

GEO-POLITICS AND ECONOMY of TURKEY

(Extracted from Turkish Embassy notes and other public sources)

Background:

Being a rapidly modernizing country with one foot in Europe and one in the Middle East, Turkey is a blend unto itself. Understanding this blend helps to make sense of Turkish politics and economy. One of the underlying reasons of this blend is geographical. Almost every analysis about Turkey mentions images of bridges, Europe to Asia, Black Sea to Mediterranean, East and West, Europe and Middle East, and the list goes on.

Unique location within Anatolian setting also defines the range of choices that Turkey has lived with in the modern world. She is facing new confines and neighbours who themselves are in the throes of change.

Relations with the West:

Turkey has striven to become part of the “Western modernized world” and membership to the European Union, EU, is the last and ultimate step in this direction since the foundation of Republic in 1923 and the establishment of a secular state.

Today, half of Turkey’s export goes to Europe. Being in the Customs Union has signalled a lot of positive developments to the business community. This effort continues with further integration into EU.

Turkey will benefit from being part of EU by striving to achieve same standards of living, economy, and social and political stability. Bringing into this integration, Turkey will truly become a hub of commerce and industry in the region.

The Central Asia and Caspian Basin

For centuries, Turkey has shared a common state and a common fate with countries in Central Asia. This background provides for strong economic relationships and a unique platform for political cooperation. Turkey contributes to regional stability and seems firmly positioned to become the strategic centre of Eurasia.

The trade volume between Turkey and Central Asian countries increased from an amount of \$145 US in 1992 to over \$6 billion US in 2000.

Economy:

Turkey’s dynamic economy is a complex mix of modern industry and commerce along with traditional agriculture that still accounts for nearly 40% of employment. Although the state plays a major role in basic industries such as steel, coal, banking, energy, communication, it has a strong and rapidly growing private sector. Textile and apparel, food processing, automotive, electronics, machinery, and others are almost entirely in private hands.

Despite the structural problems and set backs, the economy grew 5% a year for a decade. Despite its massive state run sector, Turkey's private industry seems to manage, adapt, survive, and thrive throughout the turbulence times where inflation rates were averaging over 80%.

Turkish private sector is dominated by a number of very large holding companies, whose upper management is composed of professional executives. Most large businesses are now public.

There are no laws or regulations to limit or prohibit foreign investment, participation and control. Neither is there any attempt by the private sector or government to restrict foreign participation in the country. Turkey has become quite liberal in terms of foreign exchange, foreign investment and regulations. It has one of the most liberal investment regimes of the OECD. Almost all areas open to the Turkish private sector are also open to foreign participation and investment.

Highlights:

- IMF has agreed to provide up to \$10 billion US financing throughout 2002.
- GNP is expected to grow 4% through 2002.
- Wholesale Price Index, WPI, is expected to be 30%
- Exports in 2001 are \$31 billion US, imports are \$41 billion
- Tourism is expected to grow substantially reaching over 10 million visitors and with revenues of approximately \$9 billion US in 2001
- Short term debt is down significantly in 2001 continue to be reduced