Today’s Turkey is a quite unique paradigmatic case of some of the most relevant international debates that are shaping the world agenda. It is one of the few international examples (together with Malaysia and Indonesia) that have proven to the sceptics that there is no incompatibility between being a Muslim society and developing an inclusive successful market oriented diversified economy.

With its high sustained economic growth of the last decade (an average of more than 5% per year during the period 2002-2012, and the OECD estimates that it will be the member country with a higher economic growth between 2011 and 2017 with an average of 6.7% annually) and its parallel democratization process, Turkey has been able to establish itself as one of the most relevant emerging powers. These successfully reforms and modernization in both parallel tracks is one of the main reasons for Turkey’s prestige in the Arab world. And this is directly linked to its pro-European Union reforms, thus making this process as important for Turkish image in the region as its potential real final membership.

By delivering positive results in both fields, economic and political, it is becoming one of the old international system periphery countries moving steadily to the centre of the new emerging international system.

Turkey is today an increasingly needed country to involve in the definition and implementation of solutions to many of the most important regional and international tensions, either political or economic. A member of the G-20, an increasingly international donor, both bilateral (based on official figures in 2011 Turkish development assistance amounted to around $2.3 billion, being $1.3 billion from public sources and the remaining amount from non-governmental sources) and multilateral (in January 2012 became the 20th largest IMF shareholder, thus entering in its Executive Board), an increasingly relevant trade and investment partner of the countries of the Middle East North Africa region (MENA), not only has Turkey the objective resources to be a regional power but it also has the political will to act as such.

Turkey, with a population of around 72 million people, has a demographic growth of more than 1.3 million new inhabitants per year, making it become by 2025 the most populated country in Europe and the second more crowded in the MENA region, only after Egypt. More than 60% of the population of Turkey are younger than 35 years old, making this country a very dynamic society in terms of potential for production and consumption.

Since 2002, the year the politically conservative and economically liberal Justice and Development Party (AKP) took power through fair elections, the size of its economy has tripled, its per capita income has multiplied by four and its exports have multiplied by more than four, reaching $152 billion in 2012.

Turkey is also becoming an inspiration paradigm for many of the emerging actors involved in today’s changes in the Arab world and beyond. In fact, Turkey is considered to be the most diversified, inclusive, internationalized and value added economy in the Muslim world.

AKP’s economic foreign policy
In these last years the government of Turkey has actively pursued a policy of comprehensive engagement with most of its neighbours by encouraging the involvement of the non-state actors with their national counterparts in these countries, among other active policies. By developing this deep and integral bilateral approach Turkey has been able to involve not only the institutions explicitly devoted to the internationalization of the economy, such as TUSKON, DEIK, MUSIAD, TUSIAD or TIKA, but also universities, schools, think tanks, NGOs, governorates, municipalities, media…

This has been complemented and reinforced by the state through the establishment of a set of international agreements that facilitated these contacts. Free Trade Agreements (FTA) with several countries of the MENA region were signed (being the most relevant in terms of economic impact the one established in 1996 with Israel, the FTA with Egypt entering into force in 2007 and in 2008 with Syria) as well as agreements to avoid double taxation. In parallel, visa-free agreements were deployed to facilitate all kind of contacts between Turks and other peoples of the region. These agreements have facilitated and paved the way for the economic spillover of Turkey into its neighbour countries.

The more relevant and quite unique case of a multilateral comprehensive approach lead by Turkey in this region was
World Commerce Review ■ March 2013

the establishment of the Close Neighbours Economic and Trade Association Council (CNETAC) between Turkey, Syria, Lebanon and Jordan in July 2010. CNETAC, whose main architect was Turkey, and was intensively advocated and lobbied by the private sector, had the explicit objective of creating a non-visa free trade zone to boost trade exchanges in addition to improve cooperation in transport, tourism and energy.

This regional agreement, established following the same logic and modus operandi of the European Union, has its declared main objective of expanding its geographical coverage by including in different phases more countries from the region. In fact, its long term objective was to create a wide area of welfare and stability via economic interdependence in regions among the Mediterranean, the Red Sea and Basra: the so called ‘Vision of 3 Seas’. Under this logic the next countries expected to join were Iraq and Egypt, followed later by the Gulf Cooperation Council (GCC) economies.

CNETAC has been suspended due to the war in Syria and its political, economic and human consequences for the region. Despite this suspension, Turkish authorities have shown their commitment to continue to pursue regional economic integration once the Syrian crisis is stabilized.

A total performance foreign economic policy

This kind of total performance foreign economic policy has allowed Turkey to have a stronger leverage on the neighbouring economies.

The increased normalization of bilateral relations of Turkey with most of the countries in the region in recent years, even in today’s context of upheavals, and its national economic imperative of finding new unsaturated markets for the products of the export-oriented Turkish economy (which should sustain the high rates of Turkey’s economic growth) has been led by an impressive trade and production diversification of Turkey’s economy.

Turkey has made an important effort during the last decade to diversify its domestic productive structure as well as to reach new markets, beyond the traditional saturated and crisis hit western economies. Turkey has been able to spread and consolidate its industrial development to other regions of the country apart from the traditional poles, like Istanbul, the Marmara region, Ankara and Izmir. As a Turkish Exporters Association (TIM) report of 2010 pointed out, in 2001 the total number of sectors in Turkey exporting more than $1 billion annually was nine while by 2009 there were already 18 sectors exporting more than this amount.

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This same TIM report of 2010 showed the growing diversification of the productive base of Turkey’s economy, with the increasing revalorization of traditional sectors (such as automotive components, textile and agriculture and food related businesses) and the strong emergence of other value added ones (such as transport and logistics, finance, ICT, environment and renewable energies). According to this report, in 2001 the total number of sectors in Turkey exporting more than $1 billion annually was nine while by 2009 there were already 18 sectors exporting more than this amount.

Turkey’s main exports rely on low and medium technology products (representing as much as 66% of all its exports in 2011 and up to 69% if only export to the Mediterranean are analyzed), as shown in the tables below.

Since 2002 the size of its economy has tripled, its per capita income has multiplied by four and its exports have multiplied by more than four, reaching $152 billion in 2012”

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Many of the regions that have improved their economic internationalization are located in inland Anatolia, in areas with less connectivity to western markets and logistically and sociologically neared to the Middle East. Cities such as Gaziantep, Adana, Kayseri, Eskişehir or Konya, the so called ‘Anatolian tigers’ due to their impressive economic growth, have become relevant national production centres for some traditional sectors such as textile or automotive. Significantly, cities like Gaziantep have become a sort of hub to trade with countries such as Syria and Iraq.

These cities have become one of the main drivers of Turkey’s economic penetration in the Middle East markets due to their geographic proximity, their socio-cultural affinity and their connectivity (infrastructures such as highways, trains and border gates have been created to reinforce these trends). As a consequence, Gaziantep exports 60% of its goods to the MENA region while only 24% to the EU markets. Similar trends occur in other Anatolian emerging industrial poles such as Konya, Adana or Kayseri.

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Technological breakdown of Turkey’s total exports to the world (%)

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary products</td>
<td>19</td>
<td>13</td>
</tr>
<tr>
<td>Resource based</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>Low tech</td>
<td>46</td>
<td>33</td>
</tr>
<tr>
<td>Medium tech</td>
<td>14</td>
<td>33</td>
</tr>
<tr>
<td>High tech</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Technological breakdown of Turkey’s total exports to Mediterranean region (%)

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary products</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Resource based</td>
<td>27</td>
<td>18</td>
</tr>
<tr>
<td>Low tech</td>
<td>38</td>
<td>31</td>
</tr>
<tr>
<td>Medium tech</td>
<td>15</td>
<td>38</td>
</tr>
<tr>
<td>High tech</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: UN COMTRADE, TEPAV
These kinds of products tend to target middle income economies due their price-quality relation. This is one of the reasons for the successful economic penetration by Turkey in the Middle East North African markets: the type of final and intermediate products it can provide are mostly demanded in these kind emerging non-sophisticated markets; and Turkey’s geographic proximity is an added factor for the attractiveness of these products.

As a consequence of having more relevant exporting regions in Turkey and more sectors actively engaged in the internationalization processes, Turkey’s foreign trade is going through a significant change in terms of trade partners. TIM figures show how in 2001 Turkish exports exceeding $1 billion went only to five countries, while by 2009 this figure was to 25 countries, many of these new markets being in the MENA region.

**Turkey’s foreign trade: a tale of two regions**
The table below shows how Turkey’s exports are increasingly focusing basically in two economic regions: the European Union and the Middle East North African region. These two ‘regions’ represent more than 73% of its total exports.

**Share of geographic regions in Turkey’s exports**

<table>
<thead>
<tr>
<th>Year</th>
<th>MENA</th>
<th>EU</th>
<th>REST OF THE WORLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>13.2%</td>
<td>56.4%</td>
<td>30.4%</td>
</tr>
<tr>
<td>2012</td>
<td>35.3%</td>
<td>38.2%</td>
<td>26.6%</td>
</tr>
</tbody>
</table>

*Source: Turkstat*

Significantly enough, these two economic regions are performing in opposite directions regarding Turkey’s exports. While Europe still plays a leading role, the deep economic crisis it is suffering, and the dramatic contracting of its domestic demand, and the saturation of its markets, flooded with Chinese and other emerging economies products, are steadily reducing its attractiveness to Turkish exporters.

Conversely, the MENA markets are increasingly attractive to Turkish businessmen. The growing size of these markets next door (with significant demographic growth and unsatisfied demand), the improvement of the logistic connectivity with them, the facilities offered by the recently established bilateral agreements (free-visa, free trade…) and the complementarities between their needs and Turkey’s productive sectors are favouring an intensification of commercial ties.

**More than a trading state.**
The performance of Turkey’s economy has facilitated the creation and consolidation of a kind of Turkish enterprise that have acquired knowledge, technology, funds and vision to compete successfully at the international level. Turkish multinationals are expanding aggressively in some key sectors in these two economic regions. These companies not only trade with these economies but invest productively there, transfer technology, manage infrastructure, build all kind of construction projects and even finance big projects.

Several other Turkish economic actors are also increasingly involved in the MENA region to train, finance, plan infrastructure and promote cooperation. Turkey is establishing Turkish industrial parks in Palestine, Iraq and Egypt; is financing and constructing regional infrastructure (from pipelines to power grid interconnections, from highways to railways connecting the country to the rest of the Middle East economies).

It is financing important development projects such as schools and universities through its cooperation agency TİKA and other donors. It is developing logistic corridors to connect Turkey to the GCC markets (first through Syria and since April 2012 a Ro-Ro connexion between the ports of Mersin and Alexandria to bypass this country) or is deploying an advanced telecommunication infrastructure interconnection (the JADI project), connecting Jeddah, Amman, Damascus and Istanbul to Europe with strategic telecommunication underground infrastructure.

In today’s regional context, and having in mind future demographic and climate change tendencies, Turkey’s role in the MENA region as a strategic supplier of food and water will increase steadily due to its agricultural development, its powerful food processing industry and the big development water projects, specially the GAP mega project in the southeast of Turkey, bordering with Iraq and Syria.

It has been said that Turkey’s active engagement with the region was due to the fact that it had become a trading state that needed to reach to more markets for its own products.

The factors mentioned before, as well as the fact that there is a comprehensive multilevel approach to the region (involving all kind of civil, political, economic, cultural and religious actors), are already making Turkey become more than a trading state. It is becoming one of the most relevant engines of economic cooperation in the region, being able to mobilize and coordinate around its power.

Besides this increasing economic involvement in the region, a tendency that will be reinforced after the upheavals of the region are stabilized, Turkey does not have a coherent, integral economic policy for the MENA region. Its policy towards the region is only an accumulation of bilateral links with each country. The previously mentioned CNETAC might have been the first step towards adopting a more multilateral approach led by Turkey.

In today’s contexts of upheavals we might see in the near future the reinforcement of the image of Turkey as a successful socioeconomic inclusive development inspiration model, thus having more incentives to improve bilateral economic relations and strengthening the economic presence of Turkey in the region, as its natural market. Once the Syrian crisis is stabilized Turkey will have the economic and political potential to reinvigorate its leverage in the region and reactivate a CNETAC-style agenda and scheme.