



Turkey and the EU:

Can they get along?

Presented by
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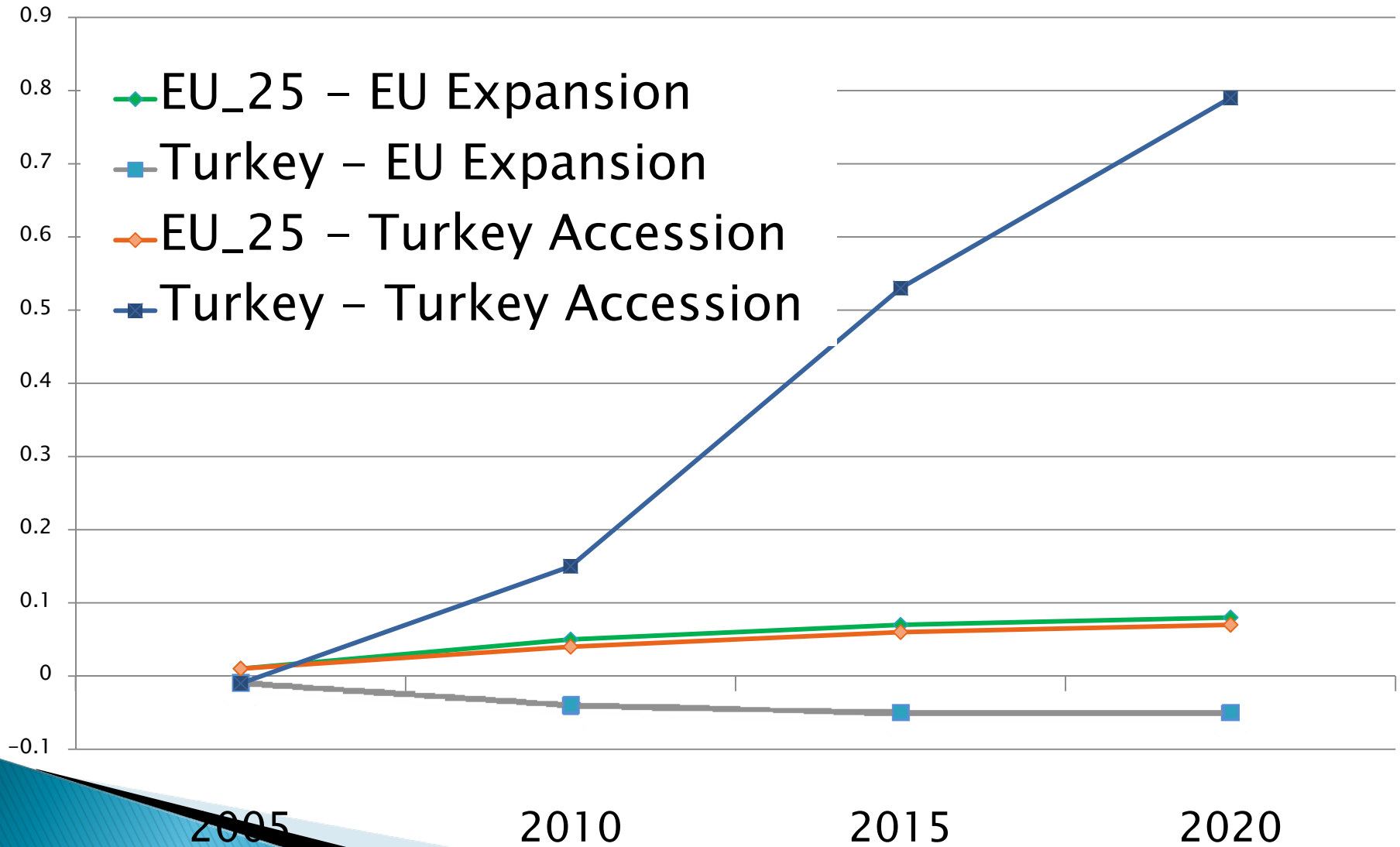
Our Scenarios

- ▶ Base – macro shocks
- ▶ EU expansion from EU15 to EU25 in 2005
 - Reduction of intra regional tariffs and export subsidies/taxes (tms and txs)
- ▶ Accession of Turkey into the EU in 2010
 - Reduction of bilateral tariffs and export subsidies between the EU and Turkey (tms and txs)

Initial Import Tariffs and Export Subsidies/Taxes

	EU25 (txs)	EU25 (tms)	Turkey- EU (tms)	EU- Turkey (tms)	Turkey -EU (txs)	EU- Turkey (txs)
Food	0.23	1.24	8.06	10.80	0.71	2.73
Extraction	0.00	0.06	0.35	0.09	-0.64	0.00
Light Manuf.	0.00	0.28	0.23	0.07	-0.59	0.00
Manuf.	0.00	0.22	1.29	0.13	-0.83	0.00
Services	0.00	0.00	0.00	0.00	0.00	0.00

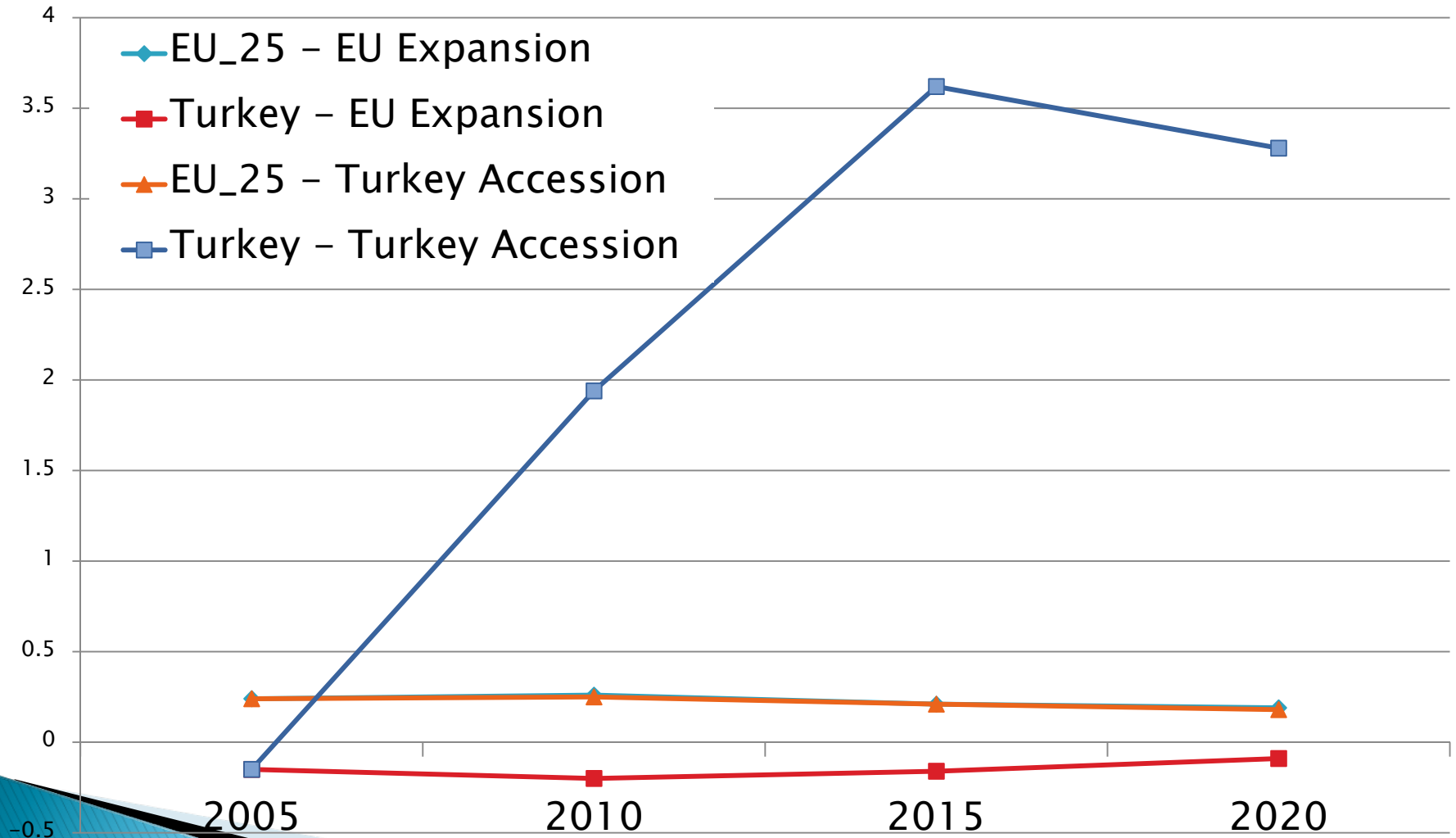
Macro Impacts – GDP



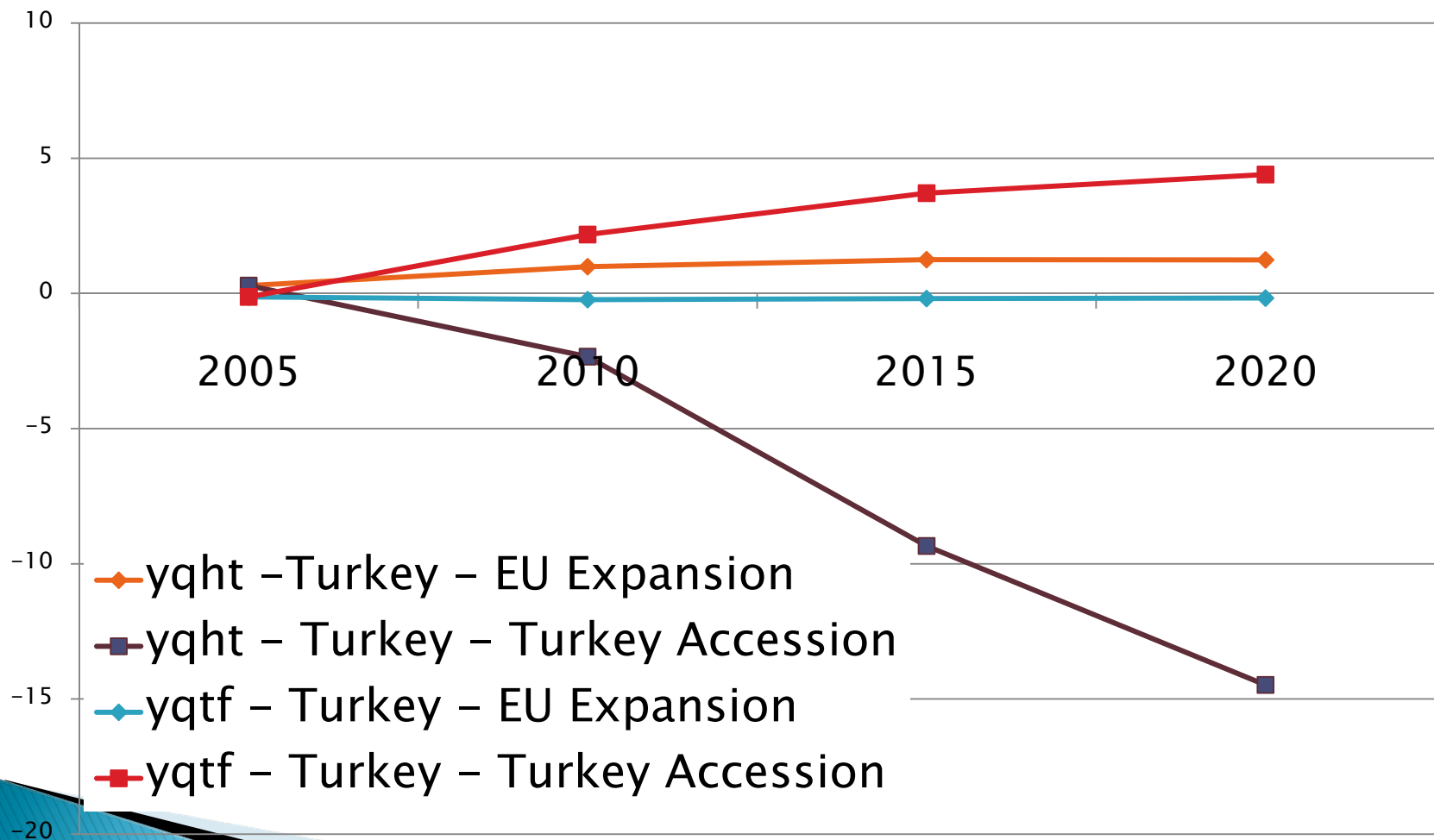
Production Impacts in Turkey

Sector	EU25				Turkey Accession			
	2005	2010	2015	2020	2005	2010	2015	2020
Capital	-0.02	-0.08	-0.11	-0.11	-0.02	0.26	1.02	1.63
Food	-0.08	-0.11	-0.15	-0.15	-0.08	1.41	2.32	2.82
Extract	0.02	0	0	0	0.02	-0.09	-0.04	-0.02
LghtMnfc	-0.06	-0.09	-0.11	-0.13	-0.06	-1.57	-1.08	-0.12
Manufc	0.03	-0.02	-0.07	-0.07	0.03	0.67	1.42	1.8
Services	0	-0.02	-0.02	-0.01	0	-0.07	0.13	0.26
CGDS	-0.15	-0.2	-0.16	-0.09	-0.15	1.94	3.62	3.28

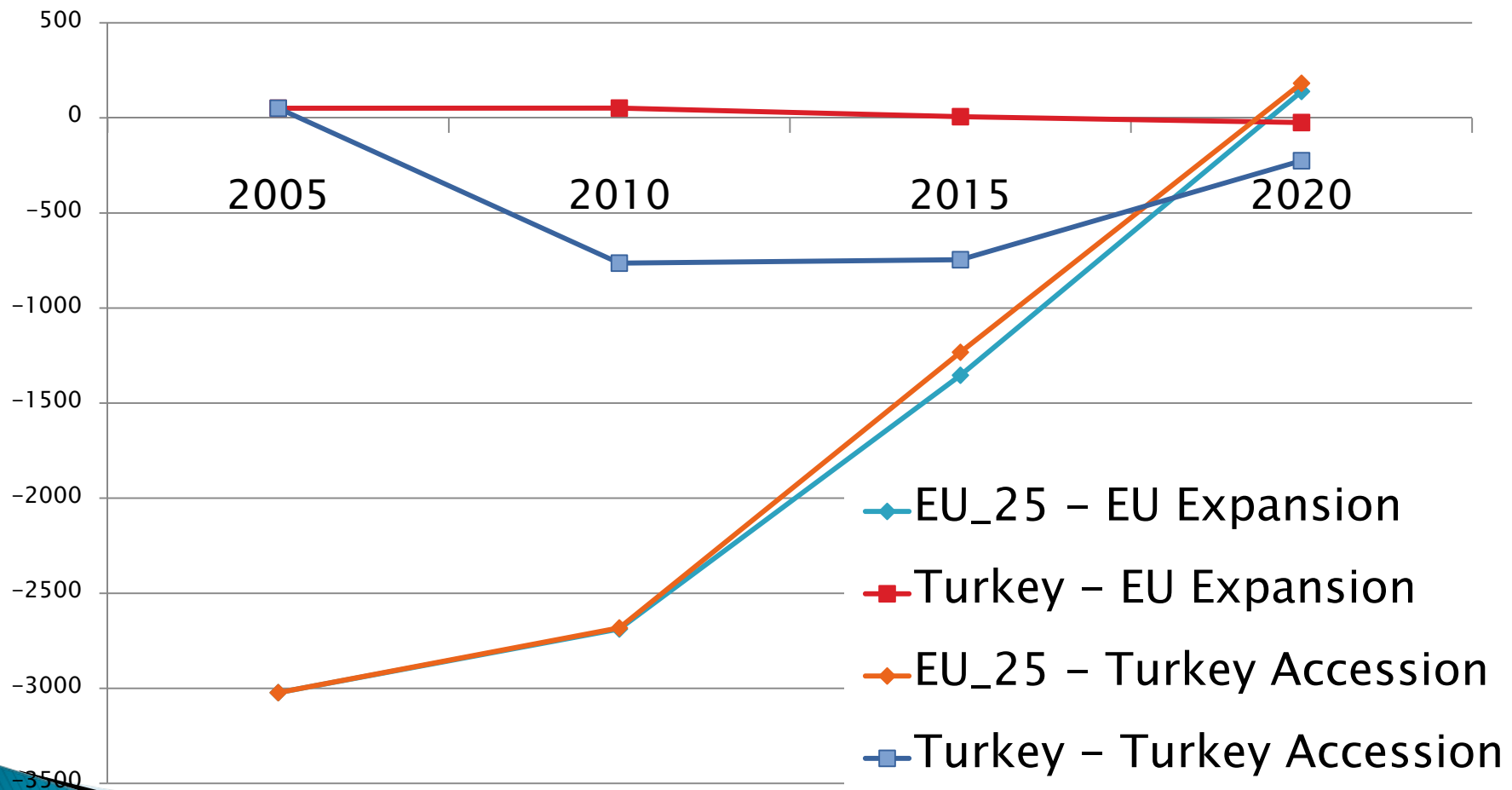
Investment



Change in Net Foreign Income (NFI) for Turkey



Impacts on Trade - Trade Balance (Cumulative differences in \$US M)



Welfare Impacts for Turkey

(Millions of \$US)

Source	EU25 Expansion		Turkey Accession	
	EU_25	Turkey	EU_25	Turkey
Allocative Eff.	1,045	-22	932	473
TOT	1,261	3	876	493
IS	69	-0	-32	9
Equity	477	-16	512	-26
Total	2,852	-35	2,288	949

Equity Impacts on Welfare

(Millions of \$US)

	EU25		Turkey Accession	
	EU_25	Turkey	EU_25	Turkey
NFE				
Capital location	4199	-39	4109	561
HHLD Income from Trust	-170	1	-201	-7
Payments to Trust (Firms)	-3552	23	-3396	-580
Total	477	-16	512	-26

Conclusions

- ▶ Can they get along?
 - YES