

# Chapter 15

## Breaking Supply Chains and Inflationist Impact in the COVID–19 Process: The Example of Turkey

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### **ABSTRACT**

*The COVID-19 pandemic started as a process full of uncertainties, and the first case was detected in Turkey in March 2020. The panic process that started after that date has had negative effects on the economy in the following periods. While the effects have reflections on foreign trade due to the fact that it is a global process, the change in consumption and demand patterns in the country has changed all the balances. Thus, it is important to address the changes in almost every aspect of our lives and to examine them during the crisis period. Breaking the supply chains in the changing balances and to understand the importance of the supply chains accordingly are the subjects of this study. This study investigated how Turkey spent the COVID-19 process due to its economic structure and geopolitical location and, in addition, how it managed its supply chains. As a result of the research, it was concluded that if the deficits in the supply chains can be evaluated, the crisis process can be turned into an opportunity.*

### **INTRODUCTION**

Due to the systematic structure brought about by globalization, supply chains have become quite complex. Due to this tangle of relations, it seems unlikely that countries can act independently of each other. The Covid-19 disease, which emerged in 2019 and was declared a pandemic, has been the most real indicator of how interconnected the countries of supply chains.

Although there is no economic reason for the outbreak of the epidemic, when it is evaluated in terms of its consequences, it is seen that it has turned into an economic crisis that affects the whole world. This disease, which broke out in the Asian Region but spread rapidly to other countries in the world, is

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destabilizes global economies. The world, which is both a producer and a consumer, is difficulties in both aspects. The fact that production came to a standstill in the face of an unexpected shock has caused and continues to cause order and stock problems for many sectors.

In order to produce a good, not all inputs are provided from the sources within the country. In order to produce a good, not all inputs are provided from the sources within the country. Purchasing these inputs from countries where they are cheaper creates an advantage when evaluated in terms of efficiency. In other words, the existence of cheap alternatives necessitates the trade of intermediate goods or raw materials with other countries. From this point of view, it is seen that almost all of the world's countries make both production and distribution through their supply chains. However, the fact that this trade flow encounters problems affects developing countries such as Turkey and Argentina, which have a fragile structure, even more. When the pandemic period is evaluated, it is seen that not only the financial fragility but also the vaccination rates and the quality of the health system are among the reasons that disrupt the flow of trade.

In countries where vaccination is slow or the health system is inadequate, workers cannot be employed due to the prolonged closing time. The closure of workplaces, factories, institutions or ports causes the duration of the trade relationship with other countries to prolong. Moreover, to be inadequate of labor force during the transportation of goods from one place to another causes difficulties in transportation. In addition to all these, problems occur in production and distribution when the workforce dies due to illness or does not want to work anymore in the sectors that provide the relevant supplies. For example, the chip crisis in the automotive industry has been one of the most important indicators of the rupture in supply chains. The slowdown of production due to various reasons in chip producing companies, or even coming to a standstill, has caused disruptions in orders. Because the supply chain includes a process that starts from the manufacturer, reaches the distributor, retailer and finally the consumer. Incorrectly to be planning of this process or to be encountering an unexpected situation has affected all links of the chain. As a result of this reduction in supply, prices in the automotive market increased extraordinarily compared to the previous period. In fact, consumers have increased their demands with the expectation that prices will rise even more. At this point, a production planning problem was encountered and it is seen that this problem still continues.

Constrictions in energy supply have also led to price increases in sectors where energy is used, just like in the automotive sector. In particular, the economies of countries that are heavily dependent on energy imports, such as Turkey, have been severely affected by these fluctuations. The agricultural sector, where energy dependency is high and basic foodstuffs are produced, is closely followed in Turkey as well as in all countries of the world. When the share of the agricultural sector in Turkey from past to present is examined, it can be said that every positive or negative development related to the agricultural sector is important for Turkey, since it is an indispensable field. When evaluated in this sense, it is seen that the increase in fuel and electricity costs also seriously affects the agricultural sector. When look at the pandemic period, both the rupture in the supply chains and the increase in the energy costs, which are imported to a large extent, are reflected in the agricultural inputs and increase the production costs. There are reflections of these cost increases have reflections on the economy. Moreover, the increase in fertilizer, seed and drug prices has become so important that it creates a food crisis for countries that import these inputs and produce agricultural products.

In addition to the evaluation made mainly on the basis of supply so far, it is necessary to mention demand or consumption. The reason for this is the decrease in total consumption expenditures as a result of the rise in the general level of prices stemming from production declines. As a result of the decrease

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