

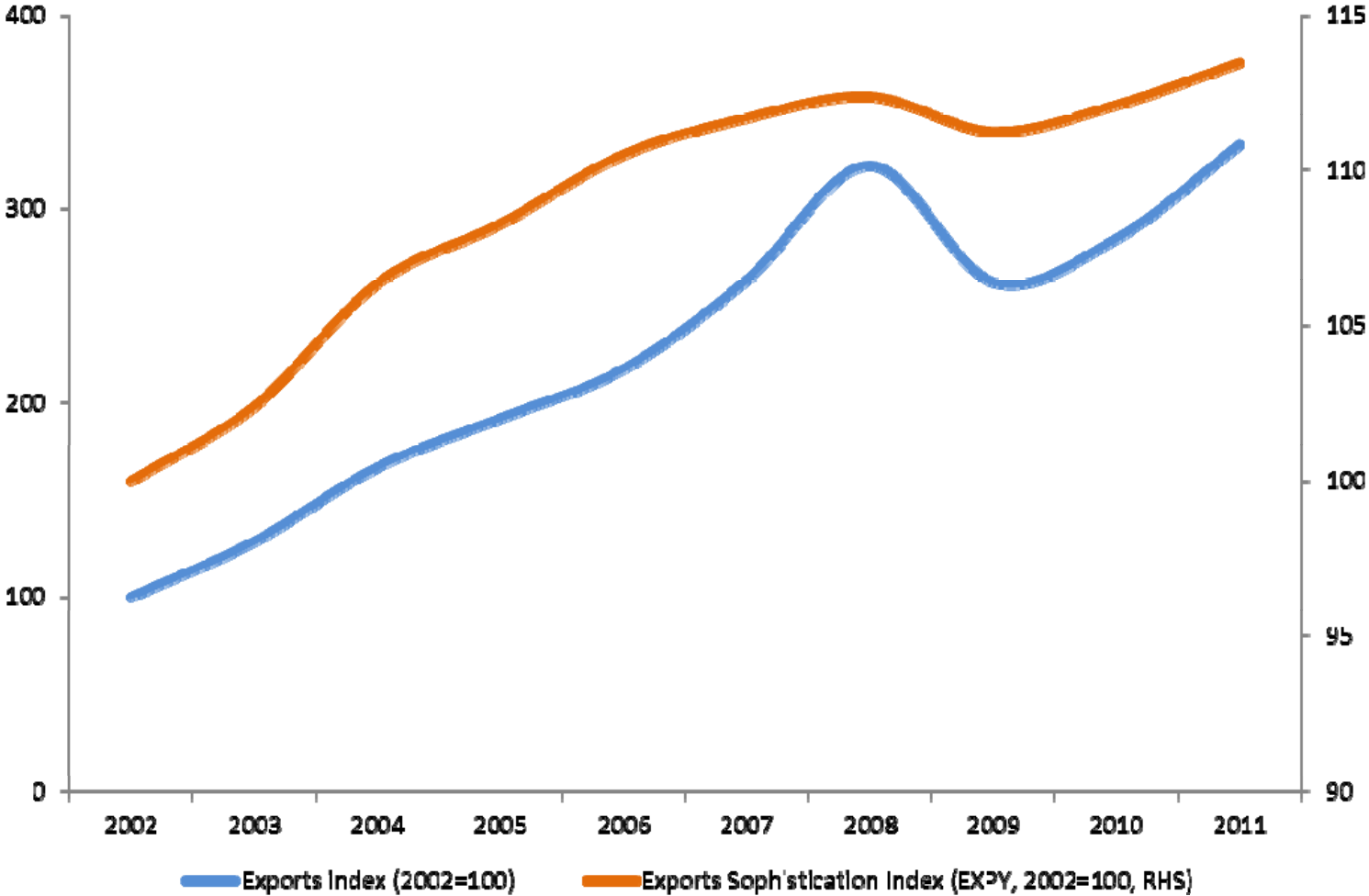
Turkey on the way to high income

Martin Raiser
Country Director
World Bank

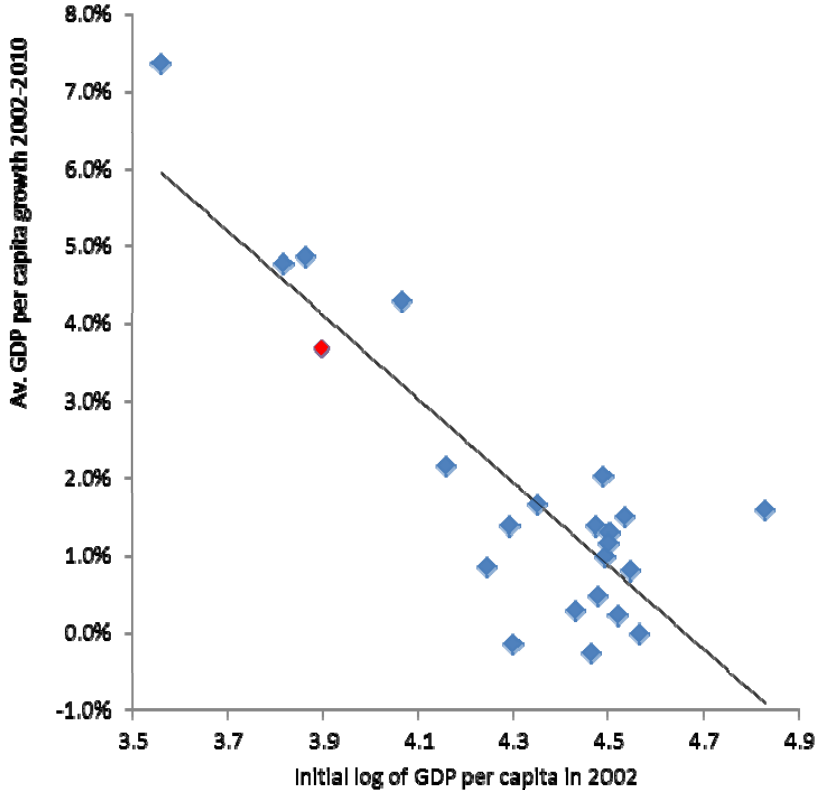
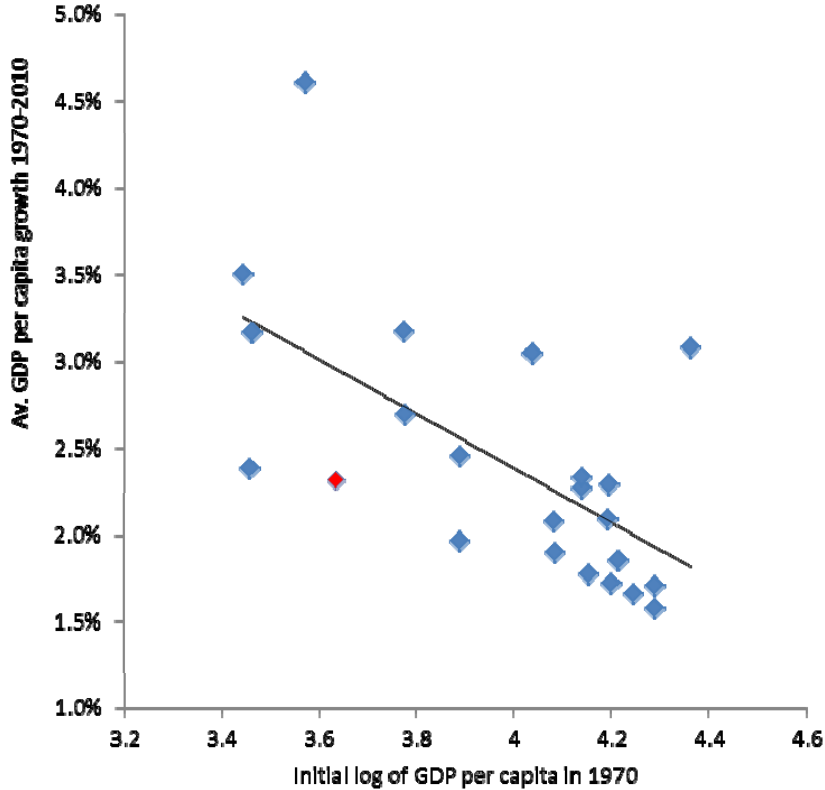
Key Messages

- Turkey has done well in the past decade
- Due to demographics, past reform efforts and relatively strong financial buffers Turkey is likely to do well in the next decade
- To avoid a growth slow-down at high income, Turkey needs to deepen structural reforms

Turkey has done well because of economic integration

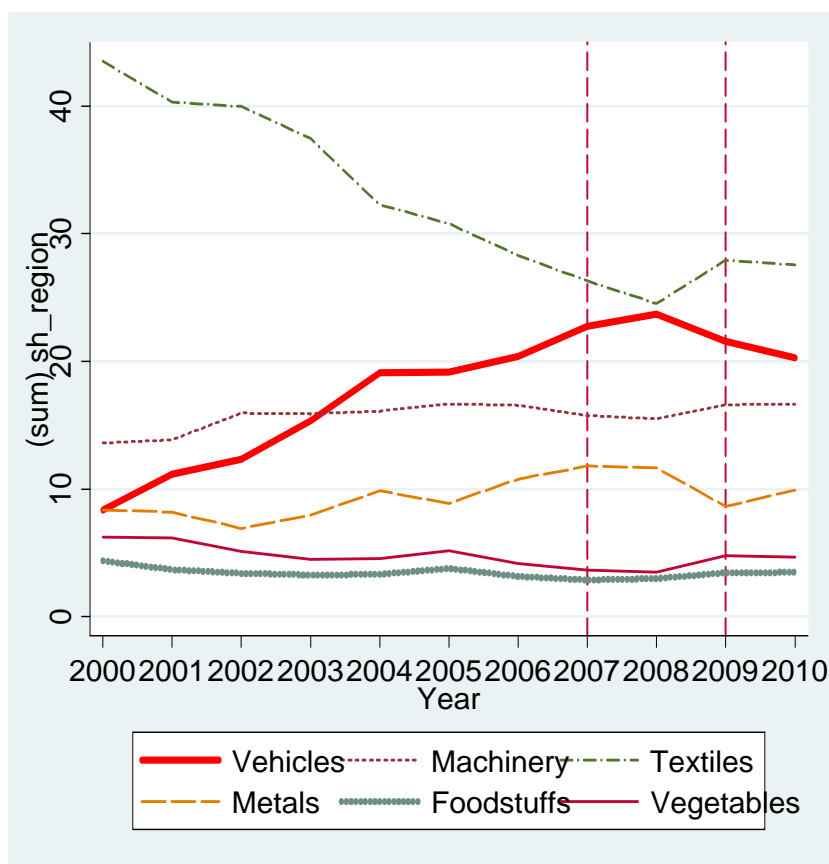


Turkey has become part of the European Convergence Machine

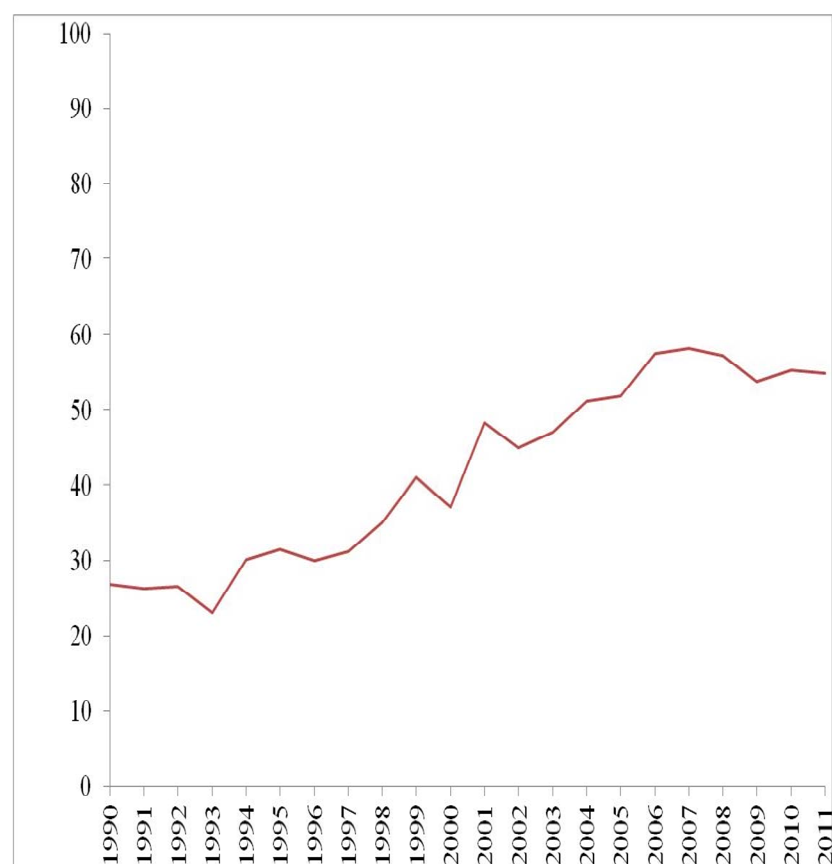


The Customs Union with the EU has made Turkish trade brainier

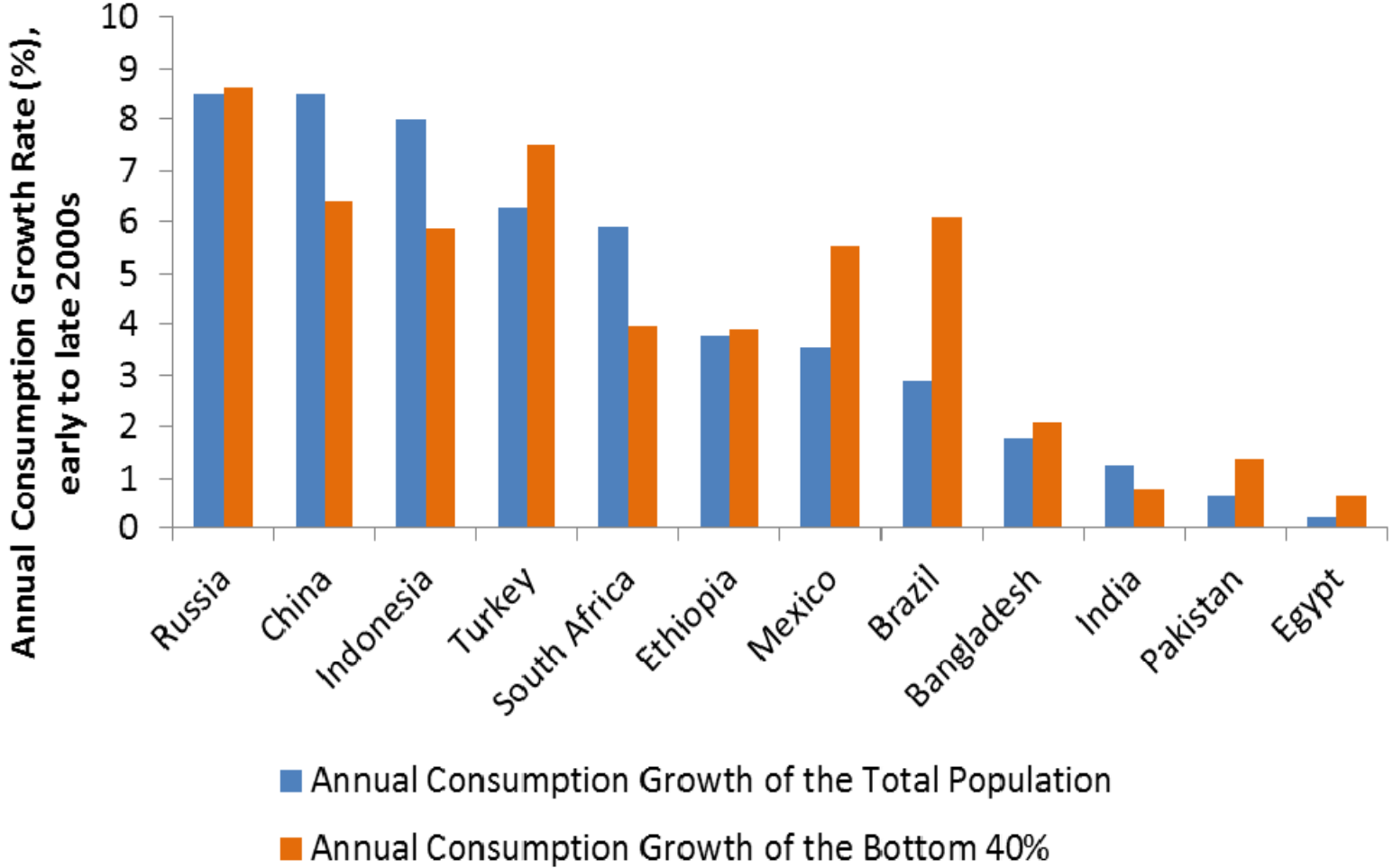
Product composition (% of exports to EU-27)



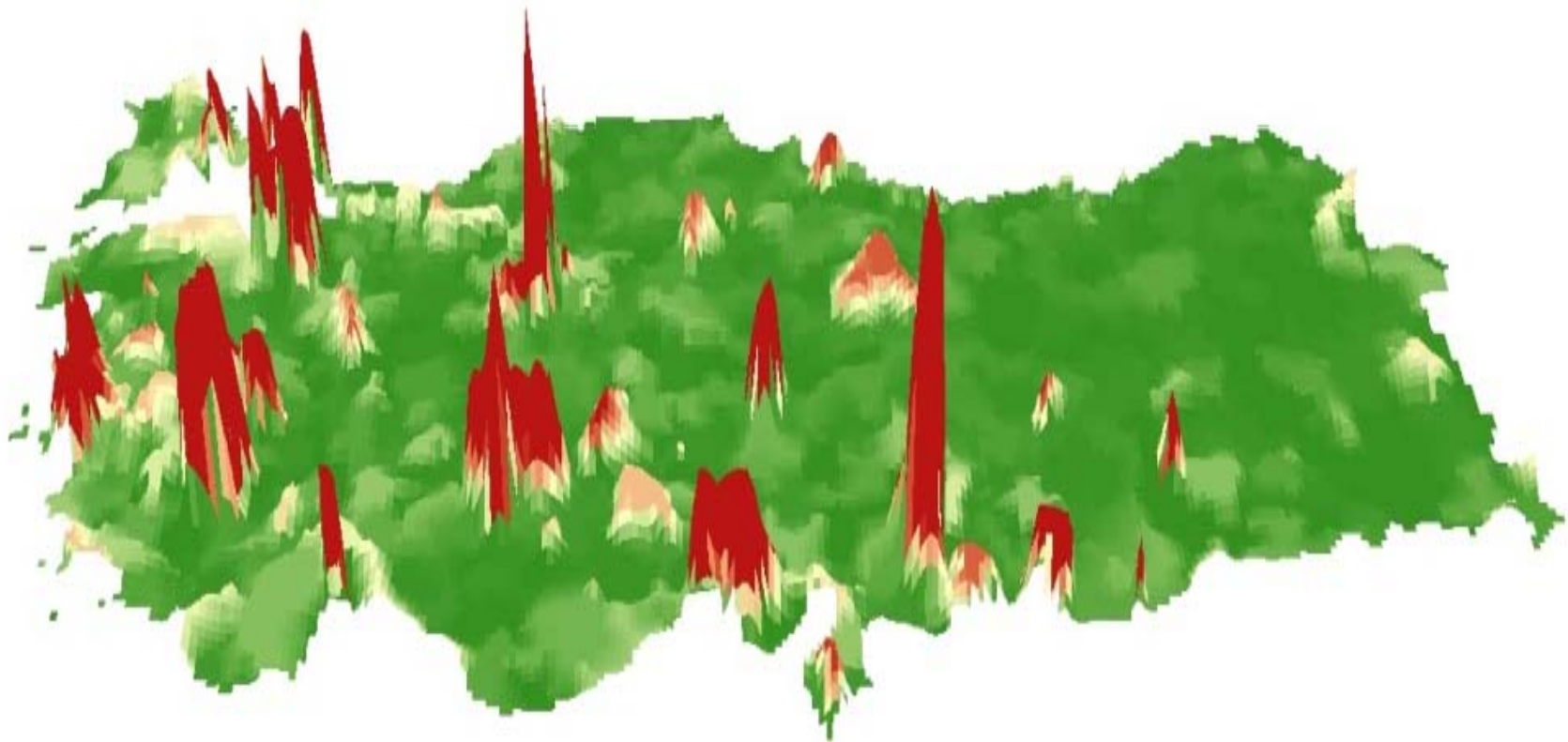
(b) Intra-industry trade (% of exports to EU-27)



Turkey has done well because of social inclusion

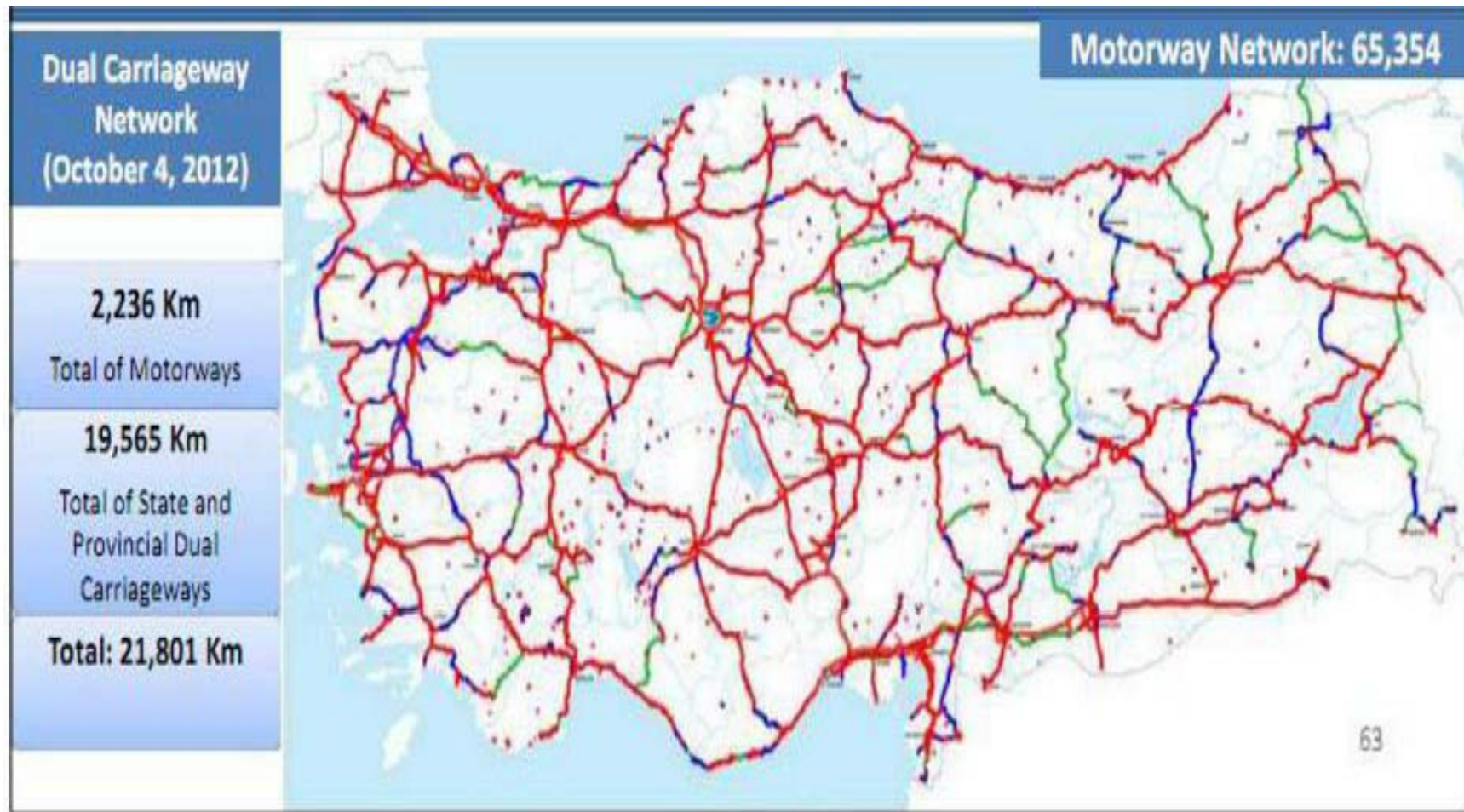


The shift of economic activity to the East has played a big role in inclusion

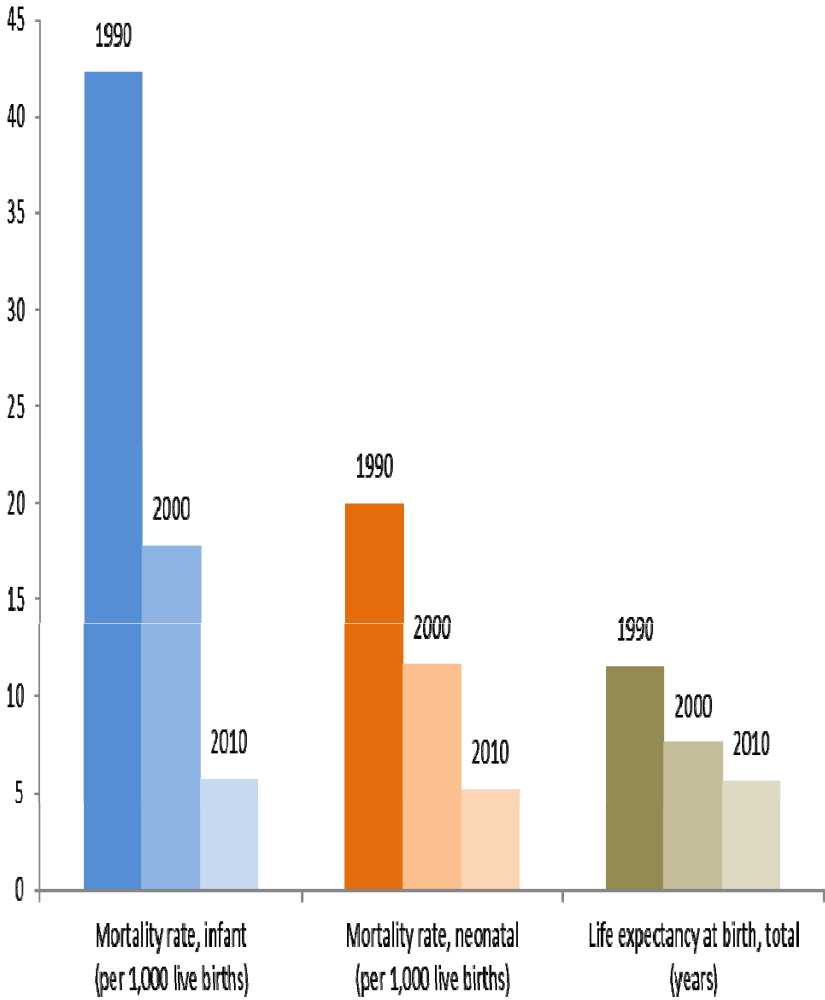


Spatial distribution of newly created firms between 2007-2011

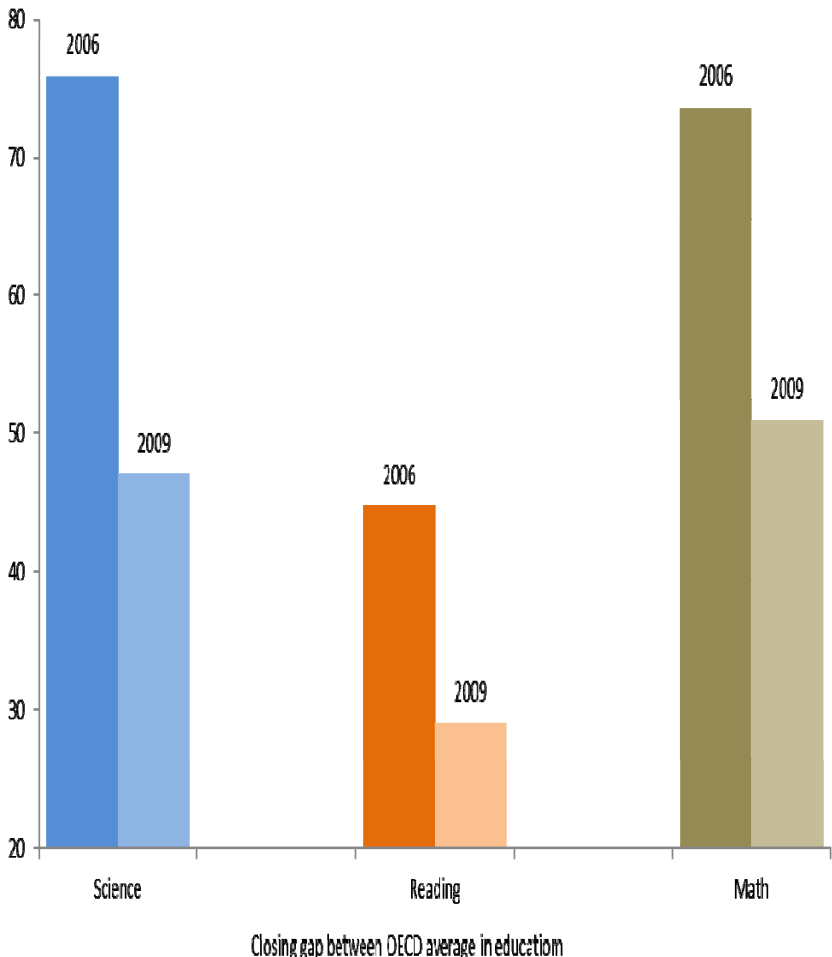
Supported by public investments



And improved public services

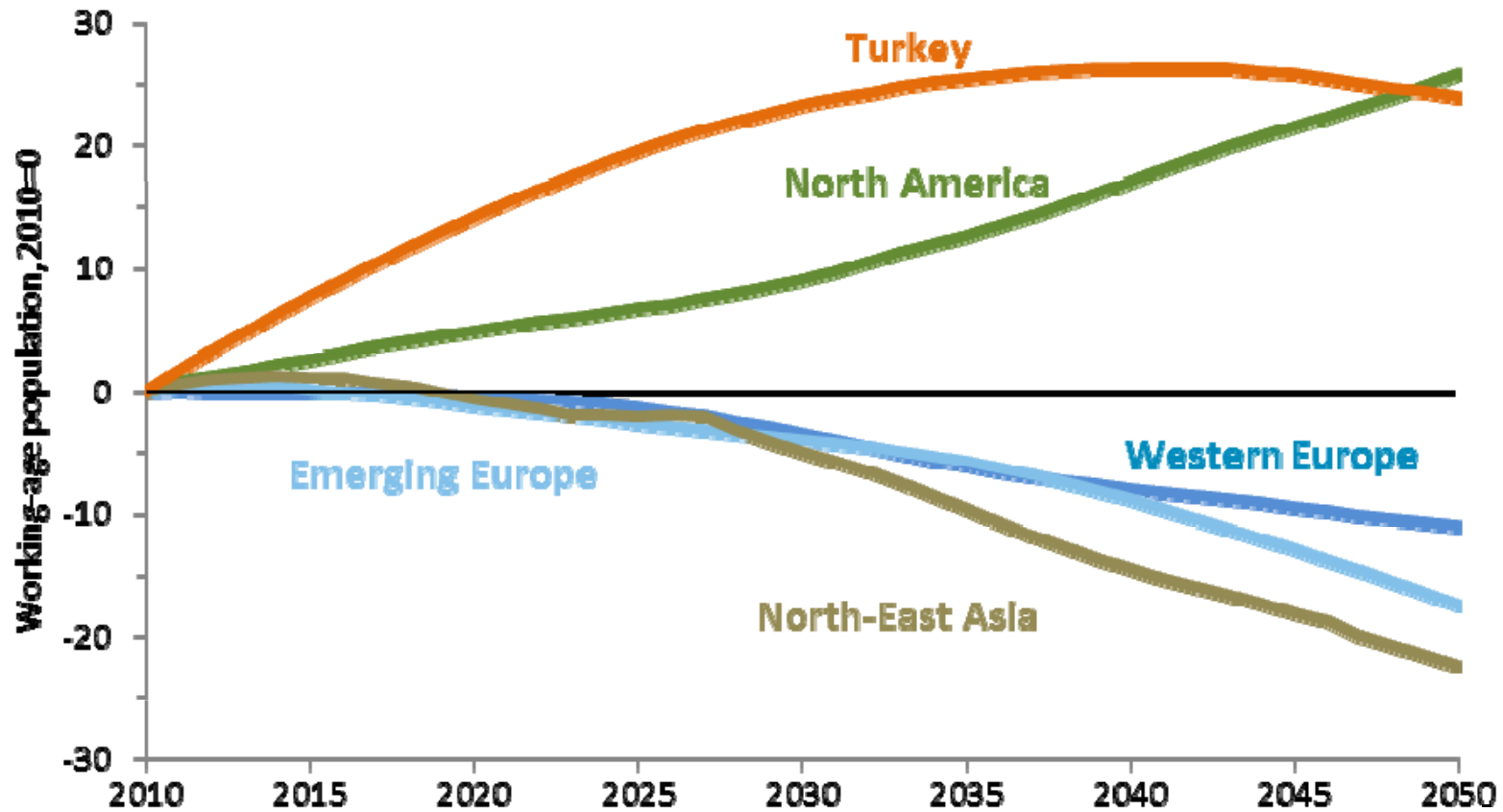


Closing the gap between OECD average in health



Closing gap between DECD average in education

Turkey's prospects are favorable because of demographics

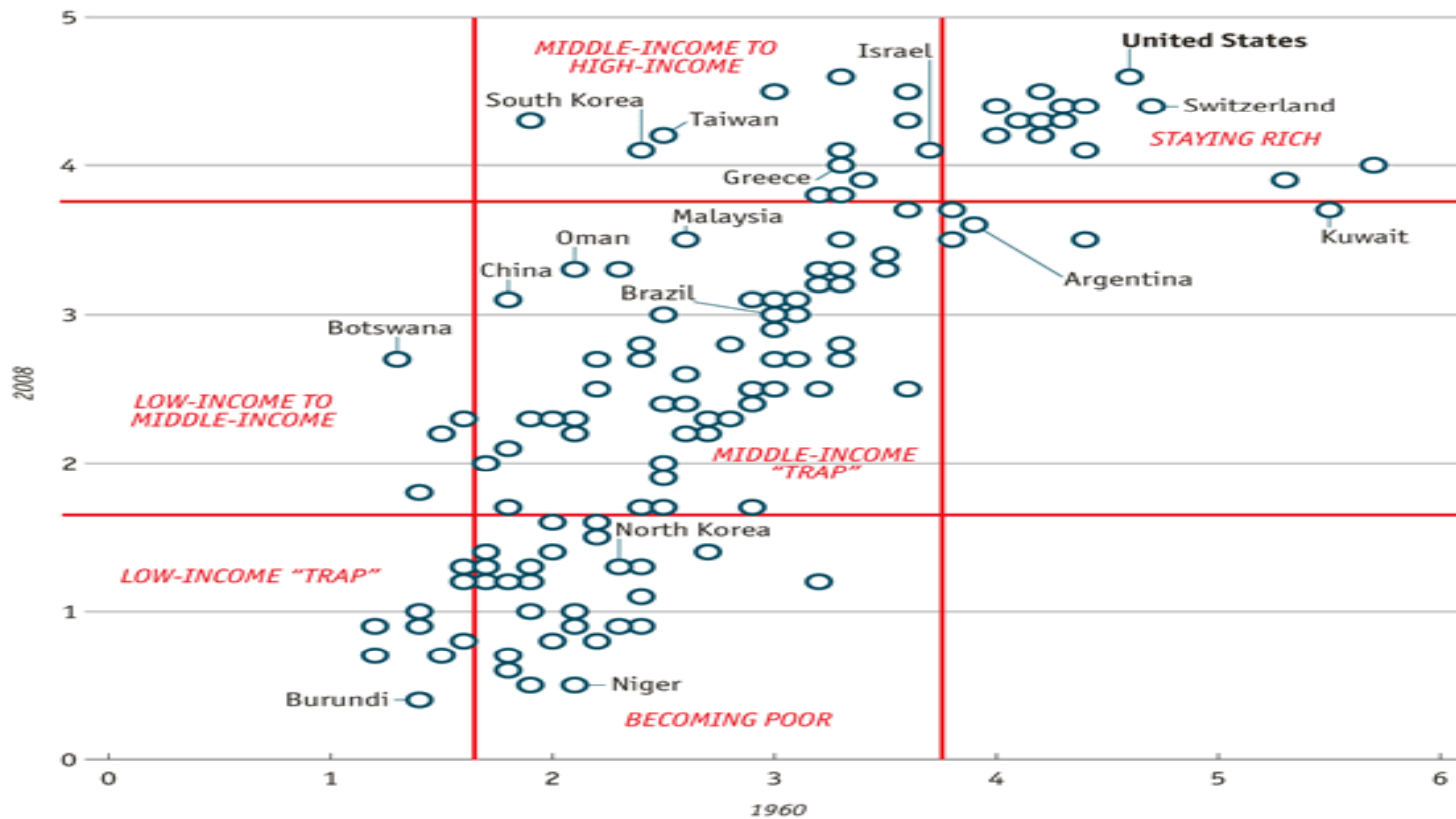


But sustaining growth into high income is difficult



The middle-income trap

Income per person relative to the United States, log of %

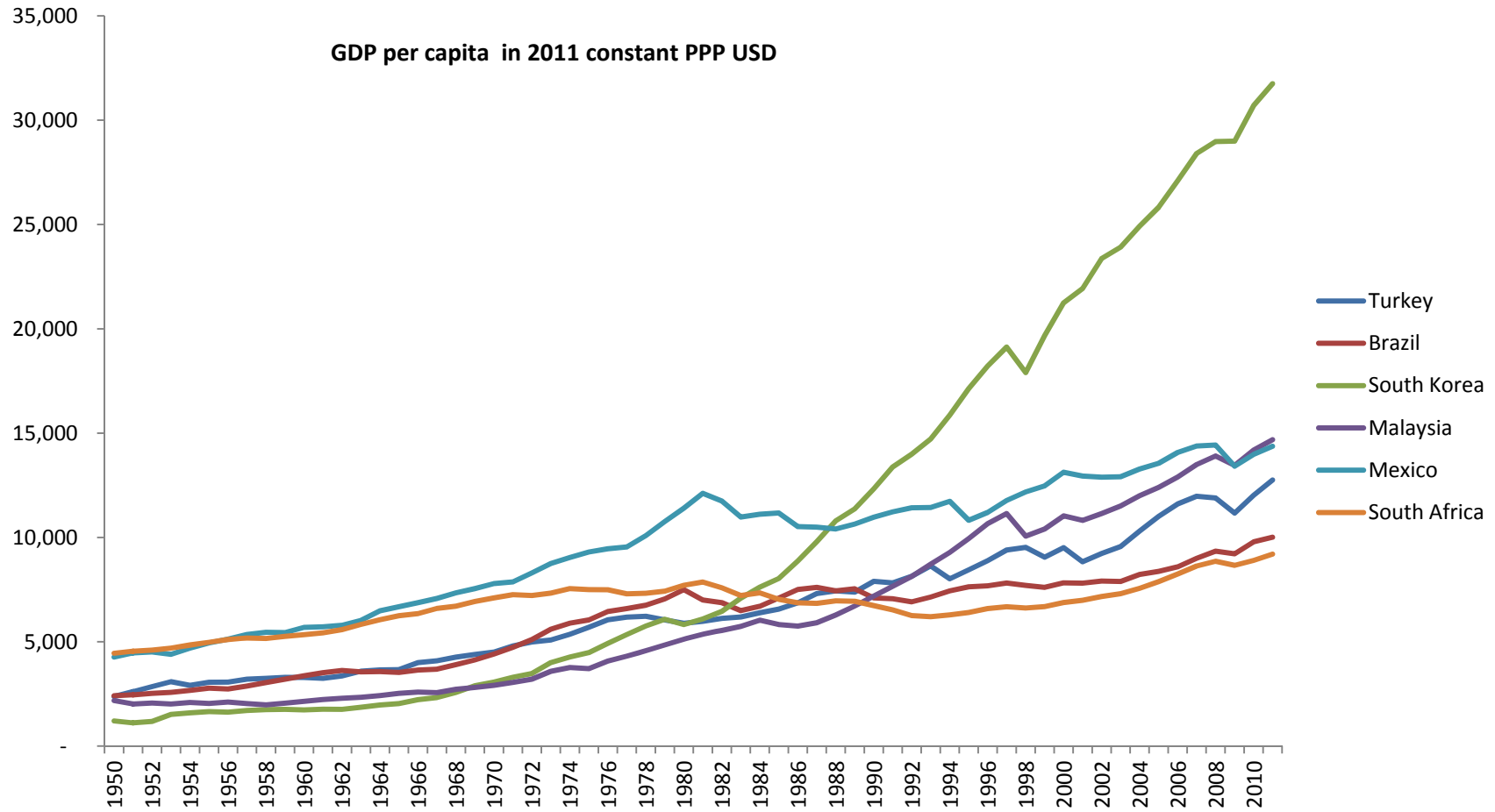


Source: World Bank

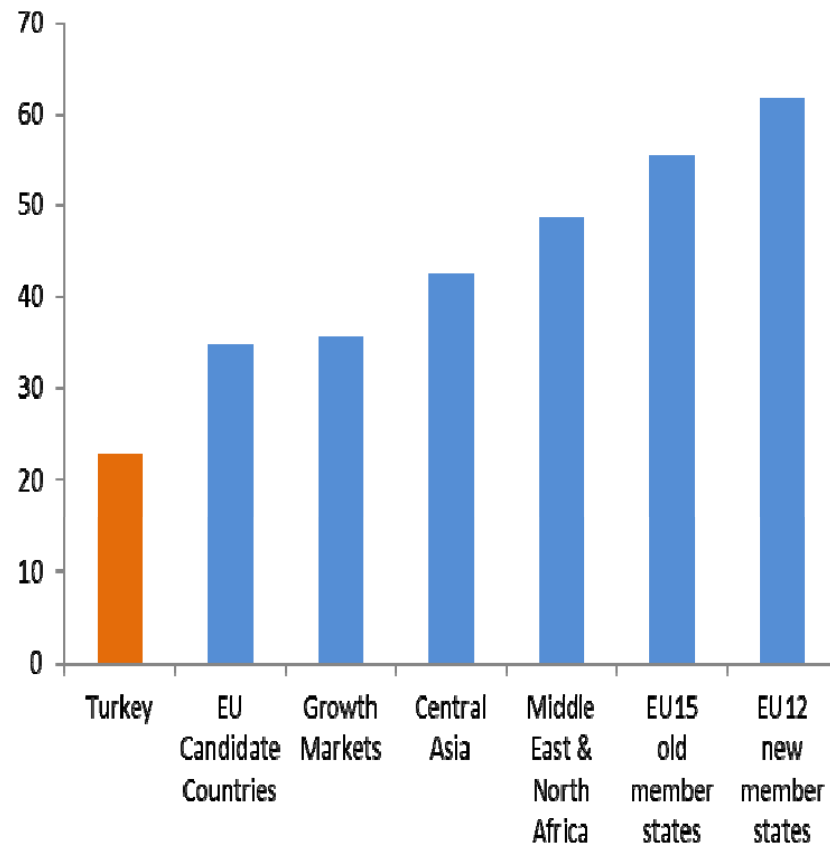
And growth in Turkey has been volatile given dependence on foreign financing



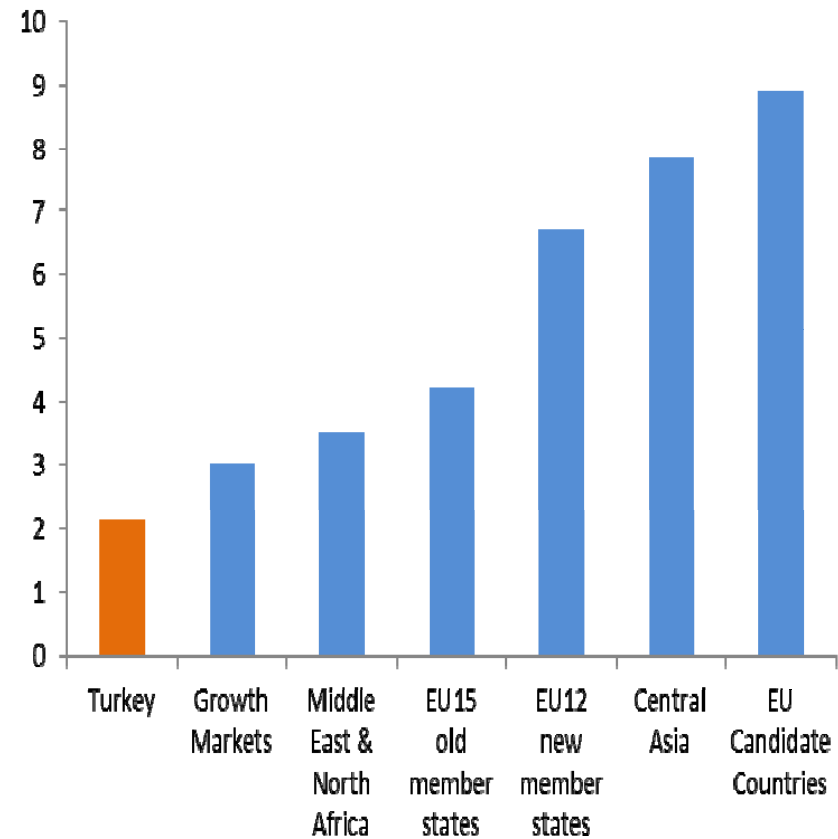
The middle income trap



What Turkey needs to do to sustain growth: deepen integration

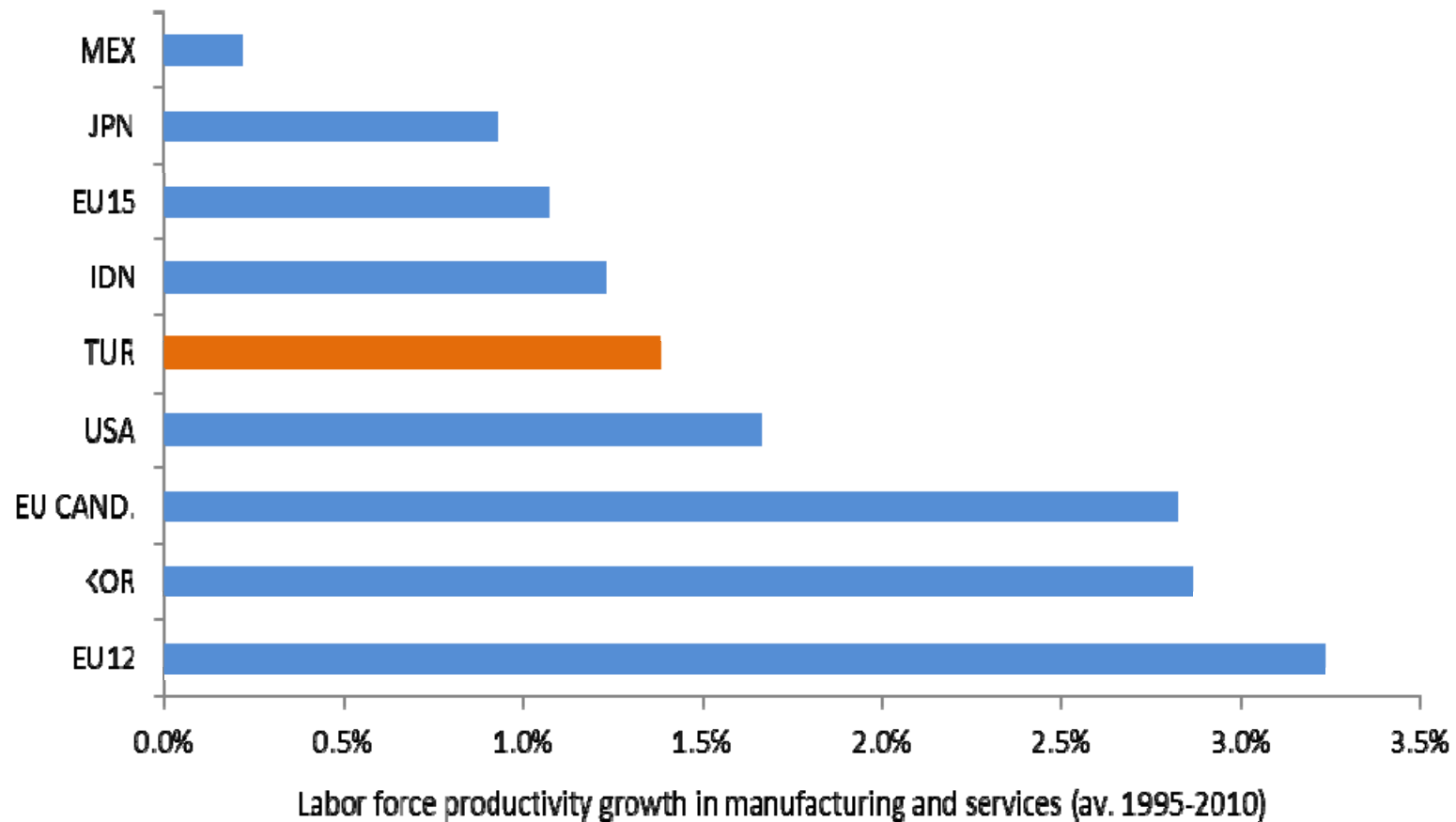


Exports as % of GDP (average 2007-2011)

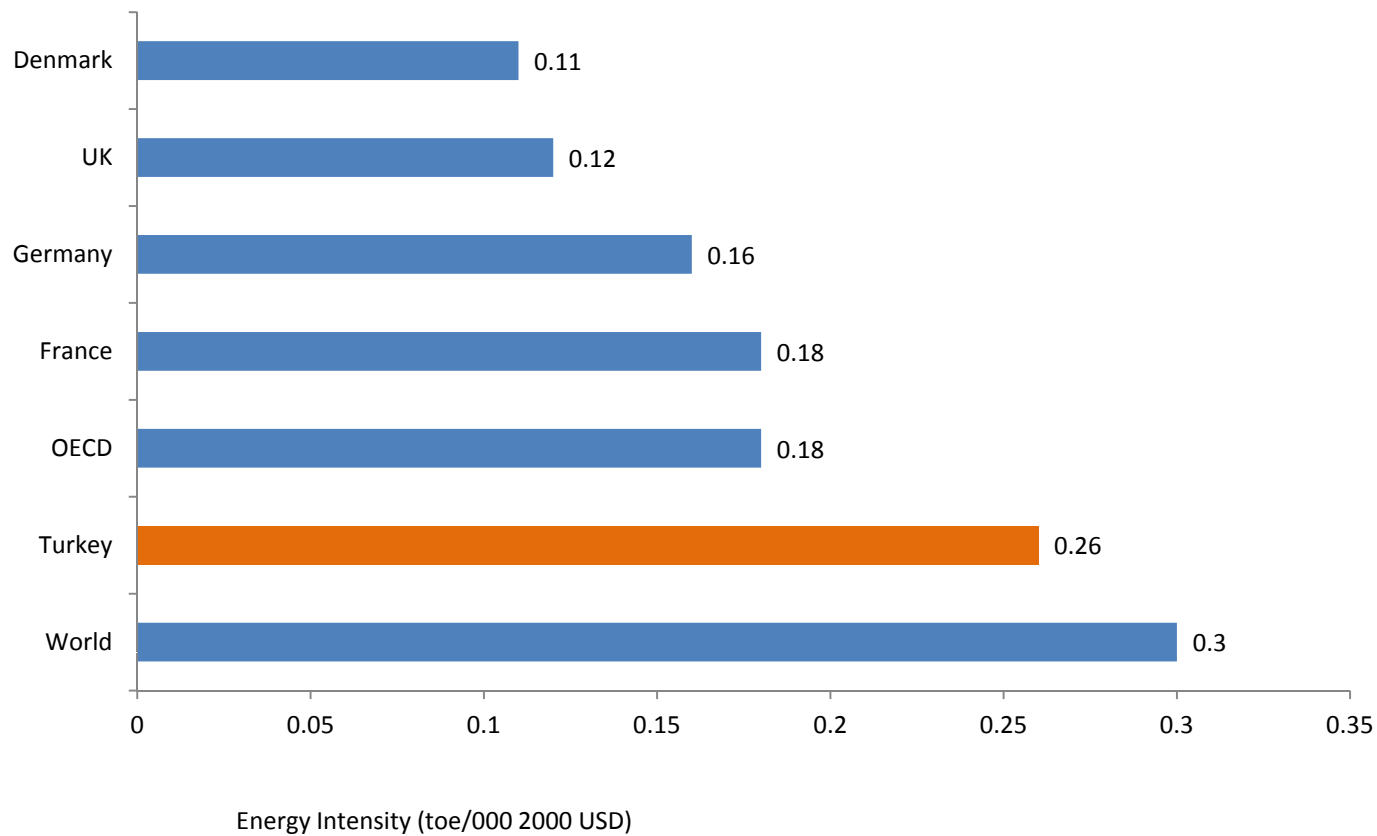


FDI as % of GDP (2007-2011)

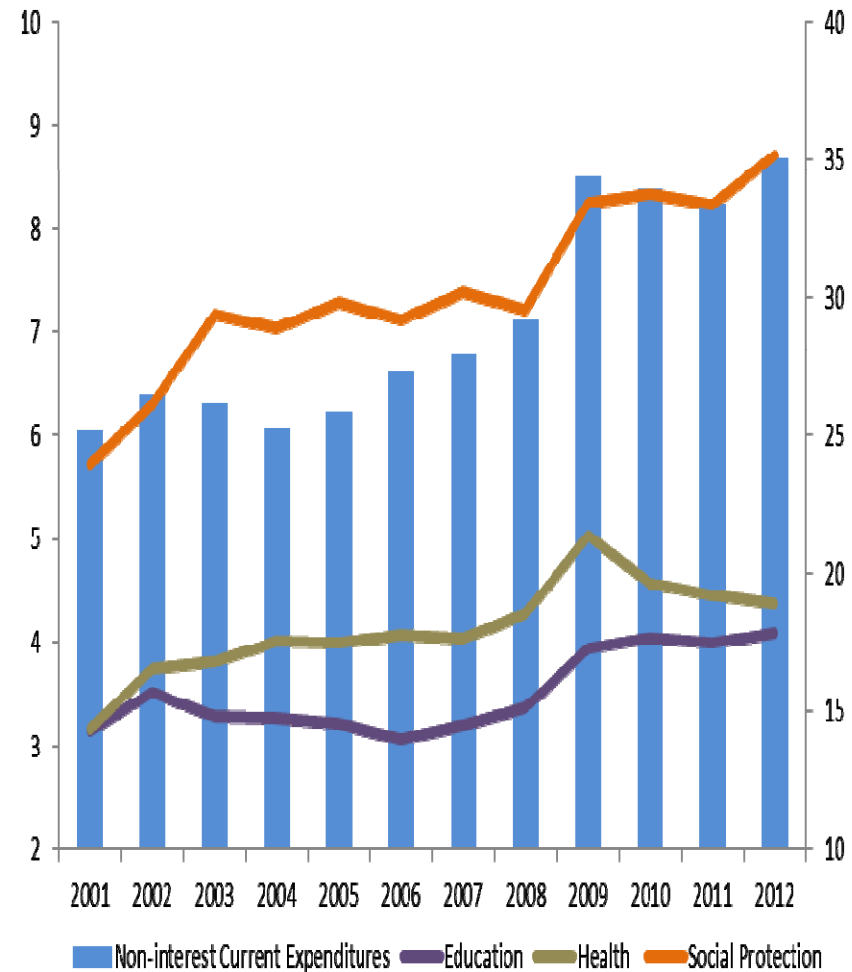
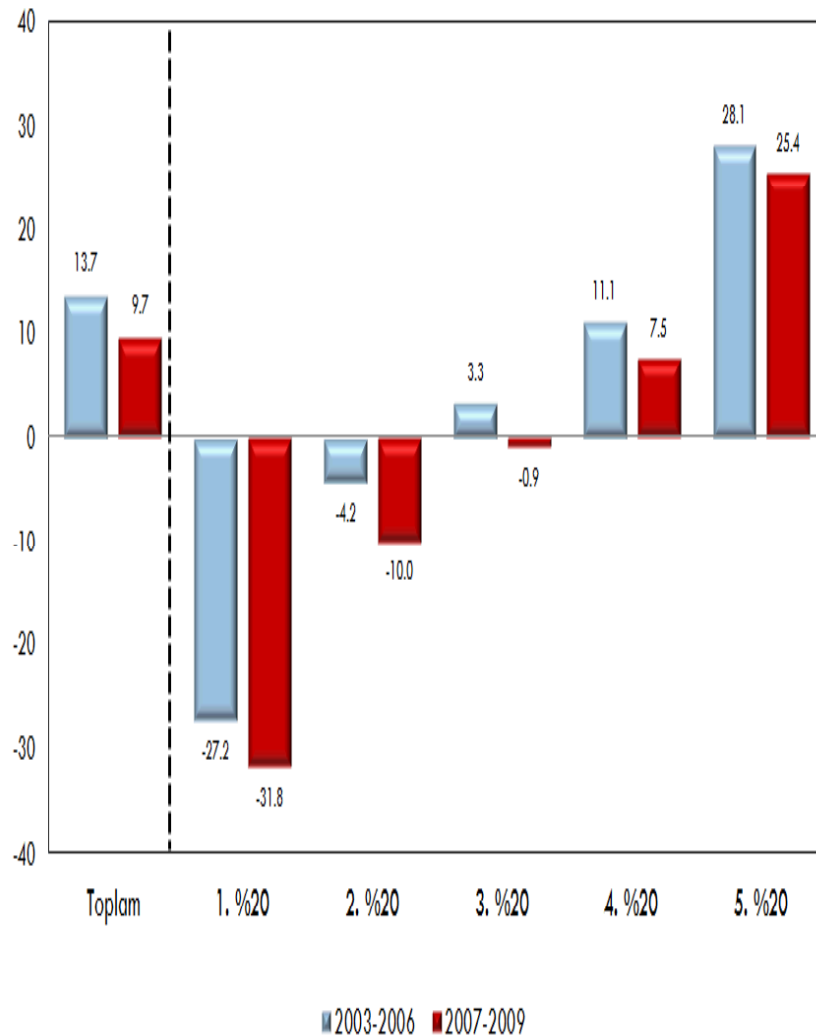
What Turkey needs to do to sustain growth: boost productivity



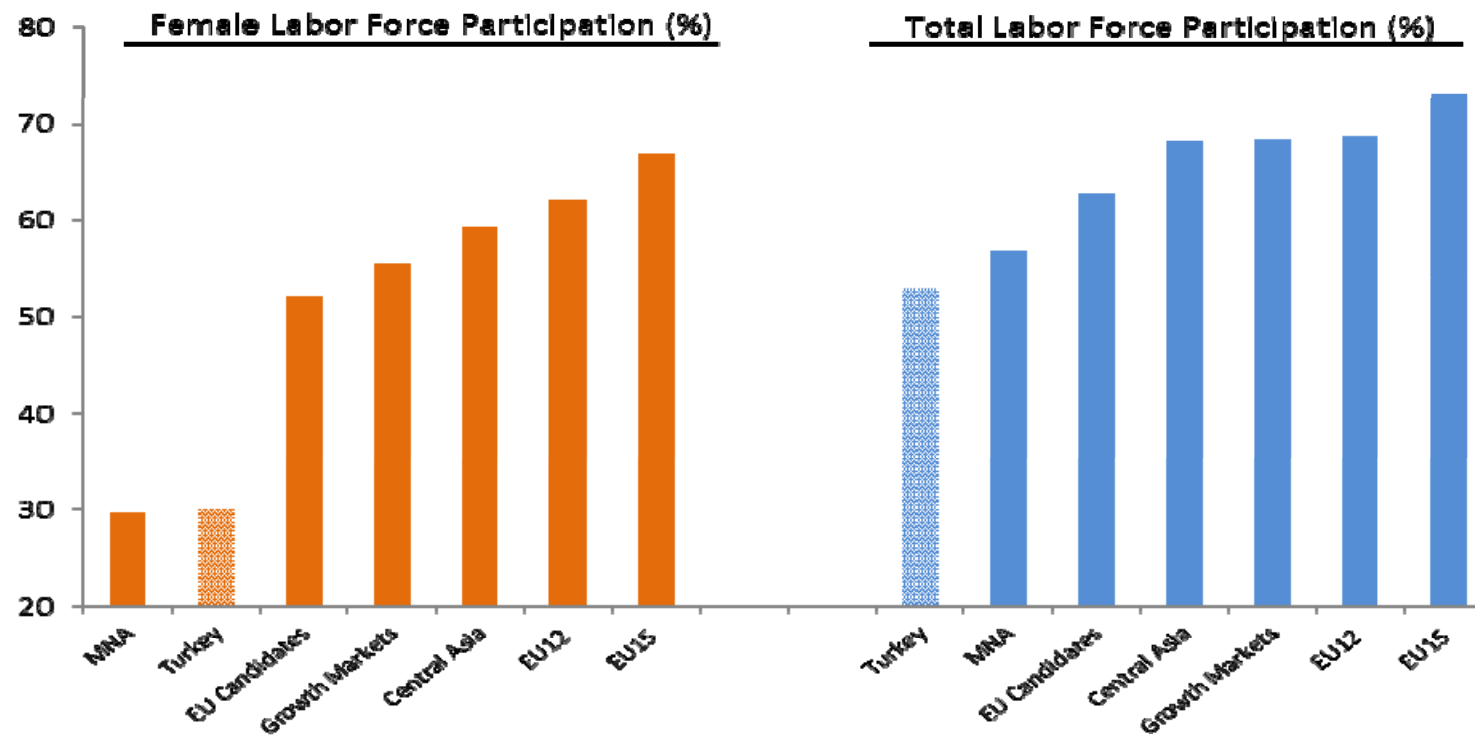
What Turkey needs to do to sustain growth: boost energy efficiency



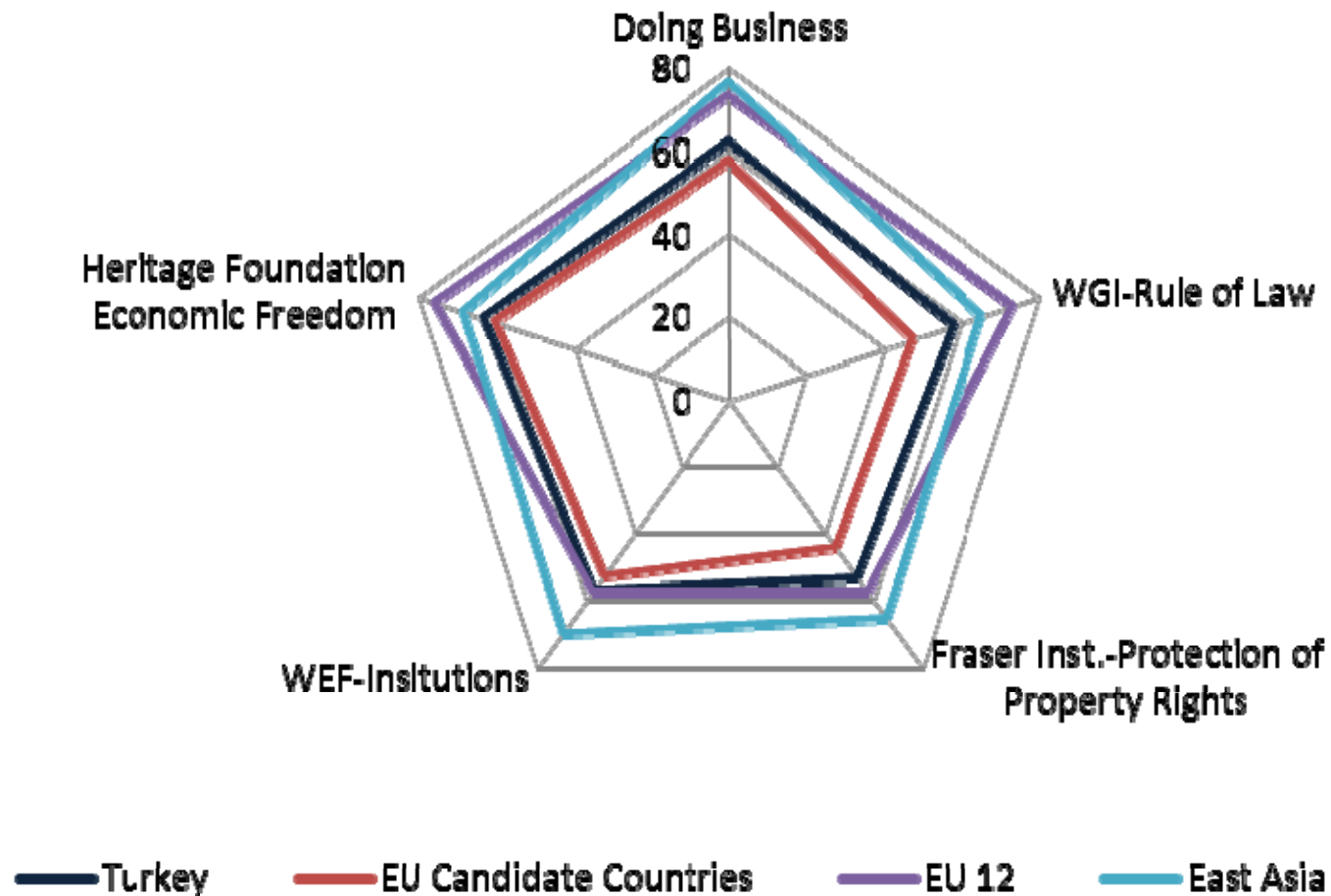
What Turkey needs to do to sustain growth: boost savings and contain growth in transfers



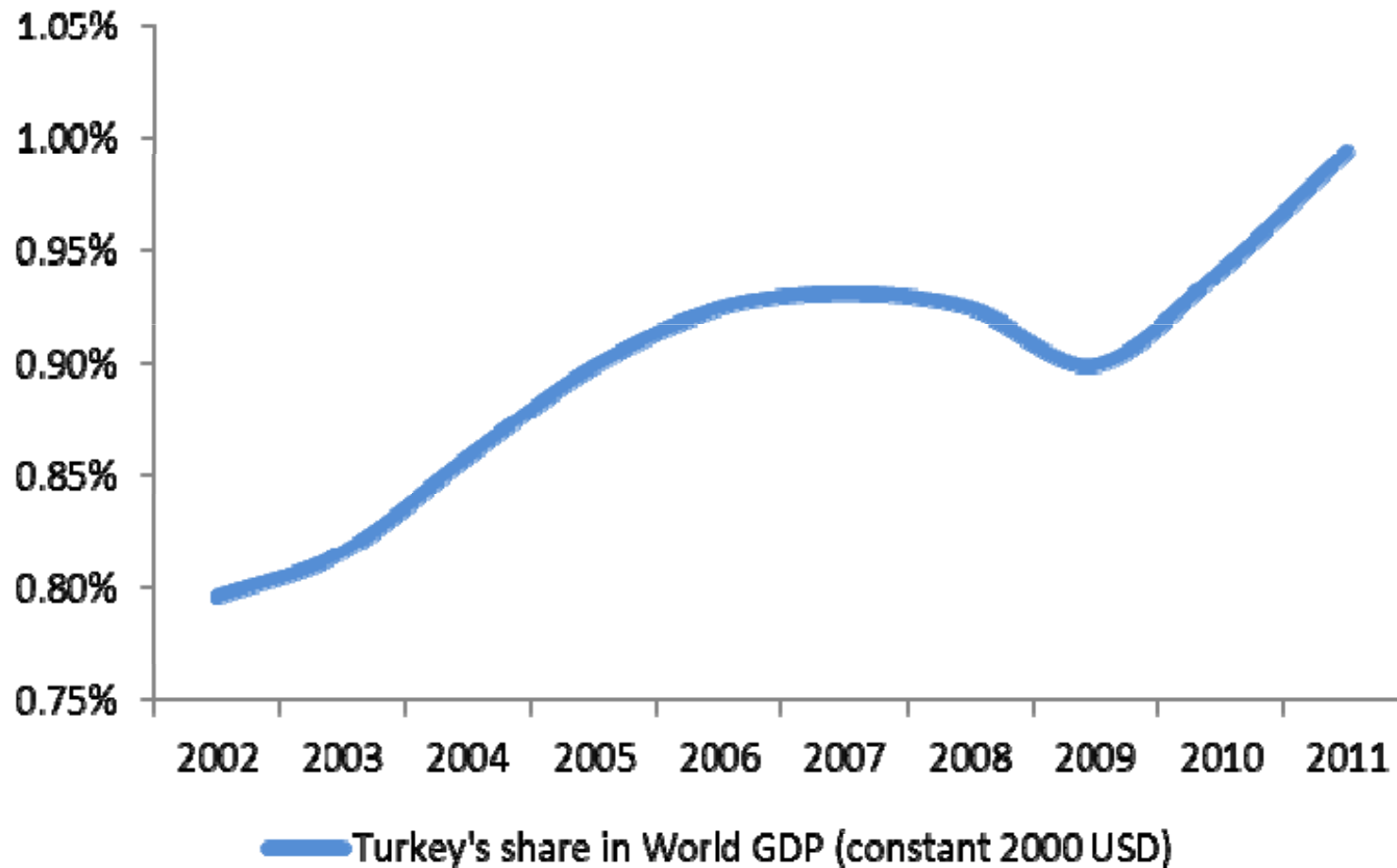
What Turkey needs to do to sustain growth: boost female employment



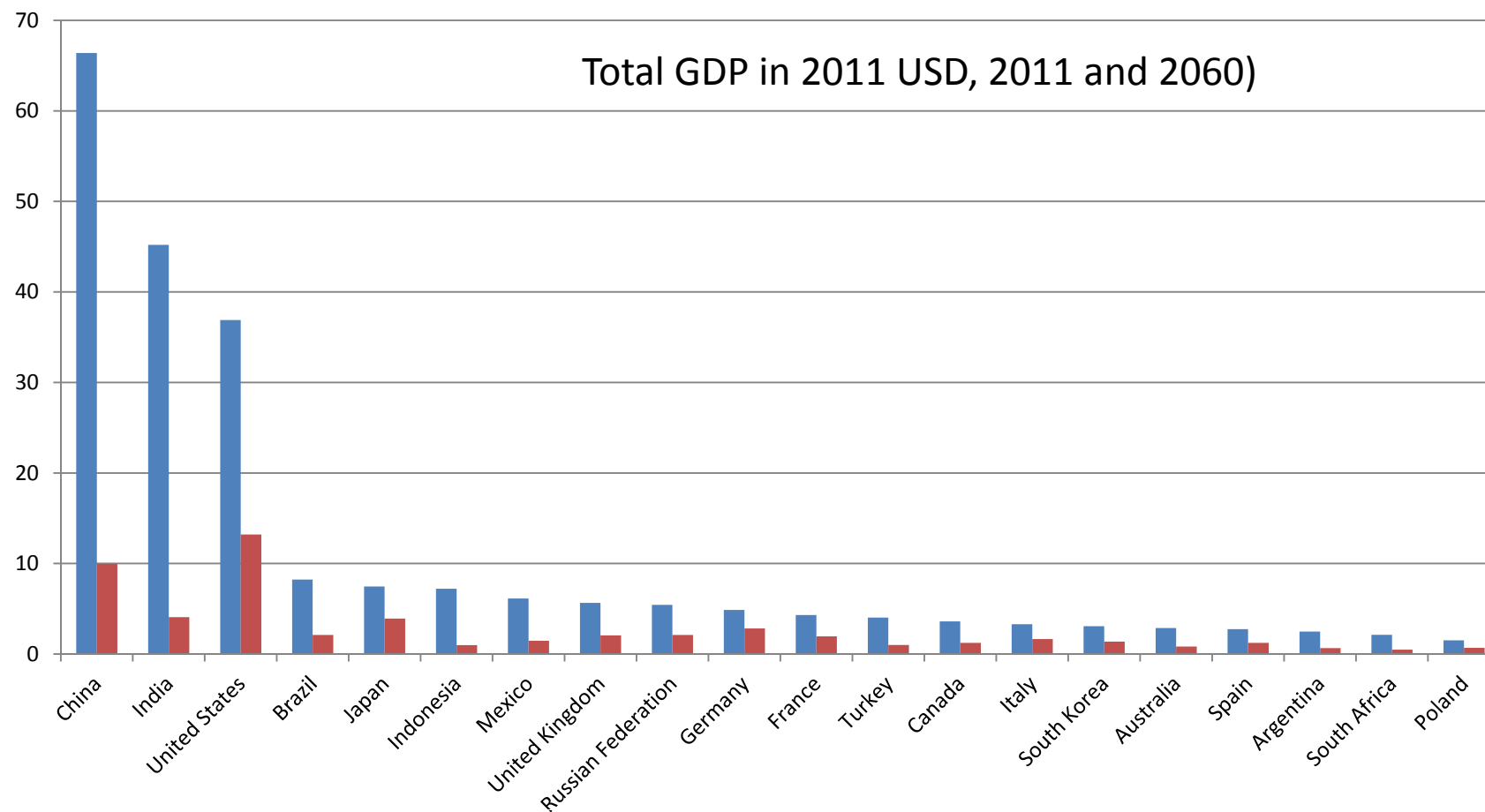
What Turkey needs to do to sustain growth: make institutions fit for high income



Turkey: an emerging regional and global power



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The 20 largest economies in the world in 2011 and 2060 - OECD