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A NEW STRATEGY WITHIN THE INDUSTRIALIZATION OF TURKEY: COLLABORATION OF EXPORT-LED INDUSTRIALIZATION WITH IMPO

Abstract:

Turkey had not have a sufficient industry in order to meet domestic demand when the Republic was established in 1923. Industrialization of Turkey has begun with a liberal approach. After the Great Depression, statism influenced the industrialization policy of Turkey. Two import-substitution industrialization plans adopted in 1933 and 1938. Nevertheless, the second plan could not have been implemented effectively because of the II. World War.

Baker Report in 1950's advised Turkey to industrialize in sectors in which she has a comparative advantage. Although outward-oriented growth and export-led industrialization policy had gained importance in 1950s, they could not have sustained properly because of the foreign currency deficit.

Turkey began to implement import-substitution industrialization strategy in 1960s. She experienced a structural transformation within her manufacturing industry together with the start of intermediate goods production. Depending upon neo-liberal policies, Turkey embraced export-led industrialization strategy in 1980s. Along with the export-led industrialization strategy, low exchange rate and low real wage policies increased the competitiveness of the Turkish industry. Customs Union with the European Union and membership duties of the World Trade Organization affected the industrialization policy of Turkey in 1990s. As a consequence, Turkish industry sector has been integrated with the global economy.

Global competition began to affect the Turkish industry sector in 2000s. The ratio of the imported raw materials and intermediate goods used in the industry sector have increased. Along with the increased competitiveness of the sector, the volume of exports has also inclined. Despite the incline within the volume of exports, external trade deficit has also increased due to the increase in the imports of the intermediate goods. The Turkish industry sector has entered into 2000s with such structural problems.

Apparently, Turkey has to adjust her export-led industrialization strategy once again upon the changing circumstances. In Turkish academia, a new export-led industrialization strategy which is supported by import-substitution has been considered as an adequate industrialization policy for the 2010s.

The aim of this paper is to evaluate the effectiveness of the new industrialization strategy in Turkey referring to a collaboration of export-led industrialization with import substitution. At the first part of the paper, industrialization strategies of Turkey have been examined. At the second part, structural problems of the Turkish industry sector are determined. At the final part, policies which support the new industrialization strategy are discussed.

Keywords:

Economic Development, Industrial Policy, Turkish Economy

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