volume of this province increased from \$474 million to \$648 million.

In terms of products, Turkey is among the world's leading exporters in various fields. For example, it ranked 7th among the top 10 countries with its exports of \$13 billion of iron and steel in 2018. This figure is 39% higher compared with 2017, positioning Turkey as the best performer in terms of the growth rate of this product's exports. Likewise, with a 10% increase in the export of automotive parts, it is ranked 9th in the world ranking with \$26 billion. In addition to these products, in the textile industry, where Turkey is considered to be quite competitive, the country has seen a similar success. Among the world's exporters, it is ranked 5th with \$12 billion of exports of textile products, and 6th in clothing exports of \$16 billion.

Looking at the development process of Turkey's export structure from the historical perspective, we see that there have been significant changes in 2000-2018. According to the United Nations Commodity Trade Statistics

Database (UN Comtrade), two product groups, labor-intensive and capital-intensive products, accounted for 70-74% of Turkey's export volume in 2000-2018. In the early 2000s, the export structure was dominated by labor-intensive products, with a 61% share in the total trade, but this situation has changed profoundly with the development of capital-intensive products over the years. Although the export volume of labor-intensive products increased from \$12.6 billion in 2000 to \$48.5 billion in 2018, their share in total exports decreased from 61% in 2000 to 38% in 2018. If we look at the dynamics of capital-intensive products, their export volume and share in total exports increased from \$2.2 billion and 11% in 2000 to \$45.9 billion and 36% in 2018, respectively. Apart from these two product groups, another group, which has achieved a remarkably high growth rate, is the difficult-to-imitate product group that requires high technology or workmanship. Its export volume increased from \$1.6 billion in 2000 to nearly \$11.7 billion in 2018, rising almost 10-fold.

One of the main reasons for these changes in the export structure could be associated with the increase in the export volume of machinery and transportation equipment and manufactured goods, which are part of the group of capital-intensive products. Currently, Turkey can export 254 products from the UN Comtrade commodity list, while 98 of them had a competitiveness strength at the global level in 2018. Nowadays, the competitiveness level of products can be measured with many different indices and methods. In this article we use the Revealed Comparative Advantage (RCA) index introduced by Bela Balassa in 1965, due to the easiness of its application and the accuracy of its results. RCA calculation does not take any tariffs, subsidies and similar factors that could change from country to country and if the value of the product is greater than 1 ($RCA > 1$), then the product is considered to have a comparative advantage, and if the result of the calculation is less than 1 ($RCA < 1$) it is assumed that it does not have competitiveness strength. According to the RCA index, in 2000, Turkey had 82 products with the $RCA > 1$ capacity worldwide. Over the years, this number has increased reaching 98 in 2018, with the bulk of this increase occurring in products belonging to the group of machinery and transportation equipment alongside with the group of manufactured goods. For example, the number of $RCA > 1$ manufactured goods increased from 28 in 2000 to 36 in 2018, making up the largest group among the total $RCA > 1$ products of Turkey. This is followed by the machinery and transportation equipment product group where the number of products with $RCA > 1$ increased from 8 in 2000 to 16 in 2018. On the other

hand, during 2000-2018, the number of products with $RCA > 1$ in the group of food and live animals and the inedible raw materials except fuels group has fallen from 16 to 14 and from 11 to 8, respectively.

In light of this information, it can be stated that over the past decade Turkey has worked towards developing the group of medium and high value-added products and capital-intensive products in its export structure. This direction of the export orientation seems appropriate due to fact that within export structures of developed countries and large economies the development in these areas is considered as a crucial part of their success in enlarging their export volumes.

In general, within the rising trade volume of Turkey, Istanbul as a region and the automobile sector and iron and steel production in terms of products play an important role. On this point it is important to mention that on December 27, 2019 the prototypes of the first domestic electric cars of the SUV and Sedan types produced by Turkey's Automobile Joint Venture Group (TOGG) were presented to the public, with the participation of President of Turkey Recep Tayyip Erdogan. This project announced as "Turkey's car" can become one of the prestigious homebred production brands of the country. At the same time, this project needs to be understood in a wider concept than being just a showcase product. In fact, with an increasing comparative advantage, the automobile sector becomes a driving force in the export structure of Turkey. In order to further push this increasing trend to levitate the current level of the automobile industry and boost the share of high technological products within the total export volume, the idea of producing an electric car has been backed by the government as part of the comprehensive development plan.

According to the information provided by CEO of TOGG Gurcan Karakas, the first sales of domestically produced cars will start around mid-2022. Although the prices of cars have not been announced, the presented Sedan and SUV type premium cars are expected to make a bold entry to the car market. As of now, many government institutions and companies in Turkey have already announced their intentions to pre-order TOGG-produced cars to show their support to this initiative. According to TOGG representatives, after the start of mass production they aim to produce 175,000 cars annually and 1 million cars by 2038. These targets if achieved would surely positively contribute to the growth trend of Turkey's export volume and provide various benefits for the economy in general.

Politics, Foreign Affairs, and Security

- In a joint statement issued following their meeting in Istanbul, the presidents of Turkey and Russia, Recep Tayyip Erdogan and Vladimir Putin, called for a ceasefire in Libya. The parties expressed support to the ongoing Berlin Process on the Libyan conflict and reaffirmed their strong commitment to the sovereignty, independence, territorial integrity and national unity of Libya (Anadolu Agency, 08.01.2020).
- At a ceremony held at the UN headquarters in New York, Kazakhstan assumed the presidency of the Group of Landlocked Developing Countries (LLDCs) for the period of 2020-2021. The group includes 32 states, including all five Central Asian countries. During its presidency, Kazakhstan intends to actively contribute to the implementation of the Vienna Program of Action for LLDCs (MFA of Kazakhstan, 07.01.2020).
- Ukrainian President Volodymyr Zelensky requested an official apology from Tehran after the Iranian side officially recognized that it had accidentally shot down the Ukrainian Airlines passenger plane. Zelensky also demanded that Iran punish those responsible for the tragedy that had killed all 176 people on board and pay compensation (Kyiv Post, 11.01.2020).
- Tajik authorities detained 27 suspected members of the banned Muslim Brotherhood movement in Dushanbe and the Sughd and Khatlon regions. According to reports, the list of detainees include imams, school teachers, university professors and local officials. Tajikistan banned the Muslim Brotherhood founded in Egypt in 1928 as an extremist group in 2006 (Radio Ozodi, 06.01.2020).
- During her two-day visit to Tajikistan, Alice Wells, principal deputy assistant secretary for South and Central Asian Affairs at the U.S. State Department, met with local government officials to discuss cooperation in the areas of border security, counterterrorism, law enforcement, and joint military exercises. Wells also visited a border guard post in Panj on the Tajik-Afghan border (The Diplomat, 09.01.2020).
- Tashkent hosted the first meeting of the joint Tajikistan-Uzbekistan demarcation commission. During the talks, the parties approved regulatory and technical documents, which will serve as a basis for further negotiations on border demarcation, and agreed a schedule of meetings for 2020 (MFA of Tajikistan, 08.01.2020).
- President of Uzbekistan Shavkat Mirziyoyev chaired an extended meeting of the country's Security Council held at the Academy of the Armed Forces. During the meeting devoted to issues of further development and reform of the national army, the president made recommendations and set specific tasks for officials on the strengthening of Uzbekistan's defense capabilities (UzDaily, 10.01.20).

Economy, Finance, and Energy

- At a ceremony in Istanbul, Recep Tayyip Erdogan and Vladimir Putin, joined by President of Serbia Aleksandar Vucic and Prime Minister of Bulgaria Boyko Borisov, formally launched the TurkStream gas pipeline which will transport Russian natural gas to southern Europe through Turkey. The project includes two parallel pipelines of more than 930 km with a total capacity of 31.5 billion cubic meters (RFE/RL, 08.01.2020).
- In 2019, Uzbekistan's GDP grew by 5.5%, which is higher than in 2018 (5.1%), and reached \$58.3 billion. The growth was mainly driven by the industrial sector (6.4%), construction (11.8%) and services (6.1%) The GDP per capita amounted to \$1,741, which is 13.6% more compared to \$1,533 recorded in 2018 (Ministry of Economy and Industry of Uzbekistan, 06.01.2020).
- According to Uzbek media reports, Uzbekistan's Navoi Mining and Metallurgical Combine and major Japanese corporations signed contracts worth more than \$1 billion for the supply of uranium, as part of the December 2019 visit of Uzbek President Shavkat Mirziyoyev to Japan. The largest contract, for \$636.4 million, was reached with Itochu, and another one worth \$510.1 million was signed with Marubeni (Kun.uz, 07.01.2020).
- According to the World Bank's Global Economic Prospects report, the real GDP growth in Kazakhstan is forecasted to slow from 4.0% in 2019 to 3.7% in 2020. At the same time, the GDP of Uzbekistan is expected to grow further from 5.5% to 5.7% (World Bank, 08.01.2020).
- According to Kazakhstan's Ministry of Energy, currently, there are 90 operating renewable energy facilities with a total capacity of 1,050.1 MW in the country, 21 of which with a capacity of 504.55 MW were commissioned in 2019. The ministry plans to increase this number to 108 in 2020, with a total capacity of 1,655 MW (Kapital, 09.01.2020).
- The Belarusian energy company Belorusneft discovered three new oil deposits at the Gartsevo oil field in the country's Gomel region. The estimated geological reserves of oil in new deposits are 800,000 tons. Belorusneft plans to produce 1.7 million tons of oil in 2020 and drill seven exploratory wells during 2020-2021 (Vestifinance.ru, 10.01.2020).
- The State Oil Company of Azerbaijan (SOCAR) plans to open new gas stations in the Ukrainian cities of Kiev, Kharkiv and Dnipro in 2020. Currently, SOCAR Energy Ukraine, SOCAR's subsidiary, has a network of 60 refueling stations located in the country's 11 regions. Since its establishment, it has invested \$286 million in Ukraine's economy (Azernews, 10.01.2020).

Society and Culture

- President of Kazakhstan Kassym-Jomart Tokayev published an article on "Abai and Kazakhstan in the 21st Century" in the Yegemen Qazaqstan newspaper. In the article devoted to the 175th anniversary of the great poet and thinker, the president analyzes Abai's heritage and encourages readers to learn from his works (TWESCO, 09.01.2020).
- Minister of Ecology, Geology and Natural Resources of Kazakhstan Magzum Mirzagaliyev and Minister of Natural Resources and Ecology of Russia Dmitry Kobylkin discussed the possibility of creating a joint expert group to study the hydrological regime of the Ural River. If created, the group will develop a set of appropriate measures to improve the ecosystem of the river's basin (Kazinform, 08.01.2020).
- According to the Ministry of Internal Affairs of Kyrgyzstan, the issue of domestic violence remains acute in the country as over 5,000 cases of domestic violence were registered in 2019. As a result, law enforcement authorities issued more than 5,000 protection orders for women, while pre-trial proceedings are conducted on more than 580 registered facts (24.kg, 09.01.2020).
- The mayor's office and civic organizations of St. Petersburg plan to install a monument to Kyrgyz woman Toktogon Altybasarova. The opening of the memorial will be dedicated to the 75th anniversary of the victory in World War II, during which she provided a shelter to 150 children evacuated from besieged Leningrad (Vesti.kg, 08.01.2020).
- Georgian Prime Minister Giorgi Gakharia announced that monthly salaries of 2,500 teachers employed at the country's vocational education institutions will significantly increase. Teachers working full time will receive about 1,800 lari, or \$625, which is about 40% higher than their current salary of 1,300 lari, or \$450 (Agenda.ge, 09.01.2020).
- According to Uzbekistan's State Committee for Tourism Development, the number of foreigners who visited the country in 2019 reached 6.7 million, increasing by 26.2% as compared to 2018. The Central Asian states accounted for 5.7 million visitors, followed by other CIS countries (495,600) and third countries (488,400). 81.8% of foreigners came to Uzbekistan to see relatives and friends, 15.5% – for tourism and leisure, and 2.7% – for study, treatment, or business (Regnum, 10.01.2020; Anadolu Agency, 11.01.2020).
- Belarus and the EU signed the agreements on visa facilitation and readmission. The first agreement will simplify requirements for short-term visas and reduce the visa fee to €35. The main objective of the second agreement is to establish procedures for the safe and orderly return of persons who reside in the EU or Belarus without proper authorization (European Commission, 08.01.2020).