

Why Turkey?

Summary

Area : 783,562 km²

Population: 79.8 million

Urban population: 73.9%

Population density: 103.3 people per km²

Population growth rate: 1.0% change

Capital city: Ankara

Official language: Turkish

Currency: Turkish Lira (₺)

Nominal GDP: US \$863.4 billion

Real annual GDP growth: 3.2%

GDP per capita: US \$10,817.4

Annual inflation rate: 7.8%

Unemployment rate: 10.9%

General government gross debt: 28.1% of GDP

Fiscal balance: -2.3% of GDP

Current account balance: -3.8% of GDP / US \$-32.6 billion

Exports of goods to UK: £7,457 million

Imports of goods from UK: £4,451 million

[Source – mostly FCO Economics Unit]

General overview

Turkey is a large, rapidly developing country with a domestic consumer market of 80 million people. Over the last decade Turkey has been aligning its regulations in anticipation of eventual EU membership, and its existing Customs Union with the EU currently offers significant opportunities for UK companies across a broad range of sectors.

Turkey is big – with an area of 300,950 Mi². It borders Greece, Bulgaria, Armenia, Georgia, Iran, Iraq and Syria with easy land and sea access to the Gulf States, Near East and North Africa. As a result there are opportunities for collaboration with Turkish companies to do business in third markets such as Central Asia and South Caucasus.

Benefits for UK businesses exporting to Turkey include:

- gateway to the markets of Central Asia, South Caucasus and the Middle East
- European business ethics and modern management practices
- increasing use of English for business
- a six-day average to start a business
- low social security contribution rate with an offer of a 5% rebate
- new initiatives to meet EU standards making it a more familiar business environment
- the youngest and fastest-growing population in Europe (700,000 graduates per year)
- large consumer base with a growing middle class

Contact a Department for International Trade (DIT) export adviser at: <https://www.contactus.trade.gov.uk/enquiry/topic> for a free consultation if you are interested in exporting to Turkey.

Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies, see: <https://www.gov.uk/government/organisations/uk-export-finance>. You can also check the current UKEF cover position for Turkey at: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#turkey>.

[Source – DIT/ UKEF/gov.uk]

Geography

Turkey is a transcontinental country lying between latitudes 35° and 43° N, and longitudes 25° and 45° E. It has cultural connections to ancient Greek, Persian, Roman, Byzantine and Ottoman Empires and with a geographical location straddling both Europe and Asia and providing a hub for access to regional markets in the Middle

East, Central Asia and the South Caucasus, it is a key destination for UK and European trade and investment.

Turkey borders the Aegean Sea in the west, Greece and Bulgaria to the northwest, the Black Sea to the north, Georgia, Armenia and Iran to the east, Iraq and Syria to the southeast and the Mediterranean Sea to the south.

97% of the country lies in Asia and 3% in Europe, separated by the Bosphorus, the Sea of Marmara and the Dardanelles, a body of water joining the Mediterranean Sea to the south and the Black Sea to the north and with the ancient city of Istanbul – Turkey's cultural and commercial centre – on the European side.

The largest part of the country, in Asia, is comprised mostly of the hot and dry high central plateau of Anatolia and includes the capital city, Ankara. To the east are the Armenian Highlands which include Mount Ararat, Turkey's highest mountain at 5,137 m (16,854 ft) and the source of a number of rivers, including the Tigris and Euphrates which flow south through the northern plains of Upper Mesopotamia in the southeast of the country.



Political overview

Turkey is a secular democracy with a majority Muslim population. Its Head of State is President Recep Tayyip Erdoğan, who won 52% of the vote in Turkey's first direct presidential elections in August 2014. Prior to his election as president, Erdoğan served

as Prime Minister and leader of the Justice and Development Party (AKP), a centre-right party with Islamist roots.

The AKP, which has been in power since 2002, won a new mandate with 49.5% of the vote in November 2015 – after a brief period of hung parliament. Three other parties are represented in parliament: the centre left CHP (134 seats); Kurdish-focused HDP (59 seats) and the nationalist MHP (40 seats).

The Turkish Government is pursuing a strategy of infrastructure development, reform and constitutional change.

The Kurdistan Worker's Party (PKK), a proscribed terrorist organisation, abandoned its two year ceasefire in July 2015. The PKK continues to launch attacks in Turkey, particularly in the southeast of the country.

The attempted coup on 15th July 2016 killed 241 and injured more than two thousand. The government subsequently declared a State of Emergency which remains in effect.

[Source – FCO Overseas Business Risk/gov.uk]

Human rights

The UK continues to encourage human rights reforms in Turkey to ensure that democratic and justice standards as set out in international law are met. Turkey is a signatory to the European Convention on Human Rights (ECHR) and in order to become an EU candidate country, Turkey has to meet the EU political criteria.

The UK supports bilateral projects in partnership with Turkish Government institutions and civil society that aim to strengthen rule of law and rights protections.

The European Commission's most recent progress report for Turkey noted that Turkey and the EU had developed their co-operation in a number of areas, but it described backsliding in some areas of fundamental freedoms.

[Source – FCO Overseas Business Risk/gov.uk]

Economic overview

Following the 2001 economic crisis, Turkey undertook major structural change in the finance sector, which, coupled with subsequent economic and political stability, led to an average growth rate of 5% between 2002 and 2014. In 2015 and 2016, the Turkish economy grew by 4% and 2.9%.

However, Turkey's economy has slowed since the failed coup attempt. The economy contracted by 1.3% in the third quarter of 2016, the first contraction since the third

quarter of 2009, before growing by 3.5% in the fourth quarter. It was estimated by the World Bank that growth would be 2.7% for 2017.

The bulk of Turkey's economy is made up of a diversified services sector including real estate, tourism, financial services, education and health. Industry continues to play an important role, particularly in manufacturing which accounts for a large proportion of Turkish exports to Europe in the form of household goods e.g. BEKO and Vestel.

The Turkish Government aims to decrease Turkey's import dependency in its growth and export structure, while increasing its capabilities to become an exporter of high-technology products.

Turkey is also an important energy transit country and aims to become a European energy transit hub. Turkey has the capacity to transport 121 million tons of oil to the world markets per year, typically from the Middle East and Caspian to EU markets. This is roughly 3% of annual global oil consumption. It plans to increase its energy capacity with new pipelines and the opening of a Southern Gas Corridor for Caspian and Middle Eastern gas which would also allow for gas exports to reach the EU.

[Source – FCO Overseas Business Risk/gov.uk]

Industries importing into Turkey

The top-ten industries importing into Turkey are:

- machinery including computers
- mineral fuels including oil
- electrical machinery, equipment
- vehicles
- iron, steel
- plastics, plastic articles
- gems, precious metals
- optical, technical, medical apparatus
- organic chemicals
- aircraft, spacecraft

The International Trade Centre (ITC) ranks the value of Turkey's top services imports. You can read more about what Turkey imports at World's Top Exports: <http://www.worldstopexports.com/turkeys-top-10-imports/>.

[Source – ITC]

Growth potential

According to HSBC's 'The World in 2050' report in 2012 (<http://www.businessinsider.com/these-economies-will-dominate-the-world-in-2050-2012-1?IR=T#12-turkey-39>), Turkey will be the world's 12th and Europe's 4th biggest economy by 2050. Turkey aims to be among the world's 10 largest economies by 2023, on the 100th anniversary of the foundation of the Republic.

Turkey's growth rate in 2017 was 3.2%.

[Source – DIT/gov.uk]

UK and Turkey trade

The Strategic Partnership signed by the UK and Turkish Prime Ministers in July 2010 cements the UK's commitment to deepening the bilateral relationship.

There are many existing business links between the UK and Turkey. Over 2,500 UK companies are currently operating in Turkey including global companies such as BP, Shell, Vodafone, Unilever, BAE, HSBC, Aviva and Diageo.

Several retail giants and high street names such as Harvey Nichols, Kingfisher, Marks and Spencer and Laura Ashley also have extensive operations in Turkey.

Strengths of the Turkish market

Strengths of the Turkish market include:

- the world's 16th largest economy and Europe's sixth
- forecast to be in the world's top-ten economies by 2023
- strong Gross Domestic Product (GDP) growth
- the youngest and fastest-growing population in Europe (700,000 graduates per year)
- Istanbul and Ankara are among the biggest cities in the world in terms of GDP
- Istanbul's economy alone is larger than the collective economies of 12 EU countries

- Turkey has the world's second largest contracting sector, after China
- access to 1.5 billion customers in Europe, Eurasia, the Middle East and North Africa and to markets with a total US \$25 trillion GDP within four hours flight

Top UK exports to Turkey include:

- machinery
- mechanical appliances
- pharmaceuticals
- vehicles
- iron and steel
- plastics

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[Source – DIT/gov.uk]

Turkey's competitiveness and transparency

- Turkey ranks 60th (out of 190 countries) in the World Bank's 2018 Ease of Doing Business Index. See: <http://www.doingbusiness.org/data/exploreeconomies/turkey>
- Turkey ranks 53rd out of 137 in the World Economic Forum's 2017-18 Global Competitiveness Index. See: <http://reports.weforum.org/global-competitiveness-index-2017-2018/countryeconomy-profiles/#economy=TUR>
- Turkey is ranked 81st out of 180 countries in Transparency International's latest Corruption Perceptions Index: https://www.transparency.org/news/feature/corruption_perceptions_index_2017

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