

tepav

Türkiye Ekonomi Politikaları Araştırma Vakfı

Developing New Opportunities with Türkiye

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Almaty, 14 May 2024

How we classified countries we focus on

■ Western influenced countries:

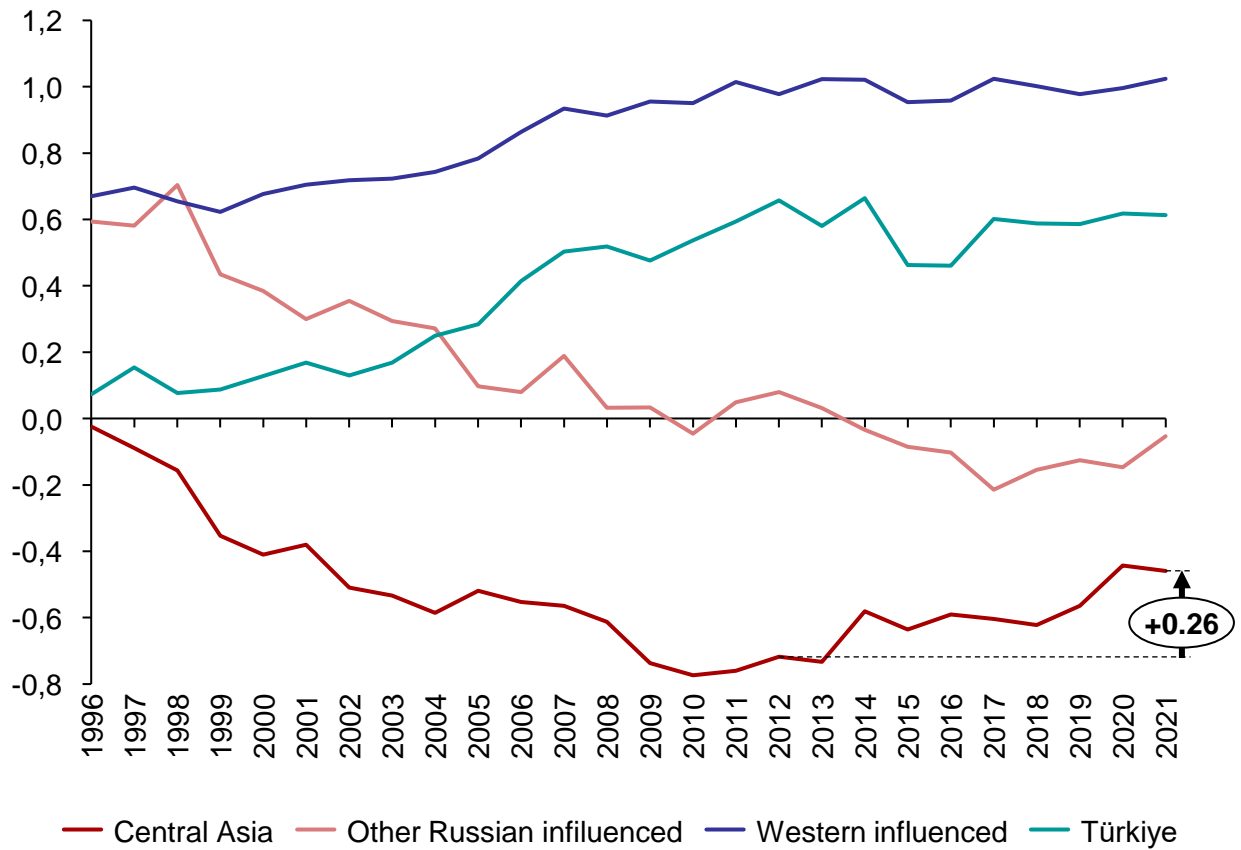
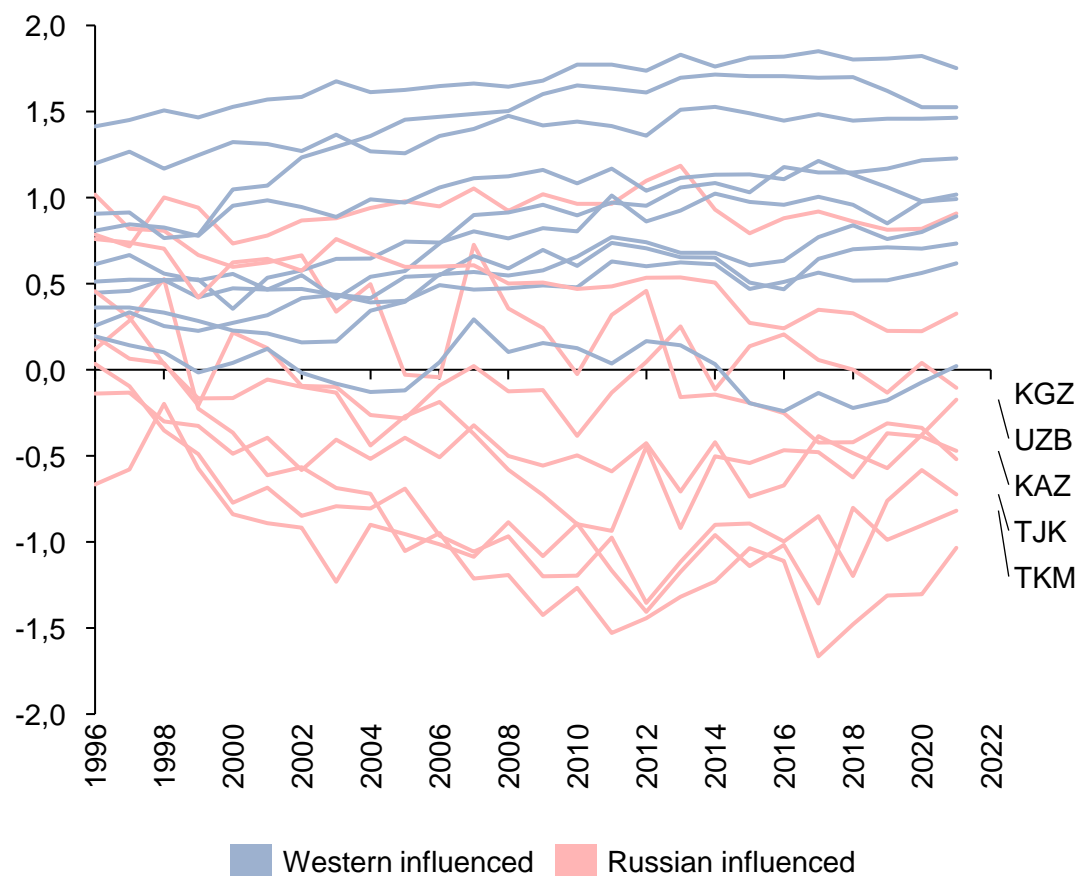
Hungary
Czechia
Slovakia
Poland
Romania
Bulgaria
Moldova
Estonia
Lithuania
Latvia

■ Russian influenced countries:

Belarus
Georgia
Ukraine
Kazakhstan
Uzbekistan
Turkmenistan
Tajikistan
Kyrgyzstan
Armenia
Azerbaijan

Economic complexity of countries under Russian influence has been falling for the last 25 years

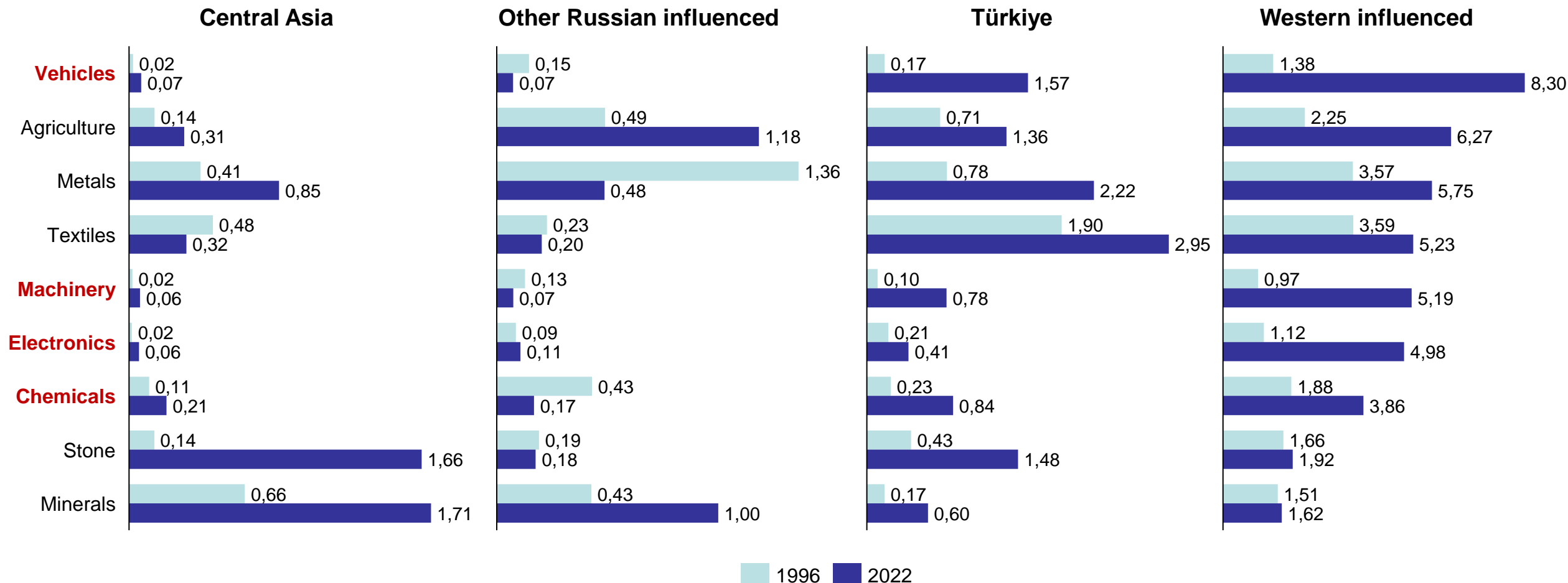
Economic complexities of Eastern Europe and former Soviet countries, 1996-2021



Source: Harvard University CID, TEPAV.

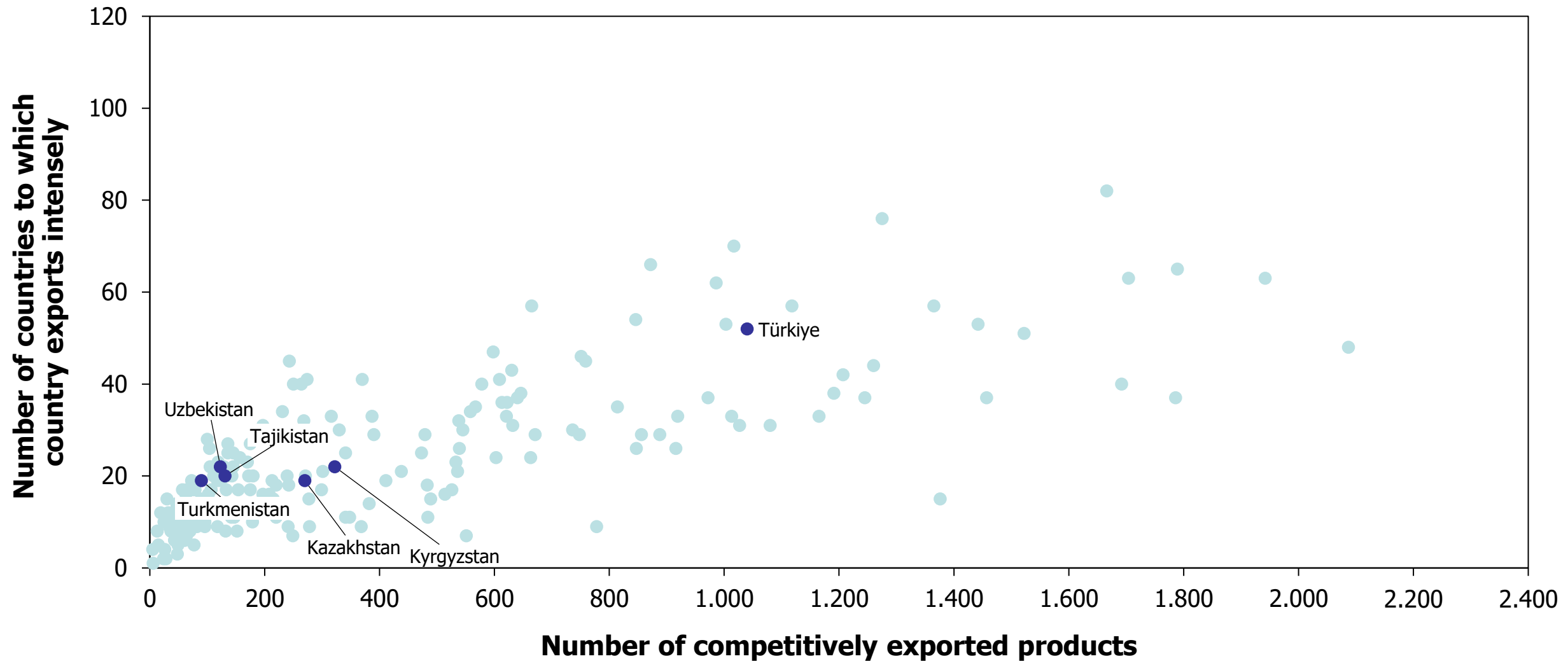
While countries integrated into European-centered value chains developed competitiveness in high-tech sectors, those under Russian influence could not change their natural resource-based export structures.

Change in global market share of former Soviet countries and Türkiye in industry groups (% , 1996 and 2022)



Source: BACI databases, Harvard University CID, TEPAV calculations.

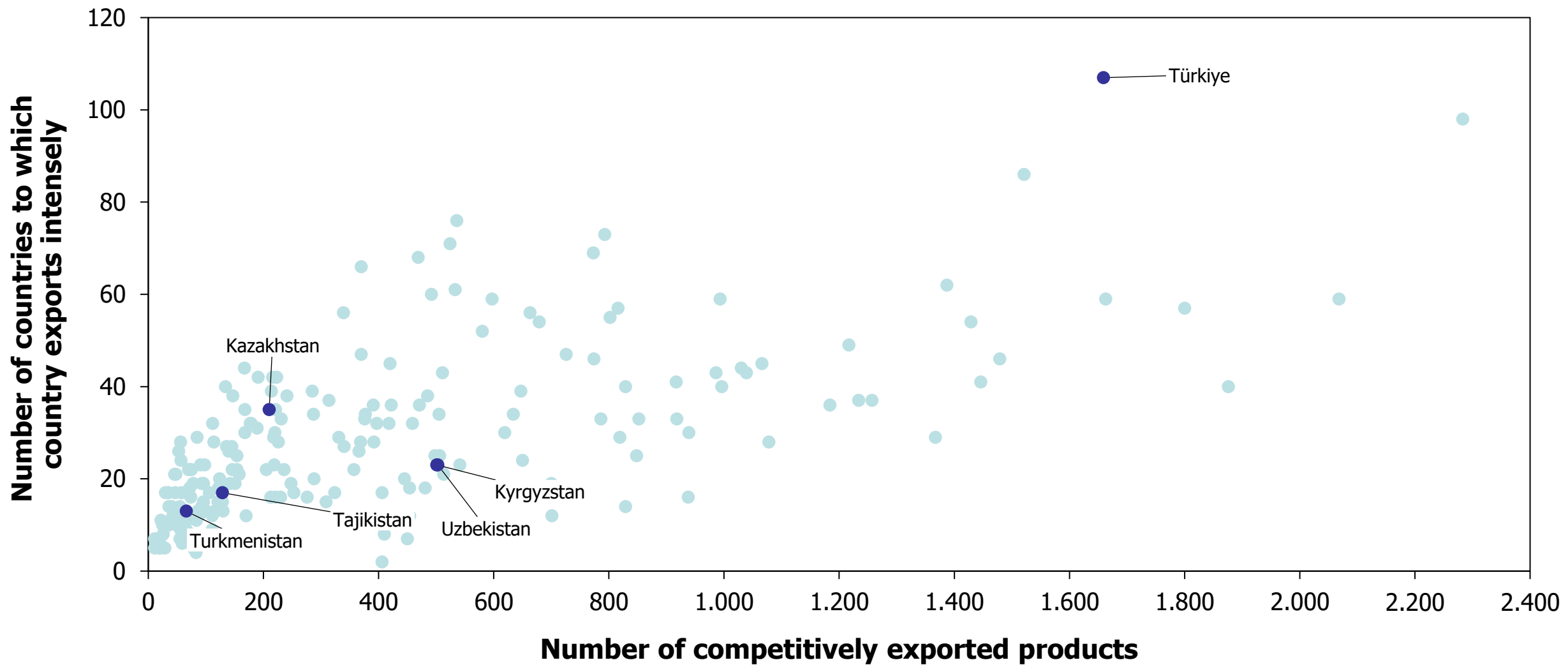
Diversification of the countries in the global market, 1995



Circle sizes represent total export of the countries

Source: CEPII BACI, TEPAV calculations

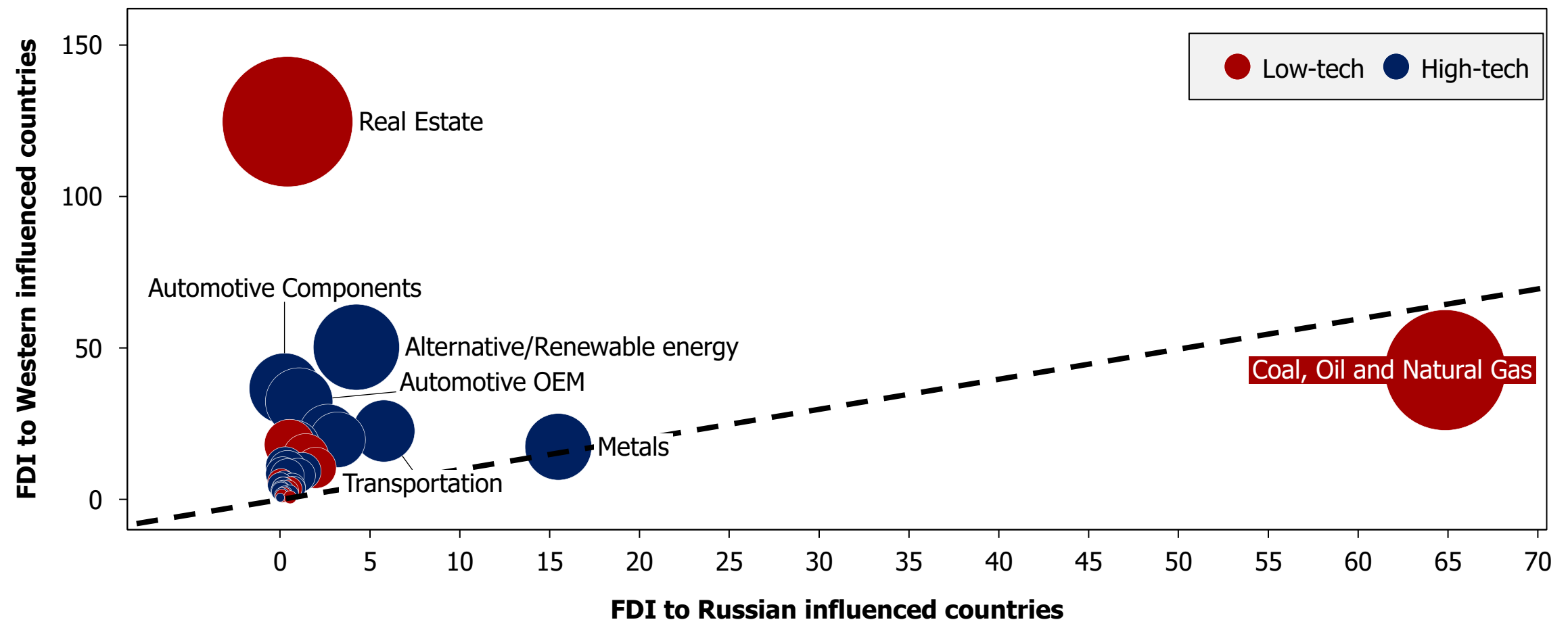
Diversification of the countries in the global market, 2022



Circle sizes represent total export of the countries
 Source: CEPII BACI, TEPAV calculations

Foreing direct investments widen opportunity set and increase potential for innovation.

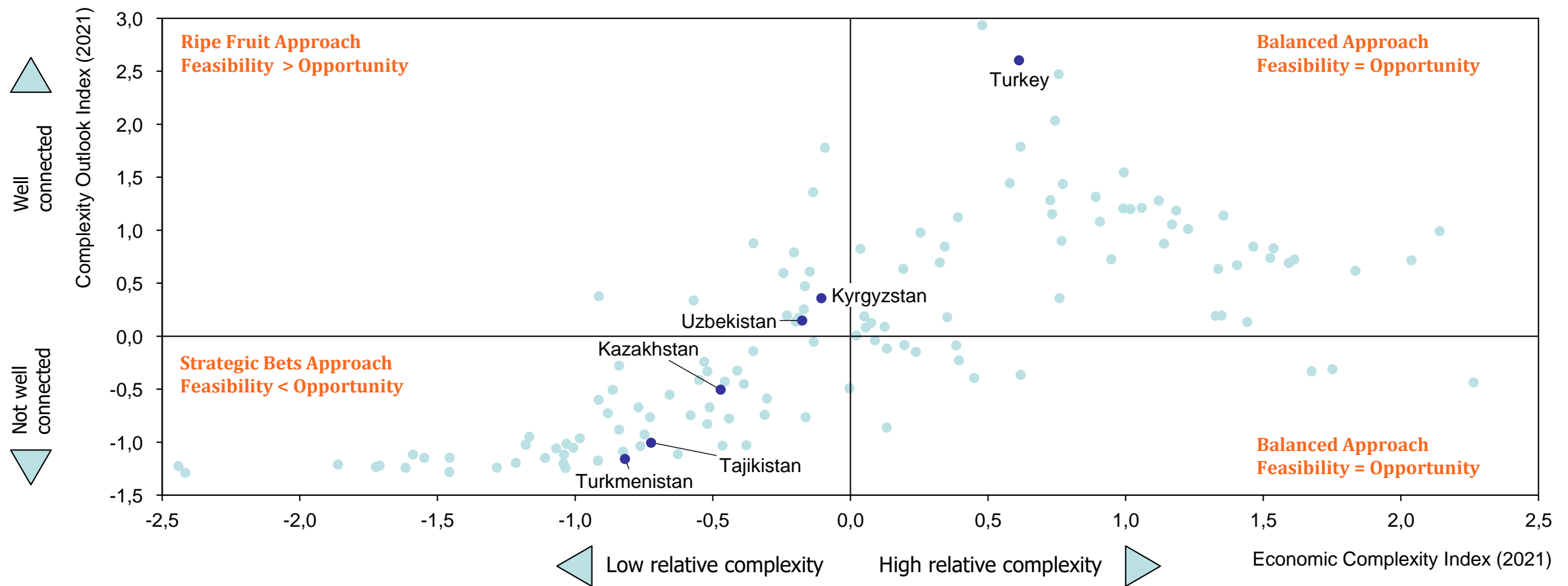
FDI to former Soviet countries by Western countries, USD B, 2003-2019



*Bubble sizes represent the amount of FDI
 Source: FDI markets, TEPAV calculations

They have different potentials for an economic transformation that increases sophistication.

The status and potential in economic complexity (2021)



It will be more important to integrate into European and Asian-based value chains and maintain our place in these chains.

Distribution of global merchandise trade by geographical regions (% , 2022)

		Europe	Asia	Americas	MENA	Africa	Ocenia	TOTAL
		25.28	4.66	4.05	1.55	0.52	0.27	36.32
		7.11	17.67	7.83	1.69	0.96	1.00	36.25
		3.05	3.94	8.80	0.51	0.15	0.19	16.63
		1.37	3.44	0.50	0.93	0.23	0.03	6.49
		0.66	0.81	0.17	0.24	0.33	0.02	2.22
		0.14	1.67	0.12	0.05	0.02	0.08	2.08
Exporter	TOTAL	37.61	32.18	21.47	4.96	2.21	1.58	100.00

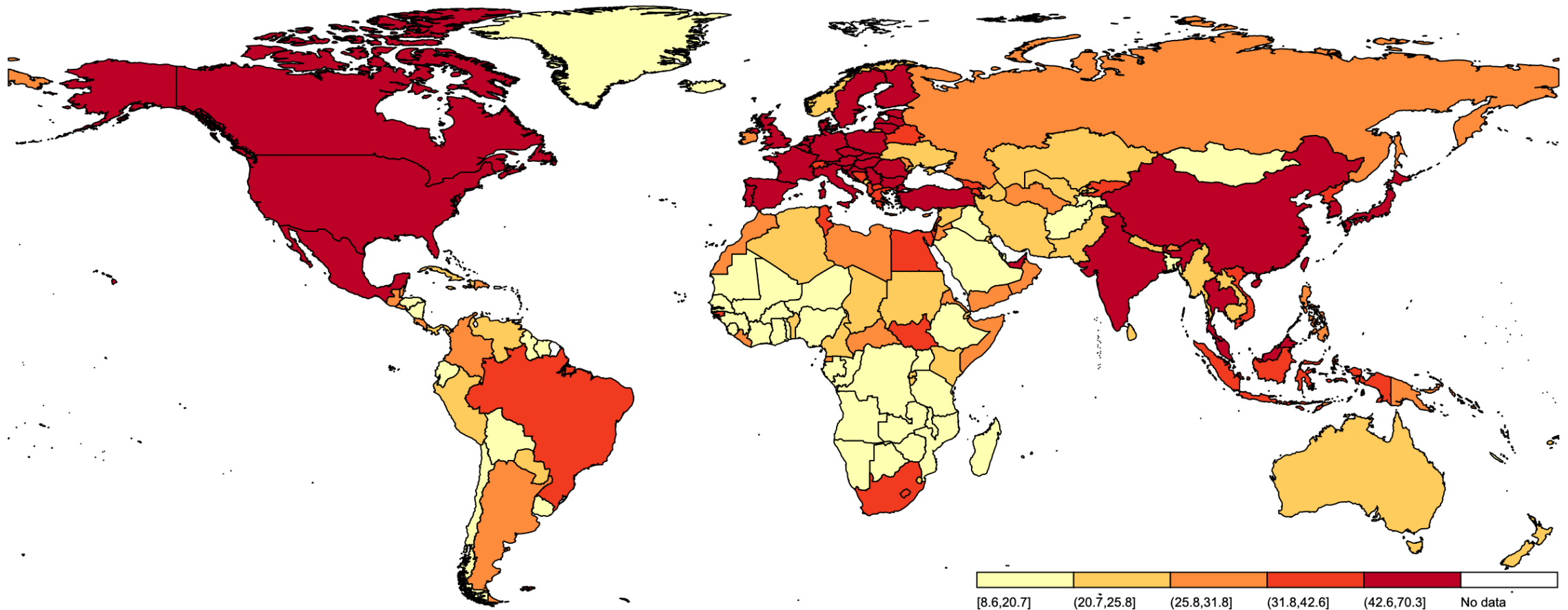
Importer

54.7 (red arrow pointing to 4.66)

82.4 (blue arrow pointing to 17.67)

However, the export structure of Central Asian countries is not compatible with the EU's import structure.

Complementarity of countries' export structure with EU's import structure, TCI (0-100, 2022)



1. Targeted policy dialogue

- Almost all countries in the region have a strategy for SME development
- There is a need for cooperation
 - Having a comparable SME definition is required
 - Some countries in the region do not even follow one of the international definitions yet
 - A regional communication channel for SMEs
 - Public-private partnership framework with regional partnerships
 - Accessible public procurement programs
 - Ability of regional SMEs to compete
 - Collect, arrange and share public procurement data with registered SMEs through a web page as well as through a personalized notification service within the firm's fields of interest
 - Climate policy forum

2. Increasing intraregional ties

- Increasing regional integration may be used as a part of the regional SME development program
 - Growing intraregional trade will create an opportunity for SMEs which are looking to scale up their business
 - Further public collaborations regarding both tariff and non-tariff barriers in intraregional trade
 - Promoting business networking and supply chain relations, fast growing successful companies in the region can be identified and rewarded in regional activities/documents, business fairs, seminars
 - Establishment of Special Economic Zones (SEZs)
 - one-stop-shop services
 - Experience sharing on regional venture capital funds, angel investors, crowdfunding, and accelerator programs
 - To increase financial literacy among SMEs, trainings/workshops can be arranged

3. Entrepreneurship Program

- Bring bright young people with ideas together
 - Ideas will turn into technology projects
 - Entrepreneurs will meet with all actors of entrepreneurship ecosystem such as venture capitalists, government entities, etc.
 - Form teams and then launch startup projects
 - To make this synergy possible
- Thematic startup programs and events

4. E-commerce and regional integration

- Increase the use of electronic commerce methods of SME's to provide innovative solutions
- Improve the trade performance of Turkish and Central Asian countries, within and beyond the region
 - SME's that do not export in the region, are encouraged to start exporting and; companies which are already exporting are encouraged to access new markets
- Trade facilitation centers
 - increasing awareness regarding digitalization
 - providing transparency
 - collection and representation of reliable information about trade mechanisms between countries
 - assistance for logistics, finance, inspection, market research, legislation, foreign language and technical issues