

# Chapter 15

## Competitiveness of Turkey in the Sectoral Transformation Process: A Comparative Analysis with the BRIC Countries

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### ABSTRACT

*The aim of this study is to measure the competitiveness of Turkey by making a comparative analysis between the Turkish agricultural, industrial, and services sectors involved in foreign trade and the corresponding sectors of the BRIC (Brazil, Russia, India, China) nations. In addition to the determination of their relative competitiveness, assessments will be made about their competitiveness over time by analyzing the direction of the sectoral trends of the above-mentioned countries. In the study, after a brief theoretical overview, a summary of the literature related to the subject is provided, followed by a comparison of the competitiveness of the three sectors (agriculture, industry, and services) made by calculating the revealed comparative advantages (RCAs) of Turkey and the BRIC countries.*

### INTRODUCTION

In Turkey, as a consequence of the planned development period that started in 1963 following the implementation of the import substitution industrialization strategy, the share of agriculture has started to decrease while the share of industry has started to increase in terms of both production and employment. The increase of the share of industry in terms of Gross Domestic Product (GDP), an indicator of being a developed nation, has raised the share of the services and industrial sectors while reducing that of

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agriculture. As a result of the outward industrialization model after 1980, this transformation evidenced in the main sectors has also emerged in the foreign trade structure. During the transformation process, the share of industrial production, especially for export, has rapidly risen while imports, and therefore the volume of foreign trade, have increased.

When the development of the sector shares in terms of global GDP is considered, the increasing global share of the services sector is highlighted. Within the framework of Turkey's import substitution industrialization strategy, the process by which the share of agriculture has begun to decrease and the share of industry has begun to increase, which develops the services sector, indicates a generally desirable economic development. This structural transformation trend, shifting emphasis from industry to services, is more evident in developed countries that have completed their industrialization. As the level of development of a country's economy increases, the shares of agriculture and industry decrease, while the share of the services sector increases.

Today, it is apparent that some countries with great industrialization potential other than Turkey have come to the forefront, and that Turkey is in fierce competition with these nations. According to the Global Competitiveness Index (GCI) developed by the World Economic Forum, Turkey is situated in the second group, in the classification of "the Attacking Countries." Also classified in this second group are the BRIC countries (Brazil, Russia, India, China), whose combined economy is expected to exceed that of any one of the current richest countries by 2050. During the process of sectoral transformation being experienced in Turkey, a comparative analysis with the BRIC countries in terms of international competitiveness is thought by economists to play a guiding role in determining policies for the future.

From this point of view, the aim of this study is to measure the competitiveness of the agriculture, industry, and services sectors in foreign trade for Turkey and the BRIC countries and to analyze the measurements comparatively. In addition to determining their relative competitiveness, assessments will be made about the direction of the sectoral trends over time for the countries in question. In the study, a brief theoretical introduction is followed by a review of literature related to the subject. Then, the competitiveness of foreign trade in the agriculture, industry, and services sectors will be compared by calculating the revealed comparative advantage (RCA) indexes for Turkey and the BRIC countries.

## **THE INDUSTRIAL TRANSFORMATION PROCESS AND COMPETITIVENESS**

Technological advances, increased international competition, and the decline of transportation costs and tariffs creates the opportunity for different processes to be performed in different countries by dividing major production activities with different levels of intensity into smaller sub-processes. Global business division increases the export of industrial products of the developed countries and the leads them to use more imported capital and intermediate goods by integrating national economies into the world economy. Thus, while the comparative advantages of the developed countries have become great in terms of intermediate goods, the relative advantages of the developing countries have increased in terms of finished goods. With these increasing comparative advantages, the developing countries are able to allocate resources for infrastructure investments, follow technological improvements more closely, and begin to pay attention to the quality of labor power.

Therefore, new production techniques are being applied in the industrial sector by which costs are reduced and higher shares of international markets are obtained. Additionally, the advanced economies, while leaving the production and hence the trade of a number of industrial goods and turning to the

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