Turkey Market Overview

Hong Kong Trade Development Council (HKTDC)

Recent Developments

• Thanks to the gradual global recovery and its low interest rates and sustained public spending ahead of general election, Turkey ended last year with GDP growing 8.9%. However, chronically high jobless rate, faltering industrial production and the more restrictive monetary and fiscal policy mix will likely moderate growth to a more sustainable pace. Taken together, Turkey is forecast to see GDP grow by 5.7% and 3.5% in 2011 and 2012, respectively.
• Hong Kong's total exports to Turkey rose by 23% to US$506 million in the first seven months of 2011, while imports from Turkey soared by 81% to US$238 million.

Current Economic Situation

The Turkish economy ended 2010 with a strong GDP revival of 8.9%, thanks largely to the gradual global recovery and its low interest rates and sustained public spending ahead of general election in June 2011. Under the dark cloud of the European sovereign debt crisis and the political turmoil in the Middle East and North Africa (MENA) region, the return of foreign investment and improvements of labour and credit market conditions have shown signs of cooling in recent months, while industrial production has faltered in light of slowing exports.

With the more restrictive monetary and fiscal policy mix coming into play to rein in inflation and the revival of domestic demand easing with the deteriorating employment prospects, Turkey is forecast to see growth moderate to a more sustainable pace. Still-tight credit conditions and the uninspiring economic conditions in many of its trading partners are set to limit the contribution to growth of investment, industrial production and exports. On the whole, Turkey is forecast to see slower growth of 5.7% in 2011 and 3.5% in 2011.

Trade Policy

Turkey has significantly liberalised its import regime, especially in the last decade. Any individual or enterprise can freely register to engage in the import business. It is a member of the WTO, and its tariff scheme is based on the Harmonised System (HS) for commodity coding.

**EU-Turkey Customs Union**

The EU-Turkey Customs Union came into force in January 1996, under which Turkey and the EU have abolished all customs duties, other surcharges and import quotas levied on most manufactured products from each other. Turkey has also adopted the EU’s Common External Tariffs imposed on imports from third countries and economies. Products imported from sources other than the EU and Turkey can thus move freely within the EU and Turkey, if all import formalities have been complied with and custom duties, or charges having an equivalent effect,
have been levied in the importing country.

Nonetheless, traditional agricultural products are not covered by the arrangements, and will be included in the Customs Union only after Turkey has completed the alignment of its agricultural sector with the EU’s common agricultural policy. On the other hand, some industrial products from the least developed and developing countries (including the Chinese mainland) benefit from the EU’s Generalised System of Preferences (GSP). With the creation of the Customs Union between the EU and Turkey, such products are also covered under Turkey’s GSP regime.

**Measures not covered by the Customs Union**

Trade-protection measures such as anti-dumping, however, have not been eliminated between the EU and Turkey. Such protective measures have likewise not been eliminated with respect to dumped and subsidised products from third countries. In other words, Turkey has its own anti-dumping actions, which are separate from those of the EU. Turkey used to impose safeguard quotas on certain textile products originating from the Chinese mainland, which were again different and separate from those of the EU, but they were expired by the end of 2008.

**Product standards**

The Turkish Standards Institution, or TSE, is the product standardisation body of Turkey, responsible for setting product standards and ensuring compliance. Taking electrical and electronic products as an example, while there is a minimum two-year warranty requirement, it is also necessary to obtain technical approval by TSE, and attain the European CE standard certification under the requirements set out by TSE, before the products can be imported and placed onto the Turkish market. As for toys, TSE also imposes a number of safety standards, which in large follow those required by the EU. Therefore, the attainment of CE standards certification can serve as a good reference for fulfilling the TSE requirements.

**RoHS and WEEE**

To harmonise with the relevant EU directives, Turkish RoHS entered into force in June 2009. Regarding waste electrical and electronic equipment (WEEE), the Turkish Ministry of Environment and Forestry released on 23 July 2010 a draft WEEE take-back regulation on the Ministry’s website for opinions. Subject to further discussion, the expected date of it coming into force is 1 January 2012.

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