

## Turkey: Market Profile

### Major Economic Indicators

	2016	2017 (estimates)	2018 (forecast)
Population (million)	79.8	80.6	81.4
GDP (US \$ billion)	863	841	N.A.
GDP Per Capita (US\$)	10,820	10,430	N.A.
Real GDP Growth (%)	3.2	5.3	4.0
Inflation (average %)	7.8	10.9	N.A.
Unemployment (%)	10.9	11.2	N.A.
Exports of goods (US\$ billion)	143	115 (Jan-Sep)	N.A.
Growth rate (%)	-1	+11 (Jan-Sep)	N.A.
Imports of goods (US\$ billion)	199	169 (Jan-Sep)	N.A.
Growth rate (%)	-4	+16 (Jan-Sep)	N.A.
Exchange Rate: US\$1 to 3.96 Turkish Liras (TRY) on 29 Nov 2017			

Source: IMF, Eurostat, TurkStat

### Recent Developments

- Hong Kong's total exports to Turkey slid by 7% to US\$758 million in the first ten months of 2017, while imports from Turkey soared by 66% to US\$474 million.
- With a vision to increase GDP to US\$2 trillion, per-capita GDP to US\$25,000 and exports to US\$500 billion, and to reduce unemployment rate to 5% and pull down the inflation rate to lower, single digit levels to coincide with the centenary of the country in 2023, the Grand National Assembly of Turkey approved on 1 July 2013 the [Tenth Development Plan \(2014-2018\)](#) with an aim to move up the value chain hierarchy, rank among high income countries and solve the absolute poverty problem. In September 2017, the Turkish government further released a Medium-Term Programme (MTP) to reveal its economic projections and fiscal targets for 2018-2020, aiming to hike the annual GDP growth target to 5.5%.
- To encourage investments with the potential to reduce dependency on the importation of intermediate goods vital to the country's strategic sectors such as agriculture and food, automotive, business services, chemicals, electronics, energy and renewables, financial services, healthcare and pharmaceuticals, ICT, infrastructure, machinery, manufacturing, mining, real estate, tourism and transportation and logistics, the Turkish government has put in place investment incentives including VAT/customs duty exemption and social security premium support.
- Effective as of 1 January 2012, local and foreign investors have equal access to the new investment incentives system comprised of four different schemes, namely



General Investment Incentives Scheme, Regional Investment Incentives Scheme, Large-Scale Investment Incentives Scheme and Strategic Investment Incentives Scheme. More information on the investment environment and the relevant regulations can be found at the [Investment Support and Promotion Agency of Turkey \(ISPAT\)](#).

- The inflows of foreign direct investment (FDI) to Turkey totalled US\$12.0 billion last year. As of the end of 2016, China's total stock of FDI to Turkey exceeded US\$1.0 billion, up from US\$12 million in 2007. Hong Kong, holding an FDI position of US\$32 million in equity capital in 2016, was the 7th largest Asian investor in Turkey, behind Japan, Malaysia, Singapore, South Korea, the Chinese mainland and India. To accommodate greater synergies, Hong Kong and Turkey are in the process of negotiating a Comprehensive Double Taxation Agreement (CDTA), starting from August 2016.

### Current Economic Situation

The Turkish economy has continued its recovery in 2017 after growth bounced back in the last quarter of 2016. Stronger exports, a significantly depreciated lira and a strong boost from public finances and other incentives such as government-sponsored credit guarantees have restored confidence in the Turkish economy, giving rise to a strong GDP growth of 5.1% year-on-year during January-June 2017. The strong economic performance has also lent support to domestic demand amid better labour market prospects. Taken together, Turkey is expected to end 2017 with a 5.3% GDP growth.

Looking ahead, worries over tighter global liquidity as both the US and the EU normalise their monetary policies, mounting geopolitical tensions with its neighbouring countries and high inflation owing to a weak lira will certainly cast cloud over Turkey's growth momentum. But given further recovery of the global economy and solid gains in industrial production and investment, the Turkish economy is forecast to see another 4.0% growth in 2018.

### Trade Policy

Turkey has significantly liberalised its import regime, especially in the last decade. Any individual or enterprise can freely register to engage in the import business. It is a member of the *WTO*, and its tariff scheme is based on the Harmonised System (HS) for commodity coding.

#### *EU-Turkey Customs Union*

The *EU-Turkey Customs Union* came into force in January 1996, under which Turkey and the EU have abolished all customs duties, other surcharges and import quotas levied on most manufactured products from each other. Turkey has also adopted the EU's Common External Tariffs imposed on imports from third countries and economies. Products imported from sources other than the EU and Turkey can thus move freely within the EU and Turkey, if all import formalities have been complied with and customs duties, or charges having an equivalent effect, have been levied in the importing country.

Nonetheless, additional customs duties (ACD) have recently been imposed on a number of products, such as certain furniture, lamps, vacuum cleaners and electro-mechanical domestic appliances originated from most countries, including China. On the other hand,



some industrial products from the least developed and developing countries (including the Chinese mainland) benefit from the EU's Generalised System of Preferences (GSP). With the creation of the Customs Union between the EU and Turkey, such products are also covered under Turkey's GSP regime.

#### *Measures not covered by the Customs Union*

Trade-protection measures such as anti-dumping (AD), however, have not been eliminated between the EU and Turkey. Such protective measures have likewise not been eliminated with respect to dumped and subsidised products from third countries. In other words, Turkey has its own anti-dumping actions, which are separate from those of the EU. As it now stands, for example, a definitive AD duty of US\$0.91 per kg is currently imposed on Hong Kong-origin tempered glass lids.

#### *Product standards*

The Turkish Standards Institution, or TSE, is the product standardisation body of Turkey, responsible for setting product standards and ensuring compliance. Taking electrical and electronic products as an example, while there is a minimum two-year warranty requirement, it is also necessary to obtain technical approval by TSE, and attain the European CE standard certification under the requirements set out by TSE, before the products can be imported and placed onto the Turkish market. As for toys, TSE also imposes a number of safety standards, which in large follow those required by the EU. Therefore, the attainment of CE standards certification can serve as a good reference for fulfilling the TSE requirements.

#### *RoHS and WEEE*

To harmonise with the relevant EU directives, the Turkish version of the RoHS directive entered into force in June 2009, while the Turkish version of the WEEE directive was published in the Turkish Official Journal on 22 May 2012 and implemented starting from January 2013 onwards.

### **Hong Kong's Trade with Turkey [1]**

Hong Kong's total exports to Turkey slid by 7% to US\$758 million in the first ten months of 2017, after decreasing by 2% to US\$1.0 billion in 2016. Leading export items to Turkey in January-October 2017 included telecommunications equipment & parts (shared 41% of the total), computers (10%), watches and clocks (7%), semi-conductors, electronic valves & tubes (5%), electrical apparatus for electrical circuits (4%) and electrical machinery & apparatus (3%).

On the other hand, Hong Kong's total imports from Turkey soared by 66% to US\$474 million in the first ten months of 2017, after growing by 7% to US\$359 million in 2016. Major import items from Turkey in January-October 2017 included jewellery (shared 24% of the total), iron & steel bars, rods, angles, shapes & sections (18%), woven cotton fabrics (7%), manufactured tobacco (7%), fresh or dried fruit and nuts (not including oil nuts) (3%), equipment for distributing electricity (3%), telecommunications equipment & parts (3%), and prepared or preserved meat and edible meat offal (3%).



(US\$ million)	2016		Jan-Oct 2017	
	Value	Growth (%)	Value	Growth (%)
Total Exports	1,000	-2	758	-7
Domestic Exports	8	-23	5	-28
Re-exports	993	-2	753	-6
Imports	359	+7	474	+66
of which re-exported	139	-19	108	-7
Total Trade	1,359	*	1,232	+12

\* insignificant

Source: Hong Kong Trade Statistics, Census & Statistics Department

[1] Since offshore trade has not been recorded by ordinary trade figures, these numbers do not necessarily reflect the export business managed by Hong Kong companies.

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