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THE IMPORTANCE OF DEFENSE INDUSTRY IN TURKISH ECONOMY

Abstract:

This study analyzes the extent of economic importance of defense industry in Turkey by using SIPRI database for the period 1953 through 2018. For this purpose, firstly, the development pattern of Turkish total military expenditure (in constant 2017 US\$) is evaluated over 66 years from 1953 to 2018. Next, the statistics on the military expenditure per capita (1988-2018) is analyzed in order to analyze how a change occurs on the expenditure with increasing population. In order to determine how the defense industry evolved in a developing economy, we also examine the expenditure statistics as a share of Turkish government expenditure (2000-2018 period) and GDP (1960-2018 period). Finally, the position and importance of the Turkish defense industry in the world, and in Europe and Middle East region is revealed when compared to other 173 countries. Main findings of the study could be summarized in the following way. The statistics reveal that the industry ranks 14th in the world and 6th in Europe, with a total expenditure of US\$ 22B in 2018. Among top 100 arms-producing companies in the world, there are two Turkish companies, ASELSAN and Turkish Aerospace Industries, ranked as 61st and 70th in 2017, respectively. Although it is seen an increasing trend in the expenditures over 1960-2018 period, its share in GDP continuously falls over the same period, and reached to 2.5% in 2018. As the expenditures as a share of GDP, the industry ranks 27th in the world and 5th in Europe in 2018. When we examine per capita expenditures, it is seen an increasing trend over 1988-2018 period, and we see that there is five times increase from \$50 in 1988 to \$250 in 2010, and the industry ranks 46th in world with \$232 per capita expenditure in 2018. When we analyze the share of expenditures in Turkish government spending over 2000-2018 period, it is found that the average is around 7% for 19 years, with the lowest 5.5% in 2015 and the highest 9.2% in 2000. As a share of government spending, there is a rapid downward trend in the expenditures from 2000 to 2015, this corresponds to 40% decrease, but this process is reversing after 2016, and reached to 7.1% in 2018.

Keywords:

Arms Industry, Defense Industry, Military Expenditures, Turkey

JEL Classification: H50, L00, L60