Commissione europea

Ministero degli Affari Esteri

CAMERA DI COMMERCIO MILANO

PROMOS
Internazionalizzazione e marketing territoriale

CIPMO
Centro Italiano per la Pace in Medio Oriente

UniCredit

t! fenomeno Turchia

forum 2011-2012

Turkey Phenomenon II. Economic integration in Europe and Mediterranean

Presentation to the business community of Lombardy and Italy

2012 June 12

Introductory Paper

by: Franco Zallio

Senior Consultant Mediterranean and Middle East

Turkey: growth and economic integration

By Franco Zallio, Senior consultant Middle East and Mediterranean

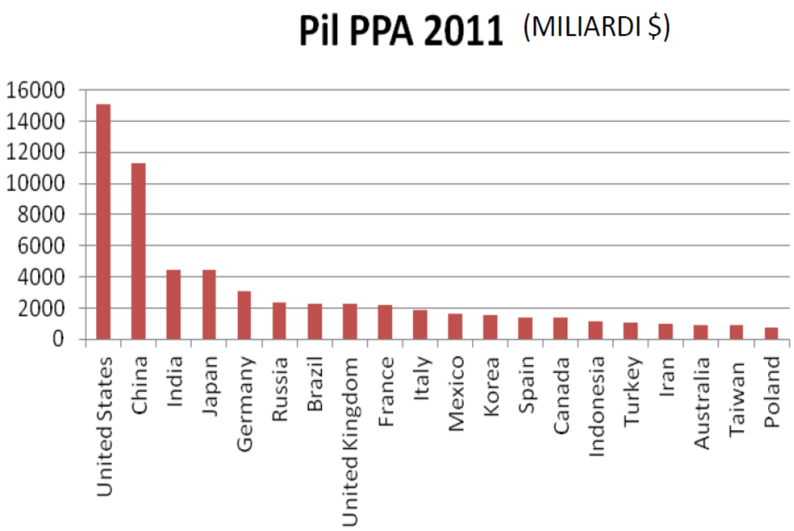
The economic boom of the last decade and the rapid recovery after the 2008 global financial crisis have reinforced international interest in Turkey, as the crossroads of Europe and the Middle East both politically and economically. Economic integration with Europe has played a central role in supporting Turkey's economic growth but in recent years the accession negotiations were stuck, and the role of EU countries in Turkish foreign trade has been declining, while Turkey's economic integration with Islamic countries of Middle East and North Africa (MENA) is increasing, supported by a more active foreign policy and several trade agreements.

This paper therefore addresses three main issues:

- The sustainability of Turkey's economic growth: after the economic slowdown this year, will growth pick up at high rates or will the large financial and trade imbalances force Turkey to retrace the poor performance of the nineties?
- Economic integration with European Union countries: will the growing disaffection towards Turkish accession to the EU entail a deterioration in economic relations?
- The intensification of economic relations with MENA countries: will this trend go on over the long term or will it go running out? And what is the impact of the so-called Arab Spring?

- **Will the strong economic growth of the last decade be sustainable over the long term?**

Turkey aims to become by 2023 (the 100th anniversary of the Turkish Republic) one of the 10 largest economies of the world in terms of GDP at Purchasing Power Parity. It's a very ambitious goal considering that in 2011 Turkey ranked 16th, as shown in the graph. Achieving this goal requires a further improvement in the bright economic figures achieved over the past decade. After the 2001 severe economic crisis, whose outcome was the rise of the Islamic AK Party, a decade of high and broadly stable economic growth has got underway. From 2001 to 2011, Turkey's GDP grew on average by 5.3% per annum in real terms, despite the negative impact of the international financial crisis: in 2008, real GDP grew only by 0.7% and declined by 4.8% in 2009. Turkish economy has then recovered rapidly, with growth rates of 9.0% in 2010 and 8.5% in 2011. GDP per capita increased in



nominal terms from $ 3.000 in 2001 to over $ 10.000 in 2011, it means by 48% in real terms.

Substantial stability of Turkish economy over the last decade is particularly significant; even the negative impact of the international financial crisis was lower than in most world economies. This fact is extremely revealing since it clearly distinguishes the recent Turkish economic performance from the previous decade.

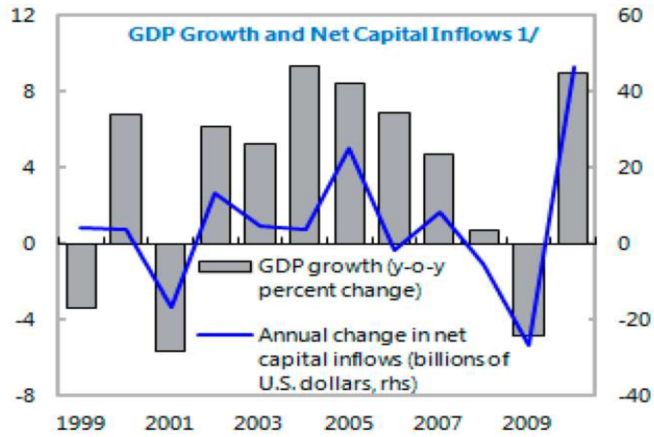
Indeed, since 1993 - when Turgut Ozal, the father of economic reforms of the eighties, died - to 2001 a relevant political instability went hand in hand with an equal economic instability. Economic growth showed a “see-saw” trend, with three episodes of severe recession in 1994, 1999 and 2001, when real GDP shrank respectively by 5.5%, 3.4% and 5.7%. In the same period, inflation rates were very high, with an average of 77% per year. Furthermore, in 2001 a very serious crisis broke out in Turkish banking sector, which forced a government intervention based on burdensome recapitalizations.

Given the experience of the nineties, the recent economic performance is very satisfactory, but the question arises as to whether it will be sustainable over the medium - long term. Has Turkish economy really made a breakthrough and solved structural problems that plagued it in the nineties, and will it manage then to continue or to accelerate its expansion over the next decade? Or will structural problems, after being disguised by temporary positive effects, strongly re-emerge over the coming years, in an international economic environment that exacerbates risk factors? The latter hypothesis is the basis of recent negative assessments on the economic outlook of Turkey, such as that which prompted Standard & Poor's in May to lower Turkey's sovereign rating (BB, below investment grade) outlook from positive to stable, stressing the strong external vulnerability of Turkish economy.

To assess the reliability of these negative assessments we must identify the principal risks to which Turkey's economic growth is exposed. In the present context, which pays a frantic attention to sovereign risk, high foreign financial needs and especially a strong dependence on volatile financial flows (hot money), represent the most significant risk factor.

However, we shouldn't forget further structural weaknesses, in common with many advanced economies, primarily the increase in the unemployment rate. The high economic growth over the past decade allowed for the absorption of some of the large labor force who had abandoned farming, joining the new entrants to the labor market. However, unemployment, representing 6-7% of the labor force in the second half of the nineties, has remained steady for the last decade at around 10%, with a negative peak of 14% in 2009, and during the first quarter of 2012 it was still at 10.4%.

This is a source of concern, as it is a sign of rigidities in the production system, which are also behind the sharp increase in imports, while its impact on social and political consensus is less relevant. The latter is indeed ensured by some successful economic policies, among others the social housing program implemented from 2003 to 2010, which has produced more than half a million of housing units without burdening public finances, by using State-owned lands and by turning to the private sector for construction and marketing.



Sources: Central Bank of Turkey; and IMF staff calculations.
1/ Includes errors and omissions.

Let's come to what is now the major source of vulnerability: the high external financial dependence. The graph shows a clear correlation between economic growth and net foreign capital inflows, whose sharp reduction is followed by a substantial fall in real GDP, as occurred in 2001 and 2008-2009. Similarly, the post-crisis recovery in 2002 and, to an even greater extent, the one in 2010 were supported by growing foreign capital inflows. These inflows have financed a large current account deficit in the balance of payments.

The high economic growth has indeed been driven by domestic demand, particularly by private consumption and private investments, while external sector's contribution to GDP growth was negative: the increase in imports was sharper than exports. The rise in the international oil price has certainly helped to swell imports. However, the issue is mainly structural and it shows up in the high import content of production. The structural weaknesses of Turkish production system and monetary and exchange rate policies make the acceleration of economic growth foster a sharp increase in imports. Feature of interest is that, despite the significant depreciation suffered by the Turkish lira in recent years, authoritative studies consider the Turkish currency still significantly overvalued[1]. Consequently, the balance of trade recorded a high deficit ($ 89.5 billion in 2011 and $ 16.6 billion in the first quarter of 2012) and fosters a similarly high current account deficit ($ 77.2 billion, equal to 10% of GDP in 2011; slightly down in the first quarter of 2012, to $ 16.2 billion).

As the table shows, the current account deficit has kept expanding over the last decade, with the exception of 2009 when Turkish economy contracted. The worrying thing is not so much the absolute level of deficit, however high even for a growing emerging market, as the worsening quality of foreign capitals financing the current account deficit.

[1] William R. Cline - John Williamson, "Estimates of Fundamental Equilibrium Exchange Rates", *Policy Brief* 12-14 (May 2012), Washington, Peterson Institute for International Economics, pp. 7-8.

Financing of Current Account Deficit (Billion USD)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 Jan.-Mar.
1. Current Account Balance	**-0.6**	**-7.5**	**-14.4**	**-22.3**	**-32.2**	**-38.4**	**-41.5**	**-13.4**	**-46.6**	**-77.2**	**-16.2**
2. Total Capital Inflows (Excluding Currency and Deposits and Reserve Assets)	**6.9**	**6.4**	**20.1**	**37.7**	**48.5**	**48.8**	**45.4**	**3.3**	**43.3**	**61.2**	**10.3**
– FDI Inflows	1.1	1.7	2.8	10.0	20.2	22.0	19.5	8.4	9.0	15.9	4.6
– External Borrowing of Non-Bank Private Sector (net)	1.9	2.3	7.7	12.6	17.1	29.3	26.7	-12.6	-3.8	8.3	1.1
– Other (net)	3.9	3.1	9.7	15.1	11.2	-2.5	-0.8	7.4	38.0	37.0	4.6
3. Errors and Omissions	**-0.8**	**4.5**	**1.1**	**2.8**	**0.2**	**1.2**	**4.1**	**4.1**	**2.7**	**12.0**	**3.8**
4. Currency and Deposits	**0.6**	**0.7**	**-6.0**	**-0.3**	**-10.3**	**-3.5**	**-9.1**	**6.1**	**13.5**	**2.3**	**2.7**
5. Change in FX Reserves	**-6.2**	**-4.0**	**-0.8**	**-17.8**	**-6.1**	**-8.0**	**1.1**	**-0.1**	**-12.8**	**1.8**	**-0.7**

The recent Foreign Direct Investment (FDI) inflow is indeed too limited, in contrast to 2006-2008 when FDI financed more than half of the current account deficit. In 2009, following the international financial crisis, FDI halved but still covered more than 60% of the current account deficit of the year, sharply declined as a result of the GDP fall. Since 2010 FDI has started to grow again but at a too small rate compared to the growth of GDP, imports and current account deficit. In 2011, FDI has financed only 20% of the current account deficit, a figure that in the first quarter of 2012 rose to 28%, but remained below levels prior to the international financial crisis.

Since 2010, therefore, the structure of capital inflows has significantly changed, by increasing the most volatile component: portfolio investment, short-term capitals intermediate by the banking system and unidentified capitals recorded as errors and omissions in the balance of payments.

The heightened perception of country risk by international investors, caused by the Euro crisis, questions the ability of Turkey to attract a sufficient quantity of foreign capitals to sustain high growth. On the basis of that Standard&Poor's decided to lower Turkey's sovereign rating outlook.

However, the rating agency's pessimism has to be mitigated: policies able to alleviate financial difficulties in both the short and medium - long term have already been adopted. On the one hand, slight restrictive measures are already reducing the current account deficit; the decline was modest in the first quarter of 2012 but it is expected to accelerate in the rest of the year, simultaneously with the ongoing economic growth slowdown started late 2011. Real GDP growth forecast for 2012 varies from 2.3% (International Monetary Fund) to 4% (Turkish government), in any case much lower than in 2010-2011.

An economic slowdown was inevitable after the overheating of 2010-2011, highlighted not only by the imbalance of the current accounts but also by the acceleration of inflation which, although far from the levels of the nineties, has increased and in April 2012 amounted to 11.1%, undermining the international competitiveness of Turkish economy. The economic slowdown will allow a partial re-balancing of the current account and therefore reduce dependence on foreign capitals.

Over the medium - long term, the vulnerability of Turkish economic system due to dependence on foreign capital should decrease thanks to a series of recently adopted measures to promote private savings (decreased in recent years as a result of the consumption boom) and the local capital market. In particular, the new Commercial Code will come into force in July 2012 and it should ensure greater transparency, facilitate the development of capital markets and mobilize private savings.

The Commercial Code is the beginning of a new phase of economic reforms designed to maximize efficiency and international economic competitiveness. New tax incentives for investments were recently announced aiming at reducing regional gaps and stimulate production of high-tech goods, so reducing the current account deficit in the balance of payments. On the financial side, new openness and better regulations are also expected under the government plan to transform Istanbul into a regional financial center. Private savings will also be promoted by private pension schemes.

The most likely economic scenario is therefore rather favorable: a progressive financial recovery coupled with a limited slowdown in economic growth, which on average would still be at 4-5% per year. This trend, although not enough to achieve the goal of becoming the 10th largest economy, would entail a clear strengthening of the production structure and a relevant economic and social progress.

The return to the highly cyclical trend and severe economic crises of the nineties seems to be excluded. However, it should be stressed that Turkey's economic prospects remain highly exposed to a worsening of the Euro crisis, although in recent years the weight of the EU countries in Turkish trade has declined, as we shall see in the next section. Turkey may gain a modest financial advantage from an aggravation of the Euro crisis, attracting capitals fleeing the eurozone, but it would suffer far larger losses both financially (because of the increased risk premium it would have to pay) and, above all, in real terms because of its strong economic integration with the EU countries. Turkey's economic growth would suffer a sharp slowdown in this case, or become negative. The decline, however, should be temporary due to the solid position of the local banking system, which reinforced its capital base and improved its operative structure after the banking crisis of 2001.

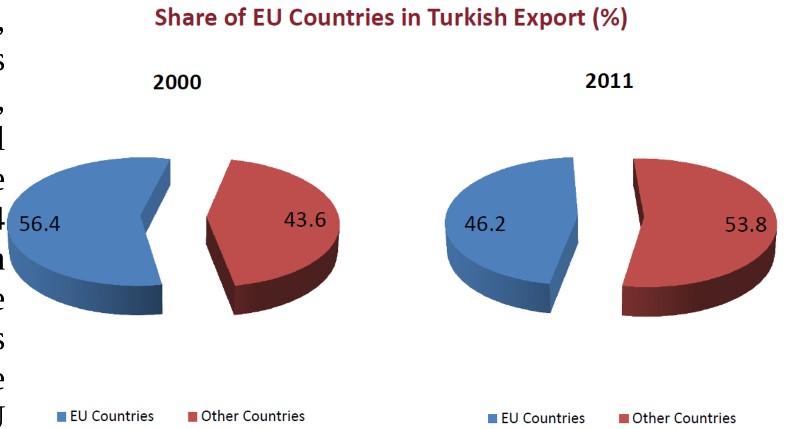
2. Economic Integration with EU countries.

In recent years the appeal of accession to the EU has decreased rapidly, both among political elites and the overall population.

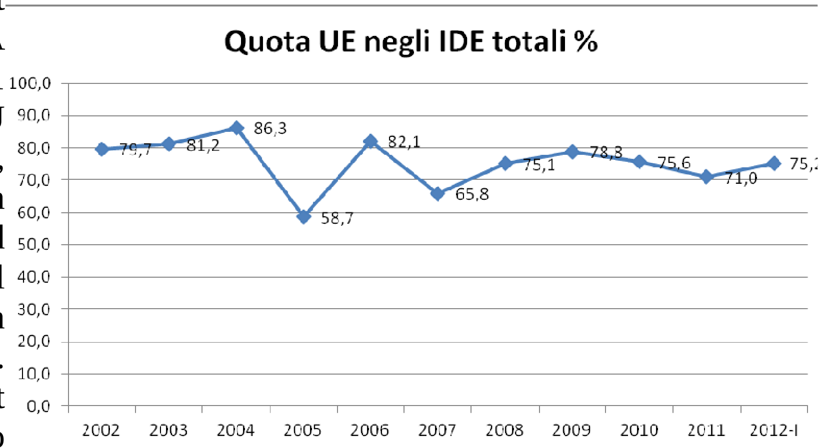
In the latest survey on Transatlantic Trends (2011) the percentage of Turks considering the MENA region a priority to the economic (43%) and security (42%) interests of their country was higher than those who consider EU a priority (33%). The Turks who positively assess the accession of their country to the EU are a minority (48%, however, an increase from 38% in 2010) and much lower than in 2004 (73%).

The Euro crisis will further aggravate Turkish concerns on accession. The European Union's reputation was badly damaged by the mismanagement of the Euro crisis, which highlighted serious flaws in European governance and questioned the European process as a model for regional integration.

However, this growing disaffection has low impact on economic integration. Certainly, the EU share in Turkish foreign trade is gradually declining. The EU has indeed accounted for 46% of Turkish exports in 2011, and only 41% in the first 4 months of 2012, compared to 56% in 2000, and has provided 38% of total Turkish imports in 2011 (share dropped to 37% in the first 4 months of 2012) versus 52% in 2000. But this trend should not be overestimated. First, in part it is only the local impact of a more general downsizing of the EU weight in the global trade, in favor of the Asian countries. Secondly, it is the result of the increase in international oil prices that swelled Turkish foreign trade with its oil and gas suppliers (the MENA and Russia).



Moreover, the decline of EU share in Turkish foreign trade does not entail a lower productive integration. Over the 2002-2011 decade, FDI from EU countries indeed amounted to $70 billion, equal to as much as 77% of total FDI inflows in Turkey. FDI from the United States amounted to only 9% of the total and those coming from the MENA region accounted for 10% of the total. Turkish FDI abroad are of course much smaller than external inflows to Turkey but, on a smaller scale, they have a relatively similar geographical composition, albeit with a greater weight of MENA countries. Again in the 2002-2011 decade, Turkish FDI in the EU countries totaled $ 10 billion, equal to 64% of total FDI in Turkey. Turkish FDI in the United States were only 6% of the total and those in the MENA region have instead represented the 25%. It should however be noted that this high figure is entirely due to the Turkish investment in Azerbaijan[2] which represents 19% of the total, while the rest of the MENA countries absorbed only 6% of total Turkish FDI.



The decisive role of the EU countries in FDI flows shows that - despite the strong focus both by the Turkish government and foreign analysts on economic relations with the MENA

[2] The MENA region according to Turkish statistics include also the 3 former Soviet republics of the Caucusus: Armenia, Azerbaijan, and Georgia.

region - economic integration with the EU remains, and is meant to remain, the dominant factor in Turkey's economic prospects.

Besides, economic integration with the EU continues even if the accession negotiations do not progress. Only thirteen of the 35 thematic chapters of the negotiations have been opened and only one (R&D) has been provisionally closed. Another 8 were frozen by the EU due to Turkish refusal to open its ports and airports to traffic from the Republic of Cyprus (as it is known, Turkey does not recognize it and it is the only country in the world to recognize the so-called Turkish Republic of Northern Cyprus). Other chapters have been blocked by France and the Republic of Cyprus: overall, 18 of the 35 chapters are frozen and the negotiations have not registered any progress for a long time.

And the situation is meant to get worse in the short term. The next 1st July, the Republic of Cyprus will assume the six-month presidency of the Union and Turkey has already announced the freezing of relations with the EU during the semester, although stating that this decision will not affect relations with the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy. Given the fact that the Cypriot President will be weakened by the severe financial crisis that is hitting the Republic of Cyprus as a result of its strong integration with the Greek economy, the freezing of relations will not have a dramatic impact. It is still a further hurdle in an already rugged path.

It should however be noted that the deadlock in negotiations does not induce Turkish authorities to stop the normative approximation process; necessary reforms to meet the negotiations criteria have been recently implemented: for instance, the mentioned adoption of the Commercial Code is one of the benchmarks for closing Chapter 6 (Company Law).

Indeed the major strength of Turkish economy is represented by the positive results of its integration with the EU: Turkey has become an important production center for European industry (cars, appliances, etc..), an element also of great importance for economic relations between Italy and Turkey.

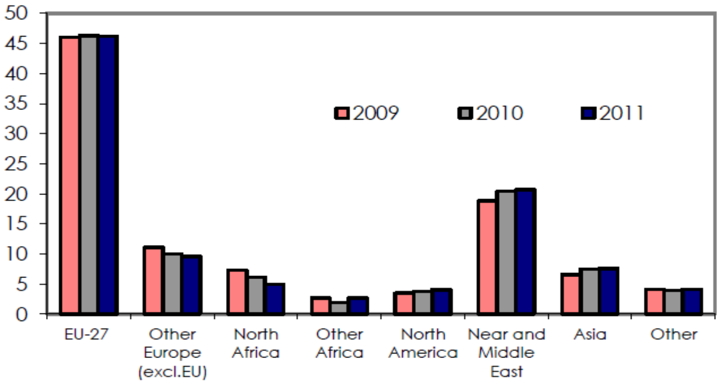
Turkey is for certain a major trading partner for Italy, by far the largest in the Mediterranean. According to data provided by Istat (Italian National Institute of Statistics), Italian exports grew from € 7.5 billion in 2008 to € 9.6 billion in 2011, while imports growth was much lower, rising from € 5.6 billion in 2008 to € 6.0 billion in 2011. In the first 4 months of 2012 Italian exports still grew, albeit slightly (+0.8%), while Italian imports fell by 19.8%. Overall, Italian trade surplus with Turkey keeps on widening, and rose from € 2.0 billion in 2008 to € 3.7 billion in 2011 and € 1.4 billion for the first 4 months of 2012. This is one of the largest bilateral trade surpluses recorded by Italy, to confirm the importance of the country for Italian foreign economic relations.

Importance which is further underlined by the significant presence of Italian direct investment (FDI) in Turkey and the growing interest in Turkey for Italy as an investment location. According to the Turkish balance of payments, Italian FDI inflows totaled $ 1.9 billion over the 2002-2011 decade, with a peak of $ 692 million in 2005 and a slump (less than $100 million per year) in 2010-2011. In the first quarter of 2012, however, Italian FDI inflows grew strongly, reaching $ 77 million (+353%). 928 Italian companies are currently operating in Turkey . Turkish FDI in Italy are of course much lower than Italian FDI in Turkey: $ 199 million during the 2002-2011 decade and $ 9 million in the first quarter of 2012, but they too are meant to grow.

3. Economic Integration with the MENA region.

Between 2005 and 2010 the share of Turkish exports to the MENA region grew by over 10 percentage points, from 17.3% in 2005 to 26.6% in 2010; after the slight drop in 2011 (25. 7%), in the first three months of 2012 - due to the Euro crisis, as seen in the previous section, that hit Turkish exports to EU countries - has returned to grow again reaching the 28.9%, to get even to 36.9% in April 2012. However, this figure is due to an isolated occurrence: in April, anticipating the strengthening of sanctions, Iran has purchased from Turkey non-monetary gold for $ 1.2 billion, equal to 9.5% of total Turkish exports.

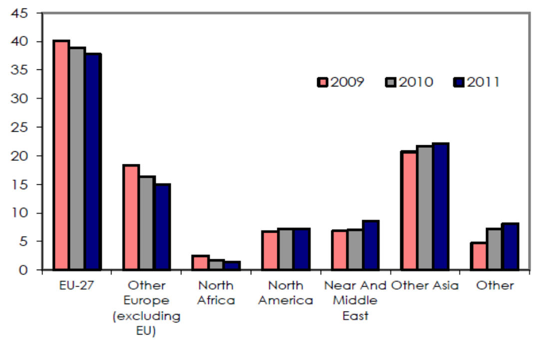
Selected Countries' Shares in Exports
(January-December period -% share in total exports]



Source: TURKSTAT

Turkey's imports from the MENA region have slightly expanded too, partly due to the rise in international oil price, but still remained at significantly lower level than exports. Between 2005 and 2011 the share of Turkish imports from the MENA region rose by 3 percentage points, from 6.6% in 2005 to 9.9% in 2011, and in 2012 it rose again, reaching the 11.2% in the first quarter and 12.8% in April. Overall, the trade balance with MENA countries significantly improved from a surplus of $ 5.1 billion in 2005 to $ 10.9 billion in 2011, to $ 4.0 billion in the first quarter of 2012 and by $ 2.2 billion in April 2012. The considerable size of the Turkish trade surplus with MENA countries increases the importance of this market for a country like Turkey which - as we saw in the first section - has large trade deficits globally.

Share in Imports of Selected Regions
(January-September period, share in total imports, %]



Source: TURKSTAT.

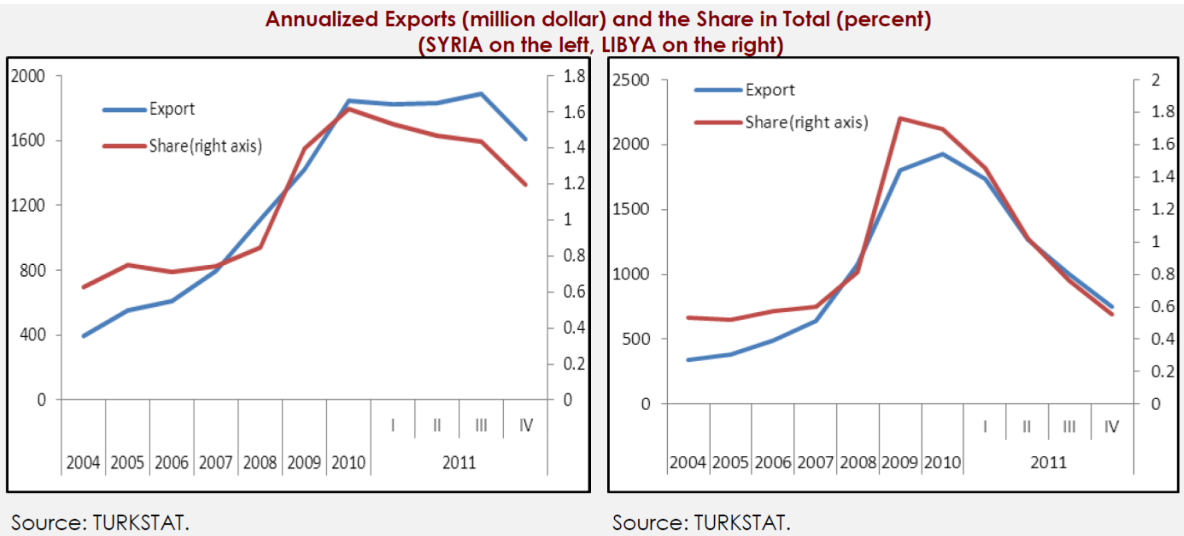
Politics has helped Turkish exporters to increase their presence in regional markets through a series of preferential trade agreements: after the Free Trade Agreement with Israel, dating back to the nineties, the governing AK Party has signed more free trade agreements with the Egypt, Jordan, Morocco, Palestinian Authority, Syria and Tunisia. Furthermore in 2010 Turkey, Jordan, Lebanon and Syria agreed to negotiate a free trade area and to abolish visa requirements; the following year an agreement was settled for future cooperation at 4 in the banking sector. It is clear that the Syrian crisis - also due to the firm Turkish opposition to the procrastination of the Assad regime – is freezing this process.

The latter event, as well as the gold export to Iran last April, highlights the importance of political factors in the development of regional economic integration. Indeed, the sustained growth of Turkish trade with the MENA has attracted the attention of foreign analysts because of its connections with the regional foreign policy. The issue is relevant, given the changes in regional foreign policy brought by the governments of the AK Party. Turkey has in fact set as goal the improvement of political relations with Islamic countries, to the detriment of economic and military cooperation with Israel. The latter has declined with the deterioration of political relations, culminating in the incident in July 2010 when the Turkish ship Mavi Marmara, which attempted to reach Gaza carrying pro-Palestinian activists, was boarded by the Israeli Navy in international waters: the clashes that ensued caused 9 victims among Turkish activists.

However, the Turkish government's foreign policy doctrine, summarized in the formula "zero problems with neighbors", has already met with the complexity of the regional framework, further exacerbated by political turmoil in many Arab countries (the so-called "Arab Spring") and by the sharpening of Iranian nuclear crisis. And the growing assertiveness of Turkey in the region forces the country to take positions that may damage economic relations. Consequently, the trend towards regional integration is exposed to sudden political braking, as evidenced by the Libyan crisis of 2011 and the ongoing Syrian crisis.

The impact of the Libyan crisis on Turkish exports has been significant, as the graph, taken from a report by the Turkish Central Bank, shows. Turkish exports to Libya rapidly increased from $ 300 million (0.5% of total) recorded in 2004 to $ 1.9 billion (1.7% of total) in 2010. But the 2011 crisis made them decline to $ 750 million (0.6% of total), with a loss of about $ 1.5 billion compared to a non-conflict scenario.

The Syrian crisis should have even more severe consequences. Again Turkish exports had grown rapidly, rising from $ 400 million (0.6% of total) recorded in 2004 to $ 1.8 billion (1.6% of total) in 2010. But the 2011 crisis made them decline to $ 1.6 billion (1.2% of total), with a loss of about $ 600 million compared to a non-conflict scenario. This loss is likely to grow in 2012: in the first quarter of the year Turkish exports to Syria already declined by 57%.



The central role of political factors, largely outside Turkey’s control, is also highlighted by the evolution of economic relations with another neighbor, Iraq. In this case, the recent trend is very favorable but its future is exposed to strong political tensions. Turkey is playing an important role in post-war reconstruction in Iraq especially in Iraqi Kurdistan, where major Turkish investments are concentrated, mainly in oil industry. Hence the sharp increase in Turkish exports to Iraq, which in 2011 was the second main customer of Turkey after Germany, accounting for 8.3 billion dollars of Turkish goods, two thirds of which were absorbed by Kurdistan Region. And the favorable trend is continuing: in the first four months of 2012 exports to Iraq have in fact increased by 38%.

A central element of Turkey's policy towards Iraq is energy. The ambition of becoming by 2023 one of the 10 largest world economies requires regular and increasing energy supplies to be available. Hence the strong Turkish interests in energy, aiming to be more than a hub for exports to the EU. In the Middle East, Iraq will experience in the coming years the most intense growth in oil production and therefore Turkey is intensifying bilateral relations. Especially with the Kurdistan Regional Government which is implementing a major expansion of oil production almost independently from the federal government in Baghdad and which, aiming to produce over one million barrels per day by 2015, needs new export routes through the Turkish territory to reach the Mediterranean Sea.

However, the increasing tensions on oil policies between the Federal Government in Baghdad and the Kurdistan Regional Government affect relations with Turkey, which was recently defined as "hostile state" by Iraqi Prime Minister Maliki. Even in the case of Iraq, therefore, the policy of "zero problems with neighbors" is hardly applicable, and the development of economic relations still depends on political factors largely outside the control of Turkey.

The recent trend of trade relations with Iraq, Libya and Syria, therefore, shows that political factors are crucial for the evolution of regional economic relations, to a far greater extent than in other regions of the world, and therefore recommends caution in forecasting future developments in Turkey's economic presence in the region. A retrospect could help in this regard: the current Turkish exports share absorbed by the MENA countries is indeed still much lower than in the previous phase of great expansion of regional trade, the early eighties. In 1982 exports to MENA countries indeed reached a record level of 44% of the total. Even then, the expansion was the outcome of a mix of economic factors (the 1979-80 oil shock that caused the economic crisis in Europe and a rapid economic growth in the MENA oil-producing countries) and political factors (the Iran - Iraq war broke out in 1980, which massively swelled the demand for Turkish goods from the two countries, which in 1982 absorbed 25% of total Turkish exports). But with the oil prices slump in 1986 and the demand slump from the two warring countries, the share of Turkish exports absorbed by MENA countries sharply decreased: 31% in 1986 and 27% in 1987. We recall that episode to put into perspective the current development of regional trade and thus avoid an overestimation of its economic and, above all, political importance.

Besides, it should be stressed that the commercial presence has not yet translated into significant investments in the region. Turkish FDI in the MENA region are very low: $ 4 billion in the 2002-2011 decade and $ 106 million in the first quarter of 2012. In addition they are highly concentrated, almost $3 billion only in Azerbaijan, where Turkey is the leading foreign investor in non-oil sector. Furthermore, $ 213 million of Turkish FDI in Tunisia, the $ 170 million in Bahrain, $ 160 million in Iran and $ 111 million in Egypt (data from 2002-2011) are rather relevant amounts.

Larger FDI in Turkey come from the MENA countries: $ 8.9 billion in the 2002-2011 decade and $ 542 million (including $ 360 million just from Lebanon) in the first quarter of 2012. As for the decade 2002-2011 it can be highlighted the $ 3.702 billion in FDI from the UAE, $ 1.449 billion from Saudi Arabia, $ 1.382 billion from Azerbaijan, $ 892 million from Kuwait and $ 368 million from Israel. These amounts are relevant but still modest compared to those from European countries, as seen in the previous section.

The current expansion of regional economic integration cannot yet be regarded as a stable long-term trend. Only when the long political reform process set in motion by the so-called Arab Spring will mature, regional economic integration will stabilize at such consistent levels that, if political factors did not impede them, they would be justified by the geographical and cultural proximity, as well as economic complementarities between oil-producing countries and industrial countries in the region.