

# Turkey

## December 2021

### Executive Summary

This country fact sheet provides key trade and investment related statistics for Turkey. Specifically, it shows Turkey's trade and investment flows including an analysis of top markets and products with both South Africa and the Western Cape, while highlighting the largest and fastest growing products and sub-sectors. It also analyses consumer-related insights for Turkey, including tourism trends between the country and South Africa: Key findings and trends are outlined below:

### Economy

- Turkey's economy was one of the few in the G20 and OECD to experience positive growth in 2020, growing by 1.79%. A favourable base effect, an easing of restrictions permitted by accelerated vaccinations, and supportive external demand led to double-digit GDP growth in the first half of 2021, returning the economy and employment rate to pre-crisis levels. GDP is expected to grow by 8.59% in 2021 but regaining monetary policy credibility and containing high and rapidly rising inflation will be the major challenges.

### Trade

- In 2020, both Turkey's services export and services imports fell, with services exports falling by 45.16% and services imports by 8.34%. Transport services accounted for the largest proportion (40.91% or USD14.27bn) of services exported by Turkey in 2020. Transport also accounted for the largest proportion of services imports at 33.43% (or USD8.60bn) in 2020.
- Turkey's goods exports decreased by 6.20% from USD180.87bn recorded in 2019 to USD169.66bn in 2020. Associated import costs in turn increased by 4.36% from USD210.35bn in 2019 to USD219.51bn in 2020.
- Motor cars dominated the country's goods export basket, accounting for 5.68% of total exports at a value of USD9.64bn in 2020. Gold dominated the import basket with a total import value of USD25.18bn and comprising a 11.47% share.
- In 2020 Turkey accounted for 0.9% of global exports and 1.2% of global imports, making it the 31<sup>st</sup> largest global exporter and the 23<sup>rd</sup> largest global importer.
- South Africa's export receipts with Turkey totalled USD427.82m in 2020, a 51.02% increase from the 2019 value of USD283.28m. Associated import costs declined by 14.13% to a value of USD554.69 in 2020, down from USD645.96 incurred in 2019. South Africa's leading export product to Turkey in 2020 was coal at a value of USD92.27m.
- Western Cape export receipts from its trade with Turkey stood at ZAR582.96m in 2020, increasing by 92.62% from the 2019 value of ZAR298.01m. Import costs stood at ZAR1393.07m in 2020, 23.29% higher than the 2019 value of ZAR1129.87m. The Western Cape's leading export product to Turkey in 2020 flours, meals and pellets, at a value of at ZAR282.27m.

### Investment

- According to FDI Market statistics, a total of 2, 803 foreign direct investment (FDI) projects were recorded into Turkey over the period 2003 – June 2021. These projects represented a total capital investment (capex) of USD172.13bn.
- In turn, Turkey recorded 1, 732 outward FDI projects into the world over the said period with an associated capex value of USD67.27bn.
- Seven FDI projects (USD49.3bn capex value) were recorded from Turkey into South Africa during the said period.
- In turn, eleven FDI projects with a total capex value of USD56.5m were recorded from South Africa into Turkey over the same period; and two of these were from the Western Cape.

### Tourism

- South Africa received 4, 689 Turkish tourist arrivals in 2020, a decline of 66.67% from 14, 072 recorded in 2019.
- Of this number, the Western Cape received 2, 036 arrivals, a decrease of 62.79% from 5, 472 recorded in 2019.

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## 1. GENERAL INFORMATION



Modern Turkey was founded in 1923 from the remnants of the defeated Ottoman Empire by national hero Mustafa Kemal, who was later honoured with the title Ataturk or "Father of the Turks." Under his leadership, the country adopted radical social, legal, and political reforms. After a period of one-party rule, an experiment with multi-party politics led to the 1950 election victory of the opposition Democrat Party and the peaceful transfer of power. Since then, Turkish political parties have multiplied, but democracy has been fractured by periods of instability and military coups (1960, 1971, 1980), which in each case eventually resulted in a return of formal political power to civilians. In 1997, the military again helped engineer the ouster - popularly dubbed a "post-modern coup" - of the then Islamic-oriented government. An

unsuccessful coup attempt was made in July 2016 by a faction of the Turkish Armed Forces.

Turkey intervened militarily on Cyprus in 1974 to prevent a Greek takeover of the island and has since acted as patron state to the "Turkish Republic of Northern Cyprus," which only Turkey recognizes. A separatist insurgency begun in 1984 by the Kurdistan Workers' Party (PKK), a US-designated terrorist organization, has long dominated the attention of Turkish security forces and claimed more than 40,000 lives. In 2013, the Turkish Government and the PKK conducted negotiations aimed at ending the violence, however intense fighting resumed in 2015. Turkey joined the UN in 1945 and in 1952 it became a member of NATO. In 1963, Turkey became an associate member of the European Community; it began accession talks with the EU in 2005. Over the past decade, economic reforms, coupled with some political reforms, have contributed to a growing economy, although economic growth slowed in recent years.

From 2015 and continuing through 2016, Turkey witnessed an uptick in terrorist violence, including major attacks in Ankara, Istanbul, and throughout the predominantly Kurdish south-eastern region of Turkey. On 15 July 2016, elements of the Turkish Armed forces attempted a coup that ultimately failed following widespread popular resistance. More than 240 people were killed and over 2,000 injured when Turkish citizens took to the streets en masse to confront the coup forces. The government accused followers of the Fethullah Gulen transnational religious and social movement ("Hizmet") for allegedly instigating the failed coup and designates the movement's followers as terrorists. Since the attempted coup, Turkish Government authorities arrested, suspended, or dismissed more than 130,000 security personnel, journalists, judges, academics, and civil servants due to their alleged connection to Gulen's movement. Following the failed coup, the Turkish Government instituted a State of Emergency from July 2016 to July 2018. The Turkish Government conducted a referendum on 16 April 2017 in which voters approved constitutional amendments changing Turkey from a parliamentary to a presidential system. The amendments went into effect fully following the presidential and parliamentary elections in June 2018.<sup>1</sup>

TABLE 1: ECONOMIC INFORMATION	
Capital city	Ankara
Government type	Presidential Republic
Chief of State	President Recep Tayyip Erdogan
Population	82, 482, 383 (July 2021 est.)
Life expectancy	76 years
Literacy	96.7%
Ethnic groups	Turkish 70-75%, Kurdish 19%, other minorities 7-12% (2016 est.)
Religions	Muslim 99.8% (mostly Sunni), other 0.2% (mostly Christians and Jews)
Languages	Turkish (official), Kurdish, other minority languages
HDI (2020)	0.820 (Ranked 54 <sup>th</sup> )

Sources: CIA World Factbook, 2021; Human Development Indicators, 2021

<sup>1</sup> Sources: CIA World Factbook, 2021

## 2. ECONOMIC OVERVIEW

Turkey's largely free-market economy is driven by its industry and, increasingly, service sectors, although its traditional agriculture sector still accounts for about 25% of employment. The automotive, petrochemical, and electronics industries have risen in importance and surpassed the traditional textiles and clothing sectors within Turkey's export mix. However, the recent period of political instability and economic dynamism has given way to domestic uncertainty and security concerns, which are generating financial market volatility and weighing on Turkey's economic outlook.

In the years leading up to the COVID-19 pandemic, growth in Turkey became increasingly dependent on externally funded credit and demand stimulus. This growth was accompanied by large current account deficits, financed mainly by debt, which led in turn to high external financing needs. At the same time, rapid credit growth led by state-owned banks, and high inflation undermined monetary policy credibility and fuelled deposit dollarization. The resulting pressure on the lira contributed to large reserve losses. As a result, Turkey entered the pandemic with lower buffers than most peers.

As in other countries, the human and initial economic toll of the pandemic in Turkey has been severe. Thousands of Turkish lives have been tragically lost and many livelihoods compromised. But while the initial collapse in economic activity was similar to other countries, the recovery has been remarkable, setting Turkey apart from its peers. Large interest rate cuts, rapid credit provision by state-owned banks, administrative and regulatory credit incentives, and extensive liquidity support meant that Turkey was among the few countries to experience positive economic growth in 2020 (1.79%). Employment has partially recovered along with the rebound in economic activity, although labour market conditions remain challenging, particularly among females and the youth. Public debt remains contained, at around 40 percent of GDP, as direct fiscal support—including to workers and vulnerable households—has been relatively modest, with the central government deficit widening only marginally in 2020. Some fiscal space remains available, albeit somewhat limited by contingent liabilities and potential debt rollover pressures.

Amid heightened uncertainty and increased vulnerabilities, GDP growth is expected to be strong in 2021, but downside risks have increased. Mainly reflecting a large positive carryover from the sharp activity rebound in the second half of 2020, growth should reach about 8.95% in 2021, before returning to a lower trend from 2022 onwards. Inflation is expected to remain high, and reserves to decline further. With high external financing needs, sizeable domestic foreign exchange deposits, and low reserve buffers, the economy remains vulnerable to shocks and to changes in sentiment at home and abroad. Domestic risks include a premature relaxation of monetary and credit policies or other policy missteps that further erode credibility and buffers. External risks include interest rate increases in advanced economies and higher global risk aversion that could expose vulnerabilities. Other risks include vaccination delays and adverse geopolitical developments.<sup>2</sup>

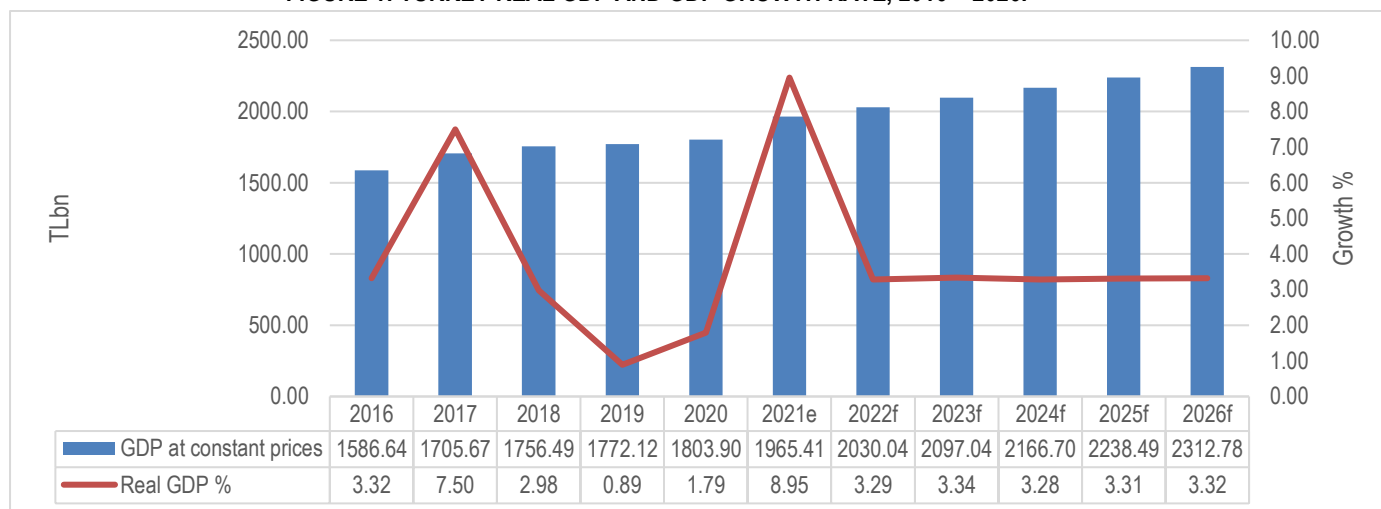
TABLE 2: ECONOMIC INFORMATION	
GDP, constant prices (national currency) (2021 est.)	TL1, 965.41bn
Real GDP growth (2021 est.)	8.95%
GDP per capita, constant prices (2021 est.)	TL23, 227.24
Inflation, consumer average prices (2021 est.)	16.98%
MPC policy rate (November 2021)	15.0%
Unemployment rate (2019 est.)	12.15%
Total Exports (2020)	USD169.66bn
Total Imports (2020)	USD219.51bn

Sources: IMF 2021; TMB, 2021; Trade Map 2021.

<sup>2</sup> Source: CIA World Factbook, 2021; IMF, 2021

Turkey's economy was one of the few in the G20 and OECD to experience positive growth in 2020. A favourable base effect, an easing of restrictions permitted by accelerated vaccinations, and supportive external demand led to double-digit GDP growth in the first half of 2021, returning the economy and employment rate to pre-crisis levels. GDP is expected to grow by 8.5% in 2021 but regaining monetary policy credibility and containing high and rapidly rising inflation will be the major challenges.<sup>3</sup>

**FIGURE 1: TURKEY REAL GDP AND GDP GROWTH RATE, 2016 – 2026F**



Source: IMF, 2021.

Turkey's GDP sectoral contribution is shown in Figure 2 below. These are some of the most important industries in Turkey:

Agriculture plays a key role in the national economy, accounting for 6.70% of GDP in 2020. The country is also a significant producer and exporter of agricultural commodities on global markets and is estimated to be the world's 7<sup>th</sup> largest agricultural producer, particularly a top producer and exporter of crops ranging from hazelnuts and chestnuts to apricots, cherries, figs, olives, quinces, tobacco and tea. Historically, the agricultural sector has been Turkey's largest employer and a major contributor to the country's GDP, exports and rural development. Although in relation to the industrial and service sectors agriculture's share has been declining in importance, it continues to play a fundamental role in Turkish society, employing about a quarter of the workforce and generating most of the income and employment in rural areas.

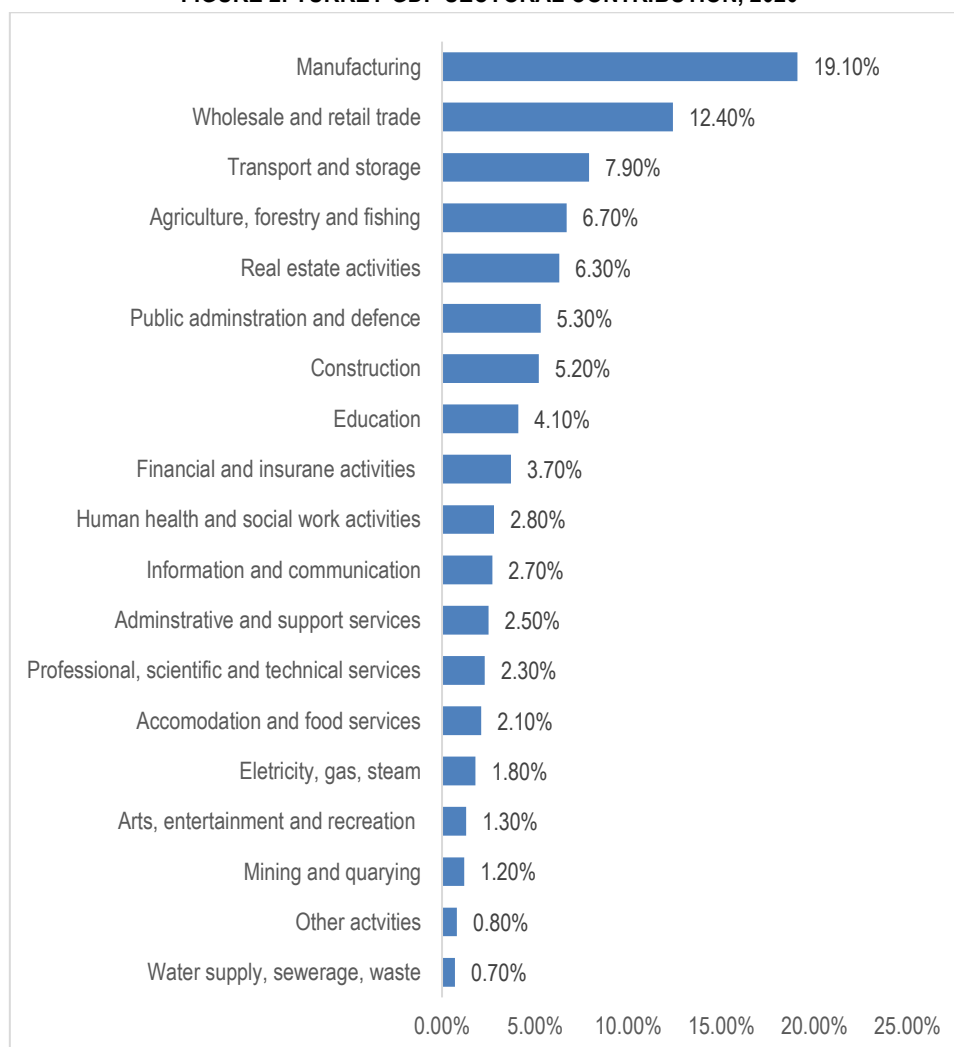
Turkey's industrial sector includes industries such as consumer electronics and home appliances, textiles and clothing, motor vehicles and automotive products, defence, steel-iron, science and technology. The automotive industry has been an important part of the economy since the late 1960s. The companies that operate in the sector are mainly located in the Marmara Region. With a cluster of carmakers and parts suppliers, the Turkish automotive sector has become an integral part of the global network of production bases. Turkish automotive companies like TEMSA, Otokar and BMC are among the world's largest van, bus and truck manufacturers.

Industries within the service sector include transport, communication, tourism, finance, and healthcare. Turkey's transportation and logistics sector has been one of Turkey's fastest growing industries, tripling in value since 2002, with an average 20% annual growth rate. Turkey is not only a major transit country, but also a key freight destination. Given Turkey's increasing population – now over 80 million – and inward migration to larger cities from rural areas, traffic has become a crucial issue, compelling local municipalities to invest heavily in Intelligent Transportation Systems (ITS). As a result, Turkey has doubled its transportation industry investment budget from 20% to 40% and invested more than \$60 billion over the last decade.<sup>4</sup>

<sup>3</sup> Sources: World Bank, 2021

<sup>4</sup> Sources: Food and Agriculture Organization of the United Nations, 2021; ITA, 2021; Presidency of the Republic of Turkey (Investment Office; 2021)

**FIGURE 2: TURKEY GDP SECTORAL CONTRIBUTION, 2020**



Source: Turkish Statistical Institute, 2021

Note: Annual GDP by Production Approach (At Current Prices)

## 2.1 MAJOR COMPANIES IN TURKEY

The Forbes Global 2000 is an annual list of the world's 2000 largest publicly listed corporations. The largest publicly traded Turkish companies as per the Forbes 2000 Global rankings in 2021 are tabled below:

TABLE 3: LARGEST PUBLICLY TRADED TURKISH COMPANIES AS PER THE FORBES 2000 GLOBAL RANKING, 2021						
GLOBAL RANK	COMPANY	SALES (USDbn)	PROFITS	ASSETS (USDbn)	MARKET VALUE (USDbn)	SECTOR
589	Koc Holding	20.5	1.3	84.8	5.7	Oil & Gas Operations
673	Isbank	13.7	1.0	94.0	2.7	Banking
804	VakifBank	7.9	1.1	80.4	1.7	Banking
871	Garanti Bank	7.2	947.0m	72.9	3.8	Banking
891	Sanbanci Holding	8.8	678.3m	93.7	1.4	Diversified Financials
971	Halkbank	7.7	524.2m	93.7	1.4	Banking
1006	Akbank	5.7	870.3m	64.4	3.2	Banking
1766	Ford Otosan	7.0	596.8m	3.3	8.1	Consumer Durables
1938	Turkish Airlines	6.6	-795.1m	25.2	2.0	Transportation

Source: Forbes 2000, 2021

Note: The Methodology

We compile our Global 2000 list using data from FactSet Research systems to screen for the biggest public companies in four metrics: sales, profits, assets and market value. Our market value calculation is as of April 18, 2019, closing prices and includes all common shares outstanding.

All figures are consolidated and in U.S. dollars. We use the latest-12-months' financial data available to us. We rely heavily on the databases for all data, as well as the latest financial period available for our rankings (the final database screen was run in early-April). Many factors play into which financial period of data is available for the companies and used in our rankings: the timeliness of our data collection/screening and company reporting policies, country-specific reporting policies and the lag time between when a company releases its financial data and when the databases capture it for screening/ranking. We quality-check the downloaded financial data to the best of our ability using other data sources, including Bloomberg and available company financial statements.

Publicly traded subsidiaries for which the parent company consolidates figures are excluded from our list. For most countries, the accounting rules for the consolidation of a subsidiary is when the parent's ownership (control) of the subsidiaries stock is more than 50%. Some countries accounting rules allow for the consolidation of a subsidiary at less than 50% ownership.

## 2.2 TURKEY'S SOVEREIGN CREDIT RATING

"A sovereign credit rating is the credit rating of a country or sovereign entity. Sovereign credit ratings give investors insight into the level of risk associated with investing in a particular country and include political risks. At the request of the country, a credit rating agency will evaluate the country's economic and political environment to determine a representative credit rating" (Investopedia, 2020).

While a number of credit agencies exist, the three most recognised credit ratings agencies globally are Fitch Ratings, Moody's Investors Services (Moody's) and Standard & Poor's (S&P). Reasons for a country/sovereign to seek a credit rating from one of these three agencies include not only to access funding in international bond markets via the issuance of bonds in external debt markets, but it is a means to attract foreign direct investment. Obtaining a good sovereign credit rating instils confidence in investors seeking to invest in that country, with the credit rating a means for the country to demonstrate financial transparency and credit standing. Two key rating 'standards' exist, with the highest possible rating category being "AAA" according to S&P, which indicates that the rated country has extremely strong capacity to meet its financial commitments. A wide range of rating categories exists below this, with the categories ranging all the way down to SD (i.e., defaulted), which means the rated country has failed to pay one or more of its financial obligations when it came due.

One of the most recent credit ratings on Turkey was by **S&P Global Rating** on 22 October 2021. S&P affirmed Turkey's long-term foreign currency rating at "B+" and long-term local currency rating at "BB-," with a stable outlook. The stable outlook considered the risks from Turkey's economic imbalances, but these are partly offset by the resilience of Turkey's private sector and the manageable stock of net general government debt, the global rating agency said. Moreover, Turkey's economy has recovered faster than those of other emerging markets, with real output already 8.4% above the pre-pandemic peak as of the second quarter of 2021. The agency expresses that Turkey's credit rating would be upgraded if balance of payments were strengthened, especially the central bank's net foreign-exchange reserves and if there is an effectiveness in monetary policy.

Earlier on 13 August 2021, **Fitch Ratings** affirmed Turkey's long-term foreign-currency issuer default rating (IDR) at 'BB-' with a stable outlook. Turkey's ratings reflected weak monetary policy credibility, high inflation, low external liquidity in the context of high financing requirements and geopolitical risks. These credit weaknesses are set against low government deficits and debt and stronger growth performance and structural indicators, such as GDP per capita and Human Development, relative to rating peers. The stable outlook balances elevated policy uncertainty due to rising inflation, lack of central bank independence and the potential for de-stabilising stimulus ahead general elections due by 2023 against an easing of near-term external financing pressures due to a narrowing current account deficit, moderately higher international reserves, and banks and corporates' uninterrupted access to sufficient external finance to roll-over large debt payments.

**Moody's** last credit rating of Turkey was on 12 September 2020. The rating agency downgraded the Turkish government's issuer and senior unsecured debt ratings to B2 from B1, with a negative outlook. It cited a potential balance of payment crisis, institutional problems and the erosion of fiscal buffers in Turkey. The statement also attributed the downgrade to "elevated levels of geopolitical risk," including relations with the United States and the European Union. NATO allies Turkey and Greece are at odds over maritime resources in the

eastern Mediterranean, where both countries have deployed warships and air force units.<sup>5</sup> Turkey's credit ratings from the major agencies are as following:

<b>TABLE 4: TURKEY' SOVEREIGN CREDIT RATINGS, 2021</b>			
<b>CREDIT RATING AGENCY</b>	<b>STANDARD &amp; POORS</b>	<b>MOODY'S INVESTOR SERVICES</b>	<b>FITCH RATINGS</b>
<b>CREDIT RATING</b>	<b>B+</b>	<b>B2</b>	<b>BB</b>
<b>OUTLOOK</b>	Stable	Negative	Stable
<b>DATE OF LAST CHANGE</b>	2021-10-22	2020-09-11	2021-08-13

Sources: S&P Global Ratings; Fitch Ratings, 2021; Bloomberg, 2020

A number of alternative measures and rating scales exist to assess risks posed to companies and banks, particularly those pertaining to political and commercial risks when undertaking international commercial transactions. One such company that offers these services is Belgium's Delcrederecroire's (the country's official export credit agency and public credit insurer). The table below shows Delcrederecroire's current risk assessment of Turkey in terms of export transactions and direct investments. Ratings are between 1 and 7, and between A and C, with 7 and C being the maximum risk indicators.

- In terms of political risks associated with exports transactions in Turkey, these are deemed to be somewhat high in both in the short-term and medium to long-term.
- Business environment risk in turn high.
- Regarding direct investments, these are considered to be high risk as indicated by scores awarded below.

<b>TABLE 5: TURKEY'S RISK ASSESSMENT - Delcrederecroire</b>		
<b>EXPORT TRANSACTIONS (Scale 1 – 7) *</b>		
Political Risks	Short Term	5
	Medium-Long term	5
	Premium Classification OECD	5
Business Environment Risk	F **	
<b>DIRECT INVESTMENTS</b>		
Political Violence Risk	4	
Risk of expropriation and government action	5	
Currency Inconvertibility and Transfer	5	
* Where 1 is associated with the least risk and 7 the most.		
** Where B is associated with mid risk; A is low risk and G is high risk.		

Source: ONDD, 2021

<sup>5</sup> S&P Global Ratings; Fitch Ratings, 2021; Bloomberg, 2020

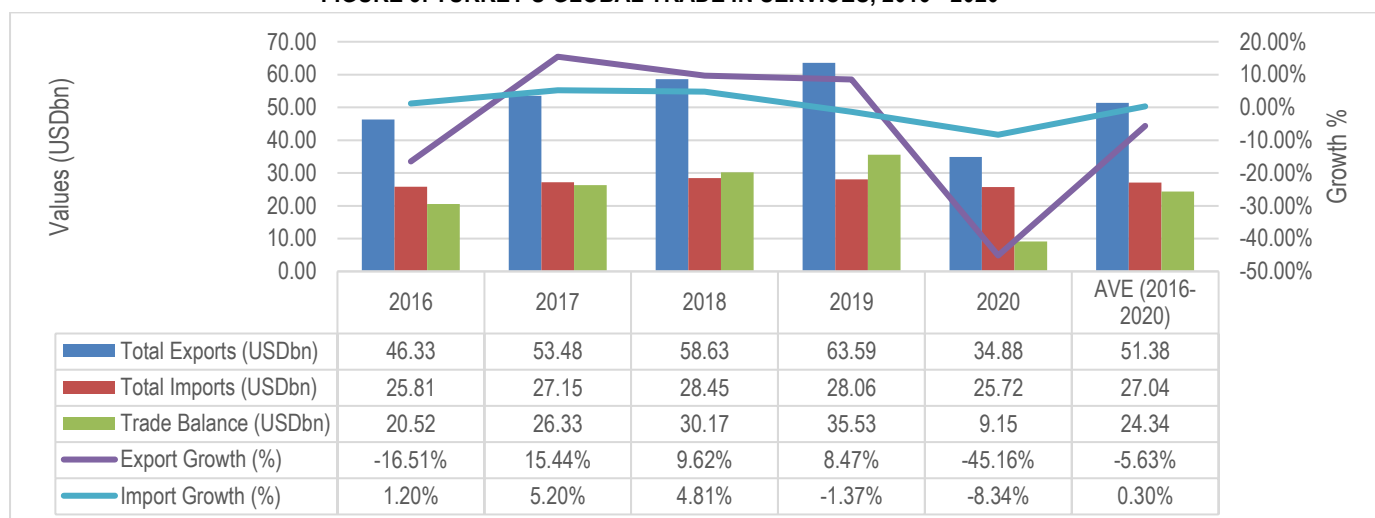


### 3. TRADE

#### 3.1 TURKEY TRADE IN SERVICES

Turkey's global trade in services for the period 2016 to 2020 is shown in the figure below. The country's services exports consistently outpaced its services imports throughout the period under review, firmly establishing the country's position as a net exporter of services. The impact of the COVID-19 pandemic and restrictions on movement of goods and services across borders is seen by the decline in the country's services exports and services imports in 2020. Services exports declined by almost a half (45.16%), to a value of USD34.88bn in 2020 from USD63.59 recorded for 2019, while service imports decreased slightly by 8.34% from USD28.06bn recorded in 2019 to USD25.72bn in 2020. Overall, average services export growth declined by 5.63% per annum from 2016 to 2020, while import growth declined by only 0.30% per annum over the same period. The services balance remained in surplus throughout the period monitored at an average of USD24.34bn for the said period.

**FIGURE 3: TURKEY'S GLOBAL TRADE IN SERVICES, 2016 - 2020**



Source: TradeMap, 2021

As shown in Figure 4 below, transport services dominated the country's global export services trade in 2020, accounting for 40.91% (USD14268.00m) of services exported by Turkey (in 2020). Travel, and other business services (research and development; professional management and consulting services; legal and accounting; and advertising) followed in second and third place, accounting for 29.30% (USD10220.00m) and 9.30% (USD3245.00m), respectively in the same year. Further to this, insurance and pension services trade recorded the highest growth in export services, growing at an average annual rate of 25.03% over the period 2016 to 2020. Other high growth exports were telecommunications, computer, and information services (7.93%) and maintenance and repair services (7.49%).

**TABLE 6: TURKEY – TOP 10 EXPORTED SERVICES, 2020**

	EXPORTED VALUE (USDm), 2020	% SHARE 2020	AVE GROWTH (%), 2016 - 2020
Transport	14268.00	40.91%	-3.85%
Travel	10220.00	29.30%	-8.98%
Other business services	3245.00	9.30%	0.32%
Insurance and pension services	2502.00	7.17%	25.03%
Telecommunications, computer, and information services	1581.00	4.53%	7.93%
Maintenance and repair services	1259.00	3.61%	7.49%
Financial services	614.00	1.76%	3.23%

Manufacturing services on physical inputs owned by others	317.00	0.91%	0.00%
Government goods and services	302.00	0.87%	-15.27%
Construction	271.00	0.78%	-14.92%
<b>ALL SERVICES</b>	<b>34875.00</b>	<b>100.00%</b>	<b>-5.63%</b>

Source: TradeMap, 2021

Turkey's imported services followed a similar trend, with imports of transport services dominating the list, accounting for 33.43% (or USD8598.00m) of all services imported by the country in 2020. Other business services ranked second, comprising a 20.15% share (or USD5184.00m) of all service imports, while insurance and pension services ranked in third place, with a total import cost of USD4045.00m (or 15.73%) in 2020. In terms of highest average annual growth rate, insurance and pension services came first, growing by 22.87% over the period 2016 to 2020. This was followed by other business services imports (11.39%), and transport services (11.32%).

**TABLE 7: TURKEY – TOP 10 IMPORTED SERVICES, 2020**

	<b>IMPORTED VALUE (USDm), 2020</b>	<b>% SHARE 2020</b>	<b>AVE GROWTH (%), 2016 - 2020</b>
Transport	8598.00	33.43%	11.32%
Other business services	5184.00	20.15%	11.39%
Insurance and pension services	4045.00	15.73%	22.87%
Charges for the use of intellectual property	2086.00	8.11%	5.59%
Telecommunications, computer, and information services	1747.00	6.79%	-1.58%
Financial services	1214.00	4.72%	7.71%
Travel	1040.00	4.04%	-20.01%
Government goods and services	956.00	3.72%	-4.11%
Maintenance and repair services	662.00	2.57%	-17.36%
Manufacturing services on physical inputs owned by others	89.00	0.35%	-1.51%
<b>ALL SERVICES</b>	<b>25721.00</b>	<b>100.00%</b>	<b>0.30%</b>

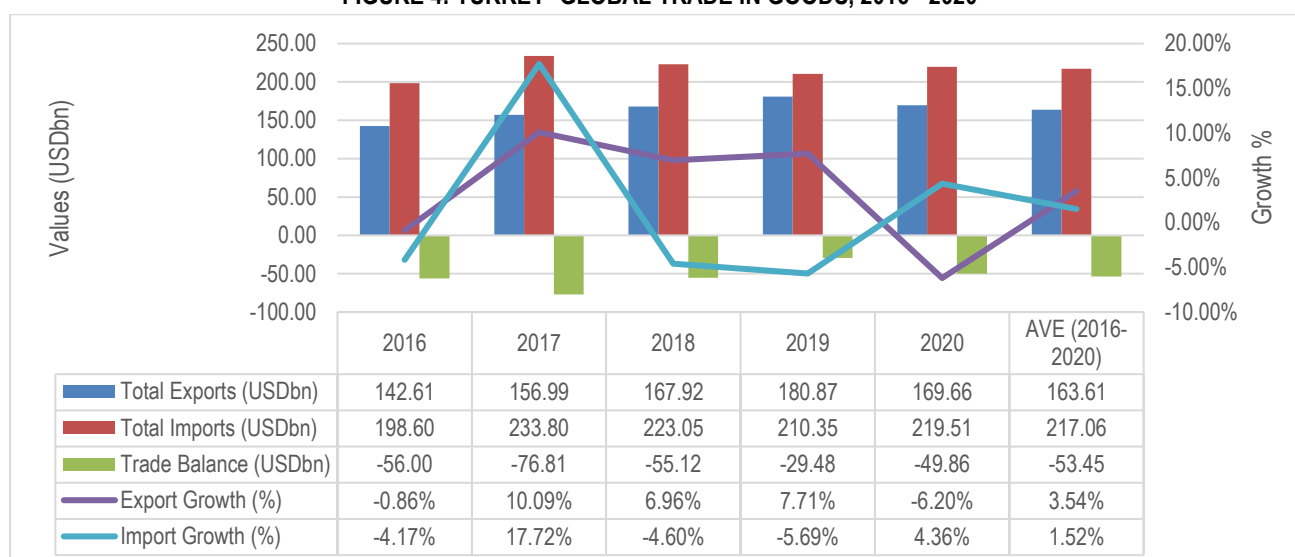
Source: TradeMap, 2021

### 3.2 TURKEY TRADE IN GOODS

Turkey's trade in goods paints a different picture to that of its trade in services. Turkey recorded a trade deficit in goods trade throughout the period 2016 to 2020.

In 2020, Turkey's good exports fell by 6.20% to a value of USD169.66bn from USD180.87bn in 2019, while imports increased by 4.36% to USD219.51bn from USD210.35bn incurred in 2019. Furthermore, over the last five years, exports growth increased at an average annual rate of 3.54% per annum, while imports growth increased at an average annual rate of 1.52% per annum from 2016 to 2020.

**FIGURE 4: TURKEY- GLOBAL TRADE IN GOODS, 2016 - 2020**



Source: TradeMap, 2021

In terms of Turkey's top traded products, motor cars dominated the export basket, accounting for 5.68% of exports at a value of USD9.64bn in 2020. Parts and accessories for tractors followed in second place at an export value of USD4.41bn, accounting for 2.60% of exports in the same year. Motor vehicles for the transport of goods came third (USD4.20bn or 2.47%). The export of petroleum oils (excluding crude) had the highest growth in exports, increasing at an average annual rate of 9.47% per annum from 2016 to 2020. Motor cars followed in second place with an average growth of 8.94%, while carpets and other textile floor coverings exports followed in third with a growth rate of 5.64% per annum.

**TABLE 8: TURKEY – TOP 10 EXPORTED GOODS, 2020**

	EXPORTED VALUE (USDbn), 2020	% SHARE 2020	AVE GROWTH (%), 2016 - 2020
Motor cars	9.64	5.68%	8.94%
Parts and accessories for tractors	4.41	2.60%	3.24%
Motor vehicles for the transport of goods	4.20	2.47%	0.23%
Petroleum oils (excluding crude)	3.72	2.19%	9.47%
Articles of jewellery and parts	3.57	2.11%	0.50%
Gold	2.78	1.64%	-10.54%
Bars and rods, of iron or non-alloy steel,	2.57	1.51%	-2.26%
Women's or girls' suits, ensembles	2.52	1.49%	3.56%
T-shirts, singlets	2.30	1.36%	-4.81%
Carpets and other textile floor coverings	2.23	1.31%	5.64%
<b>ALL PRODUCTS</b>	<b>169.66</b>	<b>100.00%</b>	<b>3.54%</b>

Source: TradeMap, 2021

In terms of key trade export markets, Germany was the leading destination market for Turkey's exports at a value of USD15.98bn in 2020. The United Kingdom followed in second place, with exports reaching a total value of USD11.24bn, while the United States came third, with exports to this nation reaching a total value of USD10.18bn. Of the top 10 export markets, the fastest growing markets for Turkey's exports over the five-year period leading up to and including 2020 were the Russian Federation (12.21%), Israel (11.83%), and Netherlands (11.17%).

South Africa was Turkey's 57<sup>th</sup> largest export market for Turkey in 2020 at a value of USD574.12m.

**TABLE 9: TURKEY – TOP EXPORT GOODS MARKETS (USDbn), 2020**

RANK	COUNTRY	VALUE 2020 (USDbn)	AVE GROWTH (%), 2016 - 2020
1	Germany	15.98	3.64%
2	United Kingdom	11.24	1.94%
3	United States of America	10.18	10.34%
4	Iraq	9.14	2.39%
5	Italy	8.08	3.91%
6	France	7.20	4.53%
7	Spain	6.68	8.31%
8	Netherlands	5.20	11.17%
9	Israel	4.70	11.83%
10	Russian Federation	4.51	12.21%
57	South Africa	0.57	4.00%
<b>TOTAL EXPORTS</b>		<b>169.66</b>	<b>3.54%</b>

Source: TradeMap, 2021

Turning to imports, gold was the largest imported good into Turkey in 2020, reaching a total import value of USD25.18bn and comprising a 11.47% share of the entire import basket. Commodities not elsewhere specified ranked in second place with a value of USD18.77bn (8.55%), while motor cars ranked in third with a value of USD7.93bn. Gold had the highest growth in imports, increasing at an average annual rate of 67.31% per annum from 2016 to 2020. Followed by ferrous waste and scrap in second place with an average growth of 10.69%, while motor cars followed in third with a growth rate of 9.36% per annum.

**TABLE 10: TURKEY – TOP 10 IMPORTED GOODS, 2020**

	IMPORTED VALUE (USDbn), 2020	% SHARE 2020	AVE GROWTH (%), 2016 - 2020
Gold	25.18	11.47%	67.31%
Commodities not elsewhere specified	18.77	8.55%	-0.88%
Motor cars	7.93	3.61%	9.36%
Petroleum oils (excluding crude)	6.33	2.88%	-2.82%
Ferrous waste and scrap	6.24	2.84%	10.69%
Parts and accessories for tractors	5.23	2.38%	1.57%
Telephone sets	3.36	1.53%	-5.54%
Powered aircraft	2.91	1.33%	0.71%
Coal	2.72	1.24%	1.51%
Polymers of propylene or of other olefins	2.68	1.22%	0.64%
<b>ALL PRODUCTS</b>	<b>219.51</b>	<b>100.00%</b>	<b>1.52%</b>

Source: TradeMap, 2020

China was the leading source market for Turkey's imports at a value of USD23.04bn in 2020. Germany followed in second place with imports reaching a total value of USD21.73m. The Russian Federation came third, with imports reaching a total value of USD17.83bn in 2020. Of the top 10 import markets, the fastest growing markets for Turkey's imports over the five-year period leading up to and including 2020 were Iraq (110.50%), Switzerland (53.71%), and Area Nes (10.54%).

South Africa was Turkey's 43<sup>rd</sup> largest import market in 2020 at a value of USD887.90m.

**TABLE 11: TURKEY– TOP IMPORT GOODS MARKETS (USDbn), 2020**

RANK	COUNTRY	VALUE 2020 (USDbn)	AVERAGE GROWTH (%), 2016 - 2020
1	China	23.04	-0.89%
2	Germany	21.73	0.55%
3	Russian Federation	17.83	-0.41%
4	Area Nes	13.69	10.54%
5	United States of America	11.53	0.82%
6	Italy	9.20	-2.61%
7	Iraq	8.20	110.50%
8	Switzerland	7.77	53.71%
9	France	6.99	-1.41%
10	Korea, Republic of	5.73	-3.94%
43	South Africa	0.89	6.31%
<b>TOTAL IMPORTS</b>		<b>219.51</b>	<b>1.52%</b>

Source: TradeMap, 2021

Figure 13 below illustrates Turkey's dominance on the global trade front. In 2020, Turkey accounted for 0.9% of global exports and 1.2% of global imports, making it the 31<sup>st</sup> largest global exporter and the 23<sup>rd</sup> largest global importer in 2020. Furthermore, Turkey held a clear trade advantage in dried apricots, prunes, apples; wheat; vegetables, fruit, nuts, given that it was the largest global exporter of these traded goods in 2020.

**FIGURE 5: TURKEY'S COMPETITIVE TRADE ADVANTAGE, 2020**

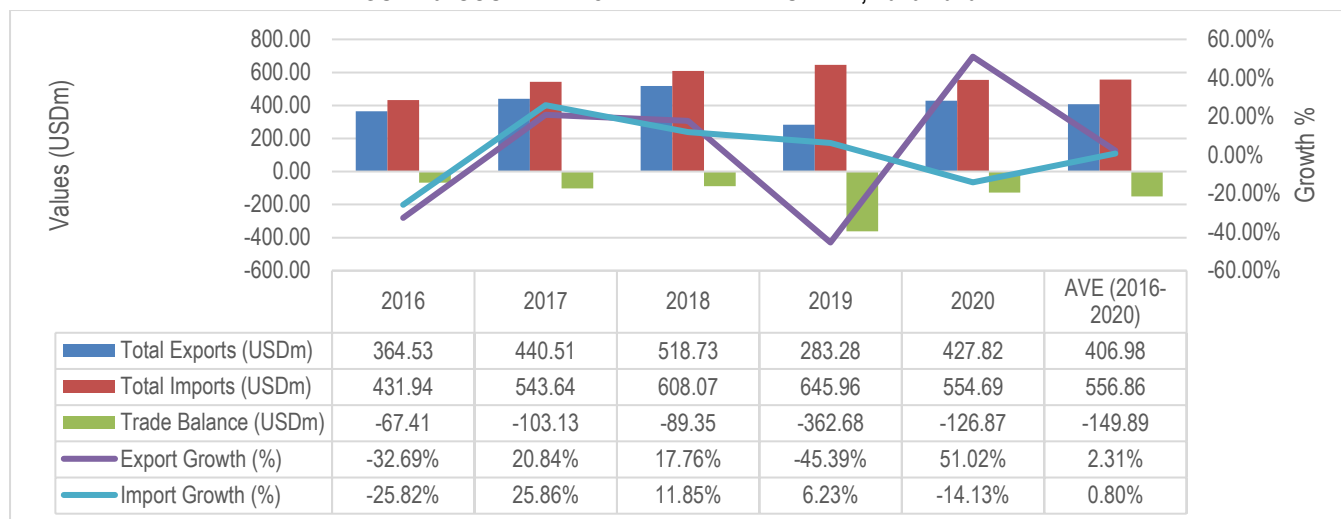


Source: TradeMap, 2021

### 3.3 TRADE WITH SOUTH AFRICA

South Africa's trade with Turkey for the period 2011 - 2020 is shown in the figure below. In 2020, South Africa's export receipts with Turkey increased by more than a half from the 2019 value of USD283.28 to USD427.82m in 2020. In contrast, South Africa's imports from the country decreased by 14.13% to a value of USD554.69m in 2020, from a cost of USD645.96m incurred in 2019. Overall, South Africa's export growth to Turkey increased at an average annual rate of 2.31% per annum from 2016 to 2020, while imports increased at an average rate of 0.80% over the same period.

**FIGURE 6: SOUTH AFRICA TRADE WITH TURKEY, 2016-2020**



Source: Trademap, 2021

The export of coal dominated South Africa's export basket to Turkey in 2020 at a value of USD92.72m, accounting for 21.57% of the export basket to Turkey. Unwrought aluminium ranked second, reaching a value of USD53.85m and accounting for 12.59% of total exports to Turkey in 2020. Centrifuges came third at a value of USD52.17m (or 12.19%). There has been exceptional growth in the exports of reaction initiators from South Africa to Turkey in recent years, increasing at an average rate of 1,303.28% over the period 2016 to 2020. This was followed by coal (66.11%), and flour, meals and pellets (46.87%).

**TABLE 12: SOUTH AFRICA TOP 10 EXPORTS TO TURKEY, 2020**

	EXPORTED VALUE (USDm), 2020	% SHARE 2020	AVE GROWTH (%), 2016 - 2020
Coal	92.27	21.57%	66.11%
Unwrought aluminium	53.85	12.59%	31.94%
Centrifuges	52.17	12.19%	14.91%
Iron ores and concentrates	41.04	9.59%	26.52%
Chromium ores and concentrates	20.22	4.73%	-1.31%
Reaction initiators	19.28	4.51%	1303.28%
Flours, meals and pellets	17.25	4.03%	46.87%
Compression-ignition internal combustion piston engine	14.03	3.28%	-
Flat-rolled products of stainless steel	13.40	3.13%	29.70%
Ferrous alloys	10.95	2.56%	22.91%
<b>ALL PRODUCTS</b>	<b>427.82</b>	<b>100.00%</b>	<b>2.31%</b>

Source: Trademap, 2021

Turning to South Africa's import basket from Turkey, petroleum oils (excluding crude) dominated imports in 2020, at a cost of USD67.16m, which held the majority share of 12.11% of imports in 2020. This was followed by flat-rolled products of iron or non-alloy steel (USD28.03m or 5.05%) and motor cars (USD20.08m or 3.62%). There has been exceptional growth in the exports of flat-rolled products of iron or non-alloy steel, increasing at an average rate of 3, 173.14% over the period 2016 to 2020. This was followed by petroleum oils (excluding crude) (2, 067.51%), and carbonates (90.14%).

**TABLE 13: SOUTH AFRICA TOP 10 IMPORTS FROM TURKEY, 2020**

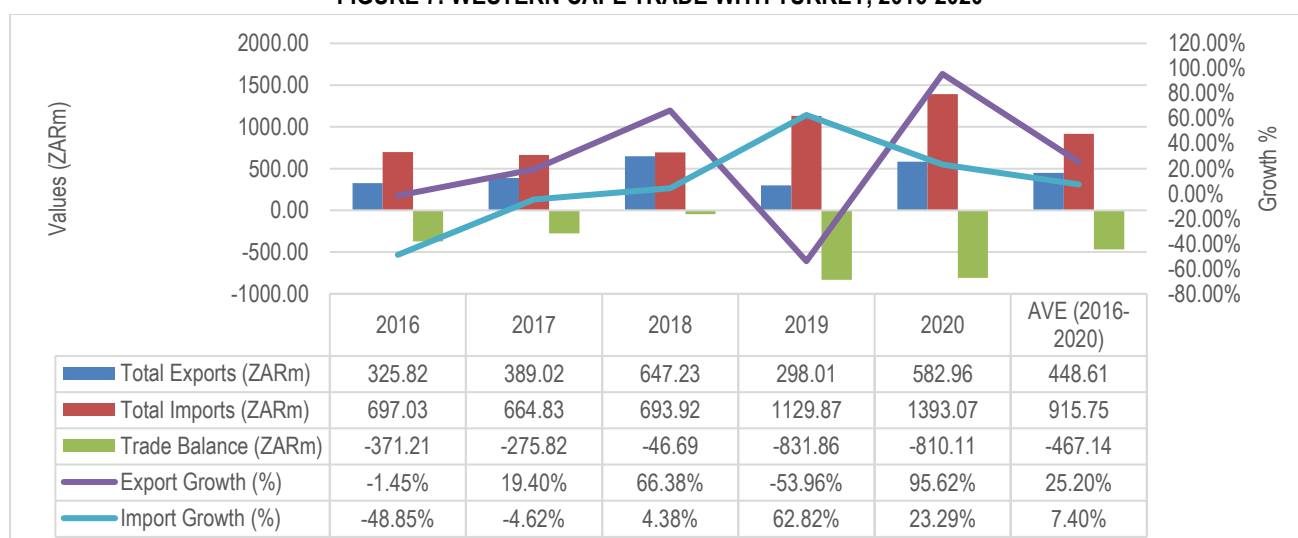
	IMPORTED VALUE (USDm), 2020	% SHARE 2020	AVE GROWTH (%), 2016 - 2020
Petroleum oils (excluding crude)	67.16	12.11%	2067.51%
Flat-rolled products of iron or non-alloy steel	28.03	5.05%	3173.14%
Motor cars	20.08	3.62%	16.82%
Parts and accessories for tractors, motor vehicles	19.39	3.50%	4.56%
Commodities not elsewhere specified	18.57	3.35%	-3.97%
Carbonates; peroxocarbonates	14.71	2.65%	90.14%
New pneumatic tyres	14.43	2.60%	13.57%
Copper wire	13.02	2.35%	72.19%
Household or laundry-type washing machines	10.36	1.87%	15.01%
Tractors	10.33	1.86%	-1.69%
<b>ALL PRODUCTS</b>	<b>554.69</b>	<b>100.00%</b>	<b>0.80%</b>

Source: Trademap, 2021

### 3.4 WESTERN CAPE TRADE WITH TURKEY

Turning to the Western Cape's trade with Turkey for the period 2016 – 2020. The Western Cape's exports too and imports from Turkey both increased in 2020. Exports increased by almost 100 per cent from the 2019 value of ZAR298.96m to ZAR582.96m in 2020, while imports increased by 23.29%, from a value of ZAR1129.87m in 2019 to ZAR1393.07m in 2020. Overall, the Western Cape's export growth to Turkey increased by an average annual rate of 25.20% from 2016 to 2020, while imports grew by an average rate of 7.40% over the same period.

**FIGURE 7: WESTERN CAPE TRADE WITH TURKEY, 2016-2020**



Source: Quantec, 2021

The Western Cape's dominant export product to Turkey in 2020 were flours, meals and pellets at a value of ZAR282.27m. This was equivalent to 48.42% of all export receipts earned by the Western Cape from trade with Turkey in the year. Insecticides, rodenticides, fungicides, herbicides placed second at a value of ZAR66.32m (11.38%), followed by unmanufactured tobacco at ZAR65.46m (11.23%). The Western Cape's fastest growing export product categories over the five-year period leading up to and including 2020 were Raw skins of sheep or lambs (117.32%), insecticides, rodenticides, fungicides, herbicides (82.67%), and beauty or make-up preparations (53.53%).

**TABLE 14 : WESTERN CAPE TOP 10 EXPORTS TO TURKEY, 2020**

	EXPORTED VALUE (ZARm), 2020	% SHARE 2020	AVE GROWTH (%), 2016 - 2020
Flours, meals and pellets	282.27	48.42%	51.62%
Insecticides, rodenticides, fungicides, herbicides	66.32	11.38%	82.67%
Unmanufactured tobacco	65.46	11.23%	-
Printing ink, writing or drawing ink and other inks	23.75	4.07%	23.38%
Carboxyimide-function compounds (including saccharin and its salts) and imine-function compounds	13.65	2.34%	-
Raw skins of sheep or lambs	9.59	1.65%	117.32%
Beauty or make-up preparations	9.36	1.61%	53.53%
Yachts and other vessels for pleasure or sports	8.03	1.38%	-
Heterocyclic compounds with nitrogen hetero atom(s)	7.46	1.28%	-
Fruit and nuts	7.40	1.27%	-
<b>ALL PRODUCTS</b>	<b>582.96</b>	<b>100.00%</b>	<b>25.20%</b>

Source: Quantec, 2021

Petroleum oils, other than crude; dominated products imported by the Western Cape from Turkey in 2020 at a cost of ZAR721.02m. This was equivalent to 51.76% of all import costs incurred by the Western Cape with the country in 2020. Glaziers' putty, grafting putty, resin cements placed second at a cost of ZAR57.29m (4.11%), followed by other articles of vulcanized rubber other than hard rubber at ZAR46.05m (3.31%). There were three notable product categories which experienced significant growth over the period 2016 to 2020, namely nonwovens which topped the list at an average annual growth rate of 920.89% per annum; other articles of vulcanized rubber other than hard rubber import (279.34%), and glassware of a kind used for table, kitchen, toilet, office, indoor decoration (276.62%).

**TABLE 15: WESTERN CAPE TOP 10 IMPORTS FROM TURKEY, 2020**

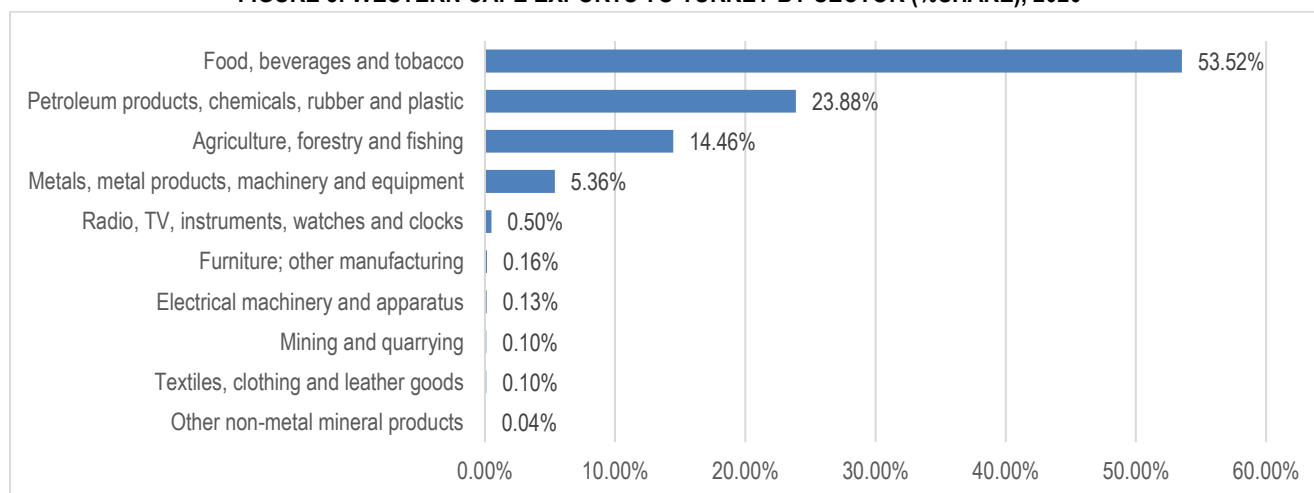
	IMPORTED VALUE (USDbn), 2020	% SHARE 2020	AVE GROWTH (%), 2016 - 2020
Petroleum oils, other than crude	721.02	51.76%	-!
Glaziers' putty, grafting putty, resin cements	57.29	4.11%	-
Other articles of vulcanised rubber other than hard rubber	46.05	3.31%	279.34%
Glassware of a kind used for table, kitchen, toilet, office, indoor decoration	33.87	2.43%	276.62%
Nonwovens	23.12	1.66%	920.89%
Chromium oxides and hydroxides	20.44	1.47%	-
Unmanufactured tobacco	16.35	1.17%	-
T-shirts, singlets and other vests	15.15	1.09%	-3.00%
Jerseys, pullovers, cardigans, waistcoats and similar articles	13.93	1.00%	26.22%
Agricultural, horticultural or forestry machinery	13.54	0.97%	72.99%
<b>ALL PRODUCTS</b>	<b>1393.07</b>	<b>100.00%</b>	<b>7.40%</b>

Source: Quantec, 2021



Trade between the Western Cape and Turkey is relatively well diversified. The two diagrams below are reflective of this and provide an overview of key trade flows between the Western Cape and Turkey on a *sector level*. As indicated in the graphs below, the food, beverages and tobacco sector were the Western Cape's top sector in terms of export receipts earned from trade with Turkey in 2020, accounting for 53.52% of export earnings. The petroleum products, chemical, rubber and plastic industry placed second, accounting for 23.88% of all Western Cape's export receipts from Turkey, while the agriculture, forestry and fishing industry accounted for 14.46% in third position.

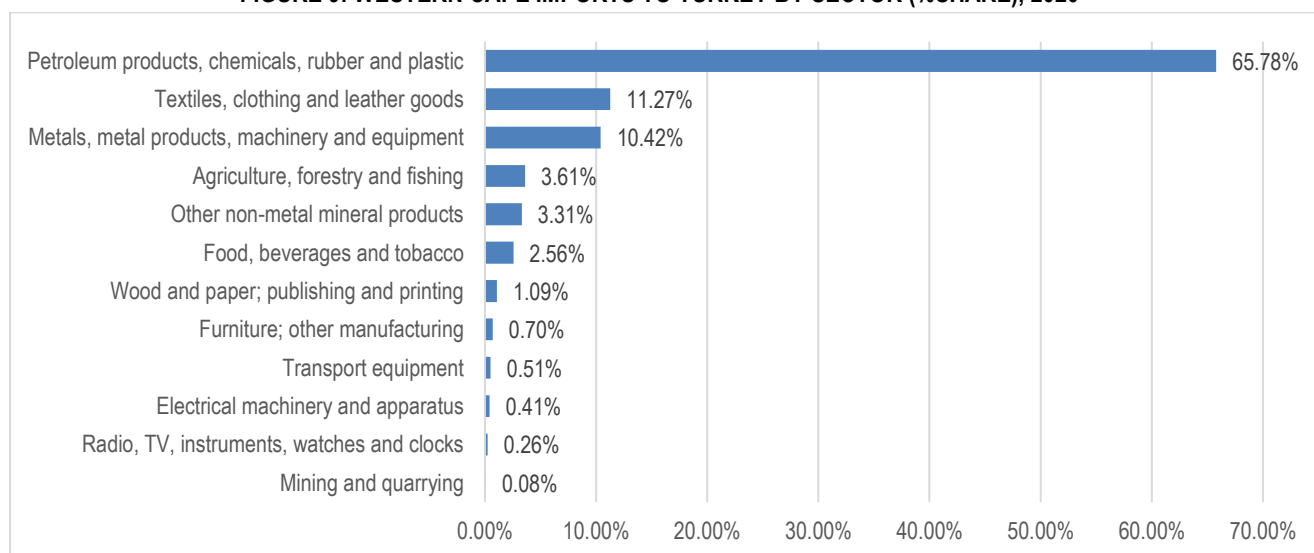
**FIGURE 8: WESTERN CAPE EXPORTS TO TURKEY BY SECTOR (%SHARE), 2020**



Source: Quantec, 2021

In terms of the Western Cape's top import sectors (ranked by associated cost) with Turkey last year, the petroleum products, chemical, rubber and plastic industry dominated, accounting for 65.78% of all import costs incurred in 2020. The textile, clothing and leather goods sector followed accounting for 11.27% of import costs incurred with Turkey in 2020, while the metals, metal products, machinery and equipment sector ranked in third position (10.42%).

**FIGURE 9: WESTERN CAPE IMPORTS TO TURKEY BY SECTOR (%SHARE), 2020**



Source: Quantec 2021

## 4. CUSTOMS, REGULATIONS AND STANDARDS

### 4.1 TRADE REGULATIONS, MARKINGS AND STANDARDS

#### Import Tariffs

##### Tariff

- Turkey applies the Customs Union Common External Tariff (CET) to industrial goods, and its Most-Favoured Nation (MFN) tariffs for non-agricultural products are low, on average 5%. However, this relative openness is not reflected in Turkey's WTO commitments as it has left 66% of its non-agricultural tariff lines unbound.
- Tariff protection is high for agricultural products. The Customs Union with the EU and free-trade agreements provide duty-free access for many of Turkey's most important trading partners.
- In addition, Turkey has the possibility to open tariff-rate quotas for non-agricultural goods, its investment incentive programs provide for duty and tax concessions on imports, exporters benefit from an inward-processing scheme, and a "suspension list" enables manufacturers to import certain raw materials and intermediary inputs at low or duty-exempt rates.
- During the COVID-19 pandemic, the Turkish Government increased import tariffs on approximately 4,000 products to up to 50% until the end of September 2020, after which tariffs are due to decrease, but for many, not back to the prior levels.

##### Value-added tax

- Customs surcharges include a value-added tax (VAT) levied on most imported, as well as domestic, goods and services. The importer is responsible for paying VAT. VAT is calculated on a Cost Insurance Freight (CIF) basis plus duty rate and any other applicable charges levied before the goods clear customs.
- VAT for most agricultural products (basic food) ranges from 1% to 8% and can reach up to 18% for some processed products. Capital goods, some raw materials, imports by government agencies and state-owned enterprises, and products for investments with incentive certificates are exempt from import fees.
- Turkey typically relies on internal taxes on goods and services rather than trade taxes such as customs duties to raise government revenue. Together, VAT and SCT provide over half of the government's revenue. In principle, Turkey's VAT and the Special Consumption Tax (SCT) make no distinction between imported and domestically produced goods. However, the SCT on alcoholic beverages varies considerably depending on the type of product and 2018 saw a marked increase in import tariffs on certain U.S. alcohol products.
- Overall, the tax system has the potential to favour the consumption of some products relative to others. Other products impacted by the SCT include petroleum products, motor vehicles, aircraft, vessels and durable consumer goods.
- Both imports and exports are subject to certain border measures in Turkey, including outright prohibitions, licensing, controls and restrictions. Eleven categories of goods require an import license and 26 require an export license. On the export side, Turkey adheres to international agreements for the prohibition or control of strategic goods and has provisions for export quality control checks of certain agricultural products.

#### Labelling and Marketing Requirements

- All packages, cases, and bales must bear shipping marks, numbers, dimensions and the gross weight of the merchandise.
- Packages along with accompanying bills of lading for goods to be shipped through Turkey must be marked "In Transit."
- All goods entering Istanbul or any other port of entry in Turkey (Ankara, Iskenderun, Izmir, Antalya, Mersin, Sinop, Samsun, and Trabzon) are cleared through customs, and full payment of duty is required unless the packages and bills of lading are marked "In Transit." Goods marked "In Transit" may be cleared for entry and reshipment.

#### Prohibited and Restricted Imports

There are three product groups whose import into Turkey is prohibited:

- Certain waste regulated by "Regulation for Product Safety and Inspection 2020/3"
- Certain chemicals regulated by "Regulation for Product Safety and Inspection 2020/6"
- Metal scrap regulated by "Regulation for Product Safety and Inspection 2020/23"

In cases where these commodities can be imported, the importer can only be an industrial entity intending to use these materials in its own manufacturing process. The importing entity must obtain a license from the Ministry of Trade. For products other than those falling into the groups above, there are no sales limitations.

Importation of certain other products are not prohibited, but restricted, if they do not meet the requirements set to protect humans, animals and the environment. For example, importation of electronic devices is not prohibited; however, if these devices are not compliant with the technical standards established by the Turkish Standards Institution, they may not be imported. Similarly, food products that are not compliant with the requirements set by the Ministry of Agriculture and Forestry cannot be imported into Turkey.

There is also a different group of products, including unprocessed precious metals, metal scrubs, gasoline, etc., which, due to their nature, can only be imported by certain organizations and designated individuals.

## Trade Agreements

Turkey has concluded **FTAs** with 36 countries; however, 11 were repealed upon their accession to the EU. The remaining 20 FTAs in force are with EFTA, Israel, Macedonia, Bosnia-Herzegovina, Palestine, Tunisia, Kosovo, Morocco, Egypt, Albania, Georgia, Montenegro, Serbia, Chile, Mauritius, South Korea, Malaysia, Moldova, Faroe Islands, Singapore and Kosovo. Additional FTAs signed with Lebanon, Sudan, Qatar, Ghana and Venezuela have not yet been ratified. Turkey has also updated and deepened the scope of its existing FTAs with EFTA, Serbia, Bosnia and Herzegovina and Montenegro. Negotiations to do the same with Georgia and Malaysia are ongoing.

Lastly, Turkey and the United Kingdom established a Working Group following the latter's withdrawal from the EU to sustain the current bilateral market access structure in the short term, and to establish a deep and comprehensive FTA in the medium to long term.

The **Turkey-EU Customs Union** eliminated custom duties, quantitative restrictions and measures having an equivalent effect in the trade of industrial goods to ensure the free movement of goods. As a result of the Customs Union, Turkey opened its internal market to EU and third-country competition, while guaranteeing its exporters free access to the EU market. In addition, Turkey has undertaken to align itself to the preferential regimes that the EU applies to third countries and to harmonize its legislation with the EU's *acquis communautaire* in a wide spectrum of areas, including standards and technical legislation, as well as competition policies. Trade in agricultural products, however, is managed in the framework of the preferential system between the Parties, while trade in iron and steel products is governed by the Free Trade Agreement between Turkey and the European Coal and Steel Community. While negotiations to update the Customs Union were launched several years ago, talks are stalled by ongoing political tensions.

## 4.2 TARIFFS

The table below shows tariffs imposed by Turkey on South Africa's exports in 2021.

TABLE 16: TARIFFS IMPOSED ON SOUTH AFRICAN EXPORTS BY TURKEY, 2021					
HS CODE AND PRODUCT DESCRIPTION	TARIFF , %	HS CODE AND PRODUCT DESCRIPTION	TARIFF , %	HS CODE AND PRODUCT DESCRIPTION	TARIFF , %
H01: Live animals	49	H33: Essential oils, perfumes, cosmetics, toiletries	1	H65: Headgear and parts thereof	3
H02: Meat and edible meat offal	183	H34: Soaps, lubricants, waxes, candles, modelling pastes	3	H66: Umbrellas, walking-sticks, seat-sticks, whips	5
H03: Fish, crustaceans, molluscs, aquatic invertebrates	31	H35: Alb8.uminoids, modified starches, glues, enzymes	8	H67: Bird skin, feathers, artificial flowers, human hair	4
H04: Dairy products, eggs, honey, edible animal product	126	H36: Explosives, pyrotechnics, matches, pyrophorics	6	H68: Stone, plaster, cement, asbestos, mica, articles	1
H05: Products of animal origin	2	H37: Photographic or cinematographic goods	6	H69: Ceramic products	5
H06: Live trees, plants, bulbs, roots, cut flowers	28	H38: Miscellaneous chemical products	4	H70: Glass and glassware	4

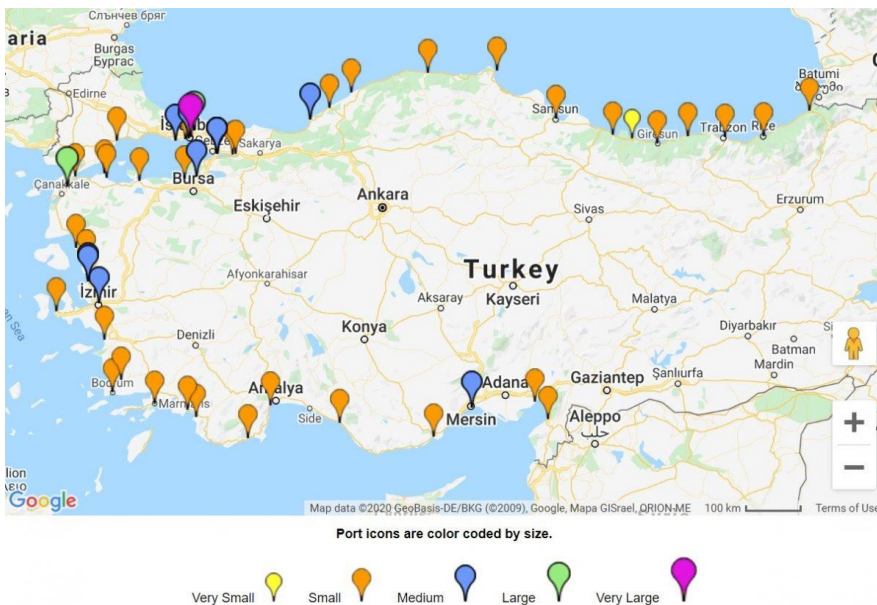
H07: Edible vegetables and certain roots and tubers	27	H39: Plastics and articles thereof	6	H71: Pearls, precious stones, metals, coin	1
H08: Edible fruit, nuts, peel of citrus fruit, melons	63	H40: Rubber and articles thereof	2	H72: Iron and steel	7
H09: Coffee, tea, mate and spices	44	H41: Raw hides and skins (other than fur skins) and leather	4	H73: Articles of iron or steel	2
H10: Cereals	27	H42: Articles of leather, animal gut, harness, travel goods	5	H74: Copper and articles thereof	2
H11: Milling products, malt, starches, inulin, wheat gluten	35	H43: Fur skins and artificial fur, manufactures thereof	1	H75: Nickel and articles thereof	0
H12: Oil seed, oleagic fruits, grain, seed, fruit,	6	H44: Wood and articles of wood, wood charcoal	3	H76: Aluminium and articles thereof	5
H13: Lac, gums, resins, vegetable saps and extracts	4	H45: Cork and articles of cork	5	H78: Lead and articles thereof	2
H14: Vegetable plaiting materials, vegetable products	0	H46: Manufactures of plaiting material, basketwork, etc.	3	H79: Zinc and articles thereof	3
H15: Animal, vegetable fats and oils, cleavage products,	25	H47: Pulp of wood, fibrous cellulosic material, waste	0	H80: Tin and articles thereof	0
H16: Meat, fish and seafood food preparations	98	H48: Paper & paperboard, articles of pulp, paper and board	0	H81: Other base metals, cermet's, articles thereof	4
H17: Sugars and sugar confectionery	104	H49: Printed books, newspapers, pictures	0	H82: Tools, implements, cutlery, of base metal	3
H18: Cocoa and cocoa preparations	2	H50: Silk	6	H83: Miscellaneous articles of base metal	3
H19: Cereal, flour, starch, milk preparations and products	10	H51: Wool, animal hair, horsehair yarn and fabric thereof	5	H84: Nuclear reactors, boilers, machinery	1
H20: Vegetable, fruit, nut food preparations	52	H52: Cotton	5	H85: Electrical, electronic equipment	2
H21: Miscellaneous edible preparations	17	H53: Vegetable textile fibres paper yarn, woven fabric	4	H86: Railway, tramway locomotives, rolling stock, equipment	2
H22: Beverages, spirits and vinegar	32	H54: Manmade filaments	6	H87: Vehicles other than railway, tramway	8
H23: Residues, wastes of food industry, animal fodder	5	H55: Manmade staple fibres	5	H88: Aircraft, spacecraft, and parts thereof	3
H24: Tobacco and manufactured tobacco substitutes	36	H56: Wadding, felt, nonwovens, yarns, twine, cordage	5	H89: Ships, boats and other floating structures	1
H25: Salt, sulphur, earth, stone, plaster, lime and cement	0	H57: Carpets and other textile floor coverings	8	H90: Optical, photo, technical, medical apparatus	1
H26: Ores, slag and ash	0	H58: Special woven or tufted fabric, lace, tapestry	7	H91: Clocks and watches and parts thereof	2
H27: Mineral fuels, oils, distillation products,	0	H59: Impregnated, coated or laminated textile fabric	7	H92: Musical instruments, parts and accessories	3
HS28: Inorganic chemicals	3		8	H94: Furniture, lighting, signs, prefabricated buildings	2
H29: Organic chemicals	4	H61: Articles of apparel, accessories, knit or crochet	12	H95: Toys, games, sports requisites	1
H30: Pharmaceutical products	0	H62: Articles of apparel, accessories, not knit or crochet	11	H96: Miscellaneous manufactured articles	4

H31: Fertilizers	5	H63: Other made textile articles, sets, worn clothing	10	H97: Works of art, collectors pieces and antiques	0
H32: Tanning, dyeing extracts, tannins, derivatives, pigments	6	H64: Footwear, gaiters and the like, parts thereof	11	H99: Commodities not elsewhere specified	0

Source: TradeMap, 2021.

NOTE: Exporters should not take the HS2 tariff as conclusive and as the actual tariff that will be applied to the exported product. The tariffs indicated above are average tariffs and for products within the category it may be higher or lower than indicated. Where the tariff is zero it can be assumed that there is zero tariff applicable to all products within that HS code. Tariffs are determined according to the importing country's national tariff line from the HS6 level and upwards. Exporters are advised to visit [www.macmap.org](http://www.macmap.org) to determine the exact tariff applicable to the product at HS6.

### 4.3 PORT-TO-PORT RATES



As a sea-friendly region, Turkey has a high significance in the international shipping arena. This features their natural blessing of lying on the Euro-Asia border. The major ports in Turkey see record maritime traffic annually, with the majority moving through the Mediterranean waters and the Black Sea. Along with its ship-friendly coast, Turkey also has 1 224 vessels to its national fleet flag. This coupled with the 39 thousand seafarers under their fleet, gives the country a major presence globally. Each of these vessels indulges in close-coast or seagoing trade for oil and other cargo. The country sees 169 964 port visits including vessels of various sizes. A unique factor is Turkey's contribution to

almost 10% of the global ship recycling capabilities.

Their unique geographical location places them as major shipping partners of Germany and the UK. However, countries like Egypt and China also share a 0.46 and 0.41 connectivity index with Turkey.<sup>6</sup>

The table below shows the most important ports in Turkey. It also shows the **distance** and **time** it takes goods to travel from Cape Town Port terminal to these ports.

TABLE 17: CAPE TOWN PORT TERMINAL TO MAIN SEA PORTS IN TURKEY		
FRENCH PORTS	DISTANCE	TRANSIT TIME
Port of Aliaga	10874.97 km	18 days 19 hours
Eregli	10472.47 km	18 days 2 hours
Port of Gemlik	11244.66 km	19 days 11 hours
Port of Instabul	11241.92 km	19 days 10 hours

<sup>6</sup> Source: Marine Insight, 2021

Port of Izmir (Cesme)	10896.88 km	18 days 20 hours
Port of Alanya	10401.7 km	18 days 0 hours
Port of Bandirnar	11164.17 km	19 days 6 hours

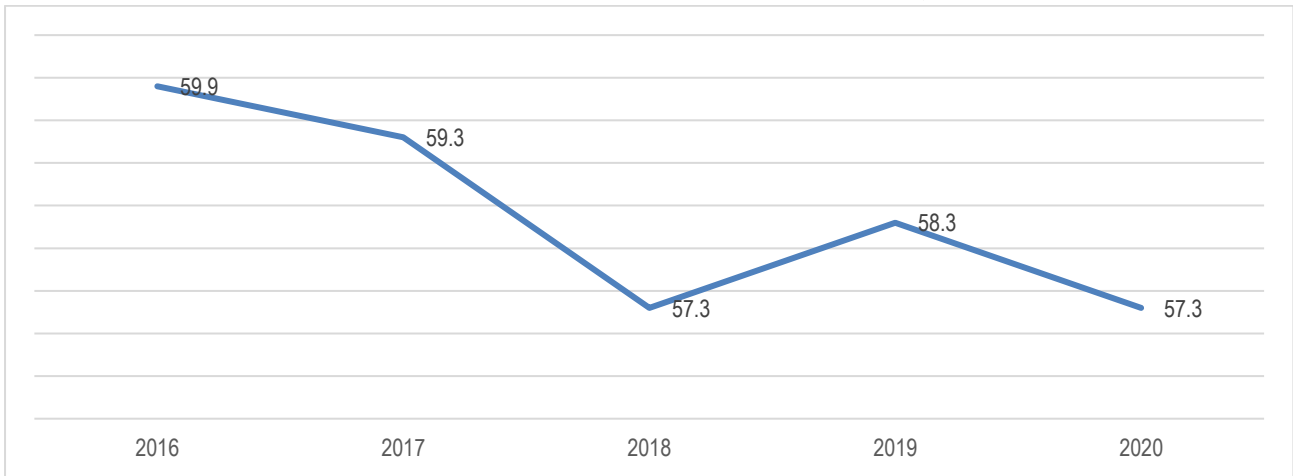
Source: Sea-Rates, 2021.

## 5. CONSUMER INSIGHTS

### 5.1 CONSUMER EXPENDITURE

The figure below illustrates Turkey's consumer expenditure as a % of GDP for the period 2016 – 2020. In 2020, Turkey's consumer expenditure stood at 57.3% of GDP, one percentage point lower than 2019's value of 58.3%.

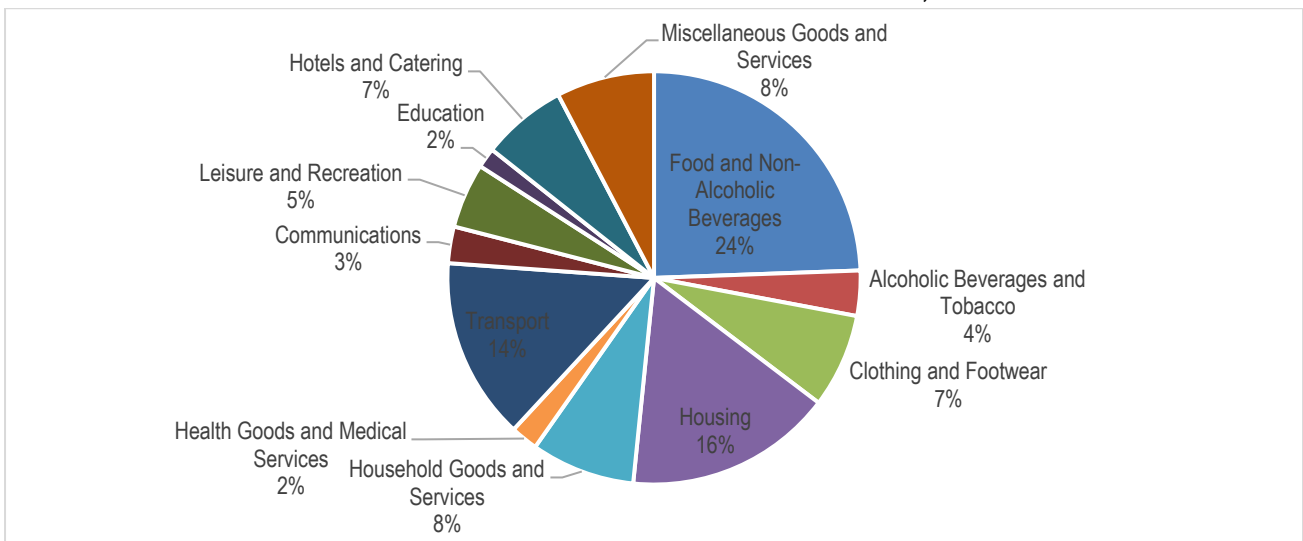
**FIGURE 10: TURKEY CONSUMER EXPENDITURE AS % OF GDP, 2016 - 2020**



Source: Euromonitor International, 2021

Figure 21 presents Turkey's consumer expenditure per category in 2020. Food and non-alcoholic beverages was the largest consumer expenditure category in 2020 accounting for 24% of total consumer expenditure. This was followed by housing (16%), and transport (14%).

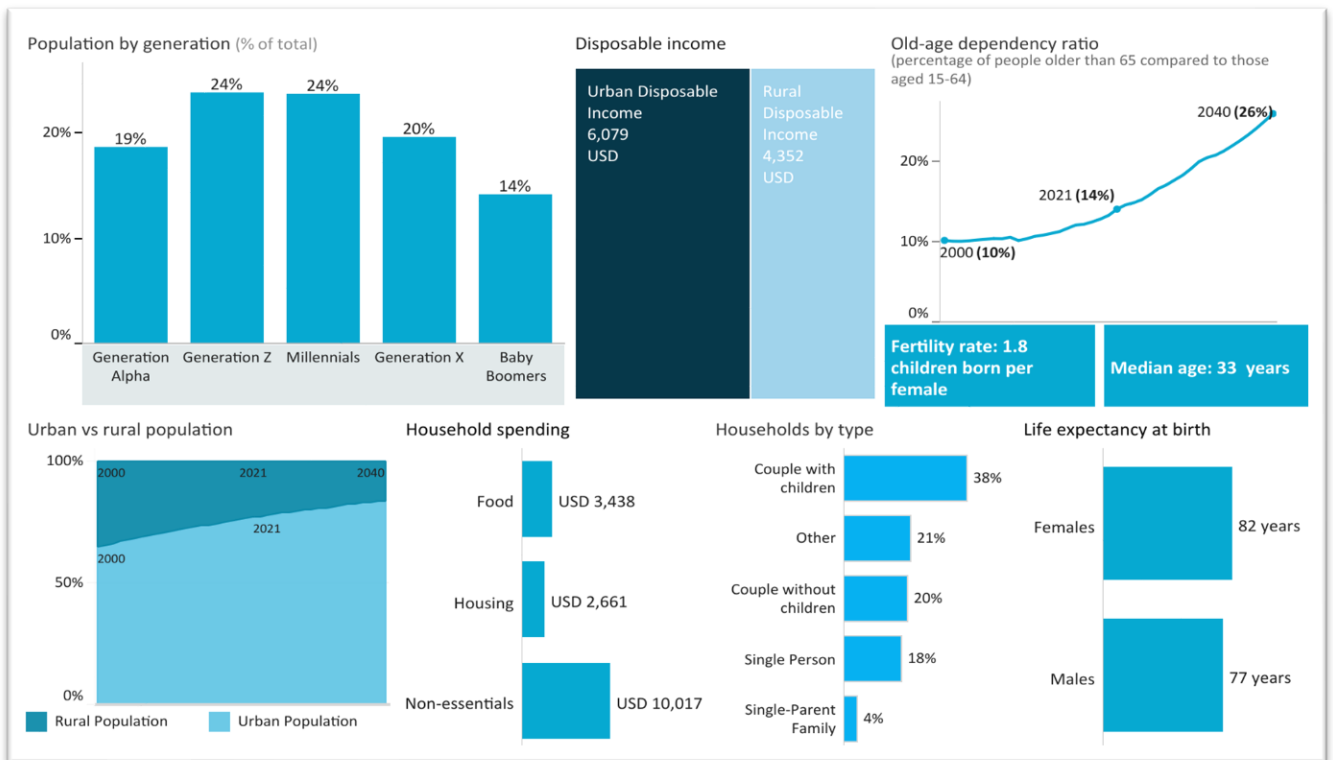
**FIGURE 11: CONSUMER EXPENDITURE PER CATEGORY, 2020**



Source: Euromonitor International, 2021

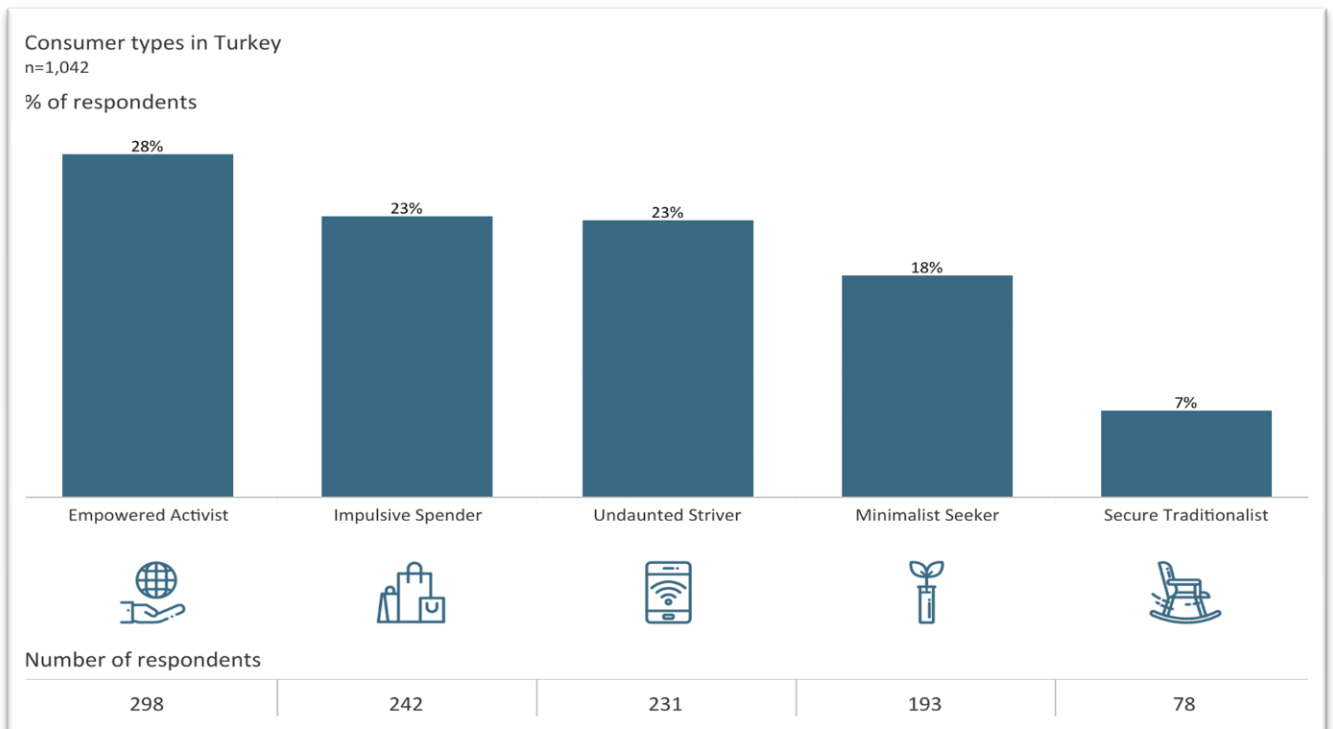
## 5.2 CONSUMER PROFILE

FIGURE 12: TURKEY CONSUMER LANDSCAPE, 2020



Source: Euromonitor International, 2021

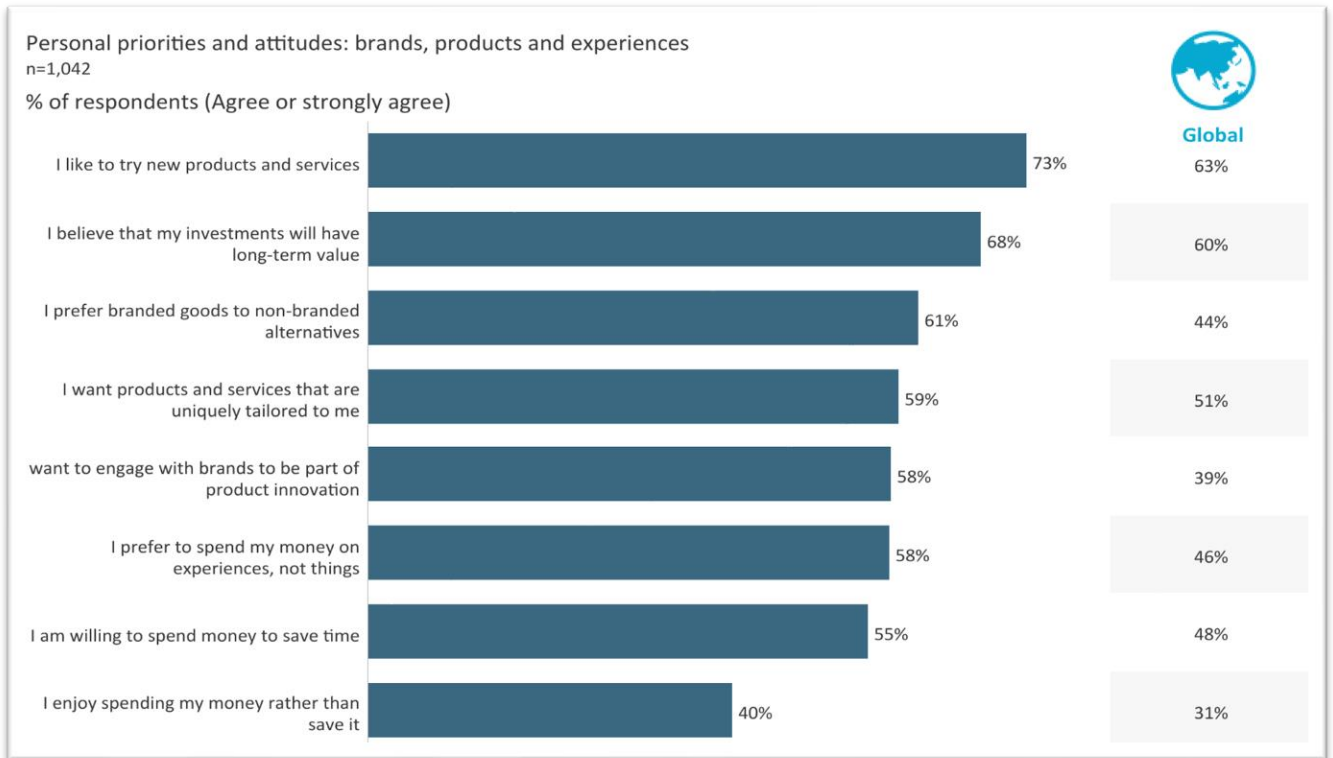
FIGURE 13: TURKEY CONSUMER TYPES



Source: Euromonitor International, 2021

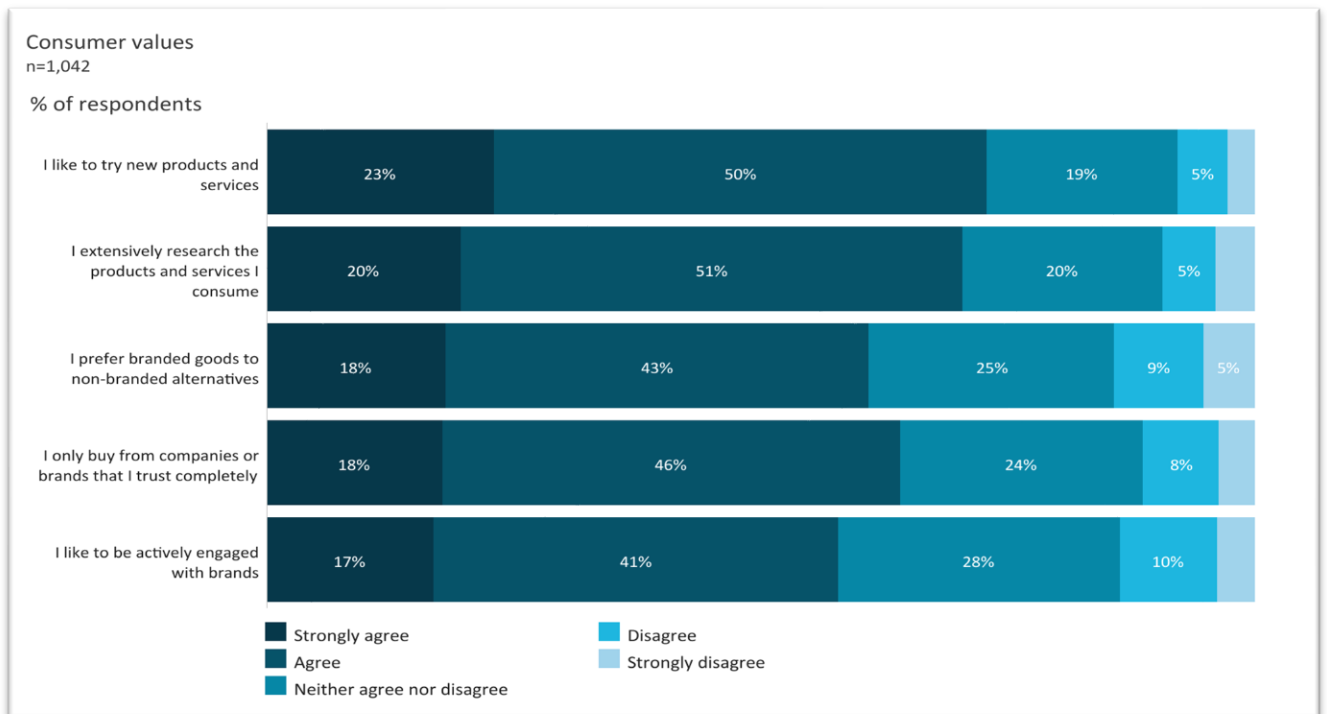
**Turkish consumer lifestyle and behaviour:**

**Consumers prefer branded goods and like trying new products**



Source: Euromonitor International, 2021

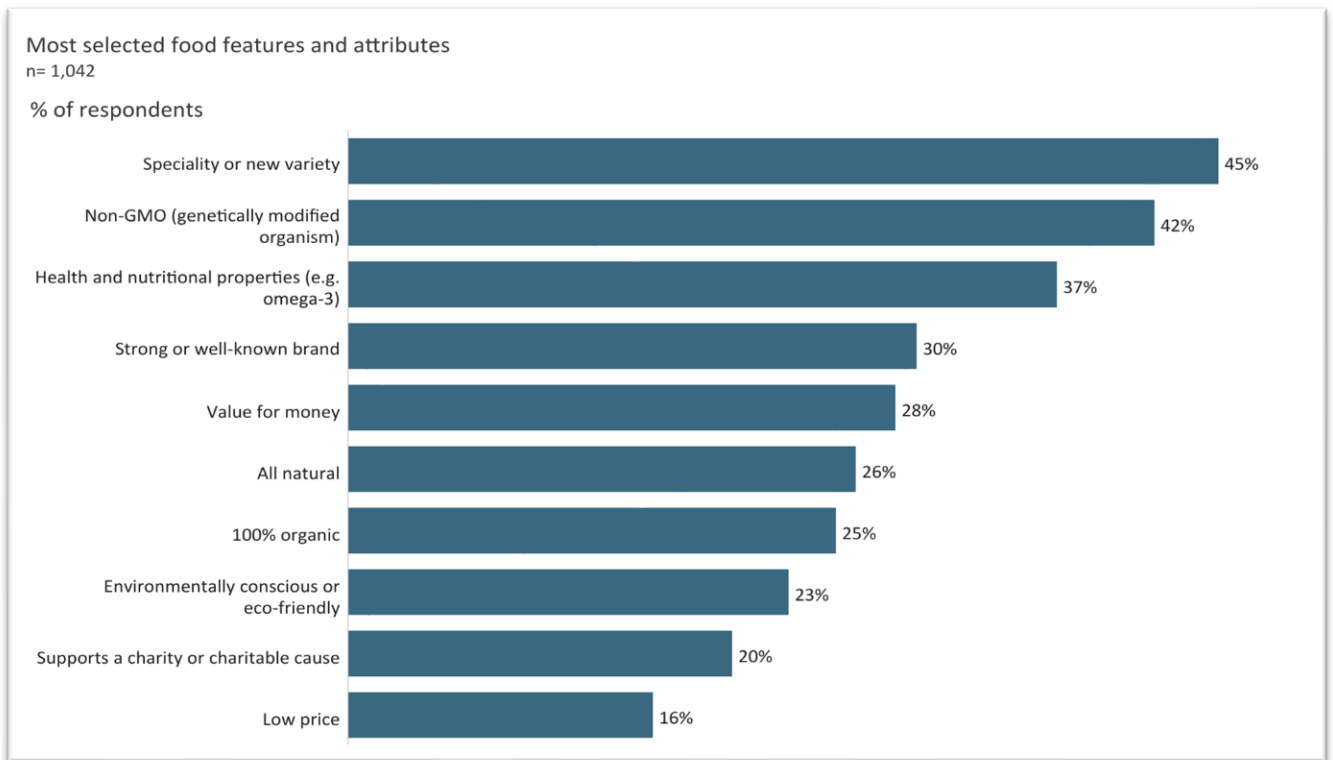
**Consumers value new products and services but research them well first**



Source: Euromonitor International, 2021

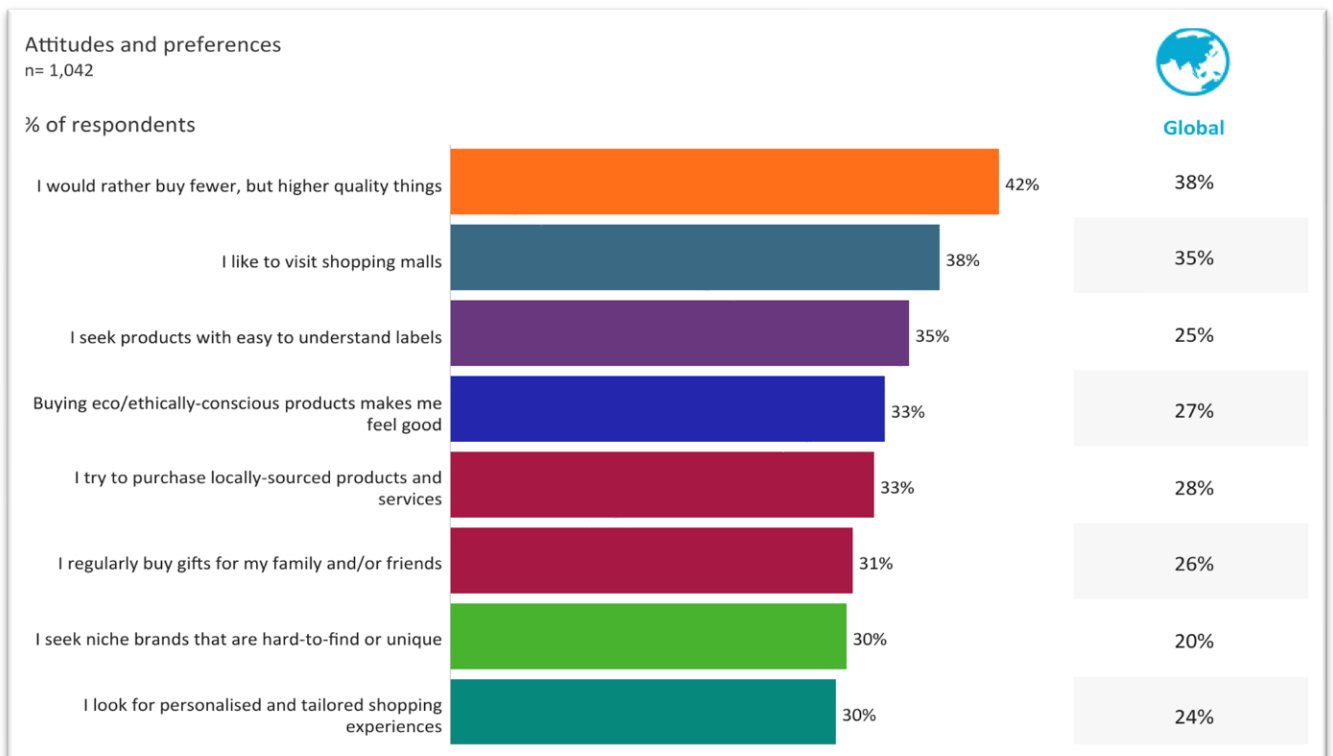


**Price is a very low determinant when selecting food features/attributes**



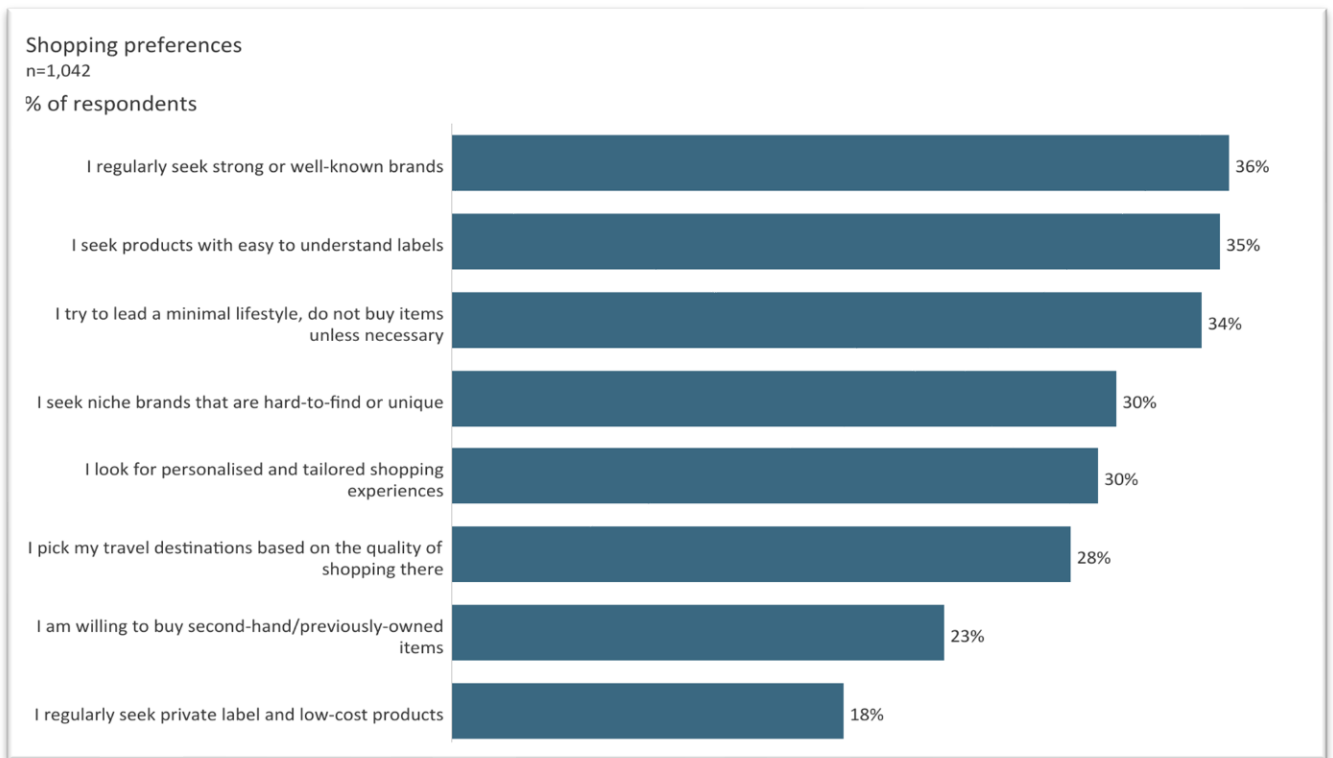
Source: Euromonitor International, 2021

**Consumers are focused on buying fewer, but higher-quality things**



Source: Euromonitor International, 2021

### Strong brands are sought-after by Turkish consumers



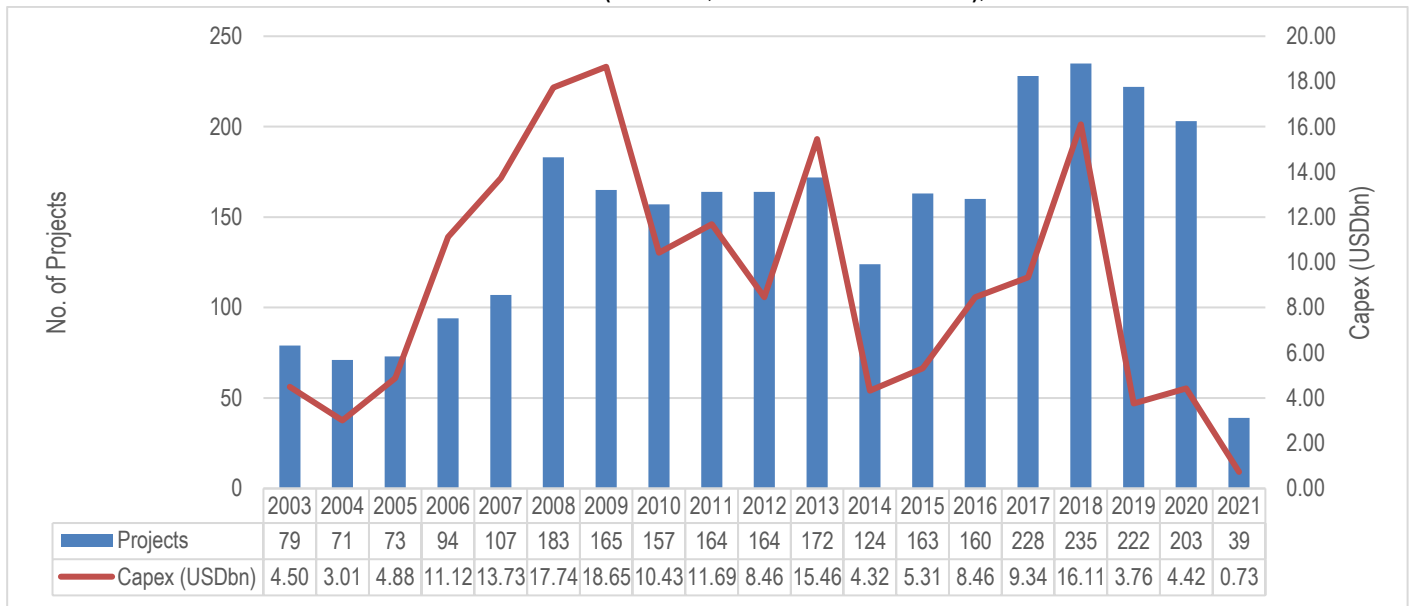
Source: Euromonitor International, 2021

## 6. FOREIGN DIRECT INVESTMENT

### 6.1 GLOBAL FDI INTO TURKEY

According to FDI Market statistics, a total of 2, 803 foreign direct investment (FDI) projects were recorded into Turkey over the period 2003 – June 2021. These projects represented a total capital investment (capex) of USD172.13bn, which equated to an average investment of USD61.4m per project. During the period, 399, 118 jobs were created.

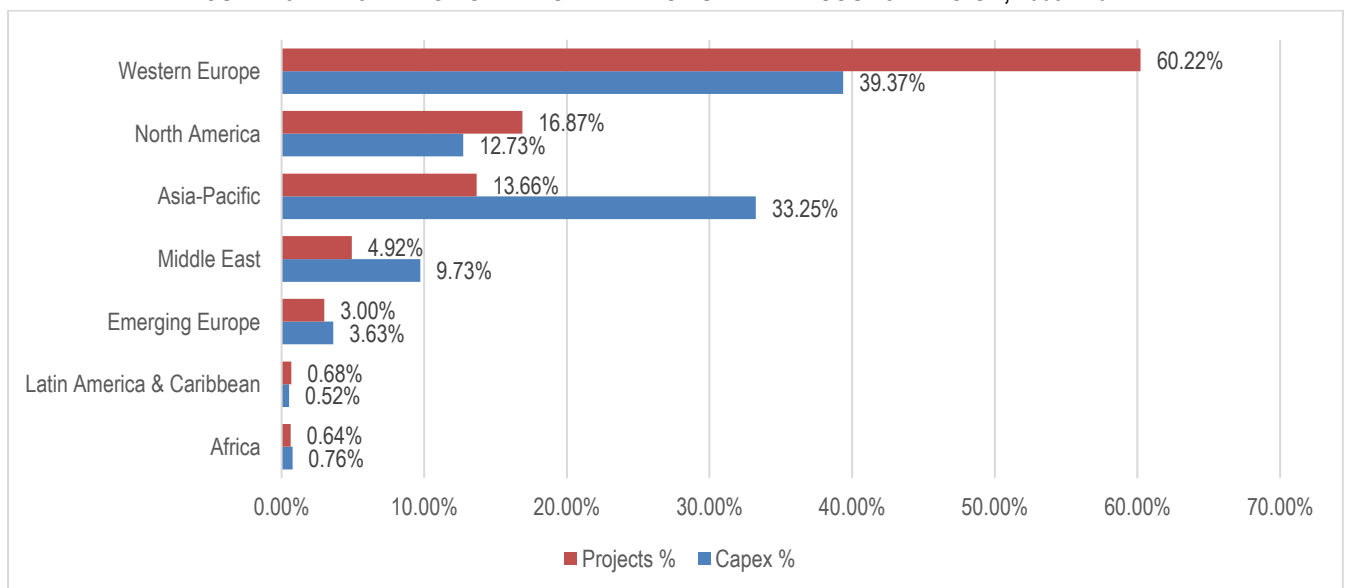
**FIGURE 14: FDI INTO TURKEY (BY YEAR, PROJECTS AND CAPEX), 2003 - 2021**



Source: FDI markets, 2021

Western Europe was the largest source region for FDI into Turkey in terms of both projects and capex. In particular, Western Europe accounted for 60.22% (1, 688 projects) of projects invested and accounted for 39.37% (USD67.77bn) of capex over the period 2003 to June 2021. North America followed with 473 projects (16.87%); Asia Pacific with 383 projects (13.66%); while the Middle East (138 projects or 4.29%) followed in a distant fourth place.

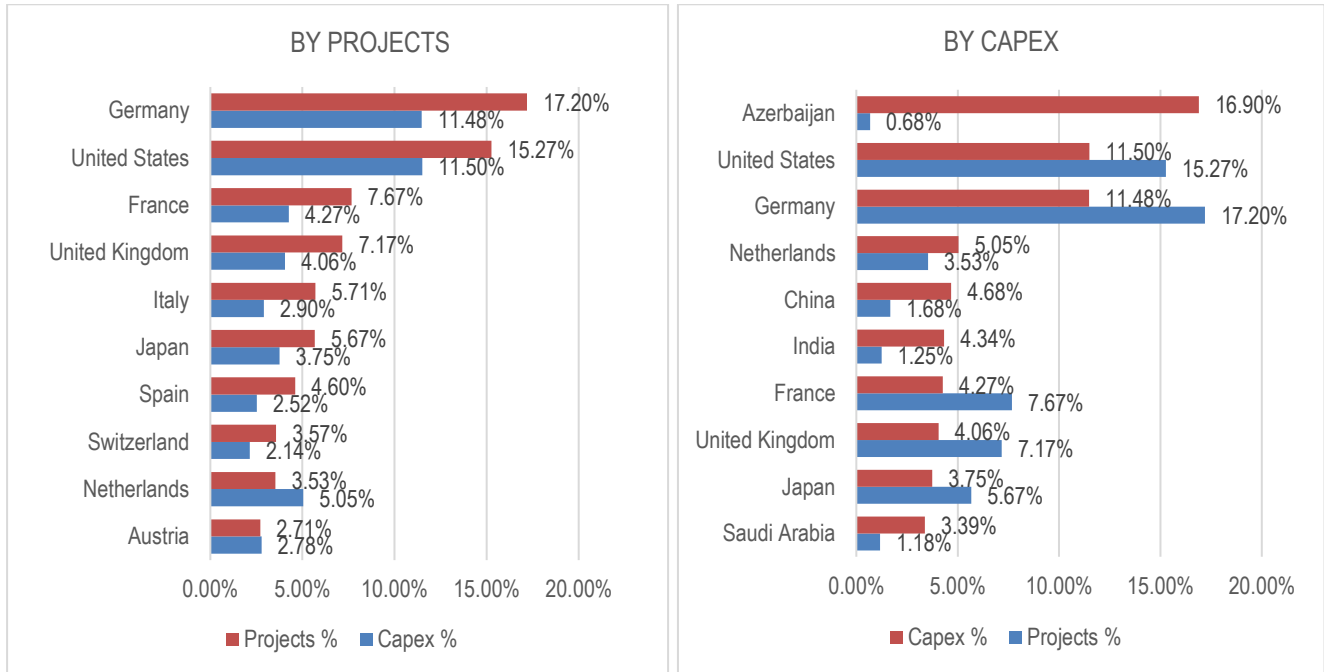
**FIGURE 15: PERCENTAGE SHARE OF FDI INTO TURKEY BY SOURCE REGION, 2003 - 2021**



Source: FDI Markets, 2021

In terms of largest source market of inward investment into Turkey by country, Germany clinched the number one position in terms of the number of projects invested over the said period. These projects accounted for 17.20% (482 projects) of total global FDI projects into Turkey over the period 2003 to 2021. Azerbaijan took the number one position in terms of the largest capex value over the said period, accounting for 16.90% of total capital investment (capex) or USD29.093bn.

**FIGURE 16: PERCENTAGE SHARE OF FDI INTO TURKEY BY SOURCE MARKET, 2003 - 2021**

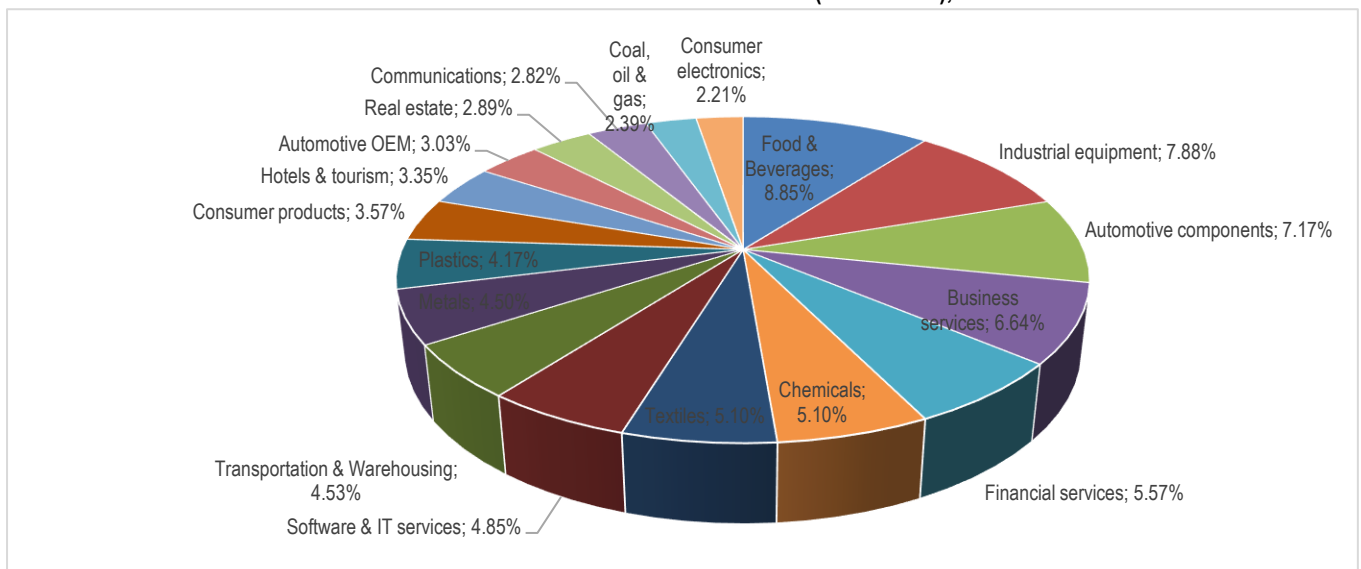


Source: FDI Markets, 2021

### Classification of FDI

The figure below presents global FDI into Turkey's economic sectors by number of projects. The industrial equipment sector was the largest recipient of FDI investment in terms of projects, and the sector's contribution was equivalent to 7.88% of the total number of inward projects received over the review period. This was followed by automotive components (7.17%) and the business services sector (5.57%).

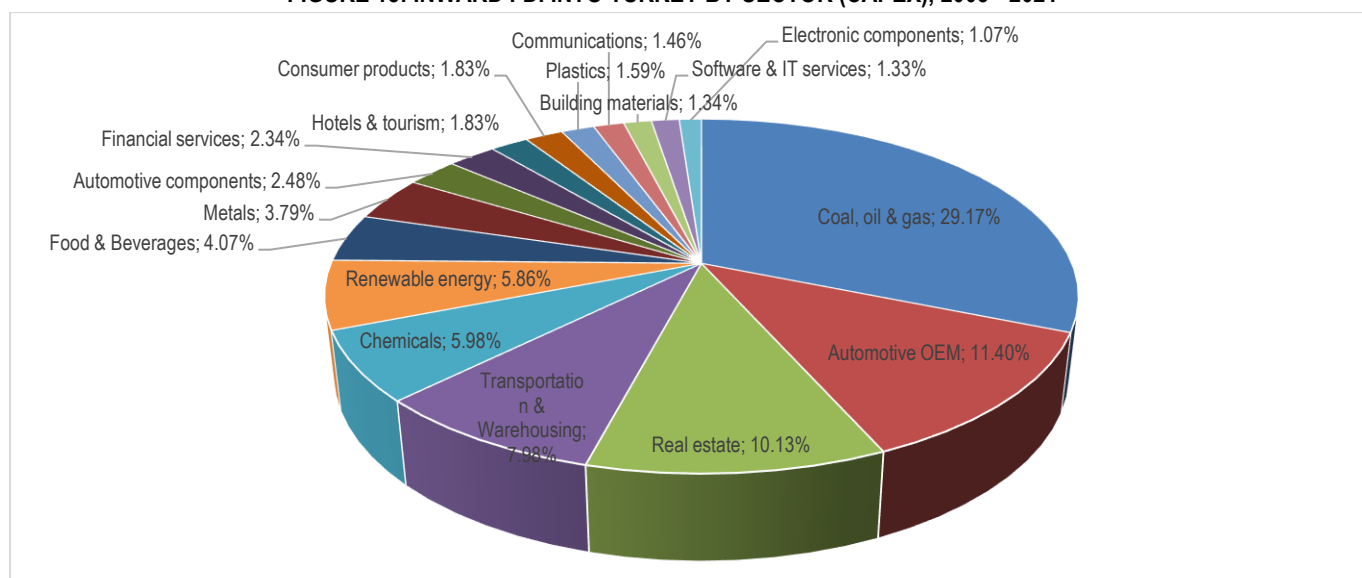
**FIGURE 17: INWARD FDI INTO TURKEY BY SECTOR (PROJECTS), 2003 - 2021**



Source: FDI Markets, 2021

In terms of sector classification of FDI by capex over the 2003 to June 2021 period, the coal, oil and gas sector was the largest recipient of FDI in terms of capex, which was equivalent to 29.17% of total capex related investment received. The automotive OEM sector placed second at 11.40%, followed by the real estate sector at 10.13%.

**FIGURE 18: INWARD FDI INTO TURKEY BY SECTOR (CAPEX), 2003 - 2021**



Source: FDI Markets, 2021

The top 10 global companies investing into Turkey by projects from 2003 to June 2021 are shown below. Multi Turkmall from the Netherlands and Tesco Kipa from the United Kingdom invested the most projects (16 projects each) into Turkey's real estate and food and beverage sectors over the period.

**TABLE 18: TOP 10 COMPANIES, FDI INTO TURKEY (BY PROJECTS), 2003 - 2021**

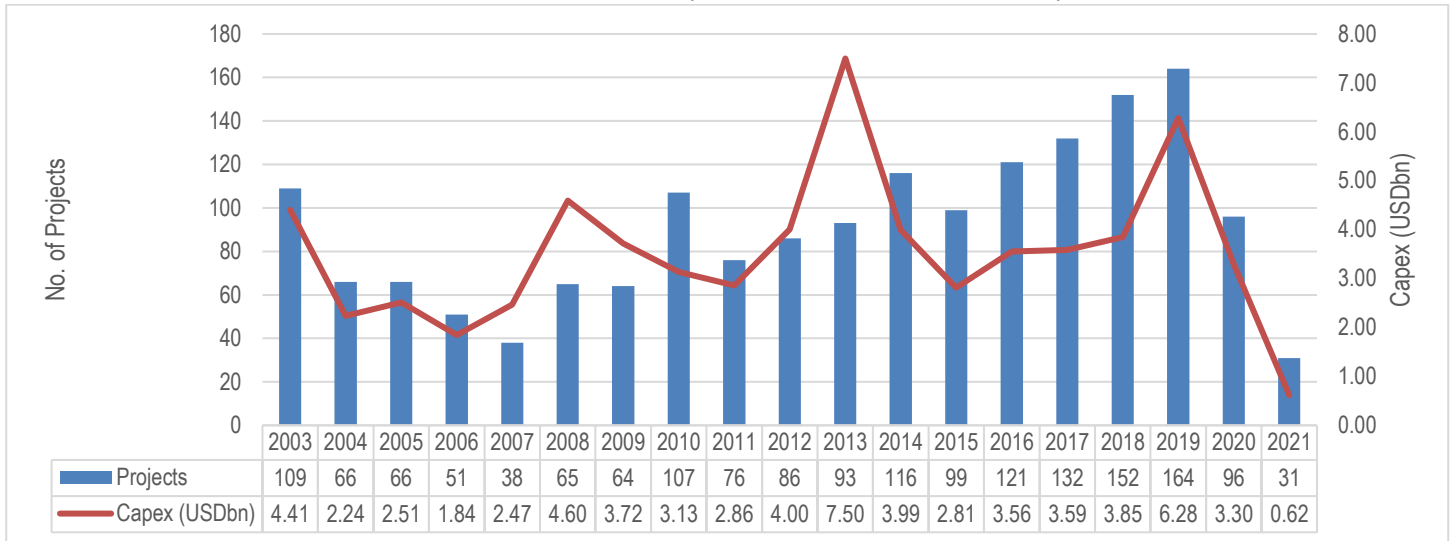
RANK	INVESTING COMPANY	SOURCE COUNTRY	SECTOR	PROJECTS	CAPEX (USDm)
1	Multi Turkmall	Netherlands	Real estate	16	5 619.90
2	Tesco Kipa	United Kingdom	Food & Beverages	16	722.70
3	Ford Otosan	United States of America	Automotive OEM	15	5 470.30
4	Albaraka Turk	Saudi Arabia	Financial services	10	215.20
5	Carrefour	France	Food & Beverages	8	206.80
6	Hilton Hotels (Hilton Worldwide)	United States of America	Hotels & tourism	8	413.90
7	TT Hotels	Germany	Hotels & tourism	8	23.40
8	Barcelo	Spain	Hotels & tourism	7	127.40
9	Danone Turkey	France	Food & Beverages	7	42.00
10	Indesit	Italy	Consumer electronics	7	245.70
<b>TOTAL</b>				<b>2 803</b>	<b>172 128.30</b>

Source: FDI Markets, 2021

## 6.2 OUTWARD GLOBAL FDI FROM TURKEY

Turning to outward investment by Turkey into the global economy from 2003 – June 2021, some 1, 732 outward investment projects were undertaken, with a total capital expenditure value of USD67.27bn. This equated to an average investment of USD38.8m per project. During the period, 287, 417 jobs were created.

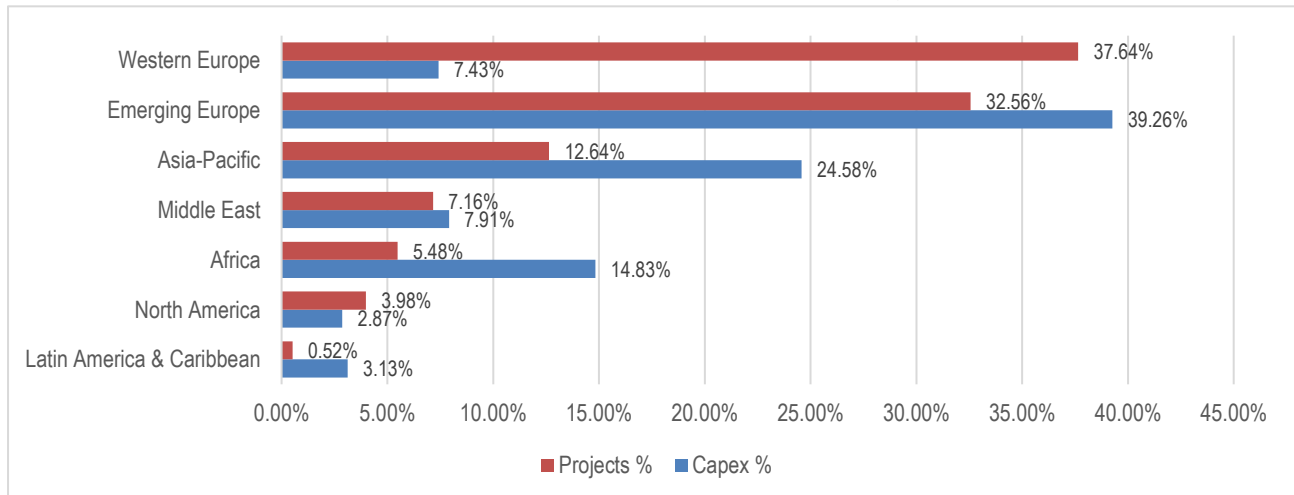
**FIGURE 19: OUTWARD FDI FROM TURKEY (BY YEAR, PROJECTS AND CAPEX), 2003 - 2021**



Source: FDI Markets, 2021

Western Europe was the largest recipient region for outward FDI from Turkey, with a total of 652 projects invested (accounting for 37.64% of projects) reaching a cumulative capital investment of USD5.00bn over the period 2003 to June 2021. Following this, the second largest destination region was Emerging Europe; with 564 projects (32.56%), reaching a total capex of USD26.41bn, while Asia Pacific followed in third place with 219 projects (12.64%) invested reaching a total capex of USD16.53bn over the period under review.

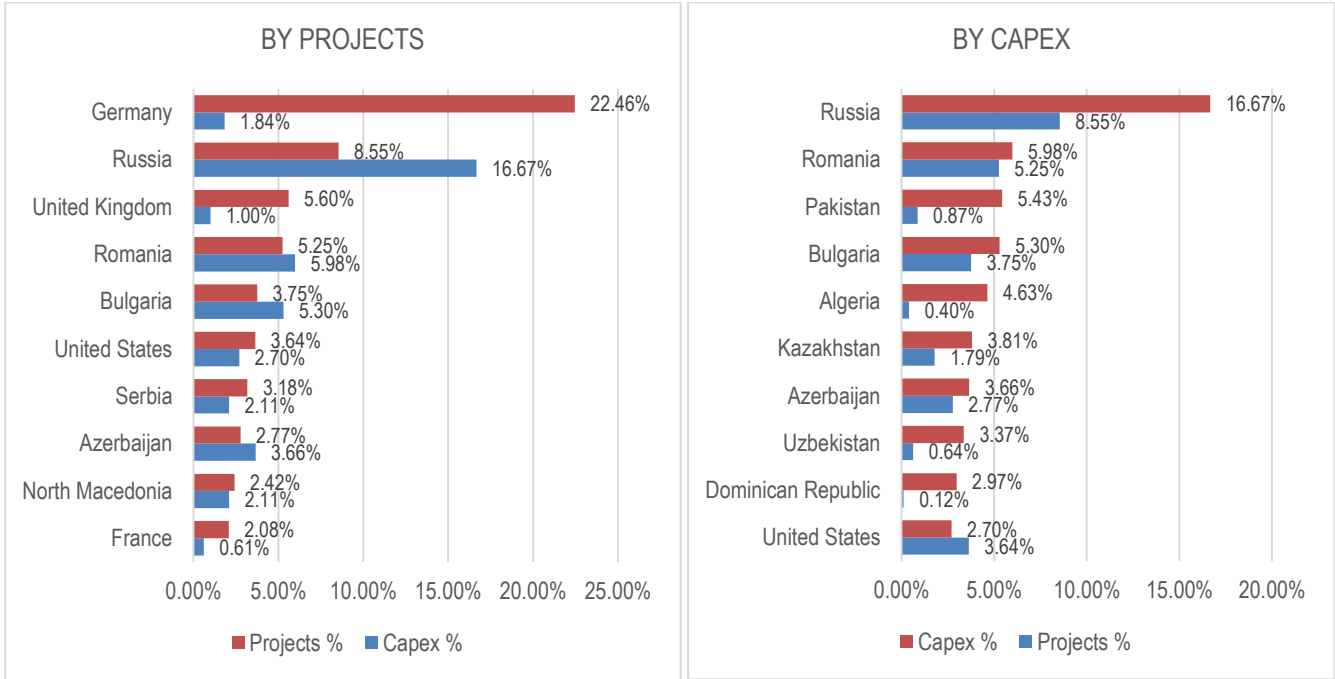
**FIGURE 20: PERCENTAGE SHARE OF FDI FROM TURKEY BY DESTINATION REGION, 2003 - 2021**



Source: FDI Markets, 2021

In terms of largest destination markets of outward investment from Turkey, Germany took the number one position in terms of the number of projects invested in over the said period. These projects accounted for 22.46% (389 projects) of total global FDI projects from Turkey over the period 2003 to June 2021. Russia secured the number one position in terms of the largest capex value over the said period, accounting for 16.67% of total capital investment (capex) or USD11.22bn.

**FIGURE 21: PERCENTAGE SHARE OF FDI FROM TURKEY BY DESTINATION MARKET, 2003 - 2021**

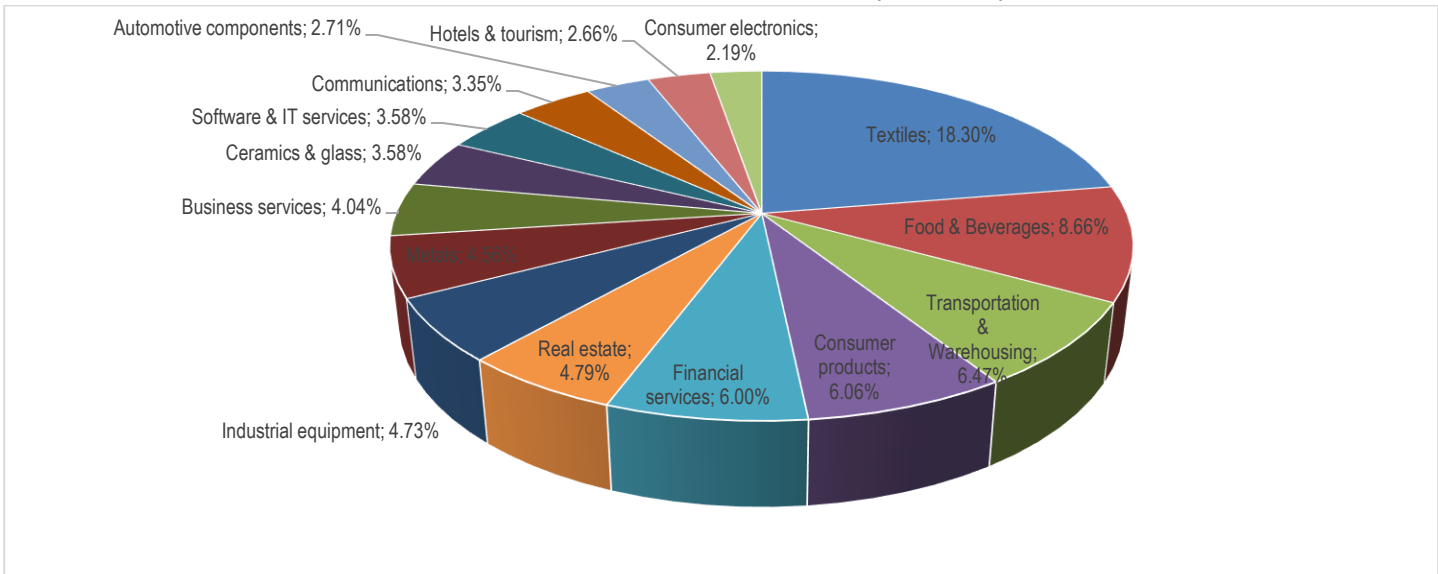


Source: FDI Markets, 2021

**Classification of FDI**

The figure below presents which sectors Turkey has invested in from a projects perspective. The textiles sector received the largest share of outward FDI from Turkey in terms of projects, equivalent to 18.30% of the total number of outward FDI projects over the review period. This was followed by the food and beverages sector (8.66%), and in third position, the transportation and warehousing sector (6.47%).

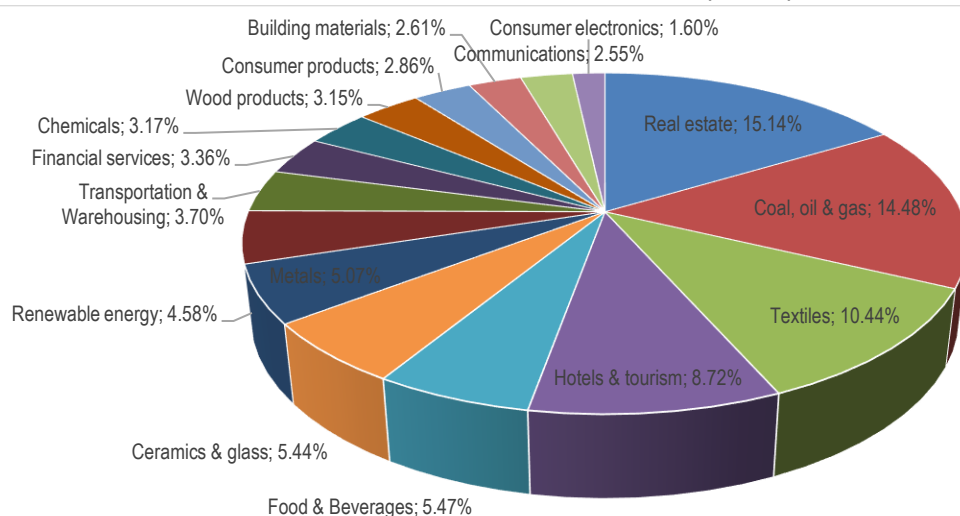
**FIGURE 22: OUTWARD FDI FROM TURKEY BY SECTOR (PROJECTS), 2003 - 2021**



Source: FDI Markets, 2021

In terms of outward FDI as measured by capex, real estate dominated at 15.14%, followed by coal, oil and gas (14.48%), and the textiles sector (10.44%).

**FIGURE 23: OUTWARD FDI FROM TURKEY BY SECTOR (CAPEX), 2003 - 2021**



Source: FDI Markets, 2021

The top 10 Turkish companies as ranked by the number of outward FDI projects undertaken globally over the period 2003 – December 2020 are tabled below.

**TABLE 19: TOP 10 COMPANIES, FDI FROM TURKEY (BY PROJECTS), 2003 - 2020**

	INVESTING COMPANY	SECTOR	PROJECTS	CAPEX (USDm)
1	LC Waikiki	Textiles	58	390.30
2	Enka TC (Ramenka)	Food & Beverages	42	2 352.50
3	Koton	Textiles	30	177.00
4	Ziraat Bank	Financial services	29	509.10
5	Turkish Airlines	Transportation & Warehousing	25	591.70
6	Ekol Logistics	Transportation & Warehousing	24	435.00
7	Rixos Hotels	Hotels & tourism	20	2 668.00
8	Istikbal Furniture	Consumer products	18	628.80
9	Orka Group	Textiles	18	107.50
10	Sisecam	Ceramics & glass	17	731.80
<b>TOTAL</b>			<b>1 732</b>	<b>67 270</b>

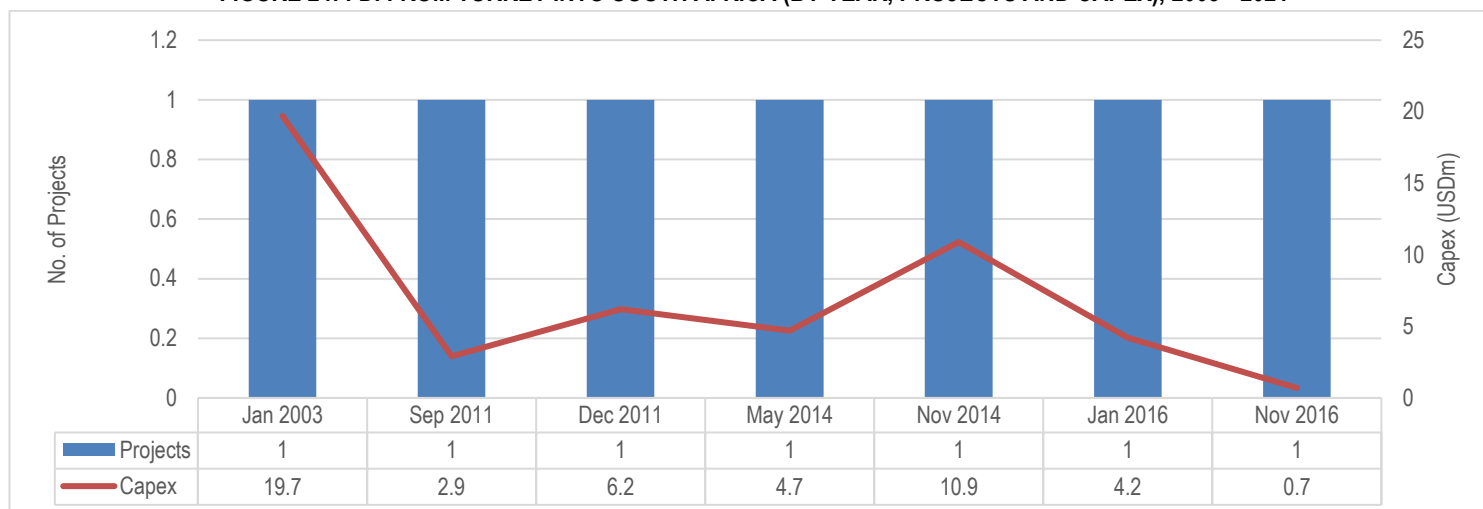
Source: FDI Markets, 2021



### 6.3 TURKEY FDI INTO SOUTH AFRICA

Between January 2003 and June 2021, a total of seven Turkish companies invested eight FDI projects into South Africa. This FDI undertaking reached a cumulative capital investment of USD49.3m and created 777 jobs in the South African economy over the period under review.

**FIGURE 24: FDI FROM TURKEY INTO SOUTH AFRICA (BY YEAR, PROJECTS AND CAPEX), 2003 - 2021**



Source: FDI Markets, 2021

The following investments were made by Turkey into South Africa between 2003 to June 2021:

**TABLE 20: OUTWARD INVESTMENT PROJECTS MADE BY TURKEY INTO SOUTH AFRICA, 2003 - 2021**

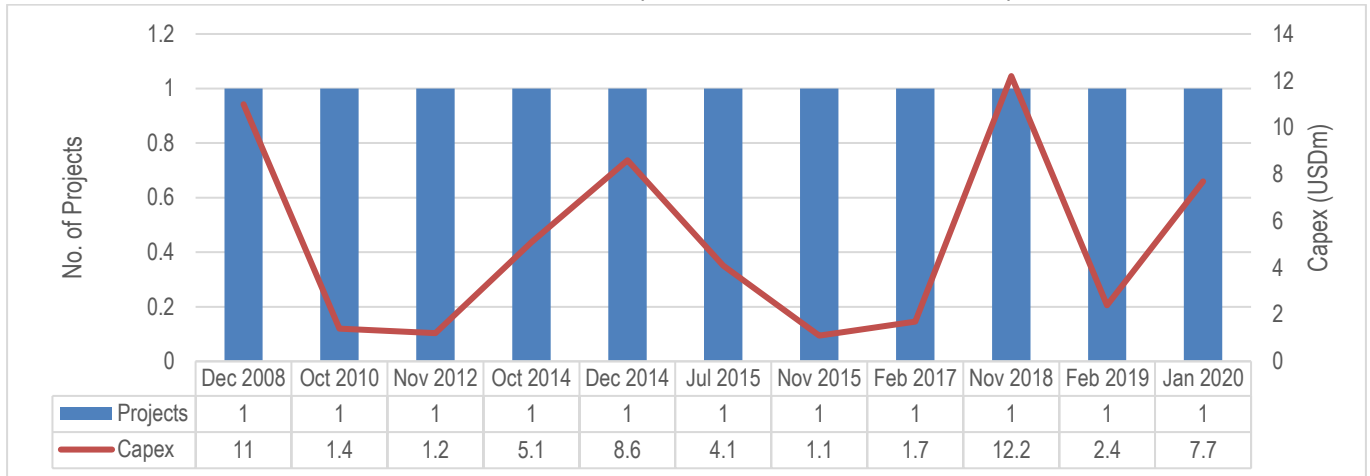
DATE	INVESTING COMPANY	DESTINATION PROVINCE	INDUSTRY SECTOR	BUSINESS ACTIVITY	CAPEX (USDm)	JOBS
Nov 2016	Defy Appliances	Gauteng	Consumer electronics	Customer Contact Centre	0.7	28
Jan 2016	Orka Group	Not Specified	Textiles	Retail	4.2	51
Nov 2014	Defy Appliances	Eastern Cape	Consumer electronics	Manufacturing	10.89	200
May 2014	Anadolu Ajansi (Anatolian Agency)	Not Specified	Communications	Sales, Marketing & Support	4.7	37
Dec 2011	Defy Appliances	KwaZulu-Natal	Consumer electronics	Manufacturing	6.2	100
Sep 2011	Aselsan Elektronik	Not Specified	Electronic components	Sales, Marketing & Support	2.9	11
Jan 2003	Zorlu Textile	Not Specified	Textiles	Manufacturing	19.7	350
<b>TOTAL</b>					<b>49.29</b>	<b>777</b>

Source: FDI Markets, 2021

## 6.4 SOUTH AFRICA FDI INTO TURKEY

Between January 2003 and December 2020, a total of seven South African companies invested 11 FDI projects into Turkey. This FDI undertaking reached a cumulative capital investment of USD56.5m and created 178 jobs in the Turkish economy over the period under review.

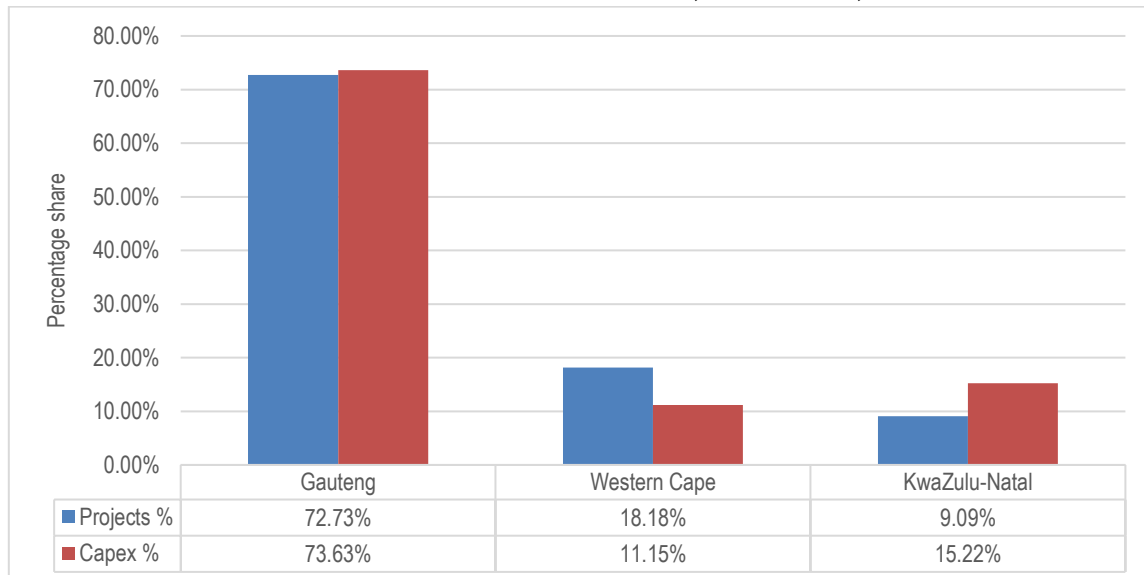
**FIGURE 25: FDI FROM SA INTO TURKEY (BY YEAR, PROJECTS AND CAPEX), 2003 - 2021**



Source: FDI Markets, 2021

From a **provincial perspective**, as represented in the graph below, Gauteng was the largest source market of South African FDI into Turkey over the review period, both in terms of the number of projects (72.73%) and capital expenditure (73.63%). The Western Cape followed in second position accounting for 18.18% of projects and 11.15% of capital expenditure.

**FIGURE 26: FDI FROM SA INTO TURKEY, BY PROVINCE, 2003 – 2021**

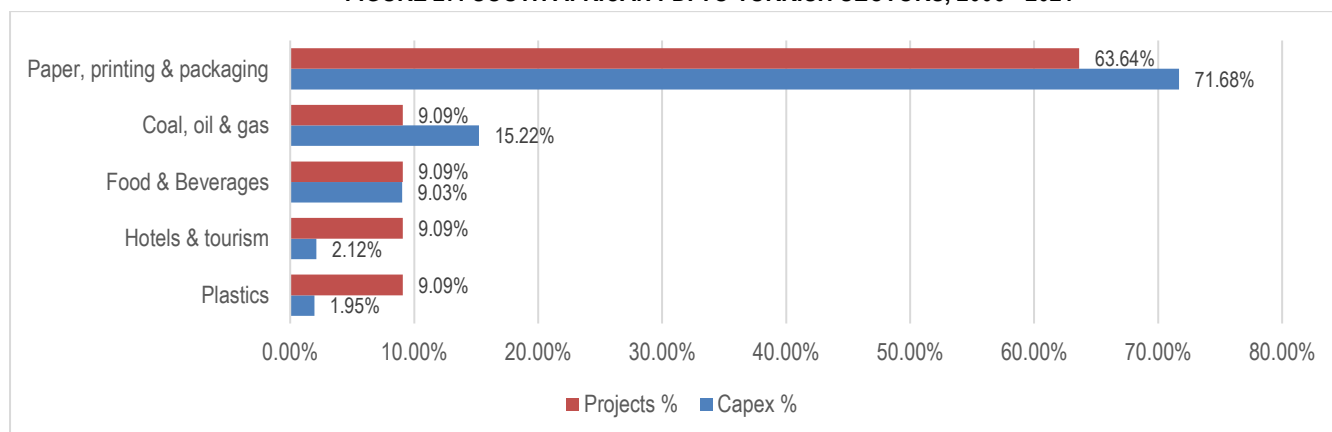


Source: FDI Markets, 2021

In terms of the sector classification of outward FDI South Africa into Turkey as measured primarily by the number of projects (with the CAPEX value as the secondary value), the following sectors were the key recipients of FDI over the period 2003 – June 2021:

- Paper, printing and packaging with seven projects accounted for 63.64% of total outward FDI projects by South Africa into Turkey. The relative capex % value stood at 71.68%.
- All other sectors except for building materials had one project each.

**FIGURE 27: SOUTH AFRICAN FDI TO TURKISH SECTORS, 2003 - 2021**



Source: FDI Markets, 2021

Top South African companies investing into Turkey over the period 2003 to June 2021 are tabled below:

**TABLE 21: TOP 10 COMPANIES, FDI SA INTO TURKEY (BY PROJECTS), 2003 - 2021**

RANK	COMPANY	SECTORS	PROJECTS	CAPEX (USDm)	JOBS
1	Mondi Tire Kutsan	Paper, printing & packaging	5	28	222
2	Capespan Continent	Food & Beverages	1	5	18
3	Cockett Marine Oil	Coal, oil & gas	1	9	54
4	Mondi Group	Paper, printing & packaging	1	11	42
5	Mondi Istanbul Ambalaj	Paper, printing & packaging	1	2	7
6	Mutlu Plastik	Plastics	1	1	10
7	Travelstart	Hotels & tourism	1	1	25
<b>TOTAL</b>			<b>11</b>	<b>57</b>	<b>378</b>

Source: FDI Markets, 2021

## 6.5 TURKEY FDI INTO WESTERN CAPE

Over the period 2003 to June 2021, there were no outward FDI projects from Turkey into the Western Cape.

## 6.6 WESTERN CAPE FDI INTO TURKEY

Between January 2003 and June 2021, a total of two Western Cape-based companies invested two FDI projects into Turkey. This FDI undertaking reached a cumulative capital investment of USD6.30m and created 43 jobs in the French economy over the period under review.

**TABLE 22: FDI INVESTMENTS MADE BY THE WESTERN CAPE INTO TURKEY, 2003 - 2021**

DATE	INVESTING COMPANY	INDUSTRY SECTOR	BUSINESS ACTIVITY	CAPEX (USDm)	JOBS
2014 Oct	Capespan Continent	Food & Beverages	Sales, Marketing & Support	5.1	18
2012 Nov	Travelstart	Hotels & tourism	Sales, Marketing & Support	1.2	25
<b>TOTAL</b>				<b>6.3</b>	<b>43</b>

Source: FDI Markets, 2021

## 7. TOURISM

### 7.1 TURKEY TOURISM MARKET OVERVIEW

As with the rest of the world, the COVID-19 pandemic has caused major declines in both inbound arrivals and outbound departures for Turkey. According to Euromonitor International, the pandemic also coincided with an economic slump which only worsened economic problems for the country. Turkish consumer spend has become significantly stifled and there has been a substantial drop in outbound tourism since 2019.

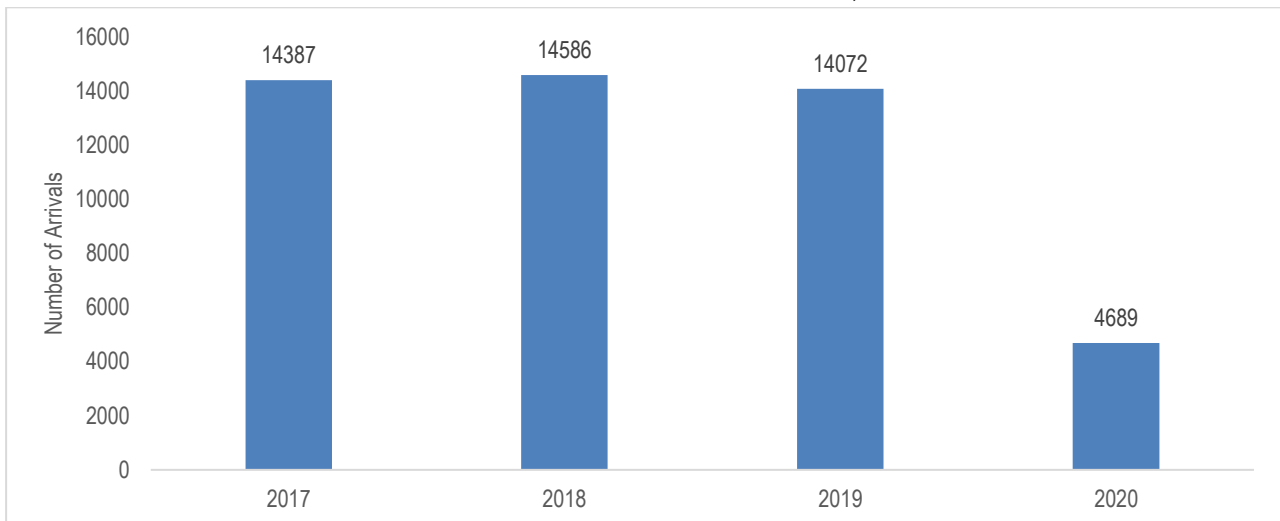
Pre-pandemic, tourism has been a driver of the South African economy over the last decade with consistent growth in tourism arrivals. The biggest growth from Turkey was seen in 2018 with a 1,4% y-o-y growth and close to 15,000 arrivals.<sup>7</sup>

### 7.2 TURKEY TOURIST ARRIVALS INTO SOUTH AFRICA

The graph below depicts total tourist arrivals from Turkey into South Africa from 2017 - 2020. A -66,7% decline in Turkish tourist arrivals was experienced in 2020 due to the impact of the pandemic on international travel.

In 2020, Turkish tourists to South Africa primarily travelled for Holiday (42,8%), MICE (22,7%), and VFR (17,6%). Travellers from this country are typically between the ages of 25-34 (31%) and 35-44 (25,2%).

**FIGURE 28: TURKISH TOURIST ARRIVALS TO SOUTH AFRICA, JAN 2018 – FEB 2020**



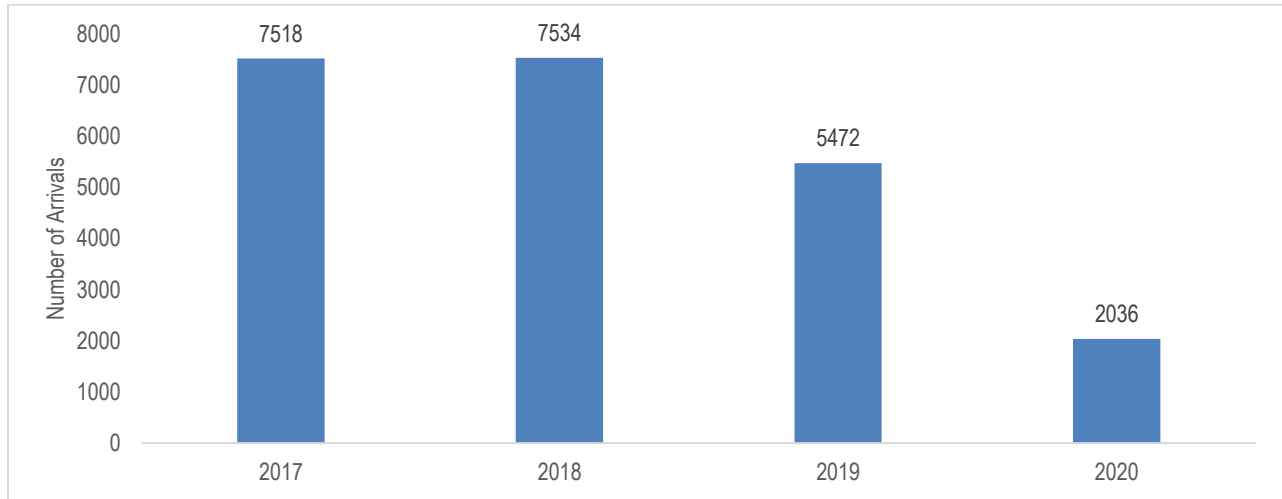
Source: SA Tourism, 2021

<sup>7</sup> Source: Euromonitor, 2021

### 7.3 TURKEY TOURIST ARRIVALS INTO THE WESTERN CAPE

Over the past few years, the Western Cape saw the strongest volume in Turkish tourists in 2018 with 7 534 visitors. Of all the nine provinces, the Western Cape consistently recorded the largest share of Turkish tourists between 2017 and 2019, as reflected in Figure 51 below:

**FIGURE 29: TURKISH TOURIST ARRIVALS TO THE WESTERN CAPE**



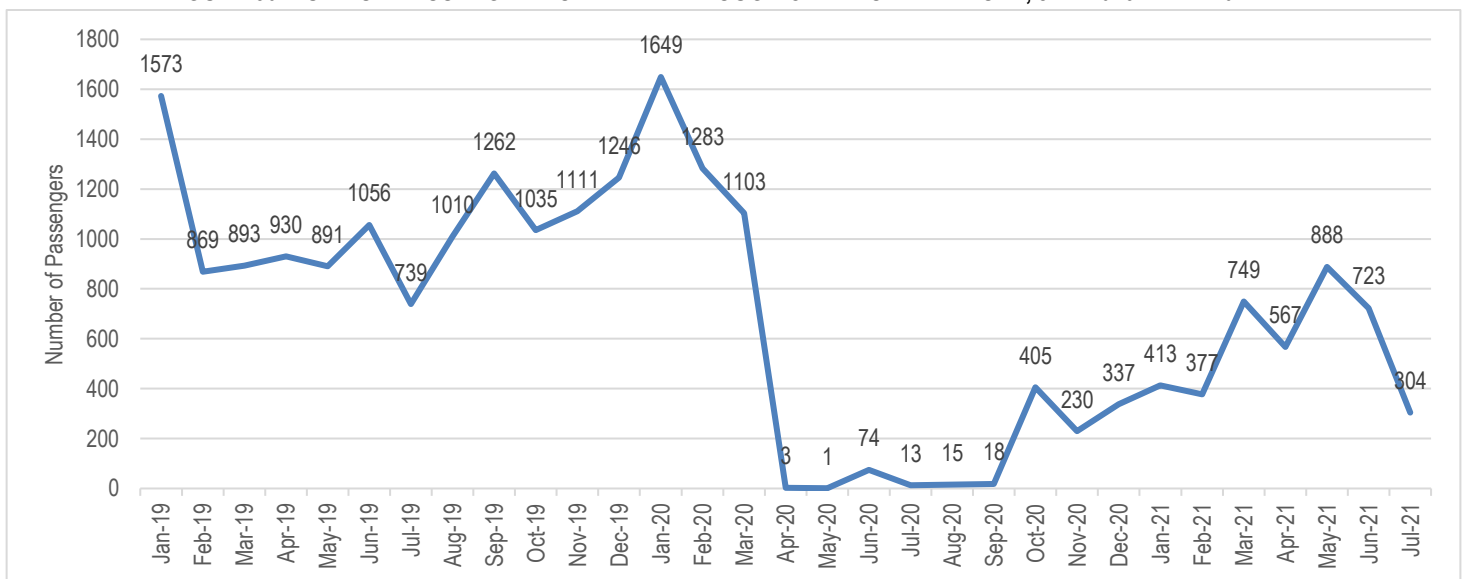
Source: SA Tourism, 2021

### 7.4 TURKISH PASSENGER MOVEMENT THROUGH CAPE TOWN INTERNATIONAL AIRPORT

According to the latest OAG Traffic Analyzer data, Turkey passenger movement through Cape Town International Airport plummeted in April 2020, after the nationwide lockdown commenced on 26 March 2020. Passenger movement was almost non-existent between April and September 2020.

Passenger movement rose with the re-opening of air travel in October 2020 and has been climbing slowly with a peak in May 2021 (888 passengers) since the start of the pandemic.

**FIGURE 30: TURKISH PASSENGER MOVEMENT THROUGH CAPE TOWN AIRPORT, JAN 2019 – FEB 2021**



Source: OAG Traffic Analyzer, 2021

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