

Turkey: Market Profile

Major Economic Indicators

	2012	2013 (estimate)	2014 (forecast)
Population (million)	75	76	77
GDP (US \$ billion)	788	822	N.A.
GDP Per Capita (US\$)	10,500	10,700	N.A.
Real GDP Growth (%)	2.2	3.6	4.0
Inflation (average %)	8.9	7.7	N.A.
Unemployment (%)	9.2	9.4	N.A.
Exports of goods (US\$ billion)	163	161	N.A.
Growth rate (%)	+14	-1	N.A.
Imports of goods (US\$ billion)	229	239	N.A.
Growth rate (%)	-2	+4	N.A.
Exchange Rate : US\$1 to 2.20 Turkish Liras (TRY) on 20 Feb 2014			

Recent Developments

- High inflation and rising joblessness, coupled with capital flow volatility and regional political uncertainty, weighed on the Turkish economy last year and will likely remain drags throughout 2014. But GDP growth for the year is still expected to stand at 3.6%, on the back of a better external sector and expansionary fiscal policies in the run-up to the presidential election, despite a tighter monetary policy stance including the rise in key short-term interest rates to shore up the lira.
- Hong Kong's total exports to Turkey increased by 6% to US\$862 million in 2013, while imports from Turkey rose by 7% to US\$372 million.

Current Economic Situation

Thanks largely to the low interest rates and a better external sector, the Turkish economy returned to a faster growth trajectory in 2013, after a sharp deterioration of growth to 2.2% in 2012. However, high inflation and rising joblessness, coupled with increased volatility of the lira and tighter financial conditions, served to rein in the pace of growth. While stabilisation of the EU economy helped prop up Turkish exports, continued political uncertainty in the Middle East and North Africa (MENA) region remained a challenge.

Looking ahead, despite the Turkish Central Bank's move to end the low interest rate environment by raising all of its key short-term interest rates massively in a bid to support the sliding lira and calm inflation, Turkey is expected to maintain sustained growth. The expected improvement in employment prospects, alongside a revival in exports, will lend support to consumer demand and business investment, while expansionary fiscal policies in the run-up to the presidential election will provide



additional impetus to domestic demand. Capital flow volatility and regional political instability, on the other hand, are lingering concerns over the medium term. On the whole, Turkey is forecast to see growth of 4.0% in 2014, after an estimated growth of 3.6% last year.

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, traditional agricultural products are not covered by the arrangements, and will be included in the Customs Union only after Turkey has completed the alignment of its agricultural sector with the EU's common agricultural policy. 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, 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. Turkey used to impose safeguard quotas on certain textile products originating from the Chinese mainland, which were again different and separate from those of the EU, but they were expired by the end of 2008.

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 ^

Hong Kong's total exports to Turkey increased by 6% to US\$862 million in 2013, after decreasing by 7% to US\$810 million in 2012. Leading export items to Turkey in 2013 included telecommunications equipment & parts (shared 25% of the total), watches and clocks (11%), computers (9%), electrical apparatus for electrical circuits (4%), semi-conductors, electronics valves & tubes (3%), toys, games and sporting goods (3%), electrical machinery & apparatus (3%), jewellery (3%) and footwear (3%).

On the other hand, Hong Kong's total imports from Turkey grew by 7% to US\$372 million in 2013, after sliding by 16% to US\$349 million in 2012. Major import items from Turkey in 2013 included woven cotton fabrics (shared 17% of the total), leather (13%), jewellery (12%), fresh, chilled or frozen meat & edible meat offal (7%), telecommunications equipment & parts (6%), prepared or preserved meat and edible meat offal (5%), fresh or dried fruit and nuts (4%), fabrics, woven, of man-made textile materials (4%) and other articles of apparel, of textile fabrics (3%).

(US\$ million)	2012		2013	
	Value	Growth (%)	Value	Growth (%)
Total Exports	810	-7	862	+6
Domestic Exports	13	-17	12	-9
Re-exports	797	-7	850	+7
Imports	349	-16	372	+7
of which re-exported	167	+2	169	+1
Total Trade	1,159	-10	1,234	+7

^ 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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