



The Economic Policy Research Foundation of Turkey

Let the Sunshine In!

Güven Sak

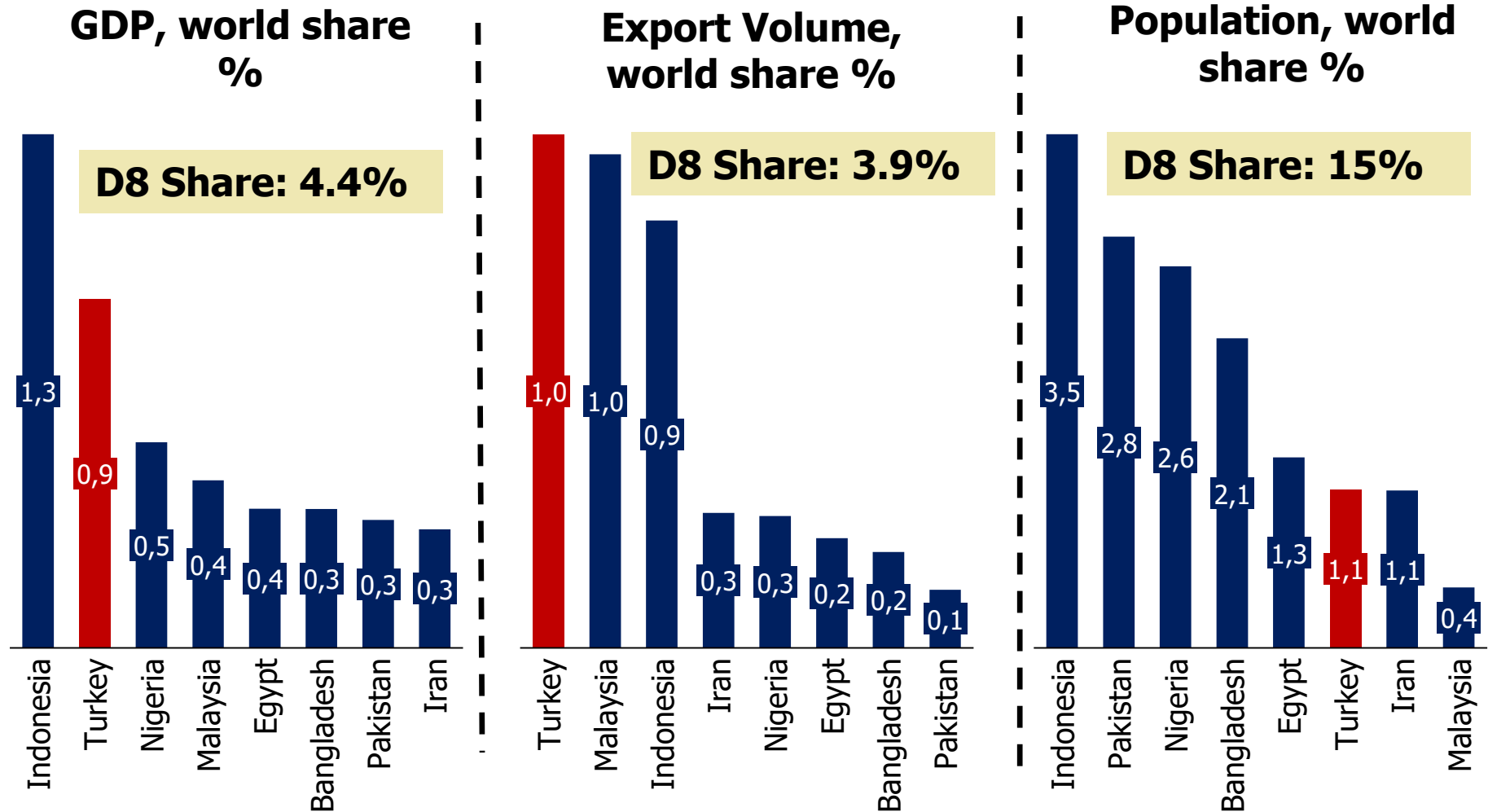
June 16, 2022

İstanbul

Framework

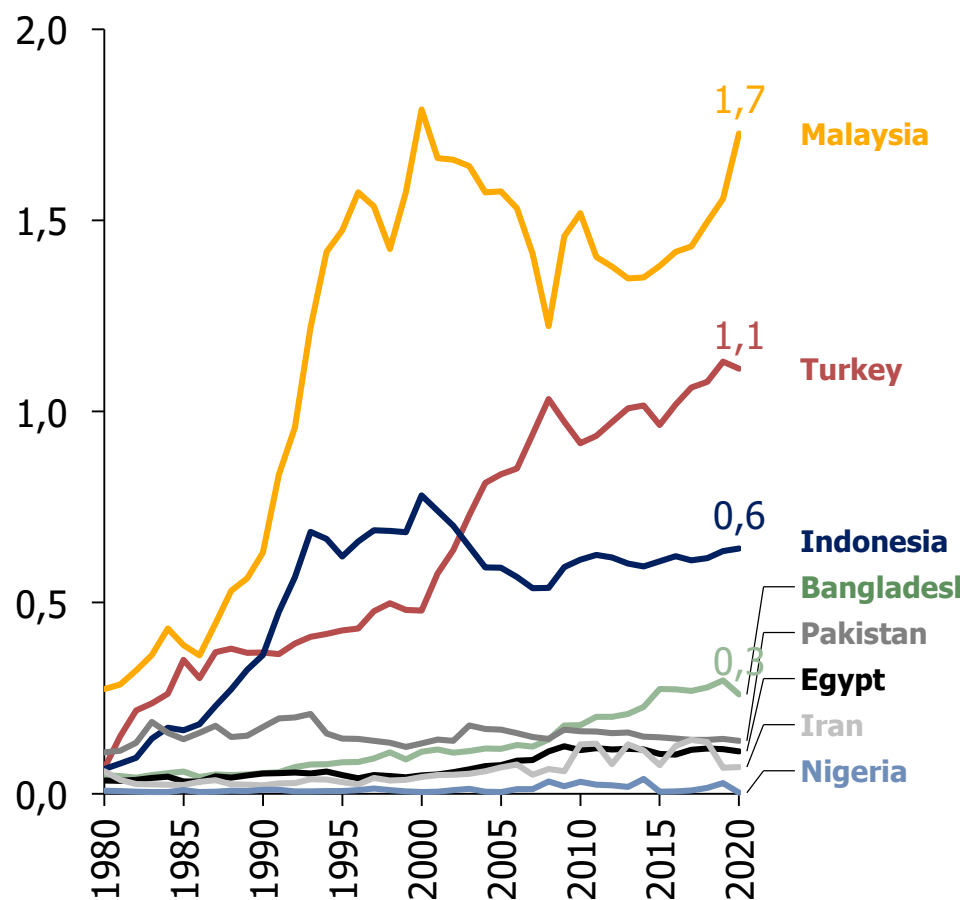
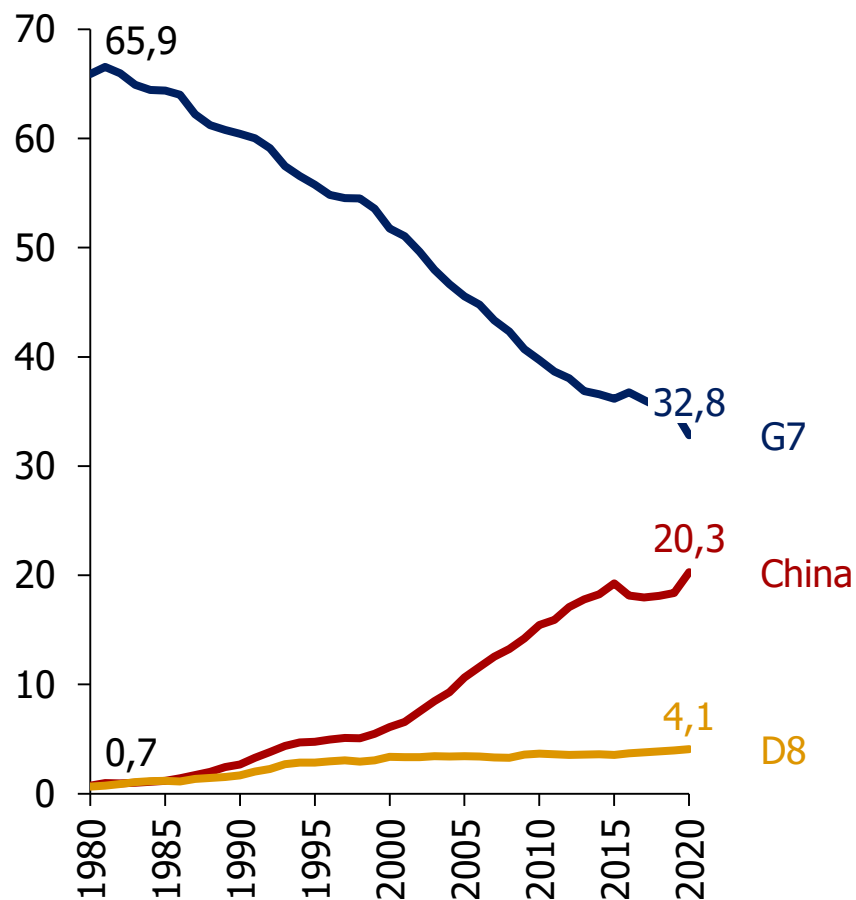
- Action oriented policy proposals back in 2019
- Quick facts show a bleak picture of cooperation:
D8 101
- This time is really different: Tectonic shifts in the global economy
 - Shoring to where? Instead of nearshore, reshore, friendshore, allyshore, opt for **Smart-shoring!**
 - Strengthen cooperation in **industry & technology**
 - **Twin** transformation (digital + green)
 - Need for new mechanisms for **private sector partnerships**
 - Let's have well defined business forums!
 - Let's think about a policy coordination unit this time

We all together perform weakly compared to our population!



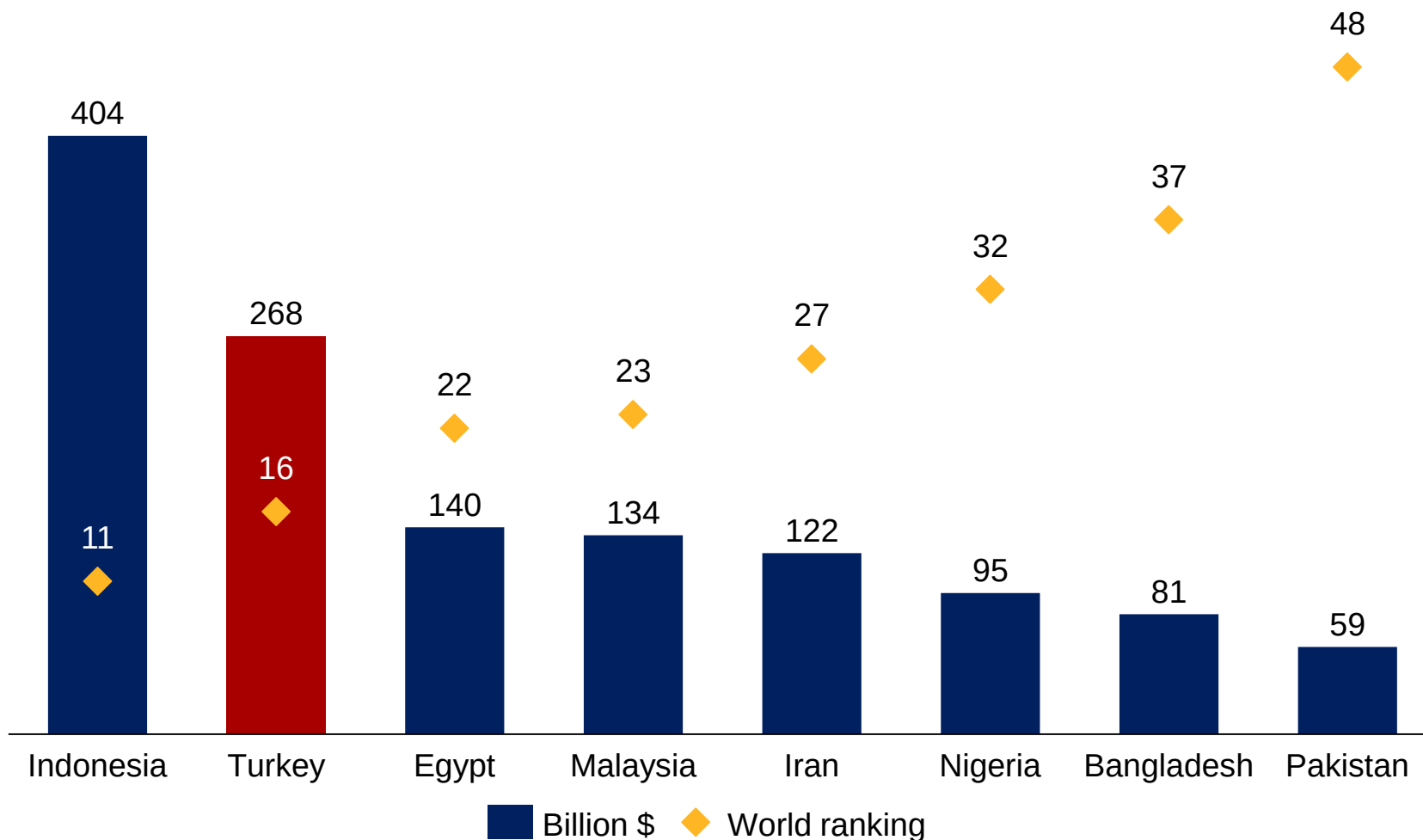
Need for further impetus to gain competitiveness in manufacturing sector...

Share in global manufacturing, %, 1962-2020

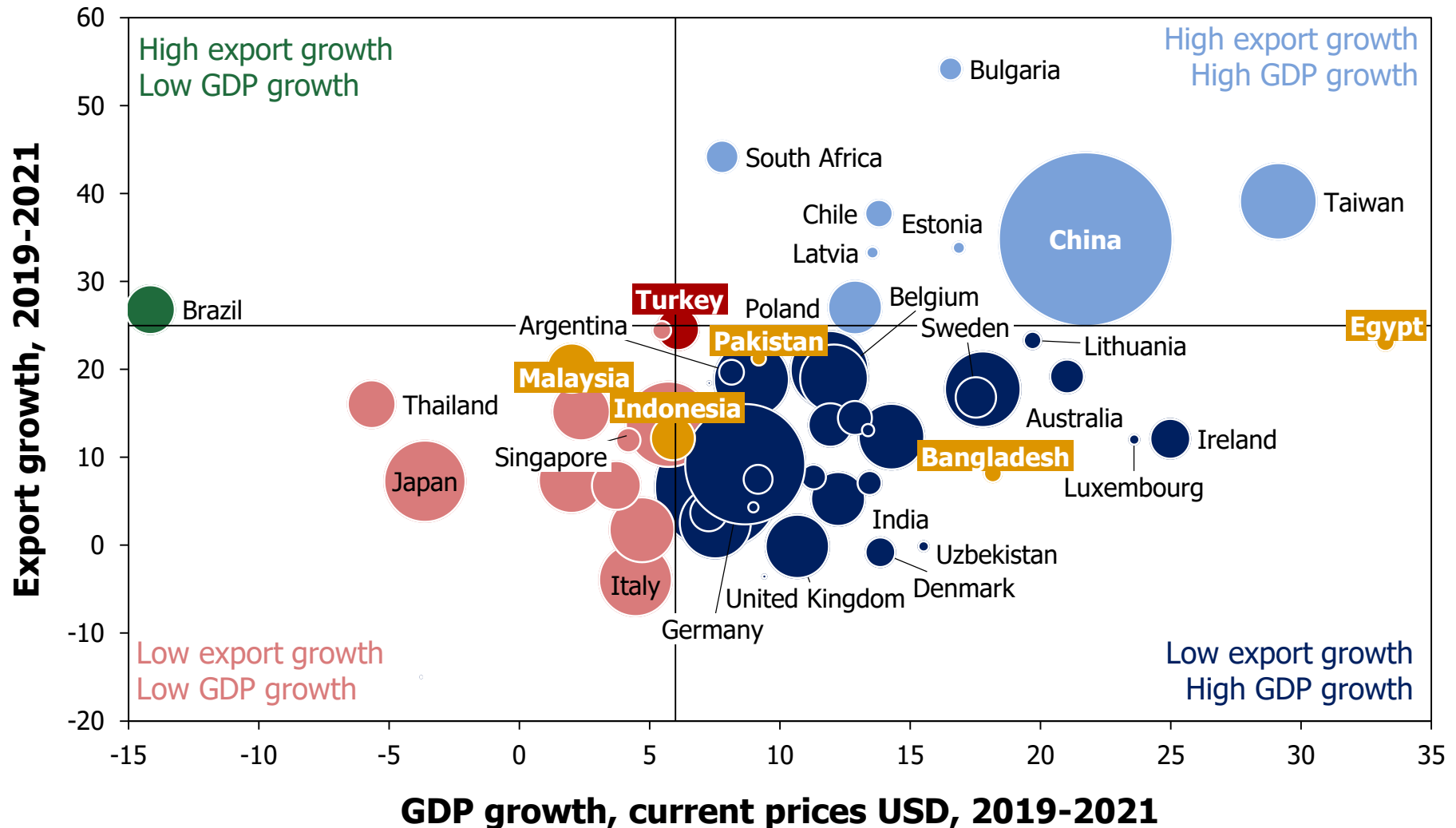


Cooperation, this is what we need! Let's rise together

Industrial value added, 2019

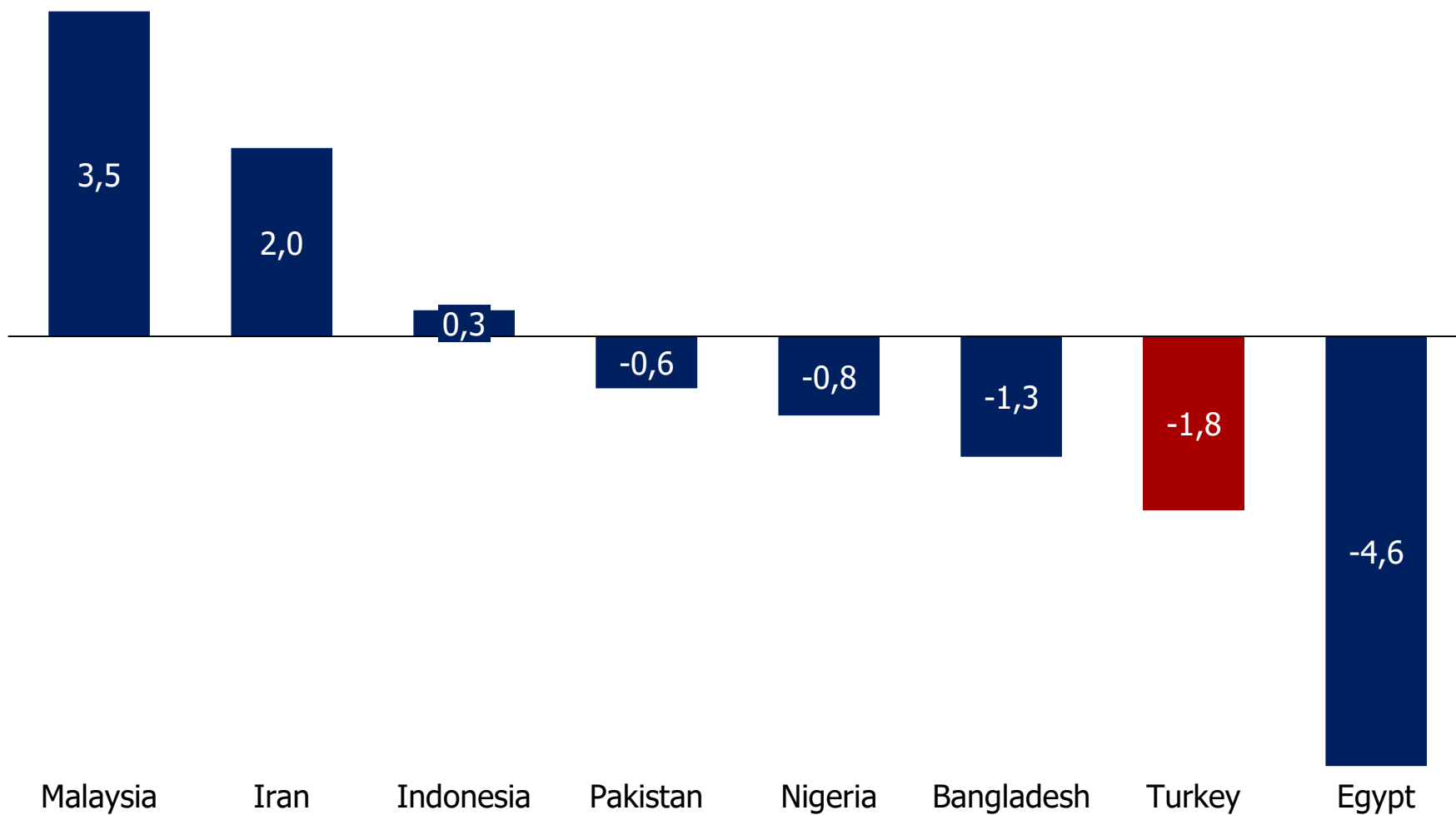


Export and GDP growth outlook of various countries, %, 2019-2021



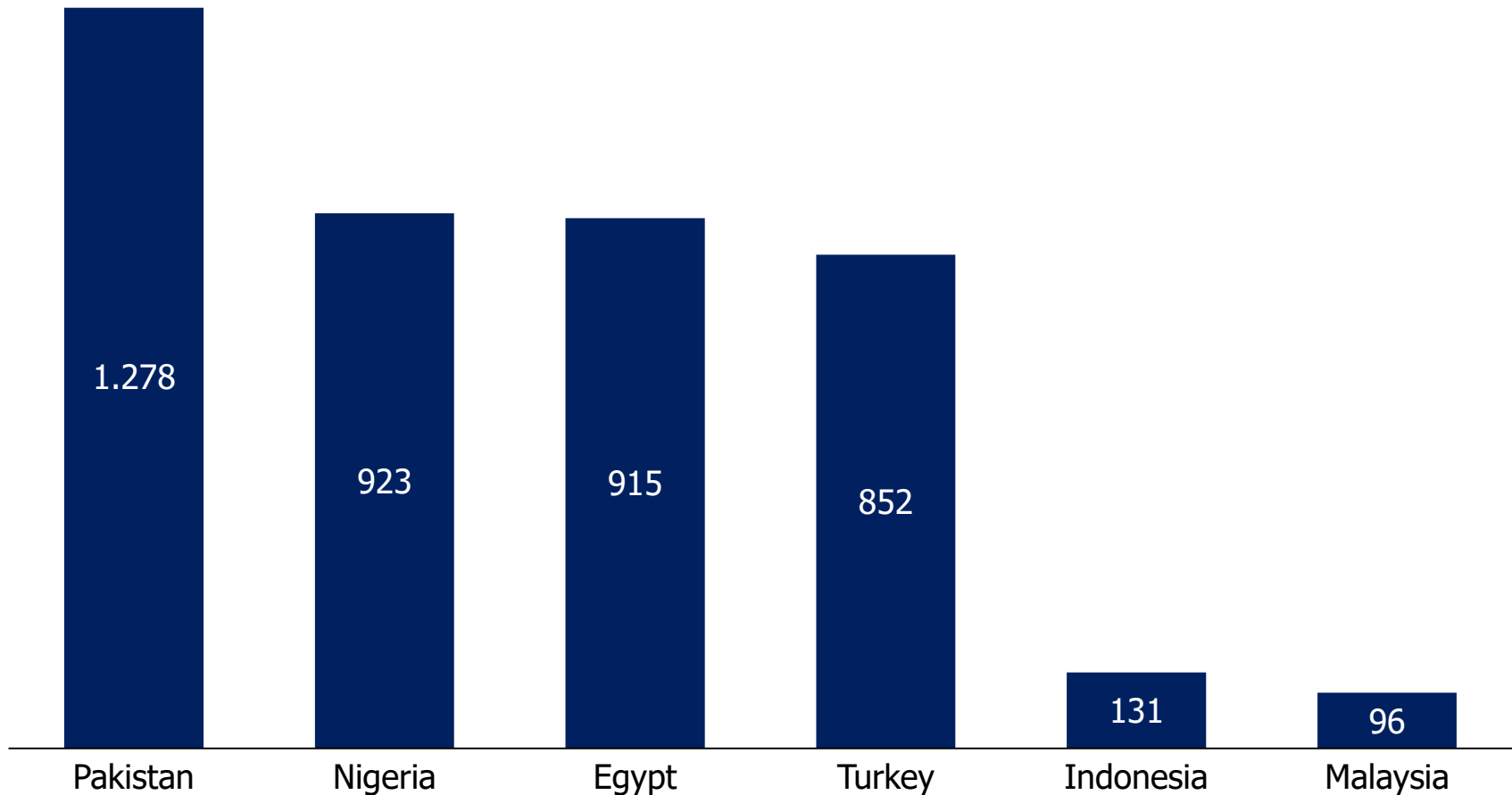
Source: TURKSTAT, UN COMTRADE, IMF, official statistical institutions of countries, TEPAV calculations

*Bubble size represent 2021 export levels

Current account balance/GDP (current USD), %, 2021

External borrowing is becoming costly for some of us

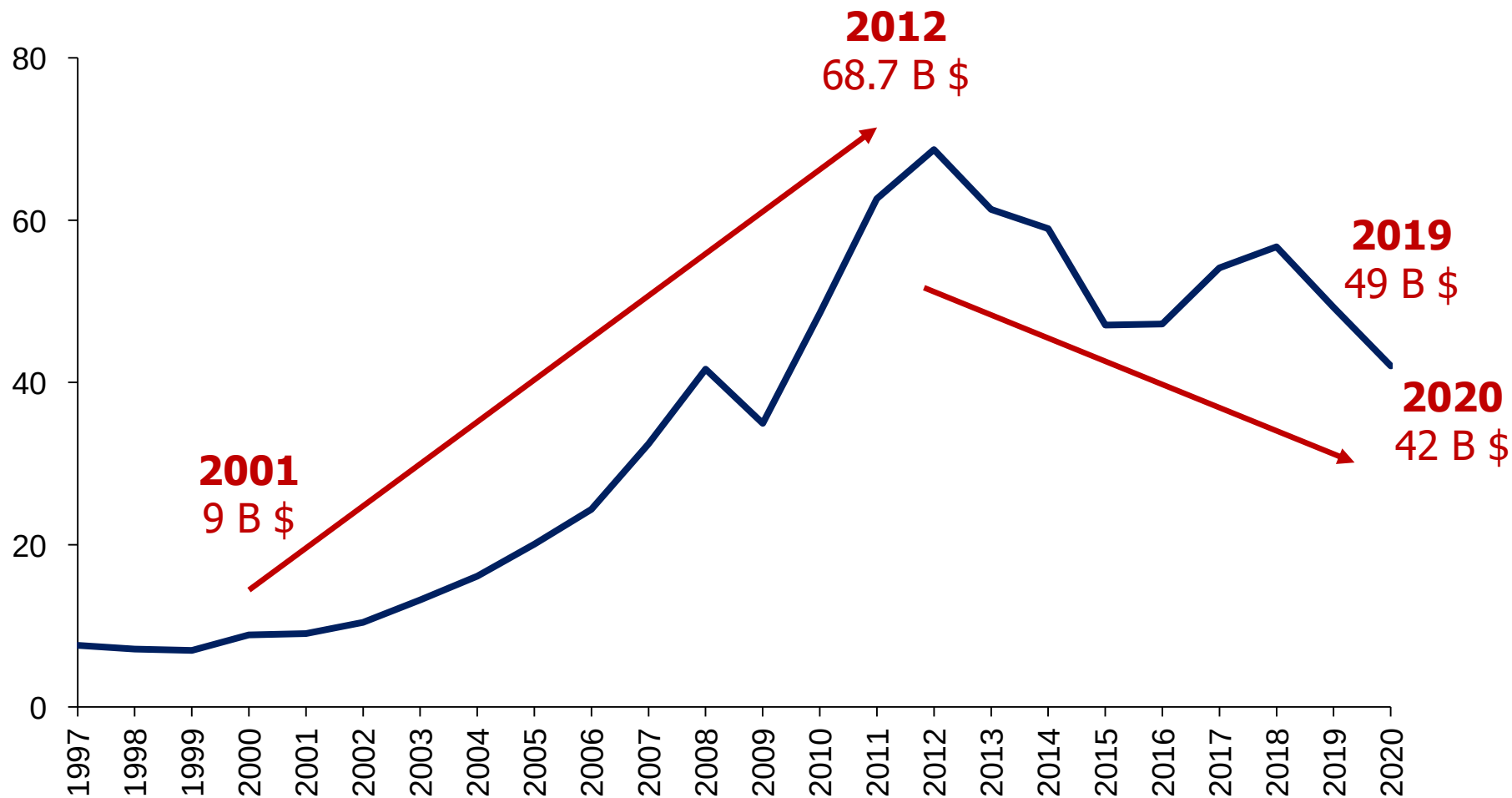
5 year CDS (bp)*



How can we fit together in this new global landscape?

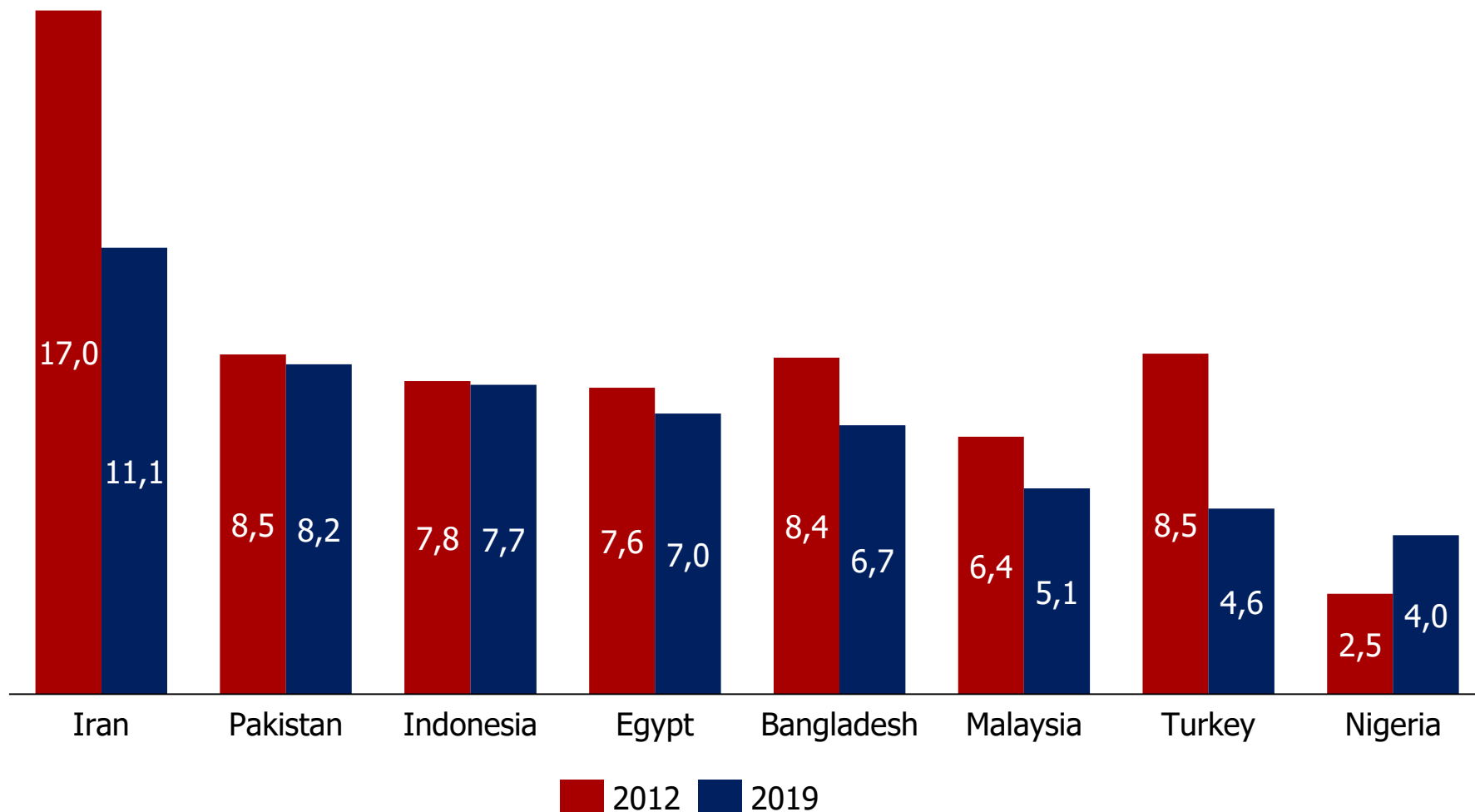
Our intra-trade has been falling, but why?

D8 intra-trade volume, billion \$, 1997-2020,



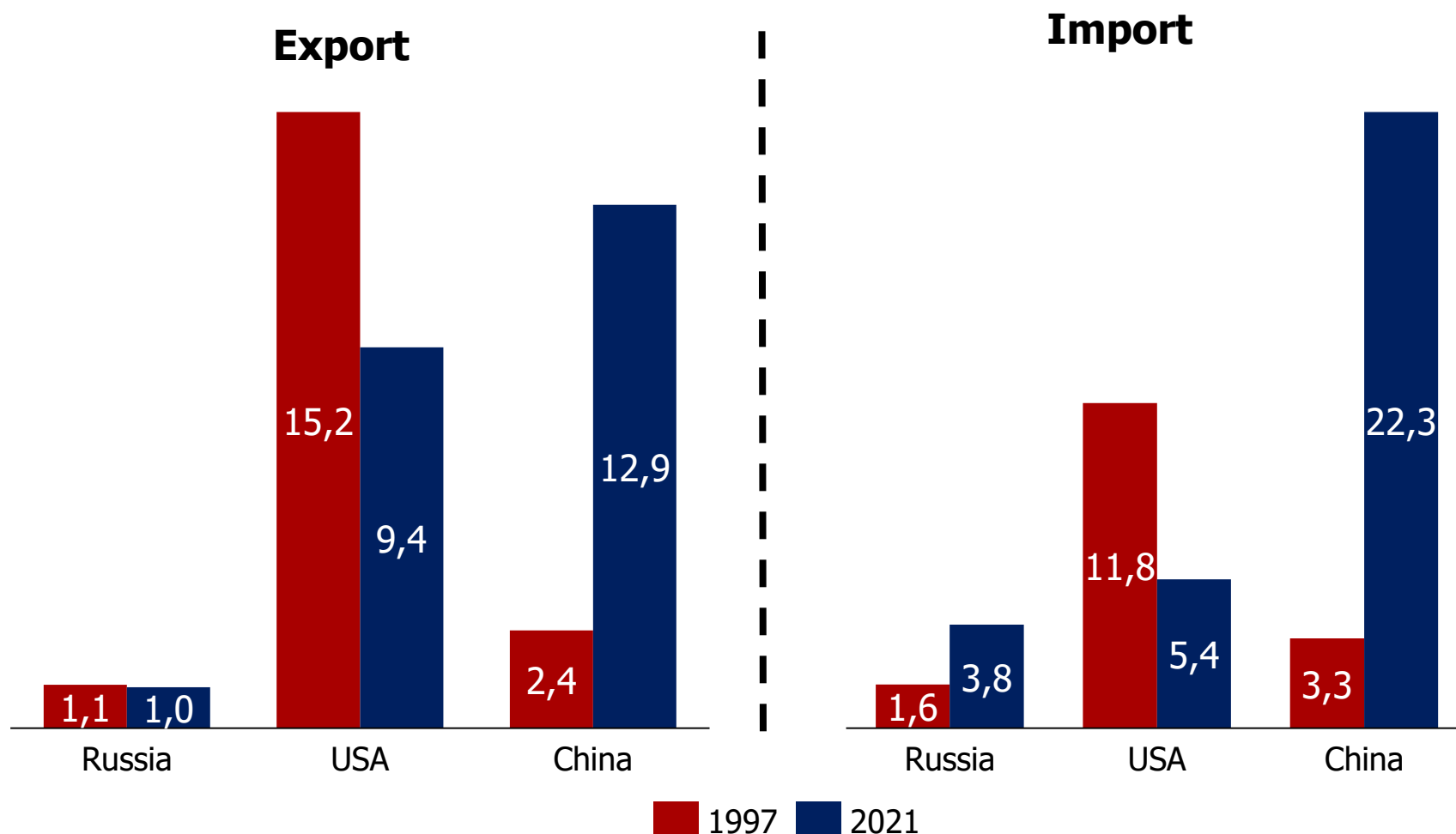
Our trade relations have been weakening, again why?

Member Countries' Trade with D8/ Total Trade, %, 2012-2019



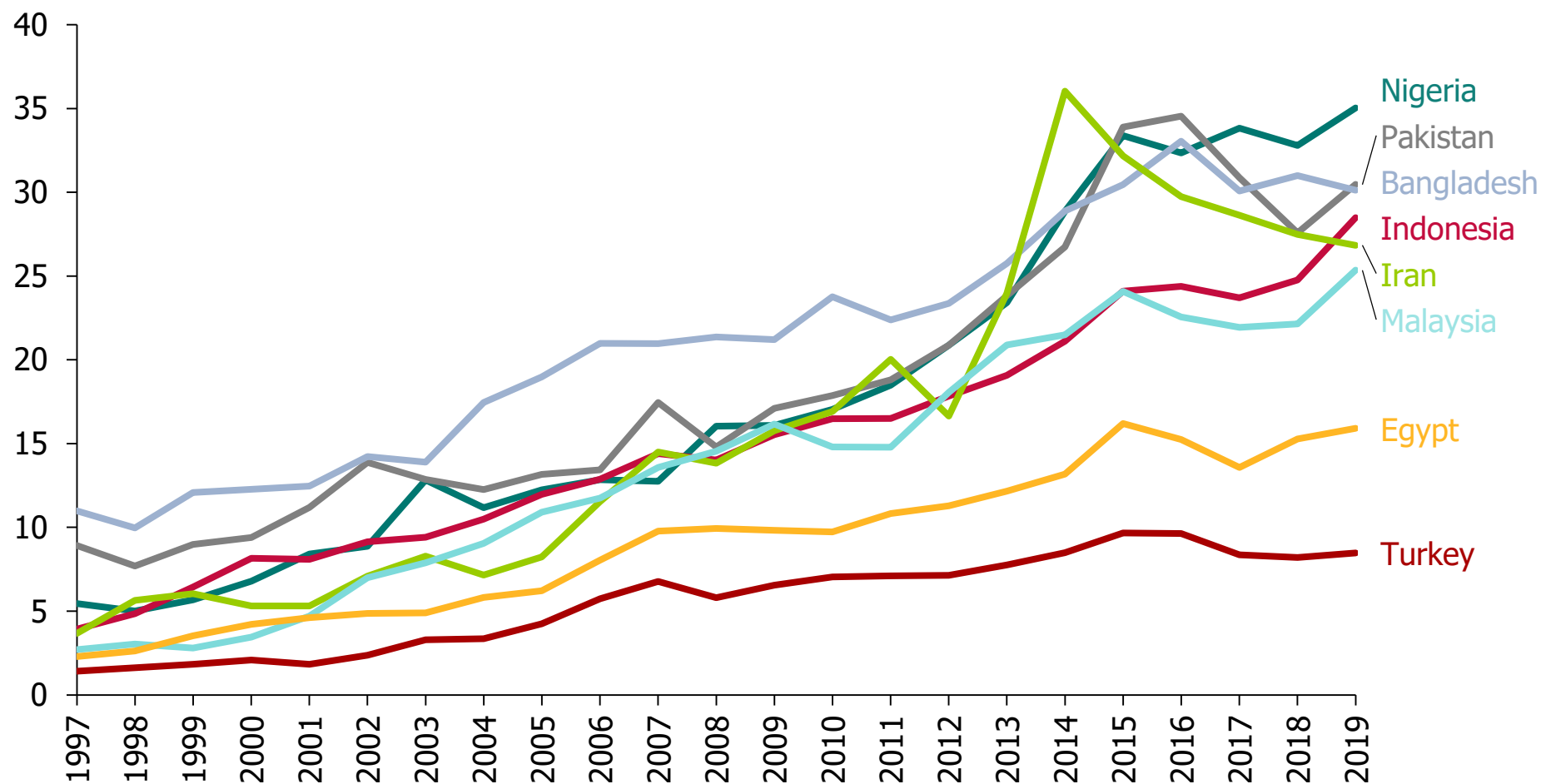
D8's dependency on China is increasing; 1) let's increase our intra-trade, 2) let's tap into new markets to diversify

D8 countries' share of trade with USA, China and Russia, %, 1997-2019



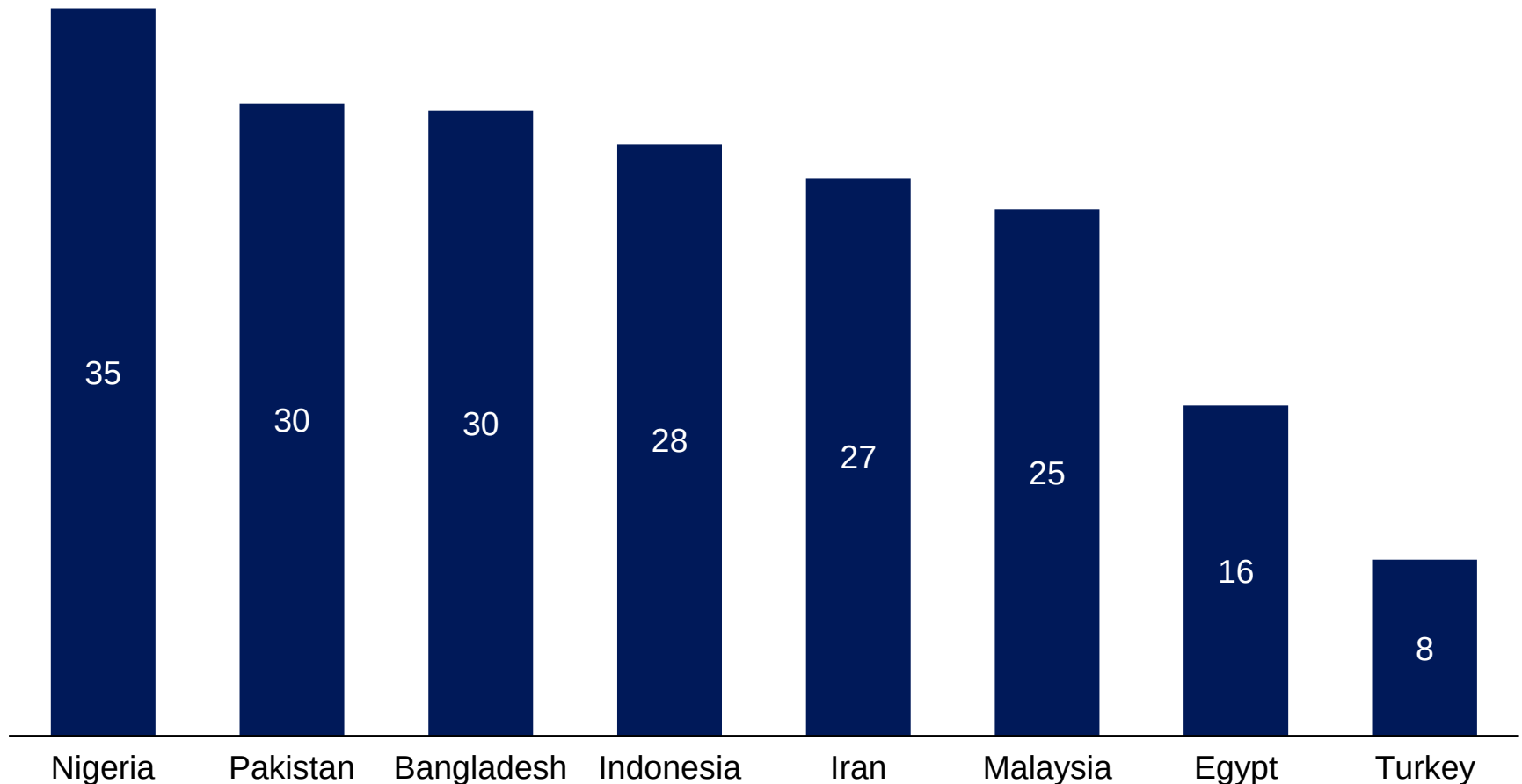
Our dependency on China is increasing

Each member countries' import share of trade with China, %, 1997-2019



China is dominating D8 markets

China's share in D8 member countries' imports, %, 2019

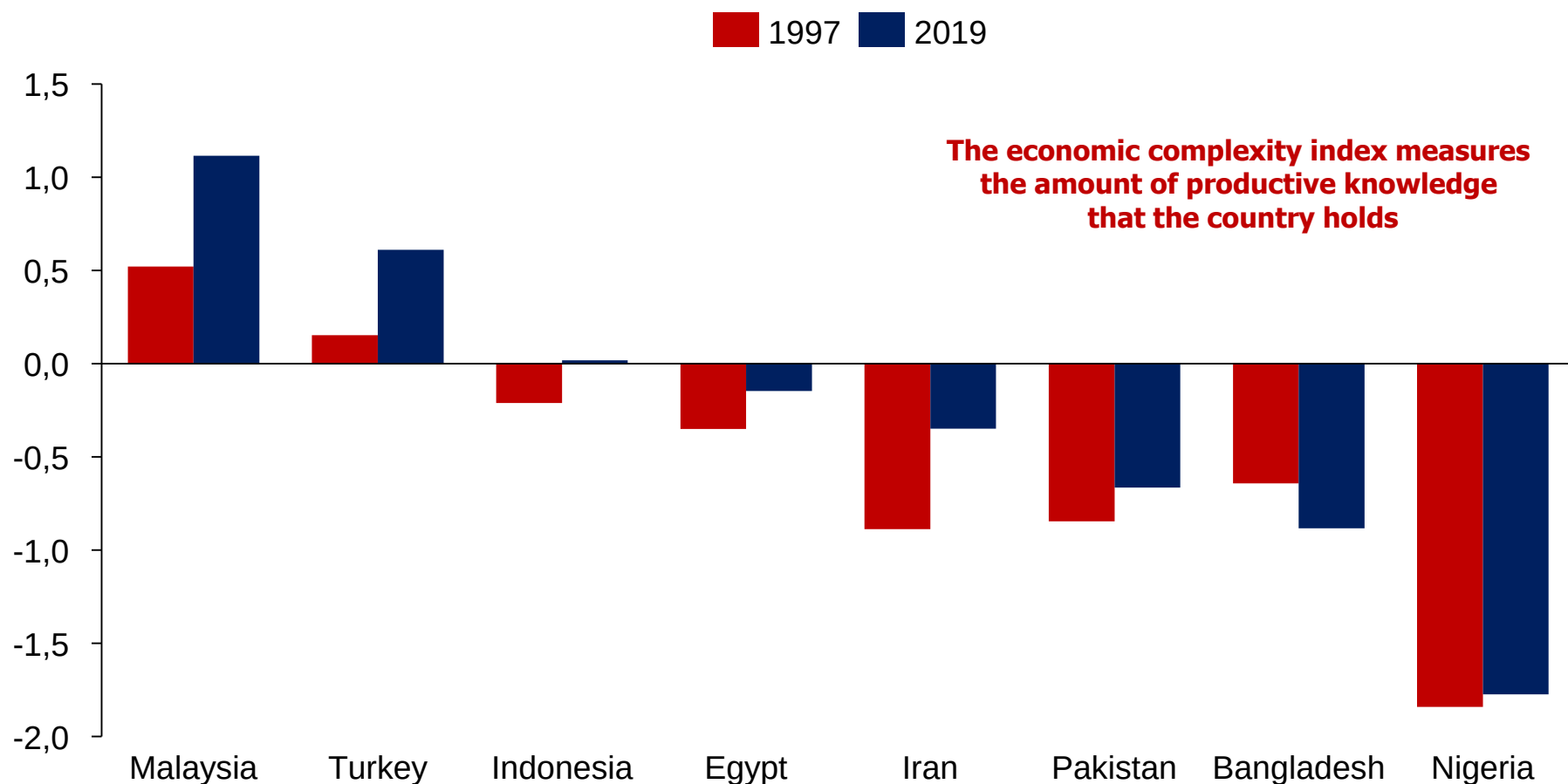


We need to understand the Zeitgeist, then main question comes: How to leverage GVCs?

- Follow **smart shoring** policies
 - Refrain from ally-shoring, reshoring, friend-shoring
- Give priority to **location based policies**
 - Energy safety (no more coal, oil. So, energy is not “flat” anymore)
 - Production safety
 - Access to creative/ well-capable labor force
 - Implementation of good governance practices will be the key feature to follow
- Look for trade and investment complementarities, diversify into new markets

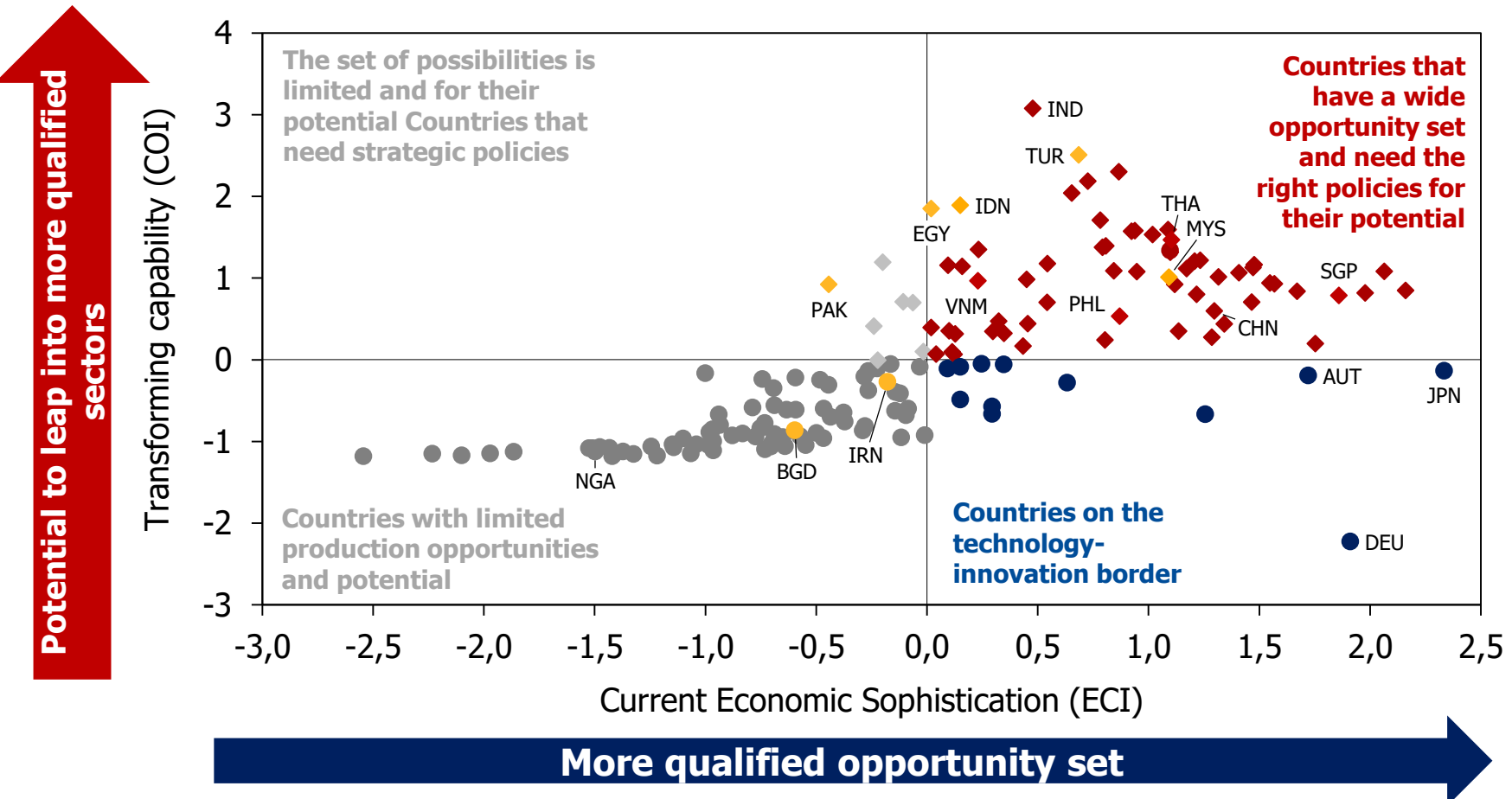
Excluding Bangladesh, all of us have successfully increased the productive knowledge in the last 22 years...

Evolution of D8 countries' economic complexity, 1997 vs 2020



Let's think about potential quantum leaps! Let's define our strategic bets together!

World export sophistication, 2019



Source: The Growth Lab at Harvard University, 2019, "International Trade Data (SITC, Rev. 2)" Hausmann Hwang and Rodrik (2006), Hausmann and Hidalgo (2009), Hausmann et al. (2014), TEPAV calculations

*Countries with population more than one million are included, except Brunei

Game-changer for Turkey “TOGG”: More than just the development of car and a brand, this is our strategic bet!



New mobility chain

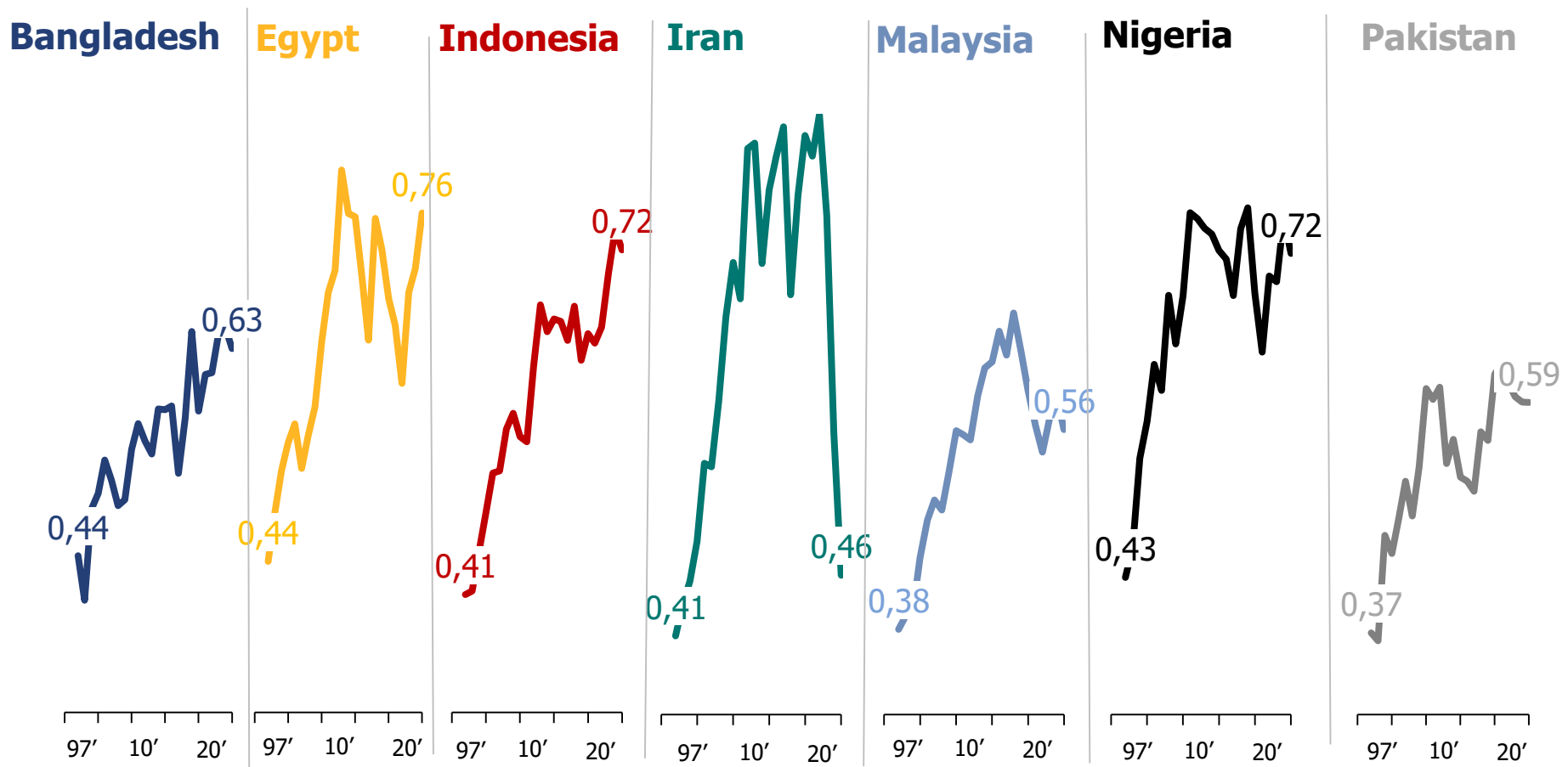
- User-centric
- Smart
- Connected
- Autonomous
- Environment-friendly
- Electrified

Building know how in:

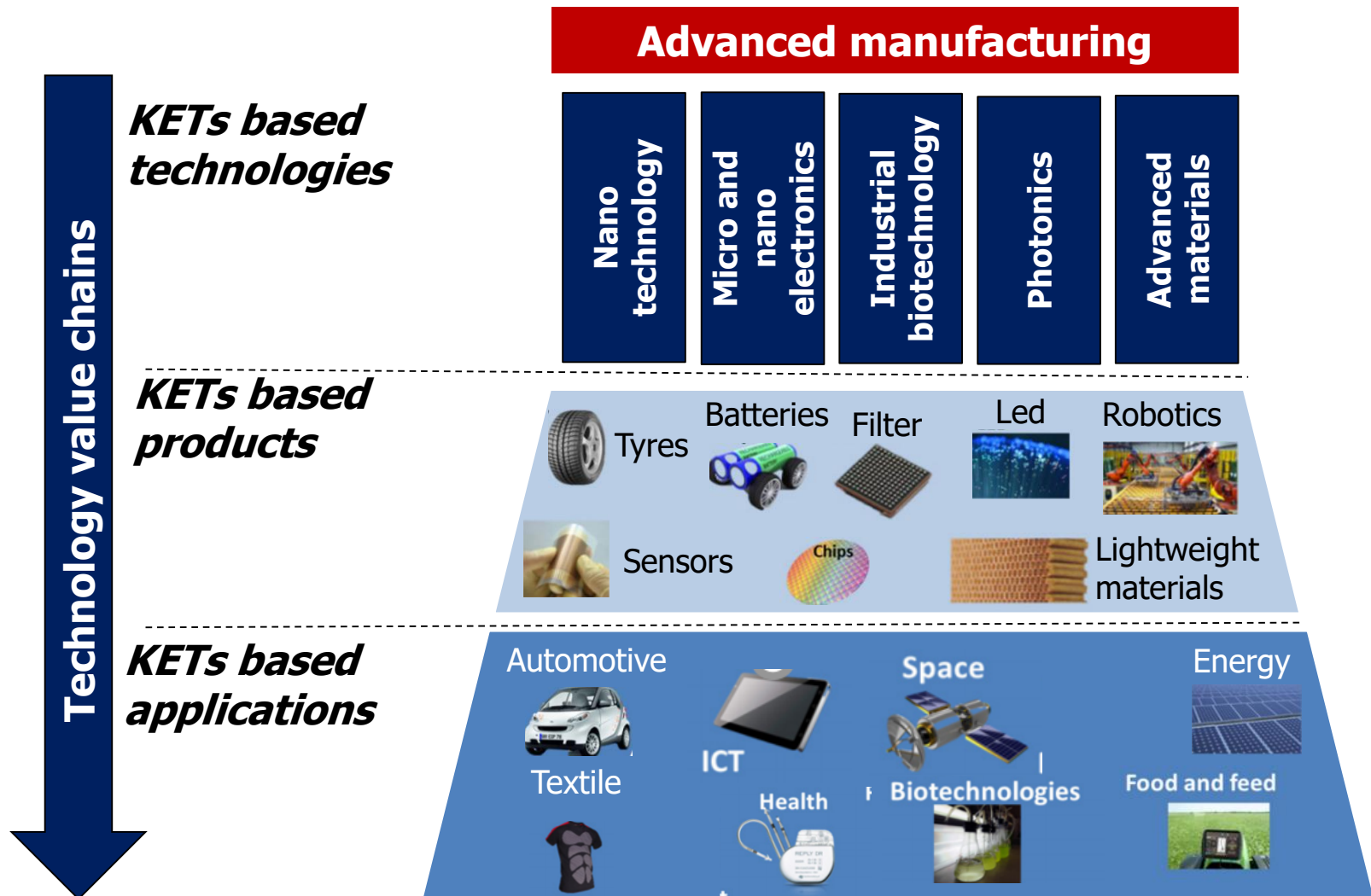
- Battery technologies
- Charging infrastructure
- New solutions for smart cities
- Innovative suppliers & business models

Our countries complement each other!

Trade Complementarity Index (TCI): Turkey & D8 countries, 1997-2020

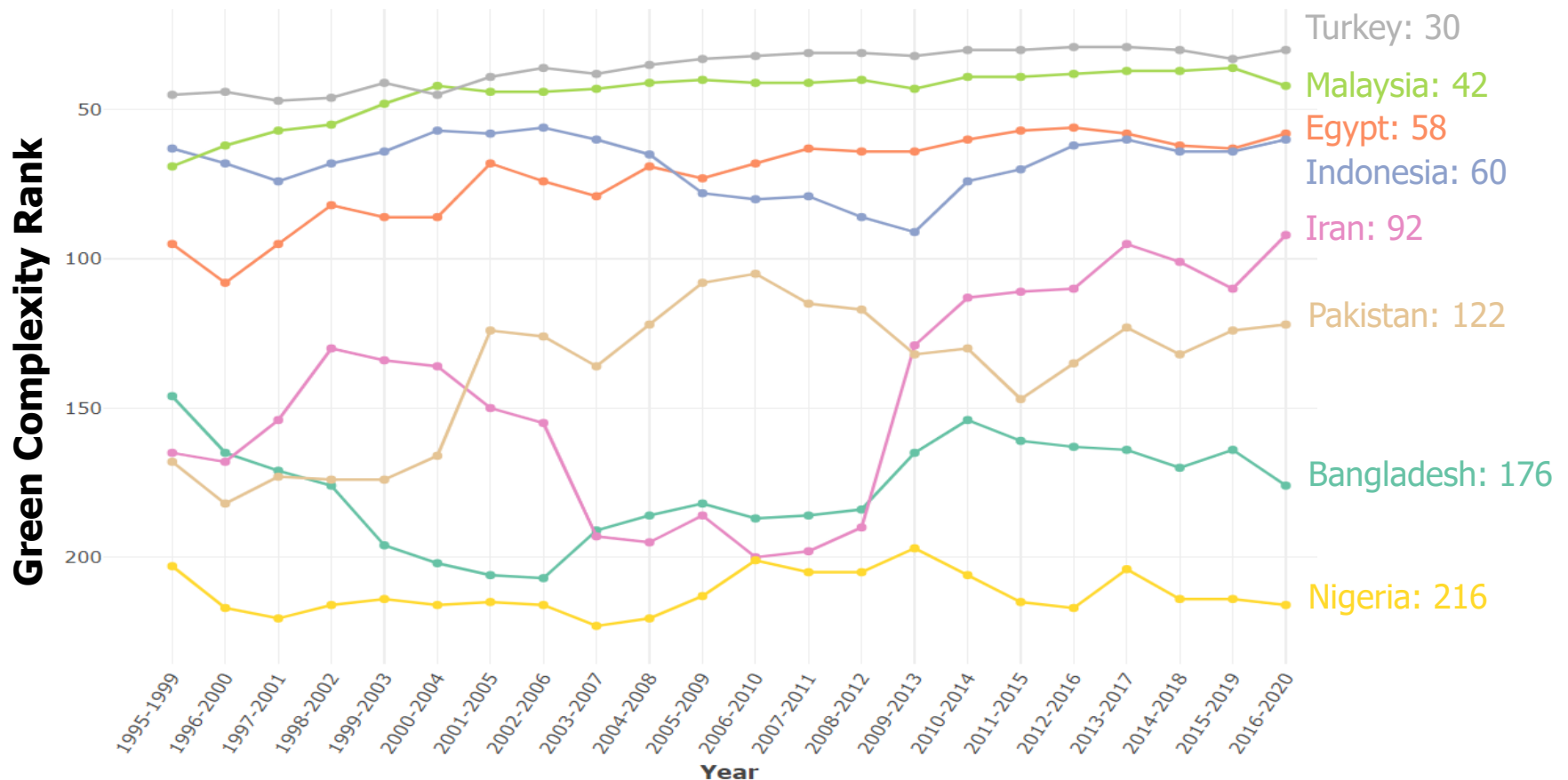


Smart-Shoring: Key Enabling Technologies (KETs) also offer new opportunities for “joint strategic bets”



We need to take steps towards green transformation

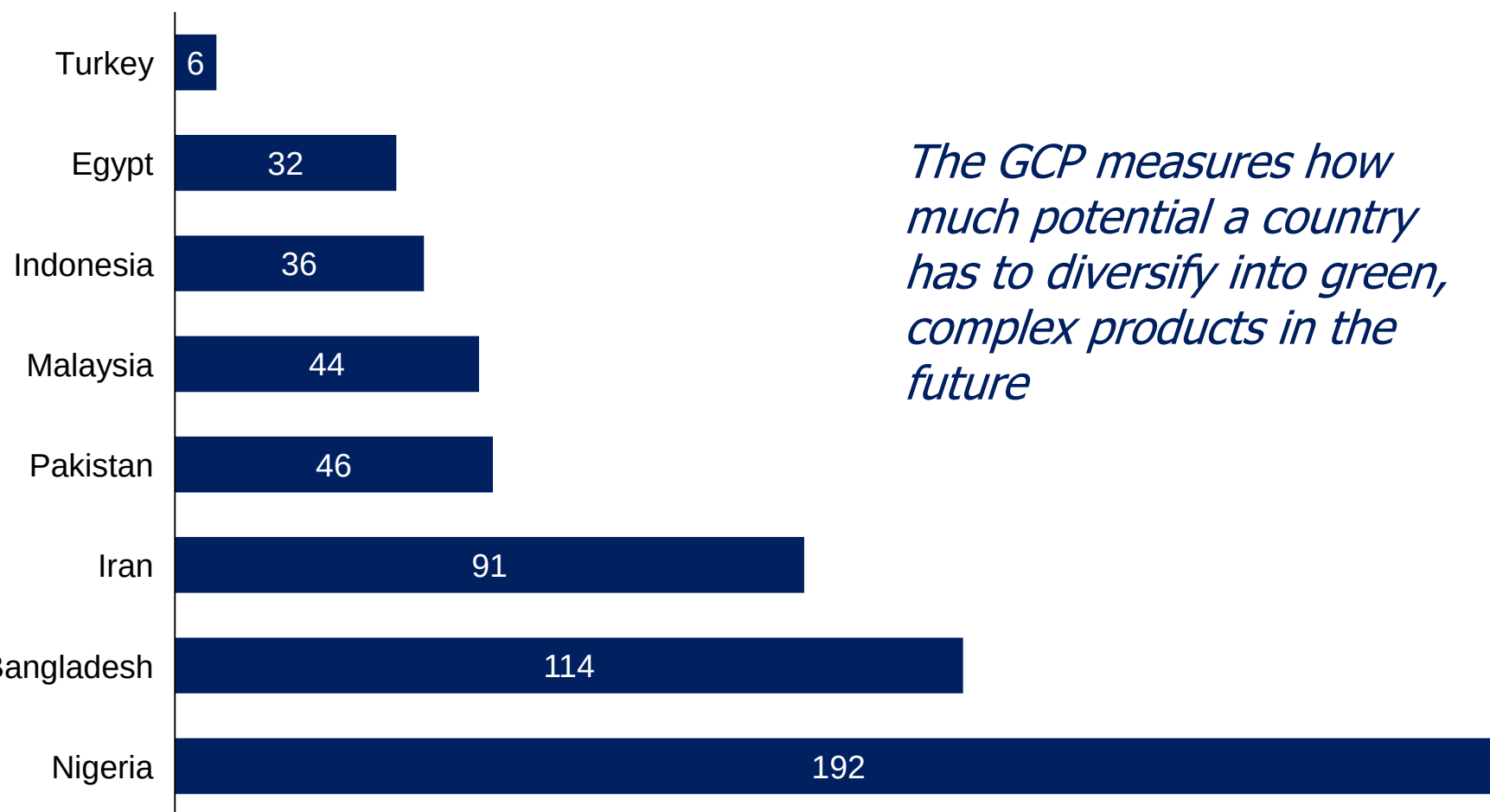
Green complexity ranks of D8 countries, 1999-2020



Green complexity index measures countries green production capabilities

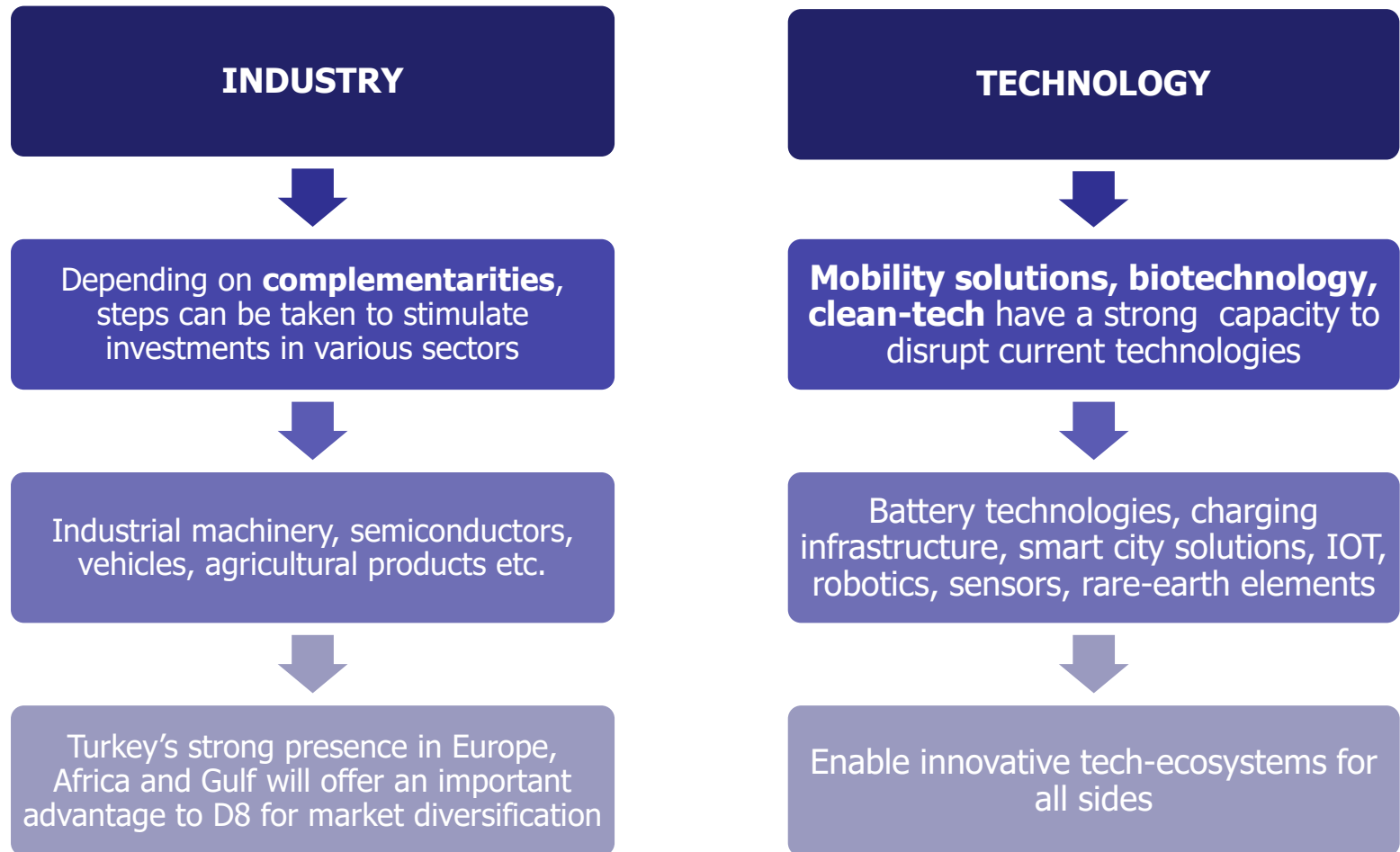
We need to increase our competitive abilities in green products

Green complexity potential ranks of D8 countries, 2019



Our countries should do their best by implementing smart-shore policies!

2 pronged approach for possible collaboration



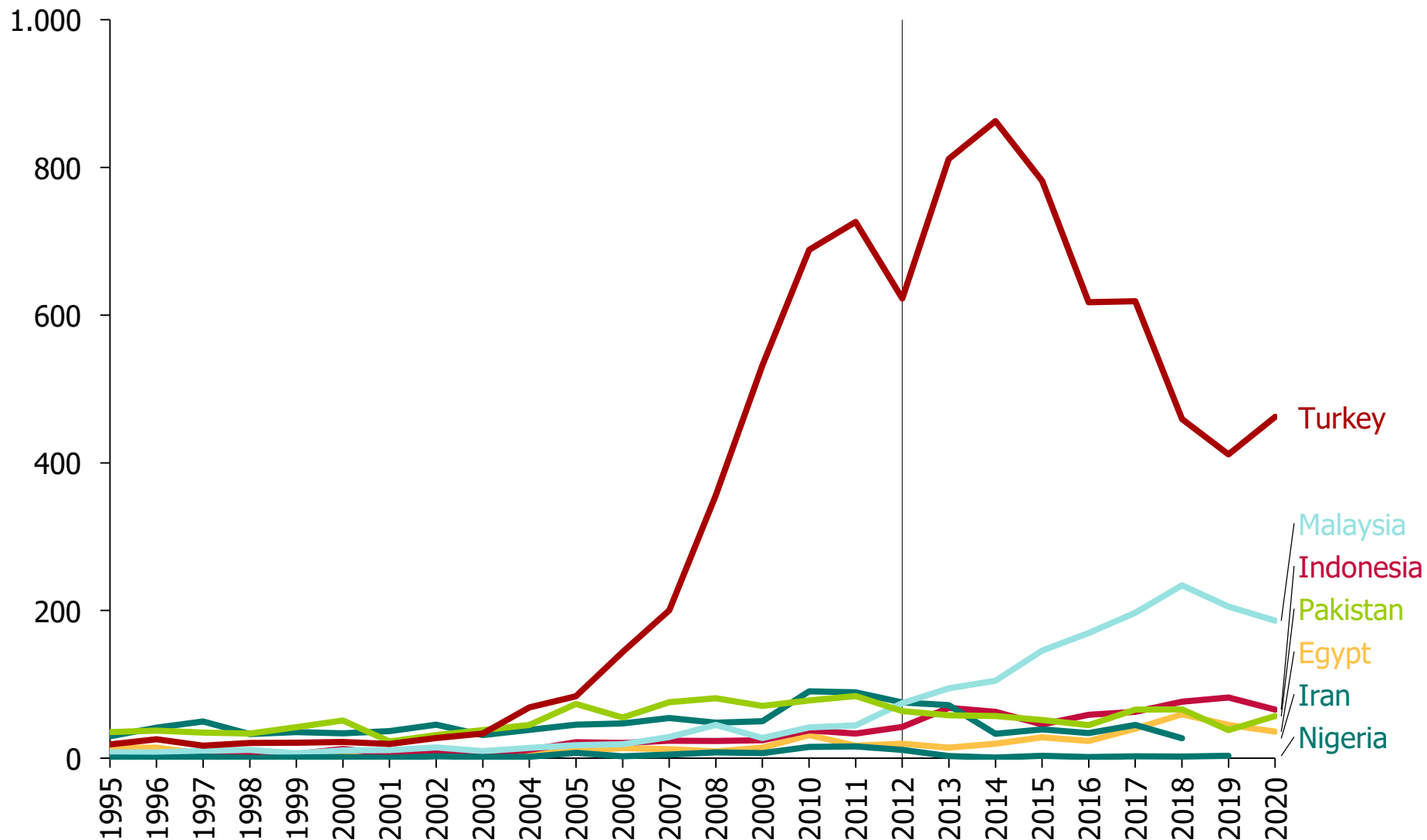
How to move forward?

4 focus areas, diagnose first and then take policy steps!

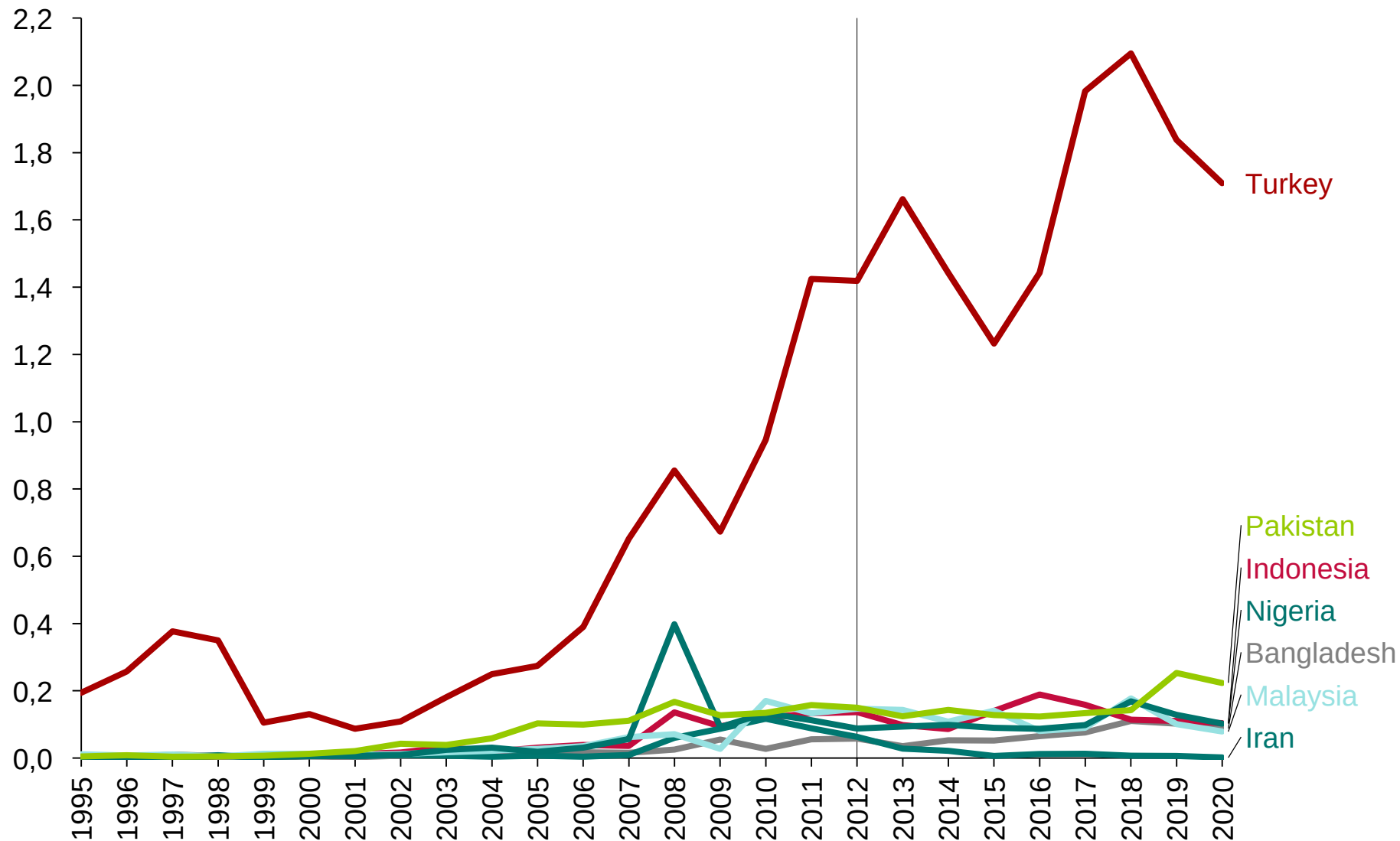
- Deep dive in **trade outlook**, solve the puzzle behind the fall in intra-trade
- Deep dive in **capabilities** (labor force, technology, industrial infrastructure)
- Frame **common development policy**
 - Digital and green transformation oriented
 - Establish product based regional hubs (semiconductors, green products etc.)
 - Free movement of labor and technology
- Establish an **innovation hub**
 - Common incubators/ accelerators
- **Governance aspect:** Strong need for **Policy Coordination Unit**
 - There is a D8 Chambers mechanism, yet more is needed
 - **TEPAV is ready to take the secretariat!**

ANNEX

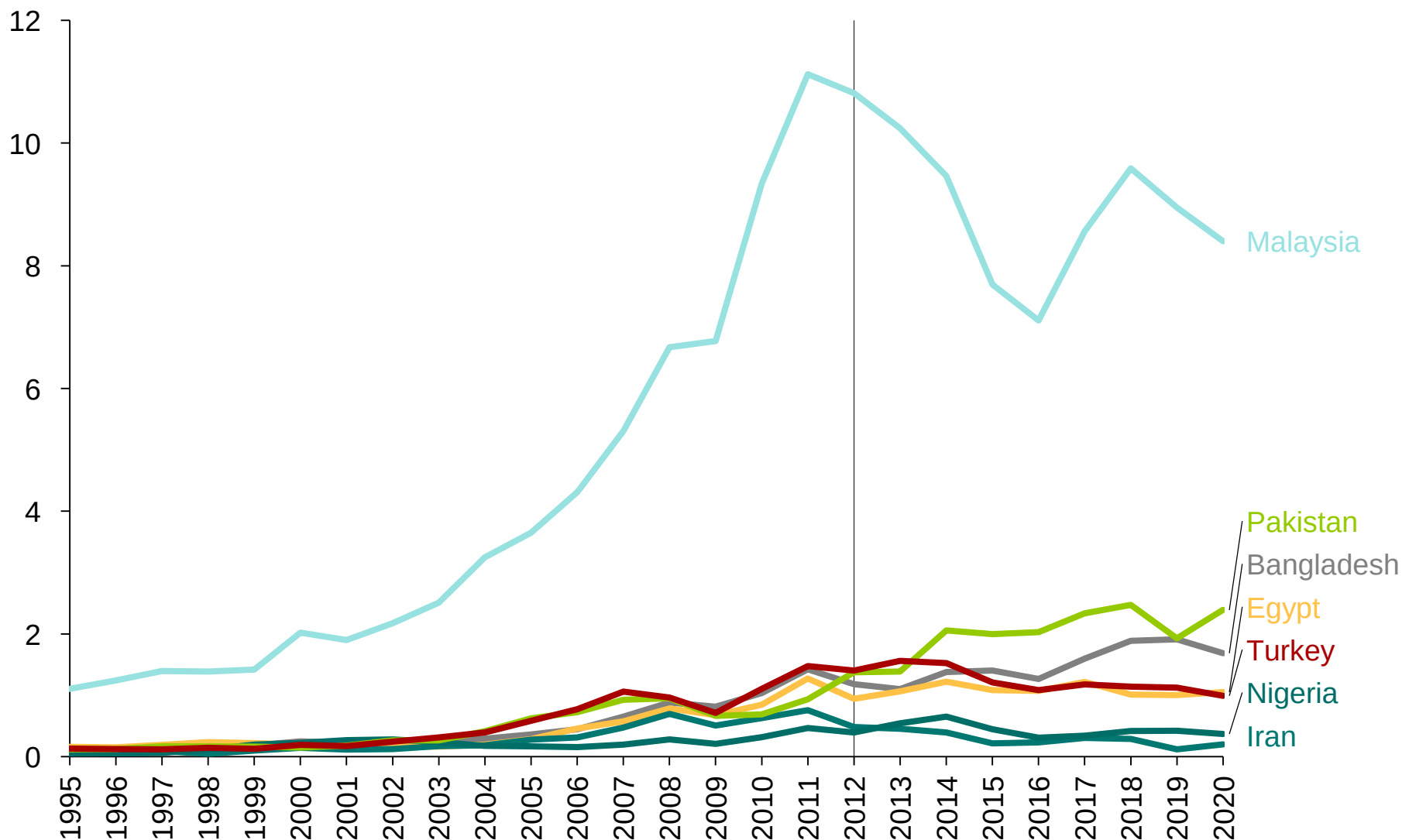
Bangladesh's export to D8 countries, million \$, 1995-2020



Egypt's export to D8 countries, billion \$, 1995-2020

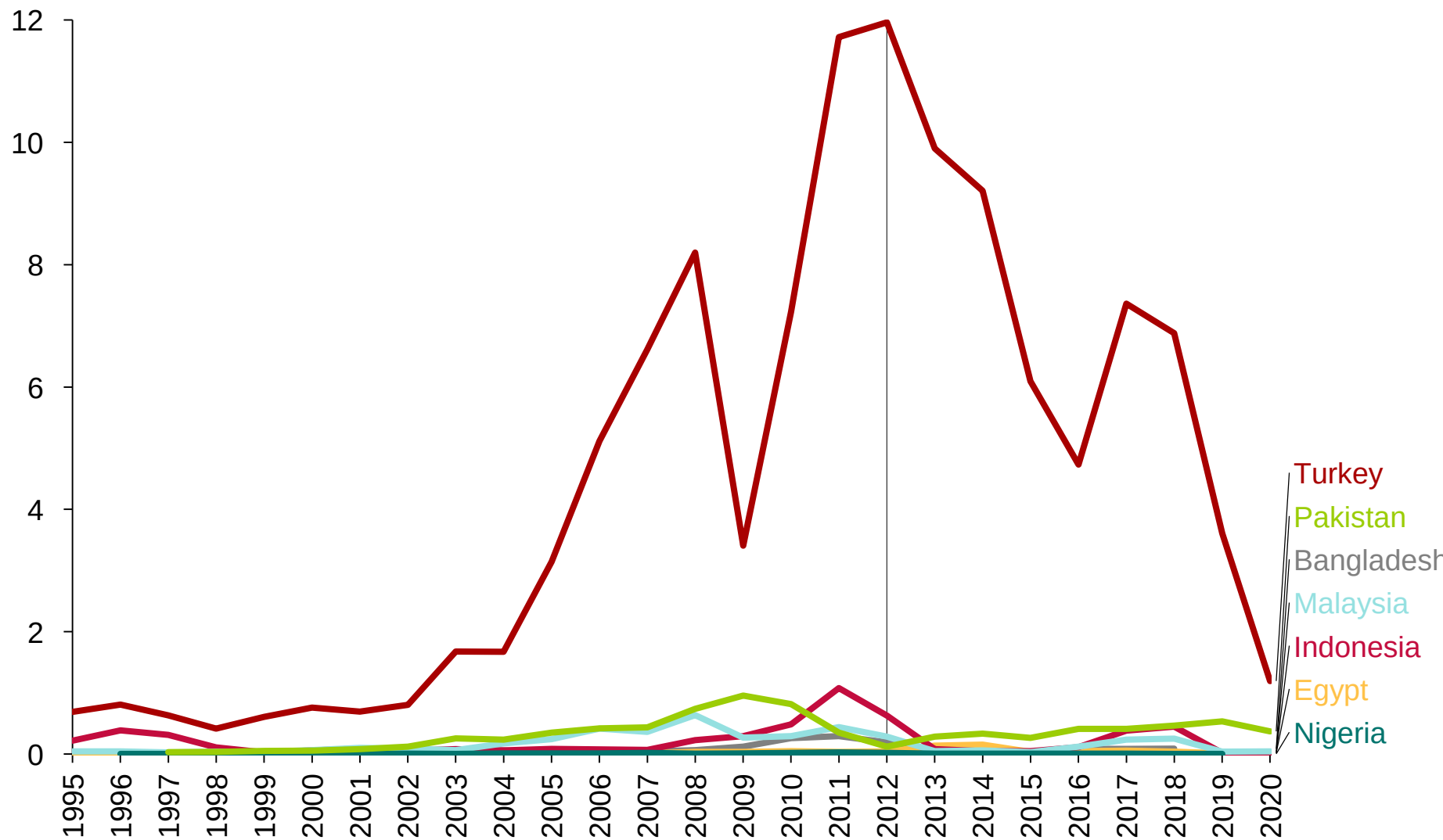


Indonesia's export to D8 countries, billion \$, 1995-2020

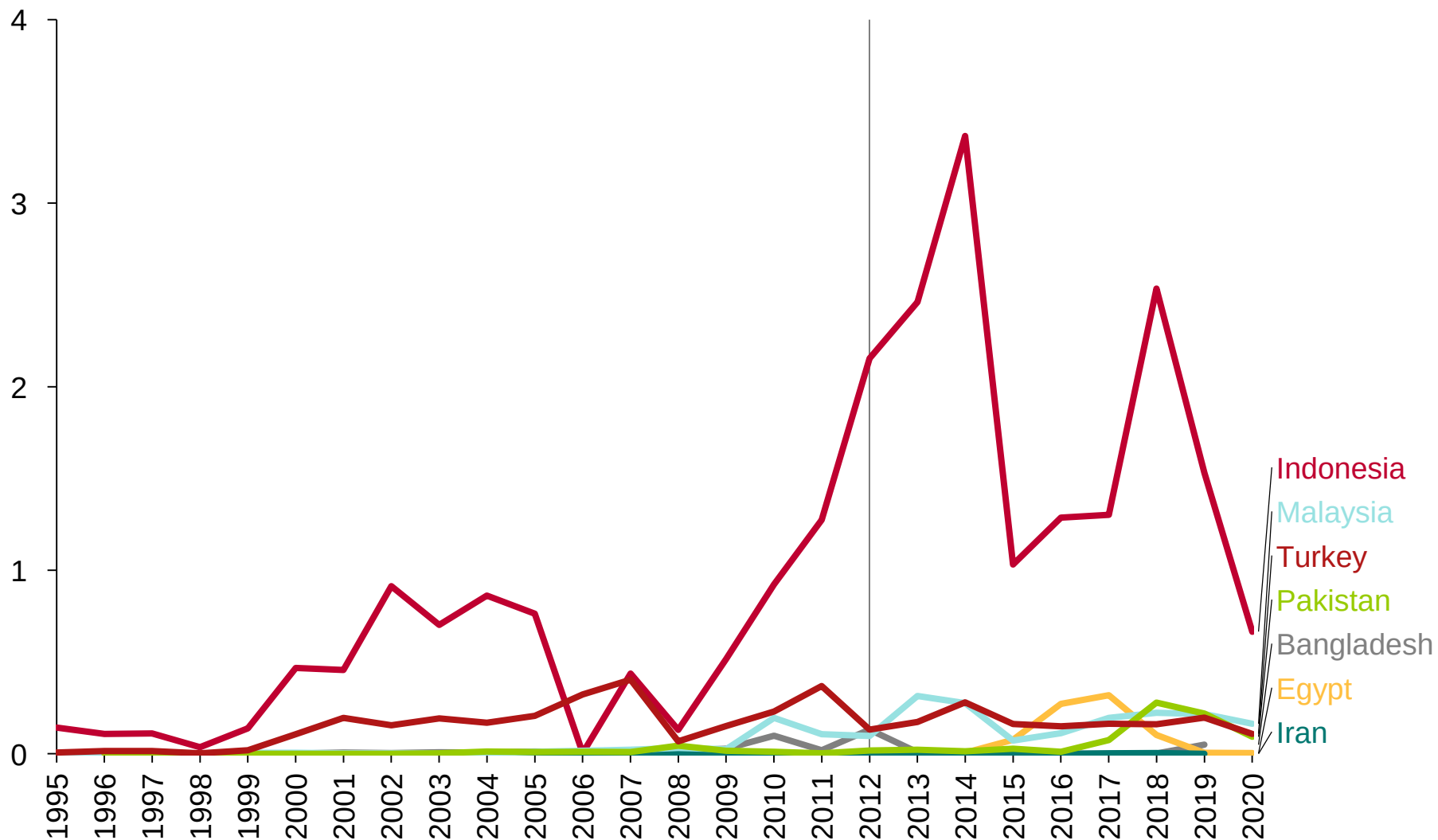


Source: The Growth Lab at Harvard University, 2019, "International Trade Data (HS, 92)", TEPAV calculations

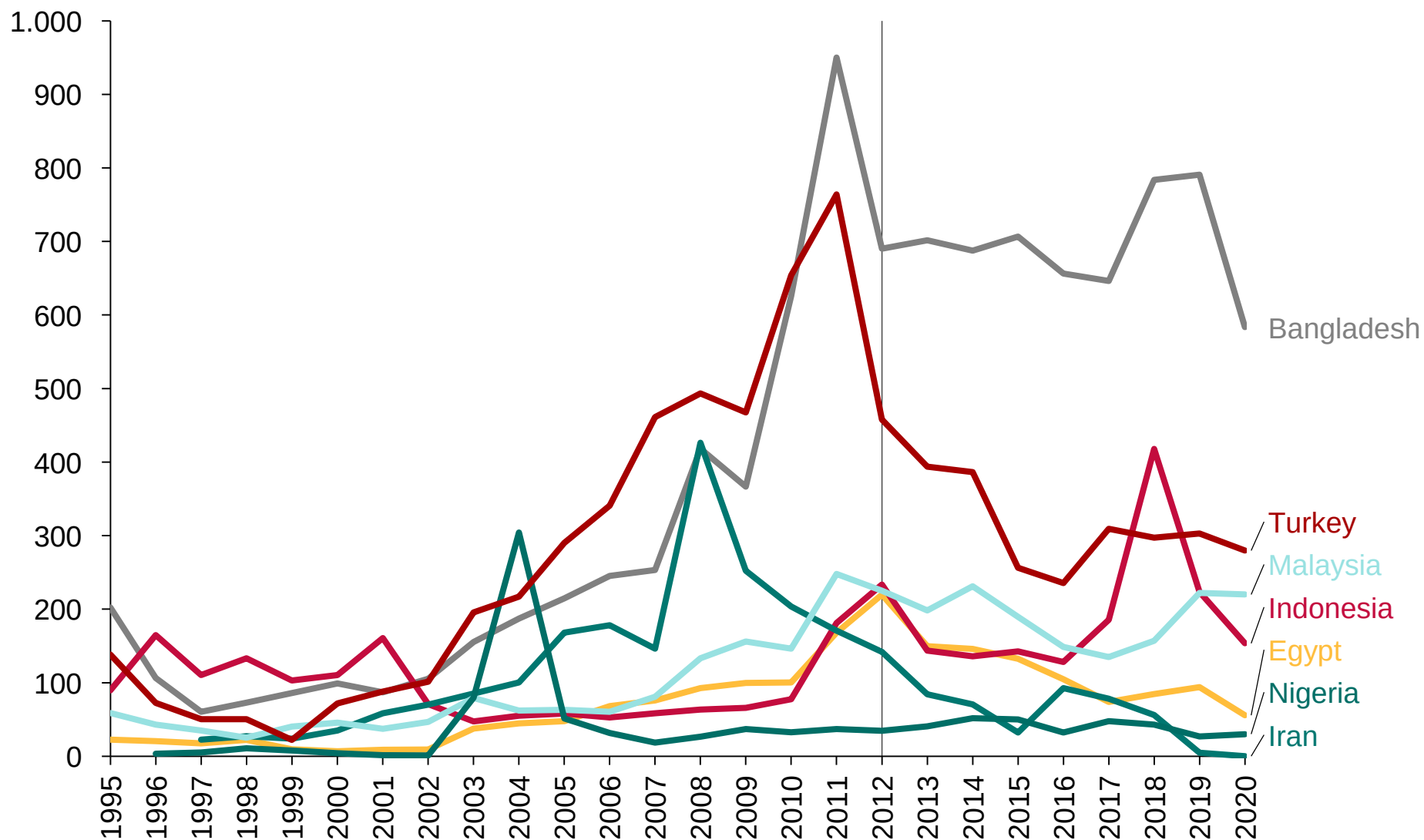
Iran's export to D8 countries, billion \$, 1995-2020



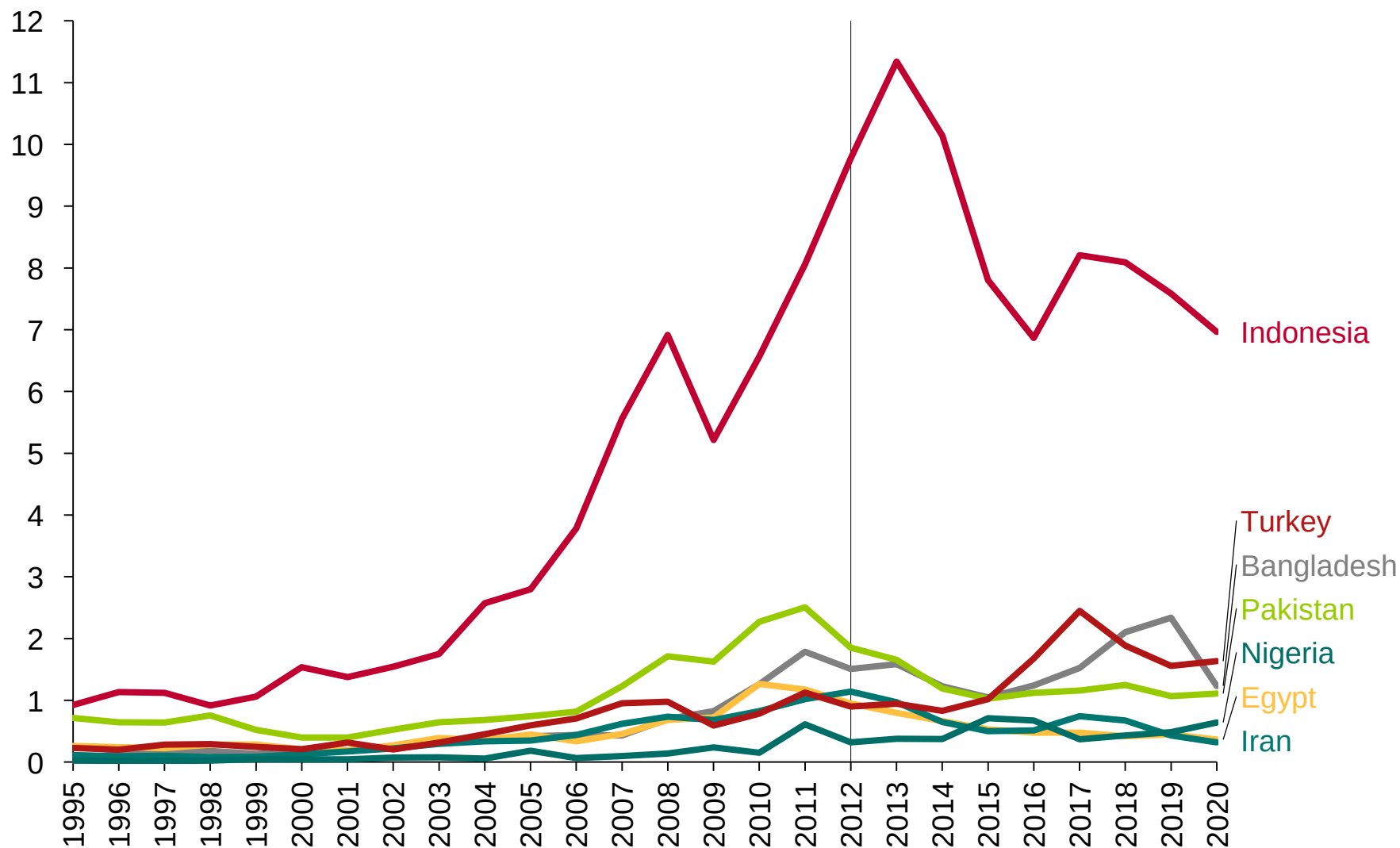
Nigeria's export to D8 countries, billion \$, 1995-2020



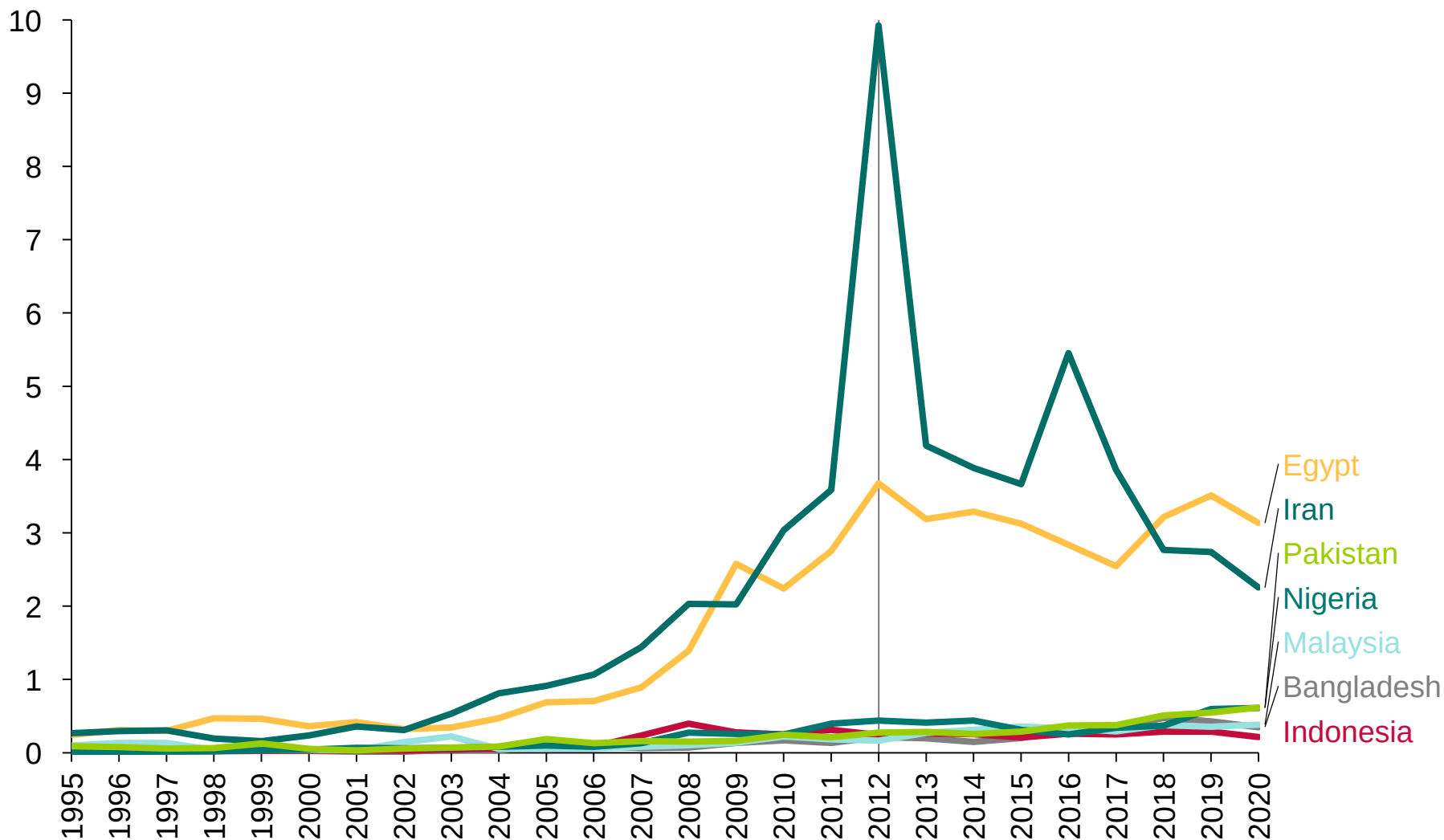
Pakistan's export to D8 countries, million \$, 1995-2020



Malaysia's export to D8 countries, billion \$, 1995-2020



Turkey's export to D8 countries, billion \$, 1995-2020



(1) Action based concrete agenda for D-8

1. D-8 an ideal vehicle for participating in various international economic governance fora such as the G20 as an observer
2. Easing intra D-8 trade through fully implementing the preferential trade agreement (PTA) and strive for the future free trade agreement (FTA).
3. Organizing targeted trade fairs for selected companies producing selected products
4. Establishing D-8 Free Industrial Parks (Zones) including related clusters
5. Improving connectivity in all D-8 countries as connectivity is the basis of economic integration by interaction: modernization of border crossings and streamlining of the regulations and standards
6. Supporting the increase of intra-FDI flows to benefit from the complementarity of preferential trade agreements of other D-8 countries. Analyses may be deepened at product level detail

(2) Action based concrete agenda for D-8

7. Long term accelerated business visa regimes upon recommendation of Member National Chamber
8. Establishing an internet-based SME market and support digitalization of D-8 companies to participate in this e-commerce platform, B2B mechanism to be later turned into a B2C platform
9. Supporting entrepreneurship in general and women and young entrepreneurship in particular and, maximize their inclusion in CCI activities
10. Starting a business competition to identify fast-growing D-8 companies that are either owned or operated by women entrepreneurs
11. Starting a Science, Technology, Engineering and Math (STEM) based competition for young scientists/students
12. Establishing a pilot incubation center for entrepreneurs and start-ups and to form an exchange program between incubation centers

Conclusions

- A new global normal is taking shape
 - ➔ The regional and the domestic need to adjust
- Time to think more about the integration of Muslim-majority countries to the new world order
 - ➔ The D-8 should have a more global agenda, going beyond cooperation in development
- Establish a private sector based mechanism to operationalize D-8 Joint Outlook & Action Plan
 - ➔ A coherent global and regional visions that bring together national programs
 - ➔ A program with concrete actions: Actions speak louder than words
- Follow up the recommendations and make sure that in cooperation with D-8 General Secretariat and member chambers an action plan is to be prepared and executed

Economic outlook of Turkey and D8 countries, 2021

	GDP, current prices, billion USD	GDP per capita, current prices, USD	Annual Inflation* percent change (%)	Current account balance, billion USD	Volume of exports of goods, billion USD	Population, million
Turkey	807	9,528	74	-15	224.7	85
Bangladesh	357	2,147	6	-5	41.9	166
Egypt	403	3,926	14	-18	45.2	103
Indonesia	1,186	4,357	4	3	232.8	272
Malaysia	373	11,399	2	13	235.8	33
Nigeria	442	2,089	17	-4	65*	211
Pakistan	348	1,562	14	-2	29.1	223
Iran	1,426	16,784	39	29		84

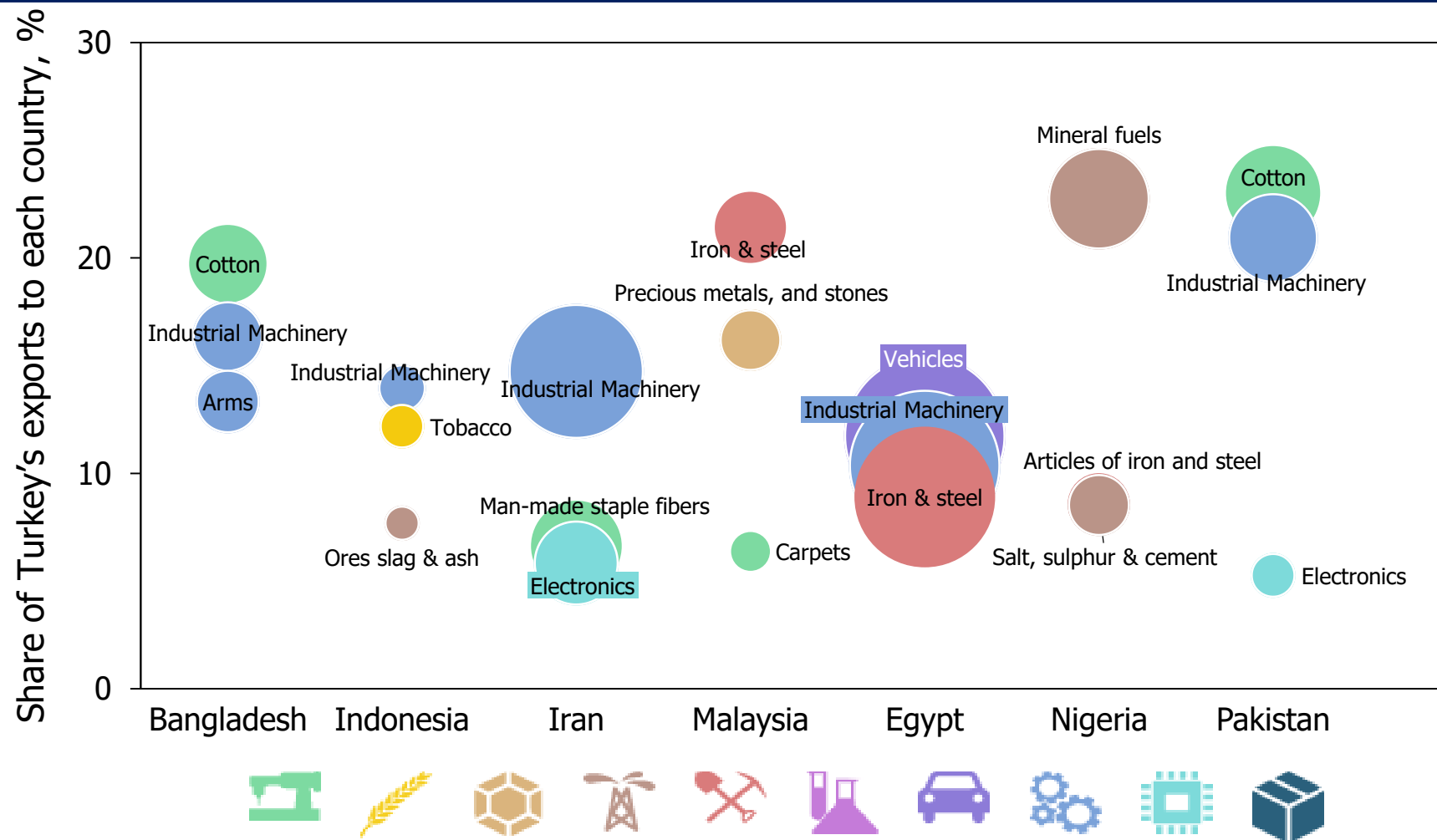
Better than Turkey
 Worse than Turkey

*Most recent data, ** 2019

Source: IMF WEO, IMF Balance of Payments and IIP Statistics, WorldBank, TEPAV calculations

Industrial machinery and vehicles are Turkey's top exports to the region

Turkey's top three exported products to D8 countries, 2021

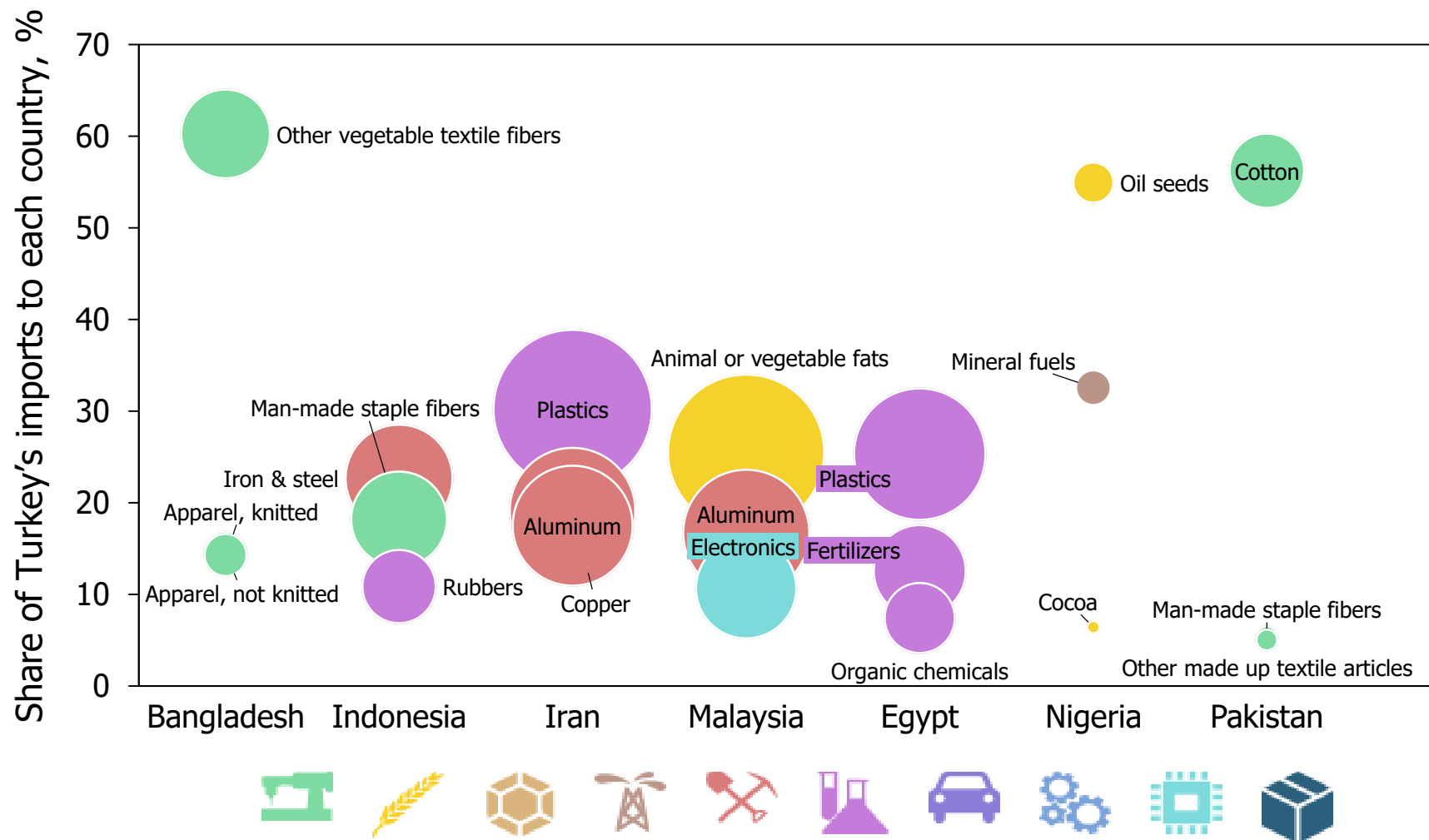


Source: TURKSTAT, TEPAV calculations

*Bubble sizes represent export levels.

Chemicals, aluminium, fats and textiles are Turkey's top imports from the region

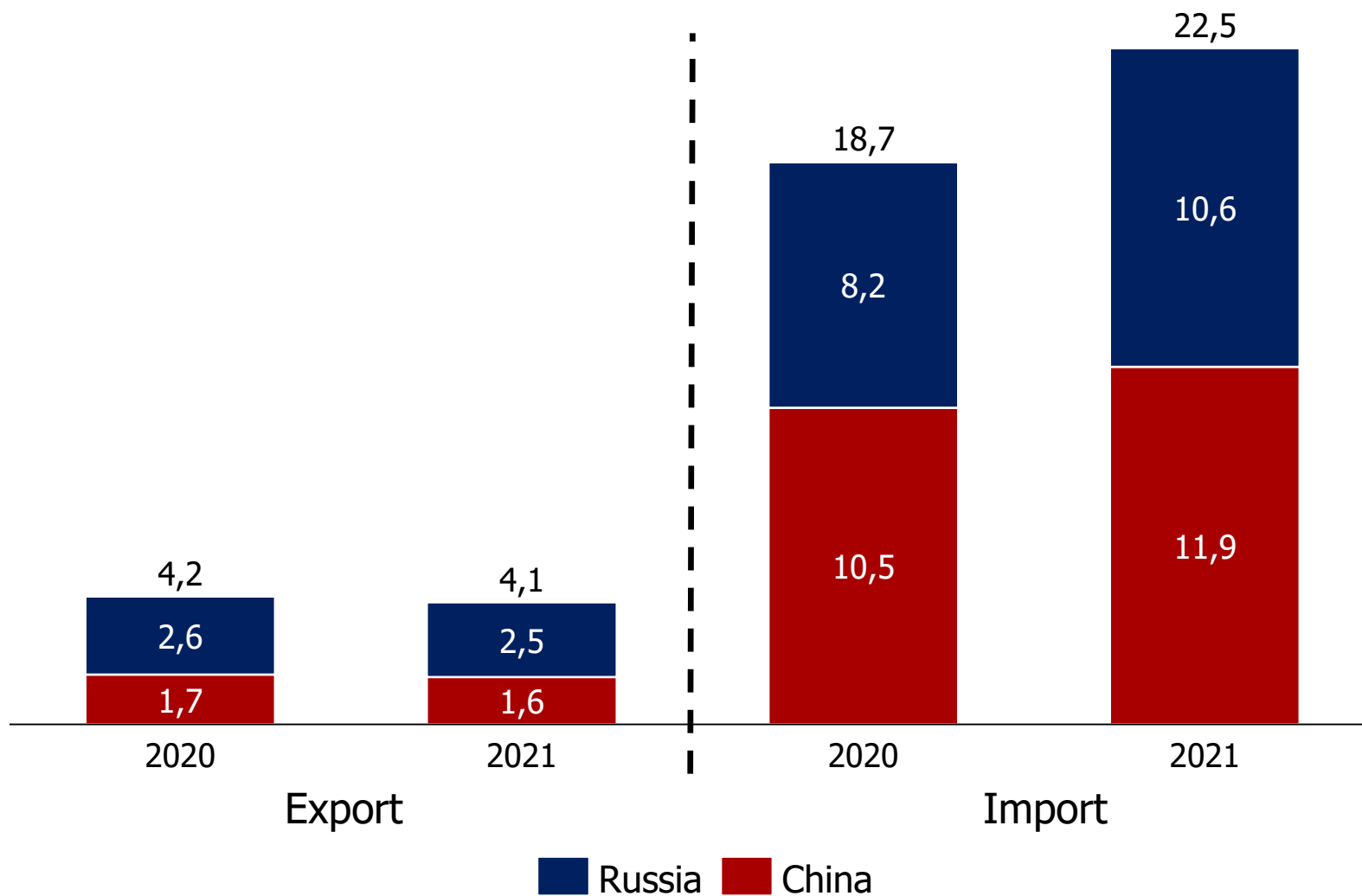
Turkey's top three imported products from D8 countries, 2021



Source: TURKSTAT, TEPAV calculations

*Bubble sizes represent import levels.

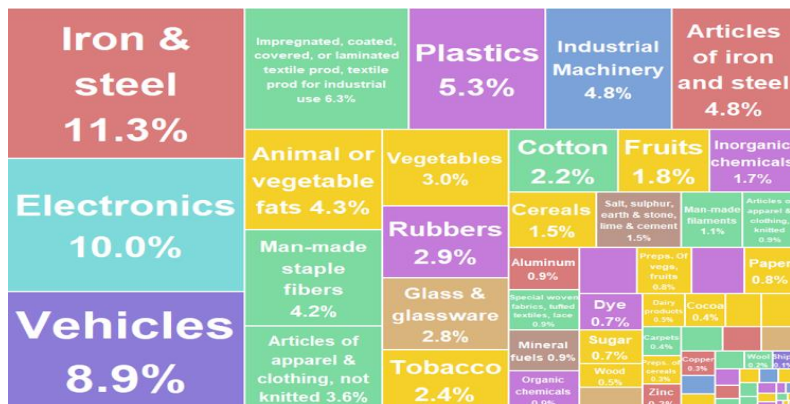
Russia and China's shares in Turkey's export and import, %



Turkey's trade composition with D8

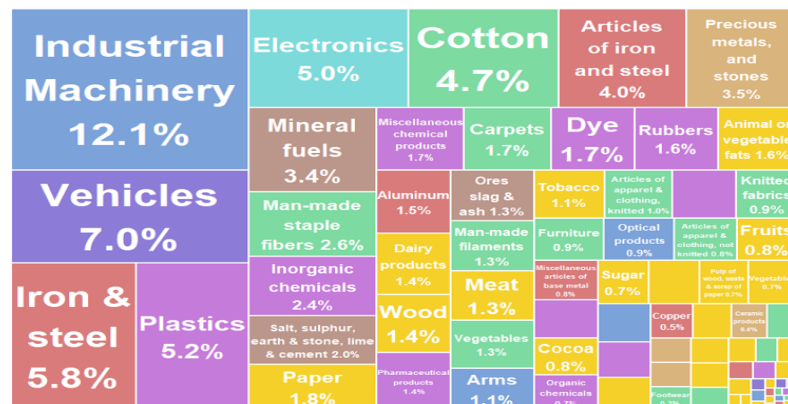
Export

1997



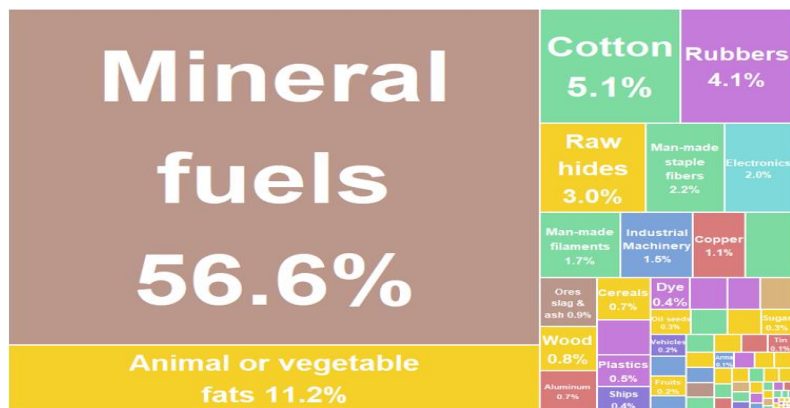
\$ 875 M

2021

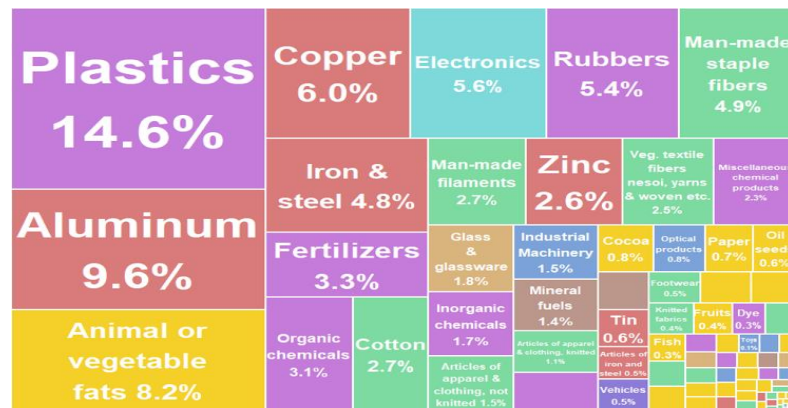


\$ 9.082 B

Import



\$ 1.563 B



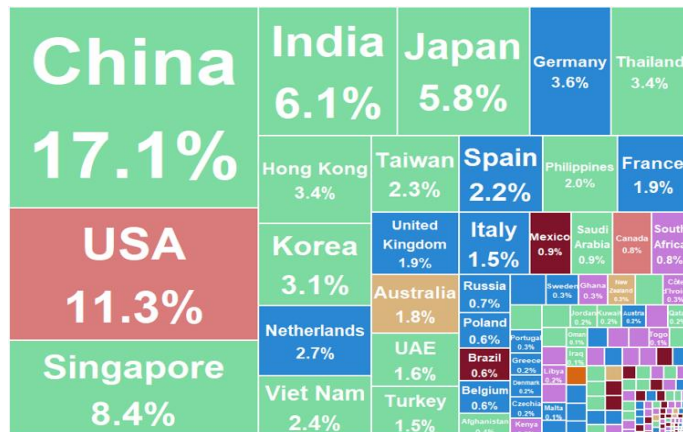
\$ 9.886 B



Export and import, country composition, 2019

D8 (Turkey excluded)

Export



584 B \$

Import



596 B \$

Turkey

