

# A Study of Turkish Experience in Exports Development and the Possibility of Benefiting It in the Saudi Experience to Achieve the Goals of Saudi Vision 2030

Ahmed Alrashdi<sup>1</sup>, Seraj Abed<sup>2</sup>

<sup>1,2</sup>Industrial Engineering Department, Faculty of Engineering, King Abdulaziz University, Jeddah, Saudi Arabia  
(<sup>1</sup>alrashdi\_1400@hotmail.com, <sup>2</sup>sabed@kau.edu.sa)

**Abstract-**This research studies Turkish experience in export development through exports support organizations and their roles in Turkish, Export diversification, Key aspects affecting export performance. It can easily observe that Turkey have put all their efforts to develop export sectors. By building strong export commission and promote loan banks and reduce tax fees, until became leaders in this fast-growing world. This paper has attempted to investigate the obstacles and barriers faced by exporters this country through exporter's service development. It is certain that the Turkish experience cannot be reproduced in Saudi Arabia since the circumstances in which Turkey development differ from Saudi Arabia. However, this does not prevent Saudi Arabia from benefiting from them in achieving the objectives of the Kingdom's Vision 2030 in the export development.

**Keywords-** Exports, Turkish Experience in Export, Lesson from Turkish Experience in Export Development

## I. INTRODUCTION

The Saudi economy is predominantly oil-based and as such faced with the continuous volatility of oil prices, along with a pressing need for economic growth and development. The risk of dependence on this one source is acute when income is dependent on natural resources. The risk is particularly high when natural resources are depleting and, simultaneously, prices in the world market are based on political and economic variables beyond the control of the producing countries. This is why the Saudi vision 2030 concentrate to diversify sources of income. To that end, extensive effort has focused on the development of the non-oil export sector so the goal of developing non-oil exports is to achieve high rates of economic growth and economic returns. One of the strategic objectives of the Saudi vision is to increase non-oil exports from 16 to 50% Of non-oil GDP [1]., raising the question of how to improve and increase non-oil exports to achieve this goal. The objective of this paper provides studies of experiences of Turkey in experiences in exports. and the possibility benefiting from experiences from it by reviewing the experiences of Turkey in experiences in exports and take the benefit from their experiences in developing their exports.

## II. BACKGROUND OF SAUDI EXPORTS

The total Saudi exports recorded an average growth rate of 84.4% during the period from 1970 to 1974 (figure .1). The highest growth rate was in 1974 when it reached 279.4% while in 1975 it recorded a growth rate of less than 17.6%. It was 70.2% with negative growth rates in the period between 1982 and 1986[5]. Saudi Arabia continued to record a growth rate after that period (i.e. 1986).In 1990, it was the highest growth rate when it reached 56.5% due to high oil prices and increases its production volume during the Gulf war crisis. [3] In 1998, it recorded the lowest average of -36.1% due to the decline in world market of oil. As oil prices improved in 2000, the growth rate of exports rose by 52.9%. Total exports continued to reach 290553 million SR. 1175,482 million SR was the total export in 2008, but fell sharply by 38.7% in 2009. The reason behind this sudden decline is the global recession accompanied by big loss in US real estate prices, which affected other markets and reduce prices. [2] The growth rate of total exports in 2010 and 2011 increased by 30.6% and 45.2%, respectively, while negative growth rates were recorded in 2015 by -40.6% due to the collapse of oil prices and amounted 763313 million SR. It continued to decline in 2016 but at a slower rate, with a growth of -9.8% and a value of 688.4 billion SR, decreasing by 74.9 billion S.R[4].

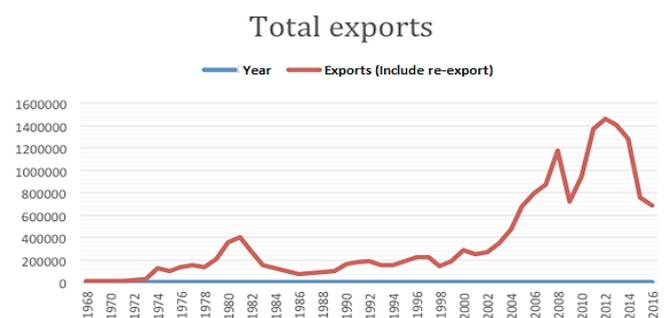


Figure 1. Export development from 1986 to 2016

### III. TURKEY'S EXPERIENCE IN EXPORT DEVELOPMENT

According to executed policies that carried out by the Turkish government to develop export sector since 1980, export took a great importance at the qualitative and quantitative level. Following the adoption of the export-based manufacturing strategy in 1980. The Turkish government tried to reproduce the Japanese model by creating special areas for major exporting companies. In 1980, Export Trading Companies agency (ETC) was established to be the main tool to control the export promotion in Turkey. Export-eligible companies are required to apply a general export management under the treasury and foreign trade supervision to obtain the certificate. Eligible commercial companies to obtain ETC certificates were 27 in 1984, 28 in 1987 and 23 in 1990. The ETC gives special privileges such as customs exemption on raw materials and equipment import, export insurance, interest rate reduction and many other facilities [6]. In the beginning 1980s, and continuing until the mid-1990s, significant developments were observed in the market share of industrial products that required large number of labor for their productions, such as textiles, clothing, iron, steel and food. In 1996, and after the establishment of a customs union with the European Union, Turkish exports entered a new process of structural transformation. In recent years, the development in export sector shows a significant increase in high technology production and export, where include electrical, electronic machinery and equipment, as well as the automotive industry. In this regard, it can easily observe the high market share of manufactured industrial product exports[12]. In 1995, Turkey became a world trade organization member. Following its entrance to the world trade organization, it signed an agreement with the European Union, which allowed it to join the Customs Union in 1996. Turkey has provided a wide range of incentives to encourage local producers to discover new export opportunities. These incentives include an increase in tax refunds, small exporters were exempted from paying the production tax and access to credit services has been facilitated. In recent years, the Turkish government has carried out a number of procedures that have contributed to duplicate Turkish exports to reach 139 billion dollars in 2016[8]. The value of the Turkey Goods exports during 2006 was 93.778 billion \$ It was increased by 15.269 billion \$ compared to 2005(19.45%) and continued to record a positive growth rate until 2008 to reach 140.906 billion \$. The growth rate of Brazil goods exports in 2010,2011 and 2012 increased by 10.26%,17.69% and 13.73%, respectively, while negative growth rates were recorded in 2015 by -10.4%. [13] (See Table .1 and Figure 2).

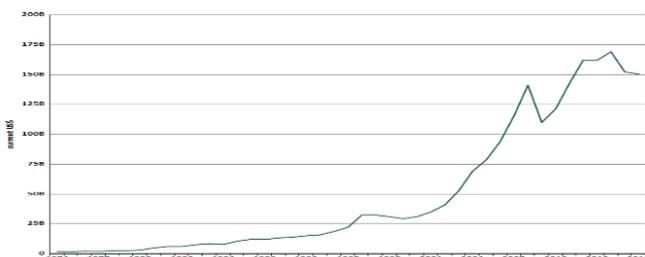


Figure 2. Turkey Goods Exports for Years 1975– 2016

TABLE I. TURKEY GOODS EXPORTS FOR YEARS 2005 – 2016

Date	Value	Change, %
2005	78,509,000,000	
2006	93,778,000,000	0.1945
2007	115,379,000,000	0.2303
2008	140,906,000,000	0.2212
2009	109,732,000,000	-0.2212
2010	120,992,000,000	0.1026
2011	142,392,000,000	0.1769
2012	161,948,000,000	0.1373
2013	161,789,000,000	-0.001
2014	168,926,000,000	0.0441
2015	151,970,000,000	-0.1004
2016	150,178,000,000	-0.0118

#### A. Export diversification

Turkey's economy has diversified massively from a heavy reliance on a few sectors to an increasingly diversified economy. In 1993, Turkey's export economy was heavily reliant on three sectors: textiles, raw materials and agriculture which, combined, accounted for 60% [7]. Agricultural commodities formed 79.1% of total Turkish exports in 1961. Agricultural commodities remained in the forefront until 1967, reaching 81.5%. In 1969, the percentage drop to 75%. In 1971 and 1972, these declines continued by 72.6% and 68% respectively. Exports of industrial products showed more fluctuations than agricultural products in commodity exports, increasing from 15.6% in 1961 to 18.6% in 1964 and then decreasing by 13.2% in 1968 and then rising again, especially in 1971 and 1972 by 21.5% and 25.1%, respectively [8]. Mining and mining products represented a small percentage of exports between 5.7% and 7.3%. Most of Turkey's exports are the manufactured goods. One of the most significant characteristics of the manufacturing industry is its dependence on imported intermediary goods. The increase in the diversification of exported commodities, beginning in 1980, and that this process went on until the new export composition stabilized. [10] Turkey was able to export 2205 and 2557 different products (at the 5-digit level) to the EU-15 market in 1996 and 2006, respectively. In 1996 and 2006, respectively, Turkey was able to export 70.1 % and 79.7 % of all types of products exported to the EU-15 market from the rest of the world. For the manufacturing industry, Turkey's performance in product variety is given by 74 % in 1996 and 85 % in 2006, while, for primary products, it is 57.4 % and 62.2 % in 1996 and 2006, respectively. That is to say, in terms of diversifying its exports, Turkey is structurally more successful in the manufacturing industry than in primary products. This can also be regarded as a promising result to some extent, because diversification in manufacturing can be considered a better sign of development as compared to diversification in primary products [11].

#### B. Key aspect affecting export performance

Support the economic zone establishment or attractive centers in agriculture and industry fields, taking into account the abundance of raw materials, energy, labor force, transport possibilities and employment opportunities [9]

- pay attention to incentives that reduce production cost, increase quality and job opportunities. Use a zero before decimal points: “0.25”, not “.25”. Use “cm3”, not “cc”. (bullet list)
- Give the priority to prompt national defense industries.
- Support research activities and development.
- Encouraging Turkish companies to produce new products according to international quality standards.
- Expand areas of cooperation between the industrial sector and universities in Techno field (Research Center).
- Reduced recruitment costs to increase private sector capacity to compete each other.
- Promote using new economy tools such as computers, internet, and information technology in the public and private sectors and produce them.
- Remove all financial, administrative and bureaucratic obstacles to exports.

#### C. Investment Incentives

The Turkish government is interested in encouraging export-oriented investments and attracting foreign exporters and producers who supply them with technical methods and marketing knowledge to easy access to international markets[9]. The most Important incentives in this field are:

- No restrictions are imposed on the profit transfer or retransfer the capital of the investor incase if there is permission from the department of foreign investment.
- Granting the same privileges and incentives to national investments, particularly in terms of customs tax exemptions on equipment’s and machine import.

#### D. Financial export incentives

Throughout the 1980s, the Turkish government has provided strong incentives to exporters which include tax deduction, export insurance, foreign exchange allocation, exchange rate differentials, customs exemption and tax exemption, as well as technical and administrative support. Some export incentives were provided in direct cash, these include tax deduction from the Support and Stability Fund, which was suspended in 1991[11].Export discounts have been put in place to improve the competitiveness of Turkish exports in world markets by reducing all indirect taxes on export product inputs. The average rate of tax exemptions during 1980-1987 was 16% of total exports.The practice of paying installments from the Export Commodities Support and Stabilization Fund was established in 1986. The payment rate from the fund is close to 10% to 20% for 89 types of items (approximately 400 items), most of them are exportable[14].In 1988, the Turkish Export Credit Bank (Turk Export Exim bank), which provides some export incentives and includes various types of export insurance and export insurance, was operated. The bank provides exporters with different types of insurance: the short-term insurance program, which provides guarantee for exports up to 180 days, and covers 80% of the total risks arising from commercial and political work. The

specific export credit insurance program, which provides five years for commodity exports and covers the risks of re-export and post-export, and the rehabilitation of this program must be at least 60% of the commodity exports produced in Turkey and 15% of the total export value should be paid in advance [12]. All services and transactions of tax exemption are related to commercial bank deals, such company insurances and financial export transactions. The export customs exemption for raw materials, equipment’s and goods packaging materials is an important incentive for exporters.

### IV. EXPORT SUPPORT INSTITUTIONS IN TURKEY

After the text edit has been completed, the paper is ready for the template. Duplicate the template file by using the Save As command, and use the naming convention prescribed by IJSEI for the name of your paper. In this newly created file, highlight all of the contents and import your prepared text file. You are now ready to style your paper; use the scroll down window on the left of the MS Word Formatting toolbar.

#### A. Export Promotion Center (IGEME)

The Export Promotion Center of Turkey established in 1960, when Turkey decided to establish an Exporters' Establishment to help them in marketing their products, provide them with information about products and markets, and find links with foreign investors. The Center works in five essential activities: research, development, training, advertisement, promotion, and international relationship [7].

- Research and Development. The Center, through research and development activities, provides many opportunities for Turkish exporters to find new markets and to increase their participations in the international markets. Research and development activities include the country and market surveys in selected countries. surveys on industrial and agricultural products that prepared for exports also, the marketing information and export process advices in different international markets such as rules, arrangements and producers.with analytical advice and services provided mostly to small and medium companies.
- Training. The Center provides this activity through continuous lectures and workshops. The main objective of the training is to manage exports in small and medium companies located in Turkey. In support of this activity, Turkey is a member of International Agencies of Trade Training Organization (IATTO).
- International Relations. The Center develops the relations with trade promotion organizations in the world as one of the most effective ways to inform all the world about Turkish exports. It has established strong links with trade development organizations around the world. The International Trade Center (ITC) in Turkey focuses on the potential cooperation development.
- Business Information One of the main tasks of the Turkish Export Promotion Center is to provide effective trade information between Turkish exporters and foreign importers. The Center provides commercial information

quickly and accurately through its commercial offices and the information and publications system issued by it

- Advertisement and Promotion the Center has issued a series of publications on foreign importers and exporters. It has also organized Turkish companies' participation in international trade fairs. All these activities provide excellent opportunities for Turkish companies to focus on their efforts and increase their production capacities in the shortest possible time. There are a number of Turkish and English trade publications to introduce Turkish products to the world and make the export and commercial issues more real

#### B. Turkish Exporter Assembly

In the past 50 years, Turkish exporters have been organized into databases according to the product and the product area. Today exporters' institutions are located in each region and each product has a potential source. These institutions cooperate with each other in all Turkish regions. The Turkish Exporters assembly was established in 1993[11].

- Provide solutions to common export problems.
- Organize programs to discuss problems.
- Ensure cooperation and coordination between public and private sectors and between exporters and government offices.
- Build policies to arrange export spread.
- Introducing Turkish exporters to international markets.

#### C. The Turkish Export Guarantee Authority

It was established in 1987 and began its work in mid-1988 and its aim to increase the necessary benefits of export growth as an effective translation of the Turkish state's policy of export to achieve strong economic development. It provides short, medium and long-term loans for Turkish exporters. In addition to guaranteeing Turkish exporters against possible commercial and non-commercial risks. The Authority aims to increase the competitiveness of Turkish exporters abroad and help them create opportunities to enter new markets through providing loans and insurance required for exporters depending on the market as well as product type and classification to be ready to export to foreign markets. This authority is financed by the State Treasury and by external transfers received to balance the budget. The Authority's activities include providing financial resources from commercial banks, concentrating on small and medium enterprises, and cooperation with international financial institutions and international export support authorities [9].

## V. CONCLUSIONS AND RECOMMENDATIONS

### A. Conclusion

As seen in this paper the highlighted of the experience of Turkey in non-oil export development in addition It, was a description of the data that collected for the period from 1975 to 2016 and see the goods exports growth curve. The main

factors that these countries focused on developing their exports as following:

- Paying attention to education, educational institutions and training workers to increase their productivity.
- Adopting high economic policies that aim to encourage exports through trade liberalization, ensuring fair competition and creating an attractive investment environment.t
- Giving the private sector a greater role to participate in development processes and supporting small and medium enterprises.
- Strengthening industrial structure, establishing industrial zones and entering into modern industries such as nanotechnology and robot's industries.
- Paying attention to education, educational institutions and training workers to increase their productivity.
- Support exporters financially through the programs of finance, credit and tax exemptions.
- Establishment of government institutions that specialized in the export promotion and private export companies

### B. Recommendations

- Customs exemptions on imports of raw materials that required for export production.
- Introduce Loans for financing exports with low interest rate and compensate exchange rate differentials, customs exemption and tax exemption, as well as technical and administrative support.
- Indirect support as electricity and water support for export activity.
- Establish Free trade zones and industrial zone especially for export products
- Work on the development of exports as quantity and Quality by diversifying commodity structure of these exports to ensure the stability of their revenues by developing a program to expand the export of manufactured and semi-manufactured goods and raise production efficiency of export industries to promotion of competitiveness in international markets.
- Geographical distribution of export by diversifying market and improve trade relations with other countries.
- Customs exemptions on imports of raw materials that required for export production.
- Attention to commodity specifications, weights, packaging and trade marks as per the requirements of international markets.
- Provide integrated information services on foreign markets and global demand volume and trends to help exporters open up new markets in cooperation with the relevant authorities.

## REFERENCES

- [1] Kingdom vision 2030, Kingdom vision 2030 document (2016), Access date, September 14, 2017, from: <http://vision2030.gov.sa/en>.
- [2] General Department of Administrative Development Saudi Customs (2016), Annual Report - 34th Edition, (Riyadh: Saudi Customs).
- [3] SAMA (Saudi Arabia Monetary Authority) (2016), Annual Report 2015, (Riyadh:SAMA).
- [4] General Authority for Statistics (2017), Foreign Trade- Export Statistics 2016, (Riyadh: Ministry of Economy and Planning).
- [5] Ministry of Economy and Planning (2010), Achievements of the Development Plans (28) Issue, (Riyadh: Ministry of Economy and Planning).
- [6] Atilla Dicle, I. and Dicle, U. (1992), Effects of government export policies on Turkish export trading companies. *International Marketing Review*, 9(3).
- [7] Barlow, R. and Şenses, F.(1995), The Turkish export boom: Just reward or just lucky?. *Journal of Development Economics*, 48(1), pp.111-133.
- [8] Zayed,T.and Kasem S.(2011), Analytical Study of Turkish Exports Support Organizations and the Possibility of Benefiting it in the Syrian Experience.Tishreen University Journal for Research and Scientific Studies -Economic and Legal Sciences Series Vol. (33) No. (4).
- [9] Cecen, A.A., Doğruel, A.S. and Doğruel, F. (1994), Economic growth and structural change in Turkey 1960–88. *International Journal of Middle East Studies*, 26(1), pp.37-56.
- [10] mrdavisabc Alici, A.A. and Ucal, M.Ş.(2003), Foreign direct investment, exports and output growth of Turkey: Causality analysis. In *European Trade Study Group (ETSG) fifth annual conference*, Madrid (pp. 11-13).
- [11] Togan, S.(1993), How to assess the significance of export incentives: An application to Turkey. *Review of World Economics*, 129(4), pp.777-800.
- [12] Zenginobuz, Ü. and Altug, S.(2009), What has been the Role of Investment in Turkey's Growth Performance?, No. 2009/02. Bogazici University, Department of Economics.
- [13] Knoema world data atlas(2016),Brazil, Turkey, Korea - Goods exports in current prices, Access date, December 15, 2017, from: <https://knoema.com/atlas/Brazil/Goods-exports>.
- [14] Turkish exporters assembly (2016), Turkish exporters assembly economy and foreign trade report, from: [www.kucukmucizeler.com](http://www.kucukmucizeler.com)