DETERMINANTS OF TURKISH EXPORTS TO EUROPEAN UNION COUNTRIES:

A SECTORAL PANEL DATA ANALYSIS

Asso. Prof. Güzin BAYAR

Selman TOKPUNAR

Metehan ÜNAL

ABSTRACT

The Euro area has been in a deep crisis since November 2009. Crises of the region affects world economy, especially those countries having intense trade and financial links with the region. In particular, the European Union (EU) is Turkey’s biggest export destination. In this study, the structure of Turkish exports to ten EU countries (the UK, Spain, Italy, Germany, France, Romania, Belgium, Poland, Greece and Hungary) are examined and compared with regression analyses of total exports to the EU. For each country, the cross-sectional dimension is manufacturing industry sectors, and the time dimension is between 2003Q1 and 2012Q2. The estimation methodology is Augmented Mean Group, which takes into consideration both cross-sectional dependencies and parameter heterogeneity. In the regressions, the statistically significant variables affecting Turkey’s exports to various EU countries were Turkey’s industrial production index and sectoral export unit price index, partner country’s sectoral imports from the world, partner country’s import prices and real exchange rates. Seasonal dummies are added to account for seasonalities in the data and a crises dummy was added to see the effects of recent crises. This study enables us to analyse Turkey’s exports to EU countries across time, sector and country dimensions in order to make policy suggestions on how to decrease the adverse effects of the Euro area crisis on Turkish exports.

Key Words: European Union, Turkey, Panel, Exports, Augmented Mean Group

JEL Codes: C23, F14

---

1 The authors thank Associate Professor Bülent GÜLOĞLU for his valuable contributions.
2 Correspondence author, Middle East Technical University, Department of Economics, Tel : +90 536 638 49 47, e-mail: guzinbayar@yahoo.com
3 Ministry of Economy, Assistant Foreign Trade Expert
4 Ministry of Economy, Assistant Foreign Trade Expert