


**TUSIAD**

# Perspective 2025

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*Roadmap &  
Recommendations for  
Transformation &  
the Future*



## Risks and Opportunities at the Start of a New Era

In 2024, the primary agenda of the Turkish economy was combating inflation, ensuring macroeconomic stability, and achieving balance. While monetary policy measures helped initiate a decline in inflation, the pace of this decline fell short of expectations. Looking ahead to 2025, the disinflation process is set to continue, but relying solely on monetary policy will not be sufficient to meet economic targets. A more harmonized approach integrating fiscal discipline and structural reforms is essential.

Green and digital transformation are the primary drivers of competition in the global economy. There is intense competition on a global scale to increase productivity by integrating artificial intelligence and new technologies into production.

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## Strategy for global competition

While addressing urgent economic challenges, it is critical to invest in technology and a highly skilled workforce, increase productivity and make the investment environment more favorable in order to maintain a competitive edge in global competition.

As we enter 2025, one of Türkiye's biggest challenges remains regional geopolitical tensions. Additionally, the possibility of new tariffs under the incoming U.S. administration poses a significant risk to the global economy.

However, Türkiye's strategic location, robust infrastructural investments and dynamic private sector present substantial opportunities. With the right policies, the country can deepen its economic integration with key partners like the European Union (EU). If Türkiye strengthens its position in global value chains, it will be among the countries that could benefit from potential trade wars.

# Transform Today for a **Strong Tomorrow**

## **Priorities for Transformation**

To become a country that is economically, democratically, socially, environmentally and technologically resilient, ready for transformations, and that stands out in global competition, the following should be prioritized:

- 
- Strengthening the legal and democratic infrastructure
  - Decisively fighting against inflation
  - Enacting effective fiscal policies and tackling the informal economy
  - Improving income distribution
  - Ensuring a favorable environment for foreign direct investments
  - Fostering stronger global relations and regional cooperation
  - Ensuring quality and inclusiveness in education and skills acquisition
  - Increasing the participation of women in the economy and decision-making mechanisms
  - Increasing productivity and added value with advanced technology in industry
  - Securing a strong position in the digital economy
  - Following through with decarbonization/green transformation

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Unless Türkiye makes progress compared to its global competitors, it will not be possible to turn short-term successes into lasting gains.

For this reason, TÜSİAD emphasizes the importance and urgency of structural changes at every opportunity.

This booklet contains the policy recommendations that the business community views as priorities for 2025. For more detailed information and studies you can visit [www.tusiad.org/](http://www.tusiad.org/).

# Chapter 1: Law and Democracy

## If Democracy Develops, the Economy Grows, Türkiye Prospers!

### *Problem*

Shortcomings in the rule of law and democratic values erode social trust and economic stability. Declining confidence in the rule of law has a negative impact on the investment climate and creates uncertainties regarding the fundamental rights and freedoms of individuals.

### *Solution*

An understanding of governance that strengthens the rule of law, enhances confidence in justice and encourages democratic participation will not only promote social harmony, but will also support economic development.

### *Roadmap & Recommendations*

- The rule of law and judicial independence must be safeguarded.
- Freedom of speech, the press and the internet should be protected and expanded.
- Laws regarding the electoral system and political parties should support pluralism.
- The justice system should be made more transparent to enhance public trust.
- A balance of authority between central and local governments should be ensured.
- Human rights should be strengthened in line with the standards of the European Convention on Human Rights.
- Democratic mechanisms should be developed to make decision-making processes more participatory.

## **If Democracy Develops, the Economy Grows**

Social progress is possible through prosperity and prosperity is possible through compliance with global economic rules. This harmony is based on an open and democratic social structure. The creation of such a structure should be the common goal and culture of all segments of society, from non-governmental organizations to political parties, institutions and individuals.

Individuals and institutions can achieve their different ideals only in a society that is open to all ideas, eager to develop and adopts a culture of compromise. Only under such a structure will there be solutions to many of the problems that today seem insurmountable. In order to deal with economic and social problems and to improve the investment environment, a more developed and participatory democratic system must be built.

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## **Ensure an Environment of Trust with Justice, Participation and Freedoms**

For a pluralistic and participatory public administration, the effective functioning of checks and balances is critical. Bolstering democratic institutions, improving the quality of public administration and ensuring accountability are fundamental elements of economic and social stability.

Countries with well-developed public institutions are more resilient to macroeconomic imbalances and are more advantageous in terms of sustainable growth.

In this context, the following steps should be prioritized:

- Ensuring the rule of law and judicial independence.
- Ensuring confidence in the justice system through the equitable and impartial application of the law to all individuals.
- Making legal and administrative processes predictable for individuals and institutions.
- Strengthening all fundamental rights and freedoms, in particular freedoms of speech, press and the internet.
- Revising regulations in line with the European Convention on Human Rights and eliminating all prohibitions that surpass it, reviewing legislation and practice on detention and arrest measures and applying them in a measured manner.
- The electoral system and legislation on political parties should be organized in a way to support pluralism at the highest level.
- Ensuring a balanced distribution of powers between central and local governments, enabling the development of the most effective solutions to local challenges at the local level.

# Transparent Rules, Predictable Future!

Public policies and legislation should be transparent, predictable and inclusive; regulations should be prepared with the participation of all stakeholders, and long-term stability should be ensured instead of frequent changes. Impact analyses should be made mandatory, Civil Society Organizations (CSOs) and all relevant segments should be included in decision-making processes, and merit-based governance should be strengthened.

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## Quality, Predictability and Transparency in Regulations

The main objective of public policies is to increase the welfare of citizens and contribute to the sustainable development of a country. Therefore, it is of great importance that the policies to be formulated are free from favoritism, fair and transparent and shared with the public.

However, in the current situation, policies and regulations are being developed without a thorough analysis of their potential impacts, and without establishing effective mechanisms for operational participation. Although regulatory impact analysis is included in the legal framework, it is not adequately implemented in practice. Unforeseen problems arise after the legislation enters into force and legal stability cannot be ensured due to frequent amendments.

Therefore, it is critical to establish institutional mechanisms involving the participation of all relevant stakeholders in policy-making processes, to carefully assess the impacts of decisions before and after they are made, and to implement a transparent and accountable legislative process.

In this context, the following steps should be prioritized:

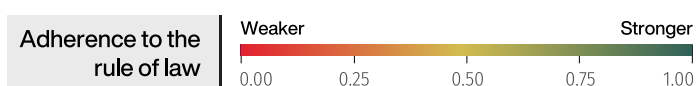
- Enhancing legislative activity and strengthening mechanisms for legislative oversight.
- Strengthening the democratic participation of CSOs, relevant groups and individuals in decision-making processes.
- Increasing the policy-making capacity of public institutions and implementing meritocracy principle.
- Sharing the draft regulation with relevant stakeholders in its broadest definition, revising the drafts based on clear, objective and transparent criteria derived from the feedback provided.
- Making the application of regulatory impact analyses widespread by building the necessary institutional capacity and publishing them alongside the relevant draft legislation.
- Fully implementing the legislation after a reasonable transition or preparation period.

## Fair and Effective Enforcement of Regulations

Country	Factor *	Factor Ranking
Germany	0.84	7
Australia	0.81	11
Canada	0.81	12
Japan	0.80	15
United Kingdom	0.78	18
South Korea	0.75	20
France	0.74	21
USA	0.72	22
Italy	0.62	36
Indonesia	0.57	47
South Africa	0.51	63
Argentina	0.50	66
Brazil	0.50	68
China	0.50	69
India	0.48	78
Russia	0.47	86
Mexico	0.43	106
Türkiye	0.42	117

\* \* G-20 countries within the scope of the research

Source: World Justice Project Rule of Law Index, 2024



# CHAPTER II: INFLATION

## THE REMEDY FOR INFLATION REQUIRES A DETERMINED, PERSISTENT AND COMPREHENSIVE EFFORT

### *Problem*

Türkiye has been battling inflation for many years. Although inflation started to decline in 2024, it still remains high.

### *Solution*

The remedy for inflation is a determined and comprehensive effort.

### *Roadmap and Recommendations*

- A unified consensus should be established across all sectors (real sector, financial sector, public sector and households) in the fight against inflation,
- The proper functioning of monetary policy and the independence of the Central Bank of the Republic of Türkiye should not be compromised,
- In addition to monetary policy, a long-term program with solid targets that include income policy and fiscal policy should be designed,
- The necessary micro reforms across sectors should be implemented,
- The disinflation process should be supported by structural reforms to reinforce economic stability.

## Decisive, Permanent, All-Out Fight Against Inflation

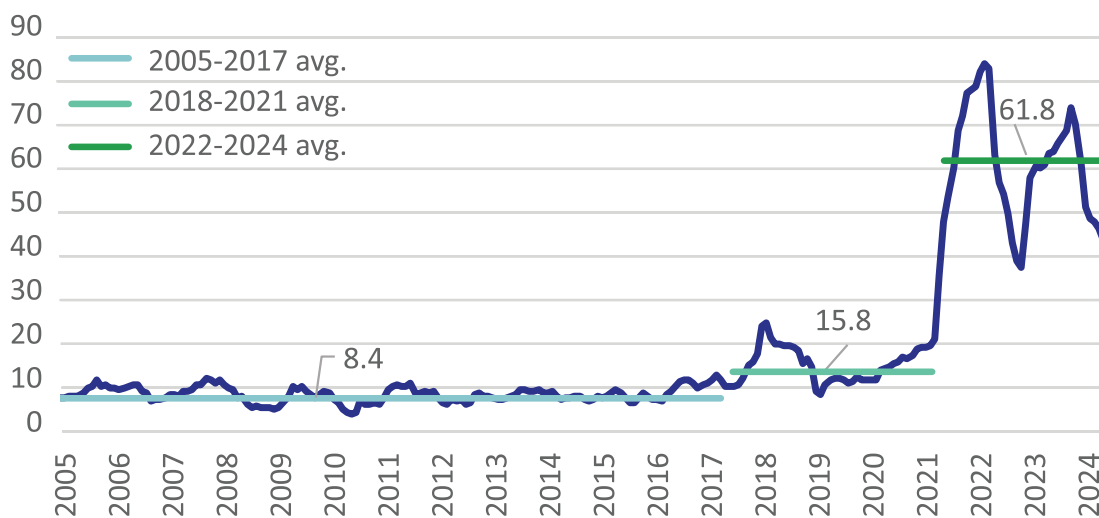
Türkiye has experienced persistent inflation for many years. Annual inflation, which exceeded 100% in the 1990s, fell below 10% for the first time in the early 2000s, following macroeconomic reforms, the adoption of inflation targeting, and the autonomy granted to the Central Bank. By January 2011, inflation had dropped below 5%. However, after a series of policy missteps after 2016, inflation surged again, surpassing 80%.

Following a change in economic leadership in May 2023, monetary policy became more effective, resulting in a decline in inflation. Nevertheless, by the end of 2024, inflation remains at 45%, still far exceeding the average of 6% observed in peer emerging economies.

## Living With Inflation Is Not Inevitable; Determination Is Essential

Türkiye has a history of managing high inflation, but reaching a unified consensus on addressing inflationary issues remains challenging. Delayed interventions burden the economy, causing long-term repercussions." Prolonged periods of high inflation call for solutions that go beyond the scope of monetary policy. It becomes imperative to formulate a comprehensive strategic plan that incorporates fiscal and revenue policy dimensions to ensure a robust response to these challenges.

Course of Inflation Between 2005–2024 (CPI, annual, %)



Source: TURKSTAT

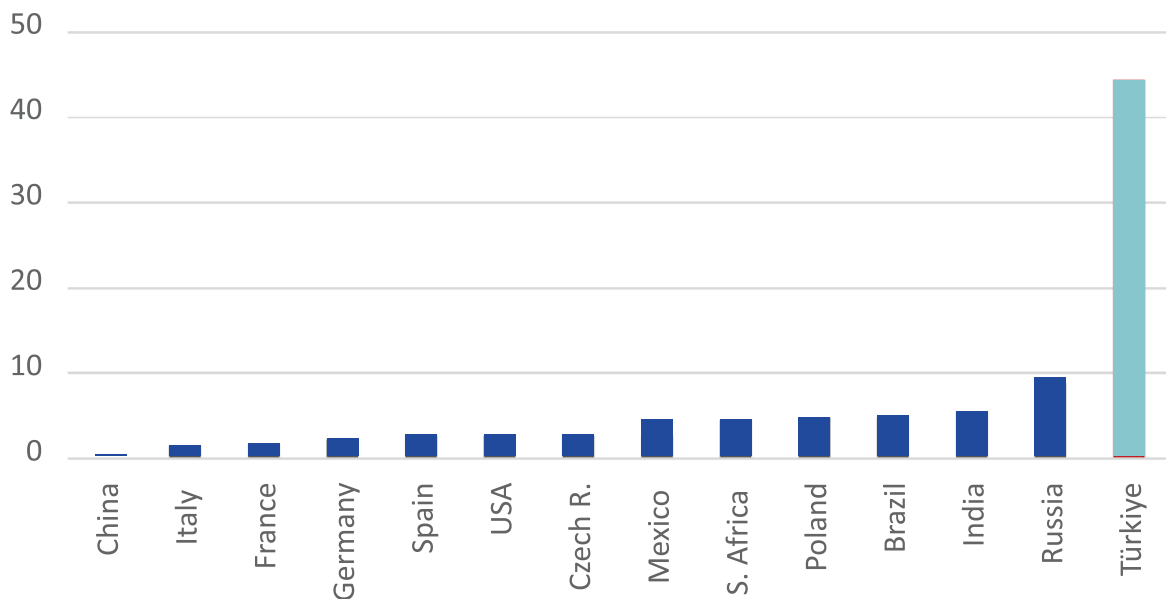
## Steps Towards the Goal

Achieving success in the fight against inflation requires a coordinated effort from the real sector, the financial sector, the public sector and households. 2025 will be a critical year in the fight against inflation. It will be essential to first reduce inflation to 30%, and subsequently below 20%. However, achieving these targets will necessitate measures beyond the scope of monetary policy.

To ensure a lasting and sustainable decline in inflation, a more comprehensive program must be implemented. The following steps should be prioritized:

- Establishing a unified consensus across all sectors (real sector, financial sector, public sector and households) in the fight against inflation,
- Ensuring the proper functioning of monetary policy and the independence of the Central Bank of the Republic of Türkiye,
- Designing a long-term program with solid targets that includes income policy and fiscal policy in addition to monetary policy,
- Implementing necessary micro reforms in various sectors,
- Supporting the disinflation process with structural reforms to reinforce economic stability.

### Inflation in Türkiye and Selected Countries in 2024 (annual, %)



Source: The Economist Intelligence Unit

# CHAPTER III: FISCAL POLICIES

## STRONG ECONOMY, TRANSPARENT FINANCE, COMBATTING INFORMALITY!

### *Problem*

Weak fiscal discipline and the growth of the informal economy in Türkiye make the fight against inflation more challenging. Inefficient public spending and informal employment widen budget deficits and undermine income equality.

### *Solution*

Effective fiscal policies, ensuring budgetary discipline and a decisive fight against the informal economy are critical steps for economic stability and sustainable growth.

### *Roadmap and Recommendations*

- Public expenditure reform should direct resources to productive areas,
- The tax base should be expanded, the informal economy should be addressed, and a fair system should be created by focusing on areas that are not taxed,
- Public expenditures should be monitored with a transparent and accountable financial management approach,
- Tax reforms should establish a fair structure that protects low-income groups,
- Formal employment should be encouraged.

## Addressing the Informal Economy and Implementing Effective Fiscal Policies

Fiscal policy is a crucial tool in the fight against inflation. However, over the past year and a half, fiscal policy has not provided sufficient support for the disinflation process. This has delayed the achievement of targeted inflation rates and amplified the negative economic impacts of the efforts against inflation.

In the coming period, it is crucial to maintain tight budget control, review public expenditures, identify savings areas and expand the tax base by addressing the informal economy.

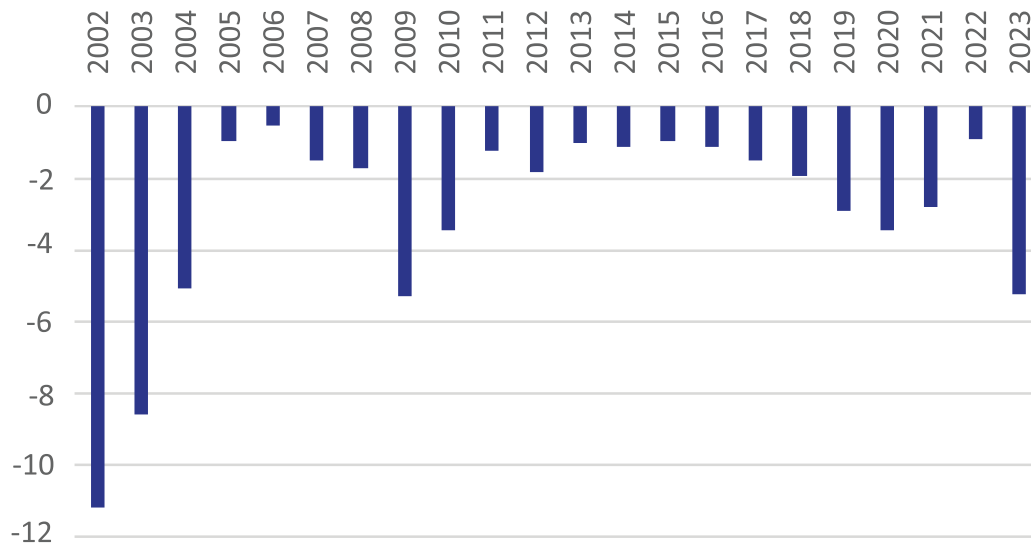
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### Efficient Expenditure, Strong Public Finances

In this context, the following steps should be prioritized:

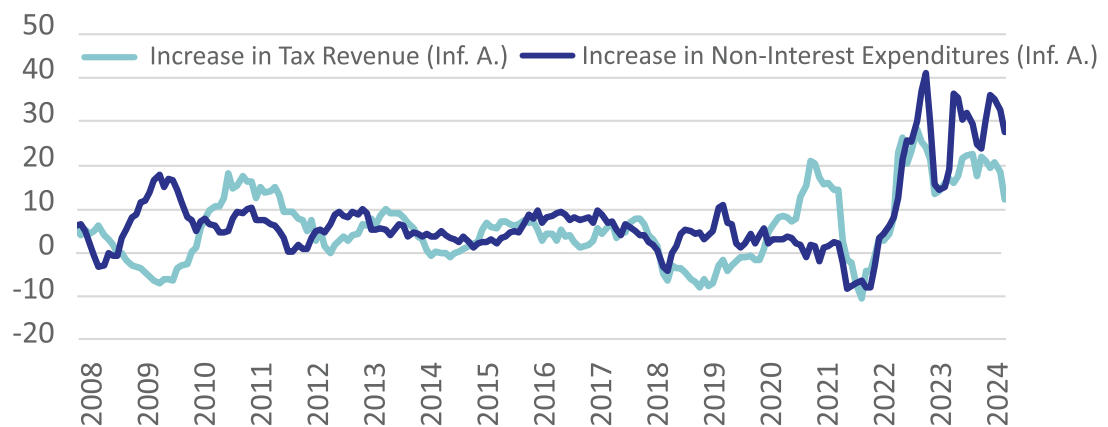
- Implementing public expenditure reform by;
  - Making significant savings in public spending items that do not contribute to the efficient functioning of the economy,
  - Increasing public resources in areas that support economic efficiency, such as education, technology and restructuring production,
  - Fulfilling social state responsibilities with direct, transparent, and clearly implemented social policies.
- Evaluating the effectiveness of the use of public expenditures in line with the objectives of supporting growth and ensuring income equality by conducting impact analyses; preventing unnecessary expenditures and strengthening oversight of expenditures.
- Improving data disclosure to enable the public to monitor and evaluate the appropriateness and effectiveness of public expenditures.
- Implementing financial governance reforms to ensure effective and transparent management of state-owned enterprises, more systematic evaluation of contingent liabilities and oversight of Public-Private Partnership projects.
- Focusing on effectively combating tax evasion rather than increasing tax rates or imposing additional burdens on taxpayers.
- Avoiding amnesty practices that undermine tax justice, while prioritizing tax audits in unregistered sectors.
- Encouraging formal employment, which is also crucial from a social security perspective.

## Budget Balance (% GDP)



Source: Ministry of Treasury and Finance

## Increase in Tax Revenues and Non-Interest Expenditures (Inflation-Adjusted)



Source: Ministry of Treasury and Finance, TÜSiAD calculations

# CHAPTER IV: Equitable Distribution

## Create Wealth, Distribute Equitably

### *Problem*

Income inequality in Türkiye is increasing. The gap between the richest and the poorest segments is widening. High inflation, informal employment, regional inequalities and low female labor force participation exacerbate income inequality.

### *Solution*

Economic and social policies should be reassessed with a focus on reducing income inequality.

### *Roadmap and Recommendations*

- Inflation should be reduced to single-digit levels through determined efforts.
- Tax reforms should be implemented to establish a fair system that protects low-income groups.
- Informal employment should be prevented, and formal employment should be encouraged.
- Policies supporting women's employment should be enacted.
- Vocational training programs should be strengthened, ensuring that labor force skills align with future professions.
- Equal opportunities should be ensured in access to quality education.
- Regional development plans should be effectively implemented to reduce economic disparities.

## **Growth Alone is Insufficient; Equal Distribution is Essential**

Over the past decade, income inequality in Türkiye has increased significantly. According to Gini coefficient data, Türkiye has one of the highest levels of income inequality among the OECD countries. Data from the Turkish Statistical Institute (TURKSTAT) indicate that the share of income earned by the wealthiest 10% has been rising compared to the poorest 10%.

The main reasons for this inequality include high inflation, sectoral imbalances, informal employment, the dominance of indirect taxes and regional development disparities. Low levels of female labor force participation further deepens income inequality.

This situation causes many citizens to live at the poverty line, deepens social polarization and unrest, hinders balanced and sustainable growth, lowers individual productivity, and leads to a decline in human capital due to brain drain.

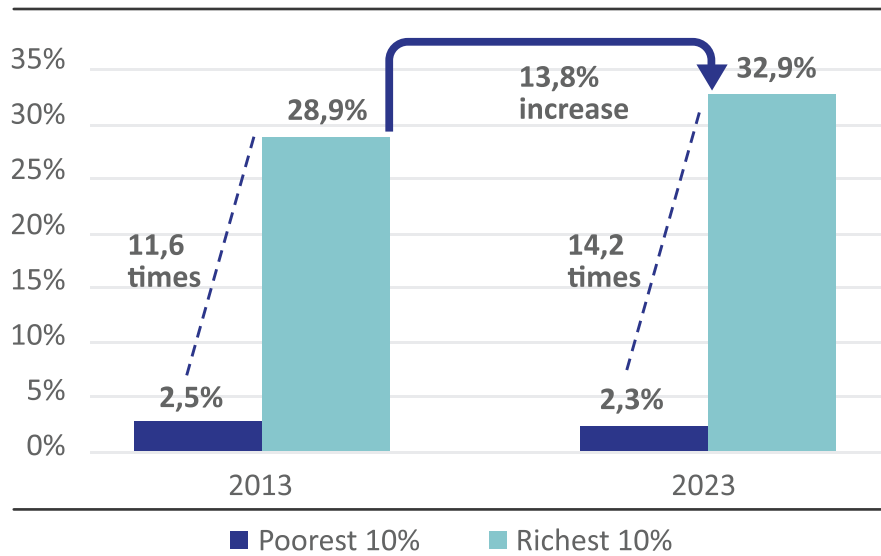
## **The Cost of Inequality: Brain Drain, Poverty and Polarization**

For economic growth to be sustainable and inclusive, this deterioration in income distribution must be prevented.

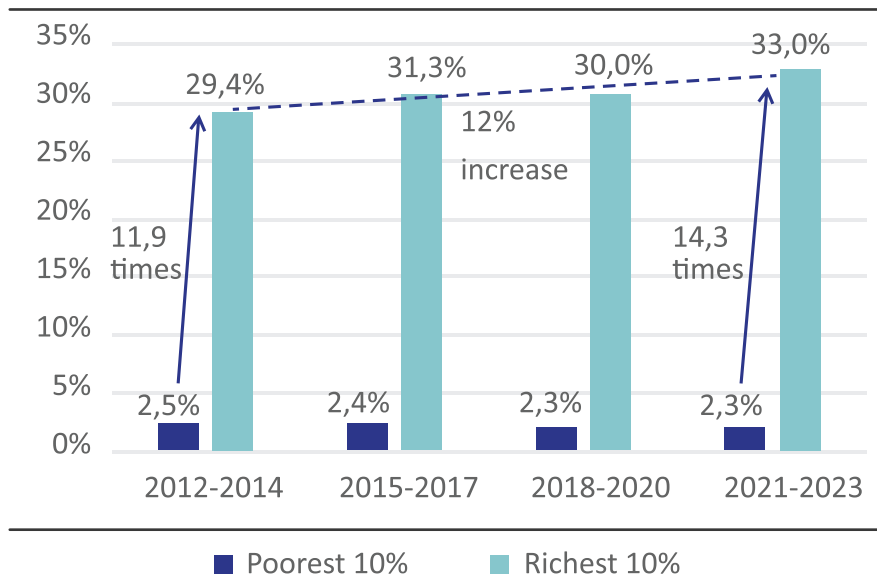
Priority actions in this context include:

- Reducing inflation to single-digit levels through determined efforts.
- Establishing an equitable tax system that protects low-income groups by reducing the share of indirect taxes, such as the VAT and the special consumption tax (ÖTV) in total tax revenues.
- Preventing informal employment, and encouraging formal employment.
- Implementing policies to increase female labor force participation, and raising participation rates to the level of developed countries.
- Creating a skilled workforce through vocational training and skills development aligned with technological advancements and labor market needs.
- Ensuring equal opportunities in access to quality education.
- Designing and implementing regional development plans more effectively.

## Share of Income



## Share of Income



Source: TURKSTAT Income Distribution Statistics

# Chapter 5: Investment Ecosystem

## Trustworthy Türkiye: A Hub for Growing Investments

### *Problem*

Foreign direct investment in Türkiye has been declining in recent years. To remain competitive globally, economic stability coupled with predictable, and investment-friendly policies is critical.

### *Solution*

Türkiye should become attractive to international investors with its strong legal system, transparent economic governance, and efficient incentive mechanisms.

### *Roadmap and Recommendations*

- The rule of law must be upheld, and investor confidence must be strengthened,
- Transparent and predictable public policies must be implemented,
- Macroeconomic stability should be strengthened, and the investment climate improved,
- Educational reforms should be implemented to close the skills gap,
- Start-up investments should be boosted by strengthening the entrepreneurship ecosystem,
- Investment incentives should be aligned with long-term development goals.

## **Decisive Steps Needed for More Investment**

Although there was a surge in foreign direct investment since 2005 as macroeconomic and political stability improved, the following decade witnessed a decline in momentum. Foreign direct investments, which peaked at USD 28.5 billion in the first quarter of 2007, fluctuated between USD 10-20 billion in the following years and have been hovering around USD 10 billion in recent years.

Since 2018, foreign real estate purchases have made up a significant portion of direct investments. During and after the pandemic (2020-2023), countries like South Africa, Hungary, Indonesia, and Poland, which are peers of Türkiye, attracted more investment, while Türkiye saw a decline in incoming investments. The Investment Office of the Presidency of the Republic of Türkiye's Foreign Direct Investment Strategy for 2024-2028 aims to increase Türkiye's share of global direct investments from 0.9% to 1.5%.

In recent years investments in technology start-ups, in particular, have comprised an important category of international direct investment. Although Türkiye's entrepreneurship ecosystem shows strong growth and dynamism, it still attracts less foreign investment than its potential.

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## **Creating a Favorable Investment Environment is Essential**

Investors seek a fair, transparent, simple, impact-analyzed, predictable regulatory framework, and legal order. Economic stability and free market conditions are key to ensuring investor confidence.

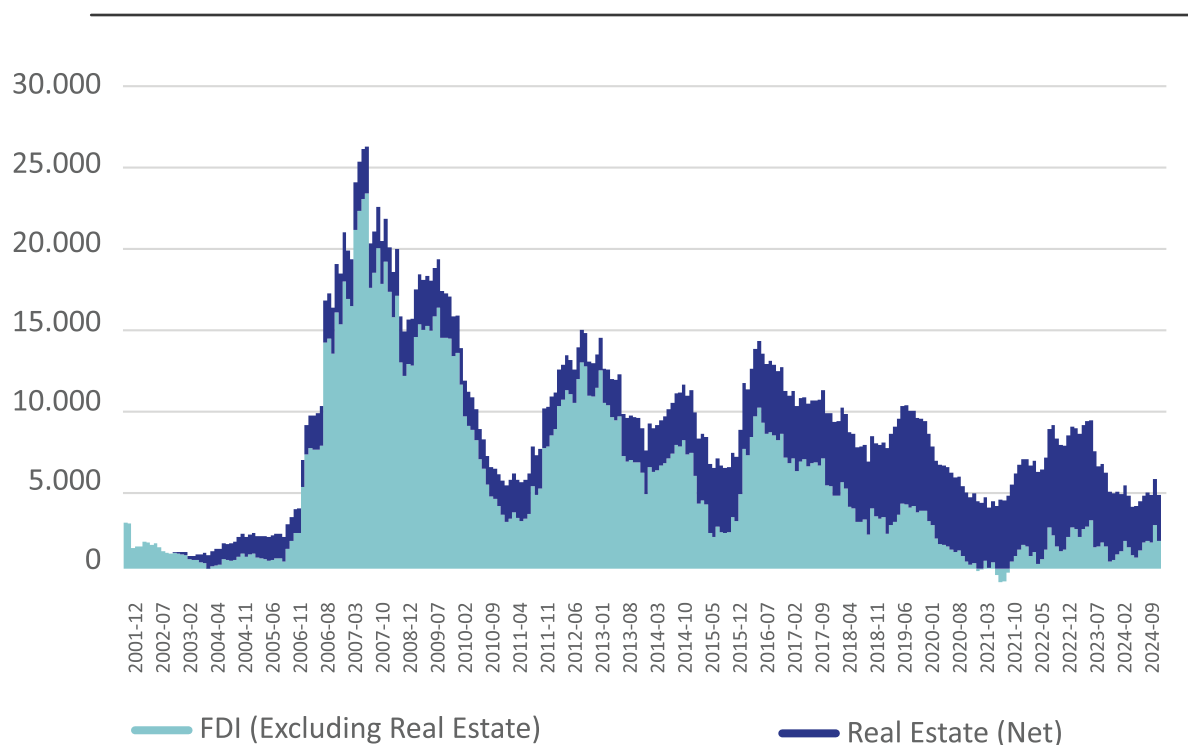
Total Factor Productivity in Türkiye has increased by only 33% since 1980, lagging behind global peers. This low productivity reduces the attractiveness of investment.

In addition, geopolitical developments, the transformation in global supply chains, changing regional dynamics and green and digital transformation trends are other critical factors that directly affect the investment climate.

In this context, the following steps should be prioritized:

- Ensuring that the rule of law prevails.
- Ensuring participation, transparency and predictability in public policy formulation and the drafting of legislation.
- Macroeconomic predictability and confidence.
- Closing the skills gap.
- Taking steps to increase productivity.
- Revisiting the investment incentive system aligned with development goals by considering strategic objectives and an impact analysis of incentives.
- Raising the entrepreneurship ecosystem's legislative infrastructure to the level of developed countries and organizing more widespread activities to be recognized by foreign investors.

## Foreign Direct Investments (Million USD)



Source: CBRT

# Chapter 6: Global Transformation

## Strengthening Türkiye's Global Position

### *Problem*

Increasing geopolitical uncertainties in the global system, intensifying trade wars and the accelerating race for digital transformation are making Türkiye's international integration more challenging. Shortcomings in the rule of law, stalled democratic reforms, and economic instability are undermining investor confidence. Türkiye's relations with the EU have ceased to be an anchor for progress.

### *Solution*

To establish a strong position in the global order, Türkiye must accelerate democratic reforms, make its legal system more predictable, embrace digital and green transformation, deepen its integration with the EU within the framework of full membership, and expand its strategic trade partnerships.

### *Roadmap and Recommendations*

- Implement political, economic, and social policies that uphold the rule of law and human development to enhance Türkiye's effectiveness in the global system.
- Strengthen international cooperation through a multidimensional, rule-based and principle-oriented foreign policy.
- Transition from a transactional relationship to a rule-based partnership with the EU, while modernizing the Customs Union to include green and digital transformation.
- Expedite Türkiye's process of establishing Free Trade Agreements (FTAs) with countries that have such agreements with the EU.
- Increase global and regional collaboration to play a more active role in trade corridors.

# Building Trust in Türkiye through Global Cooperation

## The New World Balance: Where Will Türkiye Stand?

The global system is undergoing a period of multiple crises, leading to populism, protectionism and economic tensions. Geopolitical conflicts are intensifying and political tensions are manifested through cultural identity disputes. This interregnum, where "the old is dying, but the new is yet to be born" heightens unpredictability and deepens uncertainty.

The world is in a hybrid system. Geopolitical competition between the U.S.-led West and the China-Russia axis is reshaping the global order. However, beyond these two blocs, the countries of the Global South are seeking strategic autonomy and forming multidimensional alliances. Different actors emerge as balancing elements within this system dominated by two major powers.

Türkiye plays a pivotal role in this transformation process. Adopting a proactive approach is essential to shaping a global system that evolves fairly, remains free of conflict and upholds the rule of law. At the same time, reinforcing its position in the international arena requires Türkiye to act in alignment with democratic values.

In this context, the following steps should be prioritized:

- Adopting and implementing a comprehensive approach to political, economic, and social policies that safeguard the rule of law and promote human centred development.
- Recognizing that these measures will primarily contribute to establishing a more functional democracy, a reliable legal system, and greater prosperity for Turkish citizens.
- Recalibrating the integration process with the European Union (EU) through the framework of full membership, in line with the level of modern civilization as an anchor for progress.
- Conducting a foreign policy that fosters multidimensional relations with countries in different geographies based on rules and principles.

## Time to deepen Türkiye-EU integration within the perspective of full membership

Geopolitical and geo-economic developments have reinvigorated the EU's enlargement policy. However, in response to the changing dynamics of the global system, the EU has sometimes adopted a transactional approach that contradicts its founding principles. Nevertheless, the EU - remains a key actor in the global economy and politics. Facing challenges in global competition, the EU aims to reinforce its position by restructuring industry, trade, the circular economy, and economic security.

BusinessEurope, *Confederation of European Business*, representing the European business community, supports these policy changes to boost Europe's competitiveness and considers the modernization of the Customs Union with Türkiye as an important contributing factor to achieving this goal.

Given these developments, now is the right time for Türkiye to approach its economic partnership with the EU within a broader geostrategic framework. Deepening integration with the EU will not only enhance Türkiye's economic resilience, but will also elevate its global political influence.

## A Joint Türkiye-EU Roadmap for a More Prosperous Future

Priority Actions:

- Implementing an integration-oriented cooperation process focused on a full membership perspective with the EU, moving away from the short-term transactional relationship model, especially in the area of migration.
- Modernizing Türkiye - EU Customs Union dating back to 1995, to include green and digital transformation, covering services, agriculture, public procurement and dispute resolution mechanisms.
- Revising Türkiye's "National Action Plan for EU Accession" and continuing close collaboration with the business community in this process.
- Effectively operating regular dialogue mechanisms between the EU and EU Member States and Türkiye's public authorities and CSOs in key areas such as green and digital transformation, energy, transportation, technology and innovation and strategic value chains.
- Reactivating the "Association Council," the highest-level decision-making body between the EU and Türkiye, which last met in 2014, while effectively continuing the initiated Trade Dialogue and restarting the dialogue mechanisms in the Energy and Transportation sectors.
- Reviving Türkiye's EU reform agenda in areas such as the rule of law, democracy, green transformation and digital transition.

# Türkiye as a Strategic Hub for Trade Corridors

## Integration into Global Supply Chains

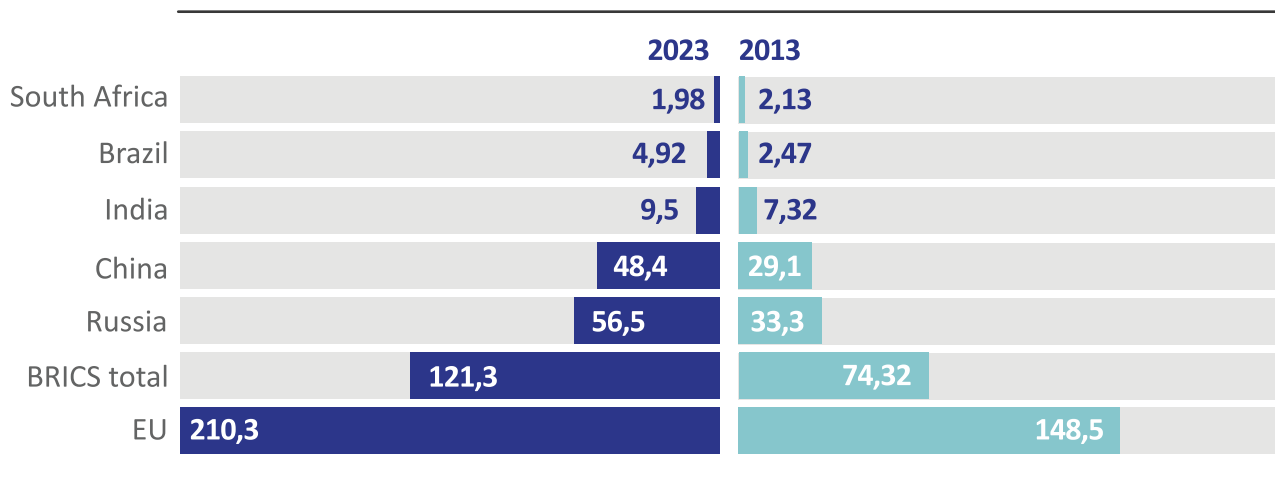
Strengthening Türkiye's integration into Global Supply Chains (GSCs) and playing a more active role in trade corridors is of critical importance. Enhancing regional connections and improving Türkiye's trade positioning are key priorities.

### Priority Actions:

- Diversifying trade and investment partnerships, accelerating the process of Türkiye signing FTAs with countries that have FTAs with the EU and facilitating access to third-country markets (e.g., Gulf Cooperation Council FTA negotiations and expediting the ongoing Economic Partnership Agreement process with Japan).
- Conducting product-based studies and implementing export development programs to establish more balanced trade relations with countries with which Türkiye has high trade deficits (particularly Russia, China, and other Asia-Pacific nations).
- Increasing Türkiye's share in regional and global value chains in areas such as net zero and advanced technologies, digital trade and critical raw materials, which have strategic importance in global competition. To this end, determining strategies and roadmaps to support the development of the necessary legislation and ecosystem; making the goal of increasing Türkiye's share in regional and global value chains a determining factor in the country's global trade partnerships and free trade agreements.
- Within the scope of Türkiye's Middle Corridor Initiative:
  - Enhancing physical infrastructure and harmonizing legal frameworks to improve corridor functionality.
  - Developing a joint approach through international cooperation to digitalize processes.
  - Taking initiatives to include Türkiye as a member of the Trans Caspian Transport Corridor (Middle Corridor) Coordination Platform established in 2024.

- Within the scope of the EU's Global Gateway Initiative:
  - Strengthening coordination between relevant ministries, business organizations and sector associations in Türkiye and establishing consultation mechanisms with the participation of the private sector.
  - Taking a more active role by developing projects in cooperation with the public-private sector in line with the priority sectors and the standards set.
  
- Within the scope of the Iraq Development Road Project:
  - Ensuring integrated execution of the project with Türkiye through diplomatic channels and fostering business cooperation between the two countries.
  
- Facilitating foreign trade and customs procedures.
- Establishing a robust market surveillance and inspection system to create a balanced market.
- Formulating Türkiye's adaptation strategies for the digitalization of global trade and ensuring the seamless digital integration of all public institutions involved in trade-related activities.

**Türkiye's trade volume with BRICS and EU  
(2013 and 2023, USD billion)**



Source: Assoc. Prof. Dr. Mustafa Kutlay, City University of London

# Chapter 7: Quality Education

## A Productive Türkiye Begins with Quality Education

### *Problem*

Although access to education has increased, the quality of education and skill acquisition remain insufficient. Türkiye falls behind OECD countries in per-student expenditure.

### *Solution*

The education system should prioritize science, innovation, and skill development while enhancing quality and inclusivity at all levels.

### *Roadmap and Suggestions*

- The education budget should be increased, with resources directed toward enhancing education quality, ensuring equal opportunities, and supporting the development and empowerment of teachers.
- Pre-school education should be free and compulsory.
- The education curriculum should be based on critical thinking, science and creativity.
- Vocational and technical education should be aligned with the needs of the labor market and future professions. Furthermore, the existing workforce should be equipped with skills suitable for the green and digital transition.
- The research capacity of universities should be strengthened. Quality, autonomy, and accountability in higher education should be enhanced.
- Young people who are currently outside the system should be integrated into education and employment.

## **Educational Transformation for Generations of Creative and Critical Thinkers!**

Education is the cornerstone of both individual empowerment and national progress. It also helps to foster a knowledge-based competitive economy. School enrolment rates have increased significantly in recent years and reached the level of OECD countries. Although progress has also been made in gender equality, the absence of compulsory pre-primary and early childhood education, along with low level of per-student spending, remains a significant challenge to improving the quality of education.

To remain globally competitive, it is essential that Türkiye enhance the quality of its education system. The limited progress observed in the OECD PISA and TIMSS surveys indicates that the system is insufficient to equip students with critical thinking and innovative skills. Moreover, it is also crucial for vocational and technical education and training to be better adapted to the needs of the labor market and to provide skills for the future jobs.

### **Science, Innovation and Critical Thinking: The Foundation of Quality Education**

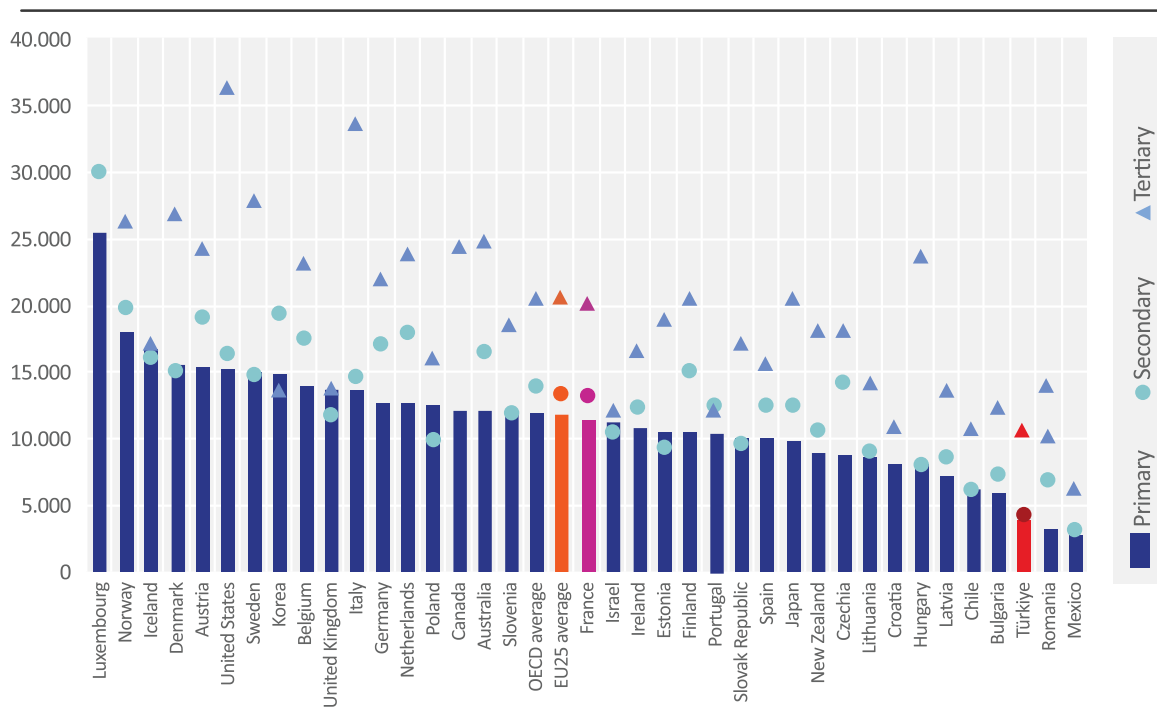
Scientific research is the cornerstone of technology and innovation, which is one of the most important factors that increase productivity in production and innovation. Although the number of universities and student quotas has increased in Türkiye, challenges remain in ensuring the quality of education and equipping students with the skills required by the labor market.

It is critical that academic studies and technological developments reinforce each other, and that scientific research is transformed into innovation. To enhance Türkiye's global competitiveness priority should be given to strengthening the research ecosystem, increasing university-industry collaborations, and developing mechanisms that support the commercialization of scientific knowledge. In this context, the following steps should be prioritized:

- Increasing the share of the education budget to 15% of total public expenditure, as recommended by the United Nations for quality education,
  - to eliminate differences based on regions, socio-economic characteristics and gender,
  - to improve the quality of education at all levels,
  - to support the development and empowerment of teachers.
- Restructuring the education curriculum to raise to raise free, creative and critical thinking individuals; and providing a science-based education; that enables children and young people to freely realize their potential, and equips them with high-level knowledge, skills and competencies on a global scale.

- Making pre-school education free and compulsory for all children aged 3 to 5 should be a key priority, achieved through a combination of public sector investments, private sector incentives, and collaborative initiatives.
- Ensuring that human resources possess the skills demanded by the job market and emerging professions through formal and non-formal education, with a particular emphasis on vocational education; strengthening the school-enterprise cooperation.
- Prioritizing the strengthening of universities' scientific research capacity and their support for innovation.
- Elevating our universities to the standards of those in the countries we aim to compete with; in terms of financial resources allocated to higher education and research, the number of researchers, the quality and quantity of research, citation counts, international collaborations, global reputation, and the diversity of academic programs.
- Ensuring university autonomy and improving accountability mechanisms in the higher education governance structure.
- Enhancing the efficiency and scope of industry-academia collaborations in R&D and innovation. Strengthening industry-academia interaction programs to upgrade the existing workforce to the competencies required for ensuring twin (digital and green) transformation.
- Pursuing strategies to integrate young people, who are neither in the educational system nor in employment and training with a particular emphasis placed on the high proportion of young women in this group, into the education system and the labor force.

Total expenditure per full-time equivalent student in primary, secondary and tertiary education (2021), USD



Source: [https://www.oecd.org/en/publications/education-at-a-glance-2024-country-notes\\_fab77ef0-en/turkiye\\_5718b270-en.html](https://www.oecd.org/en/publications/education-at-a-glance-2024-country-notes_fab77ef0-en/turkiye_5718b270-en.html)

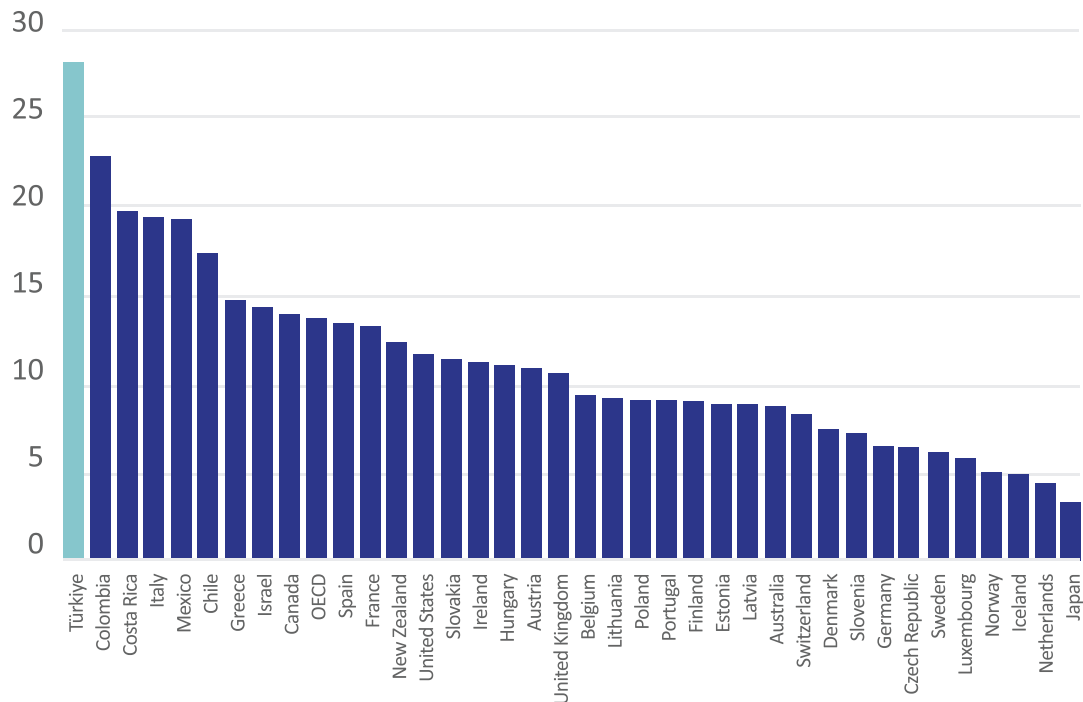
## The share of the Ministry of National Education's (MoNE) budget in the central government budget

In 2015,  
13%

In 2024,  
9.83%

In 2025,  
9.86%

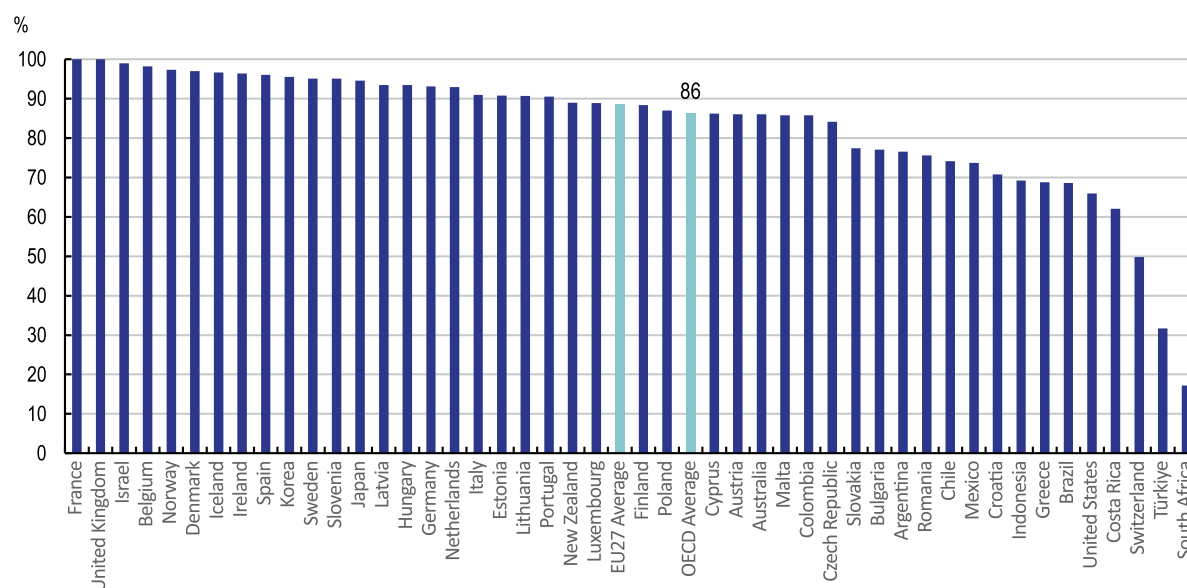
Percentage of young people who are neither in employment nor in education and training



Source: OECD

**Over 3 million young people, equivalent to one in every three, are neither in employment nor in education and training (NEET). Among those aged 15-24, one in every three women (34.9%) and one in every five men (18.3%) are not in education or employment (TÜİK, November 2024).**

## Enrolment rates in early childhood education and care services and primary education, 3-5 years old



Sources: For Bulgaria, Croatia, Cyprus, Malta and Romania, Eurostat Education Statistics; For all other countries, OECD Education at a Glance 2023: OECD Indicators

**Every 1 unit of continuous investment in disadvantaged children aged 0-5 results in 7 units of economic and social returns in later years.**

# Chapter 8:

## Equal Participation of Women

### **If Women are Present, Equality Prevails, The Economy Thrives**

#### *Problem*

Women remain underrepresented in education, employment and decision-making mechanisms with their labor force participation rate being half that of their male counterparts. In the fields of administration and politics, their presence is significantly limited. Furthermore, caregiving responsibilities are disproportionately placed on women.

#### *Solution*

Comprehensive and decisive policies are crucial to ensuring gender equality across all aspects of society from work-life balance to equal representation in decision-making positions, from entrepreneurship to preparation for emerging professions.

#### *Roadmap and Suggestions*

- Childcare and caregiving services supporting women's workforce participation should be expanded,
- The representation of women in the boardrooms and all
- decision-making positions in the private sector should be increased,
- Arrangements to balance the representation of women and men in the public sector and in politics should be implemented,
- Education, training and entrepreneurship of women in technology and the digital economy should be encouraged,
- Equal pay for equal work and fair career opportunities should be provided,
- Awareness-raising and educational programs/ activities promoting gender equality should be conducted.

# We cannot Fly into the Future on One Wing Only

Gender equality in all spheres of life, along with equal rights and opportunities, is one of the cornerstones of sustainable development. However, gender equality is not only a matter of individual rights, but also a necessity that directly impacts economic growth and social well-being.

- The continuous access of females to education must be ensured.
- Women's equal participation in the workforce and skilled jobs should be promoted.
- Care responsibilities should be shared equally, and daycare centers and support mechanisms should be expanded.
- The representation of women in decision-making positions in politics and the workplace should be increased.
- Zero-tolerance policy should be applied in combating violence against women.

Simultaneously advancing and structurally transforming these areas will not only empower women, but also drive the overall progress of society. To achieve lasting change, we must embrace a transformation in the mindset and take bold steps toward a more inclusive and egalitarian future.

## **Without Women's Intelligence and Labor in the Economy, the Future Remains (R capital) Incomplete**

Women's participation in the labor force is not only a key driver of economic performance but also a fundamental pillar of social equality. However, in Türkiye, women's participation in the economy and employment rates are half those of men. In this context, the following steps should be prioritized:

- Pursuing decisive and comprehensive policies to ensure women's equal participation in the economy,
- Ensuring the most widespread provision of day-care services throughout the country to support work-life balance in order to ensure women's participation in the labor market and their continuity in employment; and effectively implementing cooperation among the public sector, municipalities and private sector to achieve this goal,

## Europa

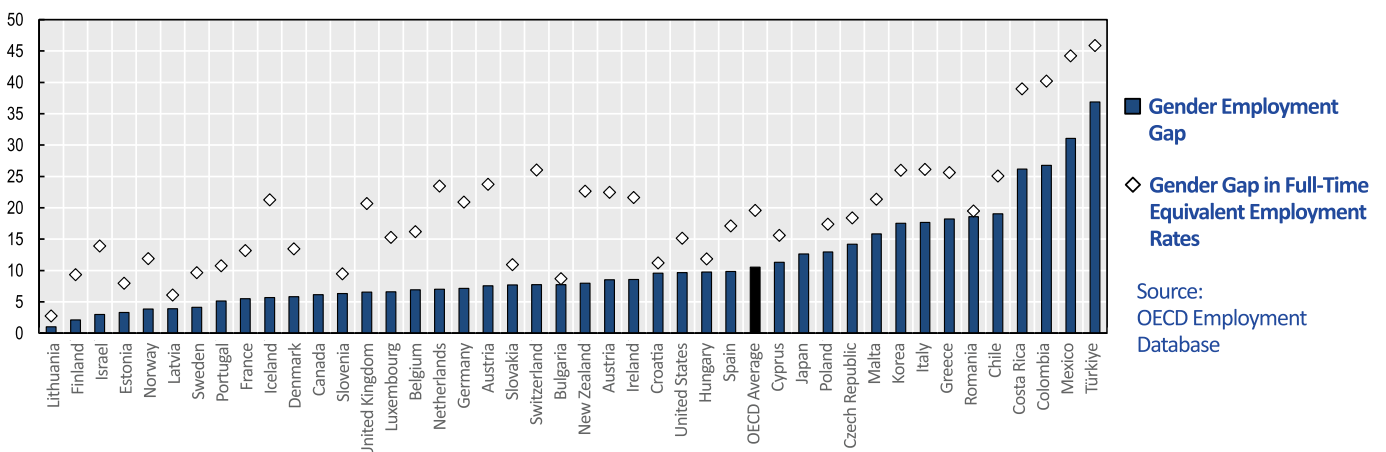
- Implementing regulations to balance the representation of men and women in decision-making and management bodies in the private sector, politics, and public administration,
- Ensuring women's equal access to educational opportunities that prepare them for future professions,
- Encouraging women's entrepreneurship, especially in technology-based and digital fields, facilitating their access to financial resources, and supporting their management skills through consultancy, training and mentoring.

Türkiye ranks 127th out of 146 countries and last among 40 countries in the European region in the Global Gender Gap 2024 Report, published annually by the World Economic Forum. Türkiye shows its weakest performance in the "Economic Participation and Opportunities" category.

Economy	Rank		Score
	Regional	Global	
Iceland	1	1	0.935
Finland	2	2	0.875
Norway	3	3	0.875
Sweden	4	5	0.816
Germany	5	7	0.810
Ireland	6	9	0.802
Spain	7	10	0.797
Lithuania	8	11	0.793
Belguim	9	12	0.793
Moldova	10	13	0.791
United Kingdom	11	14	0.789
Denmark	12	15	0.789
Portugal	13	17	0.787
Switzerland	14	20	0.785
France	15	22	0.781
Albania	16	23	0.780
Serbia	17	26	0.779
Netherlands	18	28	0.775
Estonia	19	29	0.774
Latvia	20	30	0.773
Slovenia	21	34	0.766
Luxembourg	22	46	0.744
Austria	23	49	0.743
Poland	24	51	0.740
Belarus	25	55	0.733
Slovakia	26	56	0.731
Republic of North	27	58	0.727
Bulgaria	28	60	0.723
Croatia	29	61	0.723
Malta	30	62	0.723
Ukraine	31	63	0.722
Montenegro	32	67	0.718
Greece	33	68	0.717
Yunanistan	34	73	0.714
Bosnia and Herzegovina	35	78	0.710
Cyprus	36	84	0.705
Italy	37	87	0.703
Hungary	38	101	0.686
Czechia	39	104	0.684
Türkiye	40	127	0.645

## Gender gaps in employment rates and full-time equivalent employment rates, 2021

Gender Employment Gap (Percentage Points)



# Chapter 9: Industrial Transformation

## Empowering Tomorrow Through Industrial Transformation

### *Problem*

Türkiye's industry runs the risk of falling behind in global competition. Beyond macroeconomic dynamics, stagnation in both domestic and foreign demand is straining industrial production. Additionally, the slow pace of technological transformation, low productivity and limited progress in transitioning to high-value-added production are undermining the strength of the industry.

### *Solution*

Enhancing efficiency through increased adoption of high technology in industry, prioritizing high-value-added production and achieving deeper integration into global value chains through digitalization are essential. Furthermore, reinforcing mechanisms that support the resilience of the industrial sector is key.

### *Roadmap and Recommendations*

- A high-tech driven production ecosystem should be established.
- Incentives that promote high-value-added and innovative production should be provided.
- A roadmap in alignment with the EU Industrial Strategy should be adopted.
- Programs focused on the resilience of industry and export competitiveness should be supported.
- SMEs access to technology and financial support should be increased.
- Local technology start-ups should be supported and integrated into global value chains.
- Efficiency and sustainability in the agriculture and food industry should be enhanced.
- A strong position in supply chains should be achieved through sustainability practices.

## Those Who Invest in Technology Succeed

Disruptions in global supply chains and geopolitical tensions are further elevating the strategic importance of the industrial sector. The impact of production and consumption practices on the ecosystem, the climate crisis, rapid technological advancements and evolving consumer preferences underscore the urgent need for a fundamental transformation in industrial business models.

Türkiye can become the central hub of the global industrial ecosystem by enhancing its capacity for high-value-added production, productivity and digital-green transformation. To accomplish this target, a comprehensive and goal-oriented industrial policy—focused on high technology, innovation and sustainable production—must be implemented through public and private sector collaboration.

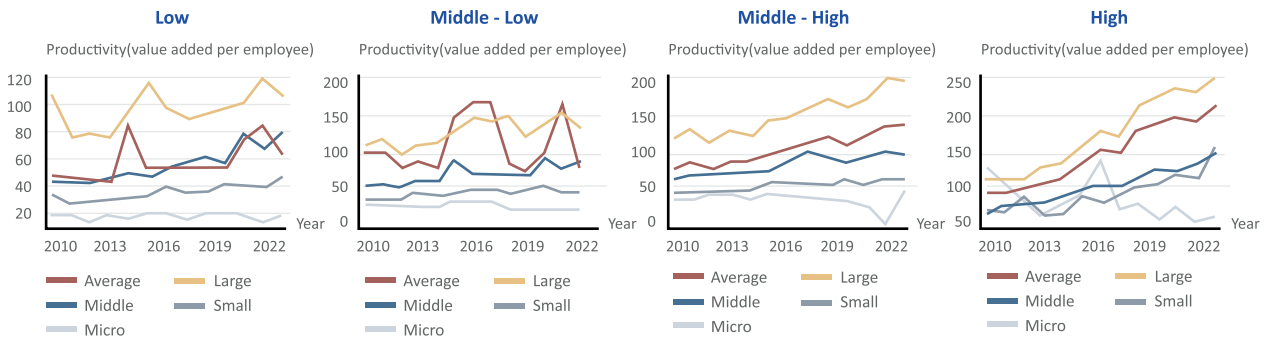
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## If Industry Doesn't Evolve, Competitiveness Will Fail to Thrive

In this context, the following steps should be prioritized:

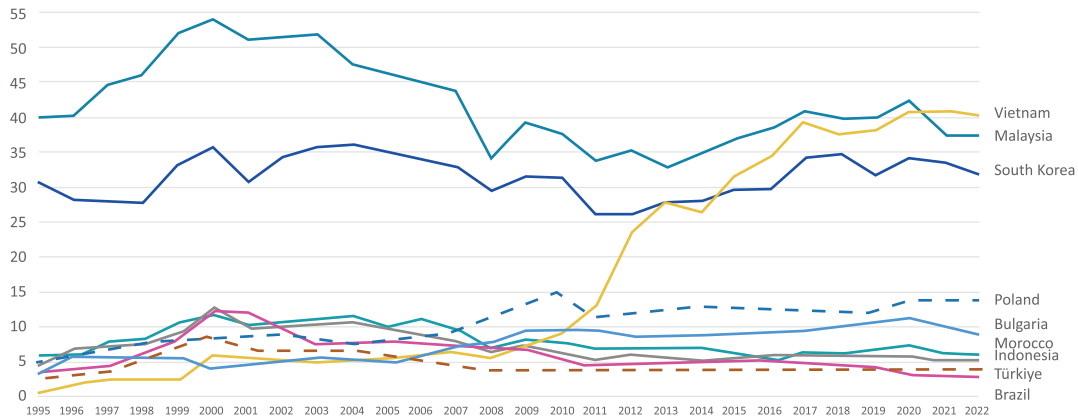
- Strengthening targeted R&D and innovation programs to develop an ecosystem based on high-tech and high-value-added production, while supporting the domestic production of green and digital technologies.
- Prioritizing the technological competitiveness of the industry and the sophistication of exports. To that end, incentives and support mechanisms should be designed to focus on products and value chains, boost productivity and accelerate high-value-added, high-tech production through innovative business models.
- Evaluating the EU's new industrial strategy by analyzing its potential impact on supply chains, identifying opportunities and risks for Türkiye and adopting a holistic approach where industry, competition, trade policies and foreign policy objectives mutually reinforce each other.
- Supporting industrial resilience and export competitiveness through targeted programs.
- Promoting SMEs' twin transformation by facilitating their access to technology and innovation through a targeted financial model.
- Developing policies to integrate successful international technology start-ups and innovative technologies into Türkiye's technology ecosystem through an effective model, strengthening the position of high-tech products in value chains.
- Identifying product and technology areas to reduce Türkiye's dependence on value chains and designing targeted support programs to foster their development.
- Positioning the agricultural and food sector as a strategic priority to maximize Türkiye's potential in value creation and wealth generation, ensuring prosperity for all stakeholders in the value chain.
- Encouraging the adoption of widespread applications that enhance the traceability of sustainability indicators supported by digital technologies and developing roadmaps that companies can utilize to increase sustainability and resilience in their operations, positioning them as strong players in the global supply chain.

## Productivity trends in Turkish industry by technology classification and firm size, 2010-2022



Source: Entrepreneur Information System (GBS), The Economic Policy Research Foundation of Türkiye (TEPAV) calculations

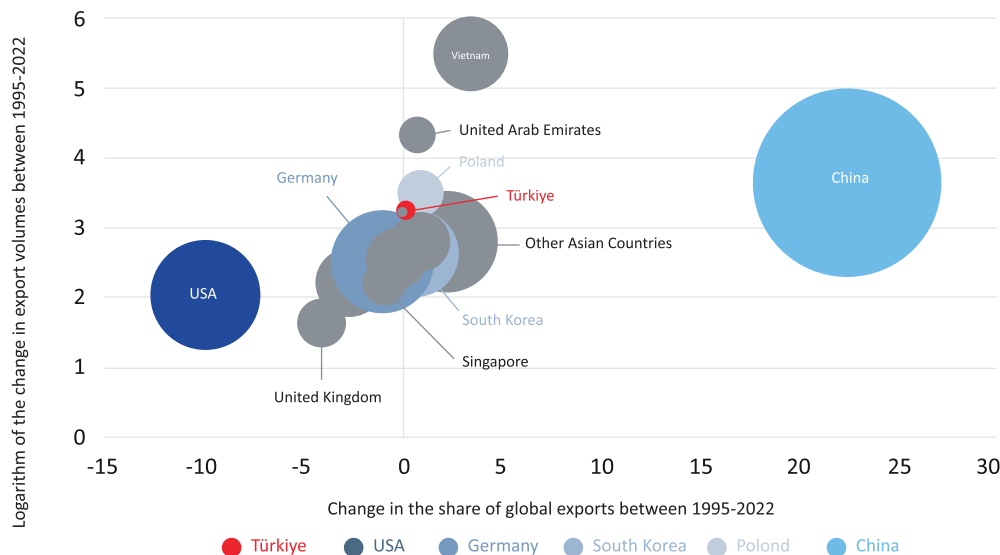
## Share of high-technology exports in total exports (1995-2022, %)



Source: Harvard University Growth Lab, TEPAV Calculations, TEPAV Visualizations

Note: Export data is calculated according to Standard International Trade Classification (SITC) Revision 3 classification. The products included in the "Other" classification are: Unclassified products, resource-based manufacturing, primary products

## Outlook for global competitiveness in high-tech industries, 1995-2022



Source: CEPII BACI, TEPAV Calculations

Note: Circle areas represent the country's exports.

# Chapter 10: Digital Breakthrough

## Digital Transformation Shaping the Future

### *Problem*

Türkiye's potential in the global digital economy remains underutilized due to infrastructural deficiencies, the digital skills gap and limited technological investments which hinder economic growth.

### *Solution*

Strengthening the digital infrastructure, increasing high-tech production and developing a qualified workforce will enable Türkiye to become a stronger player in the digital economy.

### *Roadmap and recommendations*

- The digital economy vision should become a strategic priority,
- The tech ecosystem should be developed by aligning international dynamics,
- Regionally based - technology hubs should be promoted,
- Investments in next-generation communication infrastructure should be made,
- Incentives for artificial intelligence and digital technologies should be implemented,
- The workforce transformation should be ensured by developing digital skills through training programs.
- Cyber security policies should be bolstered, securing the digital economy.

# There is no future without technological investment

Advanced technologies and artificial intelligence are accelerating a rapid and profound transformation across industries, enhancing operational efficiency and revolutionizing decision-making processes. The digital revolution is not only the driving force behind economic growth but is also redefining the fundamental rules of competition.

To secure a strong and competitive position in the global digital economy, Türkiye must enhance its innovation and advanced technology capacity, cultivate a highly skilled digital workforce, strengthen its digital infrastructure and ensure data protection and cyber security.

Additionally, prioritizing business models based on digital platforms with a high multiplier effect will boost Türkiye's competitiveness and establish the country as a key player in the digital economy.

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## Digital Transformation: The catalyst for development in Türkiye

In this context, in order for Türkiye to achieve a strong position in the global digital economy, the following elements should be prioritized:

- Clearly defining the digital economy vision by focusing on high-impact areas with strong multiplier effects and potential and implementing it nationwide through a comprehensive high-level strategic approach,
- Developing a robust digital tech-ecosystem that fosters internationalization and integrates the entire supply chain. To achieve this:
  - strengthening both the physical and digital infrastructure,
  - increasing the end-to-end integration of innovative technologies within business processes,
  - establishing mechanisms for global cooperation and compliance aligned to international standards.
- Making every region of Türkiye a comprehensive technology production hub.

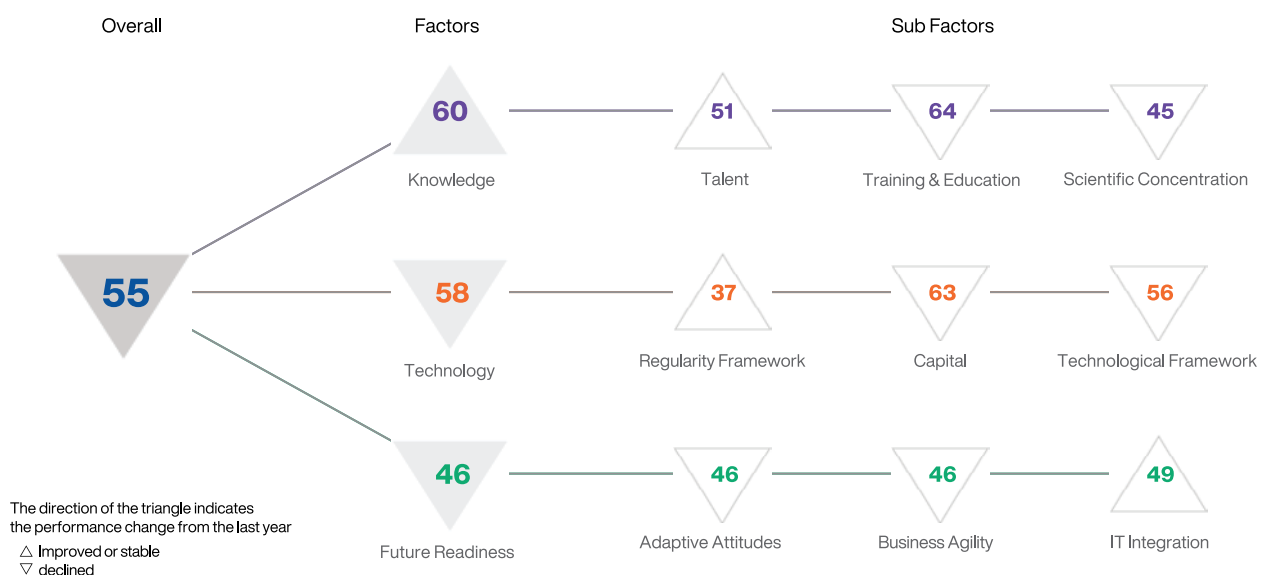
To achieve this:

- Establishing high-tech clusters where ecosystem stakeholders, such as companies, technology suppliers, entrepreneurs, academia, etc. collaborate,
- Increasing the number of research institutes working in high-priority technology areas.

- Strengthening the digital infrastructure by accelerating broadband investments and next generation communication technology efforts,
- Developing effective incentives and funding mechanisms for technologies that will trigger the development of the digital economy, such as artificial intelligence, cloud computing, the Internet of Things, blockchain, robotics, etc.
- Improving the digital skills of young people and the workforce through education policies and workforce programs. In this context;
  - Reskilling and upskilling programs should be comprehensively implemented to eliminate the skills mismatch between Türkiye's workforce competencies and the digital competencies required in the labour market. These programs will foster creative and innovative thinking, helping to prevent job losses caused by automation and artificial intelligence, while creating new employment opportunities in digital-driven industries.
  - Identifying strategic areas where artificial intelligence and generative AI can drive high-impact transformation in the digital economy through collaboration between the public sector, private sector and academia. This includes strengthening AI capacity, developing regulatory frameworks, and enhancing educational infrastructure with a targeted and focused strategy, ultimately aiming to boost Türkiye's global competitiveness in this field.
  - Implementing principles and procedures related to cybersecurity to protect the data, systems and operations of individuals and organizations.

## Türkiye's Digital Transformation Performance Outlook

### General Performance (67 Economies)



Resource: IMD World Digital Competitiveness Ranking 2024

# Section 11: Green Transition

## A Decarbonised Future, Competitive Trade

### *Problem*

The escalating climate crisis and environmental challenges demand urgent action. Delays in the decarbonisation process negatively impact trade competitiveness and hinder economic growth.

### *Solution*

Accelerating the green transition is essential to ensuring environmental sustainability and adopting low-carbon production models across all sectors.

### *Roadmap and Recommendations*

- Long-term strategies should be implemented to achieve the net-zero emission target,
- The National Emission Trading System should be implemented,
- Tax and incentive policies should be designed to accelerate the green transition,
- Energy and water efficiency should be increased; the circular economy should be supported,
- Renewable energy projects should be accelerated, investment processes should be simplified,
- Transition in industry should be enabled through programs focusing on clean energy technologies and innovation.

## Green Economy: Not a Cost, but a Competitive Advantage

Sustainable development and the green economy are among the most critical factors determining countries' global competitiveness. Measures to protect ecosystems and combat climate change are no longer merely an environmental necessity but have also become key factors shaping the fundamental rules of global trade.

The vision for the green transition not only aims to achieve sustainability goals, but also enhances efficiency, making cost advantages possible. As environmental and climate-related international regulations reshape competitive conditions, it is crucial for Türkiye to strengthen its position in global supply chains and make the most of these new opportunities.

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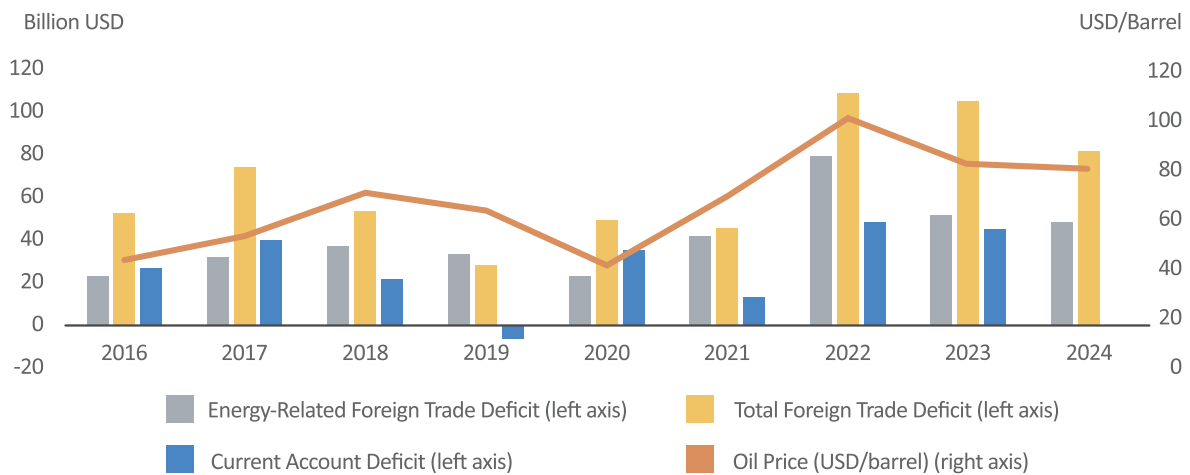
### Building a Sustainable Future Today

The following steps should be prioritized:

- Implementing with determination the “Long-Term Climate Change Strategy,” prepared in line with Türkiye’s 2053 net-zero emission target; ensuring regular monitoring and strengthening the targets over time.
- Implementing the National Emissions Trading System for carbon pricing in structural alignment with European Union regulations.
- Structuring all tax, incentive and financing policies, including R&D supports, in a way that facilitates the fight against climate change and enables the green transition.
- Addressing energy and water efficiency with a mobilized and comprehensive approach, and implementing measures to achieve a fundamental transition in both business models and consumer behaviours.
- Finalizing regulations to accelerate the integration of circularity principles into business models, which are also essential for resource efficiency.
- Expanding the adoption of sustainable products and production methods.
- Ensuring the availability of necessary financing for the green transition. For this purpose:
  - Increasing the diversity of sustainable financing mechanisms with supportive national and international funds,
  - Enacting regulations that will facilitate the effectiveness of this process, such as the national taxonomy,
  - Using the revenues generated from the Emissions Trading System and other mechanisms to support the green transition of primary and secondary industries; to this end, establishing a holistic and effective system.

- Making energy, industry and trade policies that are mutually compatible and complementary to one another to ensure a secure and cost-effective energy transition, in line with Türkiye's 2053 net-zero emissions target,
- Utilizing Türkiye's renewable energy potential in accordance with the 2053 net-zero emissions target; for this purpose, optimizing capacity allocation mechanisms and streamlining permitting processes,
- Strengthening clean energy technologies through targeted programs to drive industrial decarbonization while enhancing a global competitive advantage.

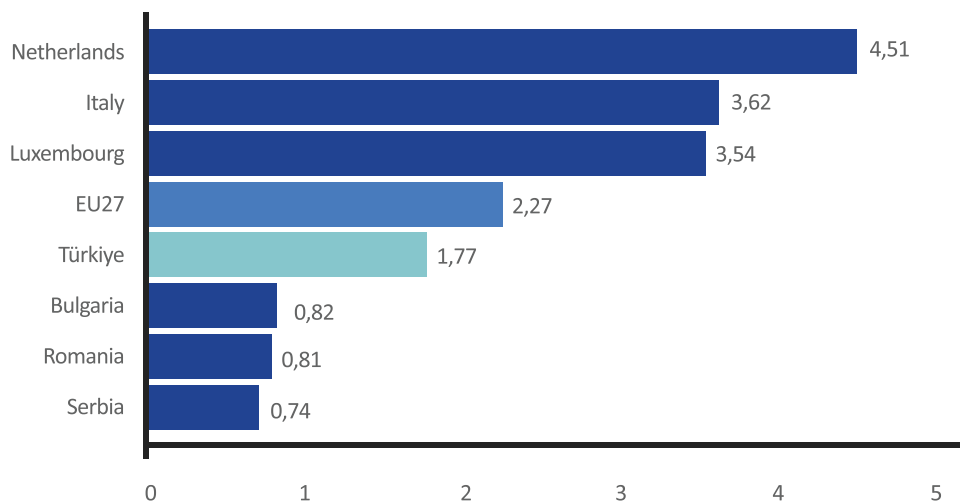
## Trends of Energy-Related and Total Foreign Trade Deficit, Current Account Deficit and Oil Prices Between 2016-2024\*



\*The current account deficit data for 2024 has not yet been made public.

\*SHURA Energy Transition Center

## Resource Productivity (Purchasing power standard per kg)



Source: World Bank, Türkiye's Circular Economy Transition in the EU's Global Value Chain Ecosystem, January 2025

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