

Turkey's current account deficit problem and integration into the economic and monetary union of the european union / Emre Unal

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Abstrak

ABSTRACT

Most of the countries in the Economic and Monetary Union (EMU) of the European Union (EU) experienced currency overvaluation and high production costs between 2003 and 2011, which increased their current account deficits. Despite not being an EMU member, Turkey's current account deficit increased in parallel with those of most EMU countries. Although Turkey experienced technological upgrades that changed low- and medium-tech industries into medium- and high-tech industries, increasing exports relative to those of EU countries, it also experienced a high trade deficit, the highest unit labor cost growth in export goods, and one of the most overvalued currencies. Its high production cost, overvalued currency, and industrial policies in the transport equipment industry following technological change combined with insufficient investment in the promotion of low- and medium-tech industries worsened Turkey's trade deficit in the 2000s. Therefore, to increase its ability to compete with EU economies and reduce its trade deficit, Turkey must implement new institutional changes to fix its wage rate growth to the productivity growth of export goods and design new policies in those industries where the trade deficit was stimulated.