

## REFLECTIONS ON TURKISH AGRICULTURE AND COMMON AGRICULTURAL POLICY

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A review of the relations between Turkey and the European Community is of immediate importance, because of the southern enlargement. Turkey's full membership prospects seem to lie far off from the calendar foreseen in the Ankara Treaty and in the Additional Protocol. Nevertheless, the problems of a hypothetical accession as well as the possible impact of EC's enlargement, the revisions in Common Agricultural Policy, the discussion on the founding treaties of EC, and the changing structure of Turkey's foreign trade are regular topics on Turkey's agenda.

### Introduction

Turkey has been an associate member of the European Community (EC), since the signing of the Ankara Treaty in 1963. Despite the passage of twenty-two years, the economic relations are far from the intended level of rapprochement. With a more suitable political climate Turkey will most probably prefer a direct application for full membership instead of a new attempt at revitalization of the association. Association experience proved to be an unsatisfactory way of establishing a groundwork for the accession of Turkey. A review of the relations with EC is of immediate importance, because of the southern enlargement. The Community has integrated the Mediterranean countries of Greece, Portugal and Spain, with agricultural sectors which bear strong resemblance to that of Turkey.

### Turkey's Full Membership Prospects

The full integration of Turkish agriculture to Common Agricultural Policy (CAP) seems to lie far off today from the time perspective

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forseen in the Ankara Treaty and in the Additional Protocol. The optimism of the earlier periods is forlorn, but not because of an unsatisfactory performance of Turkish agriculture. Since 1964, both the Community and Turkish agricultural policies, if measured in physical terms, i.e. increases in output and productivity, have been successful. At least, the position of Turkish agriculture relative to the Community is today not worse than before. The conflicts now stem more from the problems CAP is confronted with.

Agriculture is one of the few sectors for which EC has a common policy, but "common" only concerning the formal aspects of integration. Since 1964 CAP has not been a stable reference point, according to which Turkey's agriculture could have been adjusted. The instability stems from the great divergence between the World Market and Community's support prices. This difference leads to pressures of different interest groups, which result in frequent changes in rules and regulations. The decision process for such changes necessitates a compromise policy, i.e. agreements require unanimity. Each time, special concessions are offered to those countries opposing these changes and frequent changes make the support system more and more complex. Moreover the concessions lead to a slowdown of the integration process. Agricultural markets within the Community may not be regarded today as more integrated than prior to the establishment of the Community (See Bale, Koester, 1983: 373-381).

All these observations above imply that CAP is not finalized yet as far as Turkey is concerned. It is not a rigid reference point according to which the possibility of full integration of Turkish agriculture, at an unknown future date, can be measured and the implications deduced with much precision. The Programme of the Commission of the European Communities seeks, after new reforms of CAP in 1984, new prospects for European farming already in 1985 (CEC, 1985: 15). Changes in founding treaties are also on the agenda.

If Turkey applies for full membership now, the indeterminacy to be caused by the intended institutional reforms will most probably stimulate arguments calling for a delay by a special agreement. Any rapprochement policy which foresees special agreements promising favorable concessions until Turkey reaches the "desired level" of development in agriculture outside CAP will probably not work out satisfactorily. Although the association period (1964-1985) exhibited

short-lived advantages of special agreements like the Additional Protocol, there is always the risk of extending these special offers to other non-member countries. It is exactly this experience that strengthens Turkey's determination for an application for full membership.

The compatibility of the accession of Turkey to EC has been disputed in the past usually by referring to the differences in agricultural structures of both parties. This argument was probably justified at the beginning as there were only six members of the Community. But the present mixed character of the Community containing as it does both industrialized and industrializing countries (EUR 12), will weaken many of the structural difference arguments used against Turkey's membership. Moreover, rationalization of Turkey's agriculture outside CAP will not lessen the structural differences relative to whatever degree of homogeneity for EUR 12 is assumed, as long as the cost and price structures differ widely. Under the assumption that integration is desired by both parties, the delay in full accession implies only a delay in finding a solution to the same problem.

Another often disputed counter argument concerning the Turkish entry to EC was that incentives, which would be offered by CAP in order to eliminate the gap between the levels of development, might activate the "huge" potential of Turkey's agriculture, contributing to the already existing problems of overproduction, upsetting the internal market balance of EC and increasing the budgetary burden. This argument will be renewed because of the integration of Greece, Spain and Portugal. The degree of self sufficiency for Mediterranean products in EC will substantially increase.

The probable effects of the EC's enlargement on Turkey's foreign trade may be analysed to a certain extent by the help of Finger-Kreinin index (Finger-Kreinin, 1979: 105).

$$S(ab, c) = (\sum_j \min(X_j(ac), X_j(bc))) / 100$$

S measures the similarity of export patterns of country a and b to market c. Where  $X_j(ac)$  and  $X_j(bc)$  are the shares of commodity j in a's and b's exports to c respectively.

The export similarity indexes between Turkey and the new entrants are not stable, but they exhibit a consistent trend over the period 1980-1983. The index between Greece and Turkey has declined after



Table 1  
Indexes of Similarity Between Agricultural Exports of Greece, Portugal, Spain  
and Turkey to the European Community

Exporting Countries	Import Market: European Community			
	1980	1981	1982	1983
Turkey / Greece	59	66	57	48
Turkey / Portugal	15	16	18	21
Turkey / Spain	62	66	68	73

Source: EUROSTAT, NIMEXE tables (1980, 1981, 1982, 1983), product groups 01-24.

Greece became a full member. Greece has shifted its agricultural exports in line with the new incentives offered in EC (Akder, 1985). Whether the trade divergence effects will be stronger because of the entry of Spain and Portugal cannot be answered yet. Spain might affect Turkey's agricultural exports more than Greece. The export similarity in 1983 between Spain and Turkey is considerably higher than the similarity index between Greece and Turkey in 1980. The tariffs on agricultural imports from Greece were lowered before Greece's accession to the Community in 1981, but Turkey's position was more advantageous before Spain's full-membership in 1985.

Further increases in Turkey's agricultural exports to EC will depend upon her ability to channel increases in production (exportable surplus) to crops where self-sufficiency in EC is yet to be achieved and to make full use of the early season advantage that she enjoys. Changes have already occurred in this direction. The commodity concentration of agricultural exports to EC seems to be declining. A measure of this is the Gini-Hirschman coefficient (Hirschman, 1969: 159).

$$C_{jx} = 100 (\sum (X_{ij} / X_j)^2)^{\frac{1}{2}}$$

$X_{ij}$ : value of country  $j$ 's exports of commodity  $i$  (here) to EC.

$X_j$ : total value of country  $j$ 's exports (here) to EC.

The calculations were made for the two digit product groups of NIMEXE tables 01-99 and for agricultural products 01-24. The coefficients are presented in table 2.

Actually high levels of commodity concentration of exports were associated usually with dependence on a few primary products and with instability in export earnings (See McQueen, 1976: 27-28 and

Table 2  
Commodity Concentration of Turkey's Exports to EC

	1980	1981	1982	1983
Total Exports to EC	41	37	32	31
Agricultural Exports to EC	70	63	60	55

Source: Eurostat, NIMEXE tables (1980, 1981, 1982, 1983).

Knudsen, 1975). This new trend in Turkey's exports may be interpreted as a positive sign.

This trend may become stronger if irrigation and complementary modern techniques bring enough flexibility to the existing cropping patterns. The most important constraint on Turkish agriculture is irrigation. Area which can be irrigated amounts to 8.5 million hectares, but until 1983 only 1 / 3 of it could be irrigated (SPO, 1982: 99). Although the importance and key position of irrigation is obvious, rapid improvements in this respect cannot be expected.

There are several reasons for this: Irrigation projects are capital intensive and financing them faces certain difficulties. The success of the projects depends upon providing on farm extension work, in order to train the farmers in utilizing the new technology in the most efficient way, and this takes time. Irrigation as a new technology, furthermore, requires the use of modern complementary inputs, but increased capital intensity means increased demand for scarce foreign exchange and domestic savings. One might expect extensive improvements through irrigation in Turkish agriculture, but the diffusion of this technology will take time and therefore the growth and diversification of agricultural output will not be immediate.

At present it is not possible to give sound estimates on the budgetary effects of Turkey's hypothetical accession. The incidence of the budgetary burden on EC need not be an excessive one. There may be a range of flexibility, which might depend on the measures that may be agreed upon during the negotiation process. Furthermore, the major export products of Turkey like fresh vegetables, fruit, tobacco and cotton receive little support, while beef, cereals and milk products, which Turkey does not export, are major categories of the CAP budget. For many agricultural products, duty decreases, which have been applied until now, will reduce some of the burden. The widespread application of guarantee thresholds, as it is suggested since 1984 may also limit

the budgetary problems. Still, the prospects for Turkey's entry remain poor, if the problems of CAP are not solved. Then Turkey's prospects will probably depend only on non-economic considerations (See Kramer, 1984: 99).

### **Possible Implications of a Hypothetical Accession**

From the economic point of view, the implications of the accession will largely depend on the prevailing price structures at the prospective date of accession. If the present form of CAP is preserved and price level differences between the two parties remain, then the implications (adjustment problems) will involve Turkey more than the Community. One may expect transfer of income to Turkey via CAP. The magnitude of such benefits and the prospects for acceptance to EC are probably inversely related. Turkey will find support more forthcoming if she costs less to the Community budget. Sharp increases in agricultural prices, even if they were applied in Turkey in stages, will have inflationary effects and the wage increases which will follow may weaken the competitiveness of the industry.

The accession may imply an increase in agricultural exports to EC, but it is likely that agricultural imports will increase as well. Especially in the beginning, imports of processed foodstuff may increase. In addition, full membership will also open Turkey's agriculture to competition from the third countries.

Agricultural institutions in Turkey have to be reorganized for support policies as in EC. The support policies have to be stopped or rearranged. New institutions have to be established, especially for crops which are not under the support programmes in Turkey now. Training of qualified personnel for these institutions and their extensions in Brussels will also be necessary.

CAP will be more beneficial for relatively large farms, which then will have income distribution and regional implications in Turkey. Not only land but also social security, professional training, land consolidation reforms will be necessary for a smooth accession, additional policies will emerge for the adjustment in other sectors of the economy. All these changes will necessitate new legislation for agriculture.

The accession to EC may cause, under different assumptions, different problems which are not touched upon here, but given today's trade relations and political involvement, if Turkey remains outside the

Community, whereas all her Mediterranean neighbours are integrated, the problems she will face, will probably be not less than those she is likely to face within the Community.

#### **The New Economic Policies since 1980 and a Comparison of Turkish Exports to the Middle East and to EC**

The government policies with respect to agricultural markets prior to 1980 and afterwards are not different but one can notice important changes in the degree of these policies. The major policy instrument, support prices for major agricultural products (around 23) continued as before. The interventions in the markets of these products through state economic enterprises continued. The Ministry of Agriculture was reorganized in 1984, and value added tax was introduced in 1985. Subsidies for agricultural inputs, especially for fertilizers, declined and increases in agricultural support prices were oriented to the "desired" inflation rate.

Efforts of liberalization in foreign trade may be considered as a consistent policy for rapprochement to EC. The share of Turkey's total exports to EC, which were already declining prior to 1980, fell very sharply between 1978-1983. It was, in fact, trade with Middle Eastern countries that gained in importance during this period. Changing pattern of trade with EC is not in absolute terms. Total exports to EC have increased continuously but relatively less than to the Middle Eastern countries. In 1984 the share of exports to EC has also improved relative to Middle Eastern countries.

The structure of Turkey's exports to EC and Middle Eastern Countries (Iraq, Iran, Kuwait, Libya, Lebanon, Egypt, Syria, Saudi Arabia, Jordan) exhibit an increasing dissimilarity. To measure this, Finger-Kreinin similarity index has been used. Here instead of the comparison of export structures of two countries in a market, the export structures of Turkey in EC and in the Middle East have been compared. The data from which the calculations were made, were taken from the NIMEXE tables of Eurostat and Turkish State Institute of Statistics. The calculations were made over the two digit categories 01-99. The indexes are presented in Table 3.

The divergence indicates that these two markets are not "alternatives" for all export products of Turkey. They are rather specialized for certain products. (Akder, 1985a).



Table 3  
Similarity Indexes of Turkey's Exports to EC and Middle Eastern Countries

Importing Countries	Exporting Country: Turkey			
	1980	1981	1982	1983
EC / Middle East	39	40	34	28

Source: EUROSTAT, NIMEXE tables (1980, 1981, 1982, 1983) and SIS Foreign Trade Statistics (1980, 1981, 1982, 1983).

On the other hand, the increasing food exports of EC are competing with Turkey's agricultural exports in the Middle East (Şahinöz, 1984). Once again, Finger-Kreinin index may help for measuring the similarity of trade structures between Turkey and EC in the Middle East (same countries as in Table 3).

Table 4  
Indexes of Similarity Between Exports of Turkey and EC to the Middle East

Exporting Countries	Import Market: Middle East			
	1980	1981	1982	1983
Turkey / EC (Total exports)	29	36	43	40
Turkey / EC (Agr. exports)	36	42	45	50

Source: Eurostat, NIMEXE tables (1980, 1981, 1982, 1983) and SIS Foreign Trade Statistics (1980, 1981, 1982, 1983), two digit product groups 01-99 and 01-24.

Hence the similarity of agricultural export structures have increased from 36 in 1980 to 50 in 1983.

Turkey's increasing exports in the Middle East are not independent of the Common Market, although Turkey's trade structure in both markets are dissimilar. The situation may be summarized in the following manner: Turkey's exports are competing on the one side, with the exports of the new entrants, Greece, Portugal and Spain, in the European markets, while on the other, Turkey's products, which are not "competitive" on European markets but exportable to Middle East are competing with the exports of EC.

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## ÖZET

### TÜRKİYE TARIMI VE ORTAK TARIM POLİTİKASI ÜZERİNE

1963 yılında imzalanan Ankara antlaşmasından bu yana Türkiye'nin Avrupa Topluluğu ile süren ilişkileri erişilmesi arzulanan düzeyin çok altında kaldı. Bundan böyle Türkiye'nin ortaklık antlaşmalarını geliştirmek yerine, uygun bir ortamda, doğrudan tam üyeliğe baş vurması daha büyük olasılık.

1984 yılında Topluluğun ortak tarım politikasındaki düzenlemeler, 1985'de güneye doğru genişlemesi ve kuruluş antlaşmalarının yeniden ele alınması, Türkiye'nin dış ticaretindeki gelişmeler, Avrupa Topluluğu ile süregelen ilişkilerin yeniden gözden geçirilmesi ni gerekli kılıyor.