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**TURKEY BEYOND CAP:
AGRO-FOOD COMMERCIAL RELATIONS WITH EMILIA-
ROMAGNA**

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Abstract

The objective of this paper is to analyse the role that European countries' institutional relations and economic policies have in improving the competitiveness, sustainable development and structural adjustments of farms and agro-food economy in Turkey by supporting sustainable and long-lasting foreign agricultural commercial relations. In particular, the paper analyses the case study of Turkey and Emilia-Romagna region agro-food economic trade and the institutional relations developed within a political and institutional framework of actions over the last decade showing how these initiatives have contributed to enhance the role of Turkey as an increasingly important trade partner country. The paper concludes that future CAP budget constraints should lead to a forward looking European enlargement policy towards candidate countries with agriculture oriented economies aiming at supporting agro-food economic relations and eventually a diminishing role of direct CAP support.

Keywords: Agro-Food Policy, Turkey, International Trade, Cap, Enlargement

JEL Code: Q10, Q18

Rural development policies in EU and Turkey

Both European Common Agricultural Policy (CAP) and Turkey National Rural Development Strategy aim at investing funds for increasing competitiveness of agriculture. As stated in the Community strategic guidelines for rural development approved by the Council “the reformed CAP and rural development can make a key contribution to competitiveness and sustainable development in the coming years”. In particular, one of the main lines of activities in rural development policies and plans for 2007 to 2013 is Axis 1: Improving the *competitiveness of the agricultural and forestry sector*. Similarly, Turkey National Rural Development Strategy identifies as *Strategic Objective 1: Economic Development and Increasing Job Opportunities*. In particular, the restructuring process in agriculture (...) means that market-oriented and high competitive agriculture structure necessitates; transformation of agricultural enterprises into rational economic units, productivity increase in production, an organized agriculture sector, effective functioning of market mechanisms and its institutions, and development of food industry sector which directly affects rural economies. It is clear that European and Turkish policy objectives are in line thereby setting the conditions to define also other public policy initiatives that can contribute to the achievement of those mutual objectives.

Turkish enlargement and Common Agricultural Policy

In 2004 European Union decided to start negotiations for accession of Turkey to the EU. Following this decision there has been discussion in all European countries regarding the cultural, religious, social and economic consequences of such perspective. As 2007 Eurobarometer polls show, the share of the EU population that opposes Turkish EU membership has risen steadily over the last decade, and from 2005 to 2007 it has exceeded 50%. Reasons are the most varied involving both daily life issues and long-term strategies. Enlargement-related fears are immediate and personal such as loss of jobs, threat of terrorism, weakening of national culture, whereas the benefits are strategic, long-term and rather abstract to most people, such as future economic growth, stronger EU foreign policy and energy security.

Within the academia, the number of research works which analyse the possible consequences of Turkish enlargement on CAP is high, and the majority of them conclude that the expected costs to the EU and CAP budget that is transferred to Turkey to finance agricultural support payments are high. Even to the extent that a substantial reform of CAP is needed even before the current programming period, that is 2013 and that Turkish full accession to EU should foresee a gradual adaptation to CAP. However, other advantages of economic nature are identified, such as expected static and dynamic gains from free trade and enlarging market size, and increased possibilities for further economic cooperation and foreign direct investments. These advantages represent the starting point of the analysis regarding the economic potential areas of specific regional areas of Italy and Turkey.

Turkish agricultural sector

First, the share of agricultural sector in Turkey in terms of GDP is 9,2% (2007) compared to 1,9% of EU 15 thus reaching the 17th position as economic dimension among world economies. Second, despite the fact that the share of agricultural employment differs from country to country in EU, i.e. 2,2% in UK and 20% in Greece, the shares are still much lower than the Turkish ones as the agricultural sector represents 27,3% of the total Turkish employment and keeps its relative importance in the Turkish labour force. This means that if Turkey was to join the EU today it would more than double the agricultural population, adding 7,2 million people to the current 6,9 million. Although the above elements provide the picture of an agriculture oriented economy, it is important to underline that Turkish agriculture has a contradictory structure; on one side, commercial farms and export-oriented chains, on the other side, a subsistence or semi-subsistence farming. Food industry constitutes 20% of the manufacturing industry production value and provides employment to approximately 250.000 persons.

Several international business analysts and also some European countries are aware of the opportunity of making Turkey a privileged commercial partner in the agricultural sector. Some Italian regions overcome the view of Turkey as a backward country whose agricultural economy will depend on European subsidies and income support for farmers. Rather they are working for establishing and reinforcing strong political and economic relations with particular attention to regional agricultural policy and agro-food industrial economic relations.

Trade relations between Turkey and Emilia-Romagna region

Emilia-Romagna agro-food industry is one of the world's most competitive. Both in value added (2004) and exports terms (2007), Emilia-Romagna agro-food system is worth about 15% of the national amount in the same industry (against about 10% of the regional average impact on the global Italian economy). With an annual turn-over of 44 billion euros and quality products renowned throughout the planet, the food industry is one of the driving forces of the region.

Data on trade relations between Turkey and Emilia-Romagna region show that Emilia-Romagna import values from Turkey have exceeded 590 MEURO with an increase of 56,39% and Emilia-Romagna export values to Turkey have reached to 767 million € with an increase of 41,51% since 2004. For the agro-food sector the import value of Emilia-Romagna from Turkey is over 22 million € in 2007 which is 86,12% higher than 2004 figure and Emilia-Romagna export to Turkey is over 11 million € which is also higher than 2004 with 96,04%. The agro-food sector includes approximately 3,77% of Emilia-Romagna imports values from Turkey and 1,5 % Emilia-Romagna export values to Turkey.

As seen from the figures Emilia-Romagna is an importer in agro-food sector rather than an exporter for Turkey. It is also seen that during this 4-year period, the Emilia-Romagna import figures from Turkey for products of agriculture, hunting and forestry, which can be classified as raw materials, are nearly remaining the same while the import of manufactured

food products etc. has an increasing trend. The increase in manufactured food products import values have exceeded 15 million € with an increase rate of 179 %.

In exports the picture is a little bit different. In 2004-2007 periods the raw material export figures of Emilia-Romagna to Turkey have increased by approximately 218 % while the manufactured food products increased by 29 %. Although the share of agro-food sector in total trade is relatively small in comparison with other sectors, it has the most rapid growing rate in trade. In synthesis, the agro-food sector trade between Turkey and Emilia-Romagna seems to continue to keep the increasing trends and is likely to reach higher values in the forthcoming years.

Emilia-Romagna institutional initiatives for strengthening commercial relations with Turkish regions

This paragraph focuses on Emilia-Romagna forward-looking initiatives supported during the last few years which aim at strengthening political and agro-food commercial relations. Emilia-Romagna, in cooperation with its Regional Development Agency - ERVET, participated in a number of projects aimed at supporting institutional capacity building of Turkey central and regional bodies for regional and agricultural planning and programming and promoting agro-food commercial relations.

In 2005 Emilia-Romagna, in cooperation with its Regional Development Agency – ERVET, participated in a Twinning project with Turkey aimed at strengthening its integrated mechanisms for the development and implementation of regional policy and institutional capacity for the management and coordination of regional development policies and the implementation of projects supported with EC funds. Given the Twinning project positive outcome, the Italian Department for Development and Cohesion Policies (DPS) was interested in reinforcing the cooperation with Turkey. Therefore, an Italy-Turkey bilateral cooperation was carried out in the year 2007, supported by Emilia-Romagna Regional government and ERVET contribution. This new project coincides with a crucial period in Turkey's regionalisation process, providing active assistance to the Turkish Prime Ministry - State Planning Organisation (SPO) simultaneously to the beginning of negotiations related to Chapter 22 (Regional Policy and Coordination of Structural Instruments) of the Treaty for Turkey's accession to the European Union.

In such a framework, the establishment of the first two Development Agencies (DAs) operating at NUTS 2 Regions' level, respectively in Adana/Mersin (Cukurova Region) and Izmir foreseen by Turkish government, turns out to be extremely relevant and provides a fundamental test of development and cohesion strategies in a Country characterised by extremely strong disparities amongst Regions, relevant domestic migration flows from rural areas towards large urban centres (Izmir and Adana are respectively Turkey's third and fourth cities in terms of population), strong administrative centralisation, as well as a system of public investments conceived at a mere sectorial level and insufficient with regard to territorial policies and local dynamics.

The purpose of the bilateral cooperation project was to strengthen the capacity and impact of development agencies in Turkey and accelerate their governance role through the definition of a functional methodology for a regional development strategy, directly replicable by SPO in all the regions concerned with the establishment of such Development Agencies.

In addition, by funding and carrying out the bilateral project, the Emilia-Romagna Regional Government's purpose was to facilitate and consolidate the economic relations between the two areas. Since the Aegean and Cukurova Region are potentially good economic partners for Emilia-Romagna enterprises thanks to the intensive presence of manufacturing industry and infrastructures, Sprint-ER¹, the internationalisation office of regional government, became interested in setting up initiatives with Turkish public and private entities (beginning from the DAs) devoted to support the internationalisation of the productive system, so that the institutional framework contents would be translated into practise and operative actions.

For this purpose, at the beginning of 2008, Sprint-ER started out a specific project aimed at opening agro-food regional firms to the Turkish market in order to establish trade or productive business relations. This project, fifteen months long, consists in a free support and consulting service to the Emilia-Romagna agro-food firms interested in foreign markets, aimed at elaborating individual company profile, scouting possible business partnership over the Turkish market, managing an entrepreneurial mission in Turkey with specific b2b meetings and developing appropriate business plans. This project is carried out in cooperation with all chambers of commerce local offices. The underlying hypothesis of the project is that the important productive similarities of the Aegean and Cukurova regions and Emilia Romagna could represent business opportunities to be supported with specific regional system initiatives.

Cukurova regional economy: analysis of agriculture and agro-food sector

Agriculture and agro-food industry

Agriculture has always been an outstanding sector for Cukurova region. Adana and Mersin produce 4% and 3% of the country's agricultural products. However, the share of agricultural employment of Cukurova region has continuously declined from 58,5% to 43,1% between 1980 and 2000, which is a coherent result with the national trends (see graph XX).

When the number of local units and employment of the agrofood sector are considered with respect to the whole manufacturing sector in Cukurova for the year 2002, it is seen that the leading manufacturing sector is manufacture of food products and beverages with 15% in local units and 17% in employment respectively. The significant point here is that this sector is important for the region not only in terms of the number of firms but also the employment it creates.

¹ SPRINT-ER one-stop-shop is the operational tool of the Emilia-Romagna Region for the development and support of the regional manufacturing system internationalisation. It provides enterprises with information, support and consulting services on how to use (promotional, financial and insurance internationalisation tools)

Export exchanges of Çukurova region in agro-food sector

Cukurova region (Mersin and Adana provinces) covers the most fertile agricultural lands of Turkey and it is one of the leading exporting regions of Turkey in terms of agricultural products and agrofood industries. The following table shows the agrofood sector export volumes of Cukurova and Turkey for the year 2006 in 1000 USD and the share of the regional values compared to the national ones. It can be observed that 22,6% of the total Turkish agrofood sector exports is realized by Cukurova region. The leading export chapters within the region are mostly raw agricultural products such as fresh fruits, vegetables and miscellaneous edible preparations respectively. When the shares of the region with respect to the national export volumes are considered, the leading export chapter of the region is vegetable saps and extracts with 87,5%, followed by vegetable plaiting materials and vegetables with 56,6% and 27,5% respectively.

The following graph shows the export volumes of Cukurova region between 2002 and 2006. In all of the export products, there is a decline in export volumes in 2004. After 2004, there is a sharp increase in the export volumes of nearly all of the products, but the sharpest increase is observed in fresh fruit and vegetables exports. These two leading products are followed by miscellaneous edible preparations, products of the milling industry and animal or vegetable fats and oils respectively.

Izmir regional economy: analysis of agriculture and agro-food sector

Agriculture and agro-food industry

In terms of income levels, Izmir ranks 6th in Turkey with a \$3,215 per capita income (2001 TURKSTAT). Izmir's contribution to Turkey's tax revenues, total manufacturing industry and GDP is 10%, 9% and 7.6% respectively. There are 272,000 artisans, 60,000 enterprises and 6,000 factories in Izmir. Two free trade zones and 19 organised industrial zones are located in the city, some sector-specific, but most accommodating companies from various sectors. Izmir's traditional exports are agricultural products, foodstuff, textiles, clothing and iron and steel. Products such as cotton, figs, grapes, tobacco, olives and olive oil that form the basis of the Aegean agro-industry, have a worldwide reputation for their premium quality. However, as a result of industrialisation, electronics, automotive, chemicals, ceramics, beverages and beer are replacing traditional export items in terms of volume of trade. The major imported items are fuel, machinery, steel, transportation vehicles, chemicals and plastics. According to 2005 figures, Izmir is responsible for 18% (\$12.8 b) of total Turkish exports and 13% (\$14.6 b) of total imports. The Aegean region has an important place in the production of food and agricultural produce both in local and export markets. The basic export products of Turkey before the 1980's, then named as the 'five pearls of Izmir' i.e. cotton, raisins, figs, tobacco and olive and olive oil, have attracted major food investments to the region. Izmir ranks second after Konya in terms of value of agricultural produce. Vegetables (mainly tomatoes and cucumber) form the bulk of agricultural produce, followed

closely by fruits (olives, grapes, mandarins, cherries, peaches, figs). On the other hand, cotton is the most widely grown field crop followed by wheat, corn and tobacco in almost equal measures. Milk, beef, lamb, poultry including turkey meat, eggs and honey, are the main animal products of the region. The city has also been a pioneer in organic farming. 40% of the country's organic farming is done in the Aegean region. Aquaculture also plays an important role in Izmir's economy, as the city has 585 km of coastline.

Export exchanges of Izmir region in agro-food sector

Izmir is one of the most important trade centers of Turkey with its over 4000 exporters. Italy has always been an important trade partner for Izmir and Turkey for many years. Italy has a solid place in Izmir's top 5 export destinations with a share of over 7 %. When we examine Izmir export values with Italy, there is an upward trend and agro-food sector has the biggest share. Even though the agro food sector exports to Italy from Izmir had diminished from 2006 to 2007, it must be kept in mind that in year 2007 due to drought and negative weather conditions, the agro-food sector trade had been affected negatively in general. The main export items of Izmir are dried fruits & vegetables, prepared or preserved foods and oils.

Conclusions

To conclude, in order to contain the risk of a CAP dominated by redistributive policies due to Turkish enlargement, EU pre-accession policies in favour of higher efficiency and competitiveness of agricultural and agro-food production of Turkey should be accompanied by European countries' enhancement of the role of Turkey as an increasingly important trade partner country. Various international players are tightening their links with Turkish agro-food sector either by creating bilateral agreements with Turkish enterprises, by investing directly in the territory or as a channel to get into new trade markets. As shown in this analysis there are spaces and opportunities to exploit the economic and business opportunities of Turkey agro-food sector. However, this perspective needs to be sustained and supported by policies, set not just by the European Union, but also by national and regional governments and bodies such as development agencies and chambers of commerce. In order to optimise the possible results, these trade and commercial policies could reinforce its basis thanks to stable institutional relations with adequate coordination among not just different institutional bodies, but also at the same layer of government or same body. In final analysis, the concrete impact of agro-food commercial relations supporting policies among Emilia-Romagna and Turkish regions is still early to be fully assessed, but represents a first significant step towards a forwarding agricultural policy coherent with future CAP budget constraints.

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