Positioning of Türkiye in Global Value Chains (GVCs)

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Key messages*

- Increasing backward and forward participation bring opportunities for repositioning.
- Türkiye’s export competitiveness across sectors is highly diverse.
- Achieving higher economic complexity could bring higher income per capita.
- Türkiye is currently specialized in products with relatively lower complexity.
- Our proposals for export diversification strategy point out to the products that could improve technological know-how in differentiated gradual steps.

*The working paper is available at the following [link](#).
Increasing integration in GVCs bring higher foreign value added

**VALUE ADDED IN GROSS EXPORTS OF TÜRKİYE, %**

Source: OECD TiVA, Garanti BBVA Research
Diverse competitiveness in exports

**Adjustment Revealed Comparative Advantage Scores (2018)**

- Comparing the share of exports of a country in a particular product with the share of global exports, revealed comparative advantage (RCA) quantifies the overall competitiveness of a country in the export of a sector/product.
- Our analysis adjusts the RCA by subtracting foreign value added from gross exports to show the competitiveness of a country’s domestic value added in exports.
Türkiye ranks 40th among 132 countries in economic complexity

ECONOMIC COMPLEXITY INDEX (ECI) RANK OF COUNTRIES

Source: The Growth Lab at Harvard University International Trade Data (2019), Garanti BBVA Research.

- Economic complexity ranks countries according to diversity and complexity of their exports.
- Countries with high diversity of productive know-how are able to produce more diverse sophisticated products.
Higher economic complexity bring higher income

**ECI VS. GDP PER CAPITA**
(1995-2020)

**SECTORAL EMPLOYMENT VS. ECI**
(1995-2020)

**ECI VS. COMPLEXITY OUTLOOK INDEX** (2020)

- Complexity Outlook Index (COI) measures how many complex products are near a country’s current productive capabilities.
- High COI means that the country is close to many complex products.

Source: The Growth Lab at Harvard University International Trade Data (2019), World Bank, Garanti BBVA Research.
Türkiye’s competitiveness is concentrated on low complex products

TOP 50 PRODUCTS WITH THE HIGHEST REVEALED COMPARATIVE ADVANTAGE (RCA) & PRODUCT COMPLEXITY INDEX (PCI)

Source: The Growth Lab at Harvard University International Trade Data (2019), Garanti BBVA Research.
We propose differentiated steps to enrich exports sophistication

**EXPORT DIVERSIFICATION STRATEGY**

- Countries might follow different paths, depending on the priorities they assign in different time horizons.

- In our analysis, we try to differentiate those paths:
  1. “easier to go” targeting products nearer to current capabilities to achieve short term results
  2. “interim advantage” guaranteeing rapid revenue gains from high income countries
  3. “long term gains” enhancing complexity with needed costly investment which can be achieved in a longer horizon

- We propose a differentiated path to take steps gradually, build a technology infrastructure with needed know-how and capital and in the meantime develop the future for next generations.

Source: The Growth Lab at Harvard University International Trade Data (2019), Garanti BBVA Research.
Different paths for different goals

<table>
<thead>
<tr>
<th>EASIER TO GO</th>
<th>INTERIM ADVANTAGE</th>
<th>LONG TERM GAINS</th>
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<tbody>
<tr>
<td><strong>Code</strong></td>
<td><strong>Product Name</strong></td>
<td><strong>Code</strong></td>
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<tr>
<td>3004</td>
<td>Medicaments, packaged</td>
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<td>3926</td>
<td>Other articles of plastic</td>
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<tr>
<td>8536</td>
<td>Electrical apparatus for &lt; 1k volts</td>
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<tr>
<td>8419</td>
<td>Equipment for temperature change of materials</td>
<td>8536</td>
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<tr>
<td>8421</td>
<td>Centrifuges</td>
<td>8481</td>
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<td>Electric motors and generators</td>
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<td>Electrical boards</td>
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<td>Electrical lighting equipment used for motor vehicles</td>
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Source: The Growth Lab at Harvard University International Trade Data (2019), Garanti BBVA Research.
The tables show the top 10 products. Detailed product lists are available in the working paper.

- Machinery and electrical apparatus (84-85) and metals (72-83) sectors stand out in export diversification strategy.
- Advantageous position due to know-how in machinery and equipment could pave the way to higher technology.
- Policy advice complemented with a sound plan addressing not only economic but also social and political conditions.
References


The Growth Lab at Harvard University, 2019, "International Trade Data (HS, 92)", https://doi.org/10.7910/DVN/T4CHWJ


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