

Opening Comments

The Turkish Economy: Opportunities and Challenges

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The last time I was in Washington DC around cherry blossom time was during the late 1950's as a child, when my father was here as part of a NATO mission. Turkey has come a long way since that time, though not always on a straight path, and so have Turkish-American relations. Today we are here to discuss the opportunities and challenges that the Turkey of 2013 faces in the global environment.

As my comments indicate, Turkey is a long-standing member of the Transatlantic alliance and a country distinguished by its democratic traditions and institutions, displaying a salient capacity for reform and rapid economic growth but also facing significant challenges. These challenges include devising strategies for escaping from its “middle income” status as well as maintaining economic stability in a volatile global environment. In an earlier study with the Turkish economic historian Şevket Pamuk and our colleague Alpay Filiztekin, we examined Turkey's growth process in a time period stretching back to 1880 and sought to identify its relative position in the global distribution of per capita incomes as well as the proximate causes of its relative performance. Our study revealed that up until 2005 Turkey had maintained a relative GDP per capita of around 25% of US plus Western Europe per capita GDP levels. Unlike some of the Latin American economies, it had not regressed but neither had it shown the stellar performance of the East Asian economies or even until very recently, the enviable convergence patterns of European Union's Mediterranean periphery. We also described the different stages of political and economic development in Turkey, from state-led capitalism to import-substituting industrialization practiced up until the late 1970's, and finally a regime of trade and financial integration combined with an explicit policy of export-led growth adopted in the 1980's.¹ Moreover, unlike its Mediterranean neighbors who opted for rapid and early integration with the European Union in terms of their political and economic institutions, including their democratization process, Turkey's full-fledged embrace of the EU perspective occurred only in the early 2000's, although it had signed a Customs Union Agreement with the EU in 1996.

The global crisis seems to have changed many of the usual parameters, and set in motion new forces in the global economy. While developed countries have entered a period of low growth and

¹ See, for example, Altug and Filiztekin (2006), Chapter 1.

recession, the effects on emerging and developing economies have been much more uneven. One issue that has generated much attention is the alleged “de-coupling” between developed and emerging economies in terms of economic performance as well as policy choices. Despite much recent attention touting their growing role, however, the emerging economies remain a highly heterogeneous group and even the most prominent among them – the BRICS – are distinguished by their differences as much as their similarities. Despite showing impressive gains and very high rates of growth in the past three decades, even the Chinese economy appears to be slowing down and focusing inwards to address many accumulated domestic issues, including low consumption rates, rising inequality, and environmental issues.

Whither Turkey in this environment? A recent article by TUSIAD’s Bahadır Kalegasi and Baris Ornarli suggests that Turkey’s place remains in the Transatlantic economy, and that a key device for ensuring its place there is to engage it more closely with the Transatlantic Trade and Investment Partnership that is being forged between the US and the EU. As the report emphasizes, this combined group still accounts for nearly half of world GDP and 30 percent of global trade. Anchoring Turkey in the Transatlantic sphere through the enhanced economic opportunities offered by this partnership also promises further gains in terms of Turkey’s democratic consolidation, human rights, and overall institutional environment.

Today our panel of distinguished experts will provide their views on the opportunities and challenges of the Turkish economy at the current juncture. Doubtless the issues and remedies that they identify will aid in designing policies for furthering the development of the Turkish economy.

References

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