theguardian

After BRIC comes MIST, the acronym Turkey would certainly welcome

The term MIST has been coined to describe the next tier of large emerging economies - Mexico, Indonesia, South Korea and Turkey. Can Turkey live up to the hype?

Simon Roughneen

Tuesday 1 February 2011 07.00 GMT

Acronyms have long been a favourite of policy wonks and policymakers, shorthand for describing the world and the changes taking place in it. Jim O'Neill, the Goldman Sachs economist who came up with the now-mainstream "BRIC" catch-all for four quite different economies - Brazil, Russia, India and China - has done it again.

"MIST" - or Mexico, Indonesia, South Korea and Turkey - is O'Neill's latest rhetorical agglomeration, pulling four more far-flung countries together and talking-up the next tier of large "emerging economies".

Pundits might have a field day with this, with MIST obviously more vapid and perhaps lacking the solidity of its BRIC antecedent. Still, all four have in common a number of factors: a large population and market, a big economy at about 1% of global GDP each, and all are members of the G20.

South Korea might chafe at the categorisation - it has a far higher per capita GDP than the others ($27,000) and is a member of the OECD, but Turkey will likely be pleased. Some say the hype (not to mention investment) that could be spurred by MIST is warranted.

Sinan Ülgen heads up Istanbul Economics, a thinktank in the cultural capital. He says: "Turkey became a much more attractive destination for FDI, breaking a new record in 2007 before the global crisis with $22bn of FDI [foreign direct investment] inflows." Investment has waxed and waned since then but, as Ülgen continues, the country has a "large and as yet unsaturated market", which should make it attractive to investors.

Turkey has other assets too. With three grey minarets tacked - rather incongruously - on to the old, faded red brick, the Hagia Sophia, once the largest church in the world and subsequently a mosque, is now a museum, a landmark draw for Turkey's tourist industry.

It works, and even on a cold Thursday morning in January, with the minarets fading into the steely looking sky, hundreds of visitors lined up to roam the vast mosaic-covered interior. By 2023, the centenary of the founding of the Turkish Republic, the country hopes to have more than doubled arrivals to 63 million, thereby becoming one of the world's top five tourist destinations. It is all part of Turkey's plan to rise up the global economic ladder, partly by taking advantage of its location as a natural bridge from east to west. One can, after all, cross from Europe to Asia in Istanbul.

Sumru Altuğ is professor of economics at Koç University. She observes that "Turkey's potential lies in its ability to exploit its proximity to markets in the region such as the Middle East, Central Asia, the Balkans, Russia as well as taking advantage of the energy market in the region".

With the country's European Union membership prospects diminishing, it seems, Turkey is looking toward its nearer neighbours for economic opportunities. The government of the Islamic-leaning Justice and Development party has just launched the country's first Islamic investment fund, making Turkey a belated entrant to the growing sharia finance sector. Ankara has established visa-free travel arrangements with Jordan, Lebanon, Libya and Syria, with similar bilateral deals under discussion with other countries in the Middle East and North Africa.

However, the prominence of the Silk Road is much less than it was, and it is not like Turkey can merely replicate its Ottoman-era past, utilising its geographic position to collect taxes from traders. Nowadays, asAltuğ puts it: "One must create a favorable tax environment, undertake infrastructure investment, and be competitive against many players at once."

Being competitive might not be easy. Turkey has relatively high labour costs and its main exports - such as cars and textiles - are under pressure from Asian rivals, while hi-tech investment does not as a rule go to Turkey. Labour force participation by women is a low 22%, says Ülgen, and there are wide economic disparities between more affluent areas, such as around Istanbul, and the country's east and north-east, where per capita incomes are lower by a factor of 10.

Youth unemployment is high - 25% according to the OECD - though a young population can spur growth when harnessed properly. Unlike Asia's growing economies, domestic savings are low, while Turkey seems to have a perennial balance of payments deficit. Legal reforms are necessary too, according to the economist Emre Deliveli, a regular on "Dr Doom" Nouriel Roubini's RGE Monitor website. The country's new Commercial Code should, he hopes, be "geared towards facilitating ease of doing business", as otherwise the country's potential could be squandered.

More blogposts

Topics

G20 Turkey Economics South Korea Mexico More…