Buse Ergin
student
Hitit University
Corum
Turkey

THE ROLE OF MANAGEMENT IN THE DEVELOPMENT OF A MARET ECONOMY

Turkey's geographical position at the junction between Europe and the Middle East is of strategic importance; furthermore, it shares historical and cultural ties with both Europe and the Middle East. What role can Turkey play in this context?

In recent years, Turkey has been pursuing a more active role in international economics and politics. Turkey's new policy can be assessed as a natural outcome of the changes in the global trends. Turkey has been trying to diversify its political and economic interest in order to utilise better the potential of its geopolitical assets. Turkey has been intensifying its ties with the bordering countries and the countries with cultural, geographical and historical ties (e.g. Middle-East, Balkans, Central Asia and North Africa). Furthermore it is also targeting new economic partners in unusual markets like Sub-Sahara, Asia and Latin America. The political and commercial strategies focusing on those hitherto neglected or unexploited regions enable Turkey to increase its economic and political transactions with those countries. In short, Turkey is re-exploring its role as a bridge between east and west.

Turkey's economic liberalisation started in early 1980s when a series of decisions were taken to attain a more outward-oriented and market based economic system in the country. Since then Turkey has been taking steps towards liberalisation of its economy. Over the last thirty years, the economy has opened up to international competition with the abolition of barriers to foreign trade and encouragement of foreign investment. The agreements with the World Trade Organisation (1995) and the EU (Customs Union agreement, 1996) are the most important milestones that shape Turkey's current economic and trade policies.

In the last decade, Turkey has intensified its efforts for economic development. In 2003, a new Foreign Direct Investment Law was introduced to facilitate the flow of foreign capital to Turkey and to improve the investment climate in the country. Very recently, in July 2012, more than half a century old commercial code has been replaced by a new code to improve corporate governance to the level of international standards and to bring the investment environment in line with EU legislation. At the same time a new strategic and sector-specific incentive package has been introduced to increase the competitive edge of the Turkish industry.

In the last years, in the absence of the IMF's prescriptions and the EU pressure, the government's periodic Medium Term Program, which sets macroeconomic targets for three years, has become the main economic policy guideline of Turkey. In this way Turkey has declared its preference to follow own guidelines as a proof of «stand on its own feet». Despite the uncertain global outlook, the Turkish economy came out of the global crisis by getting stronger when compared with its neighbors. Turkey has effectively combated the economic crisis thanks to its fiscal discipline, high private spending and diversified export markets. Thus growth rates bounced back strongly following their sharp decline in 2009. Other macroeconomic indicators also recovered to pre- crisis levels in the following years.

However, wide current account deficit, relatively high inflation as well as unemployment rate have remained as main concerns of the Turkish economy. The high dependency to outside sources in energy and intermediate products as well as low domestic savings keeps the Turkish economy fragile against unexpected internal and external shocks. These shortcomings also avoid Turkey to be awarded by an investment grade by the international rating agencies. Besides, relatively low industrial productivity; skill mismatch in labour market with low flexibility; poor innovative capacity (R&D) as well as poor protection of intellectual property rights; limited access to long-term financing and high share of unregistered economy are the major structural constraints of the Turkish economy. Turkey needs to speed up its reform process in the areas of taxation, labour market, judiciary and education to become more competitive and to attain long-term sustainable growth.

The agreement on the Reciprocal Promotion and Protection of Investments (1988), the EFTA-Turkey Free Trade Agreement (1992) as well as the Avoidance of Double Taxation Agreement, which is going to be implemented as of January 2013, provides a good legal framework for bilateral trade and economic activities between Switzerland and Turkey.

The number of Swiss travelling to Turkey exceeded 320 thousand in 2011, the highest figure recorded so far (according to the Turkish statistics). Several daily scheduled commercial flights connecting three Swiss airports to Istanbul as well as several seasonal charter flights to the Mediterranean coasts of Turkey provide a rich alternative to travellers between the two countries. If the current market access restrictions to other destinations in Turkey are removed, this would help exploration of untapped potential in both countries.

Switzerland is an important foreign investor in Turkey as well. According to the Swiss National Bank, the Swiss investment stock in Turkey is about CHF2.9 billion as of end-2010, creating over 15 thousand jobs. Investments are mainly concentrated on chemicals, pharmaceuticals and manufacturing industries. The number of Swiss companies having a subsidiary or a liaison office in Turkey is over 600 (2012), according to the Turkish Economy Ministry.

Besides the current areas as mentioned in your question, energy, environment, transportation, health, information and communication technologies (ICT) as well as retail and agriculture business provide great opportunities to Swiss exporters and investors. Although there are several well-known Swiss multinationals and SMEs which have been operating in Turkey for many years under their own names or through their local agents in various fields, there is still an untapped potential for existing and new investors.

Turkey’s energy demand and electric consumption have been increasing each year in parallel to its economic expansion. The country needs over $200 billion investment in electricity production in the next twenty years to meet this rising demand. The government’s efforts for diversification of energy sources, plans to increase the share of renewable energy as well as liberalization of the energy sector (through privatization of energy generation assets and electricity distribution networks) provide ample opportunities for international co-operations.

Waste and waste management, waste water and water management are the fields that need colossal investments today and in the next ten years in the environment sector to bring Turkey to the EU standards. The Turkish ministry of environment estimates 59 billion Euros of investments in these areas, which is planned to be financed by local and international sources.

Furthermore, the Turkish health-care system has been undergoing an overhaul since last ten years to increase its quality, efficiency and accessibility. The construction of new public and private hospitals and procurement of high-tech equipment and systems during this period provide a good platform for companies operating in the medical technologies.

All the aforementioned areas and the ongoing dynamism of Turkish economy in general would create windows of opportunities to Swiss companies willing not to focus only on their traditional markets but having plans to expand their business in an emerging market and its periphery. Although Swiss products have become more expensive due to strong Swiss Franc, Swiss quality and expertise, which are always respected by the Turkish consumers, would still provide a competitive edge to Swiss goods in the Turkish market. The increasing economic and political influence of Turkey in its region would also provide a good leverage for joint marketing and investment activities