Chapter 8
Turkey’s Foreign Trade and New Markets for Turkey

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ABSTRACT

The share of developing countries in the world trade is increasing every day. According to an assessment made by the World Trade Organization (WTO), a share of developing countries in the world export is expected to rise by 8.5% in the years ahead. Turkey’s share in the world trade is around 1%, and it is expected to increase up to 1.5% by 2023. Turkey is ranked 22nd in the world export and 15th in the world import of goods. Turkey’s current problems are account and trade deficits. New markets will potentially offer an opportunity to overcome both account and trade deficits. The aim of this chapter is to define new export markets for Turkey. According to the survey results, Turkey may potentially increase its export to the USA. Apart from the USA, Germany and Russia will continue to serve as export markets for Turkey in the years ahead. Therefore, Turkish companies will maintain their existing trade relations with these countries.

INTRODUCTION

In this chapter, trade statistics is analyzed to define export markets of Turkey. Currently, the most important trade partner for Turkey is Germany. Germany is the country where Turkey exported to the most in 2013. Machinery and transport equipment sectors are potential sectors for Turkey’s export to Germany. Iraq is Turkey’s second largest export market after Germany. Exports to Iraq constitute around 7-8% of Turkey’s total exports. Goods exported to Iraq include construction project materials, machinery and construction products, electrical and electronic products, basic food, and cleaning agents. The UK is in the third position among top countries Turkey exports to. Turkey’s exports to the UK increased by 8% in 2013 in comparison to 2012, and the total export value reached $8.6 billion.

Considering current export of Turkish companies to the world, the USA has the highest potential as an export destination for Turkey. In addition to the USA, Germany and Russia are expected to be growing export markets for Turkey in the years ahead. Analysis shows that Turkish companies will maintain their
existing trade relations with these countries in the future. Germany is expected to maintain its current position in market potential for Turkey in the future. The USA is second with 6.3%, followed by Russia with 5.8%, China with 4.4%, the UK with 3.9%, and Saudi Arabia. All these countries are the potential export market countries for Turkey in the future. Among Turkish industries, garment and textile industries have the highest export potential for Turkey in the future, followed by construction, machinery, and electronics. Considering export destinations, the potential ones are the European countries, followed by the Far East, the Middle East, Arab countries, and Africa.

Problems, which Turkish companies encounter in export, are the major obstacles for the development of the country’s foreign trade. Customs clearance, high tax rates, delays and delay-induced problems, economic crises in the countries of export are the most commonly experienced problems for Turkish companies on the world market. Development of new approaches to the solution of the above-mentioned problems along with growing export to new destinations with export potential products will increase Turkey’s share in the world exports.

In this chapter, trade statistics is analyzed to discover the most promising export markets for Turkey. Survey is conducted for a group of Turkish companies to define new markets and discover problems, which companies encounter on the international market. Detailed study has been carried out for this purpose, and the research results have been provided.

BACKGROUND

Turkey’s trade relations go beyond historical process with country’s neighbours and trade partners. Rapid increase of Turkey’s foreign trade begun with signing of the Customs Union agreement with the European Union (EU) in 1995. With this development, the EU is now the largest trade partner of Turkey.

Turkey first applied for an associate membership in the EU (then the European Economic Community) in 1959. The application resulted in an association agreement in 1963, whereby Turkey and the EU agreed to establish a customs union by 1995 at the latest. On March 6, 1996, at the Association Council meeting in Brussels it was agreed that a customs union would be launched between Turkey and the EU starting from January 1, 1996, to be fully phased in by 2001. As a result, Turkey currently imposes no quotas or tariffs on imports of industrial goods from the EU. Major development under the customs union was that Turkey implemented the European Union’s Common Customs Tariff on imports of industrial goods from third countries (Togan & Hoekman, 2005). Turkey’s Customs Union with the EU, signed in 1995, played a critical role as well. As for the EU trade in goods statistics, bilateral trade between Turkey and the EU increased almost sixfold from $28 billion in 1995 to approximately $158 billion in 2014, making Turkey Europe’s sixth largest trade partner and the EU Turkey’s first largest (Kirişçi & Ekim, 2015). Germany is the largest trade partner of Turkey in export in the last years. Before Germany, Russia had the leading position among Turkey’s trade partners in export.

In 2008, Russia dispositioned Germany as Turkey’s leading trade partner, with bilateral trade reaching almost $38 billion. However, Turkey-Russia trade relations are highly unbalanced owing to massive Turkish energy imports. In 2007, Turkey experienced $18 billion trade deficit with Moscow. Turkey and Russia also established investment relations with the volume of mutual investment valued at over $10 billion as of September 2008. Turkish construction companies in 2007 alone carried out 59 projects in Russia with a total value of $3.6 billion (Flanagan & Brannen, 2009).