



## TURKEY'S FOREIGN TRADE POLICY AND DYNAMICS

International trade plays an important role in Turkey's economy. Export remains a significant source of revenue for the country. Turkey is an important supplier of agricultural, manufacturing and technological products to the global market. Therefore, this commentary aims to analyze the dynamics of Turkey's foreign trade, show its key trade partners and the evolution of its trade policy. All calculations based on data from the International Trade Centre (2021).

Turkey's foreign trade increased considerably since the early 2000-s. Its exports to the world surged from \$31.3 billion in 2001 to \$169.5 billion in 2020. For the reported period, the country's imports grew from \$41.4 billion to \$219.4 billion. Therefore, compared to 2001 data, exports in 2020 increased by more than 5.4 times, while growth in imports equaled almost 5.3 times. However, the country's trade deficit widened from \$10 billion to almost \$50 billion. The European Union (EU) remains Turkey's largest trade partner. Turkey's exports to the EU increased from \$17.8 billion in 2001 to more than \$82 billion in 2020. For the reported period, a share of the EU in Turkey's total exports decreased from 56.7% to 48.4%. Germany, the United Kingdom and Italy are the top three export partners of Turkey. In 2020, their corresponding shares in Turkey's total exports to the EU countries equaled 19.5%, 13.7% and 9.8%. Turkey's imports from the EU countries also grew substantially. While in 2001 it equaled \$19.8 billion, in 2020 it amounted to \$78.9 billion. However, the share of the EU in Turkey's total imports decreased considerably. For the reported period, it declined from 47.9% to 36%. Germany remains the country's top import partner, followed by Italy and France. In 2020, their corresponding shares in Turkey's total imports from the EU were equal to 28%, 11.6% and 8.8%. Therefore, in 2020 Turkey's trade surplus with the EU countries amounted to \$3.1 billion, while in 2001 it had a trade deficit equalling \$2 billion.

Turkey's other important trade partners include countries of the Middle East, the Commonwealth of Independent States (CIS) region, the United States (US) and China. Turkey's exports to the Middle East countries surged. While in 2001 exports amounted to \$3.3 billion, in 2020 it reached almost \$31 billion, increasing by 9.4 times. Iraq is Turkey's largest destination market in the Middle East. In 2020, Turkey supplied to Iraq products worth \$9.1 billion. The country's top three trade partners also include Israel and Egypt, where Turkey's exports amounted to \$4.7 and \$3.1 billion, respectively. The Middle East's share in Turkey's total exports increased from 10.6% in 2001 to 18.2% in 2020.

For the reported period, Turkey's imports from the Middle East countries grew substantially, increasing from \$2.9 to \$21.2 billion and demonstrating 7.3-fold growth. The region's share in the country's total imports increased from 7% to 9.7%. Turkey's key regional import partners are Iraq, the United Arab Emirates and Egypt. In 2020, Turkey's corresponding imports from these countries equaled \$8.2, \$5.6 and \$1.7 billion. Therefore, Turkey has a trade surplus with the region amounted to \$9.8 billion in 2020.

Trade with the CIS region remains important for Turkey. The country's exports to the region increased from almost \$2 billion in 2001 to \$14.6 billion in 2020. For the same period, the CIS' share in Turkey's total exports demonstrated slight growth, increasing from 6.3% to 8.6%. The country's main export destinations in the region include Russia, Azerbaijan and Ukraine. In 2020, Turkey's exports to Russia equaled \$4.5 billion, while its supplies to Azerbaijan and Ukraine were approximately the same and amounted to \$2.1 billion. For the reported period, Turkey's imports from the region increased from \$4.6 billion to \$24.3 billion. Russia also ranks first in terms of top import partners from the region. In 2020, Turkey imported products from Russia worth \$17.9 billion. The top three import partners also include Ukraine and Kazakhstan, from which the country's imports amounted to \$2.6 and \$1.2 billion, respectively. Therefore, Turkey has a large trade deficit with the CIS. Analysis of the bilateral trade flows between Turkey and the CIS region shows an important role of energy products and metals in their mutual trade. The CIS provides Turkey with crude oil, natural gas and metals, prices for which grew substantially since the early 2000-s. Both higher prices and increasing consumption in Turkey can explain the large trade deficit between Turkey and the CIS region, which in 2020 amounted to \$9.7 billion.

The US is also an important market for Turkey's products. The country's exports to the US increased from \$3.1 billion in 2001 to \$10.2 billion in 2020. At the same time, the US share in Turkey's total exports declined from 10% to 6%. Turkey's imports from the US also grew from \$3.3 to \$11.5 billion. The US share in Turkey's total imports also decreased from 7.9% to 5.2%.

Turkey was able to significantly increase its exports to China. While in 2001, its supply was low and amounted to \$199 million, in 2020 it surged to \$2.9 billion demonstrating an almost 14.6 times increase. However, despite China's share in Turkey's total exports increased from 0.6% to 1.7%, it remained low compared to other above-mentioned export markets. However, China became one of the key import partners of Turkey. While in 2001 Turkey's imports from China

equaled \$926 million, in 2020 it exceeded \$23 billion, increasing by almost 25 times. China's share in Turkey's total imports increased from 2.2% to 10.5%. As a result, the trade deficit increased from a low \$727 million to a record \$20.1 billion. Therefore, China plays an important role on Turkey's trade deficit issue.

As international trade remains key for Turkey's economic growth, the country pursues a strategy of trade liberalization through negotiations at the multilateral, regional and bilateral levels. Turkey has been a member of the World Trade Organization (WTO) since 1995. At the same time, Turkey actively conducts free trade agreements (FTAs), of which the Turkey-EU Customs Union remains key for the country. It negotiates and concludes FTAs with third countries in parallel with the EU and it currently has 22 FTAs in force. Turkey continues FTA negotiations with 17 countries and country blocs, including Japan, Ukraine, the US, Canada, India, the Gulf Cooperation Council and MERCOSUR. It should be noted that many of Turkey's FTA partners are relatively small trade partners of the country. Previously, Turkey's FTAs covered only trade in goods. However, the country started to conduct deep FTAs as with the Republic of Korea. The FTA with Korea includes commitments on investment and services. Turkey's FTAs under negotiations include deeper commitments and disciplines on intellectual property, competition, dispute settlement, and trade remedies. It is important to note that Turkey's applied tariffs remain comparatively low but differ across sectors. Moreover, under its obligations to WTO Turkey has the scope to increase tariffs further because 50% of its tariff schedule is unbound. Expectations from the recently concluded FTAs are high. The FTA between Turkey and the United Kingdom, which took effect on January 1, 2021, is recognized as one of the most important trade deals of Turkey since its 1995 Customs Union with the EU. The FTA will substantially decrease costs for Turkish producers as in the absence of the deal, about 75% of Turkish exports to the UK would have been subject to tariffs, causing losses of some \$2.4 billion. The FTA will eliminate this risk. It is important to note that besides industrial products, the agreement includes agricultural goods. A planned FTA with Ukraine aims to double bilateral trade and increase it to \$10 billion. According to officials of the countries, the FTA will further strengthen bilateral economic ties.

Thus, Turkey remains an important player in international trade. The EU is the largest trade partner of the country. However, trade with other regions and separate countries increased substantially during the last two decades. Turkey pursues both multilateralism and regionalism and the increasing number of FTAs would continue to positively contribute to the economic growth process of the country in general.

## Politics, Foreign Affairs, and Security

- The President of Kazakhstan Kassym-Jomart Tokayev had a phone conversation with his Russian colleague Vladimir Putin. The Presidents discussed a wide range of issues, including trade, economic and military-technical cooperation, and the creation of a digital platform in Kazakhstan. They also mentioned the importance of the Comprehensive program of Economic Cooperation for 2021-2025 between the two governments, which is expected to be signed in Kazan in upcoming April. President Tokayev requested an additional supply of the Sputnik V vaccine to Kazakhstan (Kazinform, 23.03.2021).
- During his visit to Tashkent, the Prime Minister of Kyrgyzstan, Ulukbek Maripov, noticed the importance of transport and transit cooperation with Uzbekistan. He mentioned that Uzbekistan remains a key transit country for penetration to markets of Afghanistan and Pakistan by Kyrgyz producers. Maripov called to continue negotiations on the China-Kyrgyzstan-Uzbekistan railway project explaining it by stability and durability of the railroad transportation. The Prime-Minister believes that the project will contribute to the expansion of mutual and regional trade (Kabar.kg, 26.03.2021).
- According to the Ministry of Foreign Affairs of Kazakhstan, the Turkic Council Summit will be held via video conference on March 31. Initially, it was planned that leaders of the Turkic world countries and the Prime Minister of Hungary, an observer state, will attend the summit in Turkestan city in Kazakhstan. However, due to the epidemiological situation, the format of the meeting was changed to online. It is expected that the Summit will declare Turkestan as the spiritual capital of the Turkic world (Kazinform, 23.03.2021).
- The Deputy Minister of Foreign Affairs of Ukraine Vasyl Bodnar and the Secretary of the Ministry of Foreign Affairs of Moldova Dumitru Socolan took part in the Ukrainian-Moldovan political consultations. The sides discussed the implementation of the agreements reached during the last visit of Moldovan President Maia Sandu to Kyiv. The parties also discussed the ways to deepen cooperation with the EU and the course of European integration of the two states (Ukrinform.net, 26.03.2021).
- The Armed Forces of Uzbekistan and Turkey held a joint military exercise near the training ground in the South-Western Special Military District near the Uzbek city of Termez. On the first day of the exercises, the military personnel of the two countries overcame a 15-kilometer complex tactical strip, performed close combat elements and worked out survival training in extreme conditions. The military troops of the two sides also took part in the sports competitions organized at the training ground (Eadaily.com, 23.03.2021).
- The Deputy Foreign Ministers of the Central Asian countries, the Republic of Azerbaijan and the Parliamentary Deputy Secretary of State of the United Kingdom of Great Britain and Northern Ireland attended an online meeting held on the occasion of the International Day of Navruz. The participants spoke about the widespread celebration of Navruz in Central Asia and the international significance of this ancient heritage. A video about the celebration of Navruz in the Republic of Tajikistan was shown at the meeting (Centralasia.media, 25.03.2021).

## Economy, Finance, and Energy

- The Khorgos dry port, located between Kazakhstan and China, demonstrated a record cargo traffic in 2020 despite the pandemic. Customs authorities recently announced that almost five thousand trains passed through the port. According to the Khorgos officials, the port significantly improved its services. It expanded the range of products, optimized the cargo handling process, reduced loading times and simplified customs clearance. Moreover, the authorities try to reduce the clearance procedures to 20 minutes (Qazaq TV, 25.03.2021).
- Recently, the Prime Minister of Kazakhstan Askar Mamin visited Moscow and had a meeting with his Russian counterpart Mikhail Mishustin. The parties discussed a wide range of issues and urged to boost trade between the countries, which was negatively affected by the pandemic. However, recent data shows that trade turnover in many sectors is rising again. Mishustin mentioned successful joint efforts of the countries within the Eurasian Economic Union. The Prime Ministers agreed to work on the expansion of the Russian-Kazakh cooperation (TASS, 22.03.2021).
- According to authorities of Belarus' Agriculture and Food Ministry, the country plans to increase meat product exports up to \$1 billion in 2021. In 2020, despite the pandemic, Belarus exported 400 thousand tons of meat to 24 countries and was able to increase the export by almost 11% in physical terms. The country started to penetrate markets in South-East Asia and the Middle East. In 2020, meat export revenues equaled \$973 million (BelTA, 24.03.2021).
- The total public debt of Uzbekistan continues to increase. While in 2019 it amounted to \$17.8 billion, in 2020 it reached \$23.3 billion. According to forecasts, the debt will increase to \$28.3 billion in 2021 and reach 45.3% of the country's GDP. Despite growing figures, the indicator remains moderate and safe for macroeconomic stability as the set limit of the country is 60% of the annual GDP. Additional expenditures to overcome the consequences of the pandemic caused higher debt accumulation (UzReport, 24.03.2021).
- Russia's agricultural regulator Rosselkhozadzor allowed eight companies from Azerbaijan to resume tomato exports. This decision resulted from joint efforts of the Rosselkhozadzor and Azerbaijan Food Safety Agency, which started to conduct video inspections of Azerbaijani enterprises. In total, Russia lifted a ban on imports for 82 tomatoes and 46 apple producers from Azerbaijan. The export potential of these companies is almost 237 thousand tons, which far exceeds Azerbaijan's last year's tomato exports to Russia of nearly 180 thousand tons (AzerNews, 25.03.2021).
- According to the Ukrainian Agribusiness Club, the country's population started to consume more fruits. This conclusion is based not only on consumption statistics but also on fruit import data. In 2020, the country imported 1 million tons of various fruits, which was 8% more than in 2019 and exceeded five years ago figures by 1.5 times. The main import items of the country included bananas, tangerines, oranges, lemons and peaches (Ukrinform, 26.03.2021).

## Society and Culture

- The Secretary-General of the Turkic Council, Baghdad Amreyev held a meeting with the Ambassador Extraordinary and Plenipotentiary of Turkmenistan to Kazakhstan Batyr Rejepov. During the meeting, Ambassador Rejepov said that President of Turkmenistan Gurbanguly Berdimukhamedov was interested in further development of relations between Turkmenistan and fraternal Turkic Speaking states and that he would participate in the upcoming Summit of the Turkic Council. The Secretary-General Amreyev hailed the decision of the Turkmen President and noted that Turkmenistan has always been an integral part of the Turkic World (Turkkon.org, 25.03.2021).
- The mayor of Tashkent Jakhongir Artikkhodzhaev visited Dushanbe, the capital of Tajikistan, where he met with the mayor of Dushanbe Rustam Emomali. The mayors expressed satisfaction with the level of friendly relations between Tajikistan and Uzbekistan as well as between the two capitals. The sides discussed specific issues related to the development and expansion of cooperation between the capital cities of the two countries (Avesta.tj, 24.03.2021).
- Dushanbe has been declared the Cultural Capital of the CIS in 2021. The handover ceremony of the certificate "Dushanbe - the cultural capital of the CIS-2021" to the mayor of the capital, Rustam Emomali, was held at the State Academic Opera and Ballet Theater of Tajikistan named after Sadriiddin Aini. The status involves holding a series of cultural events and restoration of historical monuments in the city (Centralasia.news, 24.03.2021).
- An international friendship park will be built on Makhtumkuli Street in Ashgabat. The decision was made during the meeting of the Mayor of the Turkmen capital, Yaztagan Glyldzhov, with an Uzbek delegation led by the Mayor of the capital of Uzbekistan Jakhongir Artykhodjaev. The park will be built on an area of 3 hectares in the historical center of Ashgabat and symbolize friendship, unity and cultural proximity of the peoples of the two states (Centralasia.news, 23.03.2021).
- The President of Turkey, Recep Tayyip Erdogan approved the protocol on the financing of the International Turkic Culture and Heritage Foundation. According to the document, the budget of the International Turkic Culture and Heritage Foundation will be formed from compulsory contributions of all member-states of the Cooperation Council of Turkic-speaking States (Turkic Council). Currently, the organization has five member-states: Azerbaijan, Kazakhstan, Kyrgyzstan, Turkey and Uzbekistan (Azertag.az, 26.03.2021).
- Uzbekistan provided humanitarian aid to Kyrgyzstan donating 20 vehicles, 10 Volkswagen Caddy Cargo Class A and 10 ISUZU D-Max 4x2 Class B ambulance vehicles. The ambulances are equipped with first aid kits: portable oxygen cylinder with reducer and humidifier, tonometer, phonendoscope, ventilator kit, oxygen masks, fixation systems for patients with injuries, cervical spine fixators, spinal shield for patients with spinal injuries, nebulizer, gurney and wheelchair. The vehicles will be distributed to health care institutions of different parts of the country (Cn.kabar.kg, 26.03.2021).