Is Turkey Far from BRIC Countries?

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Abstract

This paper examines the increasing role of BRIC Countries in global economy and provides a descriptive data analysis for comparison of Turkey with BRIC countries. In this paper in three main economic indicators –GDP, international trade and FDI- Turkey and BRIC countries has been compared among each other and with major developed economies like EU, USA and Japan to understand better the positioning of those developing economies. After the descriptive data analysis it has been seen that while BRIC countries are increasing their importance with leadership of China in global economy, Turkey has more to do especially in terms of international trade and FDI movements to be considered in the same league with BRIC Countries.

Keywords: BRIC Countries, Turkish Economy, International Economic Relations

Introduction

Brazil, Russia, India and China named as BRIC countries started to be seen in the center of attention for international economy and main debate among economists is about the future of global economic system which BRIC Countries are seen as in the core instead of developed countries like USA and EU. This debate is not only a debate of whether the economic power is shifting from developed economies to developing economies, but it is also about the rising economic importance of BRIC Countries among the developing countries. We can see that developing countries like Turkey, Mexico, Argentina and etc. apart from BRIC are not identified and are not given a special emphasis. Also another focus of the debate is about whether this grouping made sense as China mainly has much better economic performance than the rest. On the other hand since 2010, BRIC Countries are considering for several developing countries to be included in BRIC and South Africa is included to the group in 2010 regarding to this approach. There are also claims that Turkey as one of the fastest growing countries in the world after the Global Financial Crisis should be included to this group of countries.

With this respect, this paper aims to examine the situation of Turkey to be a member of BRIC regarding to the internationalization and growth performance of the country in the last decade. To analyze deeper, this paper focuses to the internationalization indicators for BRIC Countries and Turkey and provides a descriptive framework about the Turkey's positioning to be included in the list of the favorite developing countries. In the first part, the economic growth performance of BRIC and Turkey was reviewed together with some major developed economies, in the second part the international trade volume was reviewed whereas part 3 focused on foreign direct investment inflows and outflows was examined. Part four concluded based on the findings in the first three parts.

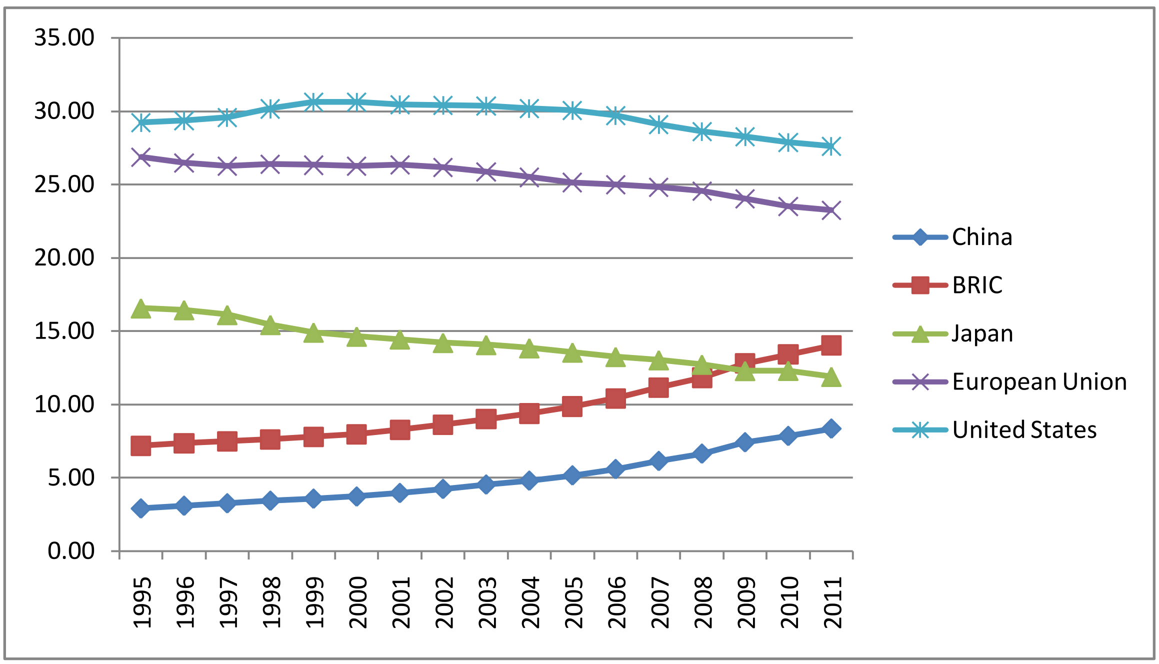
1. GDP Share, Growth and Income Per Person

BRIC Countries – Brazil, Russia, India and China – are the rising stars for the global economy. The geographical coverage (more than 25 % of the world geographical coverage), total population (more than 40% of world population), fast economic growth performance and interest of international investors for these countries are the main factors for the increasing roleof those countries. BRIC countries have been seen as the rising stars are the economic potential and the growth performance shown in the last decade because of their high economic growth performance. According to IMF World Economic Outlook Database, China is ranked as the 2nd biggest economy, Brazil is the 7th, Russia is ranked 9th and India is ranked 10th biggest economy in the world.

Wilson and Purushothaman (2003) in their report for Goldman Sachs - one of the most important investment companies in the world - is considering that in 2050 the biggest economy in the world will be China whereas as India will be the third biggest, Brazil the fourth biggest and Russia the sixth biggest. They estimated that China and India will be the major actors in manufacturing and services sectors and Russia and Brazil will be the major actors in raw materials sector in the global level.

Figure 1 shows the GDP share of BRIC Countries and major developed countries in the world. As seen in the figure since 1995 BRIC countries are steadily increasing their share in the world GDP which is led by high growth of Chinese economy. On the other hand the dominant actors in the world economy like EU and United States started to lose their share. In 1995, United States has the 29, 21% whereas it was 27,59% in 2011. EU also showed a similar path and the share of GDP in World GDP decreased from 26,86% to 23,24%. Japan has a steady downward trend which the share of GDP dropped behind from 16, 57% in 1995 to 11,89% in 2011. But BRIC countries and China has been showing an increasing share from 7, 19% in 1995 to 14,02% in 2011 which was doubled. This shows that in terms of economic activity BRIC Countries – mainly supported by Chinese 10 % average growth since 1995 – started to increase their role and share in global economy.

Figure 1. GDP/World GDP (%, 2000 Constant US$)

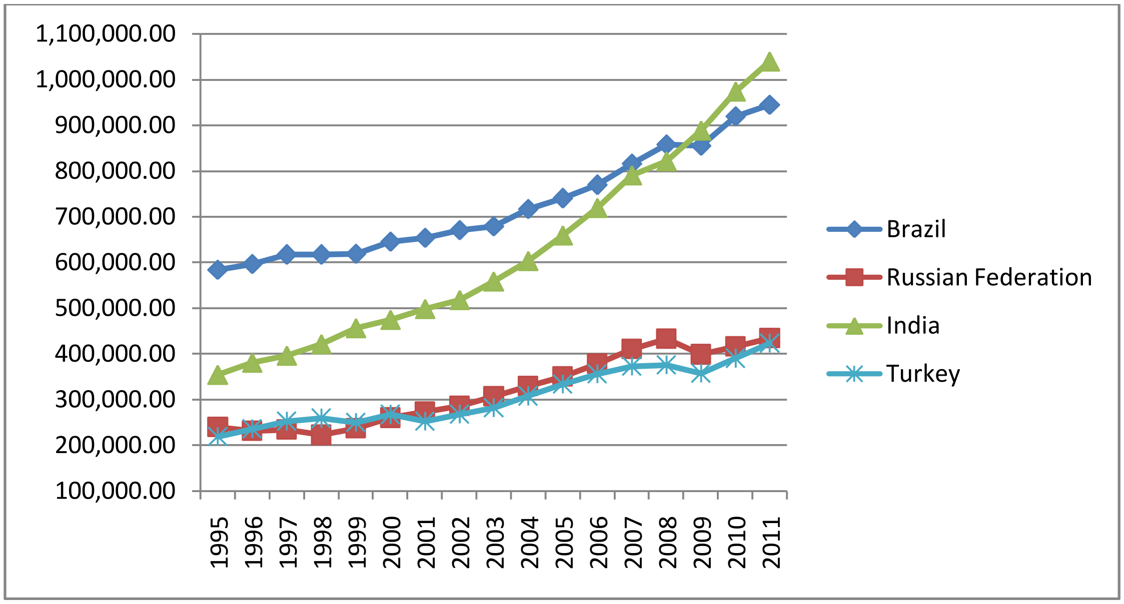


Source: World Development Indicators

Figure 2 shows the GDP of Turkey, Brazil, Russia and India for years between 1995 and 2011. China is excluded from the figure as it has an outlier effect that China's GDP in total is far from both the rest of BRIC countries and Turkey. Figure 2 shows that Turkey and Russia showed similar economic growth paths during the period examined whereas Brazil and India's growth performance is far better and the total GDP of Brazil and Russia is twice more than Turkey and Russia. Here it has been seen that in terms of GDP, Turkey is very similar to Russia but the rest of BRIC countries is far dominant than those two countries in the world economy.

The main question here arises about the post-crisis period. After hard economic shrinkage in all economies, Turkey's recovery process was faster than the other developing countries – except China- and identified as the fastest growing economy after the crises. According to OECD's Looking to 2060: Long-term Global Growth Prospects (2012) Turkey's average annual economic growth will be 3% which will be higher than Russia to be expected to grow 2%. This is an important projection for BRIC and Turkey that it shows Turkish economy will exceed the volume of Russian economy in the near future. In the same paper, Chinese economy is projected to grow 4% per year, India is projected to grow 5% per year and Brazil is projected to grow approximately 3% between 2011 and 2060 which is a sign of further growth in those economies.

Figure 2. GDP of Turkey, Brazil, India and Russia (Million US$, 2000 Constant US$)

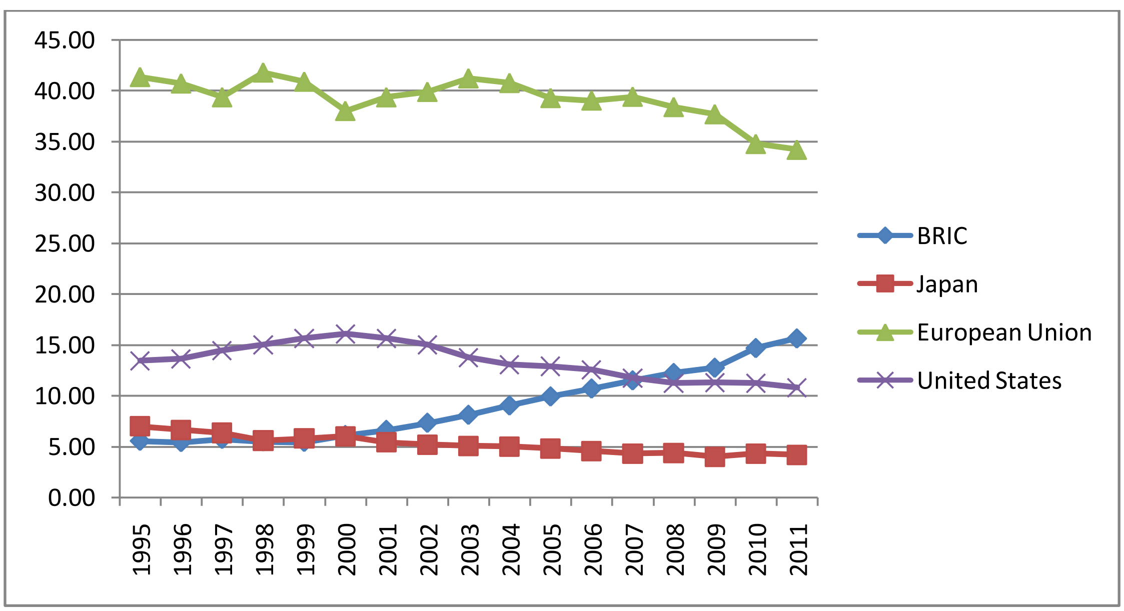


Source: World Development Indicators

2. International Trade

Engagement to international trade is one of the most important aspects for a country to take part in the global economic system. OECD (2005) notes that international trade volume of a country will be one of the most important direct measures for globalization of that country. Figure 2 shows the share of international trade volume (Exports + Imports) of European Union, United States, Japan and BRIC countries to world trade since 1995. In 1995 it has been seen that EU had a share of 41, 33% in World trade. Through 2011 EU's international trade volume has shown a steady decreasing share and after the Global Financial Crisis the share of EU's international trade volume in world trade decreased to 35%. Similar to EU, USA and Japan started to lose their share in international trade. In 2011 the volume of USA trade volume in world trade has been decreased to 10,78% from its peak share 16,07% in 2000. Even Japan's decrease was limited, the trend in the figure shows that share of Japan's trade volume in world trade is downward sloping.

Figure 3. Trade Volume/World Trade Volume (%)

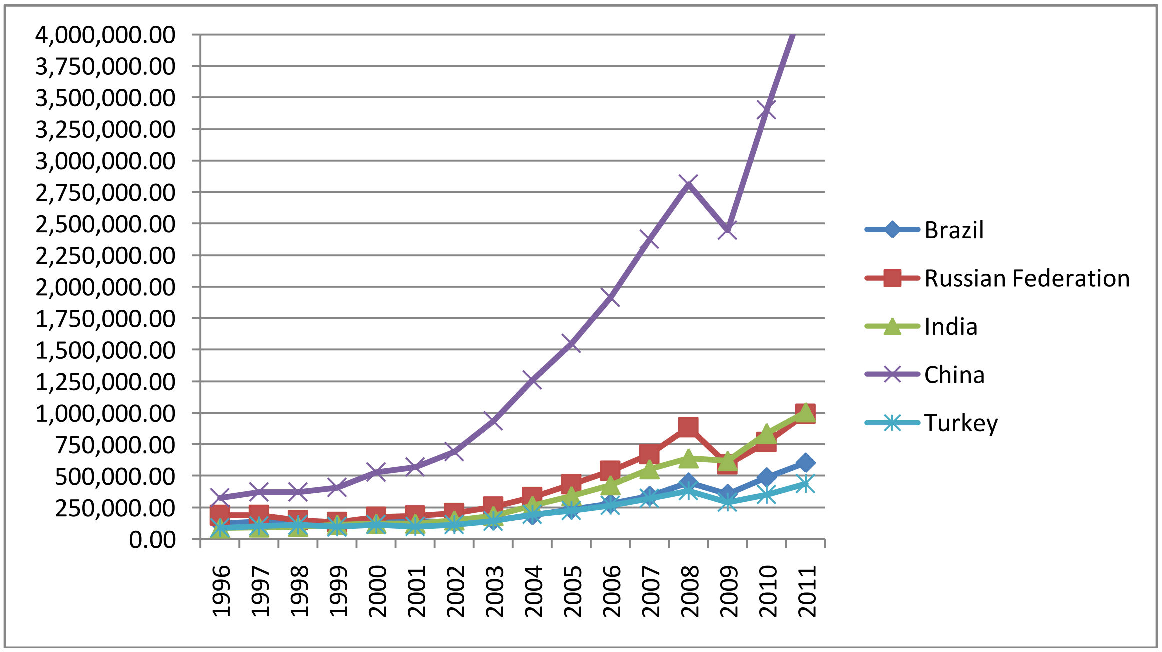


Source: World Development Indicators

Trade Volume / World Trade Volume (%) data shows that while USA, EU and Japan which those are the main players in international trade markets are losing their shares, the share of BRIC Countries are steadily increasing. In 1995 BRIC countries realized only 5% of world trade; it increased three times more to %15 in 2011. On the other hand the interesting finding in the figure is the increasing trend of BRIC countries' share in the world trade is continuing even in the financial crisis period since 2008, which also supports the economic growth process of BRIC Countries. China also was the main locomotive of this growth period.

China's comparative advantages in international trade and increasing foreign investments in the country led the exponential increase in the volume of international trade. This high growth in trade volume also is the main reason behind the increasing role of BRIC countries in world trade. The total of exports and imports of China in 2011 reached to 4,2 trillion US$ which is very close the total volume of United States with 4,75 trillion US$. India and Russia have similar levels of international trade around 1 trillion US$ and Brazil has a volume of 607 billion US$ in 2011. As Figure 4 shows Turkey is far from the trade level of China and it is still behind all other BRIC countries.

Figure 4. International Trade Volume (Million US$)

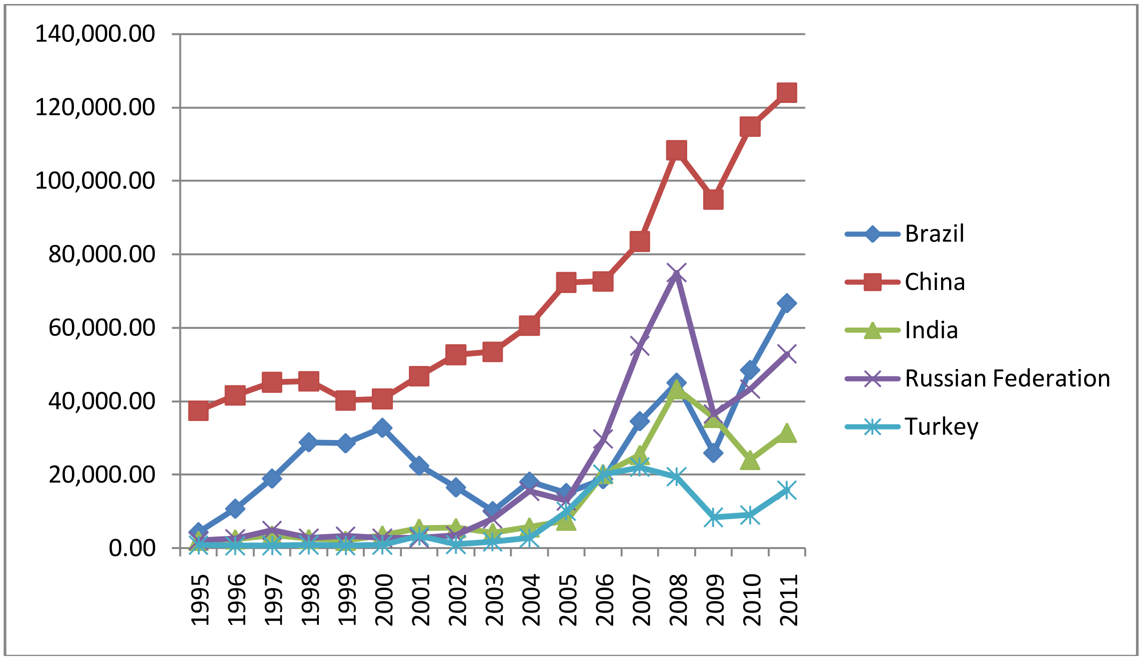


Source: World Development Indicators

3. Foreign Direct Investments

Total FDI flows are a major indicator for international economic performance of the countries. Regarding to FDI inflows, China overtook the USA and became the largest global recipient of FDI in 2002 with \$44.0 billion FDI received in 2002 (Das, 2006). Since then, United States and other developed countries continued to be the largest recipient but on the other hand BRIC countries has shown a steady growth for FDI inflows. According to World Investment Report (2012), China is the second largest recipient of FDI with 123,98 billion US$. Brazil took the fifth place with 66,66 billion US$ FDI received, Russia is the 9^{th} with 52,87 billion US$ and India is the 14^{th} biggest recipient the 31,55 billion US$ in 2011.

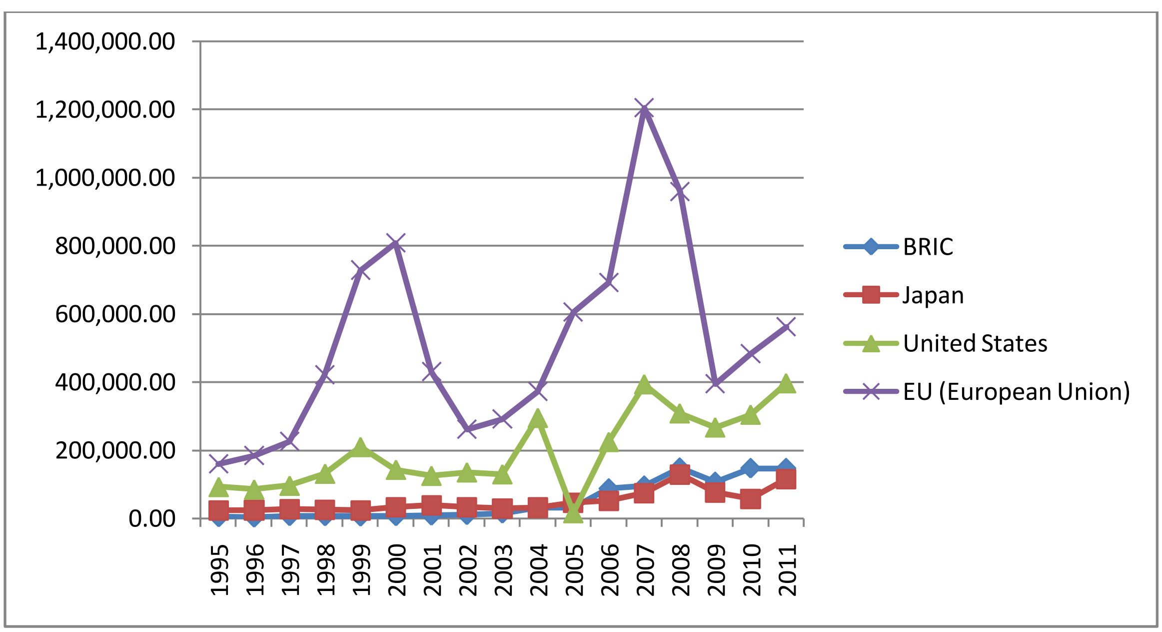
Figure 5. FDI Inflows (Million US$)



Source: UNCTAD Stat, FDI Inflows

Figure 5 shows the FDI inflows to Turkey and BRIC countries individually since 1995. Like all other indicators examined in this study, China especially after 2000 has shown a brilliant progress in terms of FDI inflows except the global financial crisis period in 2009 and FDI inflows volume reached to 123 billion US$ in 2011 according to UNCTAD Stat. The other BRIC countries followed a volatile but increasing FDI amounts. Russia and Brazil attracted more FDI compared to India during the examined years. When Turkey is compared with the BRIC countries, Figure 5 shows that the amount of FDI attracted by Turkey was behind the BRIC countries. Turkey attracted half of India's FDI inflow in 2011, which was the least FDI inflow per country among BRIC countries. Turkey in 2007 – which was the peak year for FDI inflows had succeeded to attract 22 billion US$ and in 2011 the amount of FDI attracted by Turkey in 2011 was just 15,8 billion US$.

Figure 6. Outward FDI (Million US$)



Source: UNCTAD Stat

While the role of BRIC countries for FDI inflows is increasing, BRIC also started to be an important source for FDI outflows since 2006. Figure 6 shows the outward FDI from selected countries and country groups since 1995. Figure 6 shows that even the volume of outward FDI from BRIC countries is far from USA or EU, it has an increasing trend since 2006 and the total volume of outward FDI from BRIC countries for 2011 is more than 100 billion US$. (114 billion US$)

4. Conclusion

The global economy is experiencing a transformation of economic activity in the last decade. BRIC countries are the main driver for this process and the growth performance as well as the increasing share of World GDP and World Trade put BRIC Countries to the attention of international economy. Based on the future projections, the China is seen to remain the locomotive of these countries to increase their role in international economy. On the other hand, Turkey as a high-potential developing economy needs further improvements in terms of FDI and international trade while the growth path will be the main locomotive indicator to keep its international increasing role. But for the moment, Turkey will still have much to be integrated to global economy as a major developing economy like BRIC Countries.

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