



KCCI - Country Wrap: **TURKEY (DEC '18)**



Economy of Turkey

The industrial and service sectors drive Turkey's largely free-market economy, but agriculture accounts for about 25 percent of employment. However, the recent period of political stability and economic dynamism has given way to domestic uncertainty and security concerns, which are generating financial market volatility and weighing on Turkey's economic outlook. Turkey remains highly dependent on imported oil and gas but is pursuing energy relationships with a broader set of international partners and taking steps to increase use of domestic energy sources including renewables, nuclear, and coal.

Key Industries of Turkey

Key Industries include textiles, food processing, autos, electronics, mining (coal, chromate, copper, boron), steel, petroleum, construction, lumber, paper. Agricultural products include tobacco, cotton, grain, olives, sugar beets, hazelnuts, pulses, citrus and livestock.

Turkey's major trading commodities and partners

Major export commodities include apparel, foodstuffs, textiles, metal manufactures, transport equipment. Major export partners are Germany (9.6%), UK (6.1%), UAE (5.9%), Iraq (5.8%), US (5.5%), Italy (5.4%), France (4.2%) and Spain (4%). Major import commodities are machinery, chemicals, semi-finished goods, fuels, transport equipment. Major import partners are China (10%), Germany (9.1%), Russia (8.4%), US (5.1%) and Italy (4.8%).

Economic Relations between Pakistan and Turkey

Pakistan and Turkey are all weather friends and their economic ties are based on longstanding and deep rooted bilateral relationship providing economic and political support to each other. The two countries are also the founding members of the Economic Cooperation Organization (ECO). Turkey-Pakistan Business Council was established in 1986 to develop bilateral economic relations between the two countries. The Council focuses its activities on creating new business opportunities for Turkish and Pakistani companies and eliminating obstacles to trade and economic cooperation. The High Level Cooperation Council (HLCC) is another forum between Pakistan and Turkey through which various agreements have been signed between the two countries in commercial and economic fields. President Dr. Arif Alvi, during his recent visit, invited Turk businessmen to take advantage of the favorable investment climate in Pakistan. Recently, Turkey stood by Pakistan in its hour of trial and supported it against the Financial Action Task Force's decision to place Pakistan on grey list.

Bilateral Trade Relations between Pakistan and Turkey

Pakistan exported commodities worth \$ 323.1Mn in 2017 against \$ 263.4Mn in 2016, an increase of 22.67%. With the exception of 2017, Pakistan's exports to Turkey have declined every singly year since reaching a high of \$ 873Mn in 2011. Pakistan imported commodities worth \$ 352.4Mn during 2017 as compared to \$ 346.9Mn in 2016, a minor increase of 1.6%. The trade balance has turned in Turkey's favor since 2016 as imports have been on the rise since 2011.

Trade Agreement between Pakistan and Turkey

Pakistan and Turkey have signed FTA Framework Agreement which will be the basis for future negotiations on Free Trade Agreement (FTA). The agreement, signed by Commerce Minister Khurram Dastgir and Turkey's Economy Minister Mustafa Elitas, states that two sides would hold negotiations in trade of goods, services, intellectual property rights, competition policies and dispute settlement mechanism. The long pending Pak-Turkey Free Trade Agreement (FTA) is at the final stages of conclusion as both countries have agreed to eliminate 85% of tariffs. Pakistan has also encouraged Turkish investment in steel sector and has invited Turkish steel manufacturers to establish steel plants in Pakistan.

Turkish Companies Operating in Pakistan

Turkish companies in the private sector such as Bayinder, Enka and Tekser, Ulker, Bebek Fashion, Albayrak, Arcelik, and Coca Cola Icecek have launched various projects in the country. Not only Turkish brands but Turkish dramas are also widely popular among Pakistani youth. Moreover, investment by Albayrak in Punjab, in the project of Metro Bus symbolizes the friendly relationship between Pakistan and Turkey.

Potential for enhancing bilateral trade relations between Turkey and Pakistan

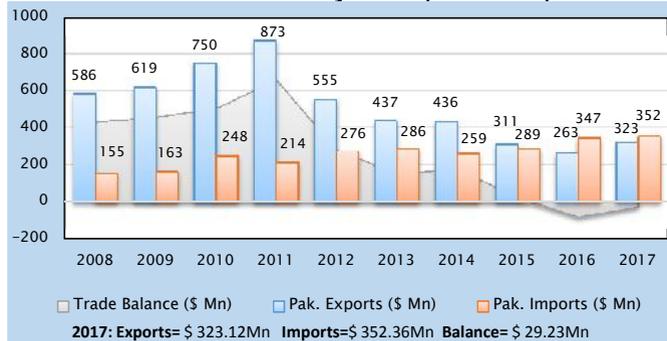
- Turkey imports pearls & precious stones, pharmaceuticals, cotton, man-made filaments and cereals from other parts of the world. Pakistan can target Turkey as its potential export market for all these commodities.
- Both the countries also have room for joint development and technology sharing.
- Pakistan can explore opportunities in the Halal foods sector in Turkey.
- KCCI can further enhance its linkages with Istanbul Chamber of Commerce
- Turkish students can learn good English from some of the finest colleges and universities in Pakistan
- A small office should be established in Istanbul to acquaint Turkish tourists about the

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	2,034	2,186	7.47%
GDP per Capita	\$	25,500	27,000	5.88%
GDP growth	%	3.20	7.40	4.20%
Forex Reserves	\$ Bn	106.10	107.70	1.51%
External Debt	\$ Bn	404.90	452.40	N/A
Exports of Goods	\$ Bn	150.20	166.20	10.65%
Imports of Goods	\$ Bn	191.10	225.10	17.79%
Trade Balance	\$ Bn	-40.80	-39.50	3.19%
Current Account	\$ Bn	-33.14	-47.44	-43.15%
FDI - at Home	\$ Bn	38.31	47.44	23.83%
FDI - at Abroad	\$ Bn	133.20	180.30	35.36%
CPI	%	7.8	11.1	3.30%
Prime Lending Rate	%	14.74	15.77	1.03%
Population	Mn	79.51	81.26	2.20%
Unemployment	%	10.9	10.9	0.00%
Litracy Rate	%	N/A	95.6	N/A

Sources: **KCCI Research, CIA Factbook**

Pakistan & Turkey Trade (2008-2017)



Turkey's Top 10 Trade Items with World (2017)

Import Items	(\$ Bn)	Export Items	(\$ Bn)
Mineral fuels & Oils	37.19	Vehicles other than railway	23.95
Machinery & app.	27.16	Machinery & app.	13.83
Electrical mach. and equip.	21.16	Natural or cultured pearls	10.88
Natural or cultured pearls	17.44	Apparel, knitted	8.85
Vehicles other than railway	17.43	Iron & steel	8.24
Iron & steel	16.76	Electrical machinery and equip	8.10
Plastics & articles	13.27	Apparel, not knitted	5.95
Organic chemicals	5.39	Iron or steel	5.60
Optical, photo. or surgical	5.00	Plastics & articles	5.48
Pharma. products	4.45	Mineral fuels & Oils	4.33

Sources: **KCCI Research, Trademap**

Pakistan - Turkey Top 10 Trade Items (2017)

Pakistan Export Items	(\$ Mn)	Pakistan Import Items	(\$ Mn)
Cotton	203.40	Machinery & app.	94.19
Apparel, not knitted	19.19	Electrical machinery & equip.	22.41
Apparelknitted	15.49	Plastics & articles	19.03
Plastics & articles	14.91	Cotton	14.88
Bevg., spirits & vinegar	14.20	Misc. chemical products	12.18
Man-made staple fibres	7.43	Carpets & floor coverings	10.96
Articles of leather	6.00	Mineral fuels & Oils	9.31
Optical, photo. or surgical	5.85	Aluminium & articles	9.27
Raw hides and skins	4.42	Vehicles other than railway	7.87
Oil seeds & oleaginous fruit:	4.42	Dairy produce	7.63

Sources: **KCCI Research, Trademap**