

MARKET ACCESS SERIES

Potential for a Pakistan – Turkey Free Trade Agreement

June 2020

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Team Leader
Samir S. Amir

Lead Researcher
Rabia Tariq

Disclaimer

The findings, interpretations and conclusions expressed do not necessarily reflect the views of the Board of Directors and Members of the Pakistan Business Council or the companies they represent.

Any conclusions and analysis based on the data from ITC Trade Map, ITC Market Access Map, Pakistan Bureau of Statistics, Presidency of the Republic of Turkey Investment Office, Republic of Turkey- Ministry of Trade, the World Bank and World Integrated Trade Solution are the responsibility of the author(s) and do not necessarily reflect the opinion of the ITC, World Bank, or the European Commission. Although every effort has been made to cross-check and verify the authenticity of the data, the Pakistan Business Council, or the author(s), do not guarantee the data included in this work. All data and statistics used are correct as of 10th June, 2020 and may be subject to change.

For any queries or feedback regarding this report, please contact samir@pbc.org.pk or rabia@pbc.org.pk.

The Pakistan Business Council: An Overview

The Pakistan Business Council (PBC) is a business policy advocacy platform, established in 2005 by 14 (now 82) of Pakistan's largest private-sector businesses and conglomerates, including multinationals. PBC businesses cover nearly all sectors of the formal economy. It is a professionally-run organization headed by a full-time chief executive officer.

The PBC is a not-for-profit entity, registered under Section 42 of the Companies Ordinance 1984. Though it is not required under the law to do so, the PBC follows to the greatest extent possible, the Code of Corporate Governance as applicable to listed companies.

The PBC is a pan-industry advocacy group. It is not a trade body nor does it advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers to allow Pakistani businesses to compete in regional and global arenas. The PBC conducts research and holds conferences and seminars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan.

The PBC works closely with relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues which impact the conduct of business in and from Pakistan. The PBC has submitted key position papers and recommendations to the government on legislation and other government policies affecting businesses. It also serves on various taskforces and committees of the Government of Pakistan as well as those of the State Bank, the SECP and other regulators with the objective to provide policy assistance on new initiatives and reforms.

The PBC's Founding Objectives

- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and fieldwork for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

The PBC's Member Companies





Executive Summary

Pakistan and Turkey established diplomatic relations in April 1954. It was at this time that both countries signed a treaty of friendship and cooperation. Bilateral relations are based on historical ties, common adversaries, mutual goals and a similar vision of foreign policy. With a population of over 212.2 million in 2018, Pakistan is a much larger country than Turkey, which has a population of about 82.3 million. Pakistan however, is classified as a lower-middle income country while Turkey is classified as an upper-middle income country. With a share of 29.5% by industry in its GDP, Turkey is a much more industrialized economy as compared to Pakistan where the contribution of industry is around 18.0% to GDP. In the context of trade, Turkey trades approximately 4.6 times more than Pakistan. Turkey's global trade was worth \$391.0 billion, while Pakistan's global trade was worth \$83.8 billion in 2018.

Since 1995, Turkey has had a customs union with the EU. In December 2013, the EU granted Pakistan GSP+ status. Under the terms of the Turkish – EU customs union agreement, Pakistan wanted to secure GSP+ status from Turkey as well. However, due to the latter's reluctance, the two countries reached a compromise and agreed to negotiate a bilateral FTA.

Section 2 of this report analyzes the trade profiles of both countries. Pakistan's imports from the world have been higher than its exports for a number of years. The trade deficit in 2018 amounted to \$37.0 billion. In 2018, Pakistan exported goods worth \$23.6 billion and the Compound Annual Growth Rate (CAGR) for the last ten years had been 3.4%. At HS-06 level, "Semi-milled or wholly milled rice, whether or not polished or glazed" (HS-100630) was the leading export of the country with an export value of \$1.8 billion in 2018. The importance of the country's textile sector can be seen from the fact that fifteen out of the top 25 exports were of textile commodities. Combined, these contributed 34.6% to Pakistan's total exports. On the import side, Pakistan's imports from the world amounted to \$60.2 billion in 2018, with a growth rate of 7.4% for the last ten years. Six of the top 25 items belonged to the mineral fuels and oils group which contributed 27.7% to total imports. USA, China and UK were Pakistan's top three export destinations while China, the UAE and Saudi Arabia were the top three import sources in 2018.

Similar to Pakistan, Turkey's trade deficit has been negative since 2009. The unfavorable trade balance was the lowest in 2019, valued at \$30.0 billion which is a considerable improvement over the last decade. Turkey's exports in 2019 amounted to \$171.1 billion, with a growth rate of 5.2% since 2009. The importance of the country's automobile sector can be seen from the fact that nine out of the top 25 export commodities fall under the classification of vehicles. Meanwhile, Turkey's import bill for the year amounted to \$200.7 billion with a CAGR of 3.6%. Countries in the EU, such as Germany, Italy and France, are important trading partners for Turkey.

Turkey's trade balance with the EU had been in the negative since 2009. It turned favorable in 2018 and in 2019, the trade surplus was \$15.4 billion. Turkey's exports to the EU are mostly machinery and transport equipment, followed by manufactured goods. Ten out of the top 25 exports fall under the classification of vehicles, the export value of these amounted to \$17.3 billion in 2019. On the import side, six of the top 25 imports from the EU fall under the classification of machinery and mechanical appliances. Imports of these commodities amounted to \$3.8 billion in 2019. Germany is the most important trading partner of the country in the EU as it is the largest exporter to Turkey, exporting 26.0% of Turkey's imports from EU as well as the largest importer, importing 18.0% of Turkey's exports to EU. All in all, the EU is an important trade partner for Turkey as it accounts for approximately 34.4% of Turkey's total imports and 49.3% of its exports.

Section 3 provides an overview of Pakistan and Turkey's bilateral trade since 2009. Pakistan's imports from Turkey have seen an increasing trend (CAGR 10.0%) after 2013, while Pakistan's exports to Turkey have exhibited a downward trend (CAGR -3.3%). In 2018, Pakistan's exports to Turkey were \$303.0 million while imports were worth \$358.0 million, resulting in a trade deficit of \$55.0 million which was the highest of all years for Pakistan's bilateral trade with Turkey since 2009. At HS-06 level, "Denim" (HS-520942) was the largest export to Turkey, with a value of \$97.6 million. Furthermore, fourteen of the top 25 exports fall under the category of textiles. These constitute 63.4% of total exports to Turkey. Meanwhile, eight out of the top 25 imports from Turkey consisted of machinery. The value for these commodities amounted to \$57.5 million in 2018.

The exports of Turkey complement the imports of Pakistan better than the exports of Pakistan complement Turkish imports. Over the last few years, complementarity of Turkey's exports with Pakistan's imports has decreased slightly. On the other hand, trade complimentary for Pakistan's exports with Turkey's imports have shown an increasing trend since 2016. The complementarity of Turkish exports with Pakistan's imports – the index for Turkey is 0.51 for Turkey as opposed to Pakistan's complementarity index for its exports to Turkey of 0.20, indicates that in the event of signing of an FTA between the two countries, the Turkish export industry will stand to gain much more as compared to Pakistani firms.

The comparative advantage index is also used to compute both countries advantage (disadvantage) over the other in a specific product group. The result implies that Pakistan has the highest advantage in the export of "Denim" (HS-520942). The country has a definitive comparative advantage in textile goods, agriculture and food products while Turkey is competitive in the export of metals and machinery.

This study also focuses on the potential for bilateral trade between the two countries. At HS-06 level, Pakistan has an indicative trade potential for the top 25 items amounting to \$2.3 billion – for these top 25 items, Pakistan exported a mere \$137.4 million to Turkey in 2018. "Instruments and appliances used in medical, surgical or veterinary sciences" (HS-901890) holds the highest potential worth \$352.9 million. The tariff faced on this product is however currently 0% and Pakistani exporters need to identify the actual reason for their failure to capitalize on this opportunity. Furthermore, "Durum wheat" (HS-100119), "Footwear with outer soles of rubber, plastics or composition leather" (HS-640399) and "Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes" (HS-300490) are among those commodities which have a high potential, but are currently not being exported to Turkey. Except for agricultural goods, most of these other commodities already have 0% tariff charged by Turkey.

Similarly, the indicative trade potential for the top 25 Turkish exports to Pakistan amounted to \$4.6 billion while Turkey exported a mere \$37.4 million of those commodities to Pakistan. "Motor cars and other motor vehicles principally designed for the transport of persons" (HS-870321) holds the largest export potential for Turkey amounting to \$542.1 million. However, Turkey did not export this commodity to Pakistan at all in 2018.

A further analysis of the high potential items for Pakistan indicates that textile products, mostly with low value-addition are among the top 25 items while for Turkey the high potential items are mostly in the high-value added manufacturing sectors such as the automobile sector.

Section 4 reviews Turkey's state-sponsored TURQUALITY® program- a combination of the words Turkey and Quality. This program aims to prepare Turkish companies for the global arena by improving production, marketing, sales, after-sale services for product groups with competitive advantage. Unlike traditional export support programs, the focus of the TURQUALITY® program is to contribute to the branding goals of the companies, rather than just increasing exports. Additionally, the program seeks to create a positive image of products produced in Turkey. Apart from its Brand Program, in which the TURQUALITY® Program

provides assistance to potential brands, support is also extended through Development Roadmap Study, Manager Development Program and Vision Seminars. Currently, 312 companies with 325 brands are being supported and the most significant indicator that the program's efforts are yielding results is that while the unit price of Turkish exports in 2018 was \$1.33, the unit price of exports of the companies that benefited from design support of the program was \$13.1.

Turkey's automotive industry and its potential in a possible Pakistan-Turkey FTA has been reviewed in Section 5. At present, the automotive industry is the largest contributor to Turkish exports. Due to value-added production, meeting and exceeding international quality and safety standards, the Turkish automobile industry is highly efficient and competitive. The aggregate potential for Turkey to export the top 25 automotive commodities to Pakistan amounted to \$2.2 billion in 2018. However, Turkey exported only \$2.1 million of these products to Pakistan. This huge gap indicates that Turkey can increase its exports of automobiles to Pakistan under favorable tariff conditions. Five out of the top 25 products fall under HS-8703 "Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars".

Finally, Pakistan's textile sector has also been analyzed. The country is the 8th largest exporter of textile products in Asia and these commodities accounted for 57.4% of Pakistan's total export earnings in 2018. Turkey is Pakistan's 12th largest export destination for these products even though Pakistan accounts for a mere 2.2% of Turkey's textile imports. Pakistan had the potential to export textile goods worth \$10.3 billion to Turkey in 2018. Out of these, the aggregate of the top 25 high potential goods amounted to \$1.2 billion. Furthermore, top textile products imported by Turkey which have a growth rate of more than 4.0% have also been identified as can be seen in Table 21. Pakistani manufacturers can focus on such goods and explore the potential market.

All in all, the analysis indicates that Pakistan holds high potential in commodities which have low value addition. Most of these products already have 0.0% tariff applied by Turkey or fall under agricultural products where any sort of concession maybe difficult to obtain. The other major class of high potential products fall under the textile category. These also have low value addition as they mainly consist of denim fabric, cotton yarn and so on. On the other hand, Turkey holds the potential to export machinery or goods from the auto industry which involve high value addition.

Based on the findings of this study, PBC recommends that Pakistan disassociate itself from the FTA negotiations and instead insist that Turkey allow Pakistan unilateral market access to which it is entitled under the GSP+ program.

List of Acronyms

APTMA	<u>Pakistan Textile Mill Association</u>
BRCA	<u>Bilateral Revealed Comparative Advantage</u>
CAGR	<u>Compound Annual Growth Rate</u>
ECO	<u>Economic Cooperation Organization</u>
EU	<u>European Union</u>
FTA	<u>Free Trade Agreement</u>
GDP	<u>Gross Domestic Product</u>
GSP	<u>Generalized Scheme of Preferences</u>
HDI	<u>Human Development Index</u>
HS	<u>Harmonized System of tariff nomenclature</u>
IMF	<u>International Monetary Fund</u>
ITC	<u>International Trade Center</u>
ITKIB	<u>Istanbul Textile and Apparel Exporters Association</u>
PBC	<u>Pakistan Business Council</u>
PKR	<u>Pakistani Rupee</u>
PTFTA	<u>Pakistan – Turkey Free Trade Agreement</u>
RCD	<u>Regional Cooperation for Development</u>
SEF	<u>Strategic Economic Framework</u>
TIM	<u>Turkish Exporters Assembly</u>
TL	<u>Turkish Lira</u>
UAE	<u>United Arab Emirates</u>
UK	<u>United Kingdom</u>
USA	<u>United States of America</u>
USD	<u>United States Dollar</u>

SECTION 1

INTRODUCTION

Pakistan-Turkey Relations

Pakistan and Turkey established diplomatic relations soon after Pakistan gained independence in 1947. In April 1954, Pakistan and Turkey signed a treaty of friendship and cooperation. Ever since, both countries have had a strong strategic relationship maintained through extensive cooperation in commercial, cultural, strategic and military fields.

On 22nd July 1964, both countries along with Iran formed the Regional Cooperation for Development (RCD) organization with the aim to increase intra-regional trade. Although trade amongst the three countries improved, it still remained below 2.0% of their aggregate GDP. RCD was dissolved in 1979 following the Islamic revolution in Iran. During the 1970's and 1980's, several agreements between Pakistan and Turkey were signed in order to strengthen economic cooperation and to increase bilateral trade. Both countries formed the Economic Cooperation Organization (ECO) with Iran in 1985 with a purpose similar to that of RCD. At various forums, both Pakistan and Turkey have reiterated their commitment to work towards the realization of their trade potential.

Turkey, since 1995, has had a customs union with the European Union (EU) which covers industrial and processed agricultural goods. In December 2013, the EU granted Pakistan GSP⁺¹ Status. Under the terms of the Turkish – EU customs union agreement of 1995, Pakistan wanted to secure GSP+ status from Turkey as well. However, due to the latter's reluctance, the two countries reached a compromise and agreed to negotiate a bilateral FTA. During the fourth meeting of the High-Level Strategic Cooperation Council in February 2015, a decision to initiate negotiations for a Pakistan – Turkey Free Trade Agreement (PTFTA) was taken. The first round of negotiations for the proposed FTA were carried out in October 2015. Since then, 9 rounds of negotiations have taken place and before the 10th round of negotiations, both sides agreed to formalize a Pakistan-Turkey Strategic Economic Framework (SEF).

Pakistan and Turkey's current bilateral trade is far below potential and an FTA between both partners could significantly increase trade. In an exclusive interview with an English daily, Mr. Abdul Razak Dawood Adviser to the Prime Minister of Pakistan on Commerce stated that there was substantial progress towards initiating an FTA between the two countries.

1 Generalized Scheme of Preferences: The scheme allows eligible developing countries to pay no duties on some exports to the European Union.

Economic and Social Indicators

Table 1 Economic & Social Indicators (2009 & 2018)

	Pakistan		Turkey	
	2009	2018	2009	2018
ECONOMIC INDICATORS				
GDP (Constant 2010 US\$) (Billion)	174.6	254.2	711.5	1,240.0
GDP growth (Annual %)	2.8	5.8	-4.7	2.8
GDP per capita (Current US\$)	1,006.6	1,482.4	9,036.3	9,370.2
Exchange rate (LCU per US\$, period average)	81.7	121.8	1.5	4.8
Inflation, consumer prices (Annual %)	13.6	5.1	6.3	15.2
Trade (% of GDP)	32.1	28.5	45.9	60.2
SOCIAL INDICATORS				
Population (Million)	167.1	212.2	71.3	82.3
Population growth (%)	2.1	2.1	1.3	1.5
Age dependency ratio (% of working-age population)	69.3	65.6	52.3	49.6
Infant Mortality rate (Per 1,000 live births)	75	57.2	17.5	9.1

Source: World Bank Data Bank, Statista. World Economic Outlook Database

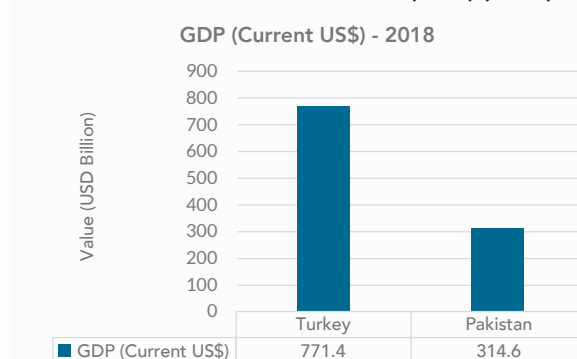
Table 1 shows a comparison of Pakistan and Turkey's economic and social indicators over time. Pakistan is a larger country in terms of population and is classified as a lower-middle income country. Turkey on the other hand is classified as an upper-middle income country.

In the context of trade, Turkey trades approximately 4.6 times more than Pakistan. Turkey's global trade was worth \$391.0 billion, while Pakistan's global trade was worth \$83.8 billion in 2018. Moreover, Turkey has a higher openness to trade index² of 60.2% compared to 28.5% for Pakistan in 2018.

Gross Domestic Product (GDP)

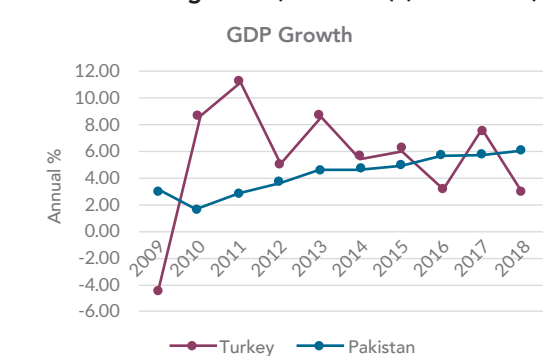
According to the World Bank, Turkey ranked 19th in the world in terms of GDP, with a value of \$771.4 billion while Pakistan ranked 41st with a current GDP of \$314.6 billion in 2018, this can be seen in Figure 1. Economic growth for Turkey has proved remarkably healthy given the adverse circumstances of the past few years which have included four national elections, wars across the southern border, severe domestic tensions in the Eastern regions, trade tensions with Russia, the inflow of millions of refugees and a financial crisis.

FIGURE 1 Gross Domestic Product (GDP) (2018)



Source: World Bank Data Bank

FIGURE 2 GDP growth (Annual %) (2009-2018)



2 Openness to Trade/Trade (% of GDP): It is calculated by dividing the aggregate value of imports and exports over a period by the gross domestic product for the same period.

As shown in Figure 2, the increasing gap between Turkey and Pakistan's GDP per capita reflects the economic situation of both countries. The Pakistani economy has seen an increasing annual percentage growth in GDP in the past decade, with an average growth rate of 4.1% per annum. Pakistan's GDP growth rate fell sharply in 2009 but regained momentum in 2010, and has shown a slight increase since then. During the same period, the Turkish economy underwent a major transformation which resulted in an average growth rate of 5.1% per annum. The country's GDP growth rate has fluctuated since 2009 as can be seen in Figure 2.

GDP Composition

FIGURE 4 Pakistan's GDP Composition (2018)

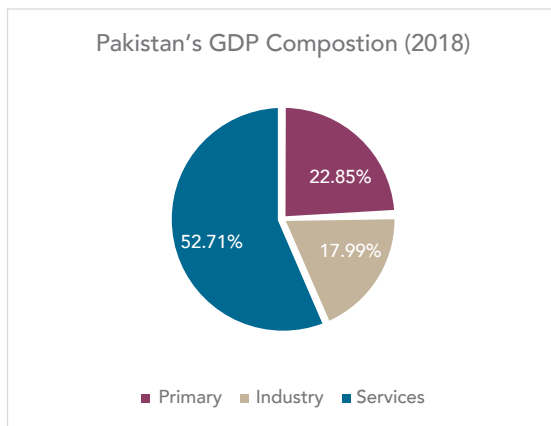
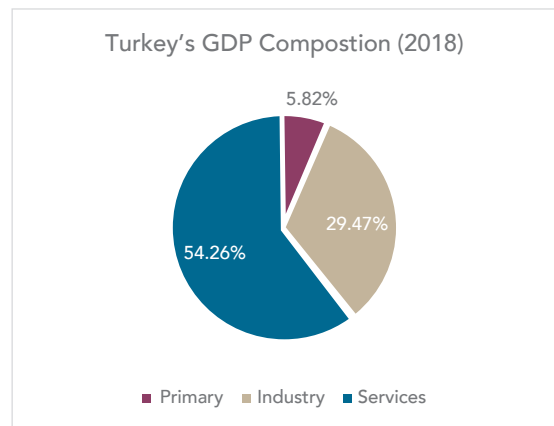


FIGURE 3 Turkey's GDP Composition (2018)



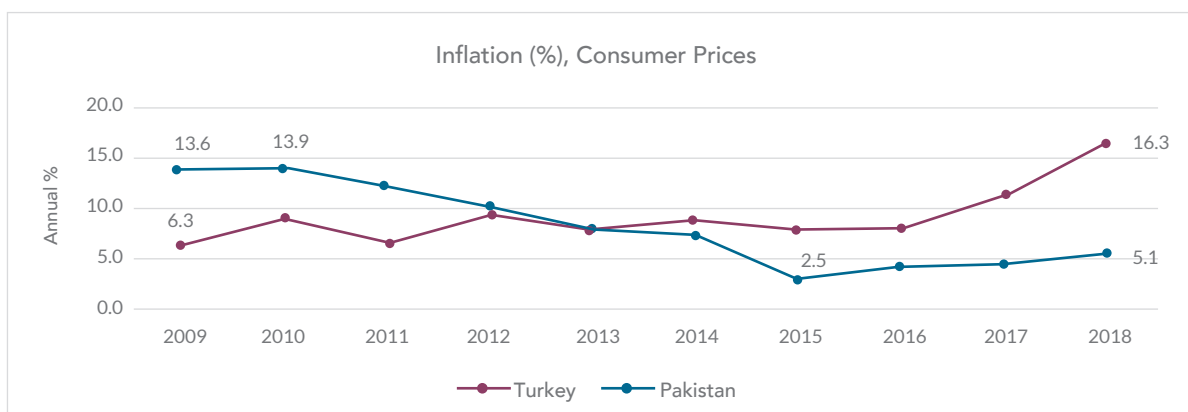
Source: World Bank Data Bank

Pakistan's services sector contributed 52.7% to the GDP in 2018 while the contribution of the services sector in Turkey was 54.3% in the same year, indicating the importance of this sector for both economies. However, the major difference between the two economies is the contribution of the primary sector to GDP. While Pakistan's primary sector contributed 22.9% to the GDP in 2018, the contribution in Turkey of the primary sector was only 5.8%. With a share of 29.5% by industry in its GDP, Turkey is a much more industrialized economy as compared to Pakistan where the contribution of industry was 18.0% to the GDP.

Inflation

One of the most important factors that brings volatility in exchange rate is inflation; higher inflation negatively affects the exchange rate leading to a depreciation in the value of the currency. Inflation reached its highest point for Pakistan in 2010 when it was 13.9% and for Turkey in 2018 at 16.3% as shown in the figure below. Meanwhile, it reached its lowest point in 2009 for Turkey at 6.3% and for Pakistan in 2015 at 2.5%.

FIGURE 5 Inflation (%) (2009-2018)



Source: World Bank Data Bank

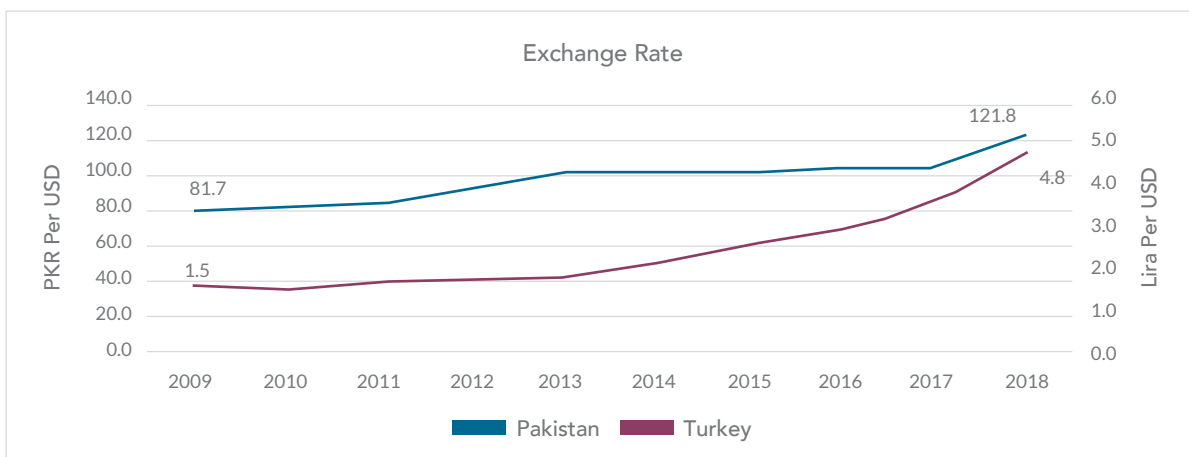
Exchange Rate

Figure 6 shows the average exchange rate in the last ten years of the Turkish Lira (TL) and the Pakistani Rupee (PKR) against the US dollar. Evident from the figure, both currencies have depreciated over the last decade. The Lira however, depreciated by a much faster rate as compared to the Rupee. Despite that, the Pakistani Rupee is much weaker than the Turkish Lira and this depicts the overall strength of the economies.

As of 2018, Turkey had total reserves (excluding gold) worth \$72.9 billion, compared to Pakistan's \$9.2 billion. The difference in reserves is a major reason explaining the variations in exchange rates of both countries. Theoretically, since the PKR is weaker than the Lira, it implies that Pakistani products should be price competitive in Turkey, whereas the stronger Lira should be a hindrance for Turkish goods in the Pakistani market. Pakistan being a net-importer has been running a current account deficit for more than two decades now.

Turkey, in recent years has been plagued with internal as well as regional turbulence. The un-rest in the middle-east, skirmishes with the Kurds, and internal political and law & order situations have all taken a toll on the Lira. Instability has caused foreign investment to slow down in Turkey leading to a weaker Lira.

FIGURE 6 Exchange Rate Comparison (2009-2018)



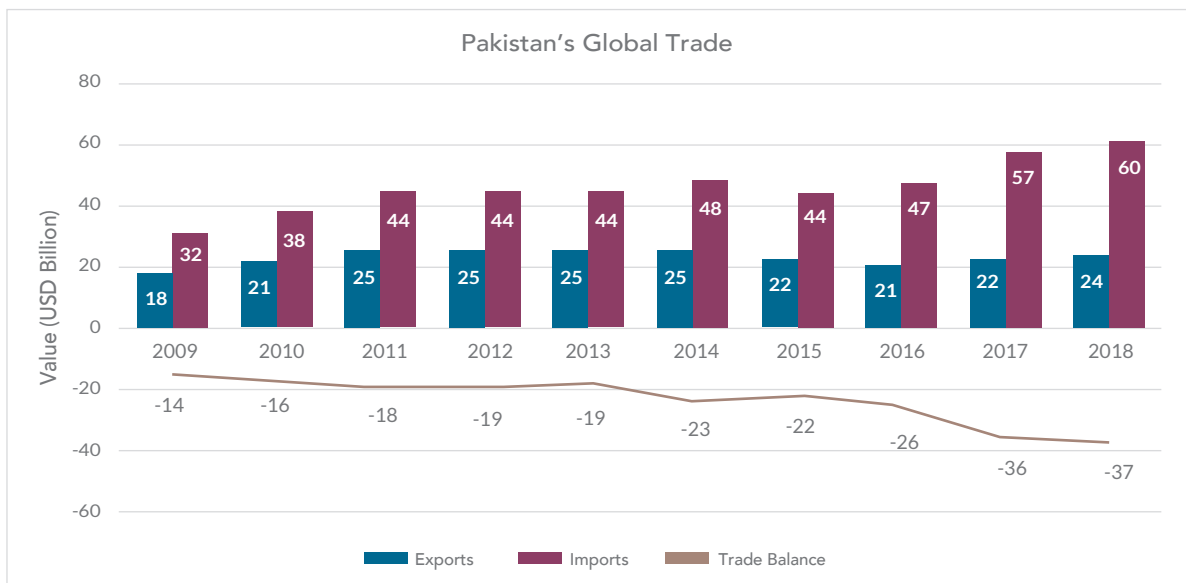
Source: World Bank Data Bank

SECTION 2

TRADE PROFILES

Pakistan's Trade Profile

FIGURE 7 Pakistan's Global Trade (2009-2018)



Source: ITC Trade Map

Figure 7 shows an overview of Pakistan's global trade since 2009. Over a period of 7 years (till 2016), there had not been much of an increase in Pakistan's exports to the world. Exports remained stagnant from 2011 till 2014, after which they declined till 2016. Since then, Pakistan's exports to the world have slightly increased till 2018, reaching \$24.0 billion. On the other hand, imports have consistently increased resulting in the highest trade deficit of \$37.0 billion in 2018.

Major Trade Products at HS-02 Level

Figure 8 and 9 below show Pakistan's top 10 export and import products at HS-02 level in 2018 and 2009.

FIGURE 9 Pakistan's Top 10 Export Products (HS-02 Level) (2009 & 2018)

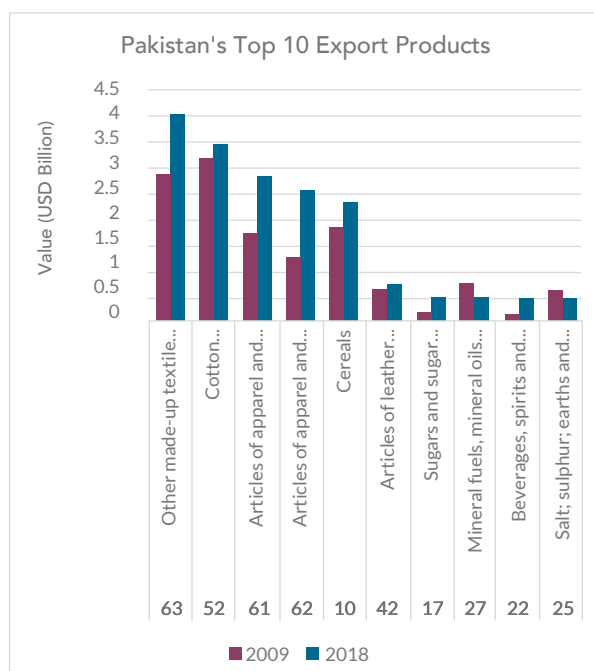
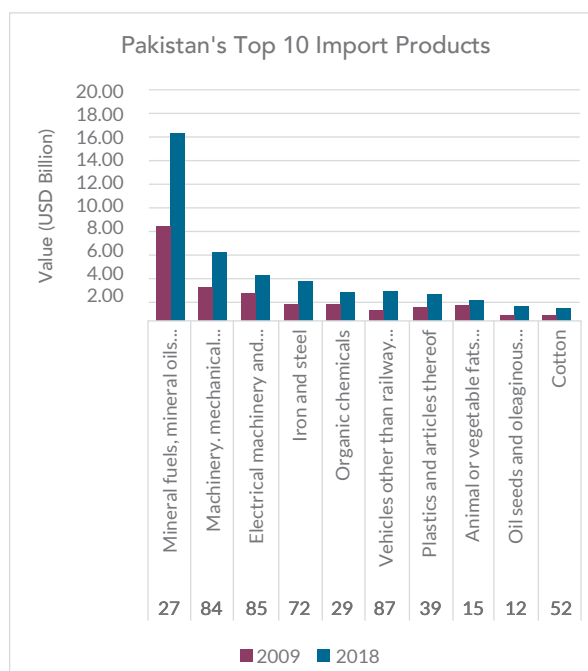


FIGURE 8 Pakistan's Top 10 Import Products (HS-02 Level) (2009 & 2018)



Source: ITC Trade Map

Key Findings:

- In 2018, Pakistan's top 10 export products at HS-02 level accounted for 75.8% of its total exports while its top 10 import products accounted for 73.2% of its total imports.
- With a value of \$4.1 billion, Pakistan's largest export in 2018 was of 'Other made-up textile articles' (HS-63).
- Meanwhile, its biggest import at HS-02 level was of 'Mineral fuels' (HS-27). Its imported value was \$17.2 billion in 2018.

Major Trade Products at HS-06 Level

Table 2 below lists Pakistan's top 25 exports at HS-06 level for 2009 and 2018, along with the CAGR for the last ten years.

Table 2 Pakistan's Top 25 Exports at HS-06 Level (USD Million)

Product Code	Product Description	2009 (USD Million)	2018 (USD Million)	CAGR (2009-2018)
TOTAL	All products	17,554.70	23,630.89	3.36%
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1,636.71	1,757.85	0.80%
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	16.76	1,530.21	65.13%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	657.28	860.93	3.04%
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...)	632.05	786.30	2.46%
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	548.56	777.59	3.95%
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...)	407.49	697.69	6.16%
630210	Bedlinen, knitted or crocheted	541.16	691.65	2.76%
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	197.30	498.09	10.84%

Product Code	Product Description	2009 (USD Million)	2018 (USD Million)	CAGR (2009- 2018)
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	246.56	438.96	6.62%
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	13.90	425.50	46.26%
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar ...)	-	383.69	-
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	233.00	373.18	5.37%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...)	535.22	348.99	-4.64%
610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...)	170.85	331.63	7.65%
100119	Durum wheat (excluding seed for sowing)	-	272.59	-
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	29.05	268.43	28.03%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	-	262.07	-
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...)	348.81	258.65	-3.27%
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	73.43	252.98	14.73%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	260.31	242.70	-0.78%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	707.09	235.93	-11.48%
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	45.33	230.69	19.82%
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	111.62	219.33	7.79%
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	1.82	214.77	69.94%
252329	Portland cement (excluding white, whether or not artificially coloured)	386.60	199.25	-7.10%

Source: ITC Trade Map

Key Findings:

- At HS-06 Level, Rice (HS-100630) is the leading export of Pakistan. With an export value of \$1.8 billion, it contributed 7.4% to Pakistan's total exports in 2018.
- Fifteen of the top 25 export items comprise of textile products. These contributed 34.6% to Pakistan's total exports.
- Compared to 2009, the most noticeable increase in exports in 2018 was of 'Men's or boy's ensembles of cotton' (HS-620322) and 'Full-length or knee-length stockings, socks and other hosiery' (HS-611595), with CAGR's of 65.13% and 69.94% respectively.
- The decline in 'Medium oils and preparations, of petroleum or bituminous minerals' (HS-271019) is also prominent with exports declining to \$253.9 million in 2018 from \$707.1 million in 2009.

Table 3 below lists down Pakistan's top 25 imports at HS-06 level for 2009 and 2018, along with CAGR for the last ten years.

Table 3 Pakistan's Top 25 Imports (HS-06 Level) (USD Million)

Product Code	Product Description	2009 (USD Million)	2018 (USD Million)	CAGR (2009-2018)
TOTAL	All products	31,583.72	60,162.86	7.42%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	3,132.92	4,903.91	5.10%
271012	Light oils and preparations, of petroleum or bituminous minerals which \geq 90% by volume "incl. ...	-	3,720.92	-
271111	Natural gas, liquefied	-	3,295.89	-
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	4,818.87	3,115.62	-4.73%
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	953.91	1,828.02	7.49%
270112	Bituminous coal, whether or not pulverised, non-agglomerated	0.56	1,224.59	135.11%
520100	Cotton, neither carded nor combed	480.40	1,048.97	9.06%
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	269.66	949.25	15.01%
120110	Soya bean seed, for sowing	-	943.37	-
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets)	364.90	842.35	9.74%
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	184.65	833.07	18.22%
720441	Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings of iron ...	330.73	585.06	6.54%
090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	221.64	555.81	10.76%
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	113.74	542.11	18.95%
390210	Polypropylene, in primary forms	271.80	539.14	7.91%
890800	Vessels and other floating structures for breaking up	281.40	515.54	6.96%
720839	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, in coils, simply ...	1.28	465.93	92.51%
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	228.01	432.80	7.38%
120510	Low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content ...	279.44	398.94	4.04%
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	465.56	394.42	-1.83%
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in ...	2.49	389.60	75.35%
290243	P-Xylene	309.17	365.52	1.88%
390110	Polyethylene with a specific gravity of $<$ 0,94, in primary forms	162.85	336.95	8.41%
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	106.65	334.45	13.54%
290531	Ethylene glycol "ethanediol"	162.22	333.80	8.35%

Source: ITC Trade Map

Key Findings:

- With an import value worth \$4.9 billion, 'Petroleum oils and oils obtained from bituminous minerals' (HS-270900) was Pakistan's top import commodity in 2018. It made up 8.2% of total imports.
- Six of the top 25 items belong to the mineral fuels and oils group. These items contributed 27.7% to total imports.

- 'Bituminous coal, whether or not pulverized' (HS-270112) showed the highest increase in import value since 2009, with CAGR of 135.1%.

Major Trading Partners

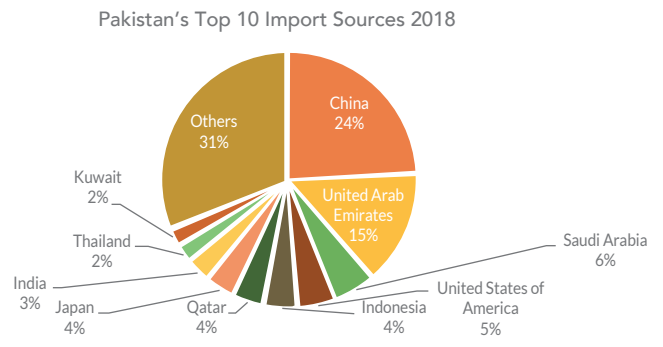
Pakistan's top export destination in 2018 was USA, followed by China and UK as shown in Figure 10. They accounted for 16.0%, 8.0% and 7.0% of Pakistan's total exports. Moreover, China was Pakistan's top import source, followed by the UAE and Saudi Arabia as shown in Figure 11. They accounted for 24.0%, 15.0% and 6.0% of Pakistan's total imports.

FIGURE 10 Pakistan's Top 10 Export Destinations (2018)



Source: ITC Trade Map

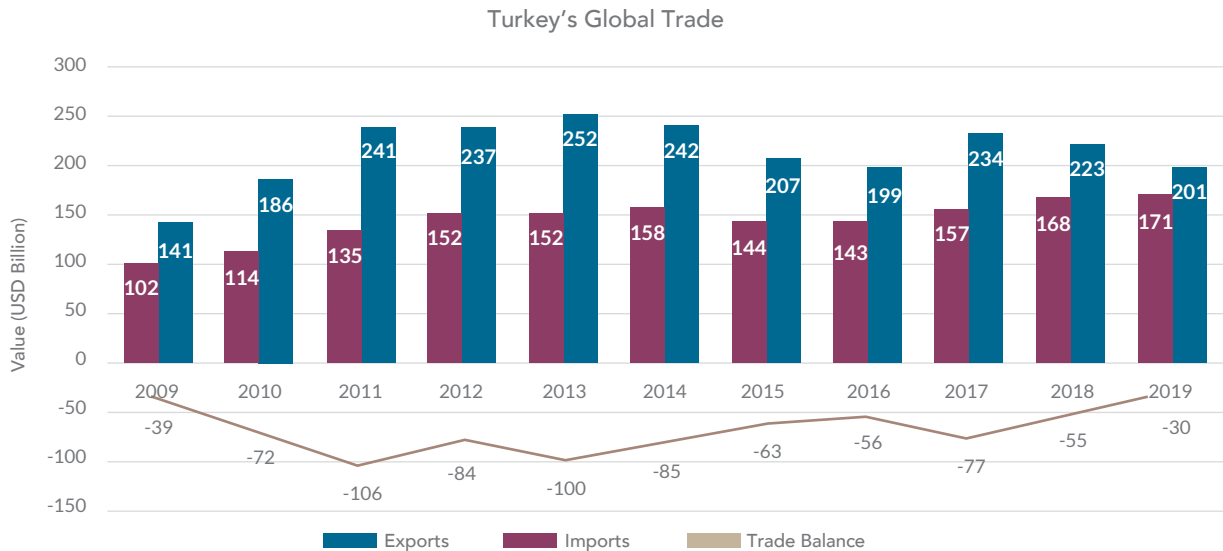
FIGURE 11 Pakistan's Top 10 Import Sources (2018)



Source: ITC Trade Map

Turkey's Trade Profile

FIGURE 12 Turkey's Global Trade (2009-2019)



Source: ITC Trade Map

Since 2009, the country has been facing a negative trade balance. Turkey's trade deficit was the lowest in 2019, valued at \$30.0 billion which is a considerable improvement over the last decade. On the other hand, its highest deficit of \$106.0 billion was in 2011. Turkey's total exports to the world in 2019 amounted to \$171.0 billion while imports totaled \$201.0 billion.

Turkey is heavily dependent on energy imports as reflected in the trade deficit figures for 2011 & 2013 when global oil prices were high.

Major Trade Products at HS-02 Level

Figures 13 and 14 below show Turkey's top 10 global export and import products (2009 & 2019) at HS-02 level.

FIGURE 13 Turkey's Top 10 Import Products (HS-02 Level) (2009 & 2019)

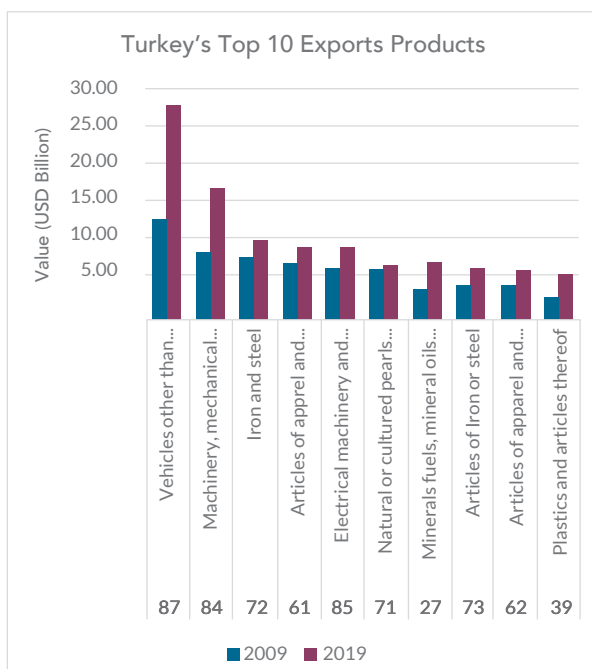
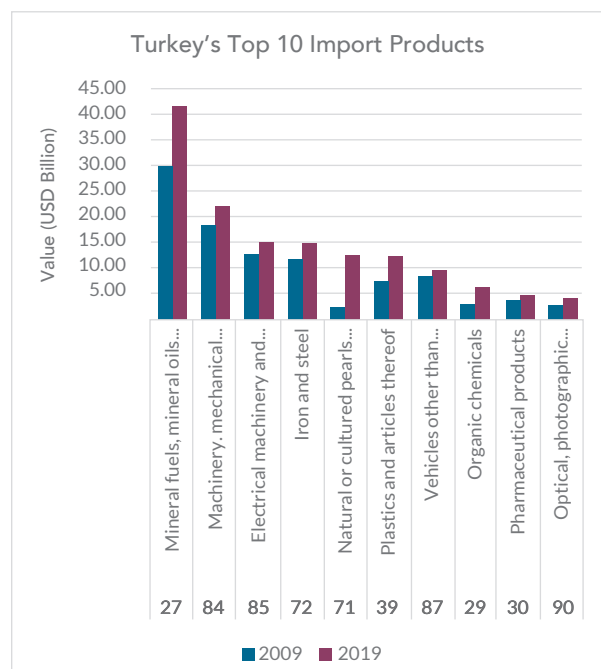


FIGURE 14 Turkey's Top 10 Export Products (HS-02 Level) (2009 & 2019)



Source: ITC Trade Map

Key Findings:

- The top 10 products accounted for 60.9% and 70.5% in Turkey's total exports and imports, in 2019.
- Turkey's largest export in 2019 was of 'Vehicles other than railway or tramway rolling stock' (HS-87). The country exported \$26.2 billion of this product.
- With an import value of \$41.2 billion in 2019, Turkey's largest import was of 'Mineral fuels' (HS-27).

Major Trade Products at HS-06 Level

Table 4 lists Turkey's top 25 exports at HS-06 level for 2009 and 2019, along with the CAGR for the 10-year period.

Table 4 Turkey's Top 25 Exports (HS-06 Level) (USD Million)

Product Code	Product Description	2009 (USD Million)	2019 (USD Million)	CAGR (2009-2019)
TOTAL	All products	102,142.61	171,098.41	5.29%
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	1,087.27	4,995.01	16.47%
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	2,019.75	4,188.85	7.57%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	2,287.06	3,977.32	5.69%
870340	Motor cars and other motor vehicles principally designed for the transport of ...	-	3,124.20	-
999999	Commodities not elsewhere specified	1,267.45	2,769.38	8.13%
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations ...	3,815.20	2,597.46	-3.77%
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0.06	2,443.85	191.59%
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1,750.10	2,096.04	1.82%
271012	Light oils and preparations, of petroleum or bituminous minerals which \geq 90% by volume "incl..	-	2,080.73	-
570242	Carpets and other floor coverings, of man-made textile materials, woven, not tufted or flocked	727.58	2,026.15	10.78%
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	4,636.04	1,995.60	-8.08%
870210	Motor vehicles for the transport of \geq 10 persons, incl. driver, with compression-ignition ...	949.83	1,925.62	7.32%
870332	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1,032.96	1,838.67	5.94%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1,745.00	1,753.53	0.05%
854449	Electric conductors, for a voltage \leq 1.000 V, insulated, not fitted with connectors, n.e.s.	803.78	1,396.86	5.68%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	948.08	1,373.69	3.78%
870331	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1,971.30	1,354.11	-3.69%
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	581.91	1,323.81	8.57%
852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	1,693.74	1,290.74	-2.68%
080222	Fresh or dried hazelnuts or filberts "Corylus spp.", shelled	710.81	1,245.10	5.77%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	612.61	1,059.67	5.63%
840999	Parts suitable for use solely or principally with compression-ignition internal combustion ...	763.58	1,052.46	3.26%

Product Code	Product Description	2009 (USD Million)	2019 (USD Million)	CAGR (2009-2019)
110100	Wheat or meslin flour	581.04	1,051.72	6.11%
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1,323.43	1,033.49	-2.44%
845011	Fully-automatic household or laundry-type washing machines, of a dry linen capacity <= 6 kg	663.17	975.32	3.93%

Source: ITC Trade Map

Key Findings:

- At HS-06 Level, Turkey's top export 'Articles of jewelry' (HS-711319) contributed 2.9% to total exports in 2019.
- Since 2009, the most noticeable increase in exports has been of 'Motor cars and other motor vehicles' (HS-870340) which had a CAGR of 191.6%.
- Exports of 'Gold, incl. gold plated with platinum (HS-710812) showed the greatest decline since 2009, with a CAGR of -8.08%.
- Nine out of the top 25 export commodities fall under the classification of vehicles.

The table below lists Turkey's top 25 imports at HS-06 level in 2009 and 2019, along with their CAGR over the 10-year period.

Table 5 Turkey's Top 25 Imports (HS-06 Level) (USD Million)

Product Code	Product Description	2009 (USD Million)	2019 (USD Million)	CAGR (2009-2019)
TOTAL	All products	140,928.42	200,658.60	3.60%
999999	Commodities not elsewhere specified	19,125.40	27,978.63	3.88%
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	1,615.41	11,228.07	21.40%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	7,338.86	8,323.97	1.27%
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	4,238.71	5,563.98	2.76%
270112	Bituminous coal, whether or not pulverised, non-agglomerated	1,082.73	3,500.75	12.45%
880240	Aeroplanes and other powered aircraft of an of an unladen weight > 15000 kg (excluding helicopters...	540.72	2,360.75	15.88%
390210	Polypropylene, in primary forms	955.66	2,202.03	8.71%
740311	Copper, refined, in the form of cathodes and sections of cathodes	1,465.24	2,045.75	3.39%
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	2,363.49	1,954.94	-1.88%
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	-	1,860.83	-
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	1,072.20	1,847.70	5.59%
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for ...	1,211.35	1,697.72	3.43%
870332	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1,262.49	1,697.10	3.00%
520100	Cotton, neither carded nor combed	1,002.94	1,572.73	4.60%
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	211.56	1,562.82	22.14%
760110	Aluminium, not alloyed, unwrought	665.36	1,524.04	8.64%
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more ...	587.83	1,421.06	9.23%

Product Code	Product Description	2009 (USD Million)	2019 (USD Million)	CAGR (2009-2019)
271119	Gaseous hydrocarbons, liquefied, n.e.s. (excluding natural gas, propane, butane, ethylene, ...)	1,575.12	1,338.62	-1.61%
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	856.36	1,153.71	3.03%
120190	Soya beans, whether or not broken (excluding seed for sowing)	-	988.08	-
852990	Parts suitable for use solely or principally with transmission and reception apparatus for ...	155.53	945.50	19.78%
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution ...	321.01	929.55	11.22%
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	504.90	914.44	6.12%
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	487.42	906.78	6.40%
840734	Spark-ignition reciprocating piston engine, of a kind used for vehicles of chapter 87, of a ...	396.18	723.36	6.21%

Source: ITC Trade Map

Key Findings:

- The largest component at six-digit level with a 13.9% share was 'Commodities not elsewhere specified' (HS-999999).
- Since 2009, the most noticeable increase in imports has been of 'Articles of jewelry' (HS-711319) which had a CAGR of 22.14%.

Major Trading Partners

Turkey's top export destination in 2019 was Germany, followed by the UK and Italy as shown in Figure 15. They accounted for 9.0%, 6.0% and 5.0% of Turkey's total exports. Moreover, the Russian Federation was Turkey's top import source, followed by China and Germany as shown in Figure 16. They accounted for 11.0%, 9.1% and 9.0% of Turkey's total imports. As can be seen from the figures below, most of Turkey's important trading partners were countries included in the EU³.

FIGURE 15 Turkey's Top 10 Export Markets (2019)

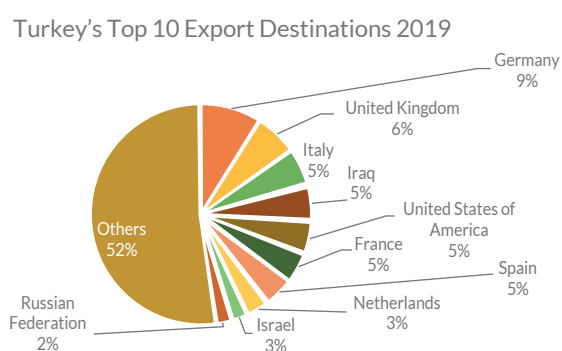
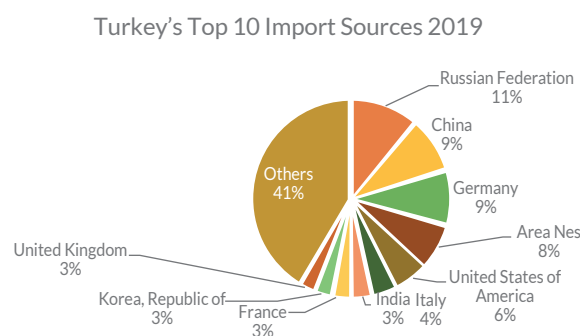


FIGURE 16 Turkey's Top 10 Import Markets (2019)



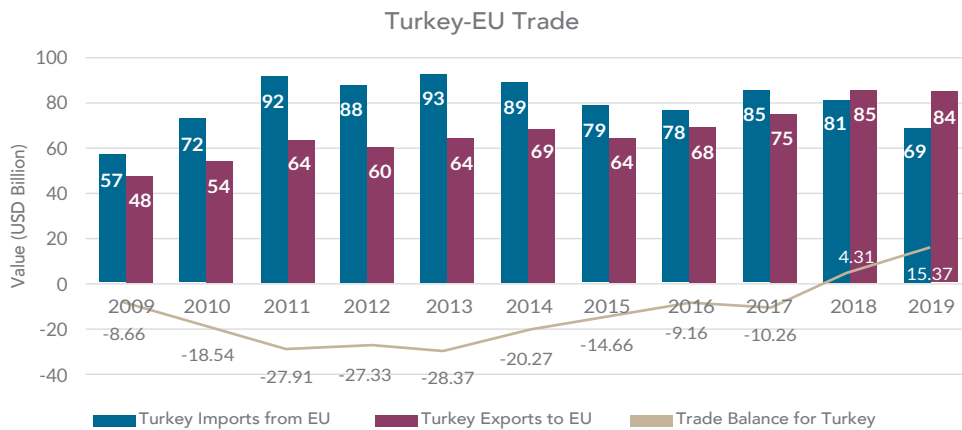
3 The EU countries are: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. UK left the EU on 31 January 2020. It remains subject to EU law and remains part of the EU customs union and single market during the transition, but is no longer part of the EU's political bodies or institutions.

Turkey's Trade with the EU Bloc

Turkey-EU Trade Overview

Figure 17 below shows Turkey and EU's bilateral trade since 2009. Turkey's imports from the EU reached an all-time high of \$93.0 billion in 2013, after which they declined till 2016. Meanwhile, Turkey's exports to the EU have increased steadily since 2015. This has led to Turkey's negative trade balance turning favorable in 2018, which was for the first time since 2009. In 2019, the trade surplus for Turkey amounted to \$15.4 billion.

FIGURE 17 Turkey-EU Trade (2009-2019)



Source: ITC Trade Map

Major Trade Products at HS-02 Level

Figure 18 and 19 below show Turkey's top 10 exports to, and imports from the EU in 2009 and 2019.

FIGURE 18 Turkey's Top 10 Exports to EU (2009 & 2019)

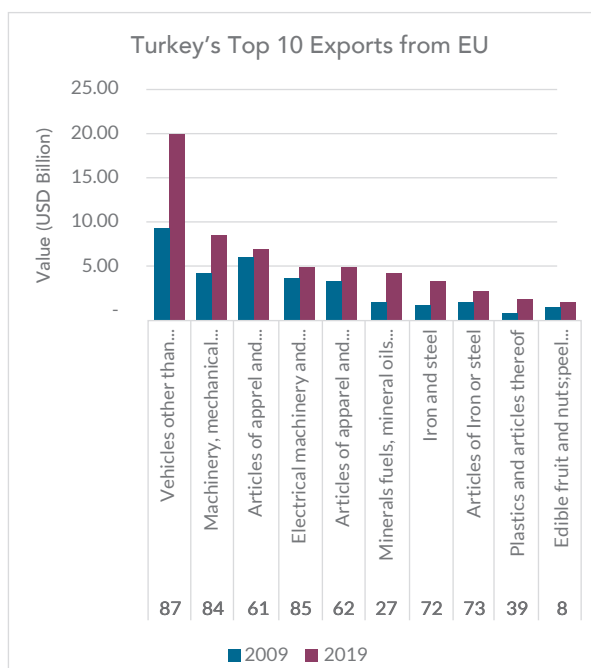
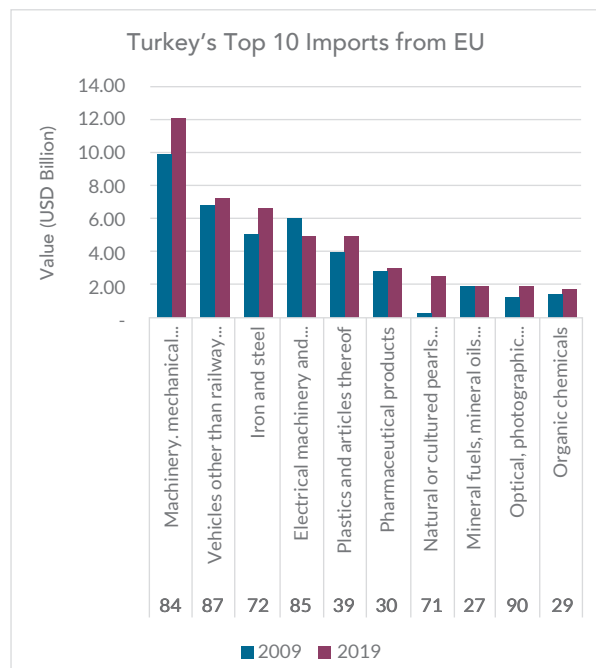


FIGURE 19 Turkey's Top 10 Imports from EU (2009 & 2019)



Source: ITC Trade Map

Key Findings:

- Turkey's top 2 exports to and imports from the EU consist of 'Vehicles other than railway or tramway rolling stock' (HS-87) and 'Machinery, mechanical appliances, nuclear reactors, boilers' (HS-84).
- Turkey's largest export to EU of 'Vehicles other than railway or tramway rolling stock' (HS-87) has increased considerably since 2009. It was valued at \$9.22 billion that year while it increased to \$20.0 billion in 2019.
- Turkey also exports large amounts of textile products to the EU such as 'Articles of apparel and clothing accessories, knitted or crocheted' and 'Articles of apparel and clothing accessories, not knitted or crocheted' (HS-62).

Major Trade Products at HS-06 Level

The table below lists Turkey's Top 25 exports to EU during 2009 and 2019, along with the CAGR for the 10-year period.

Table 6 Turkey's Top 25 Exports to EU at HS-06 Level

Product Code	Product Description	2009 (USD Million)	2019 (USD Million)	CAGR (2009- 2019)
TOTAL	All Products	47,999.79	84,272.93	5.79%
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	1,892.85	3,800.50	7.22%
870340	Motor cars and other motor vehicles principally designed for the transport of ...	-	2,601.09	-
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	928.37	2,400.03	9.96%
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0.04	2,354.63	199.17%
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1,392.99	1,749.57	2.31%
870332	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	947.76	1,718.63	6.13%
870210	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition ...	721.65	1,525.77	7.77%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1,539.04	1,254.19	-2.03%
852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	1,600.14	1,243.09	-2.49%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	809.38	1,163.50	3.70%
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	46.62	1,156.53	37.87%
870331	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1,926.34	1,091.01	-5.53%
080222	Fresh or dried hazelnuts or filberts "Corylus spp.", shelled	544.15	937.43	5.59%
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	387.52	925.26	9.09%
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	-	895.83	-
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	280.71	836.35	11.54%
870120	Road tractors for semi-trailers	52.04	826.79	31.86%
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	548.67	811.85	4.00%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	532.91	792.06	4.04%
840999	Parts suitable for use solely or principally with compression-ignition internal combustion ...	621.92	774.82	2.22%

Product Code	Product Description	2009 (USD Million)	2019 (USD Million)	CAGR (2009- 2019)
845011	Fully-automatic household or laundry-type washing machines, of a dry linen capacity <= 6 kg	521.44	771.44	3.99%
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	308.61	754.32	9.35%
999999	Commodities not elsewhere specified	434.94	739.92	5.46%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	696.14	671.78	-0.36%
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	300.19	645.68	7.96%

Source: ITC Trade Map

Key Findings:

- Turkey's exports to the EU have grown since 2009, with a CAGR of approximately 5.8%. Exports were valued at \$84.3 billion in 2019.
- Ten of the top 25 exports fall under the classification of Vehicles. Turkey exported \$17.3 billion of these goods to the EU in 2019.
- 'Motor cars and other motor vehicles principally designed for the transport of persons' (HS-870321) has shown the largest growth of 199.2% since 2009.
- Turkey's exports to the EU are mostly machinery and transport equipment, followed by manufactured goods.

Table 7 lists Turkey's top 25 imports from the EU between 2009 and 2019, along with the CAGR for the 10-year period.

Table 7 Turkey's Top 25 Imports from EU at HS-06 Level

Product Code	Product Description	2009 (USD Million)	2019 (USD Million)	CAGR (2009- 2019)
TOTAL	All products	56,659.43	68,902.82	1.98%
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	2,151.20	3,507.54	5.01%
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	33.61	2,037.89	50.75%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	1,581.74	1,733.61	0.92%
870332	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1,103.93	1,634.93	4.01%
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for ...	1,144.49	1,613.86	3.50%
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	1,695.96	1,337.16	-2.35%
880240	Aeroplanes and other powered aircraft of an of an unladen weight > 15000 kg (excluding helicopters ...	231.96	904.91	14.58%
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more ...	432.20	904.78	7.67%
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	90.07	599.20	20.87%
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	584.80	570.25	-0.25%
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution ...	219.48	563.50	9.89%
840734	Spark-ignition reciprocating piston engine, of a kind used for vehicles of chapter 87, of a ...	335.66	502.94	4.13%
390210	Polypropylene, in primary forms	446.27	440.16	-0.14%
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...	232.80	415.00	5.95%

Product Code	Product Description	2009 (USD Million)	2019 (USD Million)	CAGR (2009-2019)
870331	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	486.55	400.18	-1.94%
740311	Copper, refined, in the form of cathodes and sections of cathodes	341.21	396.87	1.52%
840999	Parts suitable for use solely or principally with compression-ignition internal combustion ...	310.92	383.29	2.11%
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	337.50	379.03	1.17%
300212	Antisera and other blood fractions	-	378.97	-
382499	Chemical products and preparations of the chemical or allied industries, incl. those consisting ...	-	378.42	-
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport of ...	309.71	367.03	1.71%
842139	Machinery and apparatus for filtering or purifying gases (excluding isotope separators and ...	153.47	365.26	9.06%
870850	Drive-axles with differential, whether or not provided with other transmission components, ...	208.06	364.73	5.77%
390410	Poly"vinyl chloride", in primary forms, not mixed with any other substances	191.18	349.85	6.23%
210690	Food preparations, n.e.s.	167.55	340.12	7.34%

Source: ITC Trade Map

Key Findings:

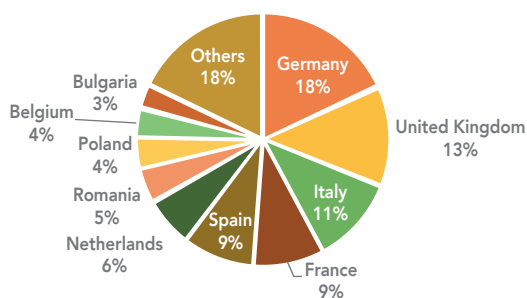
- Turkey's imports from the EU have increased since 2009, with a growth rate of 2.0%. The import bill amounted to \$68.9 billion in 2019.
- Six of the top 25 imports fall under the classification of machinery and mechanical appliances. Imports of these commodities amounted to \$3.8 billion in 2019.
- Imports of 'Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes' have increased the most since 2009, with a CAGR of 50.8%.
- Turkey's imports from EU are dominated by machinery and transport material, chemical products and manufactured goods.

Turkey's Major Trading Partners in the EU

Figure 20 and 21 show Turkey's top 10 export destinations and import sources within the EU. Germany is the most important trading partner of the country as it is the largest exporter to Turkey, exporting 26.0% of Turkey's imports from the EU as well as the largest importer, importing 18.0% of Turkey's exports to EU.

FIGURE 20 Turkey's Top 10 Export Destinations within EU (2019)

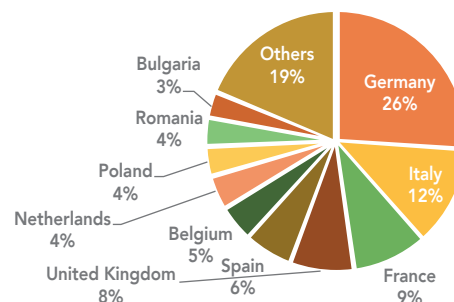
Turkey's Top 10 Export Destinations within EU 2019



Source: ITC Trade Map

FIGURE 21 Turkey's Top 10 Import Sources within EU (2019)

Turkey's Top 10 Import Sources within EU 2019



Source: ITC Trade Map

SECTION 3

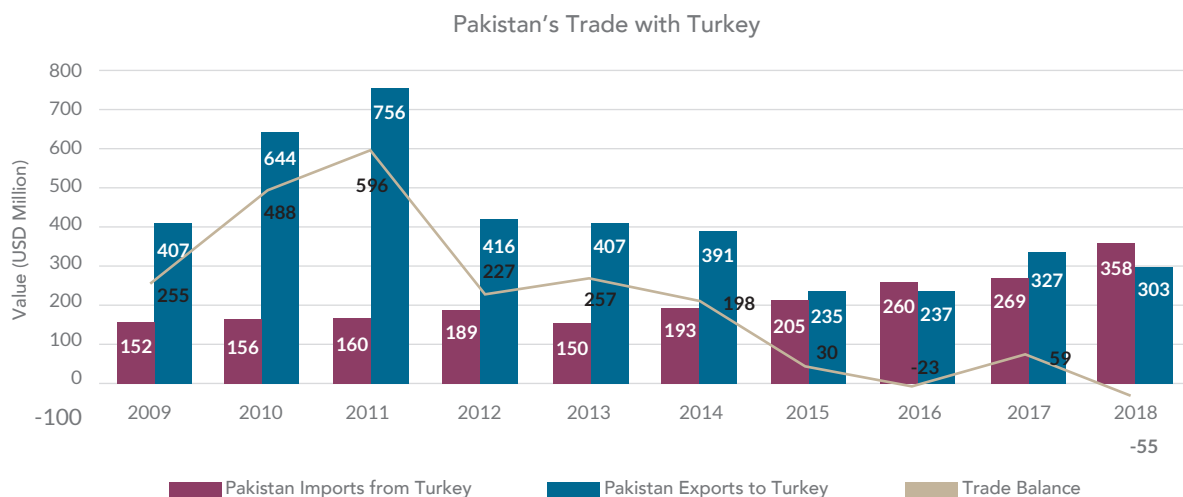
PAKISTAN – TURKEY BILATERAL TRADE

Pakistan-Turkey Trade Overview

Pakistan's imports from Turkey have seen an increasing trend since 2013, while Pakistan's exports to Turkey have exhibited a downward trend in the same period except for 2017 when exports increased to \$327.0 million. In 2018, Pakistan's exports to Turkey were \$303.0 million while imports recorded a high of \$358.0 million, resulting in a trade deficit of \$55.0 million which was the highest since 2009.

One of reasons being quoted for Pakistan's exports to Turkey stagnating between 2015 & 2016 are the additional duties imposed by Turkey on imports from all countries including Pakistan.

FIGURE 22 Pakistan's Trade with Turkey (2009-2018) (USD Million)

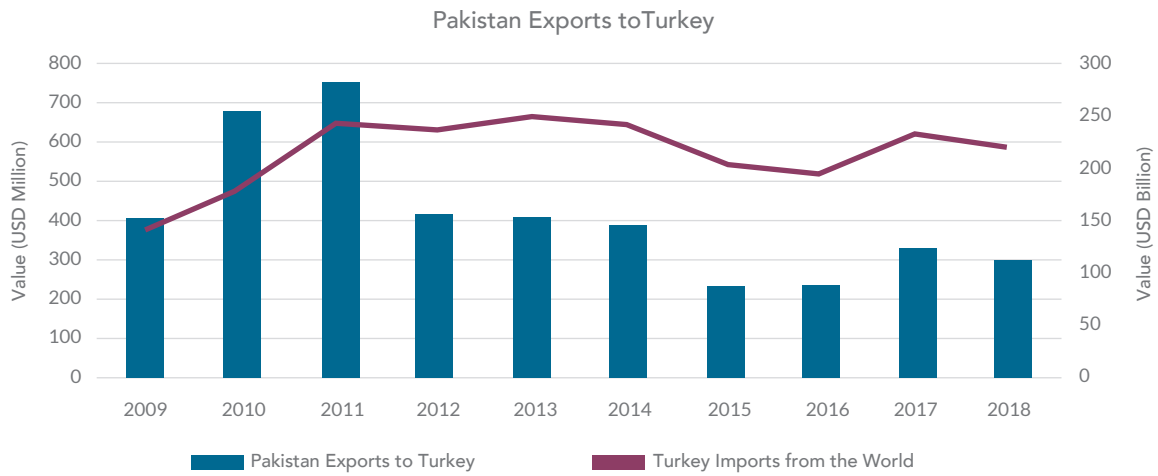


Source: ITC Trade Map

In Figures 23 and 24, Pakistan's exports and imports to Turkey have been superimposed on the imports and exports of Turkey to the world to better assess bilateral trade trends.

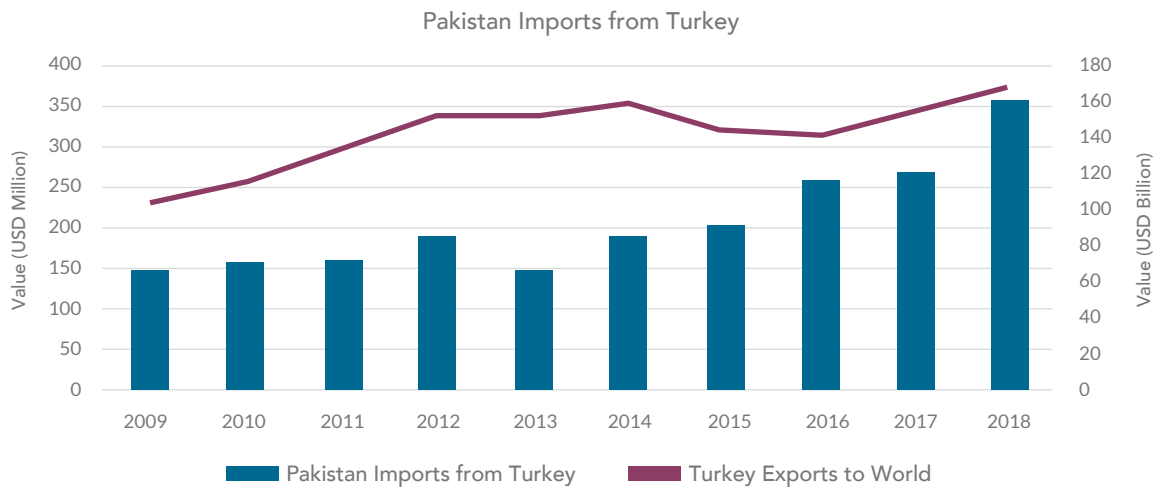
Pakistan's exports to Turkey were lowest in 2015 as shown in Figure 23. Exports declined after having reached their peak in 2011 when anti-dumping duties were applied by Turkey on wall split air-conditioners units from Pakistan and global safeguard measures were applied on polyethylene terephthalate, cotton fabrics and readymade fabrics. Exports further reduced in 2014 as anti-dumping duties were placed on yarn of man-made or synthetic or artificial staple fibers from Pakistan.

A declining trend in Turkey's overall imports since 2013 has also impacted Pakistan's exports to Turkey.

FIGURE 23 Exports of Pakistan to Turkey & Turkey's Global Imports (2009-2018)

Source: ITC Trade Map

As shown in Figure 24 below, during the years when Turkey increased its overall exports to the world, Pakistan's imports from Turkey also grew. Imports from Turkey were highest in 2018 and lowest in 2013 with the import bill amounting to \$358.0 million and \$150.0 million respectively.

FIGURE 24 Imports of Pakistan from Turkey & Turkey's Global Exports (2009-2018)

Source: ITC Trade Map

As evident from both the graphs, Pakistan's exports to Turkey have faced large fluctuations, following a downward trend. Meanwhile, imports from Turkey have followed an upward trend since 2013. Hence, Pakistan's trade deficit with the country in 2018 was the highest in the last decade.

Pakistan's Top 10 Exports to Turkey at HS-02 Level

The following table shows Pakistan's top ten exports to Turkey at HS-02 level along with CAGR for the last ten years and tariffs applied by Turkey.

Table 8 Top 10 Exports of Pakistan to Turkey (HS-02 Level) (USD Million)

Product Code	Product Description	2009 (USD Million)	2018 (USD Million)	Share in Total Exports to Turkey (%)	CAGR (2009-2018)	Average tariff applied by Turkey to Pakistan
	All Products	407.12	302.76		-3.24%	
	Top Ten Products	355.21	275.10	83.11	-2.80%	
52	Cotton	237.62	190.66	62.97	-2.42%	4
39	Plastics and articles thereof	30.14	23.80	7.86	-2.59%	1
22	Beverages, spirits and vinegar	13.87	21.59	7.13	5.04%	32
62	Articles of apparel and clothing accessories, not knitted or crocheted	22.27	8.56	2.83	-10.08%	9
55	Man-made staple fibres	9.29	7.01	2.31	-3.08%	4
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	2.16	6.24	2.06	12.53%	0
41	Raw hides and skins (other than furskins) and leather	8.60	5.89	1.95	-4.12%	1
61	Articles of apparel and clothing accessories, knitted or crocheted	2.21	5.28	1.74	10.15%	9
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	24.68	3.10	1.02	-20.59%	1
95	Toys, games and sports requisites; parts and accessories thereof	4.37	2.97	0.98	-4.20%	0

Source: ITC Trade Map

Key Findings:

- The top 10 exports at HS-02 level constituted 83.1% of Pakistan's exports to Turkey in 2018.
- With a value of \$190.7 million, Cotton (HS-52) was Pakistan's largest export to Turkey in 2018. It made up 63.0% of Pakistan's exports to Turkey. However, cotton exports have been declining with a CAGR rate of 3.1% since 2009.
- Four of the top 10 exports fall under the textile category. Together, they made up 69.8% of Pakistan's total exports to Turkey.
- Seven of the top 10 exports have a negative CAGR value, indicating that exports of these commodities have decreased since 2009.
- 'Articles of apparel and clothing accessories' (HS-61) showed the highest CAGR of 10.2%.

Pakistan's Top 10 Imports from Turkey at HS-02 Level

The following table shows Pakistan's top ten imports from Turkey at HS-02 level along with the CAGR for the last ten years and tariffs applied by Pakistan.

Table 9 Top 10 Imports of Pakistan from Turkey (HS-02 Level) (USD Million)

Product Code	Product Description	2009 (USD Million)	2018 (USD Million)	Share in Total Imports to Turkey (%)	CAGR (2009-2018)	Average tariff applied by Turkey to Pakistan
	All Products	152.15	357.86		9.97%	
	Top Ten Products	66.56	226.32	48.22	11.16%	
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	33.39	93.08	26.01	12.06%	9
89	Ships, boats and floating structures	-	29.47	8.24	-	7
39	Plastics and articles thereof	10.95	19.87	5.55	6.85%	14
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	6.86	16.12	4.50	9.96%	14
73	Articles of iron or steel	6.54	14.02	3.92	8.84%	17
07	Edible vegetables and certain roots and tubers	0.59	11.98	3.35	39.62%	4
38	Miscellaneous chemical products	3.29	10.76	3.01	14.09%	10
96	Miscellaneous manufactured articles	1.84	10.71	2.99	21.65%	19
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere	0.76	10.45	2.92	33.90%	19
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	2.36	9.87	2.76	17.26%	20

Source: ITC Trade Map

Key Findings:

- The top 10 imports from Turkey accounted for 48.2% of Pakistan's total imports from Turkey in 2018.
- Pakistan's imports from Turkey have increased with a CAGR value of 10.1% since 2009. All of the top imports have shown an increase in import value since that year.

Pakistan's Top 25 Exports to Turkey at HS-06 Level

Table 10 shows Pakistan's top 25 exports at HS-06 to Turkey during 2009 and 2018, along with the CAGR for this period and tariff applied by Turkey on Pakistan.

Table 10 Top 25 Exports of Pakistan to Turkey (HS-06 Level) (USD Million)

Product Code	Product Description	2009 (USD Million)	2018 (USD Million)	Share in Total Exports to Turkey %	CAGR (2009-2018)	Tariff Applied by Turkey on Pakistan
	All Products	407.12	302.76	100	-3.24%	
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	47.62	97.59	32.24	8.30%	6
520532	Multiple "folded" or cabled cotton yarn, of uncombed fibres, containing >= 85% cotton by weight ...	8.54	22.75	7.51	11.50%	3
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	0.27	21.59	7.13	62.92%	32
390769	Poly"ethylene terephthalate", in primary forms, having a viscosity number of < 78 ml/g	-	13.62	4.50	-	-
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	13.61	11.87	3.92	-1.51%	6
520522	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	4.26	10.47	3.46	10.52%	3
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	4.35	9.22	3.05	8.71%	3

Product Code	Product Description	2009 (USD Million)	2018 (USD Million)	Share in Total Exports to Turkey (%)	CAGR (2009-2018)	Average tariff applied by Turkey to Pakistan
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	0.33	7.15	2.36	40.85%	10
520819	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , unbleached ...	17.29	6.99	2.31	-9.57%	6
520831	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 100 g/m ² , ...	0.07	6.35	2.10	65.56%	6
390761	Poly"ethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	-	5.00	1.65	-	-
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	1.85	4.96	1.64	11.57%	0
520621	Single cotton yarn containing predominantly, but < 85% cotton by weight, of combed fibres and ...	-	4.78	1.58	-	3
520912	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread ...	1.08	4.64	1.53	17.63%	6
521142	Denim, containing predominantly, but < 85% cotton by weight, mixed principally or solely with ...	32.42	4.02	1.33	-20.70%	6
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine ...	0.15	3.69	1.22	42.94%	3
550320	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning	-	2.95	0.97	-	3
950662	Inflatable balls	3.28	2.54	0.84	-2.78%	0
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	15.86	2.16	0.71	-19.87%	45
390319	Polystyrene, in primary forms (excluding expansible)	4.81	2.04	0.67	-9.09%	3
050400	Guts, bladders and stomachs of animals (other than fish) whole and pieces thereof, fresh,	1.00	1.63	0.54	5.63%	5
570110	Carpets and other textile floor coverings, of wool or fine animal hair, knotted, whether or	7.12	1.60	0.53	-15.28%	5
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	0.86	1.44	0.47	5.89%	5
520524	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear	3.65	1.43	0.47	-9.87%	3
120740	Sesamum seeds, whether or not broken	9.34	1.39	0.46	-19.06%	3

Source: ITC Trade Map

Key Findings:

- Pakistan's top 25 exports to Turkey were valued at \$251.9 million in 2018, and these accounted for 83.2% of Pakistan's total exports to Turkey.
- Pakistan's exports to Turkey have declined over the last few years. The CAGR for the last 10 years was -3.3%.
- Denim (HS-520942) constituted 32.3% of Pakistan's exports to Turkey. The tariff applied on it is 6.0%.
- Among the top 25 export commodities, "Plain woven fabrics of cotton" (HS-520831) has shown the highest growth rate of 65.6% since 2009 and which has with a 6.0% tariff rate.
- "Undenatured ethyl alcohol" (HS-220710), which is Pakistan's third-largest export to Turkey, is heavily taxed with a tariff rate of 32.0%. Apart from this, "Semi-milled or wholly milled rice" (HS-100630) has a high tariff of 45.0%.
- Fourteen of the top 25 exports fall under the category of Textiles. These constitute 63.4% of total exports to Turkey.

Pakistan's Top 25 Imports from Turkey at HS-06 Level

The table below shows the top 25 products Pakistan imported from Turkey in 2009 and 2018, along with the CAGR for this period, and tariff rates applied by Pakistan on Turkey.

Table 11 Top 25 Imports of Pakistan from Turkey (HS-06 Level) (USD Million)

Product Code	Product Description	2009 (USD Million)	2018 (USD Million)	Share in Total Imports from Turkey (%)	CAGR (2009-2018)	Tariff Applied by Pakistan on Turkey
	All Products	152.15	357.86	100.00	9.97%	
890400	Tugs and pusher craft	-	27.41	7.66	-	20
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	0.42	11.46	3.20	44.59%	3
961900	Sanitary towels (pads) and tampons, napkins and napkin liners for babies, and similar articles, ...	-	10.32	2.88	-	19
845140	Machines for washing, bleaching or dyeing textile yarns, fabrics or made-up textile articles	0.38	6.54	1.83	37.34%	3
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections, ...	1.38	6.53	1.82	18.80%	20
040210	Milk and cream in solid forms, of a fat content by weight of <= 1,5%	-	5.17	1.45	-	20
843629	Poultry-keeping machinery (excluding machines for sorting or grading eggs, poultry pickers ...	1.19	4.76	1.33	16.63%	3
210690	Food preparations, n.e.s.	0.20	4.70	1.31	41.78%	20
570242	Carpets and other floor coverings, of man-made textile materials, woven, not tufted or flocked, ...	2.05	4.67	1.31	9.56%	12
380991	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs, and other products ...	1.45	4.65	1.30	13.81%	10
940690	Prefabricated buildings, whether or not complete or already assembled (excl. of wood)	-	4.45	1.24	-	-
848310	Transmission shafts, incl. cam shafts and crank shafts, and cranks	2.72	4.28	1.19	5.16%	32
540234	Textured synthetic filament yarn of polypropylene (excluding sewing thread and yarn put up ...	0.30	4.14	1.16	33.70%	11
320290	Inorganic tanning substances; tanning preparations, whether or not containing natural tanning ...	3.74	4.09	1.14	1.00%	16
040410	Whey and modified whey, whether or not concentrated or containing added sugar or other sweetening ...	0.76	4.01	1.12	20.38%	20
840999	Parts suitable for use solely or principally with compression-ignition internal combustion	3.85	3.94	1.10	0.26%	26
860800	Railway or tramway track fixtures and fittings (excluding sleepers of wood, concrete or steel, ...	0.01	3.88	1.08	98.79%	3
320416	Synthetic organic reactive dyes; preparations based on synthetic organic reactive dyes of a	0.09	3.81	1.07	50.90%	16
841430	Compressors for refrigerating equipment	-	3.69	1.03	-	16
690721	Ceramic flags and paving, hearth or wall tiles, of a water absorption coefficient by weight	-	3.61	1.01	-	-
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	-	3.59	1.00	-	16
841989	Machinery, plant or laboratory equipment, whether or not electrically heated, for the treatment ...	0.01	3.46	0.97	91.47%	20
841899	Parts of refrigerating or freezing equipment and heat pumps, n.e.s.	0.05	3.46	0.97	59.07%	11
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	2.64	3.44	0.96	2.99%	18
392350	Stoppers, lids, caps and other closures, of plastics	0.32	3.44	0.96	30.05%	20

Source: ITC Trade Map

Key Findings:

- Pakistan's top 25 imports from Turkey amounted to \$143.5 million in 2018, which constituted 40.0% of its total imports from Turkey.
- Imports from Turkey have grown since 2009, with a CAGR of 10.0%. All of the top 25 imports have a positive CAGR, indicating that imports of all these commodities have increased since 2009.
- "Railway or tramway track fixtures and fittings" (HS-860800) showed the highest growth rate since 2009, with a value of 98.8% and which carries a tariff of 3.0%.
- Eight out of the top 25 imports consist of Machinery. The value for these amounted to \$57.5 million in 2018.

Importance of Bilateral Trade

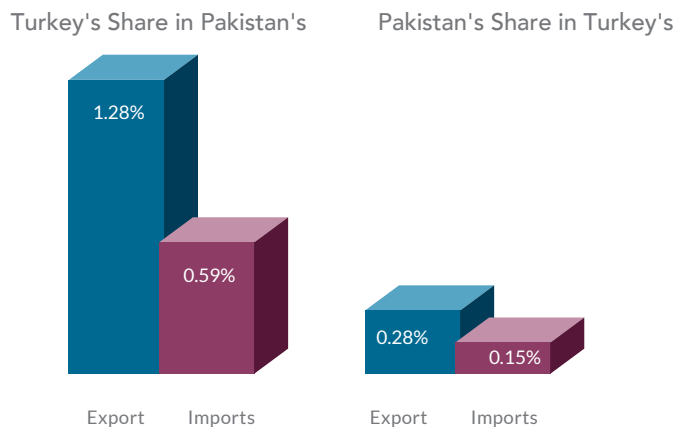


Figure 25 shows the importance of bilateral trade for both the countries i.e. Turkey's share in Pakistan's exports and imports as well as Pakistan's share in Turkey's exports and imports. Pakistan's trade with Turkey as a percentage of its trade with the world is more substantial than Turkey's trade with Pakistan as a percentage of its trade with the world.

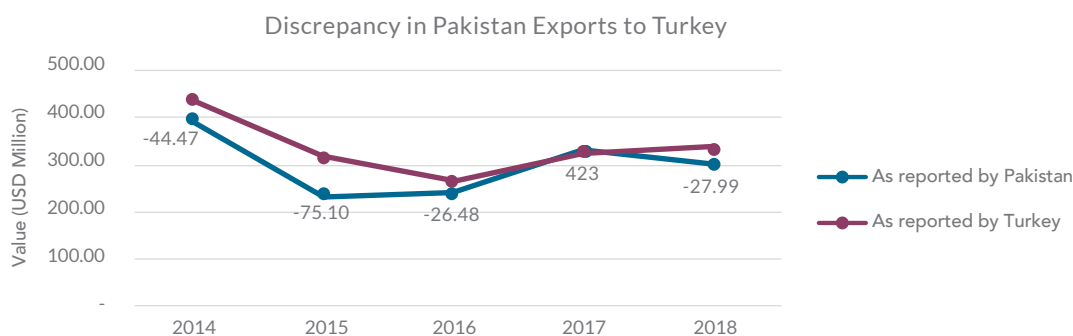
FIGURE 25 Importance of Bilateral Trade in Pakistan
Source: ITC Trade Map

Discrepancies in Bilateral Trade Data

There is discrepancy in reported trade data of Pakistan and Turkey. According to Pakistan, exports to Turkey in 2018 amounted to \$302.8 million while imports totaled \$357.9 million. Turkey, on the other hand reports imports from Pakistan at \$330.8 million and exports at \$462.2 million. This shows a total of \$132.3 million of unaccounted for trade in 2018.

Figure 26 depicts Pakistan's exports to Turkey as recorded by both countries for the last five years. It shows an increase in discrepancy from \$4.2 million in 2017 to \$27.9 million in 2018. However, as compared to 2014 and 2015, this discrepancy has decreased. According to the data recorded by Pakistan at HS-02 Level, Pakistan records a much greater value than Turkey in Textile articles (HS-63) and Articles of Leather (HS-42).

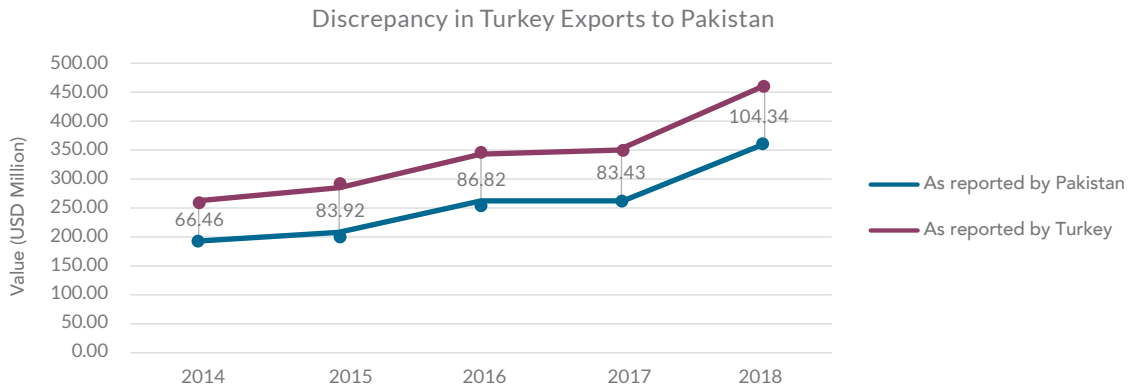
FIGURE 26 Discrepancy in data of Pakistan's Exports to Turkey



Source: ITC Trade Map

The reported data in Figure 27 below shows a greater difference in Turkey's exports to Pakistan as recorded by both the countries. The discrepancy has increased from \$83.9 million in 2014 to \$104.3 million in 2018. Turkey has recorded a higher level of exports as compared to Pakistan's reported data for all years since 2015. In context to Turkey's records at HS-02 Level, Machinery (HS-84), Electrical machinery (HS-85), Cotton (HS-52), Chemical products (HS-38), Vehicles (HS-87), Furniture (HS-94), Glass & glassware (HS-70), Tanning extracts (HS-32), Man-made filaments (HS-54) and Wadding (HS-56) were the commodities with the highest level of discrepancies.

FIGURE 27 Discrepancy in data of Turkey's Exports to Pakistan



Source: ITC Trade Map

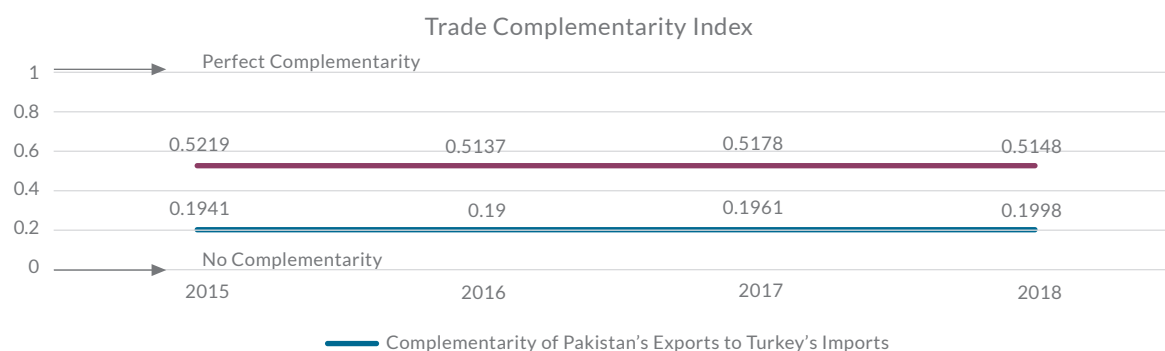
Trade Complementarity

Trade Complementarity index stipulates the extent to which the export profile of the reporter complements the import profile of the partner. A high index may indicate that the exporter would stand to gain from increased trade. It is calculated using the following formula:

$$\text{Trade Complementarity of Country } i \text{ with Country } j = 1 - \frac{\sum (\text{share of good } X \text{ in imports of country } j - \text{share of good } X \text{ in exports of country } i)}{2}$$

The figure below illustrates that Turkey's exports match Pakistan's imports closely relative to Pakistan's exports with Turkey's imports. Only 20.0% of Pakistan's exports complement Turkey's imports, while nearly 51.5% of Turkey's exports complement Pakistan's imports. Over the last few years, correlation of Turkey's exports with Pakistan's imports has decreased slightly. On the other hand, trade complimentary for Pakistani exports with Turkey's imports have shown an increasing trend since 2016. This indicates that in the event of signing of an FTA between the two countries, the Turkish export industry will stand to gain more.

FIGURE 28 Trade Complementarity Index, Pakistan & Turkey (2015-2018)



Source: World Integrated Trade Solutions

Bilateral Revealed Comparative Advantage

The Bilateral Revealed Comparative Advantage (BRCA) index indicates whether or not a country has a relative comparative advantage or disadvantage to export a particular product to a particular partner as evidenced by trade flows. A value between 0 and 1 implies the partner country having a comparative disadvantage whereas a value greater than one indicates the country having a comparative advantage over its partner.

$$\text{BRCA of a country } i \text{ for exporting } X \text{ to country } j = \frac{\left(\frac{\text{Country } i' \text{ s exports of } X \text{ to Country } j}{\text{Country } i' \text{ s total exports to Country } j} \right)}{\left(\frac{\text{Country } i' \text{ s exports of } X \text{ to the world}}{\text{Country } i' \text{ s total exports to the world}} \right)}$$

Pakistan's BRCA over Turkey

The table below shows the BRCA of the top 10 commodities exported to Turkey by Pakistan at HS-06 Level. The value further determines the products where Pakistan has a competitive advantage over Turkey and the products where Pakistani industry has an advantage.

Table 12 BRCA - Pakistan's Top 10 Exports to Turkey

CODE	PRODUCTS	BRCA
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	15.29
520532	Multiple "folded" or cabled cotton yarn, of uncombed fibres, containing >= 85% cotton by weight	13.47
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	3.96
390769	Poly"ethylene terephthalate", in primary forms, having a viscosity number of < 78 ml/g	15.12
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	3.66
520522	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	10.54
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	0.93
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	0.36
520819	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , unbleached ...	7.90
520831	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 100 g/m ² , ...	10.10

Source: ITC Trade Map

The result of the BRCA implies that Pakistan has a comparative advantage in eight of the above-mentioned products with the exception of two products that include 'Single cotton yarn, of uncombed fibres' (HS-520512) and 'Men's or boys' ensembles of cotton' (HS-620322). Pakistan enjoys the highest comparative advantage in 'Denim' (HS-520942). The country is efficient in exporting products ranging from 1 to +∞ however it lacks efficiency otherwise.

Turkey's BRCA over Pakistan

Table 13 lists down the Bilateral Revealed Comparative Advantage (BRCA) of Turkey's top 10 exports to Pakistan.

Table 13 BRCA - Turkey's Top 10 Exports to Pakistan

CODE	PRODUCTS	BRCA
901480	Navigational instruments and apparatus (excluding for aeronautical or space navigation, compasses ...	328.40
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	10.74
520100	Cotton, neither carded nor combed	43.91
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations ...	1.95
520513	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	80.95
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	59.87
845140	Machines for washing, bleaching or dyeing textile yarns, fabrics or made-up textile articles ...	35.24
730820	Towers and lattice masts, of iron or steel	12.13
690721	Ceramic flags and paving, hearth or wall tiles, of a water absorption coefficient by weight ...	5.71
999999	Commodities not elsewhere specified	0.98

Source: ITC Trade Map

Turkey enjoys a comparative advantage over Pakistan in 9 of its 10 major exports to Pakistan at HS-06 Level. The highest comparative advantage is in 'Navigational instruments and apparatus' (HS-901480), followed by 'Single cotton yarn' (HS-520513). The relatively higher BRCA of (HS-901480) is a result of Turkey exporting a large proportion of its total exports to Pakistan and the same products constituting a minor proportion in Pakistan's import basket.

Trade Potential

Indicative Trade Potential is referred to as the maximum amount of a specific commodity a country can export to its partner other than what it is already exporting. It is calculated by subtracting Pakistan's actual exports for a product to Turkey from the minimum of Pakistan's exports to the world and Turkey's imports from the world for that product.

$$\text{Export Potential} = \text{Min} (\text{Country } i\text{'s export to the world of } X, \text{Country } j\text{'s imports from the world of } X) - (\text{Country } i\text{'s current exports to Country } j \text{ of } X)$$

Pakistan's Potential to Export to Turkey

The table below lists the top 25 products with the highest trade potential for Pakistan to export to Turkey, the revealed comparative advantage (RCA) between the two countries, along with tariffs applied by Turkey on Pakistan in 2018.

Table 14 Pakistan's Top 25 Highest Potential Exports to Turkey (2018) (with RCA & Tariff)

Product Code	Product Description	Pakistan's Exports to Turkey 2018 (USD Million)	Turkey's Imports from the World 2018 (USD Million)	Pakistan's Exports to the World 2018 (USD Million)	Indicative Trade Potential (USD Million)	RCA		Tariff Applied by Turkey on Pakistan
						Pakistan	Turkey	
TOTAL	All products	304.65	223,046.88	23,778.62	23,473.97	-	-	-
	Top 25 products	137.36	6,030.88	5,999.83	2,331.63	-	-	-
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	4.96	357.89	373.18	352.93	1.04	2.36	0
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	97.59	289.4	498.09	191.8	15.29	2.63	6

Product Code	Product Description	Pakistan's Exports to Turkey 2018 (USD Million)	Turkey's Imports from the World 2018 (USD Million)	Pakistan's Exports to the World 2018 (USD Million)	Indicative Trade Potential (USD Million)	RCA		Tariff Applied by Turkey on Pakistan
						Pakistan	Turkey	
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	9.22	189.74	777.59	180.51	0.93	13.86	3
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	0.29	154.62	348.99	154.33	0.07	0.03	10
390761	"Polyethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	5	292.47	132.99	127.99	2.93	-	#N/A
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	2.16	110.93	1,757.85	108.77	0.1	-	45
100119	Durum wheat (excluding seed for sowing)	-	103.77	272.59	103.77	-	-	45
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	0.04	108.45	100.31	100.27	0.03	0.01	10
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1.23	86.41	242.7	85.18	0.39	0.05	10
170199	Cane or beet sugar and chemically pure' sucrose, in solid form (excluding cane and beet sugar ...	0.08	82.94	383.69	82.86	0.02	-	135
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	-	133.25	78.13	78.13	-	0.25	4
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	-	1,887.32	73.54	73.54	-	1.56	0
120740	Sesamum seeds, whether or not broken	1.39	198.09	73.5	72.1	1.48	-	3
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	-	82.87	68.32	68.32	-	0.09	0
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	0.3	68.02	74.24	67.71	0.32	0.03	10
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics, put up in ...	-	153.46	60.49	60.49	-	-	0
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	-	142.06	57.83	57.83	-	-	0
390769	"Polyethylene terephthalate", in primary forms, having a viscosity number of < 78 ml/g	13.62	126.88	70.29	56.67	15.12	0.06	#N/A
261000	Chromium ores and concentrates	-	52.73	69.51	52.73	-	-	0
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	-	1,185.09	49.77	49.77	-	-	45
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.17	49.38	157.26	49.21	0.08	0.01	10
080410	Fresh or dried dates	1.28	47.74	112.73	46.46	0.89	-	15
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	0.03	50.4	42.28	42.25	0.05	2.95	6
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, ...	-	44.17	35.22	35.22	-	-	46
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...	0	32.8	88.74	32.79	0	0.07	0

Source: ITC Trade Map

Key Findings:

- Pakistan's aggregate trade potential for the 25 high potential products amounted to approximately \$2.3 billion in 2018. Most of these products fall under the category of textiles.
- "Instruments and appliances used in medical, surgical or veterinary sciences" (HS-901890) holds the highest potential worth \$352.9 million. However, Pakistan exported a mere \$4.96 million worth of this product in 2018 to Turkey.
- "Durum wheat" (HS-100119), "Footwear with outer soles of rubber, plastics or composition leather" (HS-640399) and "Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes" (HS-300490) are amongst those commodities which have high potential, but are currently not being exported to Turkey.
- "Cane or beet sugar" (HS-170199) has the highest tariff of 135.0% amongst the top 25 commodities. Pakistan in 2018 exported \$0.08 million worth of this product to Turkey while it holds the potential to export around \$82.6 million.

Turkey's Potential to Export to Pakistan

The table below lists the top 25 products with the highest trade potential for Turkey to export to Pakistan, the revealed comparative advantage (RCA) between the two countries, along with tariffs applied by Pakistan on Turkey in 2018.

Table 15 Turkey's Top 25 Highest Potential Exports to Pakistan (2018) (with RC & Tariff)

Product Code	Product Description	Turkeys Exports to Pakistan 2018 (USD Million)	Pakistan's imports from the world 2018 (USD Million)	Turkey's exports to world 2018 (USD Million)	Indicative Potential Trade (USD Million)	RCA		Tariff Applied by Pakistan on Turkey
						Pakistan	Turkey	
TOTAL	All products	462.21	60,391.13	167,923.86	59,928.93	-	-	
	Top 25 products	37.40	5,816.79	22,889.54	4,559.27			
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	542.11	1,956.21	542.11	-	-	53
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	1.92	465.93	834.59	464.01	-	0.83	16
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	2.53	432.80	590.34	430.27	-	1.56	14
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	291.88	2,756.89	291.88	-	-	60
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	266.73	1,245.92	266.73	-	-	92
520100	Cotton, neither carded nor combed	9.54	1,048.97	178.59	169.05	-	19.40	3
847989	Machines and mechanical appliances, n.e.s.	2.32	170.31	189.69	167.99	-	4.43	5
870120	Road tractors for semi-trailers	-	165.91	913.20	165.91	-	-	18
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston ...	0.35	151.09	534.95	150.74	4.15	0.24	27
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections, ...	2.47	144.09	750.38	141.62	-	1.19	20
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...	1.06	138.47	350.75	137.41	4.21	1.10	30

Product Code	Product Description	Turkeys Exports to Pakistan 2018 (USD Million)	Pakistan's imports from the world 2018 (USD Million)	Turkey's exports to world 2018 (USD Million)	Indicative Potential Trade (USD Million)	RCA		Tariff Applied by Pakistan on Turkey
						Pakistan	Turkey	
401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding tyres with ...	1.18	137.22	560.58	136.04	-	0.77	10
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	0.09	135.91	933.04	135.82	11.64	0.03	35
890120	Tankers	-	249.80	131.81	131.81	-	-	11
841590	Parts of air conditioning machines, comprising a motor-driven fan and elements for changing ...	0.07	131.27	166.20	131.20	-	0.15	24
382499	Chemical products and preparations of the chemical or allied industries, incl. those consisting ...	4.19	133.23	166.69	129.05	5.79	9.12	#N/A
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	-	126.62	4,654.06	126.62	-	-	60
870340	Motor cars and other motor vehicles principally designed for the transport of ...	-	113.09	3,115.88	113.09	-	-	#N/A
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	1.20	112.86	1,445.49	111.66	-	0.30	17
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	-	109.29	191.38	109.29	-	-	11
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	-	107.01	705.56	107.01	-	-	16
080610	Fresh grapes	-	105.30	120.89	105.30	-	-	20
850300	Parts suitable for use solely or principally with electric motors and generators, electric ...	0.03	101.53	172.06	101.50	-	0.06	10
720916	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	-	100.92	121.70	100.92	-	-	16
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	10.45	334.45	102.69	92.24	-	36.97	3

Source: ITC Trade Map

Key Findings:

- Turkey's aggregate trade potential for the 25 high potential products amounted to approximately \$4.6 billion in 2018.
- Seven of the high potential products fall under the category of vehicles (HS-87).
- "Motor cars and other motor vehicles principally designed for the transport of persons" (HS-870321) holds the largest export potential for Turkey amounting to \$542.1 million. However, Turkey did not export this commodity to Pakistan in 2018.
- Turkey did not export eleven out of the top 25 high potential commodities to Pakistan in 2018 even though it had the potential to do so. These include "Road tractors for semi-trailers" (HS-870120), "Tankers" (HS-890120) and "Fresh grapes" (HS-080610).

SECTION 4

TURQUALITY®

Introduction



Effective as of 23rd November 2004, TURQUALITY®- a combination of the words Turkey and Quality- is a support program which aims to prepare Turkish companies for the global arena by improving production, marketing, sales, after-sale services for product groups with competitive advantage. It is the first-ever state-sponsored brand development program in the world, and which seeks to become a brand reference in the eyes of the consumers and a catalyst for the development of Turkish brands. This program was initiated by the Ministry of Economy, Turkish Government, Turkish Exporters Assembly (TIM) and Istanbul Textile and Apparel Exporters Association (ITKIB).

While the program initially started with supporting the textile industry, it opened its doors to other sectors including fast moving consumer goods, durable consumer goods, jewelry, automotive and industrial machinery sectors. The details of the textile industry under TURQUALITY® are elaborated in section 4.3.

Unlike traditional export support programs, the focus of the TURQUALITY® program is to contribute to the branding goals of the companies, rather than just increasing exports. Additionally, the program seeks to create a positive image of products produced in Turkey. The figure below lists down the program's mission, as well as, its objectives.

FIGURE 29 TURQUALITY's Mission and Objectives

TURQUALITY's Mission

- Creating 10 global brands within 10 years
- Strengthening the brand strength and corporate infrastructure of companies
- Creating brand awareness and awareness at home

TURQUALITY's Objectives

- Providing financial resources to companies with brand potential to become a global brand
- Supporting strategy, operation, organization and technology consultancy studies for the development of companies and brands in order to create global Turkish brands.
- Carrying out communication and promotion activities to create and promote a positive image of Turkish goods abroad
- Providing training support for the management units of the companies within the scope of the program
- To be an incubator and catalyst for selected Turkish brands.

Source: TURQUALITY Official Website

History of the Program

The Ministry of Economy, along with the Turkish Exporters' Assembly and Exporters' Associations formed two teams (TURQUALITY® Study Group and TURQUALITY® Secretariat) to carry out technical work when the program was first launched in 2004. It was decided that the Textile and Ready-Wear sector was the most suitable sector for the pilot implementation of the program. Werner International, a consulting company, was hired as the Program Consultant to select the brands to be awarded TURQUALITY® certificate.

In 2005, "TURQUALITY® Strategic Plan" and "Branding Roadmap" documents were created for the implementation of the TURQUALITY® Program. It was also decided to open the program to other sectors as mentioned above. Upon examination of the applicant companies, the need for establishing a formal methodology emerged and to provide professional support in this aspect, the international consultancy company Deloitte was selected as the Management Consultant.

By 2006, TURQUALITY® Vision Seminars had been initiated where world famous branding theorists were invited to conduct workshops. In 2008- just four years after the program's commencement- TURQUALITY® was given recognition amongst the 'Best 10 projects' by Capital Magazine.

As the years progressed, the program also developed. In 2011, large-scale changes were made within the program. These included extending the support duration, diversifying support factors, increasing limits and including Gastronomy as a new sector.

Since its inception, the program has fared well and has been established as the branding support platform that supports companies in corporate, financial and operational terms. The year 2019 was considered as the Golden Year for Turkish exporters, with a record high of approximately \$543.2 million spent on support payments by the Government. The most significant indicator that the program's efforts are yielding results is that while the unit price of Turkish exports in 2018 was \$1.33, the unit price of exports of the companies that benefited from design support of the program was \$13.1.

Turkish Textile Industry Under TURQUALITY®

As mentioned above, the textile sector was considered to be a suitable target for the TURQUALITY® pilot program as it had previously faced a lot of difficulties due to which its growth was stunted. Production in the textiles and apparel industry had been severely affected by Turkey's own home-grown financial crisis of 2000 and 2001. During January 2005, Turkey faced severe competition from Asian countries due to the removal of quotas on textile and clothing trade. Moreover, between 2009 and 2013, the textiles and apparel industry lost much of its cost advantage to Bangladesh and other countries. Hence, due to all these impediments, this particular industry needed extra support to re-emerge successfully in international markets.

After initial studies, fifteen brands and five designers were qualified for accreditation. Most of the brands selected fell under the ready-to-wear sector, a segment which constantly keeps pushing the boundaries of innovation, quality, production and design. The brands initially selected to appear in the world markets along with the TURQUALITY® logo were as follows: Abbate, Bil's, Colin's, Damat-Tween, Derri, Esas, Harmanli, Ipekyol, LTB, Mithat, NetWork, Polo Garage, Ramsey, Sarar, and Viaveneto.

The first fruits of the TURQUALITY® project were seen in Tokyo in 2006. Giant Japanese department chain Takashimaya was seen selling seven Turkish brands. Takashimaya, which has a global annual turnover of around \$40.0 billion, displayed these brands in their main outlet which is located next to world-famous brands such as Hermes and Louis Vuitton. In 2011, a survey of 23 firms revealed that sales had jumped after certification, 4.3% of the firms reported an increase in revenue by 2.0 million Turkish Lira (TL) while 47.8% testified to increases between 2 million to 5 million TL. Another 39.1% firms reported an increase in revenue by 5 million - 10 million TL and the remaining 8.7% reported increases of more than 10 million TL.

Furthermore, Turkey's export of textile products increased from around \$17.6 billion in 2004 to \$27.9 billion in 2019. The table below lists down Turkey's exports of such products at HS-02 level during 2004 and 2019, along with their CAGR for this period. All commodities, with the exception of three have experienced a positive growth.

Table 16 Turkey Textile Exports

Product Code	Product Description	2004 (USD Million)	2019 (USD Million)	CAGR 2004-19)
	Textiles	17,604.86	27,903.17	3.12%
61	Articles of apparel and clothing accessories, knitted or crocheted	6,259.22	9,089.25	2.52%
62	Articles of apparel and clothing accessories, not knitted or crocheted	4,536.83	6,450.95	2.37%
57	Carpets and other textile floor coverings	517.54	2,531.12	11.16%
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	1,856.54	2,018.25	0.56%
52	Cotton	1,219.99	1,654.13	2.05%
54	Man-made filaments; strip and the like of man-made textile materials	796.56	1,555.11	4.56%
60	Knitted or crocheted fabrics	441.76	1,510.59	8.54%
55	Man-made staple fibres	925.41	1,420.34	2.90%
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	166.64	801.10	11.04%
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	454.06	421.69	-0.49%

Product Code	Product Description	2004 (USD Million)	2019 (USD Million)	CAGR 2004-19)
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable . . .	239.06	299.16	1.51%
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	167.57	97.79	-3.53%
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	17.59	50.59	7.30%
50	Silk	6.09	3.14	-4.32%

Source: ITC Trade Map

The figure below shows the trend for exports of textile commodities by Turkey since 2004. Overall, the export trend of textiles has been upward, despite a few dips, indicating that Turkey has managed to increase its exports of such products even after the financial crisis and has been able to make its mark in the international market.

FIGURE 30 Export of Textiles Trend



Source: ITC Trade Map

Due to the efforts of this national quality mark program, the Turkish textile sector is now the sixth largest clothing supplier worldwide. Textiles account for approximately 15.0% of the country's exports. TURQUALITY® has enabled Turkey's textile and clothing industry to compete in the global market by meeting high quality standards and by providing a vast range of products. Today, Turkish textiles and clothing industry is the most outward-oriented industry that can compete with other countries in the international markets in terms of high quality and a wide variety of products.

TURQUALITY® Support

TURQUALITY® provides support and assistance to Turkish companies through different ways such as the Brand Program, TURQUALITY® Program, Development Roadmap Study, Manager Development Program and Vision Seminars. In an interview, ProGroup International Consultancy President, Mr. Salim Cam, stated that the program's success extends beyond domestic companies, with foreign companies also asking for its support.

All of the different types of support programs are described briefly in the sections below.

Brand Program and TURQUALITY® Program

Applicants of the program are thoroughly assessed through documents provided and on-site examination of the company's premises. According to the eligibility criteria, a company that scores 50-80 out of 100 on evaluation on their application to TURQUALITY® is placed in the 'Brand program' and a score of 80 points or above leads to its accession to the 'TURQUALITY® program'. In these programs, certain costs of the company are partially or completely covered. These include patents, certification related expenses, promotion and marketing expenses, costs related to foreign units, consulting expenses and so on. If the firms qualify for these programs, they have to pay an amount determined proportional to their revenues to ITKIB.

It is not necessary to be a manufacturer to benefit from this program. For instance, a ready-made clothing firm may not be manufacturing itself and may subcontract production. This firm will be eligible to apply to the support program, given that it exports products under its own brand name.

Both the programs and their support limit are described in detail below. Currently, 312 companies with 325 brands are being supported. 199 of the brands fall under the TURQUALITY® Program while 126 of them are supported under the Brand Program.

Brand Program

- Provides support for four years and covers 50% of expenditures
- Product and service/brand registration: support upto \$50,000 per year
- Advertising and marketing expenses: support upto \$400,000 per year
- Rent for foreign units: support upto \$600,000 per year
- Decoration/installation expenses: support upto \$200,000 per year
- Decoration/installation expenses for foreign units: support upto \$300,000 per year
- If the company gives franchise for the brand as an incentive: support 50% installation/decoration expense for up to \$50,000 per store, and 50% leases expenses for 2 years for up to \$50,000 per store per annum is provided for a maximum of 10 stores
- Consultancy: support upto \$300,000 per year
- Market research study and reports: support upto \$100,000 per year

TURQUALITY Program

- Provides support for five years and covers 50% of expenditures
- Support might be extended to ten years, depending on the company's performance
- Offers support in products and service/brand registration (no support limit)
- Offers support in advertising and marketing expenses (no support limit)
- Rent for foreign units: no support limit for 50 units simultaneously
- Decoration/installation expenses: support \$200,000 per year
- Decoration/installation expenses for foreign units: support upto \$200,000 per year
- In the case of franchising, rent is taken care of, \$100,000 per store for 100 stores for 5 years, and in reference to decoration, support is extended to a total of 100 stores for 5 years, with a maximum of \$200,000 per store per annum for 2 years
- Consultancy: support upto \$600,000 per year
- Market research study and reports (no support limit)

Development Roadmap Study

Under TURQUALITY®, companies are supported to create a Branding Roadmap and to implement this map. For this purpose, companies may receive consultancy services from Deloitte, Ernst and Young, McKinsey, PricewaterhouseCoopers, Boston Consulting Group, KPMG, and Grant Thornton.

The present condition of a company is examined in detail and improvement projects are determined. Separate Development Roadmaps are created for separate brands and these projects are carried out during the support program period.

Manager Development Program

Under this program, medium and senior level executives of the companies are trained at Koç, Sabancı, Bilkent and Istanbul Universities. The main aim of the Manager Development Program is to increase professionalism, create a positive relationship network amongst the companies' middle and senior executives and to encourage efficiency.

For this purpose, with the support of TURQUALITY®, courses are taught at the above-mentioned universities in Turkey where participants from different companies can gain knowledge related to the business world. These classes are highly interactive due to group discussions, group work and case studies. Hence, participants are able to combine their academic knowledge with practical work and business practices.

This program takes place over a 44-day period, with 7-hour sessions each semester.

Vision Seminars

The TURQUALITY® **Vision Seminars** were initiated in 2006, with the aim of providing access to necessary vision and competence for global competition. These seminars are conducted by business leaders from different parts of the world and who provide inspiration to member companies.

Up till now, seven vision seminars have taken place. The Vision Seminar titles, along with the year during which they were conducted can be seen below.

- 1 • "On Brand Positioning with Jack Trout"- 2006.
- 2 • "Establishing Corporate Culture for Permanent Success in International Market"- 2007.
- 3 • "Developing Winning International Strategies" - 2007.
- 4 • "Executing Strategy with New Cost and Performance Management Systems" - 2008.
- 5 • "Competitive Expansion Opportunities in Global Arena"- 2009.
- 6 • "Innovation and Social Responsibility in International Branding Strategies" - 2012.
- 7 • "Reverse Innovation with Vijay Govindarajan" - 2013.

SECTION 5

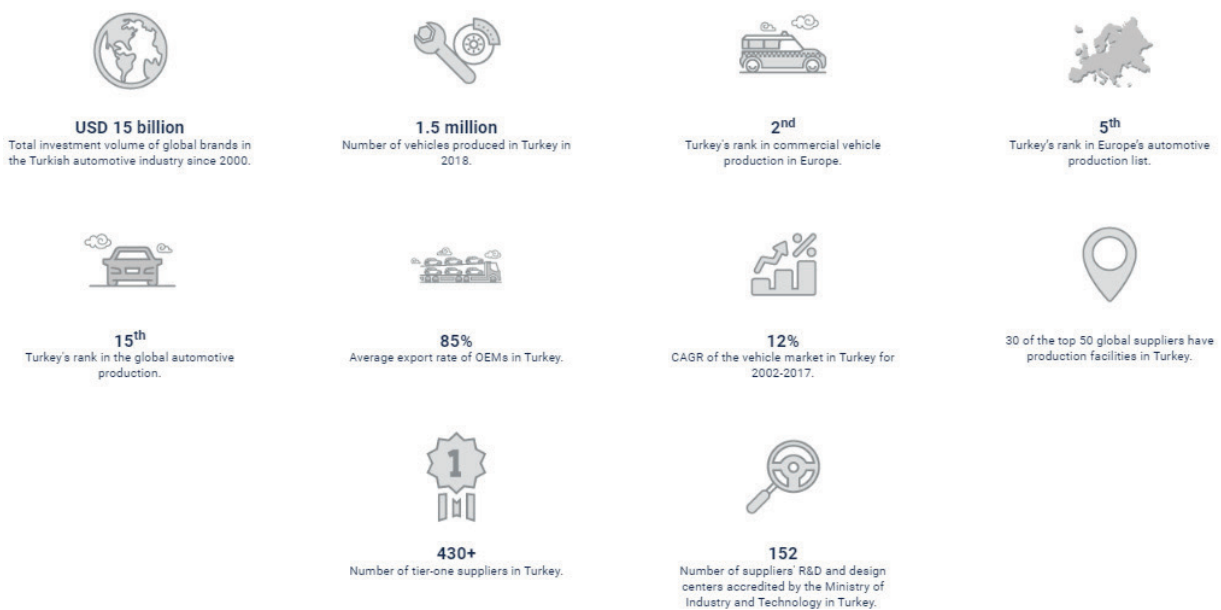
INDUSTRY ANALYSIS

Turkey's Automotive Industry

The foundation of Turkey's automotive industry dates back to the 1960's when joint ventures with foreign car manufacturers were established. Through the late 1960s until the 1980s, numerous foreign companies opened their plants in Turkey, including Renault, Fiat, and Ford. Despite Turkey's ongoing liberalization in the 1980s, production in Turkey was still mainly geared for internal consumption due to high export tariffs and trade barriers with Europe. This changed with the Customs Union agreement between the EU and Turkey in December 1995. The agreement greatly altered how the auto industry was able to operate and compete; Turkey could now be a regional and worldwide participant. During this time period, this key sector also transformed itself from assembly-based partnerships to a full-fledged industry with design capability and increased production capacity. As a result, auto production increased from about 320,000 units in 1995 to over 1.1 million units in 2008.

At present, the automotive industry accounts for the largest portion of Turkey's exports. The country is known to be a global center of excellence in vehicle design and engine development due to which, this industry plays a vital role in Turkey's manufacturing sector. Due to value-added production, meeting and exceeding international quality and safety standards, the Turkish automobile industry is highly efficient and competitive. The figure below shows some facts and figures of Turkey's automotive industry.

FIGURE 31 Facts and figures for Turkey's Automotive Industry

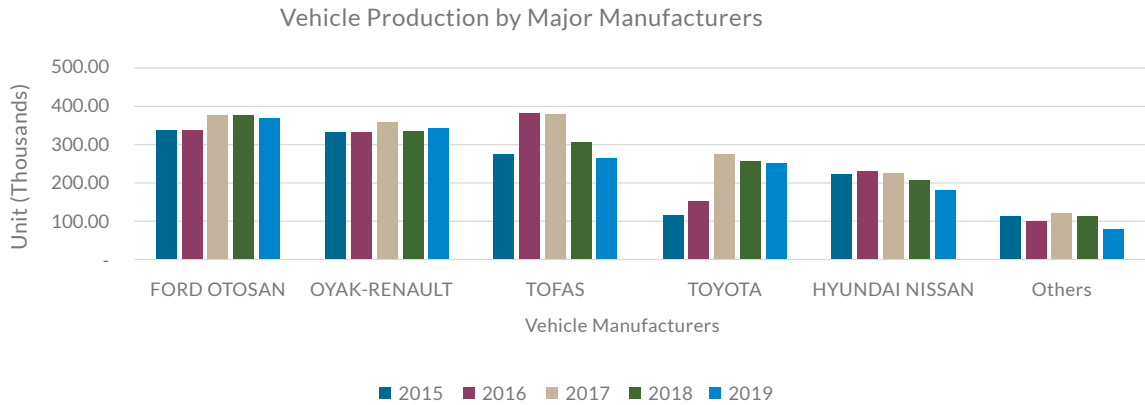


Source: Presidency of the Republic of Turkey Investment Office

Automobile Production in Turkey

Figure 32 below lists Turkey's top 5 vehicle manufacturers, along with their production for the last five years. Ford Otosan is the country's leading manufacturer, followed by Oyak-Renault, TOFAS, Toyota and Hyundai Assan.

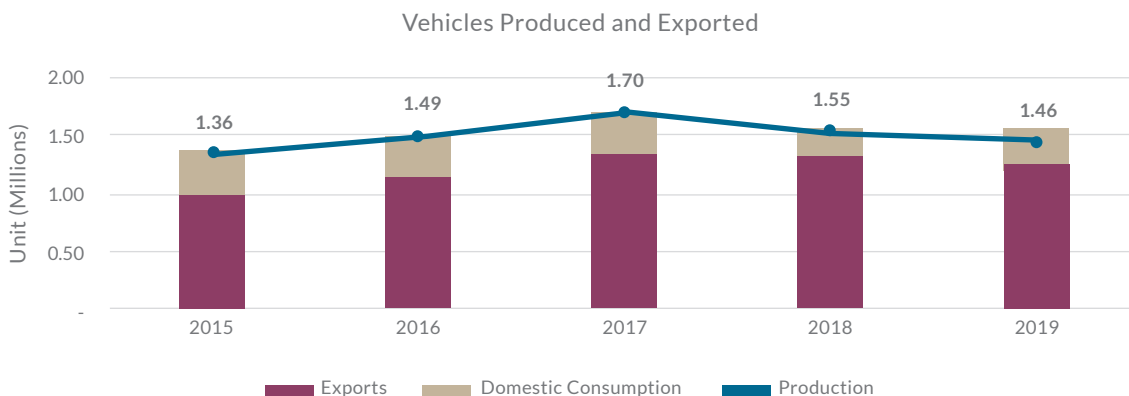
FIGURE 32 Vehicle Production by Major Manufacturers



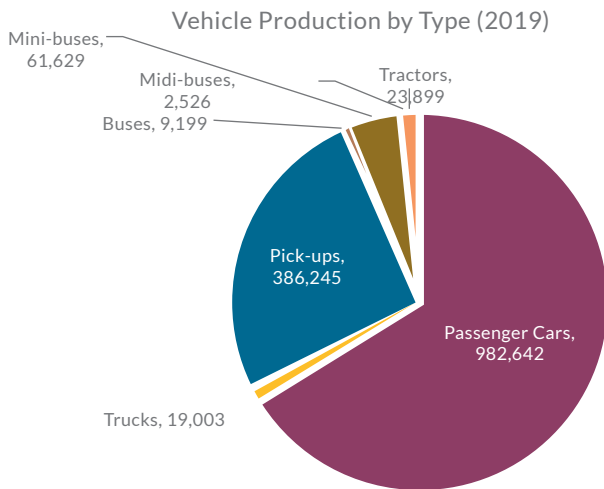
Source: Automotive Manufacturer's Association (OSD)

During 2019, Turkey produced approximately 1.46 million vehicles, out of these, 1.27 million vehicles were exported. A similar pattern can be seen for previous years in Figure 33 below which indicates that Turkey exports majority of its produced vehicles to other countries. Turkey's automobile production reached a peak in 2017 when it produced 1.70 million vehicles. However, production and exports slowed down in the following years due to fluctuations in the value of the Turkish Lira. High volatility in foreign exchange rates in the second half of 2018, followed by a large increase in interest rates led to a sharp decline in domestic demand. However, figures are expected to improve in 2020 due to tax exemptions and incentives for this sector.

FIGURE 33 Vehicles Produced and Exported



Source: Automotive Manufacturer's Association (OSD)

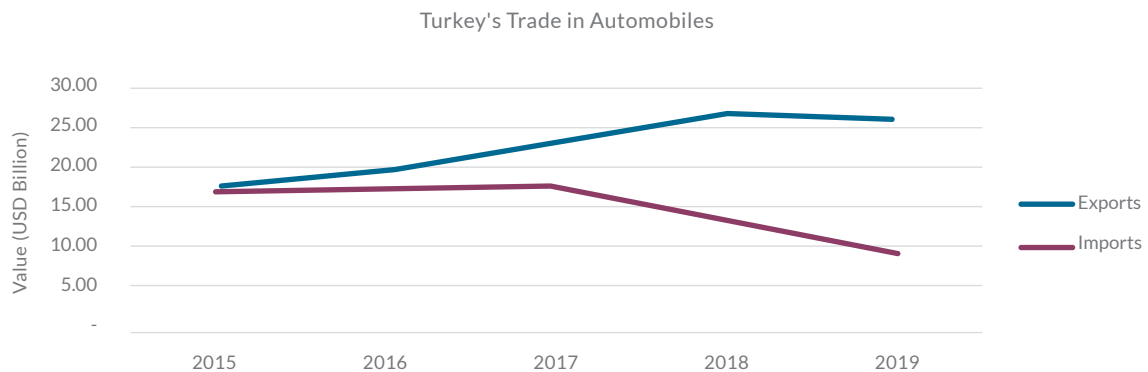
FIGURE 34 Turkey's Vehicle Production by Type (2019)

Source: Automotive Manufacturer's Association (OSD)

Turkey's vehicle manufacturing sector includes a portfolio of trucks, pick-ups, buses, midi-buses⁴, mini-buses, passenger cars and trucks as can be seen from Figure 34. Majority of automobiles produced in the country consist of passenger cars; 982,642 of which were manufactured in 2019. This constitutes 66% of Turkey's vehicle production. Passenger cars are followed by Pick-ups, Mini-buses, Tractors, Trucks and Midi-buses, respectively.

Trade in Automobiles

In 2019, the Turkish automobile industry exported commodities worth \$26.2 billion and imported goods worth \$9.6 billion. Automobile exports constitute 15.0% of Turkey's total exports. As can be seen in the figure below, there was a drop in imports after 2017 due to the weakened Turkish Lira, increase in interest rate on loans and drop in the domestic demand for these commodities.

FIGURE 35 Turkey's Trade in Automobiles

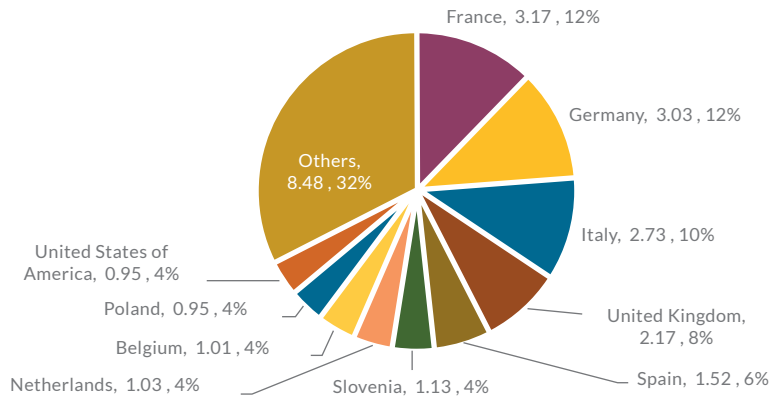
Source: ITC Trade Map

The figure below shows Turkey's top export destinations for automobiles. Its total exports for this sector in 2019 amounted to \$26.2 billion out of which, commodities worth \$3.2 billion were exported to France, making it the largest export destination. Germany follows closely and is the second largest export market for the Turkish automobile industry. Most of the important markets for Turkish automobiles are in the EU countries.

4 A bus seating up to around 25 passengers. A midi-bus is a single-decker bus, smaller than a traditional bus but larger than a mini-bus.

FIGURE 36 Turkey's Top Export Destinations of Automobiles - Value (USD Billion) 2019

Turkey's Top Export Destinations for the Automotives Industry (2019)

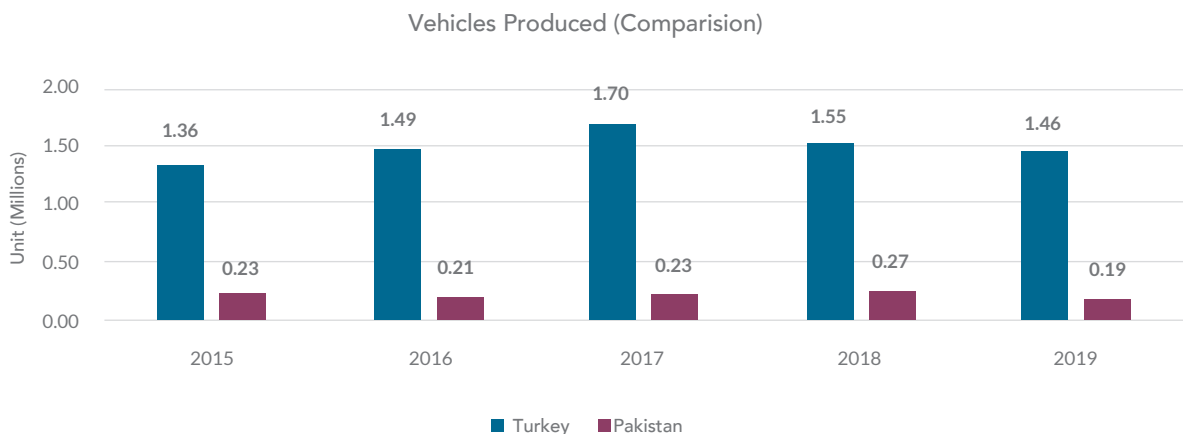


Source: ITC Trade Map

Comparison with Pakistan's Automobile Industry

Pakistan's automotive industry has also been involved in innovation and technology upgradation, due to which, this sector is amongst the fastest-growing sectors in the country. Pakistan's automobile policy 2016-21 offers tax incentives to new entrants in order to help them establish manufacturing units in Pakistan. Many international auto manufacturers have taken advantage of this policy and brands such as Renault, Hyundai, KIA and Volkswagen are entering the Pakistan market.

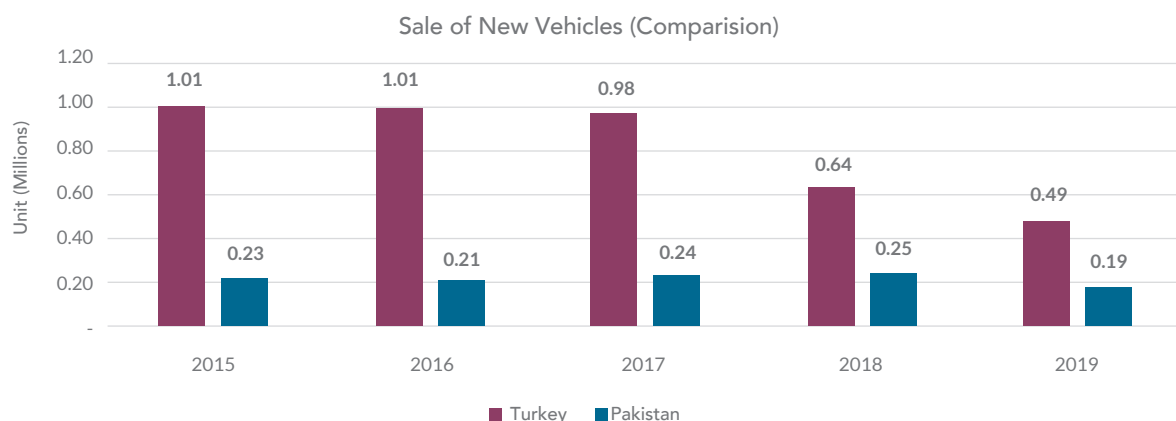
Figure 37 below shows Turkey's vehicle production in the last five years, as compared to Pakistan's vehicle production. Turkey's manufacturing far surpasses Pakistan's, with Turkey producing 1.46 million vehicles and Pakistan producing 0.19 million vehicles in 2019. This difference is due to the fact that Turkey exports majority of its automobiles as shown in Figure 33.

FIGURE 37 Vehicles Produced (Comparison)

Source: International Organization of Motor Vehicles Association (OICA)

This difference is also visible in the sale of new vehicles in both countries as can be seen in Figure 38.

FIGURE 38 Sale of New Vehicles (Comparison)



Source: International Organization of Motor Vehicles Association (OICA)

Similarly, the motorization⁵ rate for both the countries is quite different. In Pakistan, the motorization rate during 2015 was 17.0 while it was 196.3 for Turkey during the same year. This is because Pakistan is classified as a lower-middle income country while Turkey is classified as an upper-middle income country. Comparing Pakistan's motorization rate with other lower-middle income countries such as India, Sri Lanka and Indonesia reveal that Pakistan's rate is much lower than these countries.

Trade Potential for Pakistan to Export Automobiles to Turkey

The table below lists down the top 25 commodities from the automotive sector in which Pakistan has a high trade potential to export to Turkey.

Table 17 Pakistan's Trade Potential to Export Automobiles to Turkey (2018)

Product Code	Product Description	Pakistan Exports to Turkey 2018 (USD Million)	Turkey Imports from World 2018 (USD Million)	Pakistan Exports to World 2018 (USD Million)	Trade Potential (USD Million)	Tariff Applied by Turkey on Pakistan
Total	Top 25 Products	0.48	5814.62	39.7	39.2	
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	0.18	668.71	7.71	7.52	35
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more ...	-	1,595.83	6.85	6.85	35
870193	Tractors, of an engine power > 37 kW but <= 75 kW (excl. those of heading 8709, pedestrian-controlled ...	-	72.09	6.33	6.33	-
870192	Tractors, of an engine power > 18 kW but <= 37 kW (excl. those of heading 8709, pedestrian-controlled ...	-	10.59	5.42	5.42	-
871120	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder ...	-	53.13	2.64	2.64	50
870120	Road tractors for semi-trailers	-	295.77	2.53	2.53	18
870590	Special purpose motor vehicles (other than those principally designed for the transport of ...	-	66.19	1.93	1.93	30
870891	Radiators and parts thereof, for tractors, motor vehicles for the transport of ten or more ...	-	108.47	1.43	1.43	35

⁵ Motorization rate is defined as the number of vehicles per 1,000 inhabitants. A high motorization rate corresponds with a high level of economic development and quality of life, and vice versa.

Product Code	Product Description	Pakistan Exports to Turkey 2018 (USD Million)	Turkey Imports from World 2018 (USD Million)	Pakistan Exports to World 2018 (USD Million)	Trade Potential (USD Million)	Tariff Applied by Turkey on Pakistan
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	0.16	680.16	1.07	0.91	35
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	250.27	0.53	0.53	53
870410	Dumpers for off-highway use	-	19.97	0.42	0.42	30
870510	Crane lorries (excluding breakdown lorries)	-	15.14	0.40	0.40	30
870894	Steering wheels, steering columns and steering boxes, and parts thereof, for tractors, motor ...	0.01	498.39	0.36	0.35	35
871410	Parts and accessories of motorcycles, incl. mopeds, n.e.s.	-	46.05	0.34	0.34	35
870810	Bumpers and parts thereof for tractors, motor vehicles for the transport of ten or more persons, ...	0.01	83.70	0.25	0.23	35
871640	Trailers and semi-trailers, not designed for running on rails (excluding trailers and semi-trailers ...	-	6.32	0.19	0.19	16
870870	Road wheels and parts and accessories thereof, for tractors, motor vehicles for the transport ...	0.00	245.37	0.16	0.16	35
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport of..	0.03	659.85	0.18	0.15	35
870110	Pedestrian-controlled agricultural tractors and similar tractors for industry (excluding tractor ...	0.09	3.12	0.23	0.14	30
871499	Parts and accessories, for bicycles, n.e.s.	-	26.98	0.14	0.14	20
870895	Safety airbags with inflator system and parts thereof, for tractors, motor vehicles for the..	-	170.13	0.13	0.13	35
870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, ...	-	3.98	0.13	0.13	57
870892	Silencers "mufflers" and exhaust pipes, and parts thereof, for tractors, motor vehicles for	-	165.78	0.12	0.12	35
870210	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition ...	-	55.73	0.12	0.12	20
871200	Bicycles and other cycles, incl. delivery tricycles, not motorised	-	12.90	0.09	0.09	35

Source: : ITC Trade Map

Key Findings:

- The aggregate trade potential for the top 25 products amounted to \$39.2 million in 2018. However, Pakistan exported a mere \$0.5 million of those commodities to Turkey during that year.
- Trade in only six out of the top 25 products took place in 2018. Out of these, HS-870899 "Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons" had the highest export value worth \$0.18 million. This commodity is also the one with the highest export potential for Pakistan.
- Ten out of the top 25 commodities fall under HS-8708 "Parts and accessories for tractors, motor vehicles for the transport of ten or more persons". Pakistan holds the potential to export \$18.3 million of these goods to Turkey.
- Other high potential goods include a variety of Tractors, Dumpers, Crane lorries and so on.
- All these commodities have high tariffs applied by Turkey. The highest tariff applied by the country on Pakistan is 57% on HS-870431 "Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine".

Trade Potential for Turkey to Export Automobiles to Pakistan

The table below lists down the top 25 commodities from the automotive sector in which Turkey has a high trade potential to export to Pakistan.

Table 18 Turkey's Trade Potential to Export Automobiles to Pakistan (2018)

Product Code	Product Description	Turkey Exports to Pakistan 2018 (USD Million)	Pakistan Imports from World 2018 (USD Million)	Turkey Exports to World 2018 (USD Million)	Trade Potential (USD Million)	Tariff Applied by Pakistan on Turkey
Total	Top 25 Products	2.12	2,324.77	21,570.24	2,165.94	
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	542.11	1,956.21	542.11	53
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	291.88	2,756.89	291.88	60
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	266.73	1,245.92	266.73	92
870120	Road tractors for semi-trailers	-	165.91	913.20	165.91	18
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	0.09	135.91	933.04	135.82	35
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	-	126.62	4,654.06	126.62	60
870340	Motor cars and other motor vehicles principally designed for the transport of ...	-	113.09	3,115.88	113.09	-
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	0.64	87.87	1,363.33	87.23	35
870210	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition ...	-	85.00	1,765.87	85.00	20
870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, ...	-	63.86	511.34	63.86	57
870423	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	-	50.10	88.54	50.10	28
870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	-	121.04	48.40	48.40	28
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more ...	0.30	34.31	44.29	34.02	35
870193	Tractors, of an engine power > 37 kW but <= 75 kW (excl. those of heading 8709, pedestrian-controlled ...	0.71	25.44	368.92	24.73	-
870810	Bumpers and parts thereof for tractors, motor vehicles for the transport of ten or more persons, ...	-	17.07	82.63	17.07	35
870880	Suspension systems and parts thereof, incl. shock-absorbers, for tractors, motor vehicles for ...	0.01	16.66	295.39	16.65	35
870510	Crane lorries (excluding breakdown lorries)	-	12.78	18.02	12.78	30
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport of ...	0.03	12.10	390.08	12.07	35
870290	Motor vehicles for the transport of >= 10 persons, incl. driver, not with compression-ignition ...	-	11.86	17.75	11.86	20
871200	Bicycles and other cycles, incl. delivery tricycles, not motorised	-	11.67	37.88	11.67	35
870590	Special purpose motor vehicles (other than those principally designed for the transport of ...	0.23	10.76	131.75	10.53	30
870324	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	37.12	10.40	10.40	100
870870	Road wheels and parts and accessories thereof, for tractors, motor vehicles for the transport ...	0.11	10.35	690.55	10.25	35
871690	Parts of trailers and semi-trailers and other vehicles not mechanically propelled, n.e.s.	0.00	9.49	122.22	9.48	35
871410	Parts and accessories of motorcycles, incl. mopeds, n.e.s.	-	65.04	7.68	7.68	35

Source: : ITC Trade Map

Key Findings:

- The aggregate trade potential for the top 25 products amounted to \$2.2 billion in 2018. However, Turkey exported only \$2.1 million of those commodities to Pakistan. This huge gap indicates that Turkey can increase its exports of automobiles to Pakistan, under an FTA.
- Trade in only eight out of the top 25 commodities took place in 2018. Out of these, HS-870193 “Tractors, of an engine power > 37 kW but ≤ 75 kW” had the largest export value of \$0.7 million in 2018.
- Five out of the top 25 products fall under HS-8703 “Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars”. In fact, the top 3 high potential exports from this sector are commodities under this HS Code. Turkey holds the potential to export \$1.2 billion of these goods to Pakistan.
- Seven out of the top 25 products fall under HS-8708 “Parts and accessories for tractors, motor vehicles for the transport of ten or more persons”. Turkey holds the potential to export \$313.1 million of these goods to Pakistan.
- Pakistan applies high tariffs on the import of these products as can be seen from the table. The tariff of 100.0% was applied on HS-870324 “Motor cars and other motor vehicles principally designed for the transport of persons”.

Pakistan's Textile Industry

Contributing around 8.5% to Pakistan's GDP and providing employment to over 40% of the industrial labor force, the textile industry is the backbone of Pakistan's economy. In fact, Pakistan is the 8th largest exporter of textile products in Asia. Figure 39 shows a few facts and figures on the textile industry of the country.

Unlike many other countries, a complete textile value chain exists in Pakistan. Currently, the country has more than 400 textile units out of which, 5% are listed on the stock exchange.

Cotton is the basic raw material for the Pakistan textile industry, which accounts for almost 70% of the cost of production. According to the All Pakistan Textile Mills Association (APTMA), the country is the 3rd largest consumer and 4th largest producer of cotton in the world.

However, textile exports have dropped in the past few years and the sector has been underperforming. One of the major reasons for this is the usage of outdated technology and lack of research and development.

Trade in Textiles

According to the Pakistan Economic Survey 2018-19, Pakistan's largest export industry is the textile industry, with hosiery and ready-made garments contributing Rs. 544 billion (\$3.47 billion). Pakistan's top nine export items can be seen in Figure 40, along with their values in Pakistani Rupee. Out of the top nine exports, six of the commodities fall under textiles.

In 2018, Pakistan exported textile products worth \$13.7 billion which made up 57.4% of Pakistan's total export earnings in 2018 as can be seen in the table below. This percentage has decreased as compared to 2016 and 2017.

Table 19 Pakistan's Exports of Textile Products

*All Values in USD Billion	2014	2015	2016	2017	2018
Exports of all products	24.72	22.09	20.53	21.91	23.78
Exports of Textiles (HS 50-63)	13.77	12.92	12.41	13.02	13.65
Textiles (as % of Total Exports)	55.71%	58.48%	60.42%	59.43%	57.42%

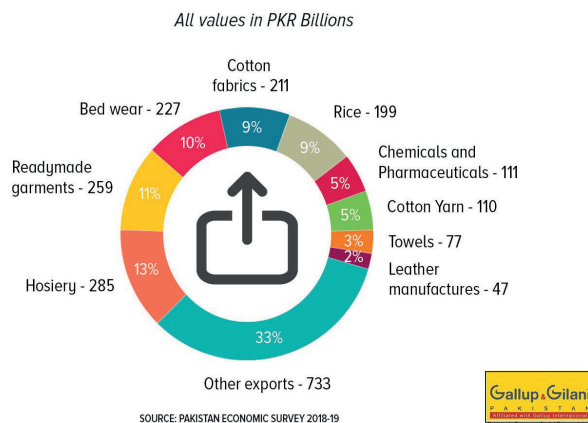
Source: : ITC Trade Map

FIGURE 39 Facts and Figures on Pakistan's Textile Industry



Source: : Invest.gov.pk

FIGURE 40 Pakistan's Top Nine Export Items



Source: : ITC Trade Map

HS-61-63 'Apparel and Home Textiles' were the top three exports in this sector in 2018. They accounted for more than 80% of total textile exports of the country as can be seen in the figure below.

FIGURE 41 Percentage Share of Textile Items in Total Textile Exports, 2018



Source: : ITC Trade Map

Table 20 below lists Pakistan’s top export destinations in 2018 for textile products. USA, UK and Germany remained the top 3 importers of textile products from Pakistan while Turkey ranked number 12. Pakistan exported textile commodities worth \$217.5 million to Turkey, which accounts for 1.6% of Pakistan’s textile exports.

Table 20 Pakistan's Top Export Destinations for Textile Products

Rank	Export Destinations	2018 (USD Thousand)	Share in Exports (as a % of Textile Exports)
	World	13,654,369	
1	United States of America	3,208,108	23.50%
2	United Kingdom	1,399,119	10.25%
3	Germany	981,868	7.19%
4	China	957,618	7.01%
5	Spain	801,822	5.87%
6	Netherlands	759,126	5.56%
7	Bangladesh	594,863	4.36%
8	Italy	553,982	4.06%
9	Belgium	534,131	3.91%
10	France	326,361	2.39%
12	Turkey	217,502	1.59%

Source: : ITC Trade Map

Turkey's Imports of Textiles

In 2019, Turkey imported textile products worth \$10.1 billion, out of which \$225.1 million were imported from Pakistan.

Table 21 below lists Turkey’s top 25 imports of such commodities in 2019, along with how much it imported from Pakistan. The five-year growth rate for imports from the world and imports from Pakistan has also been calculated. In addition, goods with a growth rate of more than 4.0% have been highlighted to identify categories of textile goods in high demand by Turkey and on which Pakistani manufacturers can focus.

Table 21 Turkey's Top 25 Imports of Textile Products

Product Code	Product Description	Imports from World 2019 (USD Million)	Imports from World CAGR (2015-19)	Imports from Pakistan 2019 (USD Million)	Pakistan's Share in Turkey's Imports	Imports from Pakistan CAGR (2015-19)	Tariff Applied by Turkey on Pakistan
	All products	200,658.60	-0.80%	303.90	0.15%	-0.54%	
	Textiles	10,118.59	-2.55%	225.05	2.22%	3.40%	
520100	Cotton, neither carded nor combed	1,572.73	6.28%	-	0.00%	100.00%	0
540233	Textured filament yarn of polyester (excluding that put up for retail sale)	560.20	-3.55%	0.27	0.05%	-	3
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	539.92	5.12%	-	0.00%	-	3
540246	Filament yarn of polyester, incl. monofilament of < 67 decitex, single, untwisted or with a ...	362.44	14.50%	-	0.00%	-	3
550320	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning	261.70	0.97%	0.57	0.22%	-	3
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	238.09	2.64%	85.25	35.81%	10.87%	6
540761	Woven fabrics of yarn containing >= 85% by weight of non-textured polyester filaments, incl. ...	226.73	2.54%	0.30	0.13%	-12.80%	6
530710	Single yarn of jute or of other textile bast fibres of heading 5303	179.85	8.47%	0.00	0.00%	-	0
540247	Filament yarn of polyester, incl. monofilament of < 67 decitex, single, untwisted or with a ...	171.97	-3.35%	-	0.00%	-	3
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	158.62	-4.38%	6.56	4.14%	-5.79%	3
540244	Synthetic filament elastomeric yarn, single, untwisted or with a twist of <= 50 turns per metre ...	158.16	4.73%	-	0.00%	-	3
550951	Yarn containing predominantly, but < 85% polyester staple fibres by weight, mixed principally ...	142.34	-6.07%	0.07	0.05%	-	3
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	105.27	-18.11%	11.14	10.58%	2.16%	10
551011	Single yarn, containing >= 85% artificial staple fibres by weight (excluding sewing thread ...	105.06	-3.27%	-	0.00%	-	3
600410	Knitted or crocheted fabrics, of a width of > 30 cm, containing >= 5% by weight elastomeric ...	102.43	5.51%	-	0.00%	-	6
520513	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	102.24	31.85%	0.43	0.42%	51.04%	3
550210	Artificial filament tow as specified in Note 1 to chapter 55, of acetate	96.55	-	-	0.00%	-	#N/A
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	90.95	-16.02%	5.95	6.54%	-3.49%	10
550130	Filament tow as specified in Note 1 to chapter 55, acrylic or modacrylic	82.90	0.49%	-	0.00%	-	3
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	82.22	-3.01%	1.14	1.38%	13.97%	10
590390	Textile fabrics impregnated, coated, covered or laminated with plastics other than poly"vinyl ...	82.16	4.16%	-	0.00%	-	6
540752	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments, incl. monofilament	80.98	3.54%	-	0.00%	100.00%	6
581092	Embroidery of man-made fibres on a textile fabric base, in the piece, in strips or in motifs ...	77.51	7.93%	-	0.00%	100.00%	5
510529	Wool, combed (excluding that in fragments "open tops")	77.49	-3.69%	-	0.00%	-	2
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	77.16	52.35%	0.04	0.05%	-32.12%	3

Source: : ITC Trade Map

Key Findings:

- Turkey's top 25 textile imports from the world amounted to \$5.7 billion in 2019. Out of these, the country only imported textile goods worth \$111.7 million from Pakistan.
- Pakistan accounts for a mere 2.2% of Turkey's global textile imports.
- Pakistan does not export 14 out of the top commodities to Turkey. Out of these, 8 items have been highlighted since Turkey's imports from the world have grown by more than 4.0% during the last five years for these goods. Hence, Pakistani manufacturers can focus on such goods and explore the potential market.
- The highest tariff applied is of 10.0% on HS-610910 "T-shirts, singlets and other vests of cotton, knitted or crocheted", HS-620462 "Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton" and HS-620342 "Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton".
- Pakistan is the top supplier of HS-520942 "Denim, containing \geq 85% cotton by weight and weighing > 200 g/m²". Turkey's import of this commodity from Pakistan accounts for 35.8% of its total imports of this product.
- Pakistan is the third largest supplier to Turkey of HS-620342 "Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton". Egypt and Bangladesh are the top two suppliers, respectively.

Trade Potential for Pakistan to Export Textiles to Turkey

The table below lists the top 25 commodities from the textile sector in which Pakistan has a high potential to export to Turkey. In addition, commodities which also fall under Turkey's top 25 textile imports have been highlighted.

Table 22 Pakistan's Trade Potential to Export Textiles to Turkey (2018)

Product Code	Product Description	Pakistan Exports to Turkey 2018 (USD Million)	Turkey Imports from World 2018 (USD Million)	Pakistan Exports to World 2018 (USD Million)	Trade Potential (USD Million)	Tariff Applied by Turkey on Pakistan
TOTAL	All products	304.65	223,046.88	23,778.62	23,473.972	
	Textiles	217.50	10,474.32	13,654.36	10,256.821	
520942	Denim, containing \geq 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	98.21	289.40	501.20	191.19	6.00
520512	Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight and with a linear ...	9.28	189.74	782.45	180.456	3.00
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	0.29	154.62	351.17	154.33	10.00
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	0.04	108.45	100.93	100.894	10.00
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1.23	86.41	244.22	85.172	10.00
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	0.30	68.02	74.71	67.713	10.00
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.17	49.38	158.25	49.21	10.00
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	0.03	50.40	42.54	42.514	6.00
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	0.92	32.76	97.31	31.844	7.00
521142	Denim, containing predominantly, but $<$ 85% cotton by weight, mixed principally or solely with ...	4.05	31.96	81.01	27.915	6.00
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	-	22.60	441.71	22.598	7.00
520523	Single cotton yarn, of combed fibres, containing \geq 85% cotton by weight and with a linear ...	0.06	54.49	21.81	21.748	3.00

Product Code	Product Description	Pakistan Exports to Turkey 2018 (USD Million)	Turkey Imports from World 2018 (USD Million)	Pakistan Exports to World 2018 (USD Million)	Trade Potential (USD Million)	Tariff Applied by Turkey on Pakistan
520819	Woven fabrics of cotton, containing \geq 85% cotton by weight and weighing \leq 200 g/m ² , unbleached ...	7.04	28.57	69.54	21.535	6.00
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...)	0.17	21.66	153.81	21.488	10.00
520532	Multiple "folded" or cabled cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight ...	22.89	43.43	132.61	20.542	3.00
520100	Cotton, neither carded nor combed	-	1,395.59	19.48	19.482	-
620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials ...	0.00	18.20	35.75	18.195	10.00
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	0.23	18.21	67.21	17.979	10.00
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding ...)	0.03	17.56	19.49	17.529	10.00
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	-	15.78	20.66	15.784	8.00
550953	Yarn containing predominantly, but $<$ 85% polyester staple fibres by weight, mixed principally ...	1.04	28.45	16.70	15.659	3.00
520522	Single cotton yarn, of combed fibres, containing \geq 85% cotton by weight and with a linear ...	10.54	25.78	78.05	15.238	3.00
551219	Woven fabrics containing \geq 85% polyester staple fibres by weight, dyed, made of yarn of different ...	0.05	15.03	20.25	14.978	6.00
520513	Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight and with a linear ...	-	72.48	13.67	13.669	3.00
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted ...	0.00	12.36	27.54	12.361	10.00

Source: : ITC Trade Map

Key Findings:

- Pakistan had the potential to export textile goods worth \$10.3 billion to Turkey in 2018. Out of these, the aggregate of just the top 25 potential goods amounted to \$1.2 billion.
- HS-520942 "Denim, containing \geq 85% cotton by weight and weighing $>$ 200 g/m²" holds the highest trade potential worth \$191.2 million. As mentioned above, Pakistan is the top supplier of this commodity to Turkey. However, there is still some unutilized potential which can be looked upon by Pakistani manufacturers.
- Five out of the top 25 commodities were not exported by Pakistan during 2018. However, the country holds potential to export these. These include HS-630710 "Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials", HS-520100 "Cotton, neither carded nor combed", HS-611120 "Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)", HS-520513 "Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight" and HS-620469 "Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials".
- Eight of the products above also fall under Turkey's top 25 textile imports from the world as can be seen from the highlighted rows. Pakistan can increase its market share in such products.

SECTION 6

KEY FINDINGS

Trade

- Pakistan's total exports to the world were valued at \$23.6 billion while its imports from the world amounted to \$60.2 billion in 2018. Out of this, Pakistan exported goods worth \$302.8 million to Turkey and imported goods worth \$357.9 million from that country. This led to a trade deficit of \$55.0 million. The trade balance in the past ten years has been fluctuating continuously, reaching a deficit for Pakistan in 2016 and 2018.
- Turkey's total exports to the world were valued at \$171.1 billion while its imports from the world amounted to \$200.7 billion in 2019. The country has had a trade deficit since 2009. Turkey is highly dependent on energy imports while it mainly exports vehicles and machinery. Countries in the EU are important trading partners for Turkey and bilateral trade with the EU accounts for approximately 43.0% of Turkey's global trade. Turkey had a favorable trade balance with the EU in 2019 of \$15.4 billion.
- Turkey's share in Pakistan's exports and imports is far more significant than Pakistan's share in Turkey's exports and imports. Pakistan has only a 0.2% share in Turkey's imports, while Turkey's share in Pakistan's exports is 1.3%. Pakistan had a 0.3% share in Turkey's exports, while Turkey had a 0.6% share in Pakistan's imports in 2018.
- There are discrepancies in the bilateral trade figures as reported by both countries to the International Trade Centre (ITC). In 2018, Pakistan reported exports to Turkey of \$302.8 million while Turkey reported imports from Pakistan worth \$330.8 million. The variation in these figures amounts to \$28.0 million. Similarly, Pakistan reported imports from Turkey worth \$357.9 million while Turkey reported a figure of \$462.2 million. The discrepancy in these numbers amounts to \$104.3 million.
- Pakistan exports mainly textile articles (denim, cotton, ready-made garments) to Turkey while it imports huge quantities of machinery from Turkey. Hence, Pakistan is exporting products with a lower level of sophistication and value addition such as denim and cotton while Turkey is exporting commodities which are much more sophisticated and involve more value addition.
- Analysis of comparative advantage of the top export products reveals that Pakistan enjoys the highest advantage in 'Denim' (HS-520942) while Turkey enjoys the highest comparative advantage in the export of 'Navigational instruments and apparatus' (HS-901480). The exports of Turkey complement the imports of Pakistan better than the exports of Pakistan complementing Turkish imports. The complementarity of Turkish exports with Pakistan's imports – the index for Turkey is 0.51 for Turkey as opposed to Pakistan's complementarity index for its exports to Turkey of 0.20, which indicates that in the event of signing of an FTA between the two countries, the Turkish export industry will stand to gain much more as compared to Pakistani firms.
- Since 1995, Turkey has had a customs union with the EU. In December 2013, the EU granted Pakistan GSP+ status. Under the terms of the Turkish – EU customs union agreement, Pakistan wanted to secure GSP+ status from Turkey as well. However, due to the latter's reluctance, the two countries reached a compromise and agreed to negotiate a bilateral FTA.

Potential Trade

- In Pakistan's case, at HS-06 level, the indicative potential of the top 25 items amounted to \$2.3 billion while Pakistan exported a mere \$137.4 million of those commodities to Turkey during the year. "Instruments and appliances used in medical, surgical or veterinary sciences" (HS-901890) holds the largest potential worth \$352.9 million. The tariff faced on this product is 0.0% and Pakistan can try to increase its exports of this product. The other major products with significant potential include "Denim, containing \geq 85% cotton by weight and weighing $>$ 200 g/m²" (HS-520942), "Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight" (HS-520512), "Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton" (HS-620342) and "Polyethylene terephthalate, in primary forms" (HS-390761). These have potential worth \$191.8 million, \$180.5 million, \$154.3 million and \$128.0 million respectively.
- Most of the high potential goods fall under the textile sector as can be seen in Table 14 on Page 36, this indicates the untapped potential that the Pakistani textile industry has.
- The commodities listed below are amongst those which contain high potential but are currently not being exported to Turkey. As can be seen from the list below, most of the products have 0.0% tariff applied. The products with 45.0% and 46.0% tariff fall under the category of vegetable products.

Product Code	Product Description	Tariff Applied by Turkey on Pakistan
901890	Instruments and appliances used in medical, surgical or veterinary sciences	0
100119	Durum wheat	45
640399	Footwear with outer soles of rubber, plastics or composition leather	4
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	0
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated	0
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics	0
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	45
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated	46

- For Turkey, at HS-06 level, the indicative potential of the top 25 items amounts to \$4.6 billion while Turkey exported a mere \$37.4 million of those commodities to Pakistan during the year. "Motor cars and other motor vehicles principally designed for the transport of persons" (HS-870321) holds the largest export potential for Turkey amounting to \$542.1 million. However, Turkey did not export this commodity to Pakistan in 2018. The country can look into such items with untapped potential.
- Most of the high potential goods for Turkey fall under the automotive sector which indicates the untapped potential that the Turkish automotive industry has. Hence, Turkey's high potential items mostly fall under the manufacturing sector, unlike Pakistan.
- Analysis of the Turkish automobile industry reveals that the automotive industry accounts for the largest portion of Turkey's exports. Due to value-added production, meeting and exceeding international quality and safety standards, the Turkish automobile industry is highly efficient and competitive.
- The aggregate potential for Turkey to export the top 25 automotive commodities to Pakistan amounted to \$2.2 billion in 2018. However, Turkey exported only \$2.1 million of those products to Pakistan. This huge gap indicates that Turkey can increase its exports of automobiles to Pakistan, under an FTA.
- Analysis of the Pakistani textile industry indicates how vital the textile sector in Pakistan is as it accounts for the largest portion of Pakistan's exports. Turkey is the 12th largest export destination of textile products for Pakistan.

- Table 21 in the report highlights the top Turkish imports from the world of such products with a CAGR value greater than 4.0% which are also given below. Pakistani manufacturers can focus on such goods and explore the potential market:

Product Code	Product Description
520100	Cotton, neither carded nor combed
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning
540246	Filament yarn of polyester, incl. monofilament of < 67 decitex, single, untwisted or with a ...
530710	Single yarn of jute or of other textile bast fibres of heading 5303
540244	Synthetic filament elastomeric yarn, single, untwisted or with a twist of <= 50 turns per metre
600410	Knitted or crocheted fabrics, of a width of > 30 cm, containing >= 5% by weight elastomeric
520513	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...
590390	Textile fabrics impregnated, coated, covered or laminated with plastics other than poly"vinyl ...
581092	Embroidery of man-made fibres on a textile fabric base, in the piece, in strips or in motifs ...
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...

- The aggregate potential for Pakistan to export the top 25 textile commodities to Turkey amounted to \$1.2 billion in 2018. HS-520942 "Denim, containing >= 85% cotton by weight and weighing > 200 g/m²" holds the highest trade potential worth \$191.8 million. Pakistan is the top supplier of this commodity to Turkey.

SECTION 7

RECOMMENDATIONS

- It is recommended that FTA negotiations should include significant tariff concessions on Pakistan's top exports to Turkey such as "Undenatured ethyl alcohol, of actual alcoholic strength of $\geq 80\%$ " (HS-220710) (Tariff applied: 32.0%) and so on. However, other top exports include agricultural products, on which any sort of concession may be difficult to obtain.
- Since Turkey has immense potential to export high value-added goods such as machinery or automobiles, the country may work towards negotiating for the export of such goods to Pakistan. In this case, the interest of the Pakistani manufacturing sector, especially in the auto industry needs to be safeguarded.
- Since Turkey applies a protective textile duty, Pakistan can aim towards negotiation of the tariffs on these goods which might help improve the country's textile exports to Turkey and increase market share since Pakistan has potential to export such goods. However, further analysis reveals that the textile goods consist of low-value addition goods such as cotton yarn and denim fabric. Moreover, the tariff on textile goods should already have been removed, given Pakistan's GSP+ status and Turkey's custom union with the EU. Hence, it seems that negotiation of tariffs on such products will not be as fruitful.
- Based on the findings of this study, PBC recommends that Pakistan disassociate itself from the FTA negotiations and instead insist that Turkey allow Pakistan unilateral market access to which it is entitled under the GSP+ program.
- Pakistan can, however, learn from Turkey's successful state-sponsored program TURQUALITY® which can become a brand reference in the eyes of the consumers and a catalyst of development for Pakistani brands. In a progressing world where not only the quality of the product matters, but its brand and reputation are also taken into account, such programs prove to be quite effective. Similar to Turkey, the textile sector can be targeted for the pilot implementation of the program since textile exports have dropped in the past few years and the sector has been underperforming.

Sources

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8th Floor, Dawood Centre,
M.T. Khan Road,
Karachi, Pakistan

T - +92 21 3563 0528 - 29

F - +92 21 3563 0530

.....
www.pbc.org.pk

