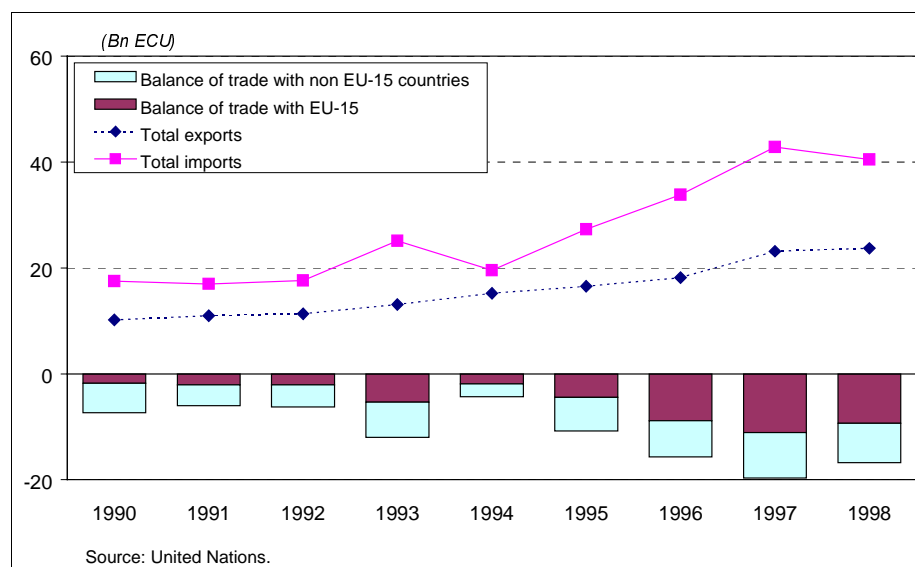


Turkey and the EU

Tim Allen

Over the past decade, Turkey imported more than it exported. Trade relations with the EU accounted for roughly half of its imports and exports throughout the period, while Germany and the US were its main trading partners in 1998. The same year, Turkey was the EU's 6th most important export market and its trade figures compared to those of Portugal.

Fig.1: Turkey's foreign trade



Around half of Turkey's trade is with EU

High inflation and volatile growth has characterised the Turkish economy – second largest among candidate countries behind Poland - during the 1990s. This also held true for the end of the decade, when economic activity slowed in mid-1998 after several years of strong growth, while inflation stood at 84.6% (see table bottom page 3). As with many of the candidate countries, Turkey suffered the effects of the Russian and Asian financial crises. Foreign trade was affected by the deterioration in the external environment (exports to Russia down by 35% between 1997/98 - see table 1): this - together with a decline in domestic demand – meant a decline in imports between 1997 and 1998, while export growth slowed somewhat. The latest EU data¹ show an increase in Turkish exports (EU trade with Turkey Jan-June 1999, EU exports to Turkey down by 16.7% and EU imports from Turkey up by 4.9%). National sources² report a continuing decline in both the country's overall imports (down by 16.5%) and exports (down by 5.7%) for the first three quarters of 1999.

Considering the whole decade (see figure 1), imports remained more or less stable until 1992, but then more than doubled to around ECU 43 bn in 1997. This increase appeared to be due to volume factors, rather than price or exchange rate. Exports on the other hand increased steadily throughout the period doubling to ECU 24 bn in 1998. Turkish-EU trade was stable over the past ten years accounting for roughly half of Turkey's imports and exports. The Turkish trade deficit with the EU increased sharply between 1994 and 1997, then improved slightly in 1998.

1 See "External and Intra-EU Trade, Monthly statistics, 1999/11"

2 See Turkey's State Institute of Statistics, "Provisional Foreign Trade Figures" 27/12/1999.

Statistics in focus

EXTERNAL TRADE

THEME 6 – 5/2000

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Overall, Turkey imported goods worth around ECU 41 bn while it exported roughly ECU 24 bn worth in 1998. Imports represented around 23% of GDP while exports reached roughly 14% of GDP. This was considerably less than some of the top exporting nations among the emerging economies of Central Europe such as Estonia (exports reaching 63% of GDP), Hungary (48%) or the Czech Republic (46%).

Germany and US favourite trading partners

In 1998, roughly half of Turkey's trade was carried out with the EU (see table 1). When ranked in importance as trading partners (i.e. adding up the overall values of all exports and imports), seven EU Member states were among the top ten trading nations, while in particular Germany was the single most important partner. In this manner, the US ranked second in importance for Turkey. As mentioned above, trade figures vis-à-vis Russia were on the decline, but Turkish exports to Japan (ranked 8th as trading partner) also suffered some setbacks (down by 22%) in 1998. In general, Turkey's trade figures appeared less volatile than those of most other candidate countries between 1997-98.

Around one fourth of Turkey's imports in 1998 were in primary products, while manufactured goods represented the bulk of the trade. Less primary products were exported than imported between 1994-98, and growth rates in primary product trade were modest over the years. Trade in manufactured goods on the other hand increased substantially over the same period (see figure 2).

Compares to Portugal

How would Turkey's external trade statistics feature amongst those of EU Member states? For example (see ratios in figure 3), Turkey exported more than Greece and Portugal (EU intra + extra exports) in 1998, but substantially less than all other EU Member states. In terms of imports, its trade figures were higher than those of Greece, Ireland, Finland and Portugal, while its cover ratio was close to the ratio of Portugal. In this sense, Turkey compares to Portugal - as also do Poland and the Czech Republic.

Tab. 1: Turkey's trade by main partners, 1998

| Partners | Rank | Imports | | | Exports | | | Balance |
|--------------|------|---------------|--------------|-------------|---------------|--------------|------------|----------------|
| | | Value | Share | 98/97 | Value | Share | 98/97 | |
| | | (Mio ECU) | (%) | | (Mio ECU) | (%) | | |
| Total | | 40 482 | 100.0 | -5.5 | 23 704 | 100.0 | 2.4 | -16 778 |
| EU-15 | | 21 231 | 52.4 | -3.2 | 11 857 | 50.0 | 9.8 | -9 374 |
| Germany | 1 | 6 447 | 15.9 | -8.9 | 4 805 | 20.3 | 3.7 | -1 642 |
| US | 2 | 3 566 | 8.8 | -6.6 | 1 965 | 8.3 | 9.9 | -1 600 |
| Italy | 3 | 3 734 | 9.2 | -5.1 | 1 371 | 5.8 | 12.1 | -2 363 |
| UK | 4 | 2 365 | 5.8 | -3.0 | 1 508 | 6.4 | 13.2 | -856 |
| France | 5 | 2 675 | 6.6 | 2.2 | 1 148 | 4.8 | 11.9 | -1 526 |
| Russian Fed. | 6 | 1 900 | 4.7 | -0.9 | 1 188 | 5.0 | -34.5 | -712 |
| Netherlands | 7 | 1 275 | 3.1 | -2.6 | 781 | 3.3 | 13.7 | -494 |
| Japan | 8 | 1 803 | 4.5 | 0.2 | 99 | 0.4 | -22.3 | -1 704 |
| Belgium/Lux. | 9 | 1 060 | 2.6 | -1.2 | 589 | 2.5 | 18.5 | -472 |
| Spain | 10 | 1 125 | 2.8 | 0.0 | 455 | 1.9 | 17.4 | -670 |

For comparison (%)

| | Imports | | | Exports | | | Balance |
|--|---------|-------|--|---------|-------|--|---------|
| | Share | 98/97 | | Share | 98/97 | | |
| | | | | | | | |
| <i>in GDP</i> | 23.0 | -9.4 | | 13.5 | -1.8 | | -9.5 |
| <i>in candidate countries trade</i> ¹ | 22.1 | -10.9 | | 18.2 | -5.6 | | - |
| <i>in world trade</i> | 1.0 | -10.7 | | 0.6 | -1.7 | | - |

¹ See list of the 13 candidate countries on page 3.

Sources: United Nations; IMF.

Fig. 2: Turkish trade by product group

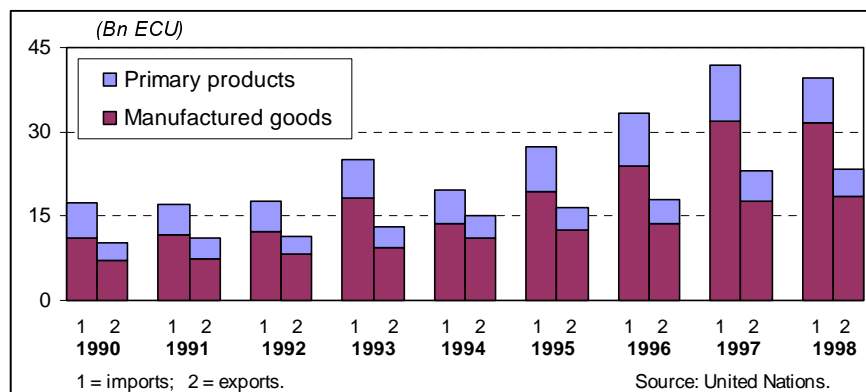
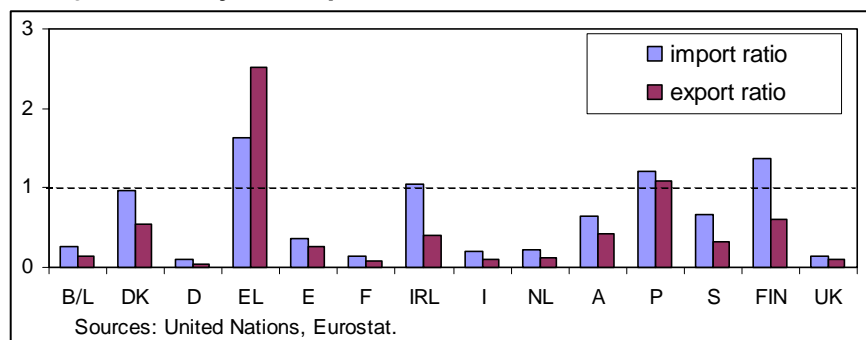


Fig. 3: Turkey in comparison¹ to EU Member states, 1998



¹ The import ratios above are calculated by dividing the value of Turkey's total imports by the value of total imports of each Member state - hence a ratio close to one implies that total import values are very similar. Export ratios are calculated accordingly.

EU's 6th most important export market

As mentioned above, external trade relations with the EU were of considerable importance to both Turkey and the EU Member states. In 1998, Turkey was the EU's 6th most important export market (behind Norway and Poland), while Turkey's imports into the EU ranked it 12th (behind Poland and Hungary). In particular Germany was the single most important trading partner among the EU Member States (absorbing roughly two fifths of Turkish exports into the EU and making around a third of EU exports), followed by Italy, France and the UK (see table 2). Also, the EU reported that imports from Turkey into the EU rose between 1997-98, while EU exports to Turkey fell marginally over the same period. Turkey had a negative trade balance vis-à-vis the EU and most of its Member States – the same as for many other candidate countries, which generally import more from the EU than they export.

EU-Turkish trade by product saw the EU mostly importing consumer and intermediary goods from Turkey (see table 3), while exports consisted of a large share of intermediary and equipment goods. EU exports in consumer goods and automobiles to Turkey became increasingly more important over the past years.

Tab. 2: **EU trade with Turkey by Member states, 1998**

| Reporter | Imports from Turkey | | | Exports to Turkey | | | Balance | |
|--------------|---------------------|--------------|-----------------|-------------------|--------------|-----------------|--------------|-----------------|
| | Value 98 | Share | Variation 98/97 | Value 98 | Share | Variation 98/97 | 1998 | Variation 98/97 |
| | (Mio ECU) | (%) | | (Mio ECU) | (%) | | (Mio ECU) | |
| EU-15 | 13 614 | 100.0 | 14.7 | 22 121 | 100.0 | -1.1 | 8 508 | -1 997 |
| B/L | 637 | 4.7 | 28.3 | 1 286 | 5.8 | 0.1 | 649 | -139 |
| DK | 188 | 1.4 | 16.9 | 173 | 0.8 | 12.5 | -15 | -8 |
| D | 5 263 | 38.7 | 7.0 | 6 919 | 31.3 | -1.2 | 1 656 | -428 |
| EL | 328 | 2.4 | 24.6 | 305 | 1.4 | -21.2 | -23 | -147 |
| E | 495 | 3.6 | 9.9 | 1 085 | 4.9 | -1.1 | 590 | -57 |
| F | 1 735 | 12.7 | 29.5 | 2 947 | 13.3 | 1.7 | 1 212 | -346 |
| IRL | 71 | 0.5 | 8.8 | 176 | 0.8 | 10.0 | 105 | 10 |
| I | 1 513 | 11.1 | 13.7 | 3 654 | 16.5 | -5.7 | 2 142 | -404 |
| NL | 959 | 7.0 | 24.2 | 1 463 | 6.6 | 3.9 | 504 | -132 |
| A | 334 | 2.5 | 14.4 | 486 | 2.2 | 0.9 | 153 | -38 |
| P | 149 | 1.1 | 50.8 | 67 | 0.3 | -23.9 | -82 | -71 |
| FIN | 55 | 0.4 | 13.1 | 356 | 1.6 | 24.4 | 301 | 63 |
| S | 184 | 1.4 | 23.0 | 795 | 3.6 | 9.2 | 611 | 33 |
| UK | 1 703 | 12.5 | 14.8 | 2 408 | 10.9 | -4.6 | 705 | -334 |

Source: Eurostat.

Tab. 3: **Trade by product classified by type of use, 1998**
(Reporter: EU-15, partner: Turkey)

| Product groups (NES) | Imports 1998 | Share in total | Variation 98/96 | Exports 1998 | Share in total | Variation 98/96 |
|------------------------|--------------|----------------|-----------------|--------------|----------------|-----------------|
| | (Mio ECU) | (%) | | (Mio ECU) | (%) | |
| Agricultural products | 959 | 7.1 | 4.8 | 193 | 0.9 | -16.6 |
| Food products | 925 | 6.8 | 6.7 | 667 | 3.1 | 4.3 |
| Consumer goods | 4 790 | 35.4 | 19.4 | 2 299 | 10.7 | 19.6 |
| Automobile | 482 | 3.6 | 8.2 | 3 062 | 14.3 | 22.8 |
| Equipment goods | 1 047 | 7.7 | 10.5 | 7 097 | 33.2 | 6.2 |
| Intermediary goods | 5 214 | 38.5 | 19.9 | 7 452 | 34.8 | 8.8 |
| Energy | 79 | 0.6 | -19.2 | 269 | 1.3 | 10.3 |
| Miscellaneous products | 52 | 0.4 | -7.6 | 366 | 1.7 | -19.7 |

Source: Eurostat.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The country aggregates: EU: EU-15.

13 Candidate countries: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Turkey.

Data sources: External trade data: Customs sources. Eurostat Comext database: Turkish data are taken from the UN Comtrade database; EEC special trade domain for bilateral trade between the EU and Turkey. Divergences between the two sources on figures concerning bilateral trade can be partly explained by the use of different methodologies and concepts.

System: Special trade.

Classification: Third revision of the Standard International Trade Classification (SITC). The nomenclature used in table 3 (CEA or Classification for Economic Analysis) facilitates the analysis of macroeconomic issues (production, investment, consumption, employment, etc.) by offering indicators that are less geared to production analysis.

Statistical values: EU: CIF values for imports and FOB values for exports; Turkey: CIF/FOB.

In this report, 1 Bn ECU= 1000 million ECU

Basic figures for 1998

| | Turkey | EU-15 |
|---------------------|--------|--------|
| Population (Mio) | 63.4 | 374.6 |
| GDP/capita (in PPS) | 6 383 | 19 906 |
| Unemployment rate | 6.4% | 10.0% |
| Inflation rate | 84.6% | 1.3% |

Please consult www.europa.eu.int/comm/eurostat/ for further information.

Further information:

➤ Reference publications

Title External and intra-EU trade – Monthly Statistics
 Catalogue No CA-AR-99-012-EN-S Price EUR 20

➤ Data bases

Comext – Domains: Comtrade; EEC special trade

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Tim ALLEN, Eurostat/C4, L-2920, Luxembourg. Tel (352) 4301 35098, Fax (352) 4301 34339, Email timothy.allen@cec.eu.int
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