

No.13
May 2017

Turkey and the OIC: Greater Economic Cooperation, Opportunities and Challenges

SAM Papers



center for
strategic
research

Republic of Turkey
Ministry of Foreign Affairs

Dr. Bilal Bağış & Dr. Çağlar Yurtseven
Bingöl University & Bahçeşehir University

No.13
May 2017

SAM Papers

Contents

About the Authors	1
Abstract	2
Introduction	3
2. Organisation of Islamic Cooperation	10
2.a. The Muslim World	10
2.b. A Broad Picture of the OIC Member Economies	12
2.c. From Politics to Economics: The post WWI Muslim World	24
3. The Global Economy: Then and Now	31
4. Potential Areas of Economic Cooperation	35
4.a. Turkey Central: On the Importance of Strategic Location	35
4.b. Energy	37
4.c. Industry and Trade	43
4.d. Transportation	50
4.e. Construction	51
4.f. The Tourism Sector	52
4.g. Health	55
4.h. Education	56
4.i. Financial Operations	58
4.j. And Many Others	62
5. Summary	62
6. Concluding Remarks	69
References	71
Appendix	75

SAM Papers present scholarly analysis by Turkish and international academics on topics of interest to the policy community. The views expressed in this article are those of the author and should not be attributed to the Center for Strategic Research. SAM Papers is published by Center for Strategic Research (SAM).

Tables

- 12 Table 1: Full list of OIC countries and their membership years
- 14 Table: 2 GDP per capita, PPP (current international \$) of OIC countries
- 18 Table 3: Population Structure of the OIC countries
- 22 Table 4: Unemployment (% of total labor force) in the OIC members
- 28 Table 5: Rule of Law (Overall score and representative factors)
- 38 Table 6: Pipelines in the region
- 44 Table 7: Trade with OIC countries and Russia
- 45 Table 8: Global OIC Exports by Destinations (Share, Top 15)
- 46 Table 9: Global OIC Exports by Products (Top 10, Share, %, 2014)
- 46 Table 10: Global OIC Imports by Destinations (Share, Top 15)
- 47 Table 11: Intra-OIC Exports by Destinations (Share, Top 10)
- 47 Table 12: Intra-OIC Exports by Products (Top 10, Share, %, 2014)
- 48 Table 13: Intra-OIC Imports by Destinations (Share, Top 10)
- 48 Table 14: A comparative look at the Intra-OIC and Global OIC total export figures.
- 54 Table 15: Number of tourists coming from OIC countries to Turkey.
- 75 Table 16: Crudeoil exports in barrels per day (bbl/day).
- 78 Table 17: Total oil supply. (Thousand Barrels Per Day)
- 79 Table 18: Natural gas exports.
- 81 Table 19: Natural Gas Supply
- 82 Table 20: Overall energy self-sufficiency
- 83 Table 21: Energy intensity
- 83 Table 22: Proved oil reserves (billion barrels)
- 84 Table 23: Proved natural gas resources (trillion cubic feet)

Figures

- 13 Figure 1: Major members of the OIC on the world map
- 17 Figure 2: Economic and political relationship between the 57 OIC member economies
- 24 Figure 3: The Middle East after the Sykes-Picot agreement
- 30 Figure 4: Sect differences among the OIC members in the Middle East
- 40 Figure 5: Projection of electricity demand in Turkey until 2030

About the Authors

Dr. Bilal Bağış



Bilal Bağış was born in Bingol in 1984. He has a multidisciplinary B.Sc. (combining engineering with a business degree) from ITU (2006), a theoretically focused M.A. in Economics from Sabanci University (2009) and a Ph.D. degree in Economics from the University of California (2014). His research interests lie in international finance, monetary economics, and macroeconomics. He has taught various graduate and undergraduate level Economics, Math and Finance courses at prestigious universities. Since his return back to academia, in 2015, he has had numerous domestic and international presentations and publications.

Dr. Çağlar Yurtseven



Çağlar Yurtseven obtained his B.S degree from Middle East Technical University in Ankara, Turkey. He obtained his economics PhD at Boston College in USA under the supervision of Prof. Hideo Konishi and Prof. Utku Ünver. He is currently working as an assistant professor of economics in Bahcesehir University, Istanbul Turkey. His main research interests are in microeconomics, applied economics and Turkish economy. Among his various publications, he is the author of Market Share Regulation? (2014) in Japan and the World Economy (SSCI) and The Causes of Electricity Theft: An Econometric Analysis of the Case of Turkey (2015) in Utilities Policy (SSCI).

Abstract

This paper aims to analyze potential future areas of greater cooperation between Turkey and the other OIC member economies. It then provides some specific policy recommendations. In particular, the paper aims to contribute to economic policymaking efforts in terms of the potential future areas of increased cooperation. Broadly speaking, the Muslim world has immense savings-holding accumulated over the past few decades. Human and physical capital potentials are extremely high. Yet, there are also huge economic disparities and extremely diverse demographic dynamics. This paper is built on the idea that a crucial strategy to boost economic development and social prosperity is an intense economic, financial and strategic integration of the OIC members. In particular, countries with common historical, cultural and even religious backgrounds have much to gain from such specific collaboration efforts. In that line, this paper deals with opportunities and challenges regarding the strategic position of Turkey. It focuses on sectors in which Turkey has a comparative advantage within the OIC league. It further analyzes the reasons Turkey and the other OIC economies must cooperate and build stronger economic ties. The paper suggests that such a modern economic cooperation or a strategic union that is strengthened by historical, social and cultural roots is both inevitable and to the benefit of all parties.

Keywords

OIC, Turkey, International Trade, Economic Cooperation, Comparative Advantage

Turkey and the OIC: Greater Economic Cooperation, Opportunities and Challenges

Dr. Bilal Bağış¹ & Dr. Çağlar Yurtseven²

Introduction

Is Turkey's Muslim identity, its proximity to the Muslim world and its OIC membership an advantage that should be utilized? Does it provide any head start regarding economic, social, technological and cultural development? Are there any potential gains from increased cooperation

Are there any potential gains from increased cooperation and solidarity with the rest of the Muslim world? What are the potential opportunities and challenges regarding a future greater economic cooperation and integration among the economies of the Muslim nations?

and solidarity with the rest of the Muslim world? What are the potential opportunities and challenges regarding a future greater economic cooperation and integration among the economies of the Muslim nations? This paper analyzes some fundamental issues regarding Turkey's potential future economic path and the opportunities awaiting the country. It analyzes possible

policy options and implications of various choices the country faces today.

The paper provides a critical analysis of the current economic relations and potential opportunities regarding further economic cooperation between Turkey and the other OIC member economies. It summarizes the current economic and political relations, and then discusses potential areas of future cooperation. The paper digs into politics, economics, and geography; and addresses challenges and opportunities the countries in question face today. It predominantly focuses on Turkey's relations with the energy rich and geographically closer Middle-Eastern Muslim economies, but also summarizes potential areas of cooperation with the other Muslim countries.

1 Bingol University. Email: bilalbagis@yahoo.com

2 Bahcesehir University. Email: cayurtseven@yahoo.com

The idea itself stems from Turkey's recently increasing interest over regional economic and political transformation. It therefore builds on an earlier article (Bagis, 2015) discussing Turkey's strategic position and the potential gains from possible coordination mechanisms with the (mostly Muslim) neighboring economies. Although still a very strong western ally, member of some of the most influential Western clubs such as NATO and the OECD, and a strong candidate for the EU; the Turkish public and its government have recently coincided to diversify and expand the country's focus. It is hoped that this new viewpoint may lead to more independent policymaking. They have, for instance, rediscovered their long-forgotten connections and deep interest in their neighboring Muslim relatives as well as the Asian connections in the Shanghai Cooperation Organization. A critical analysis of this relatively new and improving focus is of necessity. To this end, this paper aims to contribute to the efforts regarding understanding the region's strengths and weaknesses, and potential areas of collaboration.

One thing is for sure, the Muslim world today has amassed huge savings (as is clear from the sizeable Sovereign Wealth Funds - SWFs) over the past few decades due mainly to huge energy exports. The human and physical capital potentials are extremely high. The OIC countries'

Turkey has much to gain from transforming into an energy hub within the energy rich MENA and Caucasian regions. Turkey should position itself both as a bridge and a hub between energy exporters in the East and importers in the West.

traditional multicultural identity and cultural diversity are a huge asset for the OIC countries, and they also possess the most strategic locations and transportation routes on earth. Yet, as two primary characteristics of the Muslim world today there are also huge economic disparities and intensely diverse demographic dynamics.

The paper analyzes the extent to which relations between Turkey and the other OIC member economies have improved in recent years and formulates some specific policy recommendations for further integration and strategic cooperation. The study points to importance of these options, in particular, in the context of the new era following the Great Recession of 2007-09. The

paper attempts to foresee the potential future implications of these options and build strategic policy recommendations. As an answer to the question of whether the Muslim world, in general, will be able to create solidarity, prosperity and to have a voice in international platforms: we underline the importance of stronger cooperation mechanisms that extend the currently existing entities around the OIC.

The paper, in particular, underlines:

- **Further integration with the OIC:** The paper points to Turkey's strategic and potential gains from a focus on the Middle East and the extended Muslim world, in addition to its traditional yet currently relatively weak and stagnant partners in Europe and the West in general.
- **Need for transformation into an energy hub:** Another outcome of this paper is the claim that Turkey has much to gain from transforming into an energy hub within the energy rich MENA and Caucasian regions.³ It recommends that Turkey should position itself both as a bridge and a hub between energy (gas and oil) exporters in the East and importers in the West.
- **Becoming a center of attraction in the Muslim world:** The paper claims Turkey has much to gain from transformation into a center of attraction for all of the other Muslim countries in most of the other significant sectors such as education, health, tourism, finance and industry.
- **Exchanging its technology with the natural resources and capital accumulated in the others:** Each member country of the OIC is unique in terms of its areas of comparative advantage, resources and the other fields it lacks. Therefore, all the member economies can benefit greatly from greater cooperation.
- **The need to improve on Turkey's soft power:** Main elements of soft power (namely tourism education, congress and fairs tourism, health industry, TV shows and transportation) should be fully utilized.

³ MENA stands for the Middle East and North Africa, which includes countries from Morocco to Iran, including all Middle Eastern, Mashriq and Maghreb countries.

- **And finally:** that Turkey should benefit from the demographic advantages and natural resources of the other OIC member economies. The Muslim world has always been at the center of focus mainly for these two resources.

In addition to these objectives, it is of great importance to provide a good theoretical background, analytical reasoning and a strong strategic and sociological basis for the ideas presented in this work.

Theoretical Background

The world is changing. Europe is dealing with the post-Brexit effects on the continental European economies. The USA, on the other hand, has just recently kicked off its own USexit with the presidency of Trump. The BRIC economies, in particular China and India, are rising. Meanwhile, financial markets are getting used to the new normal of the post-Great Recession period. Economic integration mechanisms, interconnectedness in all markets, integration of the financial markets, and synchronization of economies in general have all led to a new world in this era of the 4th industrial revolution. But then, to what extent will this integration process run? Is it really what we need the most?

The exchange of goods and services, and more generally economic cooperation and the integration of markets and trade among nations or even among various tribes is indeed as old as human history itself. From basic trading activities to the salt roads, and from the Silk Road to modern transportation lines, various forms of cooperation mechanisms, market integrations and connection lines has always been critically essential. Yet its theory and understanding the cases when and where countries should definitely focus on exchange of specific goods and services have been more popular with the works of, for example, Ricardo (1817) and McKenzie (1954), and more recently, Krugman (1979, 1980, 1981 and 1991). We do not intend to review the fully theory of comparative advantage and international trade here,⁴ but will leave that discussion for future work and instead focus directly on various ways to exploit its benefits.

4 See Boudreaux (2008), among others.

The idea developed here is very much related to the early works of Alfred Weber (1909), on geographic location, and to more recent studies of mainstream economists like Krugman and Sachs on the new economic geography theory. Western contributions are of significant essence. Despite this western dominance however, the Muslim world was actually always at the center of these trading and cooperation activities. Recent studies reveal early Chinese Muslim traders' activities even towards the Americas, much before the likes of Columbus and Amerigo Vespucci.⁵

Market integrations, international cooperation mechanisms and global trade volumes are very much related to globalization trends. Globalization trends, on the other hand, are as old as the start of modern civilizations. Most economic historians date globalization trends to as far back as the early trade deals between

Al-Shaybani and Ibn Khaldun were among the first Islamic scholars to develop an advanced theory of international law and cooperation.

the Sumer and Indus civilizations of the 3rd century BC. Trade links between China and Europe, as in the Silk Road example, furthered this trend especially after the Hellenistic age. The modern globalization trends, though, started with the 19th century,

as transportation costs declined and commodity prices were equalized around the world (O'Rourke and Williamson, 2002). The first broad globalization trend occurred right before WWI, between the mid-1800s and up until the 1910s; and the second wave started after the 1960s and continued up until the 2000s (O'Rourke and Williamson, 2002).

On the theoretical side, as an answer to the question of when countries should consider cooperating with each other, Ricardo (1817) focused on comparative advantage. Krugman (1979, 1980, 1981 and 1991), on the other hand, focused on the importance of geographical location and the distribution of production, and examined various patterns of international trade as well as the costs of trade. On the eastern front, though, contributions were considerably older. Al-Shaybani and Ibn Khaldun were among the first Islamic scholars to develop an advanced

⁵ See for instance: <https://www.1843magazine.com/content/places/rosie-blau/re-writing-history-map>

theory of international law and cooperation. Meanwhile, early contributions to the practice of international trade paved the way for some significant Muslim regional powers (Empires) including the Umayyad, Abbasid and the Fatimid countries. Chinese Muslims traders followed the trend later on.

Economic integration and intense cooperation mechanisms are rather a necessity today, as borders are losing their meaning. The internet revolution and a growing international network of shipping companies and transportation channels, enable quicker exchange of ideas, goods, information and capital around the world. The current extent and this historical trend of international trading activities provides critical lessons for modern unions. One thing is for sure, the industrialization trend of the post 18th century has surely sped up these developments. The recent examples of the EU, NAFTA and even the Shanghai Cooperation Organization are just the most recent examples of this long history. The Muslim World should definitely not miss this opportunity.

What we recommend here is that Turkey can be one of the countries leading a supranational union of an intense integrated economic and strategic cooperation among the OIC economies.

Following this long history, what we recommend here is that Turkey should be one of the countries leading a supranational union of an intense integrated economic and strategic cooperation among the OIC economies. This new cooperation mechanism is not meant as an alternative organization, but rather an attempt to improve the currently complete political entity and dialogue mechanism of OIC. However, this economic integration and cooperation organization, if you will, should be more intimate than the existing current examples, such as the rich countries club of the OECD; but at the same time should not include any political union like that aimed at in the EU, or even any military collaborations like that in NATO.⁶ We recommend

⁶ We recommend that this solely economic union should be the ultimate goal. Yet, if societies prefer more, then it could be extended. Still, in the short-run, an economic cooperation organization is the unique solution (See Sorhun (2013), Bagis (2016a) and Bagis (2016c), among others, for potential problems with a political union).

that the national borders should not be an obstacle preventing further economic cooperation and economic integration of the OIC countries with their common cultural, strategic and even religious base.

Having such a intense economic integration with the vast Muslim world, provides great opportunities for both side, but in particular for Turkey. Turkey should use its cultural connections; tourism, transportation potential and even its strong finance, education and health industry to boost its dormant soft power.⁷ New means to fully utilize its crispy summer and cultural tourism, health infrastructure are of significant importance. Meanwhile, Turkey's relatively modern and high quality education infrastructure and long tradition of financial industry, trade and business as well as the recent congress and fairs tourism potentials also deserve attention.

One thing should be made clear at this step. Indeed, the OIC already has various operational mechanisms and a relatively well established institutional setup, including a number of subsidiaries, affiliated institutions and mechanisms of operation. Nevertheless, we argue that there is still room to improve the current operational setup, make it more functional and hence build a greater and stronger cooperation mechanism. All the current primary cooperation fields of the OIC could be extended to build higher welfare and higher standards of living for the relative economies.

In particular, the economic cooperation and trade potential is yet to be fully exploited. In that sense, the current Islamic Summits, Council of Foreign Minister (CFM) meetings, Ministerial Conferences and Committee for Economic and Commercial Cooperation (COMCEC) strategy meetings should re-organized to maximize the benefits. Particularly, the COMCEC strategies, plans of actions and the operation mechanisms should be made more effective. The

We aim to point to the potential mechanisms a country such as Turkey could use to achieve greater cooperation and more interdependence, thus creating a union of mutual benefits with such a significantly large portion of the world.

⁷ A concept originally coined by Nye (1990).

current relatively limited cooperation mechanisms such as the COMCEC Project Funding (COMCEC PCM) and the current responsibilities of OIC institutions such as the Islamic Educational, Scientific and Cultural Organization (ISESCO) should be extended. The potential areas we list below are meant to give an idea about specific areas and the sort of channels available for Turkey to consult in order to improve its relations and build stronger integration with the other OIC member economies.

We identify below a summary policy recommendations list on various areas. These particular policy suggestions are supported with alternative channels that show which particular areas and mechanisms would provide the best use. We aim to point to the potential mechanisms

a country such as Turkey could use to achieve greater cooperation and more interdependence, thus creating a union of mutual benefits with such a significantly large portion of the world. We would also

The OIC world is an extremely diverse and intensely colorful world with varying cultural, economic, political and sociological differences.

like to underline numerous difficulties and problems regarding such a greater cooperation mechanism. Potential deficiencies of these various measures that countries could use should also be analyzed in detail.

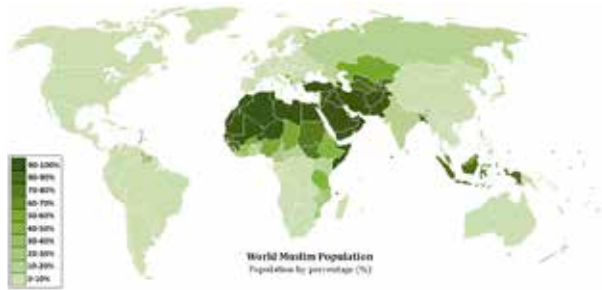
2. The Organisation of Islamic Cooperation

2.a The Muslim World

The OIC world is an extremely diverse and intensely colorful world with varying cultural, economic, political and sociological differences. Hence, the authors of this paper are absolutely not aiming at explaining all the aspects of advantages or disadvantages of being part of the OIC club. A single paper would surely not be sufficient to analyze and summarize the full economic and political picture of the Muslim world.

Moreover, the Muslim world has always been at the heart of world politics and economics, since its emergence in the early 7th century. That said, the predominantly Muslim Middle-East can still be considered as the epicenter of world politics, economics and

history as well as a great number of unfortunate current popular disputes. This increasing tension and political turmoil surely has



a number of causes, ranging from economics and politics to religion. Energy, as well, is most definitely at the heart of most of these issues, as it is the ultimate source of power in this current new era of the 4th industrial revolution. Energy rich countries, be it in oil or gas, dominate the regions of focus in this work. Moreover, most of these energy rich, yet still relatively

weak, economies are Muslim countries.

The primary natural resource of the Muslim world is, at the same time, the ultimate source of power in the modern era. The physical energy demand has surged as industrial activity and technology have improved and the urban residency has risen. After all, as a critical ingredient in the industrial revolution, energy has increasingly become a more significant factor in production processes and hence in economic activity. In that sense, the 20th century marked a turning point in international cooperation mechanisms and strategic alliances, as well as in mutual relations and trade deals. Over the last century, energy was placed at the heart of inter-country relations.

Energy, nowadays, largely determines much of the economic and political relations among the regional and global powers. Demand for new energy sources directed the attention of the Western Powers towards the energy-rich Middle East starting from the late 18th century. It also marks the beginning of the

The OIC is the second biggest international organization after the UN. The 57 member countries of the OIC produce 9% of the world's economic output.

political disputes on the Southern and Eastern corners of the then Ottoman Empire. Meanwhile, the Middle East is not necessarily just a center of physical energy, but also the spiritual heart of humanity, through which all

main **ley lines** are also passing. Indeed, humanity has throughout its history gathered, left, and then re-gathered again around this unique region. It is therefore most natural that this unique region would not be left alone at peace.

2.b A Broad Picture of the OIC Member Economies

As this study covers potential future areas of cooperation with the OIC members, it makes the most sense that the OIC's structure and member base should also be critically analyzed. Understanding the strengths and weaknesses of the region in general and of each country specifically is important in building up a strong background for policy recommendations.

The OIC is the second biggest international organization after the UN. The 57 member countries (and 5 observers) of the OIC produce 9% of the world's economic output.

As shown in Table 1, below, the OIC currently comprises all the existing 57 Muslim world economies. Cooperation with all these countries means dealing with a population of over 1.7 billion people. The economic, sociological and political implications of such a move is in fact much more influential than it seems. The list of OIC countries and their membership years are given in the table below:

Table 1: Full list of OIC countries and their membership years

Countries	Member since	Countries	Member since	Countries	Member since	Countries	Member since
AFGHANISTAN	1969	EGYPT	1969	Libya	1969	SENEGAL	1969
ALBANIA	1992	GABON	1974	MALAYSIA	1969	SIERRA LEONE	1972
ALGERIA	1969	GAMBIA	1974	MALDIVES	1976	SOMALIA	1969
AZERBAIJAN	1992	GUINEA	1969	MALI	1969	SUDAN	1969
BAHRAIN	1972	GUINEA-BISSAU	1974	MAURITANIA	1969	SURINAME	1996
BANGLADESH	1974	GUYANA	1998	MOROCCO	1969	SYRIAN	1972
BENIN	1983	INDONESIA	1969	MOZAMBIQUE	1994	TAJIKISTAN	1992
BRUNEI-DARUSSALAM	1984	IRAN	1969	NIGER	1969	TOGO	1997
BURKINA-FASO	1974	IRAQ	1975	NIGERIA	1986	TUNISIA	1969
CAMEROON	1974	JORDAN	1969	OMAN	1972	TURKEY	1969
CHAD	1969	KAZAKHSTAN	1995	PAKISTAN	1969	Turkmenistan	1992
COMOROS	1976	KUWAIT	1969	PALESTINE	1969	UGANDA	1974
COTE D'IVOIRE	2001	KYRGYZ	1992	QATAR	1972	UNITED ARAB EMIRATES	1972
DJIBOUTI	1978	LEBANON	1969	SAUDI ARABIA	1969	UZBEKISTAN	1996
						YEMEN	1969

Source: OIC

Figure 1: Major members of the OIC on the world map.

Source: OIC

In a world where many regional economic cooperation organizations are following one another; it is most natural that the 1.7 billion people composing the Muslim world would likewise work towards some kind of a similar economic and political cooperation.

Meanwhile, the question of why an organization specifically for the Muslim world would be desirable, is of significant importance as well. Although predominantly an outcome of the Israeli occupation of Jerusalem; for some, the foundation of the OIC was indeed a long considered necessary step to keep the culturally similar Muslim world economies together. This is true in particular after the end of the Ottoman Empire and the Caliphate system. This new era necessitated the formation of an entirely new institutional system that would keep the Muslim world in close communication.

As mentioned earlier, theoretically, the OIC was formed as a response to the occupation of the holy city of Jerusalem and the endangered security of the Al-Aqsa Mosque in Jerusalem. Yet, in practice, it was also formed as a result of the need for greater economic and political cooperation among the Muslim world economies. Indeed, in a world where many regional economic cooperation organizations are following one another; it is most natural that the 1.7 billion people composing the Muslim world

would likewise work towards some kind of a similar economic and political cooperation.

A well-considered and well-planned economic cooperation organization would contribute to the efforts regarding an improved welfare of the entire Muslim world. Economic cooperation within the Muslim world and even with non-Muslim regional powers such as Israel (over gas imports and pipelines, for instance) is of crucial importance. After all, it should be kept in mind that, for instance, almost the entire Turkish current account deficit comes from energy imports. Energy supply is therefore of critical importance.

It should be kept in mind that, for instance, almost the entire Turkish current account deficit comes from energy imports.

The OIC is comprised of a large geographic region. While it is a major economic power, it has still far greater potential. Even today, the OIC represents 11.7% of exports and 10.8% of the total FDI across the world economies (World Bank data). Yet, of the 48 least developed countries (LDC) worldwide, 21 are also OIC members. This contradiction is a valuable lesson for the OIC member economies to contemplate when looking forward.

While some of the member economies benefit from vast natural resources and attract billions in capital flows per annum; others are resource poor and are plagued with problems ranging from drought to fraud and bribery, resulting in huge economic and financial deficiencies. The richest and the poorest member states have an almost **200 times** difference in economic size (the OIC countries' income per capita is given in Table 2 below).

Table: 2 GDP per capita, PPP (current international \$) of OIC countries

Country Name	2011	2012	2013	2014	2015
AFGHANISTAN	1712.58872	1934.285634	1941.898323	1939.954125	1934.193634
ALBANIA	9640.144593	10361.43322	10412.44172	11167.02257	11305.41742
ALGERIA	13026.19166	13452.55261	13779.82274	14259.02894	14687.39021
AZERBAIJAN	15754.15236	16180.88715	17174.31088	17584.68535	17739.95474
BAHRAIN	39676.71702	40992.55678	43400.02246	45666.48945	46946.33519
BANGLADESH	2579.335048	2764.781928	2942.810045	3134.154252	3332.803445

Country Name	2011	2012	2013	2014	2015
BENIN	1761.574331	1826.808935	1931.929514	2037.586205	2109.845957
BRUNEI-DARUSSALAM	73265.12163	74195.02119	73005.55546	71444.89878	70817.01851
BURKINA-FASO	1470.435184	1547.649372	1583.161865	1626.266913	1659.220243
CAMEROON	2614.495561	2715.35411	2840.743075	2983.08304	3122.643965
CHAD	1862.351166	1997.410939	2075.44088	2181.852455	2171.400812
COMOROS	1347.797753	1379.715987	1416.462203	1434.500524	
COTE D'IVOIRE	2546.906812	2803.700937	3037.257692	3270.137389	3495.829746
DJIBOUTI	2782.971292	2932.233342	3087.463317	3282.360241	
EGYPT	10071.20526	10252.52298	10402.00384	10571.33526	10891.25775
GABON	17100.70052	17919.06448	18808.28602	19501.11764	20010.13975
GAMBIA	1532.494004	1599.179616	1648.427687	1636.453571	
GUINEA	1183.855846	1219.547152	1233.98142	1225.744058	1206.529509
GUINEA-BISSAU	1416.311777	1382.504336	1382.288548	1405.989893	1452.845457
GUYANA	6077.186038	6465.612628	6890.291231	7245.244693	7506.445072
INDONESIA	8870.284189	9453.698228	10011.34642	10553.18735	11035.09244
IRAN	17949.24442	16853.78282	16584.31251	17365.77894	
IRAQ	13203.0478	14813.56491	15503.62904	14914.65466	14894.81115
JORDAN	10324.44669	10432.1751	10569.17544	10774.86823	10880.32008
KAZAKHSTAN	22134.09211	23248.99259	24640.55805	25689.22066	25876.50868
KUWAIT	76308.59071	78492.39685	76779.28856	73513.29039	71311.99355
KYRGYZ	2920.60321	2922.702873	3229.828815	3347.16262	3426.645611
LEBANON	15683.58332	15221.44686	14537.89914	14172.66533	13937.94587
Libya	11023.43714	22975.87562	20241.97198	15654.09887	14154.25826
MALAYSIA	21866.34075	23124.66048	24238.99939	25732.26523	26891.44323
MALDIVES	11126.94559	11373.46296	11855.75046	12575.45396	12636.52353
MALI	1862.940401	2048.073917	2163.055483	2301.321664	2428.289964
MAURITANIA	3403.534526	3575.986354	3760.419674	3885.693365	
MOROCCO	6746.899456	6979.899079	7323.950688	7518.058667	7821.396498
MOZAMBIQUE	951.8253639	1010.221252	1069.495168	1135.732688	1185.816012
NIGER	807.1930209	883.2513773	907.7233886	948.6713168	953.541841
NIGERIA	5230.598854	5407.323956	5638.549164	5932.831332	5991.69054
OMAN	42479.20132	41944.99918	40195.51762	38771.8381	38234.05359
PAKISTAN	4322.534383	4460.923073	4632.392815	4828.942438	5041.715264
PALESTINE	4356.341825	4931.002184	4655.840516	4544.245659	5009.919041
QATAR	134117.4309	135421.724	138067.097	141442.2155	143788.242
SAUDI ARABIA	47474.04338	49729.51749	50678.23953	52200.2268	53430.04533
SENEGAL	2159.022888	2225.296028	2267.825681	2330.459641	2430.798929
SIERRA LEONE	1414.860083	1620.89897	1941.223964	2019.003748	1590.602119
SOMALIA					

Country Name	2011	2012	2013	2014	2015
SUDAN	3478.252239	3873.597398	3981.901907	4084.213616	4173.215898
SURINAME	15119.74355	15718.13299	16276.30618	16698.36521	16969.54529
SYRIAN					
TAJKIKISTAN	2229.445742	2386.327474	2546.586587	2700.584241	2779.876143
TOGO	1255.087825	1304.187972	1341.614534	1406.764974	1459.796727
TUNISIA	10203.80122	10672.5676	10984.91321	11307.80017	11397.23515
TURKEY	17796.47519	18449.25002	19042.88042	19390.38114	19618.22471
Turkmenistan	11360.50215	12689.34383	14029.49479	15529.86446	16498.89295
UGANDA	1648.531066	1696.494424	1723.446179	1777.32719	1825.307071
UNITED ARAB EMIRATES	57594.12668	61172.99479	64229.46499	67921.39946	70237.94775
UZBEKISTAN	4412.474193	4791.189289	5177.333578	5593.475486	5995.873011
YEMEN	3616.243909	3675.563373	3791.603195		

Source: The World Bank

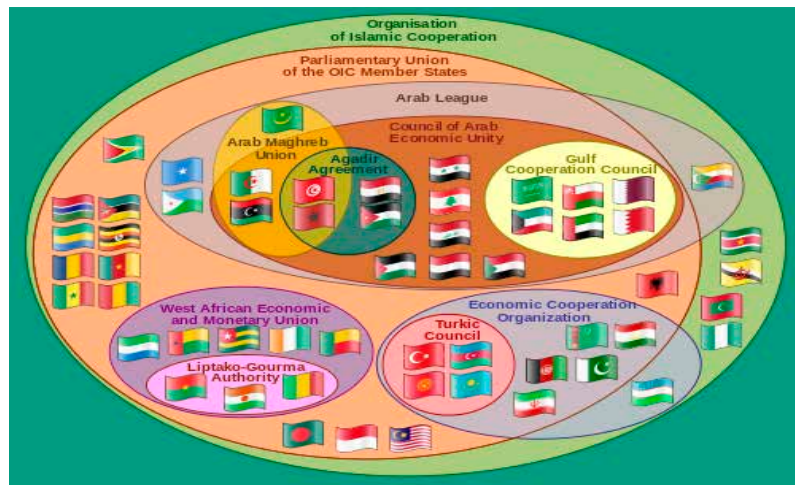
To better understand the OIC economies, in general, here are some summary statistics to keep in mind (from OIC and World Bank publications):

The OIC member states possess 60% of the oil reserves, 61% of the gas reserves and 30% of the lands on Earth.

- The top 10 member economies attract 70% of the FDI,
- The top 10 member economies claim 70% of the total production,
- The top 10 member economies also carry 70% of industrial production,
- 54% of the population across the OIC members is below 24 years old,
- 23% of the world population is Muslim (1.7 billion),
- OIC member states possess 60% of the oil reserves, 61% of the gas reserves and 30% of the lands on Earth,
- They have huge savings accumulated over the past few decades,
- Human and physical capital potentials are extremely high,
- The strategic location of most of the member countries of the OIC is excellent,
- Long history of multi-cultural identity is also a plus,

- Most OIC members have potential for substantial economic growth, notably in the financial industry,
- Financial industry of OIC in general is small and shallow, and growth rates are high; whereas in advanced economies financial industry is very large and deep while growth rates are falling.

Figure 2: Economic and political relationships between the 57 OIC member economies



Source: OIC

The OIC countries, broadly, could best be defined as having **unity in religion** and **plurality in culture, economic and political development** aspects. Islam is the unique dominant religion of the region and the building block of unions such as the OIC. Varying cultural norms and geographic positions also necessitate some form of collaboration.

This is predominantly true in the MENA economies, yet it should be kept in mind that the Muslim world is substantially bigger than MENA. The OIC's member base stretches from the Americas to Europe; and from the Middle East to Far East Asia. In terms of cultural diversity, there is the **pax-Ottomana** (Turkey, part of the Middle East and Balkans), the **Persian sphere of influence** (Iran, Iraq, Azerbaijan and segments of central Asia), the **Arab**

The OIC countries, broadly, could best be defined as having unity in religion and plurality in culture, economic and political development aspects.

cultural zone of the Middle East and North Africa, the **African sub-saharan** culture and the **East-Asian Pacific** region of Malay and Indonesian culture. Recently, the western cultural zone was also added to this list.

Table 3: Population Structure of the OIC countries

Countries	Population	Population Age Composition (%)			Crude Death Rate	Crude Birth Rate
	Millions	Ages 0-14	Ages 15-64	Ages 65+	Per 1,000 people	Per 1,000 people
	2014	2014	2014	2014	2014	2014
AFGHANISTAN	31.6	45	53	2	8	34
ALBANIA	2.9	19	69	12	7	13
ALGERIA	38.9	28	66	6	5	24
AZERBAIJAN	9.5	22	72	6	6	18
BAHRAIN	1.4	21	76	2	2	15
BANGLADESH	159.1	30	65	5	5	20
BENIN	10.6	42	55	3	9	36
BRUNEI-DARUSSALAM	0.4	24	72	4	3	16
BURKINA-FASO	17.6	46	52	2	10	40
CAMEROON	22.8	43	54	3	11	37
CHAD	13.6	48	50	2	14	45
COMOROS	0.8	40	57	3	8	34
COTE D'IVOIRE	22.2	43	54	3	14	37
DJIBOUTI	0.9	33	63	4	9	25
EGYPT	89.6	33	62	5	6	28
GABON	1.7	37	58	5	9	30
GAMBIA	1.9	46	51	2	9	42
GUINEA	12.3	43	54	3	10	37
GUINEA-BISSAU	1.8	41	56	3	12	37
GUYANA	0.8	30	65	5	8	19
INDONESIA	254.5	28	67	5	7	20
IRAN	78.1	24	72	5	5	18
IRAQ	34.8	41	56	3	5	35
JORDAN	6.6	36	60	4	4	27
KAZAKHSTAN	17.3	26	67	7	8	23
KUWAIT	3.8	22	76	2	3	20

Countries	Population	Population Age Composition (%)			Crude Death Rate	Crude Birth Rate
	Millions	Ages 0-14	Ages 15-64	Ages 65+	Per 1,000 people	Per 1,000 people
	2014	2014	2014	2014	2014	2014
KYRGYZ	5.8	31	65	4	6	28
LEBANON	4.5	24	68	8	5	15
LIBYA	6.3	30	66	4	5	21
MALAYSIA	29.9	25	69	6	5	17
MALDIVES	0.4	28	68	5	4	21
MALI	17.1	48	50	3	10	44
MAURITANIA	4	40	57	3	8	33
MOROCCO	33.9	27	67	6	6	21
MOZAMBIQUE	27.2	46	51	3	11	39
NIGER	19.1	50	47	3	9	49
NIGERIA	177.5	44	53	3	13	40
OMAN	4.2	21	76	3	3	20
PAKISTAN	185	35	60	4	7	29
QATAR		15	84	1	1	12
SAUDI ARABIA	2.2	29	68	3	3	20
SENEGAL	30.9	44	53	3	6	38
SIERRA LEONE	14.7	43	55	3	14	36
SOMALIA	6.3	47	50	3	12	44
South Sudan	10.5	42	54	3	12	37
SUDAN	39.4	41	56	3	8	33
SURINAME	0.5	27	66	7	7	18
SYRIAN	22.2	37	59	4	6	23
TAJIKISTAN	8.3	35	62	3	6	31
TOGO	7.1	42	55	3	9	36
TUNISIA	11	23	69	7	6	19
TURKEY	75.9	26	67	7	6	17
Turkmenistan	5.3	28	67	4	8	21
UGANDA	37.8	48	49	2	10	43
UNITED ARAB EMIRATES	9.1	14	85	1	2	11
UZBEKISTAN	30.8	29	67	5	5	23
YEMEN	26.2	41	57	3	7	32

Source: The World Bank

The current demographics are a key threat and yet also provide an opportunity for the OIC member economies. Demographic diversity (along with religious, cultural differences) threatens stability of especially the MENA economies (as was observed during the Arab Spring), yet, it meanwhile provides various economic opportunities regarding further cooperation, as most of the population is extremely young (See Table 3 for the age distribution of the OIC countries).

OIC member economies have observed high population growth rates post WWII. The young population and relatively much lower dependency ratios (retirees/workers), contributes to the economic dynamism and wellbeing of the economies. High growth rates are expected to continue at least up until the 2030s (World Bank projections, for the current population figures see Table 3).

The current demographics are a key threat and yet also provide an opportunity for the OIC member economies.

These considerable population growth rates have led to high unemployment, increased urbanization, and significant structural movements among the populations as well as specific social issues. Ignoring the following social issues over time has resulted in louder pronouncement of equal employment rights for women and youth. Fundamental structural issues such as unemployment among women and youth are mostly ignored as even the other primary issues remain unsolved, that is, the unemployment rate in general, problems in productivity, GDP growth, education, health, economic output per household and high population growth rates, among others.



Just as the unemployment rates climbed up and social issues increased, governments had to step in to increase employment, often at the expense of the efficiency of public institutions. Government expenditures (mostly in form of public sector employment), budget deficits and hence the weight of the public sector in respective economies are much higher within the Muslim world (Munawar and Liewellyn, 2002).

With the ongoing high population growth rates, water and land are the two main resources that could prove insufficient in the near future.

Available resources is another critical issue to contemplate. Huge populations and increasing adverse figures regarding the demographic structure of these countries indicate negative signs on the adequacy of the resources available for the population. Water and energy supplies along with education and health services will prove insufficient as the population continues to soar. With the ongoing high population growth rates, water and land are the two main resources that could prove insufficient in the near future.



Employment in the Muslim Arab world has been growing on average at 3.3% per annum (World Bank statistics). This is the highest figure among the developing economies. Meanwhile, the OIC member economies still have the lowest labor force participation rates. Cultural norms and life-style, along with low human capital, lack of opportunities (in terms of funding opportunities, staggering bureaucratic inefficiencies and hierarchy) and insufficient daily working hours per worker lead to sizeable downward trends in economic activity. Unemployment figures are high as well. The Muslim Arab world has an average official unemployment rate of 9.3% (see

Table 4 below for the unemployment ratios of the members), an improvement on the above 10% unemployment rate of the 1990s. However, the figure gets worse when one includes the un-official jobless citizens. An average developing economy, on the other hand, had a mere 6.6% unemployment rate between 2010-11.

Even the recent investment trend has failed to provide adequate room for increased employment. For instance, the post-1990s investment expenditure has increased slightly, yet total employment has changed very little. Even new investment projects consist of low-skill and low productivity jobs that do not contribute significantly to society and to the labor market in particular.

Table 4: Unemployment (% of total labor force) in the OIC members

COUNTRY	2011	2012	2013	2014
AFGHANISTAN	8.9	8.5	9.2	9.1
ALBANIA	14	13.9	16	16.1
ALGERIA	10	11	9.8	9.5
AZERBAIJAN	5.4	5.2	5	5.2
BAHRAIN	4	3.7	3.7	3.9
BANGLADESH	4.5	4.5	4.5	4.3
BENIN	1	1	1	1
BRUNEI-DARUSSALAM	3.7	3.8	3.8	3.8
BURKINA-FASO	3.3	3.3	3.3	3.1
CAMEROON	4.1	4.1	4.1	4.3
CHAD	7.1	7	7.1	7
COMOROS	6.5	6.5	6.5	6.5
COTE D'IVOIRE	4.1	4.1	4.1	4
DJIBOUTI				
EGYPT	12	12.7	13.2	13.2
GABON	20.4	20.3	20.3	19.7
GAMBIA	7.2	7	7	7
GUINEA	1.7	1.7	1.7	1.8
GUINEA-BISSAU	6.8	6.9	6.8	6.9
GUYANA	11.1	11.2	11.1	11.1
INDONESIA	6.6	6.1	6.3	6.2
IRAN	13.3	13.1	12.9	12.8
IRAQ	15.2	15.2	15.1	16.4
JORDAN	12.9	12.2	12.6	11.1
KAZAKHSTAN	5.4	5.3	5.2	4.1
KUWAIT	3.6	3.4	3.2	3
KYRGYZ	8.5	8.4	8.3	8.1
LEBANON	6.2	6.2	6.2	6.4
LIBYA	17.7	19.2	19.2	19.2
MALAYSIA	3.1	3	3.2	2

COUNTRY	2011	2012	2013	2014
MALDIVES	11.6	11.7	11.3	11.6
MALI	8.1	8.1	8.1	8.1
MAURITANIA	31.1	31.1	31.1	31
MOROCCO	8.9	9	9.2	10.2
MOZAMBIQUE	22.6	22.6	22.5	22.6
NIGER	5.1	5.1	5.1	5.1
NIGERIA	7.6	7.5	7.5	7.5
OMAN	7.5	7.4	7.3	7.2
PAKISTAN	5.1	5.1	5.1	5.2
PALESTINE				
QATAR	0.6	0.5	0.3	0.3
SAUDI ARABIA	5.8	5.6	5.7	5.6
SENEGAL	10.4	10.3	10.3	10
SIERRA LEONE	3.4	3.4	3.4	3.3
SOMALIA	6.9	6.9	6.9	6.9
SURINAME	6.9	6.3	4.8	5.6
SYRIAN	11.5	11.4	11.3	10.8
TAJIKISTAN	11.4	11.1	11.2	10.9
TOGO	7	7	6.9	6.9
TUNISIA	18.3	14	13.3	13.3
TURKEY	9.8	9.2	8.7	9.2
Turkmenistan	11	10.8	10.7	10.5
UGANDA	4.2	4.2	4.2	3.8
UNITED ARAB EMIRATES	4.1	4	3.8	3.6
UZBEKISTAN	10.9	10.8	10.8	10.6
YEMEN	17.6	17.7	17.7	17.4

Source: The World Bank

Regional disparities is another significant factor contributing to volatile unemployment rates among OIC members. Oil-rich GCC member states have lower unemployment rates while those in the North African economies are much higher (roughly

twice those in the GCC member economies). Tunisia (where a young unemployed man burned himself alive, an act credited with kicking off the Arab Spring), with an unemployment rate of 18%, is an example of these North African high unemployment economies.

Oil-rich GCC member states have lower unemployment rates while those in the North Africa are much higher (roughly twice those in the GCC member economies).

In particular, the youth unemployment rate is unacceptably high among these economies. According to the World Bank DataBank, the youth unemployment rate, at above 20%, is almost double the average of the rest of the world. This considerable youth unemployment rate, especially, causes various unfavorable social issues and leads to various tensions in all of the relevant societies.

2.c From Politics to Economics: The post WWI Muslim World

One hundred years after the world infamous Sykes-Picot agreement, political scientists, analysts, and politicians alike have started talks on restructuring the end of one of the most controversial agreements of the past 150 years, the Sykes-Picot agreement. The accord itself marked the death of the centuries-long empire of the Ottoman Turks.

Figure 3: The Middle-East after the Sykes-Picot agreement



Source: The Economist and The Gulf2000 project

The Sykes-Picot deal was never actually effectively implemented, although discussions over its implications have never ended.

Before any further discussion, one thing should be made clear. The Sykes-Picot deal was never actually effectively implemented, although discussions over its implications have never ended (İnalçık, 1973 and Lewis, 1965).

Due to the core subject of this study and the limitations on content, we will not be going into the details of the

historical context. We still find it necessary to mention that: The First World War was a turning point (start of the end) for the then singular regional power (and former global power), the Ottoman Empire. The Empire lost nearly all of its power in the Middle East, and later on ceased to exist. The other parts of the Muslim world were already apportioned. The Western powers were extremely careful with their calculations. The British, despite their failures at Gallipoli and Kut, still had the energy rich Mosul after the Ottomans lost the war.

The negative outcome of this partition is still felt deeply today. Policies of the then global powers are, indeed, the primary reasons behind the ongoing turmoil and the chronic disputes in the region. The negative outcomes of the post-WWII formation of the Muslim world continue still today. Very recently, this artificial formation in the Middle East led to an unprecedented unrest in the MENA economies, one which has come to be called the Arab Spring.

Following the Second World War, even the new world order (led by new Western Powers such as the USA replacing the 'Empire on which the sun never sets', the UK) seemed not to be that helpful in eliminating the political disputes over the land, energy and the other resources in the Muslim world. In particular, the post 1980s liberalism trend has failed to bring peace and prosperity to the region. At least up until 2016, the post-1980s trend of neo-liberalism seemed not to help with any of the ongoing political and strategic issues. Political tensions are still alive. Furthermore, most of these chronic issues seem to even be exacerbated in relatively liberal regional economies.

Along with its global trend of the post-1980s, as neoliberalism spread across the Middle East, the world observed an

unprecedented transformation in the Middle East and the Arab world. From economic and sociological structure to politics and information technologies, the MENA region has undergone a fundamental structural renovation. Today, most of the OIC member economies are still going through a significant transformation.

Across most of the developing world, in particular, the post-1980s trend of neo-liberal economic policies brought increased unemployment and poverty.

The reasons why the post-1980s trend of neo-liberalism has not been able to resolve any of these issues is worth a separate analysis. Yet, one thing is for sure. Across most of the developing world, in particular, the post-1980s trend of neo-liberal economic policies brought increased unemployment and poverty. Piketty and Stiglitz are just two of those who have written extensively on the subject. Broadly speaking;

- People have lost their real income level,
- Social adequacy (in terms of access to services) got worse,
- Equality and equal treatment lost its standing,
- Freedom of expression was lost; people today are mostly afraid to speak their mind.

The Post-WW II politics and institutional structure of the Middle East and the various Muslim countries, in general, may be defined by lack of 'rule of law', and by protectionism, superpower based kingdoms and poor business models as opposed to democratic governance, advanced market economy and more democratic liberal management. Religion and culture-based customs and rules are mostly criticized.

Economies have naturally struggled under these volatile conditions. Predominantly rent-based economies have naturally failed to create significant value-added in GDP. Poor governance and poor business models plague the region and seem to be the unique common features of most of these economies. The governments are unable to even collect taxes properly and are mostly heavily dependent upon the PetroDollar. As the average citizen does not pay any taxes, they are not represented in the governing bodies of their countries.

The economic and political institutions are proven to be the main drivers of economic development.

Although, some Muslim countries moved to more liberal economies after the 1980s, as was mentioned before, it did not prove that they would be riot or crisis free. Even the idea that a strong military will minimize riots over time was eliminated by the Arab Spring. Almost all of the Muslim world countries have fundamental issues such as income inequality, wealth inequality and low rates of economic growth. These chronic issues naturally led to a bust around 2010-11. That said, some countries such as Turkey and Iran that have deeper, stable and stronger state customs, were able to avoid most of these external shocks, and some of the other basic issues and disputes.

Most importantly, institutional development, helping create better governance, a liberal democracy and the rule of law, is still mostly missing within the Muslim world (see Acemoglu et al. 2001, 2005 and 2012). Institutional development (for stable political and economic development) theory, currently led by Turkish-American economist Acemoglu and his coauthors, argues that it is man-made political and economic institutions (such as political parties that form pluralistic political structures, public institutions that collect reliable data, a legal system that every citizen can count on and a security service that makes everyone feel safe and equally treated) that determine the economic and political success of nations.⁸ Locke's property rights, North and Weingast's theoretical basis for modern institutional structures and more recent analysis by Acemoglu and his co-authors, help lay the theoretical basis for deficiencies in the institutional quality within the OIC.

Institutional development is of critical importance for the fate of a country or even a civilization (Acemoglu and Robinson, 2012). After all, the economic and political institutions are proven to be the main drivers of economic development (Acemoglu et al., 2001, 2005). If the legal system is too weak and basic rights such as property rights, enforcement of contracts, political stability and even quality are not protected, the addition of growing religious extremism to this volatile mix can easily cause unprecedented economic, social and political turmoil.

⁸ See Acemoglu and Robinson (2012), among others.

A Pew research survey from the summer of 2012 shows strong public support for democracy in the Middle Eastern countries, most of which are still governed by monarchies (PEW, 2012). Democracy, itself, is of critical importance for institutional development. Yet, many OIC members are still far from being democratic societies with strong political and economic structures. Therefore, political pluralism and democracy is one of the first structural reforms that should be supported.

Table 5: Rule of Law (Overall score and representative factors)

COUNTRY	Overall Score	Factor 1: Constraints on Government Powers	Factor 2: Absence of Corruption	Factor 3: Open Government	Factor 4: Fundamental Rights	Factor 5: Order and Security	Factor 6: Regulatory Enforcement	Factor 7: Civil Justice	Factor 8: Criminal Justice	Global rank /102
AFGHANISTAN	0.34	0.43	0.24	0.34	0.39	0.42	0.33	0.27	0.28	101
ALBANIA	0.49	0.47	0.34	0.44	0.58	0.74	0.45	0.5	0.36	53
BANGLADESH	0.39	0.41	0.27	0.36	0.43	0.64	0.37	0.36	0.29	93
BURKINA-FASO	0.51	0.45	0.45	0.41	0.58	0.69	0.55	0.54	0.38	78
CAMEROON	0.39	0.39	0.26	0.33	0.46	0.63	0.36	0.34	0.31	97
COTE D'IVOIRE	0.46	0.44	0.41	0.34	0.5	0.6	0.47	0.48	0.4	76
EGYPT	0.45	0.45	0.46	0.44	0.39	0.67	0.42	0.39	0.41	86
INDONESIA	0.52	0.64	0.36	0.54	0.54	0.77	0.52	0.47	0.37	52
IRAN	0.44	0.36	0.5	0.34	0.23	0.63	0.53	0.56	0.38	88
JORDAN	0.57	0.5	0.57	0.43	0.47	0.85	0.54	0.62	0.56	41
KAZAKHSTAN	0.47	0.35	0.43	0.35	0.48	0.79	0.46	0.47	0.4	65
KYRGYZ	0.45	0.47	0.27	0.41	0.52	0.74	0.44	0.42	0.33	74
LEBANON	0.51	0.57	0.4	0.44	0.62	0.76	0.44	0.45	0.42	68
MALAYSIA	0.58	0.55	0.64	0.48	0.45	0.87	0.51	0.57	0.53	39
MOROCCO	0.51	0.56	0.43	0.48	0.45	0.76	0.54	0.5	0.35	55
NIGERIA	0.39	0.47	0.26	0.4	0.42	0.36	0.4	0.5	0.31	96
PAKISTAN	0.36	0.46	0.29	0.32	0.38	0.3	0.35	0.36	0.37	98
SENEGAL	0.54	0.63	0.48	0.42	0.63	0.67	0.55	0.55	0.42	38
SIERRA LEONE	0.44	0.58	0.35	0.29	0.55	0.59	0.39	0.47	0.32	87
TUNISIA	0.55	0.58	0.5	0.47	0.54	0.77	0.52	0.54	0.45	43
TURKEY	0.5	0.46	0.55	0.42	0.47	0.67	0.54	0.52	0.39	80
UGANDA	0.41	0.41	0.3	0.33	0.37	0.61	0.37	0.48	0.37	95

COUNTRY	Overall Score	Factor 1: Constraints on Government Powers	Factor 2: Absence of Corruption	Factor 3: Open Government	Factor 4: Fundamental Rights	Factor 5: Order and Security	Factor 6: Regulatory Enforcement	Factor 7: Civil Justice	Factor 8: Criminal Justice	Global rank /102
UNITED ARAB EMIRATES	0.65	0.58	0.79	0.46	0.49	0.89	0.66	0.59	0.78	27
UZBEKISTAN	0.45	0.29	0.35	0.39	0.36	0.9	0.47	0.48	0.41	81
UNITED STATES OF AMERICA	0.73	0.76	0.75	0.73	0.73	0.82	0.73	0.67	0.64	19
GERMANY	0.81	0.85	0.83	0.72	0.87	0.88	0.77	0.82	0.76	8

Source: <http://worldjusticeproject.org/>

The Muslim world economies should also be **economically more open and transparent**. An early 2000 UN Arab Development Report has warned the regional economies that demographic discrimination was leading to increasing wealth and income inequality and weaker economic development. Unfortunately, little was achieved up until the early 2010s, when the Arab Spring erupted.

We also observe that there is a need to increase the rate of accountability, particularly in political parties and the parliaments, but more importantly in police forces and even the military.

Equal treatment, fairness, transparency in governance and the justice system are crucial factors to bear in mind.

Efficiency, rule of law and democratic governance are key issues in a democratic society. Equal treatment, fairness, transparency in governance and the justice

system are crucial factors to bear in mind.⁹ A new way of thinking in political life which prioritizes the fight against corruption, implementation of rule of law and institutional quality is of critical importance for all the OIC members.

Most of the OIC countries are democratic countries with free elections but the rule of law and liberal market economies will take time to settle down.

The public sector sets the pace for growth rates. After all, the public sector is the primary employer (~30% in Syria, Egypt and Jordan, 20% in Tunisia, The World Bank DataBank)

⁹ See table 5 for the rule of law performance of the OIC countries.

and the main source of patronage among the OIC member economies. Also, the low tax effort implies alienated citizens, by keeping them out of the political and governmental structures. Lower entrepreneurship and productivity of the public sector have negative consequences on the overall productivity and entrepreneurship levels of the OIC countries.

These negative outcomes have been disrupting regional stability and worsening challenges to a more prosperous and democratic economy. Any improvement on these issues would help contribute to the democratic freedom in all of these countries.

Figure 4: Sect differences among the OIC members in the Middle East



Source: The Economist and and The Gulf2000 project

In short, most of the OIC countries are democratic countries with free elections but the rule of law and liberal market economies will take time to settle down. This historical overview which takes into consideration many clashes among the current members and the continuously changing structure of the region should not stop the OIC members from

A greater economic cooperation mechanism should be preferred over a political or even military union.

seeking new means of cooperation and more integrated business and social life.

We, therefore, believe that what the Muslim world needs the most currently is more economic cooperation. A greater economic cooperation mechanism should be preferred over a political or even military union. National borders, sect differences and political disputes should not be an obstacle preventing the economic cooperation and economic integration of OIC countries on a common cultural, strategic and even religious basis.

3. The Global Economy: Then and Now

The global financial crisis of 2007-09 was a turning point for the world economy (El-Arian, 2016; King, 2016). The world economy experienced the greatest financial crisis since the



Great Depression of the 1930s. The asymmetric nature of the shocks to different world economies makes it different from the comparable crises of the 1930s and of 1907. Meanwhile, as the global economy is transforming and global economy's equilibrium is shifting (along with

the changing nature of the crisis); the subsequent responses are also changing (Bagis, 2017; Pimco, 2015). While fiscal policies were generally consulted during the Great Depression period of the 1930s, during the Great Recession of 2007-09, monetary policy and in particular unconventional measures were effectively implemented to deal with the global financial crisis.

The world economy has entered a new era following the 2007-09 crisis. It's extremely important to read this new era correctly and choose the appropriate policy measures. The world is changing. Tension between Russia and the NATO bloc over Ukraine and Syria is still affecting world trade. The Chinese economy continues to slow down, while the Japanese economy remains stagnant. The US (and to a certain extent, the UK) is the only economy doing relatively well and it is growing much faster than the rest of the Western bloc economies. This has led to economic and financial divergence among the world economies (Bagis, 2017). We therefore follow another earlier argument made in

Bagis (2017), that the policy objectives and the primary concerns have fundamentally shifted.

Frankly, history proves that most international and domestic political tensions are indeed economically based. The fundamental issues behind and the primary reasons for these tensions predominantly lie with the institutional quality, and with the economic and welfare components. For example, in Turkey, the post-Ottoman-era relations with the Muslim world, internal disruptions such as the Kurdish issue (as was lately defined by the government) and relations with its sphere of influence as well as its foreign policy are all dependent upon the country's soft power. This soft power itself is dependent upon the performance of the economy at that time. From art to education and from business to tourism, all of the components of soft power are directly related to the economic circumstances.

We almost got used to the Great Moderation period of steady upward growth trend. The 2007-09 crisis was a disturbing wake-up call, in that sense.

As economic circumstances are of such paramount importance, it is essential to understand how the relative economies and even the global economy is currently performing. Economists mostly agree that the Great Recession of 2007-09 was a turning point for the world economy. Long-term growth rates, inflation dynamics and even interest rates are now much lower than the pre-2008 period. Most of the Emerging Market economies (EMs), today, faced huge capital inflows and have had to deal with the spillover effects of the unprecedented quantitative easing policies of the advanced economies.

Meanwhile, the rest of the world is not much different. After the onset of the Great Recession of 2007-09; in most major world economies, wages have remained flat for the most part. Interest rates are at historic low levels. Yet, investment is still weak, mostly due to uncertainties and lack of funding. Funding shortages have deferred investment projects and the resulting uncertainties have led to much weaker investor sentiment. Businesses, meanwhile, are too hesitant to commit to long-term investments and consumers are too frightened about economic prospects to spend much of their limited savings or wages. Therefore, both demand and

investment are currently weak. Meanwhile, savings are too high (as that in China) and in particular in most advanced economies (such as the European economies) everyone is expecting another downturn in the near future.

All these factors contribute to much lower growth rates. Growth rates are low even in the emerging markets and recovering advanced economies such as the US. So far, the world economies have failed to provide any concrete solution to this critical



mortification. And according to both El-Arian (2016) and King (2016), this has led to central banks around the world being the only players, and monetary policy being the only game in this new era.

Indeed, over the past few decades, central banks around the world have mostly achieved their goals. They have been able to lower nominal interest rates, smooth GDP movements from the growth trend and have also

lowered the inflation rates. Macroeconomic stability has been the key common characteristic of the advanced economies of post-1980s. We almost got used to the Great Moderation period of steady upward growth trend. The 2007-09 crisis was a disturbing wake-up call, in that sense.

The Great Recession led the market to hit rock-bottom, followed by a period of steady and low growth, which came to represent a new normal (PIMCO, 2015). Yet, volatilities are once again increasing. The steady and smooth new normal may soon be

over. The Chinese economy is slowing down and the oil markets are in turmoil. It would not be completely wrong to claim that the world economies are currently still dealing with the post-crisis effects of the Great Recession of 2007-09. Advanced

and emerging economies of the world, alike, are dealing with extremely low growth rates and are desperate to find new ways to stimulate growth.

Turkey's biggest trade partner, Europe, is still dealing with the debt crisis, and Brexit is likely to further deteriorate the region's economic outlook.

The global growth outlook is not promising currently in any region of the world. Investment rates are down everywhere and private sector consumption is much weaker than it has ever been. New means and even integration mechanisms are required to boost regional economies. Arguably one way to boost these growth figures is to apply the first-best **currency devaluation** policies, but currency devaluations are deemed 'beggar-my-neighbor' policies by many and hence are usually opposed (Bagis, 2016a). Currency devaluations are meant to steal growth from the competitors and would therefore cause instability across the other economies. Therefore, currency wars and the accompanying competitive devaluations leave all of the countries involved worse off.

Another alternative is more effective use of monetary policy (especially unconventional policies) and macro-prudential regulations. Of these, alternative measures are usually preferred. The Great Recession of 2007-09 was, in that sense, a critical point in history, marking the start of the effective use of monetary policy to fight with a business cycle of that extent. Thanks to former Fed Governor Bernanke, an expert on the Great Depression, they learned how to use monetary policy effectively.

The list of alternative solution methods could be increased. Yet, this is not the primary objective of this paper. The point is that the world economies are still recovering from one of the greatest financial crises in the history of humanity. Negative implications are still alive even for most of Turkey's neighboring countries.

Turkey's biggest trade partner, Europe, is still dealing with the debt crisis, and Brexit is likely to further deteriorate the region's economic outlook. Trump's presidency in the US, USexit as we may call it, is likely to keep the USA out of international politics and markets alike. Russia and Iran are still suffering from both the Western sanctions and extremely low commodity prices. The southern neighbors and the Middle East in general are suffering from the aftershock effects of brutal conflicts, even civil wars in some cases, following the Arab Spring. Greece and even Ukraine are still struggling to emerge from the long-stagnant economic circumstances.

There are positive developments to report too, thankfully. Turkey and Russia have recently ended their months-long dispute. This much needed attempt is very likely to contribute, economically,

to both of the regional powers. After all, in today's complicated world, no country is able to thrive totally on its own. In this new era, in which inter-country relations are dependent upon mutual benefits, new cooperation organizations and blocs are a necessity. In this line, the natural resources rich OIC political dialogue bloc with its very young population offers a great potential for a successful alternative to the existing economic unions.

In today's complicated world, exploring new means to boost regional and local economies is of the highest priority. Investment

We aim to point to the potential mechanisms that could be used to achieve greater cooperation and create a union of mutual benefits with such a large portion of the world.

rates and consumption levels are still weak, and growth rates and international trade shares are much lower than their pre-2008 levels. The West is still dealing with the post-2008 effects. Since all of the world economies are desperate to find new ways to boost growth rates and

stimulate economic activity, new forms of economic cooperation organizations are a must.

4. Potential Areas of Economic Cooperation

The question at this point is, what potential areas of cooperation and deeper economic integration are there? Various alternatives will be discussed below, but to give a general idea, we basically build a list of policy recommendations in various areas. These policy suggestions are supported with alternative channels that show which particular areas and mechanisms would provide best use. We aim to point to the potential mechanisms that could be used to achieve greater cooperation and create a union of mutual benefits with such a large portion of the world.

4.a. Turkey Central: On the Importance of Strategic Location

“Geography is Destiny”

Anonymous

Turkey is among the top-20 biggest economies of the world, both in nominal and in PPP terms. As a member of the G-20, the

rich-countries club of the OECD, and a candidate for the EU members club, Turkey has a great potential, with the necessary human capital and infrastructural frame to contribute to (maybe even lead, in some cases) the Muslim world economies in specific areas. This potential has been acknowledged in various OIC documents as well (See various recent OIC Strategy, Islamic Summit, COMCEC Strategy, Ministerial Conference and other subsidiary OIC institutions' documents). It has both the required technological substructure, political acknowledgement, international business and financial connections as well as the strategic position to serve a leading role. In particular, its geographic position is of enormous help.

As pointed out in the economic geography theory, a country's geographic location is the most critical element in its economic growth path, the distribution of its production activities, and the patterns of its international trade (see for example Krugman, 1979). Geography, therefore, determines the destiny of a country. While the saying itself is believed to originate from many significant historical figures, including Ibn Khaldun, Napoleon and others, it alludes to a deeper meaning.

From Herodotus to Ibn Khaldun and from Napoleon to Robert Kaplan, scholars have written extensively on the effects of environment and geographic location on cultural differences and the fates of countries.¹⁰ Accordingly, it is claimed that, above anything else, a country's position on the global map is the primary factor determining where its fate will head. For example, the 14th century Islamic scholar Khaldun, one of the main scholars who laid the foundations of the idea of fair and stable modern states, claimed that geographic location could best be described as the destiny of a country, as it would bring forth both challenges and opportunities (Khaldun, 1377). These opportunities and challenges are the exact focus of this study.

Turkey's fundamentals are strong and its strategic position is unquestionably of enormous help. It provides access to a market of 1 billion people within a 6-hour flight.

¹⁰ See, among others, Robert D. Kaplan's 2012 book "The Revenge of Geography: What the Map Tells Us About Coming Conflicts and the Battle Against Fate"

In light of these observations, we claim that Turkey has a significant comparative advantage due to its prime geostrategic position at the crossroads of Europe and Asia and therefore is ripe for potential gains in very different sectors, especially the ones mentioned below. However, the country needs to act accordingly to benefit from all these opportunities. Turkey, as an economic paragon among the EMs, has had an average growth rate of 5% during the past 10 years. The country is headed towards becoming a global power, in the near future, surpassing its current regional powerhouse position.

Turkey's fundamentals are strong and its strategic position is unquestionably of enormous help. It provides access to a market of 1 billion people within a 6-hour flight. Istanbul is well on its way to becoming a major business hub; providing access to all of the MENA, Asian, European and African regions.

Below, we list some specific sectors that we believe should be primarily considered when laying down the strategic plans for future cooperation and collaboration efforts. We would like to remind the readers that some of these cooperation areas have already been pointed out in the relevant OIC strategy documents, but to a limited extent. Meanwhile, there are numerous other means to benefit from. In the sections below, we provide a short list of critical areas of collaboration.

4.b. Energy

Turkey is a net energy importer (Bağış, 2015; 2016b). Despite its large natural resource reserves in general, Turkey is still importing most of its energy needs. On the other hand, many other OIC member economies are energy-rich. Turkey's relatively better technological infrastructure and human capital could be benefited from to collaborate with the rich natural (in particular energy rich) resources of the other OIC members.

Over time, such opportunities will most likely be an essential part of discussions over long-term strategies in foreign policy as well. One thing is for sure, Turkey's strategic position makes the country a strategically vital ally or trade partner for any country, especially within the energy sector. Popular recent energy line news and the changing balance of global power makes this strategic location all the more vital.

Turkey's strategic position is very likely to help improve its stance in international business and political relations. Indeed, most of the regional and international players are already aware of this potential. For example, in October 2016, Turkey and Russia signed an agreement for a new Turkish Stream (Türk Akımı) natural gas pipeline. The deal came just months after tension between the two regional power-houses exploded, after downing of a Russian jet on the Syrian border. Despite this undesirable incident, Russia never broke off relations with Turkey. Shortly after the evidence and consensus over the international linkages in that military strike, the deal sounded all reasonable and logical to both parties.

Turkey's strategic position is very likely to help improve its stance in international business and political relations.

Table 6: Pipelines in the region

PIPELINES	Capacity bbl/d	Mmcf/d	Notes
ACTIVE			
EGYPT-JORDAN-SYRIA-LEBANON (ARAB GAS PIPELINE)		966	Egypt-Jordan flows intermittent and at volumes less than contracted; flows to Syria, Lebanon offline
IRAQ-SYRIA (AIN ZALAH-SUFAYAH-SUWEIDIYA)			Small pipeline in the northeast of Syria; not a significant international pipeline
INACTIVE			
EGYPT-ISRAEL (EL-ARISH-ASHKELON)		677	No flows since 2011
IRAQ-SYRIA (SCOTLINE), TWO PIPELINES	1,400,000		Iraqi sections inoperable; status of Syrian section uncertain
SAUDI ARABIA-JORDAN (TRANS-ARABIAN PIPELINE [TAPLINE])	315.000- 500.000		Section from Saudi Arabia to Jordan closed since 1990; discussions on-re opening occur occasionally
SYRIA-LEBANON(GASYLE1)		300	Not currently in operation, temporarily supplied Arab Gas Pipeline volumes to Lebanon
PROPOSED			
AZERBAIJAN-TURKEY-SYRIA		100- 300	Infrastructure build-out not completed; project unlikely to move forward

PIPELINES	Capacity bbl/d	Mmcf/d	Notes
CYPRUS-GREECE		unkown	Proposed export pipeline from Cyprus; could connect to European distribution network
EGYPT-PALESTINIAN TERRITORIES		unkown	Intended to supply natural gas to PT generating facilities; no details available
IRAN-IRAQ-SYRIA PIPELINE (ISLAMIC GAS PIPELINE)		110	New reports indicate construction completed by 2013, 20-25 MMcm/d to Syria, 20-25 MMcm/d to Iraq (power)
IRAQ-JORDAN (HADITHA-AQABA)	1,000,000	350	Export pipeline to Red Sea; same oil and natural gas for use in Jordan
IRAQ-JORDAN (ZARQA SPUR LINE OF HADITHA-AQABA PIPELINE)	98,000		Proposed as alternative to trucks on this route; no significant progress
IRAQ-SYRIA (HADITHA-BANIAS), TWO OIL PIPELINES, ONE NATURAL GAS PIPELINE	2,750,000	unkown	Two oil pipelines, one from norther Iraq and one from southern Iraq; one natural gas pipeline to aid operation
ISRAEL-TURKEY		unkown	Preliminary discussions on Israel-Turkey natural gas pipeline as alternative to LNG exports; no project proposal as of July 2013
SYRIA-LEBANON (HOMS-TRIPOLI)		378	Project abandoned
SYRIA-TURKEY (ALEPPO-KILIS)		145	Arab Gas Pipeline extension; project stalled
TURKEY-ISRAEL (CEYHAN-HAIFA)	800,000		265 mile pipeline would connect Israel to Turkish energy hub in Ceyhan; no significant progress

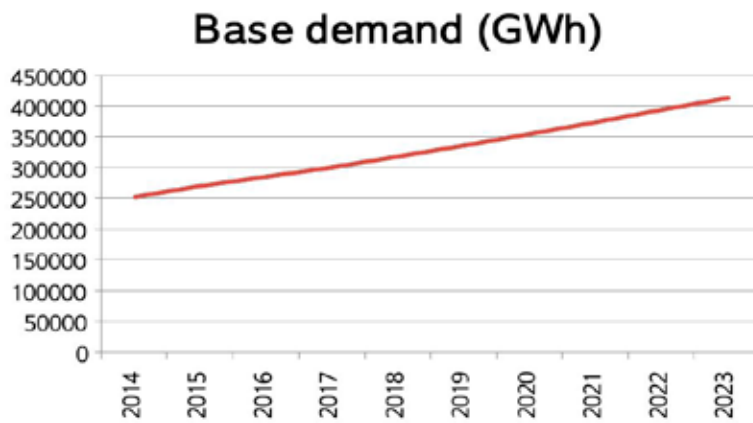
Source: <http://www.eia.gov/>

Turkey is currently the 6th largest electricity market in Europe. By 2030, it is expected to be within the top 3 due to the approximately 5% growth of energy demand in Turkey each year.

Despite its strategic position, Turkey is surely lacking in energy resources. It currently ranks 61st in oil production and 194th in oil exports. It further ranks 68th in natural gas production, and 42nd in gas exports (IEA statistics). Turkey currently consumes one-fourth of average OECD per capita energy consumption, and half of the consumption statistics for its European counterparts. Over time, as the economy matures, with increasing urbanization and high population growth rates, these figures are projected to rise.

Turkey is currently the 6th largest electricity market in Europe. By 2030, it is expected to be within the top 3 due to the approximately 5% growth of energy demand in Turkey each year. A projection of electricity demand in Turkey is given in the figure below.

Figure 5: Projection of electricity demand in Turkey until 2023.



Source: Republic of Turkey, Ministry of Energy

Dependence on energy and the strategic position of a country has deeper meanings, both in terms of domestic politics and international relations. Dependence on various resources and production factors may limit a country's areas of maneuverability in international relations. Meanwhile, the strategic position may help with efficient cooperation mechanism. After all, you cannot analyze a country without its economic and strategic connections, its strategic cooperation and integrations into the international political and financial system.

Turkey's surrounding Middle-East and Caucasian regions hold up to 70% of the world's oil reserves and 75% of the natural gas resources.

Turkey's surrounding Middle-East and Caucasian regions hold up to 70% of the world's oil reserves and 75% of the natural gas resources.¹¹ With the right moves, Turkey could be an energy hub

¹¹ See for example Bagis (2016b). For further details on oil and natural gas reserve and production figures see Appendix.

and an important player in the energy market both regionally and, potentially, worldwide. In addition to power and esteem, such a transformation would bring with it many other economic and strategic advantages.

Turkey's rise as a significant energy hub is of critical importance for many reasons. It will decrease Turkey's dependence on energy imports and its sensitivity to international disputes. The outcome could result in a decrease in the country's energy gap and lessening its foreign dependency, especially to countries such as Russia and Iran, both of which have historically been considered long-time competitor of Turkish states and empires.

Turkey could potentially be a major player in international politics and economic policy-making. Meanwhile, its influence over

regional and global policies and cooperation mechanisms will be extended. At the same time, Turkey could use its critical position to contribute to Europe's energy safety and help improve and stabilize energy supply, in which

Northern Iraq is acting independently nowadays in terms of its energy policy, essentially refusing to cooperate with the Baghdad government.

Turkey is in a critical position. This is strategically important in terms of international politics, global peacekeeping efforts and security.

Another possible outcome that would boost Turkey's international reputation and add to its potential, is a decrease in the natural gas prices in the retail market. This will be possible once energy begins to be provided from the south rather than the northern source of Russia (challenging Russia's near monopoly over this coveted natural resource). Gas from the south costs nearly half that of gas coming from Russia (Erdil, 2013). With this strategic move, Istanbul or Ceyhan could potentially be an energy hub for Europe, which in turn will bring stronger political and economic recognition to Turkey.

At this point, the most critical issue is the southern gas corridor, which comprises the Kurdish Region of Iraq. Northern Iraq is acting independently nowadays in terms of its energy policy, essentially refusing to cooperate with the Baghdad government. Turkey is the most suitable route for Israel's, Southern Cyprus' and Northern Iraq's gas and petrol exports. Hence, new projects

will also support this currently favored route. Construction of a new pipeline through Northern Iraq has recently started. Besides TANAP, this new pipeline is intended primarily for domestic demand, which is great news for Turkish consumers. Nevertheless, regional politics will play a critical role in the success of these projects.

A few years ago, the construction of a new Erbil-Turkey oil pipeline signalled a reform in regional politics. With the planned new pipelines and connections to the existing Kirkuk-Yumurtalik pipeline, the Kurdish Region of Iraq is poised to export around 16 billion dollars of petrol and 10 billion dollars of natural gas annually, through Turkey. Similarly, the north of Syria also has the potential to export its oil through Turkey. Policy-makers, politicians, and industry leaders alike, should keep this balance in mind when formulating policies for the region.¹²

The lines from the East are equally important. The Baku-Tbilisi-Ceyhan pipeline and the Baku-Tbilisi-Erzurum pipelines are already active. The Trans-Anatolian gas project (TANAP) will carry the gas of Azerbaijan from the Caspian Sea to Europe via Turkey. With the project, Turkey will be the most important energy player in the region. Turkey will, additionally, gain a few billion dollars per year. In addition, consumer prices are expected to decrease courtesy of cheaper wholesale contracts with Azerbaijan.

Oil is surely not the only critical energy source we should be concerned with. The following quote from Cenk Pala of TAP (2013, <http://www.hurriyet.com.tr/pipelineistan-24881558>) is a good summary of the importance of various other energy sources:

“The 20th century was the century of oil, there we missed the train. This century, is the century of natural gas. We should be active in its production, ownership, marketing and trade.”

If Turkey keeps successfully transforming its previously narrow vision of foreign policy, it will have a profound and positive impact on the region.

The Financial Times's energy columnist Butler (2013, <http://blogs.ft.com/nick-butler/2013/10/02/the-turkish-choice-rhetoric-or-relevance/>) adds that:

¹² See the table above for the pipelines in the region.

“Turkey for the first time in more than century can have a critical role in the world economy, through its position as a transit route for many different gas and oil projects. ...transnational role of Turkey is the greatest opportunity in the history of Turks since Ottoman times. ...The volume of energy passing through Turkey, may exceed the volume passing through Strait of Hormuz.”

These comments both point to an opportunity and also to an important responsibility on the part of policy-makers. The authors of this paper believe if Turkey keeps successfully transforming its previously narrow vision of foreign policy, it will have a profound and positive impact on the region. This will bring about stronger relations with OIC countries and improved economic opportunities in turn.

4.c – Industry and Trade

Since the foundation of the modern Republic in 1923, Europe has always been Turkey’s primary trade partner. The new post-revolution country turned to the West for guidance in all areas. With this transformation it was aimed to ensure the country would progress and catch up with the Western standards of technological and scientific development as quickly as possible.

Ninety years after its foundation, Turkey’s biggest trading partner is still the European Union. Additionally, the recent tension between Turkey and Russia, the geopolitical issues with the Iraqi government, civil war in Syria as well as the political transformation in Egypt has placed some barriers on economic cooperation efforts between Turkey and the other Muslim economies. However, the OIC market is of extreme importance for Turkey and there exists a great potential to increase trade volume, which will help create and develop more high value-added industries. The key points of Turkey’s foreign trade with major OIC partners can be summarized with the following table. For comparative purposes, information on Russia is included as well.

Table 7: Trade with OIC countries and Russia

COUNTRY		Rank (2014)	(Rank 2013)	2013 (billion \$)	Main Items (in 2014)	Details
IRAQ	Export	2	2	11.9 bn\$	Food:30%, Iron&Steel&their products: 16% Machinery & Electric: 13%	Last year export to Iraq increased 10% (11.9 bn\$). In the first half of 2014 total export to Iraq is 5,8 bn\$
	Import	62	81	0.1 bn\$	Petrol&Natural gas: 43%, Gold: 39%	Volatile trend: 2011:-43%, 2012:+72%, 2013:-2%
RUSSIA	Export	7	4	7 bn\$	Food:19%, Machinery&Electric:19%, Motor land vehicles: 13%	The momentum of increase in Russia export decreased: 2013:4%, 2012:11%, 2011:29%
	Import	1	1	25 bn\$	Petrol&Natural gas:67%, Food: 10%, Iron&Steel&their products: 11%	2011&2012 11% increase imports, 2013:-6%
BAE	Export	8	8	5 bn\$	Gold:46%, Iron&Steel&their products:15%, minerals:12%	Elevated gold export: In 2012 %69 (5 bn\$), in 2013 %50 and in 2014 %46 (1,2 bn\$) of total export
	Import	22	14	5.4 bn\$	Gold: 88%	Imports increasing exponentially: 2013:%50, 2012:118%, 2011: 136%
SAUDI ARABIA	Export	13	14	3.1 bn\$	Carpet: %14, Machinery&Electric: %14, Food: %13, Textile: %13, Iron&Stell&their products: %12	2013: -13%. In the first half of 2014 total exports to S. Arabia is 1,5 bn\$
	Import	25	26	2 bn\$	Plastic: 76%, Chemicals: 17%	
EGYPT	Export	16	13	3.2 bn\$	Minerals: 18%, Machinery&Electric: 11%	Exports decreased 13% in 2013, but in 2012 and 2011 increased respectively 33% & 23%
	Import	31	32	1.6 bn\$	Plastic: 25%, Inorganics: 10%, Textile: 12%	
IRAN	Export	18	10	4.2 bn\$	Machinery&Electric: 21%, Wood&Paper: 12%, Plastic: 8%, Food: 6%	2012: 66% of total export gold, 2013: 40% gold. But in 2014, the effect of gold export diminished.
	Import	7	7	10.4 bn\$	Petrol&Natural gas: 86%	In last 2 years decreased: 2013: -13%, 2012: -4%
LIBYA	Export	20	16	2.8 bn\$	Iron&Steel&their products: 18%, Machinery&Electric: 15%, Furnish: 10%	Exports increased 29% in 2013
	Import	65	61	0.3 bn\$	Petrol&Natural gas: 36%, Gold: 32%	Volatile trend
ALGERIA	Export	22	22	2 bn\$	Machinery&Electric: 25%, Motor land vehicles: 19%, Food: 75	Export increasing 2013: 10%, 2012: 23%
	Import	43	48	0.7 bn\$	Petrol: 98%	In last 2 years imports decreasing: -23%, -20%
MOROCCO	Export	25	27	1.2 bn\$	Iron&Steel&their products: 24%, Motor land vehicles: 17%, Machinery&Electric: 12%	2013: 18%, 2012: 10% increase in total exports
	Import	51	52	0.6 bn\$	Motor land vehicles: 31%, Chemicals: 13%, Salt: 12%, Feed: 10%	33% increase in imports in 2013. Previous years 2%, 6%
SYRIA	Export	28	32	1 bn\$	Food: 45% (mainly from animal&cereals)	Exports doubled in 2013 (2013: 1 b\$, 2012: 0.5 bn\$). In the first half of the year, export to Syria become 0,7 bn\$
	Import	92	98	0.08 bn\$	Cotton: 80%	2013: +26%, 2012: -80%, 2011: -26%
TUNIS	Export	35	37	0.9 bn\$	Textile: 15%, Machinery&Electric: 12%, Motor land vehicles: 12%	Exports increased 10% in 2013 after a flat year in 2012
	Import	76	64	0.3 bn\$	Machinery&Electric: 26%, Petrol&Natural gas: 25%	2013: 48% increase, but in 2012: -21%, 2011: -11%

Source: TUIK and TIM

On the other hand, within the OIC member economies, Turkey's main export market is Iraq, with 30% of total exports (at least until very recently). Turkey sells food, iron, steel and iron-steel products, machinery and equipment, electric devices and motor land vehicles to the OIC. Turkey mainly imports oil, petroleum products and gold from the OIC.

To have a better understanding of the current trade and production opportunities within the OIC we need to carefully examine the OIC's trade figures. A comparative look, which includes both the intra and global figures of the OIC's trade, is especially important. For this reason global and intra-OIC exports and imports by destinations, by products and market concentrations are given in the tables below.

Table 8: Global OIC Exports by Destination (Share, Top 15)

COUNTRY	2014	2015
CHINA	10.2	12.8
JAPAN	9	9.1
INDIA	7.3	8.7
USA	7	8
KOREA	5.8	5.9
SINGAPORE	4.7	4.9
ITALY	3.5	3.4
GERMANY	2.4	3.3
FRANCE	3	3.2
SPAIN	2.9	2.6
THAILAND	2.5	2.7
UK	2.4	2.7
NETHERLANDS	2.6	2.6
TAIPEI, CHINESE	2.5	2.6
TURKEY	1.4	1.6
Total Share of Top 15 Partners in 2015: 75%		

Source: The WorldBank, OIC and IFC

Table 9: Global OIC Exports by Products (Top 10, Share %, 2014)

Mineral fuels, oils	58.9
Electronic equipment	4.8
Plastics	2.8
Machinery	2.6
Precious stones, metals	2.5
Animals, vegetable fats and oils	1.9
Organic chemicals	1.7
Vehicles other than railway	1.7
Apparel, accessories, knit	1.7
Apparel, accessories, not knit	1.5
Herfindahl product concentration of exports: 0.35	

Source: The WorldBank, OIC and IFC

Table 10: Global OIC Imports by Destinations (Share, Top 15)

COUNTRY	2014	2015
CHINA	15.2	20.7
USA	7	7.4
GERMANY	5.6	5.8
INDIA	5.3	5.4
SINGAPORE	4.1	4.3
KOREA	4	4
JAPAN	4.1	4
FRANCE	3.5	3.7
RUSSIA	3.7	3.7
ITALY	3.6	3.7
TURKEY	2.8	2.9
UK	2.5	2.6
THAILAND	2.2	2.3
SPAIN	2	2.1
NETHERLANDS	1.9	2
Total Share of Top 15 Partners in 2015: 75%		

Source: The WorldBank, OIC and IFC

Table 11: Intra-OIC Exports by Destinations (Share, Top 10)

COUNTRY	2014	2015
TURKEY	14.4	30.8
MALAYSIA	7.5	14.7
UAE	16	13.9
QATAR	3.8	7.5
INDONESIA	7.1	7.4
SAUDI ARABIA	12.4	4.9
IRAN	7.3	4.7
OMAN	2	4.6
EGYPT	3.5	1.5
KUWAIT	3.9	1

Source: The WorldBank, OIC and IFC

The global figures, presented here, reveal dominance of the Asian countries, EU members and the USA as the major trading partners of the OIC. For a rational economist, this should clearly indicate the great potential to improve trade relations within the OIC countries.

Table 12: Intra-OIC Exports by Products (Top 10, Share %, 2014)

Mineral fuels, oils	28.8
Plastics	6.1
Precious stones, metals	4.5
Machinery	4.2
Animal, vegetable fats and oils	3.9
Iron & steel	3.8
Electronic equipment	3.8
Vehicles other than railway	3.3
Aluminium	2.4
Articles of iron & steel	2.3
Herfindahl product concentration of Intra-OIC exports: 0.10	

Source: The WorldBank, OIC and IFC

Table 13: Intra-OIC Imports by Destinations (Share, Top 10)

COUNTRY	2014	2015
TURKEY	8	16.3
MALAYSIA	6.5	12.2
UAE	9.2	10.6
OMAN	4.2	10
IRAQ	6.4	6.7
INDONESIA	8.6	6
QATAR	2	4.9
SAUDI ARABIA	5.3	4.5
EGYPT	4.1	4.2
IRAN	5.6	4.2
Total Share of Top 10 Partners in 2015: 78%		

Source: The WorldBank, OIC and IFC

Table 14: A comparative look at the Intra-OIC and Global OIC total export figures.

Years	Share of Intra-OIC Exports (%)	Intra-OIC EXPORTS (billion \$)	Global OIC EXPORTS (billion \$)
2001	9.2	(just over) 0	500
2002	9.6	(just over) 0	500
2003	12.2	(just over) 0	(approx.) 600
2004	10.1	(under) 100	(approx.) 800
2005	12.7	(approx.) 100	(approx.) 1000
2006	12.2	100	(approx.) 1200
2007	12.1	(just over) 100	(approx.) 1400
2008	10.7	(approx.) 200	(approx.) 1700
2009	13.1	(under 200	(approx.) 1300
2010	13.6	200	1500
2011	11.8	(just over) 200	(approx.) 2200
2012	11.8	(just over) 200	(approx.) 2300
2013	13	(approx.) 300	(approx.) 2200
2014	15.4	300	(approx.) 2100
2015	10	100	(approx.) 1300

Source: The WorldBank, OIC and IFC

In particular, investment in high-tech industries by capital abundant OIC members with the support of all members and their large markets, know-how and human capital is especially seen as an important opportunity that must not be missed.

A careful look into the trade relations between the OIC members reveals that Turkey and Malaysia are the top two exporters and importers of intra-OIC trade. However, even though Turkey ranks first on the intra OIC list, it ranks only 15th on the global list. This clearly shows the necessity and also the potential for stronger economic cooperation between the OIC countries. Turkey, Malaysia and Indonesia have state of the art production facilities and know-how in many different industries that could compete quite well with their counterparts in the West, in China and India. In addition, the abundance of raw materials in the Gulf area makes the OIC a potentially self sufficient - in the sense of not being dependent on the rest of the world - organization in most of the industries.

Better economic cooperation within the OIC will help the current major producers such as Turkey, Malaysia and Indonesia to have higher production standards. Improving the standards in these countries will eventually help all the other OIC members with their industries, know-how and production quality. We believe that by enhancing trade between its members, the OIC can increase the welfare of all parties. In particular, investment in high-tech industries by capital abundant OIC members with the support of all members and their large markets, know-how and human capital is especially seen as an important opportunity that must not be missed.

On the other hand, the intra-OIC trade still depends upon lower technology sectors such as fuels, minerals and plastics. Turkey has a comparative advantage in the machinery (automobile, trucks, railways, white goods, electronic devices), textile, defense and chemical industries. Considering the OIC's huge consumption and import figures in these sectors, with improved cooperation, Turkey could become a major competitor to Germany, the USA and some emerging countries such as China and India. To note again, for more economic cooperation, each OIC country must strengthen their ties with the other members.

Indeed, the OIC strategy documents already mention a specific intra-OIC trade vision. Yet, the member economies are still far from achieving even these limited targets. Particular customs regulations, such as PRETAS and TPS-OIC, are yet to be implemented. Trade volumes and market integrations will not improve much until each country takes responsibility for implementing these measures.

If Turkey could support its unique location with a well connected transportation system including airways, seaways and railways, it can potentially become a world leader in transportation volume.

4.d Transportation

Thanks to its strategic location, Turkey is a natural hub for transportation. Renovated railways and airports as well as the recent double-ways, have increased the transit passage role of the Turkish economy. Istanbul's new airport will substantially help Turkey increase its share of the transit flights to the OIC market. Istanbul has the optimal transit location connecting Africa, Europe, Asia and the Middle-East. Further investment in transportation will boost this potential.

Transportation of goods and services is another critical area in which Turkey holds significant competitive advantage. For Western companies, Turkey is the gateway to Iraq, Syria and most other Middle-Eastern countries. Even trade with Iran predominantly needs to pass through the Turkish territory. Overall, while the new pipelines carry eastern natural resources, including energy exports, to the West; the transit location of Turkey in the meantime helps transfer western goods and services to the East as well. The list includes various goods and services, from high-tech appliances to internet services and even automobiles.

The construction sector, despite its limited direct share of around -5% of GDP in Turkey, affects almost all aspects of the Turkish economy.

As a result, if Turkey could support its unique location with a well connected transportation system including airways, seaways and railways, it can potentially become a world leader

in transportation volume by serving as the primary transporter country of the rest of the OIC countries.

Recent mega projects such as the Yavuz Sultan Selim Bridge, the Osman Gazi Bridge, the Marmaray and Avrasya tunnels, as well as the Canallstanbul Project, are all unprecedented and huge infrastructure projects aimed at improving Turkey's transportation and logistics infrastructure.

4.e Construction

Construction sector, despite its low-skill density and traditional identity, is still one of the main sectors of modern economies. Many OIC members have recently started to use their accumulation of foreign exchange reserves for construction of new planned cities, and have heavily invested in huge transformation with unprecedented transportation and infrastructure projects. New airports, railway systems and highway projects are following one another. Turkey, as a leading OIC member economy, has an obvious competitive advantage in the construction sector.

The past performance of Turkish construction companies in Russia, Saudi Arabia, the Middle East and North Africa is a good example of this comparative advantage. The construction sector, despite its limited direct share of around ~5% of GDP in Turkey, affects almost all aspects of the Turkish economy. Therefore, further cooperation in this sector will both boost the Turkish economy and help transfer the experience and know-how of Turkish companies to the rest of the Muslim world. This is one area in which Turkey could use its comparative advantage.

Political stability may lead to even higher investments in the construction industry, which Turkey may benefit from the most. Turkish construction companies, most of which usually start to operate in Turkish governmental related projects, are now able to complete projects all over the world. Companies such as Enka, Rönesans, Polimeks and Öztürk are among the top 100 construction companies in the world based on their size of operations.¹³

In short, the Turkish construction companies already have the necessary experience and willingness to actively participate in

13 See: <http://www.tmb.org.tr/tr/duyuru-ve-haber/bilgilendirme/enr-2015/352>

projects all over the Muslim world and in any corner of the OIC countries. Better relations with these countries will inevitably give way to more opportunities for Turkish companies to tackle big projects in the region. The Turkish construction industry as a whole is ranked third world-wide behind the construction industries of the USA and China.¹⁴ Considering all these fundamentals and the proximity of these companies to the region both in terms of distance and understanding, we may safely argue that Turkey can indeed lead the region in its construction efforts. This will help with the employment efforts, both in partner countries and in Turkey, and help Turkey overcome its current account deficit.

4.f The Tourism Sector

The OIC member economies, geographically, vary from the Americas to Europe and Africa; and from Europe to Far East Asia. Regional geographic climatic types therefore vary significantly. These varying geographic and climatic differences provide a huge opportunity for the member economies of the OIC. It is, therefore, another area for greater cooperation.

Even in Turkey, the country's amazing geography is extremely colorful. It has different climates in its various regions. The eastern part of Anatolia, for instance, hosts extremes of temperatures where summers are hot and dry and winter months are long and intensely snowy. The West, on the other hand, is milder and much hotter during the summers. Meanwhile, the Black Sea region is famous for its cool summer weather opportunities, and the far South provides a partly tropical Mediterranean taste of climate.

Regional geographic climatic types therefore vary significantly. These varying geographic and climatic differences provide a huge opportunity for the member economies of the OIC.

All these geographic, cultural, sociological and even climate divergences, therefore, provide for a plethora of opportunities for

¹⁴ For instance, check out: http://www.enka.com/Pdf/2014_ENR-Top-250-International-Contractors-List.pdf

touristic tours to Turkey. As an example, Turkey's Black Sea region has recently become an extremely popular destination for tourists from the southern MENA region economies. Historical sites



and authentic voyages are another strategic advantage the Anatolian region provides. Turkey hosts numerous ancient sites and structures from the Hittites to Lydians; and from the Romans to the Ottomans (Yurtseven, 2012). Historical sites are particularly popular with Japanese and American tourists.

Considering the hot and dry weather and flora of most of the OIC countries, we could expect the weather and flora of especially the Black Sea region of

Turkey to be appealing to OIC tourists. In addition to historical sites and cities such as İstanbul and Bursa, significant increases have been observed in the number of OIC tourists to the green Black Sea cities of Trabzon, Ordu, Rize and Bolu.¹⁵

Turkey should not lose its position in the world's top ten spot in the total number of touristic visits per annum. Commercials, various other ads and other new instruments should be utilized to promote touristic visits to Turkey. Newly emerging Afrikan, MENA and other far east Muslim countries should be targeted and attracted to Turkey. The total number of tourists from different OIC countries is increasing in recent years. The list of OIC countries that send the highest number of tourists to Turkey are given in the table below.

15 Check: <http://www.milliyet.com.tr/son-3-yilda-turkiye-ye-7-milyon-arap-trabzon-yerelhaber-1218004/>

Table 15: Number of tourists coming from OIC countries to Turkey.

COUNTRY	2012	2013	2014
ALBANIA	59 565	65 113	76 273
ALGERIA	104 489	118 189	160 052
AZERBAIJAN	593 238	630 754	657 684
BAHRAIN	13 342	16 230	24 305
BANGLADESH	6 652	8 856	12 706
EGYPT	112 025	107 437	108 762
INDONESIA	56 113	57 385	59 486
IRAN	1 186 343	1 196 801	1 590 664
IRAQ	533 149	730 639	857 246
JORDAN	102 154	102 871	131 329
KAZAKHSTAN	380 046	425 773	437 971
KUWAIT	65 167	88 238	133 128
KYRGYZ	42 866	64 905	81 941
LEBANON	144 491	143 629	161 274
LIBYA	213 890	264 266	267 501
MALAYSIA	41 169	55 139	69 968
MOROCCO	77 884	82 579	89 562
QATAR	13 971	18 630	29 743
SAUDI ARABIA	175 467	234 220	341 786
SUDAN	8 161	9 319	10 714
TUNISIA	86 595	91 683	100 612
TURKMENISTAN	135 168	148 709	180 395
UNITED ARAB EMIRATES	48 071	52 424	53 736
UZBEKISTAN	105 976	129 292	143 354
YEMEN	11 826	17 354	26 033

Source: TurkStat

Diversification is another critical factor in the tourism industry. Turkey's tourism industry has a high dependence on European countries such as Germany and England, and on former Soviet countries such as Russia and the Ukraine. This high dependence ratio on a small set of countries makes Turkey's tourism sector more vulnerable to political and economic crises affecting these

regions. Hence, adding the OIC countries as an alternative international market for Turkey will actually strengthen the industry in Turkey. Limiting

Limiting the focus and the market of tourism to just a few countries has the potential to cause various challenges.

the focus and the market to just a few countries has the potential to cause various challenges. It should also be kept in mind that Turkey

suffered greatly from the political crisis with Russia in 2016, as well as from warnings by Western embassies (of the countries with the biggest touristic visits) to their citizens.

Infrastructure investments, better access and quality of roads, hotels and service companies is of equal importance. To attract more tourists, we believe in the necessity of promoting the expansion and improvement of the roads that will connect the uplands

Longer-term green investment projects have a much higher multiplier and stability effects than a basic monetary transaction seeking higher yields.

in the Black Sea region to the South; and the East to the West. In the summer of 2015 construction of these roads was protested by some residents of the region. However, a carefully planned road system, supported

by hotels respecting the nature and matching the fabric of the region is not expected to have a substantial negative impact on the natural beauty and integrity of the region.

In addition, that same region does not provide many job opportunities to its residents due to its geography, and thus suffers from high migration to big cities, mostly to Istanbul. The understanding that new housing can be constructed for these people in Istanbul, which already has a population of over 15 million, but not in their homelands makes little sense in terms of regional development. Residents of the region should be better informed about the processes, and their consent should be taken for these projects.

4.g Health

The authors of this paper also suggest that Turkey has a lot to gain from focus on investments in health tourism, in particular

considering the number of Middle-Eastern tourists coming mainly for aesthetic procedures to the Turkish hospitals. Turkey has long been known well for the quality of its top medical schools and the medical education in general. More investment in the health sector and improving quality of the touristic hotels and villages will attract all the tourists flowing to the similar Mediterranean destinations such as Spain and France.

We believe health tourism and new investments in huge health projects is at least as important as creating new financial districts or cities to attract hot money. Longer-term green investment projects have a much higher multiplier and stability effects than a basic monetary transaction seeking higher yields.

Meanwhile, both tourism and health industries should not just be considered as a main source of cash foreign exchange reserves; but, more as an instrument to boost its soft power. The recent monumental city hospitals projects are a good outset to promote the industry. Yet, still, further innovation and marketing is needed to support the sector. Investment in the health sector should be considered in addition to new huge projects and investments in the financial sector.



4.h Education

A well articulated education system is essential for the well-being and prosperity of a nation. It therefore determines the fate of a country's economic, political and social transformation as well as its long-term future path. Education systems among most of the OIC member economies have failed to provide the required labor force with the necessary skills and background to contribute to the economy. Turkey, on the other hand, has followed the western education standards for more than a century, most notably after the establishment of the modern republic. This has allowed Turkey to gain experience and to enjoy a comparative advantage, especially in higher education.

Due to its young population and thanks especially to investments in the education sector after 2002, Turkey now has better universities and much better educated human capital than ever before. The number of universities has tripled over the past 20 years. In Turkish universities, the number of available seats for the incoming class was a little over half a million in the early 2000s. By 2013, that number had almost doubled. The number of university students has also increased significantly, from 1.8 million to 5 million over the last 15 years (Gunay and Gunay, 2011).

Turkey, currently, has over 5 million university students. Apart from these increases, universities in Turkey are improving in



quality as well. Turkey now has five universities in the top 500 universities of the world list.¹⁶ The yearly number of articles covered in the Thomson Reuters database has increased from 10,000 to 30,000 in the last 10 years.¹⁷ As the Turkish Higher Education system expands, many new collaboration programs such as academic exchange programs,

cultural events, housing opportunities, housing services and entertainment opportunities targeting university students have experienced a huge increase.

In addition, most universities, especially those in big cities such as Istanbul, Ankara, Izmir, Antalya, Kayseri and Konya use English as their primary medium of instruction. All these positive developments make Turkey a new hub for international students. Especially, students from the OIC countries easily adapt to the daily life in Turkey, feeling at home in an environment which shares so many cultural values. As a result, the number of international students has increased from 15,000 in 2000 to 50,000 in 2015 (Tüzen and Yurtseven, 2016).

Being a hub for international students is extremely important for many reasons. For example, just economically, a student who lives in Turkey for, on average, about four years for his higher

¹⁶ Times Higher Education: <https://www.timeshighereducation.com/world-university-rankings>

¹⁷ See for instance: <http://www.tubitak.gov.tr/sites/default/files/bty60.pdf>

education, will spend on average 20,000 dollars per year if he attends a private foundation university.¹⁸ This obviously helps the economy of Turkey both in terms of production of services and decreasing the size of the current account deficit. We believe that supporting universities in their efforts in the international education market will help Turkey become one of the top countries in the international education market in the near future.

Just to give another example about the importance of high quality higher education; in many OIC countries, American universities have satellite campuses and in the university villages established by the Arab countries we see the existence of many American universities as well. It is true that the American higher education system has a better brand name than Turkish higher education in many of these countries. However considering the cultural life, religion and proximity, government support of these efforts will help the Turkish players to better compete in the international market.

The education system is also important for improving the soft power of a country, by promoting and transferring cultural and sociological values.

The education system is also important for improving the soft power of a country, by promoting and transferring cultural and sociological values. Having a bigger impact on the education life of the OIC will help Turkey in these contexts as well.

Turkey could potentially play an important role in the newly emerging Islamic Finance.

4.i Financial Operations

Apart from the previously mentioned real sector opportunities for deeper cooperation and gains from further economic integration, we should also consider Turkey's role as an important financial center of the Muslim world. A greater potential in financial services has much to do with the quality of the education system and stronger means for capital formation. Human capital is another critical factor here.

¹⁸ Check: <http://www.milliyet.com.tr/her-yabanci-ogrenci-kisi-basi-universite-1946127/>

Recently, the AK Party government of Turkey initiated a long-term project to transform Istanbul into a world financial center. Istanbul's Atasehir region and Umraniye districts were selected as main areas for building new finance centers. These new centers, supported by government efforts to attract companies and public institutions to them, are very likely to boost the financial system of Turkey.

Turkey could use these new projects to be a center for the new trends in finance. Islamic finance is just one example here. Turkey could potentially play an important role in the newly emerging



Islamic Finance. That said, as many of us are aware, the financial center of Western capital markets, London, is also the current capital of this newly emerging trend of Islamic Finance. Although, Malaysia and the Gulf regions have developed their own schools of Islamic finance, the new trend of Islamic Finance is still not that much different than the traditional British applications of conventional banking. Islamic finance has scarcely distinguished

itself from the conventional banking activities in general. This is predominantly related to the history of financial development in those economies.

Turkey could improve on its financial markets and provide new,

safer means to the Muslim world to attract the excess savings accumulated over the past few decades. Islamic finance is a critical gateway to access the financial markets of the OIC economies. Therefore, Turkey should

definitely improve on its islamic finance background and gain the trust and the primary location role of the Muslim economies.

Once it does, Turkey has a huge opportunity to attract capital savings from the wealthy Muslim economies, as it has the capacity to provide the right instruments to the investors. Deeper financial

Providing Islamic financing options such as sukuk and other alternative sharia-compliant papers is necessary to attract huge Islamic funds.

markets and experience with modern financial instruments are all huge pluses for Turkey. Yet, to understand the significance of Turkey's opportunity to become a financial center, one must grasp the importance of past experiences of 'Saudi Arabia example as the USA's major financial partner'. For many decades, the Saudi Kingdom has been investing a significant portion of its earnings from oil exports (which itself is an outcome of Saudi-American cooperation) into the American bonds market. This is, indeed, similar to the USA-China trade cooperation of the past 40 years.¹⁹

Most of the oil-rich gulf and other Muslim countries are providing huge energy supplies at extremely low costs. Saudi Arabia enjoys the lowest oil production costs in the world, coupled with the highest reserve capacity. Saudi Arabia, traditionally has had the highest spare capacity. They have the ability to increase and decrease their production as they wish or whenever needed. This unique opportunity to play with the production amount of oil has recently caused some budget issues as well. The Kingdom of Saudi Arabia had a budget deficit of around 15% (equivalent to \$100bn) in 2015. Their FX reserves are down from \$746bn (August 2014) to \$587 (as of May 2016). As oil prices fell, income dropped, yielding the high budget deficit (and the resulting reserves decrease).

Despite its similarities with the China-USA relationships, it is actually interesting to observe that a country nominally ruled by strict Sharia rule is in practice investing in interest-paying papers. The absence of safe Sharia compliant papers or instruments features a lot of lessons for the Muslim world. The Saudi Arabian Kingdom claims they have a total of \$750bn in American bonds (the total of US bonds kept outside the US is about \$6.3tn). Yet official figures, released recently by the US Treasury Department, show the Saudi holdings at just \$116bn.²⁰ The Kingdom is suspected of having various satellite companies with large US bond holdings, shielded from scrutiny in various tax shelters small countries. Meanwhile, any attempt to punish the US by dumping bonds, will negatively affect the bond holders themselves, namely the Saudi Kingdom. It therefore adds extra security to the financial markets of the home economy.

19 Check the Bretton-Woods argument.

20 The release came right after the recent tension between the USA and the Saudi Kingdom, as part of an ongoing investigation and passing of a law related to the 9/11 attacks in the USA.

Freedom of entrepreneurship, property rights and rule of the law are critical factors for attracting new investments.

This example proves the importance of new means to attract Islamic funds into a strong Muslim economy such as Turkey. Providing Islamic financing options such as sukuk and other alternative sharia-compliant papers, is necessary to attract huge Islamic funds. It will provide a significant mean for investing in non-interest-paying papers.

On the other hand, the total amount of capital needed to finance huge projects in Turkey over the next seven years (up until the 100th anniversary of the foundation of Turkey) is around a few hundred billion USD (over 300-400 billion USD). Considering the above mentioned points and bearing in mind Turkey's human capital and experience in finance, Turkey has a comparative advantage to be a financial center. However, there are some requirements for a country to truly become a center of finance.

In that sense;

- First, Turkey and then the other OIC member economies need more financial deepening and integration: The more financially developed an economy is, the more likely it is to attract more capital,
- The private sector should be supported: A strong private sector is needed for an efficient market economy,
- Freedom of entrepreneurship: Property rights and rule of the law are critical factors for attracting new investment,
- Institutional development: The role of institutions in increasing cooperation and development should not be undermined,
- Free trade and free movement of factors of production: Weak in practice now in the OIC, despite many attempts and rules passed. It should therefore be improved throughout the OIC,
- Proliferation of financial tools: Investments in tools that are Sharia-compliant are necessary,
- Political stability: A political environment that creates trust for international investment is important,

- Rule of law: Law enforcement should be fair and in line with the universal rules mostly implemented in the Western world.

4.j And Many Others

Institutional quality is one of the most critical issues for better governance and economic development. This is necessary for sustainable long-term growth and well-being, and should absolutely be improved. A new way of thinking in daily, financial and political life that prioritizes the fight against corruption, implementation of rule of law, and institutional quality, is necessary for all the OIC members.

Greater cooperation in decreasing uncertainties, increasing trust in financial markets, political stability and more dynamic economies is necessary. Cooperation in peacekeeping efforts, conflict resolution, poverty alleviation, agricultural production, liaison and solidarity in general is of substantial importance. Joint projects and collaboration in especially higher education, R&D, and other forms of trade, will enhance solidarity, create higher value added and more interdependent countries within the OIC.

Creating high value, investing in the IT sector, supporting innovation and the high tech industries as the aerospace industries will also add significantly to the country economies. These are some other significant sectors that need further studies.

Intense economic integration and mutual cooperation efforts are indeed more crucial than any political or military union.

5. Summary

The world is witnessing a momentous transformation. Europe is dealing with the post-Brexit effects and the USA has just recently kicked off its own USexit. The BRIC economies, in particular China and India, are candidates for becoming new potential rising powers. Meanwhile, financial markets are getting used to the new normal of the post-Great Recession period. But then,

to what extent will this transformation process continue? Will Turkey be able to join this club of new players in the international political and economic arena? We believe the answer is entirely dependent upon whether Turkey and the other OIC members will be able to build a stronger cooperation mechanism that extends the currently existing entities within or around the OIC.

This paper claims that, looking forward and over the next few decades, the Muslim world needs greater economic cooperation above all else. Intense economic integration and mutual cooperation efforts are indeed more crucial than any political or military union. A modern economic cooperation that is strengthened by historic, social, cultural roots and mutual benefits would provide enough boost to foster economic growth. This paper focuses on Turkey's potential gains from a focus on economic partnerships with the Middle East and the rest of the Muslim world, in the face of a weak and stagnant Europe (Turkey's current biggest trading partner) and the West in general.

The modern world is a small village, with all countries in a very small proximity, and its economy is globalized more than it has ever been. In this new era of more open and transparent economies, a critical question is how countries should be governed and how foreign relations and economic relations should be managed. Our basic answer to the short question of '**what could be done**' is "building a greater and deeper **economic cooperation**". This is true in particular for neighboring countries and those with common cultural and religious bases. In that line, further cooperation is suggested among the OIC member economies.

As is clear from the discussion in this paper; there are still many areas for further economic integration. Trade, capital mobility, labor mobility, a single common market are just a few areas demanding increased cooperation. Relative OIC COMCEC Strategy and COMCEC PCM documents provide examples for some areas of further cooperation, yet we believe there is much more to achieve.

Turkey should be able to use its cultural and religious ties and most importantly its technological superiority, to increase economic and financial relations with the rest of the Muslim world. The OIC, as an organization specific to the Muslim countries of the world, provides all the necessary structural basis for such efforts. Considering that most of the domestic issues are

caused by lack of economic opportunities or the distribution of resources, a supranational framework will not only help alleviate economic issues but also function as a catalyst for resolving domestic conflicts and solving most of the regional and international conflicts. Efforts to build a fully functioning integrated economic organization will require persistence and diligence, and must be started immediately.

Efforts to build a fully functioning integrated economic organization will require persistence and diligence, and must be started immediately.

Meanwhile, Turkey should promote its position as a bridge between energy (gas and oil) exporters in the East and the importers in the West. Indeed, Turkey has a great deal to gain, not only from being a transition country, but also as a hub that guarantees a sustainable energy supply to the rest of the world. In that sense, Turkey should aim to be an energy hub as well as being a center of attraction for education, real economic production, and financial activities.

More cooperation on trade, education, science, finance, technology and even telecommunication is necessary. Turkey's political system and its policy-makers, in particular, have an important responsibility when determining how effectively the country is run domestically as well as how its relations with the other countries are managed. Turkey has a huge potential to benefit from. It is time for Turkey to exploit its potential, and move forward to even boost the economies of the other OIC members of the Muslim world. This win-win game is a long forgotten and missed opportunity that should be brought to the table today.

Following the discussion in this paper; we could recommend a wide range of policy suggestions, yet our goal is to provide a general picture of the most critical problems and issues. In that regard, we recommend that Turkey should at least follow the following specific suggestions:

It should solve its energy problems: Turkey needs sufficient and cheap energy if it wants to be a global power. In other words, Turkey's economic progress is tied to uninterrupted supplies of fuel and gas. There are many options to focus on here, but the

OIC members are of critical importance. It should, meanwhile, be kept in mind that most of the CA deficit of Turkey comes from energy imports. Considering the CA deficit is just the difference between savings and investments, new means to decrease this gap are urgently needed.

Particular customs regulations, such as PRETAS and TPS-OIC, are yet to be implemented.

More capital inflows and imports are also of critical importance: The Muslim world has amassed huge savings over the past few decades. Human and physical capital potentials

are extremely high. Turkey should provide all the necessary infrastructure and safe instruments to attract the financial, physical capital and the green money to

benefit from. The Muslim world capital holdings are mostly looking for new safe harbors. While some OIC members, such as the oil rich Gulf economies, have huge capital formation; others such as Egypt, Pakistan and even Turkey have intensely young and dynamic populations and hence labor forces. These forces should be united.

Further improving relations with the neighboring economies:

This is of critical significance due to the importance of political relations and interaction with the neighbors as well as for providing solutions to regional issues. Relations with geographically far but culturally close economies are also extremely important. Turkey is surrounded by many chronic problems, and is meanwhile in close proximity to most of the global gas and fuel energy stocks.

Invest in energy projects and extraction fields:

Turkey is currently improving relations with Israel and strengthening ties with the Regional Government of Northern Iraq. Turkey has, in the past, kept economic ties with Iran alive to maintain its access to cheap and continuous energy supplies, despite criticism and the sanctions imposed by the West. Bilateral trade deals and investment in huge gas fields and energy sectors are among the means for cooperation opportunities. As an example, Iran's South Pars gas field could be a good opportunity to invest in.

Turkey should focus primarily on importing natural resources:

Turkey should build stronger relations with natural resource exporter OIC members and build refinery and advanced technology factories to process these resources. Turkey should

focus on becoming an energy hub. It should have influence over energy prices and maintain sustainable energy flow to its economy, while providing a secure energy supply to Europe and the West as well.

No barriers and more cooperation in trade agreements:

Huge trade barriers and retro closed economy approaches should be avoided. Free-Trade-Zones and lower taxes should be implemented, as well as the removal of quotas. If possible, all barriers to free-trade should be removed. Alternatively, new free trade zones should be built in an effort to enable free flow of goods and services. Particular customs regulations, such as PRETAS and TPS-OIC, are yet to be implemented. Trade volumes will not improve much until each country takes responsibility in implementing these measures.

More investment in the tourism industry is required:

diversification and improvement in quality of tourism is required. In particular, tourism investments in the Black Sea and central Turkey regions, which attracts the attention especially from OIC members, should be planned carefully and, if needed, subsidized in the initial stages. Diversification is also of extreme importance. Tensions with Israel and Russia have recently significantly affected the industry.

Tourist demographics should also be changed:

Tourism should be made more attractive to citizens of the wealthier Western economies and oil-rich Arab countries. Rather than an emphasis on all-inclusive packages, luxury tourism attractions should be made available. Turkey should be promoted as an elite tourist destination for wealthy European and Arab tourists.

Turkey should export this institutional quality, liberal market economy and its democratic society.

Military spending could also be technologically improved:

Public expenditures on the warfare industry (as a share of GDP) should be decreased in general. Resources should be directed to the other sectors such as high-tech industries, education and health in general. Still, the defense industry and military equipments is another sector Turkey should definitely consider developing. The defence industry is one of the primary areas the OIC members and the Muslim world in general are lacking

in. Military expenditures are known to have a much higher multipliers effect, as for the economic stimulator impacts.

Joint projects, huge infrastructure investments and cooperation in big construction projects: Turkey should try to have an even greater share of the construction projects in the OIC countries, utilizing its important role in the OIC. More lessons should be taken from the building of huge international projects such as the “channel” linking France and England, the Panama Canal, the Suez Canal, etc.

Creating high value-added and technological improvement. Product diversification and high quality production: as diversification increases, the effect of a particular shock is minimized. In that sense, more product diversification and more cooperation across the OIC member economies, as seen in the D-8 economies is paramount. **Efficiency of particular sectors** should be improved: Energy and construction industries should be more efficient.

The OIC member economies should cooperate in their education systems, in particular in higher education: Turkey should open its education system to the regional economies. This would both increase its role in regional economic and political issues and help improve the quality of its education system. **Turkey should use its higher education standards to attract more brainpower.** Better education institutions and opportunities to study and work in a country are major incentives for bright brains to immigrate to Turkey.

Improve its institutional quality and build a more liberal market economy: Institutional quality is another critical area of further cooperation. As the Turkish Industry & Business Association’s (TUSIAD) Chair of the Board of Directors of the time Muharrem Yılmaz stated: “*Turkey should improve its free market institutions and governance system to reach its target of being a centre for energy.*” Although, not yet elite, Turkey has the best institutional quality among the OIC members. **Turkey should export this institutional quality** (which is at least better than that in the other OIC economies), liberal market economy and its democratic society.

Share its democracy experience: Turkey could share its long-standing democracy experience with its OIC partners: A long

and deep democratic experience is unfortunately not common amongst the OIC members.

Turkey's mostly passive soft power should be evoked and utilized: Main elements of soft power should be effectively used and fully benefited. Cultural and historical tourism potential, education, congress and fairs tourism, health industry, TV shows and transportation industry are just a few examples of means of thi power to be used.

Production factors should be shared and benefited from by all: The capital and labor force is distributed among the OIC member economies unevenly. Benefiting from the demographic opportunities of the OIC members is therefore important. Turkey could benefit from the young and dynamic demographic opportunities of the region. Countries with younger and more educated labor force should be able to use this factor of production in collaboration with the other capital and technology rich OIC member economies

Transforming tensions into opportunities: The Syrian or Iraqi crisis and the other regional political disputes and civil wars could be turned into new opportunities. The refugee crisis could be transformed so that all the parties benefit from the ongoing situation. For instance, educated Syrians could be a big advantage for the Turkish economy.

Overall, as is clear from the discussions in this paper, there are actually numerous sectors and areas for further economic and financial cooperation. Yet, there are also huge economic disparities and extremely diverse demographic dynamics (as the two primary characteristics of the Muslim world). What we recommend

here is that countries such as Turkey should lead a **supranational union of more intense strategic and**

Turkey's mostly passive soft power should be evoked and utilized.

economic cooperation. The current OIC which is mainly a political entity and a dialogue union should be strengthened with an economically interdependent cooperation mechanism. A union that works to the benefit of all. The Muslim world has all the reasons to start such a union or cooperation organization. Apart from the demographic, technological infrastructure and abundance of natural resources, the traditional multicultural identity and cultural diversity are a huge plus. The OIC members

club also possesses the most strategic locations and passageways of the world.

6. Concluding Remarks

This paper has provided a summary analysis of the potential areas of cooperation between Turkey and the other OIC member economies. It recommends that Turkey should be one of the countries leading a supranational union of integrated economic and strategic cooperation among the OIC economies. Yet, it

The economic cooperation and trade potential is yet to be fully exploited.

should be made clear that we mainly point to alternative measures to improve the efficiency of the OIC. This

economic integration and cooperation organization, if you wish to call it as such, should be more intimate than the current examples such as the rich-countries club of the OECD; but, meanwhile should not include any political union such as that aimed at in the EU or even any military collaborations such as that of NATO. We recommend that national borders should not be an obstacle preventing further economic cooperation and economic integration among OIC countries of common cultural, strategic and even religious bases.

Meanwhile, we make clear that, indeed the OIC already has various theoretical operational mechanisms and a relatively well suited institutional setup including a number of subsidiaries, affiliated institutions, specialized institutions and mechanisms of operation. Yet, we argue that there is still much to achieve in practice, more room to improve this operational setup, and build a greater and stronger cooperation mechanism. All the currently determined primary cooperation fields (in the related COMCEC strategy documents, for instance) could be extended to build higher welfare for the relative economies. In particular, the economic cooperation and trade potential is yet to be fully exploited. The current relatively limited cooperation mechanisms such as the COMCEC PCM and the current responsibilities of the OIC institutions such as ISESCO should be extended.

This research has covered a broad set of topics within an extremely short analysis paper. We therefore are aware of the weaknesses of covering so much in such a short paper. In that sense, this study is

just a summary analysis of potential areas of cooperation between Turkey and the other OIC member economies. **It just aims to increase interest in this important area of focus, which we believe has been long-neglected.**

While it is relatively harder to focus on all the potential areas at once, strategically noteworthy areas could be prioritized. We would, also, like to clarify that there are certainly numerous potential challenges, negative outcomes and problems regarding such a greater cooperation mechanism. Deficiencies of these various measures countries could use should also be taken into account and analyzed in detail.

In this new era in which Turkey's increasing interest over regional economic and political transformation is becoming more obvious, analysis reports like this one are of significant importance. That said, it is of certain precision that each and any of the topics mentioned in this study deserve a separate, detailed study. Future studies on this subject should focus on more detailed analysis of the specific cooperation areas such as trade, health, education, financial services etc., each of which deserve a separate analysis.

References

- Acemoglu, D., Johnson, S., & Robinson, J.A. (2001). The Colonial Origins of Comparative Development: an Empirical Investigation. *American Economic Review*, 91 (5), 1369–1401.
- Acemoglu, D., Johnson, S., & Robinson, J.A. (2005). Institutions as a Fundamental Cause of Long-Run Growth. In P. Aghion & S. N. Durlauf (Eds.) *Handbook of Economic Growth* Vol. 1, Part 1 (pp. 385-472). Amsterdam: Elsevier North-Holland.
- Acemoglu, D. & Robinson, J.A. (2012). *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. New York: Crown Business.
- Weber, A. (1909). *Über den Standort der Industrie* (Theory of the Location of Industries). University of Chicago.
- Bağış, B. (2015). Stratejik Konum'un Ekonomisi, Retrieved from <http://akademikperspektif.com/2015/01/31/stratejik-konumun-ekonomisi/> (2015, January 31)
- Bagis, B. (2016a). Döviz Kuru Sistemleri (in Turkish). In Eroglu, N., Dincer, H., & Hacıoglu, U. (Eds.) *Uluslararası Finans: Teori ve Politika*, pp. 359-406. Ankara: Orion Kitabevi. ISBN: 9786055145767.
- Bağış, B. (2016b). Petrol fiyatları neden geriliyor? Retrieved from <http://esagev.org/index.php/yayin/makale/petrol-fiyatlari-neden-geriliyor-dr-bilal-bagis/> (2016, January 20).
- Bağış, B. (2016c). AB'nin geleceği, Brexit ve Türkiye için dersler (in Turkish). Retrieved from <http://esagev.org/wp-content/uploads/2017/01/34-abnin-gelecegi-brexit-ve-turkiye-icin-dersler-dr-bilal-bagis.pdf> (2016, October 29).
- Bagis, B. (2017). Monetary Policy Divergence and Central Banking in the New Era. In *Risk Management, Strategic Thinking and Leadership in the Financial Services Industry*, pp. 25-41. Springer International Publishing.
- Boudreaux, Donald J. (2008). "Comparative Advantage". In David R. Henderson (ed.). *Concise Encyclopedia of Economics* (2nd ed.). Indianapolis: Library of Economics and Liberty. ISBN 978-0865976658. OCLC 237794267.
- Butler, N. The Turkish Choice – Rhetoric or Relevance, Retrieved from <http://blogs.ft.com/nick-butler/2013/10/02/the-turkish-choice-rhetoric-or-relevance/> (2016, June 31)
- Columbia SIPA (2013) Gulf/2000 project, Retrieved from: <http://gulf2000.columbia.edu/maps.shtml> (06 June 2016)

- Çandar, C. Kürdistan Petrolü, Türkiye ve Ortadoğu Jeopolitiği, Radikal, erişim tarihi Retrieved from http://www.radikal.com.tr/yazarlar/cengiz_candar/kurdistan_petrolu_turkiye_ortadogu_jeopolitigi_2-1130556. (2016, July 31)
- El-Arian, M. (2016) *The Only Game in Town*, New York: Random House Publishers
- Energy Information Administration –EIA- (2016) Data Bank <http://www.eia.gov/opendata/> (2016, March 16)
- Erdil, M (2013) Irak Gazı Rusya'nın Yarı Fiyatına Gelir, Retrieved from <http://www.hurriyet.com.tr/ekonomi/25186169.asp>. (2016, August 08)
- Gunay, D. and Gunay, A. (2011) 1933'den Günümüze Türk Yükseköğretiminde Niceliksel Gelişmeler (Available in Turkish). *Journal of Higher Education and Science*, 1, 1-22. <http://dx.doi.org/10.5961/jhes.2011.001>
- IEA Energy Atlas (2016) Retrieved from: <http://energyatlas.iea.org/#/topic/DEFAULT> (2016, April 11)
- Iqbal M. and David T. L. eds. (2002) *Islamic Banking and Finance: New Perspectives in Profit Sharing and Risk*, UK: Edward Elgar Publishers
- Inalcık H. (1973), *The Ottoman Empire*, New York: Praeger Publishers
- Karagol, E. T., Kaya, S., Kizilkaya, M. ve Ates, S. A. (2016) Türkiye'nin Enerjide Merkez Ülke Olma Arayışı, Retrieved from: <http://setav.org.tr/turkiyenin-enerjide-merkez-ulke-olma-arayisi/rapor/38200> (22 April 2016)
- Khaldun, Ibn (1377). “*The Muqaddimah*”
- King, Mervyn (2016). *The End of Alchemy: Money, Banking, and the Future of the Global Economy*, Audible Studios on Brilliance Audio; MP3 Una edition.
- Krugman, P. (1979), Increasing Returns, Monopolistic Competition and International Trade, *Journal of International Economics*, 9, 469-479.
- Krugman, P. (1980), Scale Economies, Product Differentiation, and the Pattern of Trade, *American Economic Review* 70, 950-959.
- Krugman, P. (1981), Intra-industry Specialization and the Gains from Trade, *Journal of Political Economy* 89, 959-973.
- Krugman, P. (1991), Increasing Returns and Economic Geography, *Journal of Political Economy* 99, 483-499.
- Krugman, Paul and Obstfeld, Maurice (1988). *International Economics: Theory and Policy* (2008 ed.). New York: Prentice Hall.

- Lewis, Bernard (1965). *The Middle East and the West*. Harper Collins College Division.
- Milliyet newspaper (2016) Retrieved from: <http://www.milliyet.com.tr/son-3-yilda-turkiye-ye-7-milyon-arap-trabzon-yerelhaber-1218004/> (22 April 2016)
- McKenzie, Lionel W. (1954). Specialization and Efficiency in World Production. *The Review of Economic Studies*. 21 (3): 165–180.
- Nye, Joseph (1990). *Bound to Lead: The Changing Nature of American Power*, New York: Basic Books.
- OIC Statistics Databases (2016) Retrieved from: <http://www.oicstatcom.org/> and <http://www.sesric.org/databases-index.php> (several visits from 01 March to 25 August 2016)
- OIC COMCEC Strategy Documents.
- O'Rourke, K. H., and Williamson, J. G. (2002). 'When did globalization begin?'. *European Review of Economic History*, 6(1), 23-50.
- PEW research center (2012) Most Muslims Want Democracy, Personal Freedoms, and Islam in Political Life.
- PIMCO (2015) Global Cyclical Outlook Update. Retrieved from: <https://www.pimco.com/insights/economic-and-market-commentary>.
- Republic of Turkey, Ministry of Energy (2013) Retrieved from: www.enerji.gov.tr/File/?...Türkiye%20Elektrik%20Enerjisi%20Talep
- Ricardo, David (1817) *On the Principles of Political Economy and Taxation*. Courier Corporation, London.
- Sorhun, Engin (2013). "Computation of Trade Potential of Turkey in the Organization of Islamic Cooperation Market through Estimation Selection Process", Chapter IX p.125-139 in *Globalization of Financial Institution*, Springer, Switzerland.
- The Economist (2016) Retrieved from: <http://www.economist.com/news/middle-east-and-africa/21695893-snapshot-regions-higher-education-kingdom-king?fsrc=scn/fb/te/pe/ed/thekingdomisking> (20 May 2016)
- The Economist (2016). *Sykes-Picot and Its Aftermath: Unintended Consequences*. Retrieved from: <http://www.economist.com/news/special-report/21698442-sykes-picot-carve-up-led-century-turbulence-unintended-consequences>.
- TPAO (Türkiye Petrolleri Anonim Ortaklığı) (2015), *Ham Petrol ve Doğalgaz Sektör Raporu*, Mayıs 2015. Retrieved from:

http://www.enerji.gov.tr/File/?path=ROOT%2F1%2FDocuments%2FSekt%C3%B6r+Raporu%2FHP_DG_SEKTOR_RPR.pdf (17 May 2016)

TUIK (2016) Retrieved from: <http://www.tuik.gov.tr/Start.do>

TIM (2016) Retrieved from: <http://www.tim.org.tr/en/default.html>

Turkstat (2016) Retrieved from: <http://www.tuik.gov.tr/UstMenu.do?metod=kategorist> (03 May 2016)

United Nations Development Report Programme (2002) Arab Human Development Report.

The World Bank DataBank (2016) <http://databank.worldbank.org/data/home.aspx>

Yurtseven, C., Tuzen Z. (2016) The Transformation of the Higher Education System in Turkey after 2002: A Game Theoretic Analysis, *Theoretical Economics Letters*, 6, 97-105.

Yurtseven, C. (2012) TURSAB Sectoral Report. Economic Impact of the Tourism Sector. İstanbul.

APPENDIX

Table 16: Crudeoil exports in barrels per day (bbl/day).

Rank	Country	bbl/day	DATE OF INFORMATION
1	SAUDI ARABIA	7658000	2012 EST.
2	RUSSIA	4594000	2013 EST.
3	CANADA	2733000	2013 EST.
4	UNITED ARAB EMIRATES	2500000	2013 EST.
5	NIGERIA	2411000	2012 EST.
6	IRAQ	2390000	2013 EST.
7	KUWAIT	1824000	2012 EST.
8	ANGOLA	1815000	2012 EST.
9	KAZAKHSTAN	1365000	2012 EST.
10	VENEZUELA	1358000	2012 EST.
11	IRAN	1322000	2013 EST.
12	QATAR	1232000	2012 EST.
13	MEXICO	1220000	2013 EST.
14	NORWAY	1218000	2013 EST.
15	ALGERIA	1158000	2012 EST.
16	OMAN	833400	2013 EST.
17	AZERBAIJAN	811300	2012 EST.
18	LIBYA	735000	2013 EST.
19	UNITED KINGDOM	703100	2013 EST.
20	UNITED STATES	629400	2013 EST.
21	COLOMBIA	624600	2012 EST.
22	BRAZIL	533300	2012 EST.
23	ECUADOR	413000	2013 EST.
24	EQUATORIAL GUINEA	318100	2012 EST.
25	INDONESIA	296100	2012 EST.
26	SOUTH SUDAN	291800	2010 EST.
27	CONGO, REPUBLIC OF THE	278400	2012 EST.
28	MALAYSIA	244600	2012 EST.

Rank	Country	bbl/day	DATE OF INFORMATION
29	AUSTRALIA	235400	2013 EST.
30	GABON	226800	2012 EST.
31	EGYPT	189000	2013 EST.
32	VIETNAM	179500	2012 EST.
33	BAHRAIN	152600	2012 EST.
34	DENMARK	136600	2013 EST.
35	BRUNEI	131200	2012 EST.
36	CHAD	104500	2012 EST.
37	GHANA	83870	2012 EST.
38	TIMOR-LESTE	77280	2013 EST.
39	SPAIN	75640	2013 EST.
40	CUBA	74000	2013 EST.
41	TURKMENISTAN	60910	2012 EST.
42	ARGENTINA	59630	2012 EST.
43	TUNISIA	56060	2012 EST.
44	BELGIUM	54900	2013 EST.
45	CAMEROON	52060	2012 EST.
46	NETHERLANDS	48820	2013 EST.
47	COTE D'IVOIRE	47900	2012 EST.
48	THAILAND	43140	2012 EST.
49	YEMEN	43000	2014 EST.
50	BELARUS	32320	2012 EST.
51	TRINIDAD AND TOBAGO	30800	2012 EST.
52	UZBEKISTAN	30000	2012 EST.
53	NEW ZEALAND	29620	2013 EST.
54	ITALY	28770	2013 EST.
55	PERU	27500	2012 EST.
56	PAPUA NEW GUINEA	25400	2012 EST.
57	ALBANIA	23320	2014 EST.
58	NIGER	20000	2012 EST.
59	CONGO, DEMOCRATIC REPUBLIC OF THE	20000	2012 EST.
60	SVALBARD	16070	2012 EST.

Rank	Country	bbl/day	DATE OF INFORMATION
61	PHILIPPINES	13990	2012 EST.
62	SWEDEN	12590	2013 EST.
63	CHINA	12000	2014 EST.
64	ESTONIA	11680	2013 EST.
65	MAURITANIA	11250	2012 EST.
66	MONGOLIA	9780	2012 EST.
67	GUATEMALA	9640	2012 EST.
68	POLAND	8170	2013 EST.
69	SINGAPORE	5900	2012 EST.
70	KOREA, SOUTH	5578	2013 EST.
71	SUDAN	5355	2012 EST.
72	ISRAEL	5352	2013 EST.
73	IRELAND	4866	2013 EST.
74	TURKEY	4176	2013 EST.
75	FRANCE	3664	2013 EST.
76	BELIZE	3240	2012 EST.
77	BURMA	2717	2012 EST.
78	ROMANIA	2077	2012 EST.
79	GREECE	1863	2013 EST.
80	LITHUANIA	1552	2012 EST.
81	HUNGARY	1485	2013 EST.
82	COSTA RICA	1300	2012 EST.
83	UKRAINE	1218	2012 EST.
84	BARBADOS	765	2012 EST.
85	GEORGIA	727	2012 EST.
86	GERMANY	671	2013 EST.
87	CZECH REPUBLIC	464	2013 EST.
88	BANGLADESH	313	2012 EST.
89	SLOVAKIA	186	2013 EST.
90	LATVIA	118	2012 EST.
91	BOLIVIA	61	2013 EST.

Source: The Energy Atlas

Table 17: Total oil supply. (Thousand Barrels Per Day)

COUNTRY	2010	2011	2012	2013	2014
UNITED STATES	9695,589	10128,47	11118,69	12342,77	14020,82
SAUDI ARABIA	10908,35	11469,9	11840,68	11701,51	11623,7
RUSSIA	10279,49	10401,69	10588,96	10757,91	10847,1
CHINA	4377,132	4393,059	4465,208	4561,115	4598,052
CANADA	3441,73	3596,914	3855,924	4073,071	4383,315
UNITED ARAB EMIRATES	2814,832	3216,473	3401,312	3443,705	3473,705
IRAN	4243,072	4214,979	3519,748	3194,301	3376,61
IRAQ	2397,543	2624,166	2979,494	3050,545	3364,202
BRAZIL	2722,988	2699,05	2668,661	2710,633	2966,442
MEXICO	2978,599	2960,011	2940,717	2915,075	2811,932
KUWAIT	2449,106	2680,692	2783,587	2798,642	2767,204
VENEZUELA	2599,489	2684,373	2684,55	2684,55	2684,55
NIGERIA	2459,453	2554,664	2524,542	2371,912	2427,747
QATAR	1787,779	1936,284	2032,451	2067,14	2054,565
NORWAY	2144,44	2042,515	1921,719	1845,054	1904,383
ANGOLA	1908,114	1755,027	1786,27	1841,879	1755,837
ALGERIA	1881,051	1862,69	1875,227	1762,765	1720,984
KAZAKHSTAN	1608,714	1637,327	1605,608	1658,004	1719,067
COLOMBIA	805,7786	938,172	968,5237	1027,943	1015,782
INDIA	970,4083	1006,965	1016,732	1015,81	1011,13
OMAN	869,417	891,5819	924,6843	946,0384	951,7646
INDONESIA	1041,808	1024,791	985,1764	926,2141	917,2141
AZERBAIJAN	1044,844	993,2605	931,756	880,475	855,7325
UNITED KINGDOM (OFF-SHORE)	1318,737	1084,068	922,3808	827,3068	819,5625
ARGENTINA	788,8337	763,4674	722,722	707,434	717,6813
MALAYSIA	734,3783	669,9593	689,834	669,0411	696,7534
EGYPT	735,151	717,7122	709,5686	693,5288	664,7645
ECUADOR	488,8857	498,98	503,3961	525,9164	556,162
THAILAND	391,1313	384,2389	406,482	522,5059	521,7236
LIBYA	1784,892	500,7632	1482,473	983,0459	515,6075
AUSTRALIA	604,1056	530,6315	518,0069	445,5018	472,9402
VIETNAM	332,3641	323,8213	364,2318	354,3498	316,5279
TURKMENISTAN	203,2536	224,1191	245,0687	260,415	277,3547

COUNTRY	2010	2011	2012	2013	2014
EQUATORIAL GUINEA	322,7104	298,888	310,4	290,7973	269
SUDAN AND SOUTH SUDAN	488,9867	455,3603	114,8261	249,5533	261,4438
CONGO (BRAZZAVILLE)	311,913	298,912	291,892	273,892	258,892
GABON	245,5107	244,3603	241,9779	238,9075	239,65
PERU	163,8378	159,7849	161,589	176,1225	181,2314
DENMARK	249,4648	226,1744	207,1302	180,7202	170,5687
ITALY	156,1428	152,7214	150,9922	160,5093	169,4272
SOUTH AFRICA	181,8602	183,869	182,6586	182,3268	161,616
GERMANY	139,8673	158,1277	161,1564	162,7674	159,0359
JAPAN	142,5811	136,5279	127,7354	138,2118	137,2118
YEMEN	281,1076	216,76	169,0018	130,9736	125,3682
BRUNEI	158,4046	169,427	158,8225	135,312	123,9065
TRINIDAD AND TOBAGO	145,732	137,7821	117,9523	116,7553	115,1114
GHANA	8,46404	77,68933	79,20819	98,76533	105,8722

Source: The Energy Atlas

Table 18: Natural gas exports.

RANK	COUNTRY	(CU/M)	DATE OF INFORMATION
1	RUSSIA	201,900,000,000	2014 EST.
2	QATAR	125,500,000,000	2013 EST.
3	NORWAY	106,600,000,000	2014 EST.
4	EUROPEAN UNION	93,750,000,000	2010 EST.
5	CANADA	77,960,000,000	2014 EST.
6	TURKMENISTAN	60,800,000,000	2013 EST.
7	NETHERLANDS	59,300,000,000	2014 EST.
8	ALGERIA	43,000,000,000	2013 EST.
9	UNITED STATES	42,730,000,000	2014 EST.
10	MALAYSIA	35,400,000,000	2013 EST.
11	AUSTRALIA	31,620,000,000	2014 EST.
12	INDONESIA	31,300,000,000	2013 EST.
13	NIGERIA	22,120,000,000	2013 EST.
14	TRINIDAD AND TOBAGO	19,800,000,000	2013 EST.
15	GERMANY	19,240,000,000	2014 EST.
16	BOLIVIA	17,600,000,000	2013 EST.
17	UZBEKISTAN	13,500,000,000	2013 EST.

RANK	COUNTRY	(CU/M)	DATE OF INFORMATION
18	OMAN	11,500,000,000	2013 EST.
19	KAZAKHSTAN	11,200,000,000	2013 EST.
20	UNITED KINGDOM	10,550,000,000	2014 EST.
21	YEMEN	9,600,000,000	2013 EST.
22	IRAN	9,584,000,000	2013 EST.
23	BRUNEI	9,500,000,000	2013 EST.
24	BURMA	8,500,000,000	2013 EST.
25	SPAIN	8,219,000,000	2014 EST.
26	UNITED ARAB EMIRATES	7,400,000,000	2013 EST.
27	AZERBAIJAN	7,290,000,000	2013 EST.
28	PERU	5,600,000,000	2013 EST.
29	LIBYA	5,513,000,000	2013 EST.
30	EQUATORIAL GUINEA	4,800,000,000	2013 EST.
31	MOZAMBIQUE	4,118,000,000	2013 EST.
32	EGYPT	3,823,000,000	2013 EST.
33	FRANCE	3,544,000,000	2014 EST.
34	CHINA	2,603,000,000	2014 EST.
35	COLOMBIA	2,591,000,000	2013 EST.
36	AUSTRIA	2,373,000,000	2014 EST.
37	DENMARK	2,093,000,000	2014 EST.
38	BELGIUM	845,000,000	2014 EST.
39	HUNGARY	740,000,000	2014 EST.
40	TURKEY	633,000,000	2014 EST.
41	CROATIA	422,000,000	2014 EST.
42	ROMANIA	241,700,000	2014 EST.
43	ITALY	237,000,000	2014 EST.
44	MEXICO	172,000,000	2014 EST.
45	BRAZIL	100,000,000	2014 EST.
46	ARGENTINA	100,000,000	2013 EST.
47	POLAND	76,000,000	2014 EST.
48	CONGO, REPUBLIC OF THE	39,000,000	2012 EST.
49	SLOVAKIA	3,000,000	2014 EST.
50	CZECH REPUBLIC	1,000,000	2014 EST.
51	MICRONESIA, FEDERATED STATES OF	2,014	
52	ARUBA	1	2013 EST.

Source: The Energy Atlas

Table 19: Natural Gas Supply

Rank	COUNTRY	Natural gas Supply (Thousand Barrels Per Day)	Date of Information
1	RUSSIA	201,900,000,000	2014 EST.
2	QATAR	125,500,000,000	2013 EST.
3	NORWAY	106,600,000,000	2014 EST.
4	EUROPEAN UNION	93,750,000,000	2010 EST.
5	CANADA	77,960,000,000	2014 EST.
6	TURKMENISTAN	60,800,000,000	2013 EST.
7	NEPAL	59,300,000,000	2014 EST.
8	ALGERIA	43,000,000,000	2013 EST.
9	UNITED STATES	42,730,000,000	2014 EST.
10	MALAYSIA	35,400,000,000	2013 EST.
11	AUSTRALIA	31,620,000,000	2014 EST.
12	INDONESIA	31,300,000,000	2013 EST.
13	NIGERIA	22,120,000,000	2013 EST.
14	TRINIDAD AND TOBAGO	19,800,000,000	2013 EST.
15	GERMANY	19,240,000,000	2014 EST.
16	BOLIVIA	17,600,000,000	2013 EST.
17	UZBEKISTAN	13,500,000,000	2013 EST.
18	OMAN	11,500,000,000	2013 EST.
19	KAZAKHSTAN	11,200,000,000	2013 EST.
20	UNITED KINGDOM	10,550,000,000	2014 EST.
21	YEMEN	9,600,000,000	2013 EST.
22	IRAN	9,584,000,000	2013 EST.
23	BRUNEI	9,500,000,000	2013 EST.
24	BURMA (MYANMAR)	8,500,000,000	2013 EST.
25	SPAIN	8,219,000,000	2014 EST.
26	UNITED ARAB EMIRATES	7,400,000,000	2013 EST.
27	AZERBAIJAN	7,290,000,000	2013 EST.
28	PERU	5,600,000,000	2013 EST.
29	LIBYA	5,513,000,000	2013 EST.
30	EQUATORIAL GUINEA	4,800,000,000	2013 EST.
31	MOZAMBIQUE	4,118,000,000	2013 EST.
32	EGYPT	3,823,000,000	2013 EST.
33	FRANCE	3,544,000,000	2014 EST.
34	CHINA	2,603,000,000	2014 EST.

Rank	COUNTRY	Natural gas Supply (Thousand Barrels Per Day)	Date of Information
1	RUSSIA	201,900,000,000	2014 EST.
35	COLOMBIA	2,591,000,000	2013 EST.
36	AUSTRIA	2,373,000,000	2014 EST.
37	DENMARK	2,093,000,000	2014 EST.
38	BELGIUM	845,000,000	2014 EST.
39	HUNGARY	740,000,000	2014 EST.
40	TURKEY	633,000,000	2014 EST.
41	CROATIA	422,000,000	2014 EST.
42	ROMANIA	241,700,000	2014 EST.
43	ITALY	237,000,000	2014 EST.
44	MEXICO	172,000,000	2014 EST.
45	BRAZIL	100,000,000	2014 EST.
46	ARGENTINA	100,000,000	2013 EST.
47	POLAND	76,000,000	2014 EST.
48	CONGO (BRAZZAVILLE)	39,000,000	2012 EST.
49	SLOVAKIA	3,000,000	2014 EST.
50	CZECH REPUBLIC	1,000,000	2014 EST.

Source: The Energy Atlas

Table 20: Overall energy self-sufficiency

COUNTRY	2012		COUNTRY	2013	
	rank			rank	
REPUBLIC OF THE CONGO	1	692	ANGOLA	2	638
NORWAY	2	684	REPUBLIC OF THE CONGO	3	613
ANGOLA	4	621	NORWAY	4	586
COLOMBIA	10	394	COLOMBIA	10	397
MONGOLIA	11	352	MONGOLIA	14	313
BOLIVARIAN REPUBLIC OF VENEZUELA	18	266	BOLIVARIAN REPUBLIC OF VENEZUELA	19	279
AUSTRALIA	20	250	PLURINATIONAL STATES OF BOLIVIA	20	268
PLURINATIONAL STATES OF BOLIVIA	21	249	AUSTRALIA	21	266
TRINIDAD AND TABAGO	25	207	TRINIDAD AND TABAGO	25	204
ECUADOR	27	197	ECUADOR	26	194

Source: The Energy Atlas

Table 21: Energy intensity

COUNTRY	2012		COUNTRY	2013	
	rank			rank	
ZIMBABWE	1	2,72	ZIMBABWE	1	2,67
CURACAO	2	1,25	CURACAO	2	1,1
TRINIDAD AND TABAGO	3	0,56	TRINIDAD AND TABAGO	3	0,56
ICELAND	4	0,48	ICELAND	4	0,48
DEMOCRATIC REPUBLIC OF CONGO	5	0,47	DEMOCRATIC REPUBLIC OF CONGO	5	0,45
ETHIOPIA	7	0,45	ETHIOPIA	7	0,43
UKRAINE	11	0,36	UKRAINE	10	0,34
RUSSIAN FEDERATION	12	0,34	RUSSIAN FEDERATION	11	0,33
HAITI	14	0,28	HAITI	13	0,27
MOLDOVA	15	0,26	ESTONIA	17	0,24

Source: The Energy Atlas

Table 22: Proved oil reserves (billion barrels)

COUNTRY	2011	2012	2013	2014	2015
VENEZUELA	211,17	211,17	297,57	297,74	298,35
CANADA	175,214	173,6252	173,1052	173,2	172,4809
UNITED STATES	25,181	28,95	33,403	36,52	NA
CHINA	20,35	20,35	23,7168	24,3756	24,64884
BRAZIL	12,857	13,98671	13,1542	15,0499	15,3142
MEXICO	10,42	10,3591	10,2639	10,073	9,812
ANGOLA	9,5	9,5	10,47	9,06	9,011
INDIA	5,682	5,60635	5,47614	5,64279	5,67479
NORWAY	5,67	5,32	5,366	5,825	5,49729
AUSTRALIA	3,318	1,42566	1,43325	1,43325	1,193

Source: Energy Information Administration

Table 23: Proved natural gas resources (trillion cubic feet)

COUNTRY	2011	2012	2013	2014	2015
RUSSIA	1680	1680	1688	1688	1688,228
UNITES STATES	304,625	334,067	308,036	338,264	NA
VENEZUELA	178,86	195,1	195,1	196,411	197,087
AUSTRALIA	110	27,85	43,037	43,037	30,4
CHINA	107	107	141,256	155,382	163,959
NORWAY	72	70,87	73,1	73,806	72,358
CANADA	61,95	61,004	68,166	66,721	71,794
NETHERLANDS	49	46	43,436	33,744	31,702
UKRAINE	39	39	39	39	39
INDIA	37,928	40,745	43,825	47,842	50,398

Source: Energy Information Administration

NOTES

NOTES

About SAM

Center for Strategic Research of the Ministry of Foreign Affairs of the Republic of Turkey (SAM) is a think-tank and a research center which is chartered by law and has been active since May 1995. SAM was established as a consultative body to provide Turkish Foreign Policy decision makers with scholarly and scientific assessments of relevant issues, and reviews Turkish foreign policy with a futuristic perspective.

SAM conducts research, organizes scholarly events relevant to the ever expanding spectrum of Turkish Foreign Policy in cooperation with both Turkish and foreign academicians, its counterparts from around the world as well as various universities and government agencies. SAM provides consultancy to the foreign ministry departments as well as some other state institutions in foreign policy issues while also establishing regional think-tank networks.

In addition to its role of generating up-to-date information, reliable data and insightful analysis as a think-tank, SAM functions as a forum for candid debate and discussion for anyone who is interested in both local and global foreign policy issues. Increasingly, SAM has become a center of attraction since it successfully brings scholars and policy makers together for exchange of ideas in panels, in-house meetings, seminars and training programs for young diplomats.

SAM has a widening range of publications. Along with its traditional publication, Perceptions, which is a quarterly English language journal that hosts distinguished Turkish and international scholars within its pages, SAM recently initiated Vision Papers which expresses the views of the Minister of Foreign Affairs of the Republic of Turkey, and SAM Papers that covers the current debates of foreign policy by various scholars.

With its commitment to contribution to the body of knowledge and constructive debate particularly in Turkish Foreign Policy, SAM will continue to serve as an indispensable think-tank and research center given its role promoting interaction and mutual benefits among the MFA, NGOs, other think-tanks and the broader scientific community and hence strengthen the human and intellectual capital of Turkey.



Republic of Turkey Ministry of Foreign Affairs Center for Strategic Research
Dr. Sadık Ahmet Cad. No. 8 Balgat- 06100 Ankara/ Turkey
www.sam.gov.tr strategy@mfa.gov.tr
Tel: (+90) 312 253 40 76 Fax: (+90) 312 253 42 03