

FOREIGN TRADE OF TURKEY



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FOREIGN TRADE POLICY

1980 was a turning point in Turkey's economic and foreign trade policies. Due to the implementation of the liberalization process at that time the Turkish economy has experienced a period of high growth. Foreign trade, both in exports and imports, has grown rapidly and noteworthy changes in the structure of exports have taken place. A number of diverse export products and a varied market composition have developed and the volume of foreign trade has increased manifold.

The Customs Union established with the European Union and the conclusion of the Uruguay Round are the main determinant factors shaping Turkey's foreign trade policies and orientations. The Customs Union incorporates Turkey into the single European market by extending most of the EU's conventions on trade and competition to Turkish industry. The reforms of the past decade, particularly fiscal discipline, introduction of inflation targeting, and overhaul of financial sector oversight, together with political stability and the opening of EU accession negotiations, have significantly improved confidence in the management of the economy.

However, the global economic crisis, whose negative effects on the world economy began to be seen from August, 2008, resulted in a 27.3% decrease in Turkey's trade volume in 2009. The negative effects of the global crisis on Turkey



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gradually became evident. The Turkish economy entered the global financial and economic crisis following a six-year growth surge that was fuelled by far-reaching policy reforms and greater political stability as mentioned in the IMF's 2010 Article IV Consultation findings. However, almost all economic indicators as of mid-2009 show that the economic contraction is ending after peaking in the first quarter of 2009. The downward trend in industrial production began to slow down as of March 2009. According to the WTO statistics, imports of almost all countries shrank significantly in 2009. World trade in goods and services is expected to rebound in 2010 by 9.5% in real terms. This is a welcome return to growth after the unprecedented contraction by 12% in world trade last year. It is predicted that in 2010 export growth rates in the developing world will reach around 11%, leaving behind those of developed economies (around 7%). Overall recent national and international projections show that Turkey has managed to weather through the financial storm that devastated almost all economies across the world.



FOREIGN TRADE VOLUME/ TRADE BALANCE

Turkey's foreign trade volume in 2009 was USD 242 billion with a decline of 27.3% compared to the

previous year. The export/import ratio rose to 72.6% in 2009 whereas it was recorded at 65.4% in 2008. The foreign trade balance showed a deficit of USD 38 billion, registering a decrease of 44.7% compared to 2008.

Foreign Trade of Turkey (USD Million)

	2006	2007	2008	2009	Change (%)
Export	85,535	107,272	132,027	102,165	-22.6
Import	139,576	170,063	201,964	140,775	-30.3
Balance	-54,041	-62,791	-69,937	-38,610	-44.7
Exp./Imp.%	61.3	63.1	65.4	72.6	9.9
Volume	225,111	277,334	333,991	242,940	-27.3

Source: TurkStat

EXPORTS

In 2009, Turkish exports fell by 22.6% in comparison to 2008, amounting to USD 102 billion. The main reason behind the decline in Turkey's exports was the shrinking international markets especially slow-down in the EU market which is Turkey's number one trading partner. In 2008, the share of exports of agricultural products was 3.3%, its share in total exports rose to 4.25% in 2009, recording an annual increase of 10.5%. The share of manufactured products in total exports was 94.8%, while the mining and quarrying sector occupied 1.5% in total exports in 2008.

In 2009, manufacturing industry exports reached USD 95.4 billion, with a decline of 23.7% with respect to 2008 and its share in total exports was 93.44%. Exports of mining and quarrying products decreased by 21.9%, and its share in total exports increased from 1.5% to 1.64%.

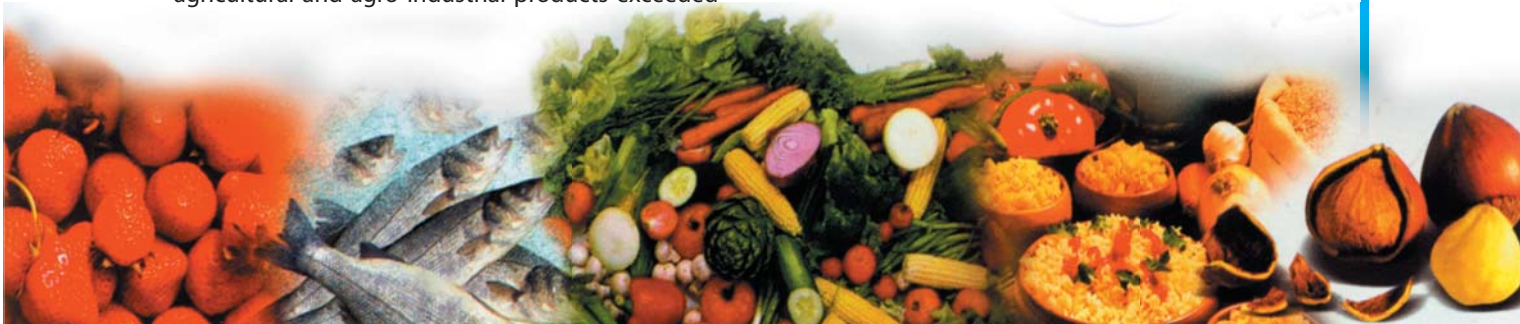
Among industrial products, vehicles and auto parts, textiles and clothing, machinery and electronics have been the most dynamic industrial sectors in recent years. Turkey is one of the largest producers and exporters of agricultural products in Eastern Europe, the Near East and North Africa. Despite Turkey's overall trade deficit, the agricultural trade balance is significantly positive. Total exports of agricultural and agro-industrial products exceeded

USD 10.7 billion in 2009 providing some relief to external accounts.

Turkey's export markets are highly diversified. Germany continued to be the largest export market for Turkish products in 2009. Turkish exports to Germany have increased since the unification of East and West Germany, and export volume to Germany reached USD 13 billion in 2008, taking a share of 9.8% in total exports. In 2009, Germany was still Turkey's leading export partner with USD 9.8 billion and 9.5% share in total. In 2009, Turkey's second largest export market was France followed by the United Kingdom, Italy, Iraq and the USA.

The EU countries took the biggest share within total exports. Among the top ten markets for Turkish export products, seven of them were among the OECD group. Moreover, member countries of the Islamic Conference, African, American and Middle Eastern countries have taken important shares in total exports. A remarkable development was experienced with regard to exports to Africa. African countries' share in Turkey's total exports rose by 12.3% and reached USD 10.2 billion.

Overall, despite the adverse global effects of the crisis the economy has rebounded sharply since the second quarter of 2009 thanks to good export performance.



Exports by Main Sectors (USD Million)

	2007	2008	2009	Share (%)
Grand Total	107,272	132,003	102,165	100.0
Agricultural products	3,725	3,937	4,348	4.25
Mining products	1,661	2,155	1,683	1.64
Industry	101,082	125,188	95,471	93.44
Other	804	723	663	0.67

Source: TurkStat

Major Export Items (USD Million)

	2007	2008	2009	Change (%)
Grand Total	107,272	132,003	102,165	-22.6
87. Vehicles other than railway	15,904	18,326	12,258	-33.1
84. Machineries, mechanical appliances, boilers and; parts thereof	8,781	10,258	8,132	-20.7
72. Iron and steel	8,372	14,946	7,641	-48.9
61. Articles of apparel and clothing accessories knitted	8,022	7,826	6,930	-11.4
85. Electrical machinery and equipment	7,423	7,971	6,658	-16.5
71. Pearls, precious stones, coins	2,624	5,383	5,929	10.1
73. Articles of iron and steel	4,130	5,742	4,551	-20.7
62. Articles of apparel and clothing acc.not knitted	5,445	5,326	4,295	-19.4
27. Mineral fuels and oils	5,148	7,531	3,901	-48.2
39. Plastics and articles thereof	2,822	3,563	3,093	-13.2
08. Fruit	2,671	2,855	3,002	5.1
25. Salt, sulphur, earth, plastering mat., lime, cement	1,454	2,280	2,162	-5.1
89. Ships, boats and floating structures	1,819	2,647	1,826	-31.0
63. Other made-up textile articles	2,110	2,098	1,647	-21.4
94. Furniture	1,484	1,891	1,588	-16.0
40. Rubber and articles thereof	1,589	1,808	1,464	-18.8
76. Aluminium and articles thereof	1,620	1,776	1,340	-21.2
52. Cotton. cotton yarn and cotton fabric	1,611	1,634	1,278	-21.7
20. Preparations of fruits and vegetables	1,314	1,441	1,276	-11.4
57. Carpets and other floor coverings	1,256	1,158	1,076	-7.1

Exports by Country Groups (USD Million)

	2007	2008	2009	Change (%)
Total Exports	107,272	132,003	102,165	-22.6
EU COUNTRIES (27)	60,399	63,379	47,012	-25.8
TURKISH FREE ZONES	2,943	3,008	1,956	-35
OTHER COUNTRIES	43,930	65,603	53,197	-18.91
1. Other European Countries	10,843	15,678	11,359	-27.5
2. Africa	5,976	9,062	10,181	12.3
North African Countries	4,030	5,850	7,448	27.3
Other African Countries	1,947	3,212	2,733	-14.9
3. America	5,603	6,530	4,836	-25.9
North American Countries	4,541	4,801	3,563	-25.8
Central American & Caribbean C.	549	828	596	-28
South American Countries	514	901	677	-24.9
4. Asia	20,309	34,762	28,018	-19.4
Near and Middle East Countries	15,081	27,688	21,314	-23
Other Asian Countries	5,227	7,074	6,704	-5.2
5. Australia and New Zealand	343	435	359	-17.5
6. Other Countries and Zones	857	864	1,556	80

Source: TurkStat

Major Export Partners, Value (USD Million)

	2007	2008	2009	Change (%)
TOTAL EXPORTS	107,272	132,003	102,165	-22.6
Germany	11,993	12,952	9,800	-24.3
United Kingdom	8,627	8,159	5,923	-27.4
Iraq	2,845	3,917	5,126	30.9
France	5,974	6,617	6,212	-6.1
Italy	7,480	7,819	5,893	-24.6
Russian Federation	4,727	6,483	3,203	-50.6
USA	4,171	4,300	3,225	-25
Egypt	903	1,426	2,618	83.6
Spain	4,580	4,047	2,825	-30.2
Saudi Arabia	722	2,202	1,771	-19.6
China	1,040	1,437	1,599	11.3
Netherlands	3,019	3,144	2,124	-32.4
United Arab Emirates	3,241	7,975	2,899	-63.6
Libya	643	1,074	1,800	67.6
Romania	3,644	3,987	2,215	-44.4
Iran	917	2,030	2,025	-0.2
Syria	798	1,115	1,425	27.8
Belgium	1,736	2,122	1,796	-15.4
Israel	1,658	1,935	1,529	-21
Algeria	1,232	1,613	1,782	10.5

Source: TurkStat

IMPORTS

The Turkish Import Regime in force reflects both Turkey's international rights, obligations and the country's economic needs, as well as taking into account the agreement establishing the World Trade Organization (WTO), the Customs Union Agreement between Turkey and the European Union, the free trade agreements signed with various countries, the preferential treatments granted by Turkey to the least developed countries and some developing countries within the framework of generalized system of preferences, and also the specific needs and requirements of the agricultural and industrial sectors .

The basis of the Turkish import policy since the early 1980's can be summarized as follows:

- Reduction of protectionist measures in conformity with the new GATT rules.
- Reduction of bureaucratic procedures.
- Securing the supply of raw materials and intermediary goods at suitable prices with specific quality standards.

In 2009, due to the global economic crisis Turkish imports recorded a decline of 30.3% and amounted to USD 140.7 billion. According to the main commodity groups, the share of capital goods in total imports was USD 21.5 billion, 15.3% of the total. The imports of intermediary goods on the other hand constituted 70.9% of total imports at USD 99.4 billion, a decrease of 34.4% compared to the previous year. A 10.2% decrease was recorded in the imports of consumption goods at the end of 2009. The share of consumption goods was 13.7% with a value of USD 19.2 billion.

As for the main sectors, the share of agricultural products in total imports was 3.3%. Imports of

mining and quarrying products took a share of 14.7%. In 2009, manufactured products continued to be the largest product group in imports. The share of manufactured products was 78.8% with a value of USD 110.8 billion in 2009 and with a decrease of 26.8% compared to the previous year. As for industrial products which constitute the predominant part of total imports, mineral fuels and oils, machinery and mechanical appliances, electrical machinery and equipment, iron and steel, vehicles, plastics and articles, pharmaceutical products were the major import items in 2009.

As in the past years, OECD countries took the largest share (53.05%) in total imports, with a value of USD 75.1 billion in 2009. Imports from the EU countries have taken a share of 40.1% and amounted USD 56.5 billion. Five EU members showed up among the top ten suppliers of the Turkish market.

The Russian Federation has recently become the primary source for Turkish imports. Imports from the Russian Federation decreased by 37.13% over the previous year and amounted to USD 19.7 billion in 2009. The Russian Federation's share in total imports was 13.9% in 2009. Germany ranked second as an important source with its 10.1% share and a value of USD 14.01 billion. It is followed by China, taking a share of 8.9% and showing a decrease of 19.13% over 2008.

Italy, which dropped behind the USA in 2008 ranking fifth, recorded nearly USD 7.67 billion and took a share of 5.4% in total imports of Turkey in 2009. The fourth major supplier in 2009 was the USA with a share of 6.1% and a value of USD 8.5 billion. Imports from the USA decreased by 28.4%. Imports from Switzerland valued USD 1.9 billion with a share of 1.4% in total imports reflecting a significant decrease of 64.2%.

Imports by Main Sectors (USD Million)

	2006	2007	2008	2009	Share (%) 2009
Grand Total	139,576	170,063	201,964	140,775	100.0
Agriculture and Forestry	2,902	4,641	6,392	4,592	3.3
Fishery	33	31	41	31	0.02
Mining and Quarrying	22,034	25,314	35,650	20,624	14.7
Manufacturing	110,379	133,938	150,252	110,889	78.8
Other	4,229	6,139	9,628	4,639	3.3

Source: Turkstat

Major Import Items (USD Million)

	2007	2008	2009	Change (%)
Grand Total	170,063	201,964	140,775	-30.3
27. Mineral fuels and oils	33,883	48,281	29,887	-38.1
84. Machinery, mechanical appliances, boilers and; parts thereof	22,570	22,539	17,105	-24.1
85. Electrical machinery and equipment	13,295	13,892	12,232	-11.9
72. Iron and steel	16,182	23,160	11,331	-51.1
87. Vehicles other than railway	12,397	12,790	8,960	-29.9
39. Plastics and articles thereof	8,688	9,386	6,935	-26.1
30. Pharmaceutical products	3,524	4,361	4,076	-6.5
29. Organic chemicals	3,996	4,421	3,338	-24.5
90. Optical instruments and apparatus	3,012	3,445	2,828	-17.9
48. Paper and paperboard	2,470	2,605	2,211	-15.1
52. Cotton. cotton yarn and cotton fabric	2,830	2,332	2,096	-10.1
71. Pearls, precious stones, coins	5,906	5,654	2,004	-64.6
74. Copper and articles thereof	3,152	3,276	1,985	-39.4
76. Aluminium and articles thereof	2,353	2,544	1,602	-37.0
40. Rubber and articles thereof	1,872	2,220	1,553	-30.0
73. Articles of iron and steel	1,837	2,227	1,528	-31.4
55. Man-made staple fibres	1,879	1,696	1,518	-10.5
38. Miscellaneous chemical products	1,537	1,733	1,471	-15.1
32. Tanning or dyeing extracts	1,529	1,579	1,274	-19.3
54. Man-made filaments	473	1,494	1,242	-16.9

Source: Turkstat

Imports by Country Groups (USD Million)

	2007	2008	2009	Change (%)
Total Imports	170,063	201,964	140,775	-30.3
EU COUNTRIES (27)	68,612	74,802	56,513	-24.4
TURKISH FREE ZONES	1,224	1,334	965	-27.7
OTHER COUNTRIES	100,227	125,827	83,297	-33.8
1. Other European Countries	34,254	44,196	26,142	-40.8
2. Africa	6,784	7,770	5,699	-26.7
North African Countries	3,616	5,267	3,542	-32.8
Other African Countries	3,168	2,503	2,157	-13.8
3. America	12,152	17,224	12,266	-28.8
North American Countries	9,033	13,404	9,505	-29.1
Central American & Caribbean C.	448	560	476	-15.2
South American Countries	2,671	3,260	2,286	-29.9
4. Asia	46,300	55,715	38,409	-31.1
Near and Middle East Countries	12,641	17,628	9,590	-45.6
Other Asian Countries	33,658	38,087	28,820	-24.3
5. Australia and New Zealand	672	876	648	-26.1
6. Other Countries and Zones	66	45	133	196.4

Source: TurkStat

Major Import Partners (USD Million)

	2007	2008	2009	Change (%)
TOTAL EXPORTS	170,062	201,963	140,775	- 30.3
Russian Federation	23,508	31,364	19,718	-37.13
Germany	17,539	18,687	14,096	-24.5
China	13,234	15,658	12,662	-19.13
USA	8,166	11,975	8,572	-28.4
Italy	9,967	11,011	7,672	-30.3
France	7,849	9,022	7,089	-21.4
Spain	4,342	4,548	3,775	-16.9
United Kingdom	5,477	5,324	3,467	-34.8
Iran	6,615	8,199	3,405	-54.8
South Korea	4,369	4,091	3,116	-23.8
Ukraine	4,519	6,106	3,155	-48.3
Japan	3,703	4,026	2,781	-30.9
Netherlands	2,655	3,056	2,541	-16.8
Belgium	2,868	3,150	2,371	-24.7
Romania	3,112	3,547	2,257	-36.3
Algeria	2,108	3,262	2,027	-37.8
Switzerland	5,268	5,588	1,999	-64.2
India	2,299	2,457	1,891	-23
Sweden	1,488	1,908	1,890	-0.9
Poland	1,436	1,977	1,817	-8.09

Source: TurkStat