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Foreign Trade Policy of Turkey: economic development incentives

Turkey is among rapidly developing countries with very high rates of economic growth.

It was just at the beginning of 1980, when the way for the economic liberalization policies was paved after a long transformation of Turkish socio economic model during 1923-1980

The government implemented an integral export support system.

As a result, the country's total external trade has grown, its geography has expanded, and there has been a qualitative change in its structure: the share of agriculture has decreased, while the share of manufactures has increased (from 23% in 1980 to 97% in 2018).

As a consequence, Turkey has become one of the most powerful and dynamically developing countries of the world, in addition, it has the necessary supply capacity for the continuing economic growth from this point forward. Social and economic indicators of the country are improving, while the well-being of the population is increasing as well.

Thus, since 2010-2018 Turkey achieved an average GDP growth rate of 7% to prove it. Nonetheless, political and economic situation both within and outside the country was unfavorable.

Export promotion instruments:

1. Undoubtedly it was necessary to establish an economic institution, capable of providing low-cost financial resources for Turkish exporters during 1980s liberal reforms. Therefore, Export Credit Bank of Turkey (Türk Eximbank)

was established in 1987, which turned out to be a tool for encouraging foreign trade.

2. Tax relief is given to manufacturing exporters, and comfortable conditions are provided for business development in the free economic zones.
3. Besides, as a result of Westernization, Turkey joined GATT in 1951 and later WTO in 1995. In January 1996 the Custom Union Agreement on manufactured goods trade with the EU entered into force. Turkey is a member of such economic organizations as the OECD, UNCTAD, the Black Sea Economic Cooperation (BSEC), the World Trade Organization, ECO, G-20 and etc. The state currently has free trade agreements with the European countries outside the EU, as well as with the countries in the Middle East.

Results of liberalization

We see the increase of the exports of motor vehicles, meanwhile the share of apparel, textile and food in Turkey's export to developed countries has become significant.

Five years after the beginning of the liberal reforms, the economic structure of Turkey and its export structure have achieved a qualitative improvement, specifically, the share of agriculture in GDP has decreased, the share of manufacturing industry has increased, and the share of manufactured goods for export has risen either (from 38% to 94%).

Investment zones

Economic zones become a driver of the national economy. Therefore there are a lot of special investment zones in Turkey There are three types of zones as 1) technology development zones (technoparks), 2) organized industrial zones, 3) free zones.

To sum up, according to the analysis of the role of Turkey and its place in the world trade in the post-reform period, we can infer that the national external trade stimulus policies enabled it to take rather strong positions in the world markets of goods. The variety of instruments, being used to achieve these goals, enables us to

identify certain achievements in the external trade policy. The rate of the competitiveness of Turkish production has increased. In the interim, there is a significant problem – the proportion of goods with high added value is low, which indicates the weakness of Turkish industrial products. Therefore, the country must continue the policy of switching from labor-intensive industries to knowledge-intensive industries in the exports. Turkey's heavy dependence on the energy imports will hardly be minimized; consequently, the country accentuates the need of diversifying the routes of energy commodities.