



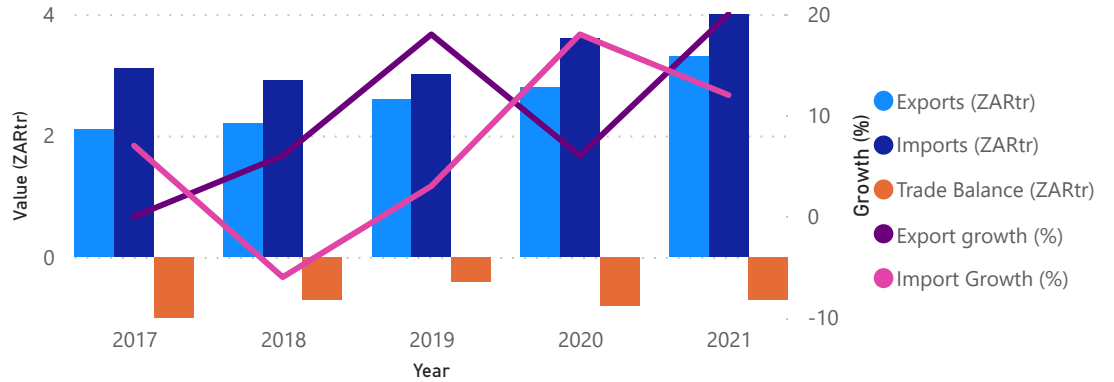
Turkey: Trade and Investment

July 2022

1) Turkey's Global Merchandise Trade

Despite maintaining a trade deficit over the last five years, Turkey's total trade steadily increased. Export receipts rose from ZAR2.1tr in 2017 to ZAR3.3tr by 2021, resulting in a 10% average annual growth in exports over the period, while imports grew at an average of 6.8% per annum - from ZAR3.1tr in 2017 to ZAR4tr by 2021. More recently, the devaluation of the Turkish Lira in 2021 resulted in a steep growth in exports of 20% in this year, while imports increased but at a decreasing rate of 12% in the same year.

Figure 1: Turkey Trade with Globe, 2017-2021



Source: Trademap, 2022

Figure 2: Turkey Top Export Products, 2021 (Average Growth: 2017-2021)

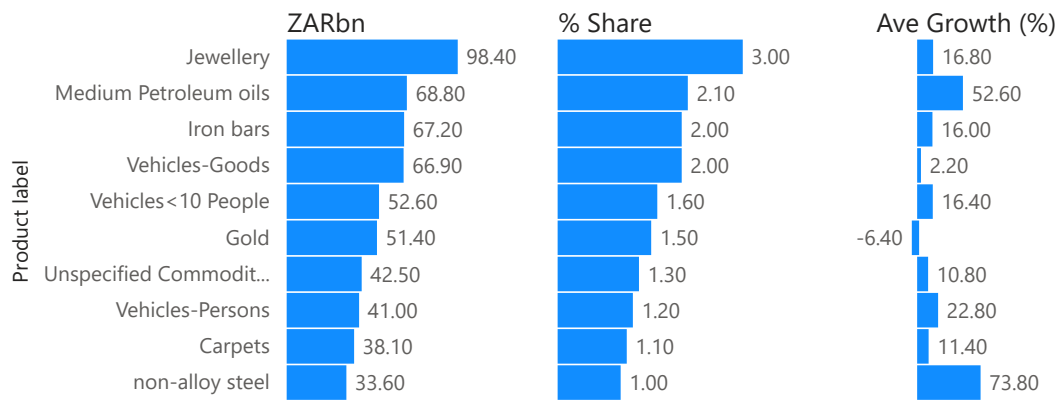
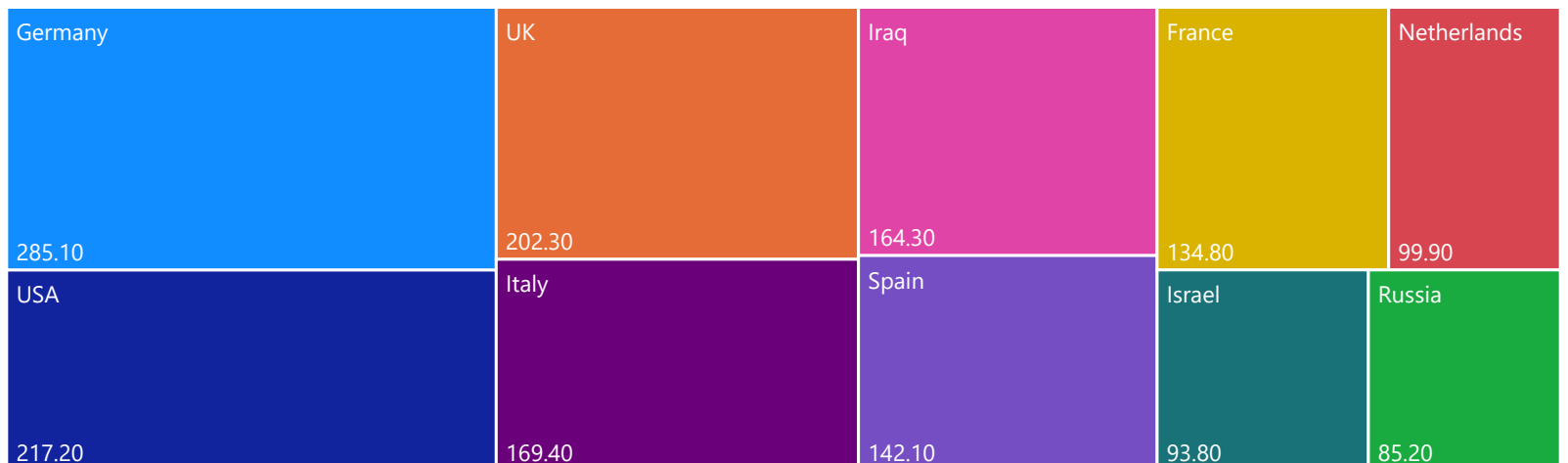


Figure 2 shows the top 10 export basket from Turkey to the world in 2021, which proved to be relatively diverse. Jewellery, as the country's largest export, held a 3% share at an export value of ZAR98.40bn in 2021. The UAE was Turkey's largest export market of jewellery, followed by Iraq and the USA. Medium petroleum oil were the second largest export at ZAR68.80bn, followed by iron/steel bars exports valued at ZAR67.20bn. Out of the top 10 exported products from Turkey, non-alloy steel exports recorded the highest average annual growth of 73.80% per annum, followed by medium petroleum oil exports (52.60%) and passenger vehicles at 22.80%.

Source: Trademap, 2022

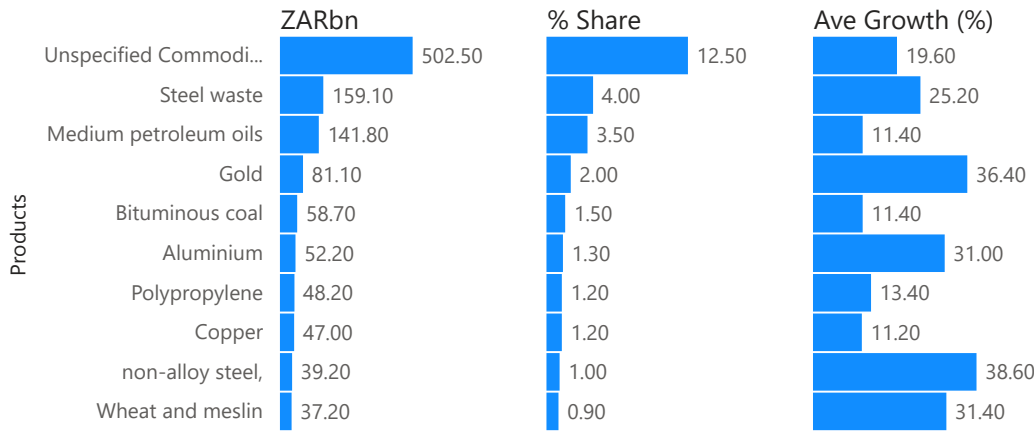
Given Turkey's close economic relations with the European Union, it's not surprising that 60% of Turkey's top 10 trading partners are members of the EU (including UK). As Figure 3 below suggests, Germany is Turkey's most important trading partner and also its largest foreign investor. In 2021, Turkey exported goods to the value of ZAR285.10bn to Germany, with the top three exports (vehicles, machinery and apparel's) accounting for approximately 40% of exports to Germany. Following this, the USA was Turkey's second largest export market, with total exports reaching ZAR217.20bn in 2021, while the UK ranked in a close third at a total export value of ZAR202.30bn.

Figure 3: Turkey Top Export Markets (ZARbn), 2021



Source: Trademap, 2022

Figure 4: Turkey Top Import Products, 2021 (Average growth:2017-2021)

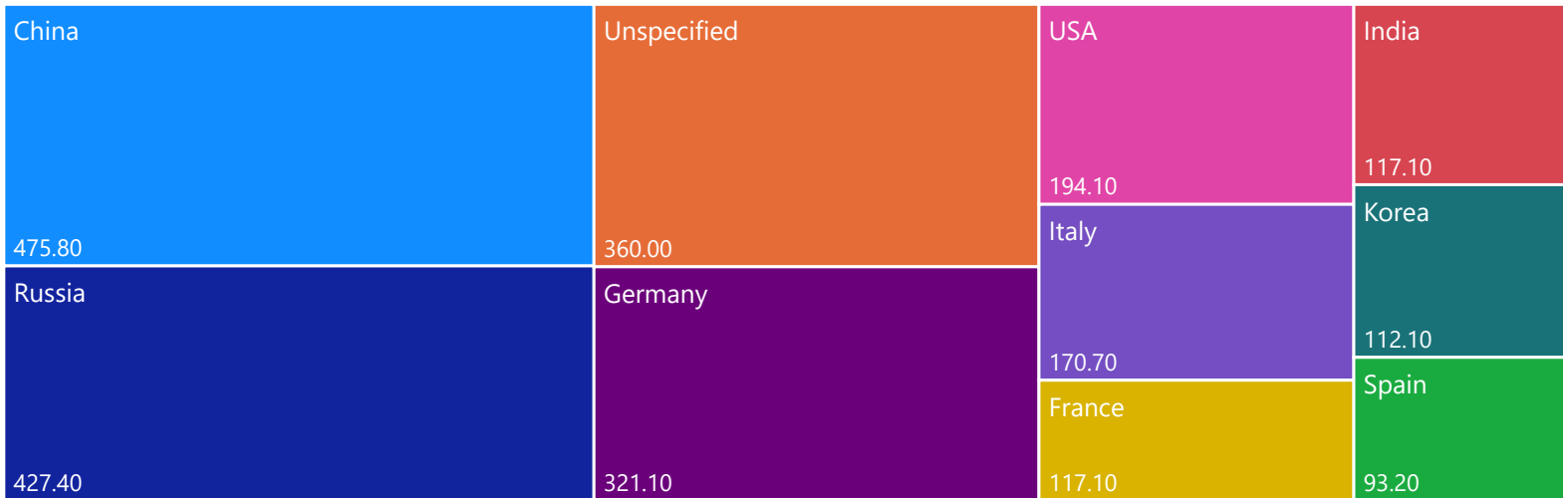


A large proportion of Turkey's imports are classified as unspecified commodities, imported from regions not specified. These held a 12.50% share of imports in 2021. However, steel waste imports, which ranked second, held a 4% share of import costs valued at ZAR159.10bn, while the import of medium petroleum oils were valued at ZAR141.80bn. The USA, Netherlands and UK were Turkey's three largest markets for steel waste imports, accounting for approximately 46% of steel waste imports in 2021. Out of the top 10 import basket, non-alloy steel imports grew at the highest average rate of 38.60% per annum, followed by gold imports (36.40%) and wheat imports at 31.40%.

Source: Trademap, 2022

Economic relations between Turkey and China have intensified over the last 10 years and in 2020-2021, China overtook Russia to become Turkey's largest import partner. Imports from the Asian powerhouse reached a total value of ZAR475.80bn in 2021, increasing by nearly 41% since 2020. Electrical machinery, mechanical appliances and organic chemicals were the top three imports from China, accounting for 58% of total imports from the country. Russia followed closely as Turkey's second largest import market with import costs reaching ZAR427.40bn in 2021, followed by countries not specified with a total import value of ZAR360bn in 2021.

Figure 5: Turkey Top Import Markets (ZARbn), 2021



Source: Trademap, 2022

TRADE AGREEMENTS

"The Turkey-EU Customs Union constitutes the major legal basis of Turkey's free trade agreements (FTA). Under the Customs Union, Turkey aligns its commercial policy with the EU's Common Commercial Policy. This alignment concerns both autonomous regimes and preferential agreements with third countries. Turkey negotiates and concludes free trade agreements with third countries in parallel with the EU. Together with the EU Common Customs Tariff, the preferential trade regimes constitute the most important part of the trade policy applied towards third countries. Turkey has concluded FTAs with 38 countries; however, 11 were repealed upon their accession to the EU. The remaining 22 FTAs in force are with EFTA, Israel, Macedonia, Bosnia-Herzegovina, Palestine, Tunisia, Morocco, Egypt, Albania, Georgia, Montenegro, Serbia, Chile, Mauritius, South Korea, Malaysia, Moldova, Faroe Islands, Singapore, United Kingdom, Venezuela, and Kosovo. Additional FTAs signed with Lebanon, Sudan, and Qatar, will come into force once ratified by the relevant parliaments. Turkey has also updated and deepened the scope of its existing FTAs with EFTA, Serbia, Bosnia and Herzegovina, and Montenegro. Negotiations to do the same with Georgia, Moldova, and Malaysia are ongoing". Source: International Trade Administration, 2022

1.2) Bilateral Trade: South Africa and Turkey

Although Turkey was South Africa's 33rd largest export market in 2021 and ranked as its 28th largest import market, Turkey is one of SA's largest trade and investment partners in Central and Eastern Europe. From Figure 6 alongside it is evident that SA maintained a trade deficit with Turkey over the last 5 years, which was exacerbated in 2021 as imports from Turkey grew by 52%. The main reason for this robust growth in imports stems from the devaluation of the Turkish Lira, causing the relative price of Turkish imports to fall and thereby stimulating demand for Turkish goods which reached a total import value of ZAR13.8bn in 2021, while SA exports to Turkey valued at ZAR7bn - nearly half that of imports.

Figure 6: SA Trade with Turkey, 2017-2021

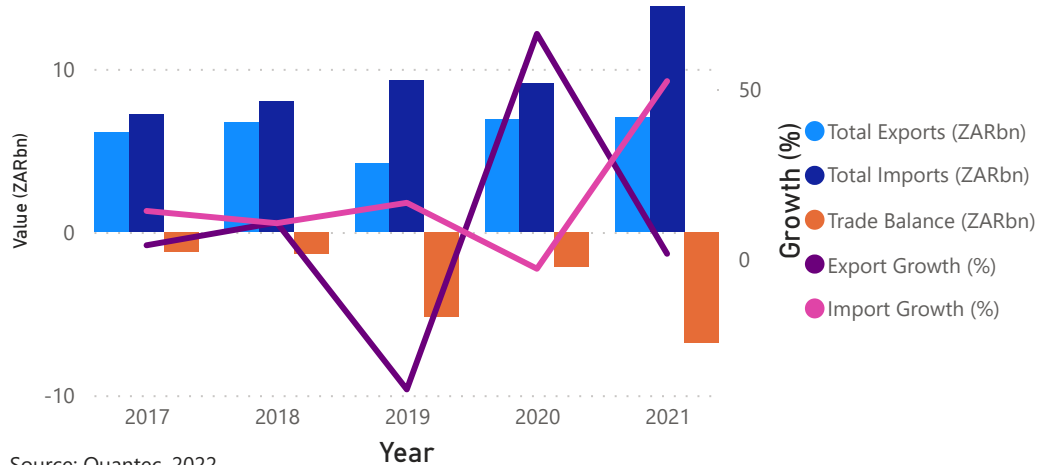
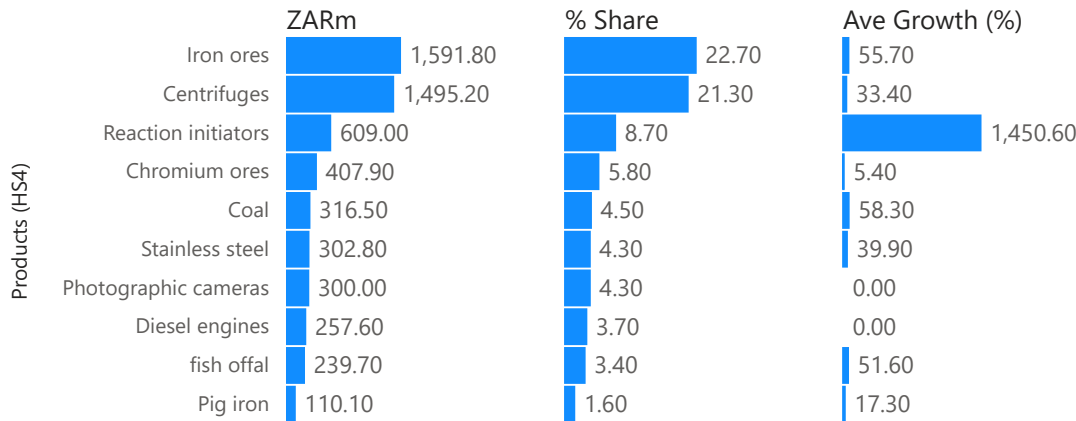


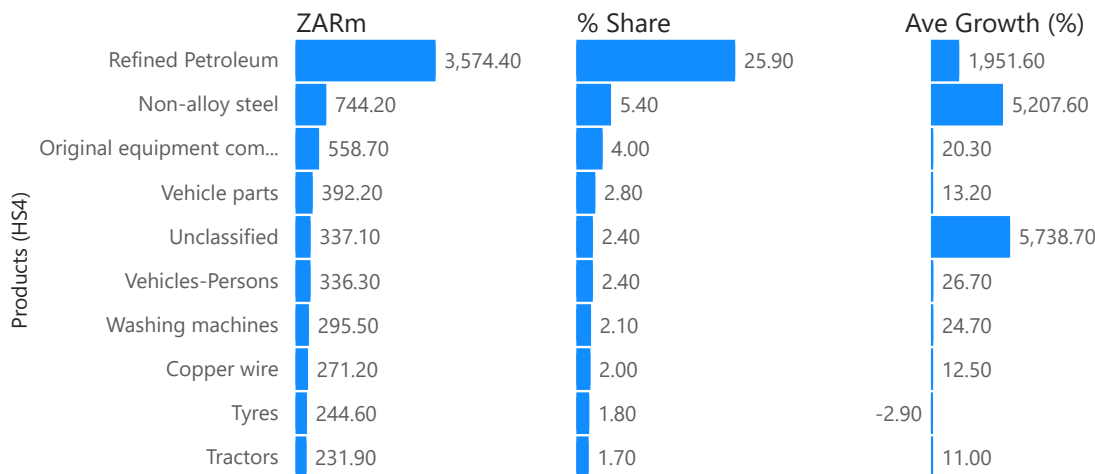
Figure 7: SA Top Exports to Turkey, 2021 (Average Growth: 2017-2021)



South Africa's top three exports to Turkey accounted for more than 50% of the top 10 exports to the country in 2021 - indicating that exports to Turkey are highly concentrated. Iron ores ranked as the largest export, reaching a value of ZAR1.59bn in 2021, while centrifuges (ZAR1.49bn) and reaction initiators (ZAR609m) ranked in second and third place. The growth of reaction initiators recorded impressive growth over the last 5 years, averaging 1456% growth per annum from 2017 to 2021. South Africa was also Turkey's largest supplier of reaction initiators in 2021.

Source: Quantec, 2022

Figure 8: SA Top Imports from Turkey, 2021 (Average Growth: 2017-2021)



SA imports from Turkey are largely concentrated within the refined petroleum space, where imports of refined petroleum reached ZAR3,57bn and accounted for 26% of SA imports from Turkey in 2021. Moreover, Turkey is the 8th largest import market for refined oil, which grew at a robust average annual growth of 1951% per annum from 2017-2021.

Other top imported products such as non-alloy steel (ZAR744m) and original equipment components (ZAR558m) ranked as the second and third largest import categories.

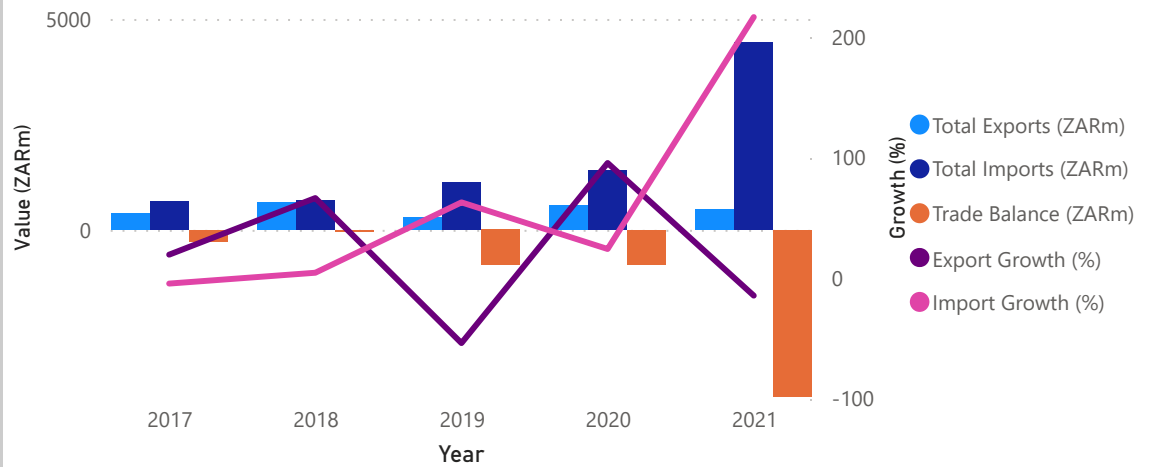
Source: Quantec, 2022

1.3) Bilateral Trade: Western Cape and Turkey

Turkey was the WC's 52nd largest export partner in 2021, with exports to Turkey growing at a robust average annual rate of 22% per annum from 2017 to 2021. Exports to Turkey recovered strongly in 2020 but declined by -14% in 2021 to reach ZAR497m - nearly double that of its pre-pandemic levels of ZAR298m in 2019.

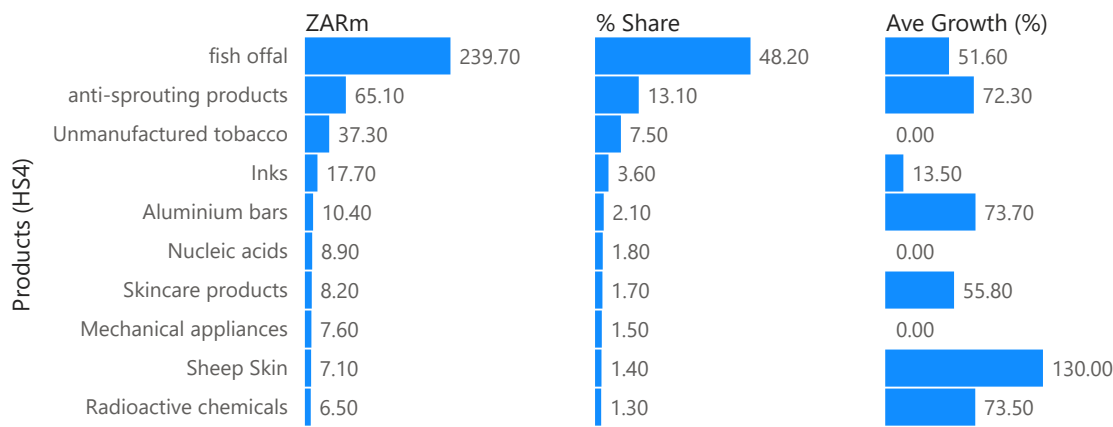
In contrast to exports, Turkey was the WC's 13th largest import market. Its relative importance as an import source is indicative of its consistent trade deficit with Turkey, which was significantly wider in 2021 as imports grew by 216% to ZAR4.44bn. As before, this spike in import value is largely driven by the devaluation of the Lira in mid-2021.

Figure 9: WC Trade with Turkey, 2017-2021



Source: Quantec, 2022

Figure 10: WC Top Exports to Turkey, 2021 (Average Growth : 2017-2021)

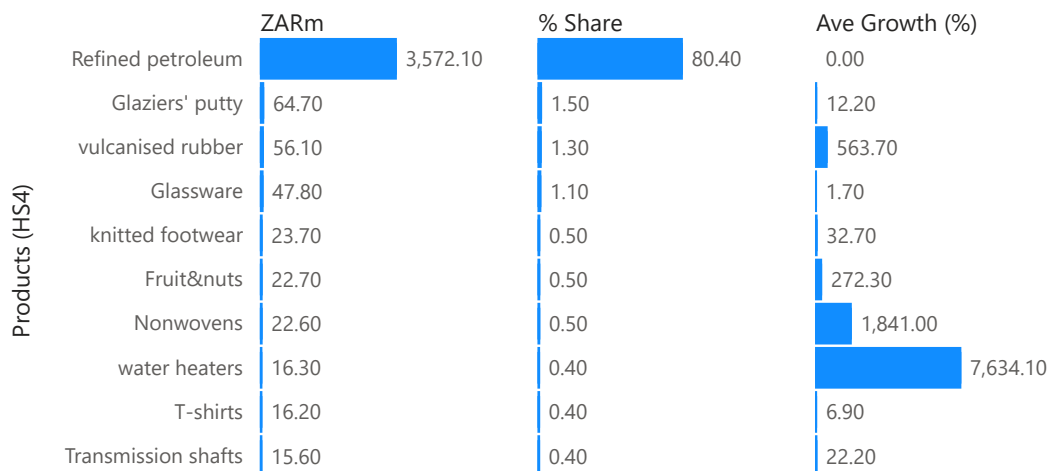


Fish meat offal not for human consumption was the WC's largest export to Turkey, reaching a value of ZAR239m and accounting for the vast majority (48%) of exports to Turkey in 2021. Anti-sprouting products and unmanufactured tobacco rounded up the top three products exported to Turkey in 2021. The export of sheep skin to Turkey reached triple digit growth, increasing at an average rate of 130% per annum over the last five years.

Note: 0.00 growth is not indicative of no growth, its simply a mathematical limitation of calculating the average.

Source: Quantec, 2022

Figure 11: WC Top Imports from Turkey, 2021 (Average Growth: 2017-2021)



As with SA, WC imports from Turkey are dominated by refined petroleum imports - accounting for 80% of imports at a value of ZAR3.57bn in 2021. In fact, the WC accounts for nearly 100% of SA's refined petroleum imports from Turkey in 2021. Further, glaziers putty and other building adhesives ranked as the second largest import (ZAR64.7m), while vulcanised rubber (ZAR56.10m) ranked third position.

Interestingly, the import of water heaters from Turkey grew at a fascinating average of 7634% per annum from 2017 to 2021, while the import of nonwovens followed a similar growth trajectory of 1841% pr annum over the period under consideration.

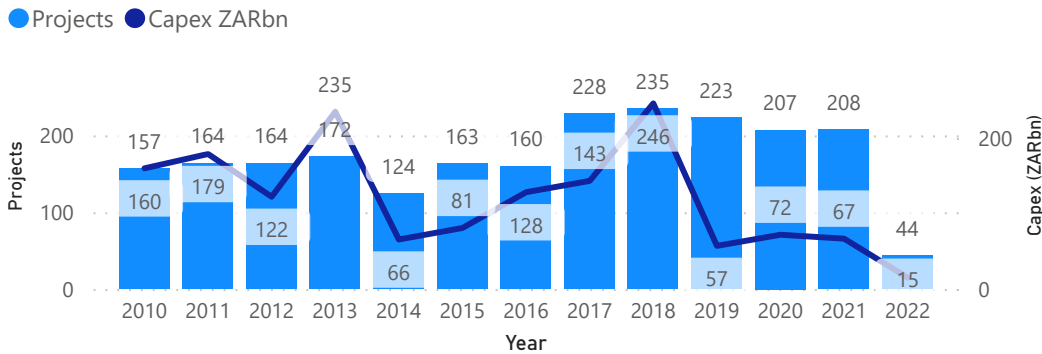
Note: 0.00 growth is not indicative of no growth, its simply a mathematical limitation of calculating the average.

Source: Quantec, 2022

2) Foreign Direct Investment

2.1) FDI into Turkey

Figure 12: FDI into Turkey, 2010-2022



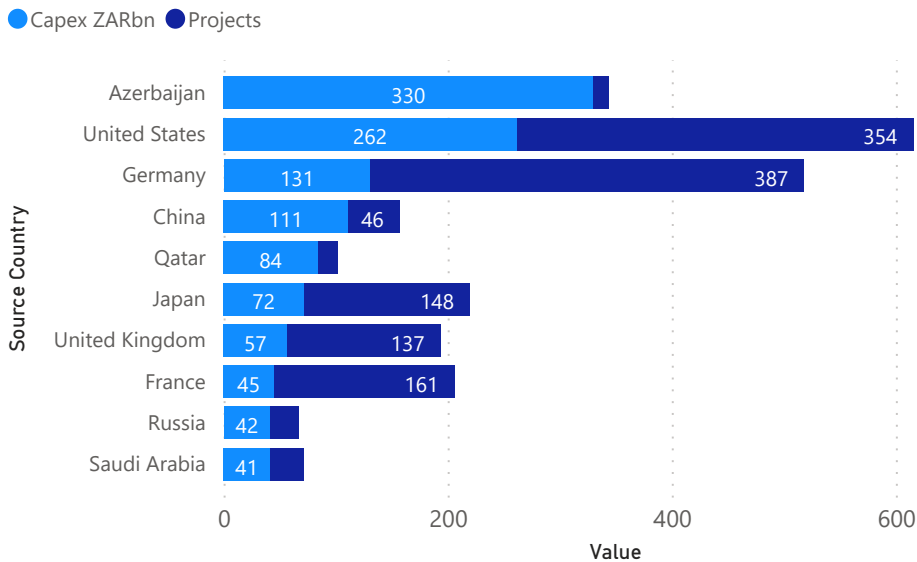
Source: FDI Markets, 2022

FDI into Turkey has proved consistently robust over the last 12 years, averaging a total project injection of 173 per year with an average capex of ZAR698m per project.

In total, 1688 global companies invested 2249 projects into Turkey over the last 12 years. These undertakings reached a total capex of ZAR1.57tr and created 224,893 jobs over the period 2010 to May 2022.

FDI inflows into Turkey reached its trough in 2019, where capex (ZAR57bn) declined to its lowest point in 10 years from its peak of ZAR246bn in the preceding year.

Figure 13: FDI into Turkey by Source Markets, 2010-2022

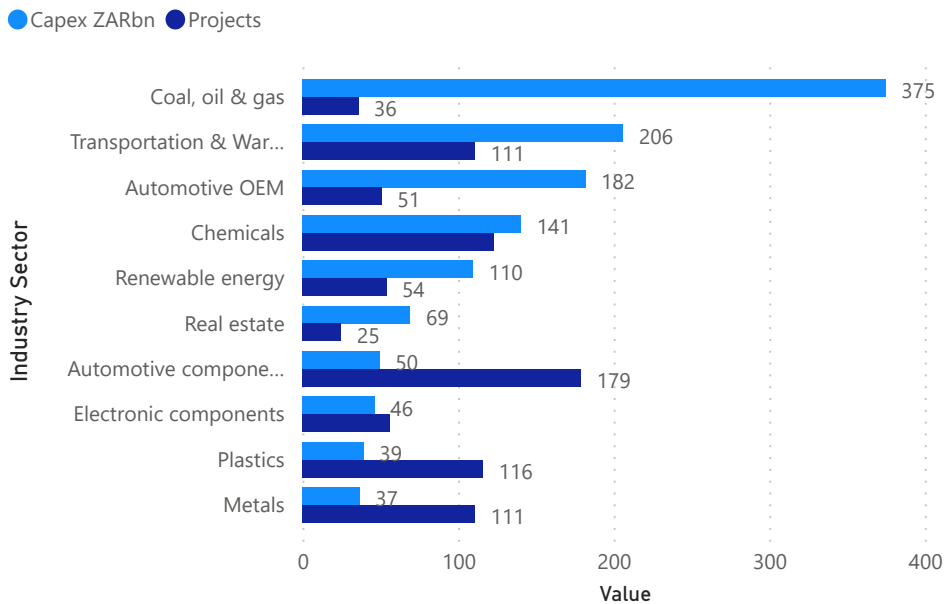


Source: FDI Markets, 2022

Azerbaijan, with a total cumulative capital investment of ZAR330bn, was the main source of capex into Turkey - albeit only investing a total of 14 projects over the last 12 years.

The USA followed in a close second place, with a total cumulative capex of ZAR262bn and 354 projects. followed by Germany with a capex of ZAR131bn and projects of 387 from 2010-May 2022 - with Germany and the USA collectively accounting for 33% of projects and 26% of capex over the period under review.

Figure 14: FDI into Turkey by Sector, 2010-2022

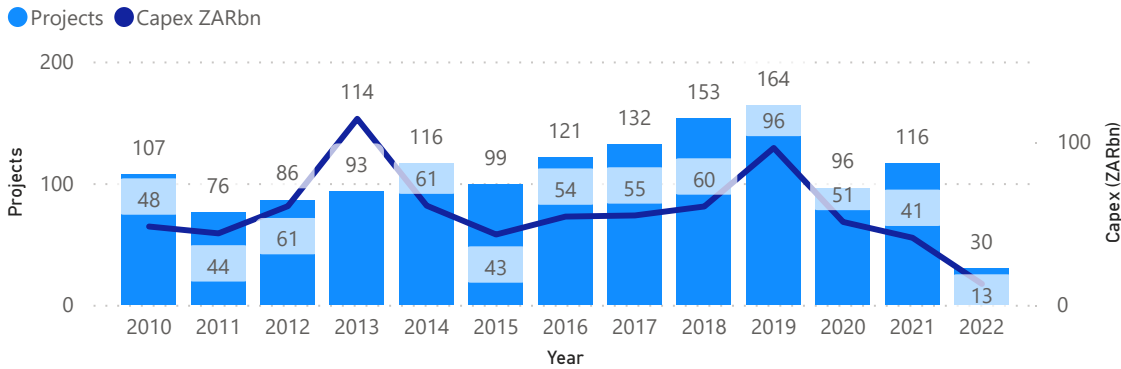


Source: FDI Markets, 2022

The majority of the capex into Turkey was destined for the coal, oil and gas sector, which were recipients of 36 projects which reached a total capex of ZAR375bn over the period 2010-May 2022. This was closely followed by the transportation and warehousing sector (ZAR206bn capex and 111 projects), followed by the automotive OEM sector with ZAR182bn worth of capex and 51 projects. However, when considering the frequency of projects as a means of continuous investment, the industrial equipment sector had the highest number of projects of 206, followed by the food and beverage sector (195 projects). Out of the top 10 FDI attracting sectors, the automotive component industry fared the best in terms of the number of projects.

2.2) OFDI From Turkey to the globe

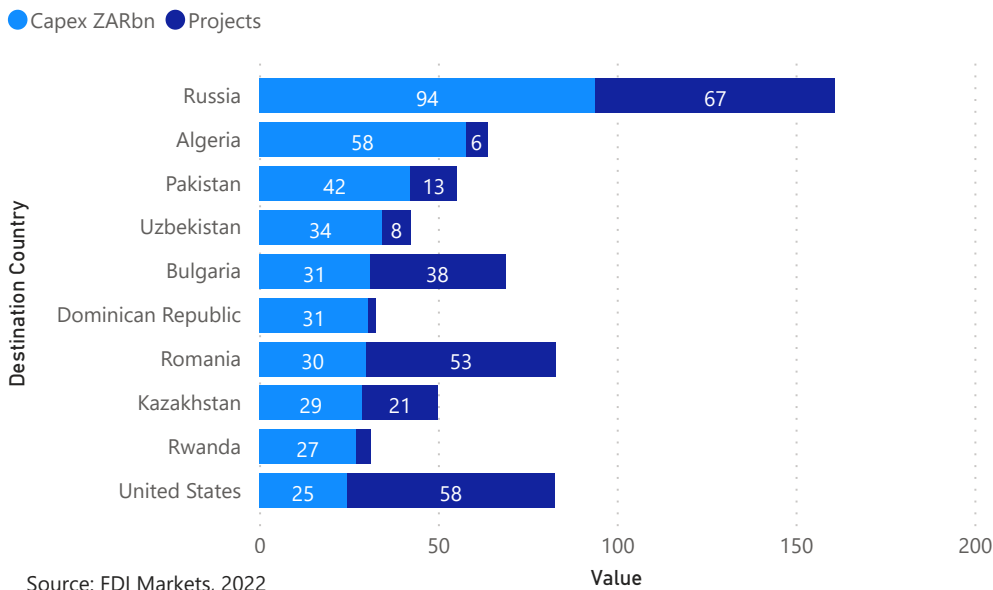
Figure 15: Trend in OFDI from Turkey, 2010-2022



Source: FDI Markets, 2022

Turkey's total Outward Foreign Direct Investment (OFDI) to the rest of the world was nearly half that of its Inward FDI over the last 12 years. The country invested 1,389 projects globally which reached a total capex of ZAR740bn and created 191,091 jobs worldwide. Both capex and FDI projects originating from Turkey plunged in 2020 to nearly half of its value in 2019 - owing to the adverse impact of the Covid-19 pandemic in 2020. Since then, foreign investment has not recovered.

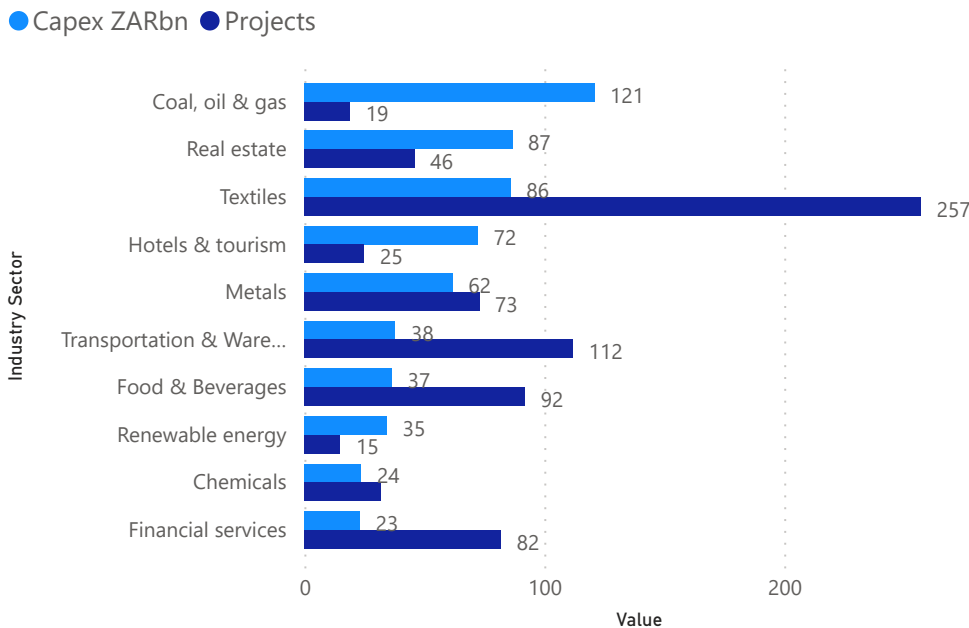
Figure 16: OFDI from Turkey by Destination Market, 2010-2022



Source: FDI Markets, 2022

Russia was the largest recipient of Turkish foreign investment (in terms of capex) over the last 12 years, reaching a cumulative value of ZAR94bn from 2010-May 2022. This was followed by Algeria (ZAR58bn) and Pakistan (ZAR42bn). However, in terms of project undertakings, Germany proved as the preferred market for FDI from Turkey, which procured a total 407 projects accounting for nearly 30% of all Turkish projects globally over the period under review. Other markets with high FDI intensity in terms of projects were the UK (100 projects), Russia (67 projects) and the USA with 58 capital projects invested over the period 2010-May 2022.

Figure 17: OFDI from Turkey by Top Sectors, 2010-2022

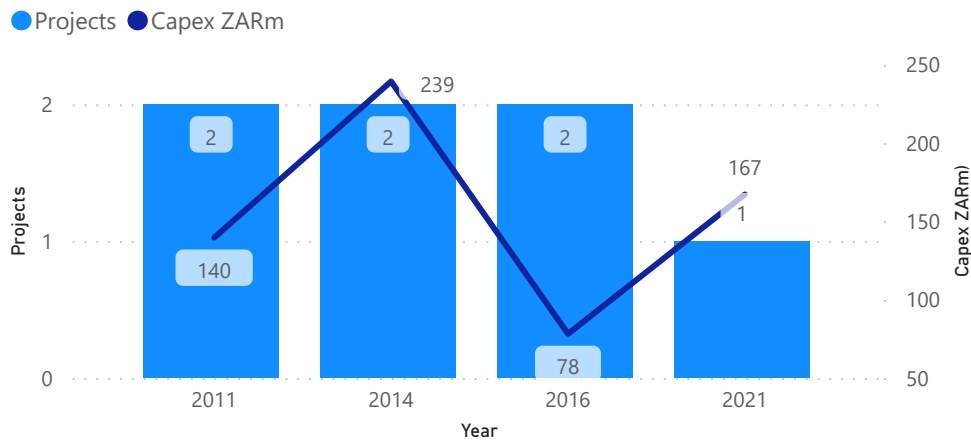


Source: FDI Markets, 2022

As with FDI into Turkey, the coal, oil and gas sector was the preferred sector of choice for Turkish investments abroad. This sector reached a total cumulative capex of ZAR121bn over the period 2010-May 2022, albeit only 19 projects invested. Other top sectors attracting OFDI from Turkey was the real estate sector with a capex of ZAR87bn, followed by textiles of ZAR86bn. The textile (257 projects); transport and warehousing (112 projects); and food and beverages were the top three sectors attracting FDI projects from Turkey, and accounted for 33% of projects and 22% of capex over the period under consideration.

2.3) Bilateral FDI: Turkey into South Africa

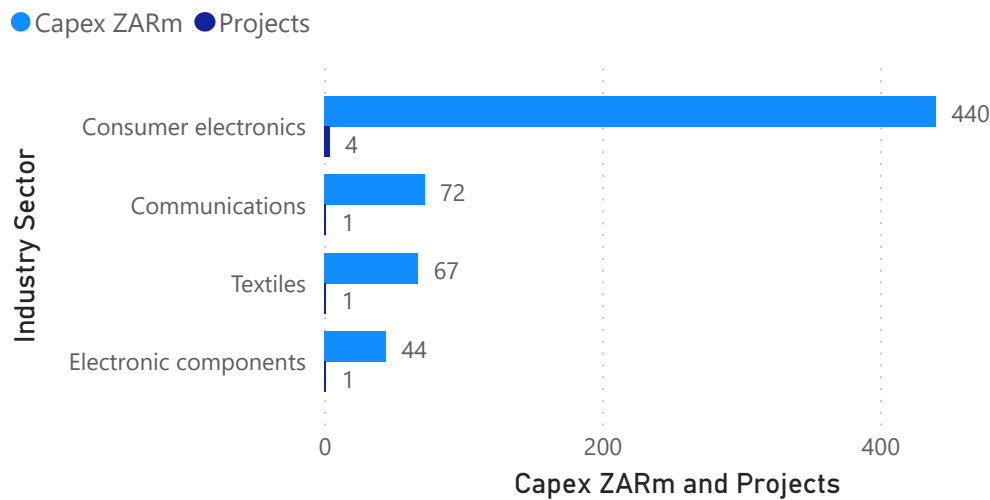
Figure 18: FDI from Turkey into SA, 2010-2022



Source: FDI Markets, 2022

Figure 18 alongside shows FDI from Turkey into SA over the period 2010 to May 2022, where the seven projects invested over this period reached a total capex of ZAR624m, creating 506 jobs. Two projects were undertaken in the years 2011, 2014 and 2016, while one project was invested in 2021.

Figure 19: FDI from Turkey into SA by Sectors, 2010-2022



Source: FDI Markets, 2022

Of the seven projects invested into SA from Turkey, four were invested into the consumer electronics sector, reaching a total cumulative capex of ZAR440m over the period 2010-May 2022. The remainder of the projects were invested in the communications, textile and electronic components sector, which each attracted one project, respectively.

Figure 20: Turkish Companies Investing in SA, 2010-2022

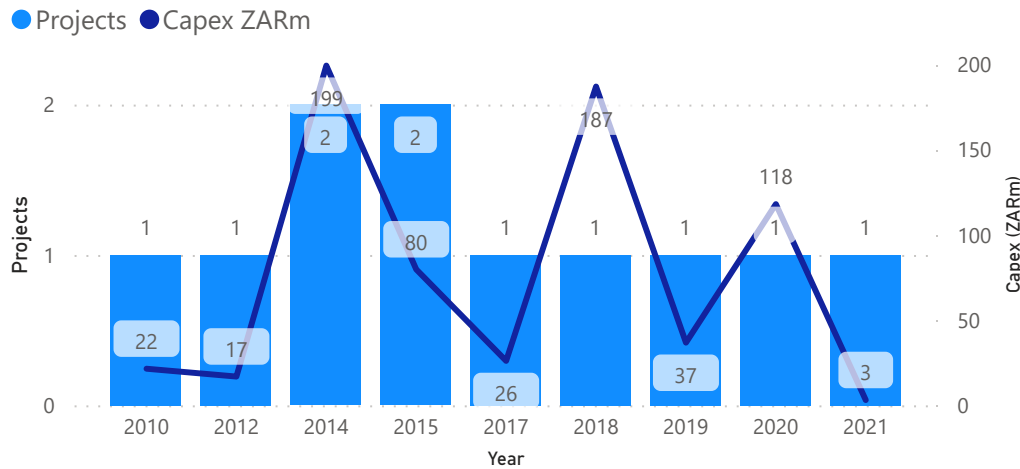
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Anadolu Ajansi (Anatolian Agency)	1	72.10	37	Communications
Beko (Arcelik)	1	167.21	80	Consumer electronics
Defy Appliances	3	272.90	328	Consumer electronics
Koc Holding	4	440.10	408	Consumer electronics
Aselsan Elektronik	1	44.49	11	Electronic components
Orka Group	1	67.50	50	Textiles
Total	11	1 064.30	914	

Source: FDI Markets, 2022

The six Turkish companies investing seven FDI projects into SA are tabulated alongside in Figure 20. Koc Holdings, which acquired Defy and Beko (thus listed here), invested four projects into the consumer electronics industry in SA, while other companies such as Aselsan Elektronik and Orka Group invested one project each.

2.4) Bilateral FDI: South Africa into Turkey

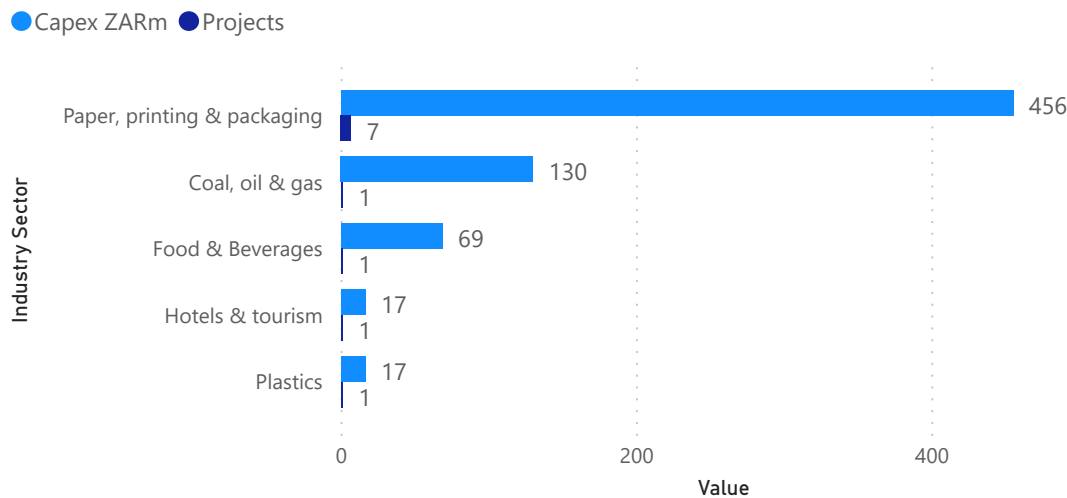
Figure 21 FDI from SA into Turkey, 2010-2022



Source: FDI Markets, 2022

FDI from SA into Turkey was relatively more robust, with a total of 11 projects invested that reached a total capex of ZAR688m and creating 340 jobs over the period 2010 to May 2022. The year 2014 and 2015 were the only two years where more than one project were invested, while each subsequent year leading up to 2021 had only one project invested. Capex progressively fell since its peak of ZAR199m in 2014 to its low point of ZAR17m by 2017 before increasing to reach its peak of ZAR187m in 2018.

Figure 22: FDI from SA into Turkey by Sector, 2010-2022



Source: FDI Markets, 2022

Of the 11 projects invested from SA into Turkey, seven of these were in the paper, printing and packaging sector, while simultaneously attracting the largest proportion of capex which reached a cumulative value of ZAR456m over the period 2010 to May 2022. The remaining four sectors graphed alongside each attracted one project over the period under review, with the coal, oil and gas sector attracting the largest proportion of this capital outlay.

Figure 23: SA Companies Investing into Turkey, 2010-2022

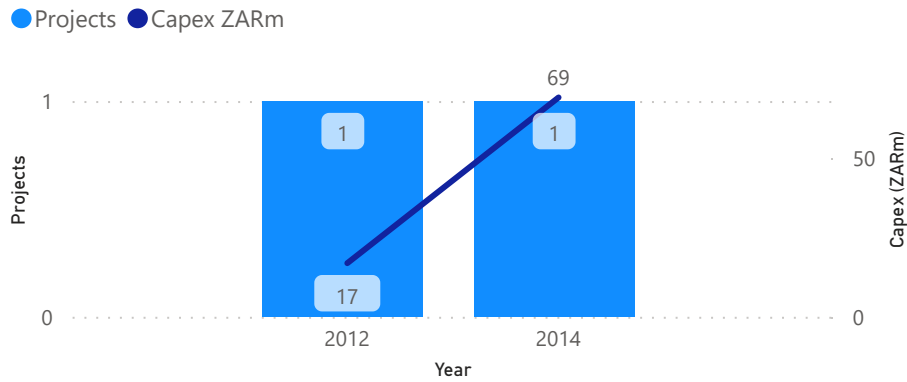
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Capespan	1	69.03	18	Food & Beverages
Cockett Marine Oil	1	130.39	54	Coal, oil & gas
Grindrod	1	130.39	54	Coal, oil & gas
Metair Investments (Metair)	1	16.87	10	Electronic components
Mondi Group	7	456.06	233	Paper, printing & packaging
Mondi Istanbul Ambalaj	1	26.08	7	Paper, printing & packaging
Mondi Tire Kutsan	6	429.98	226	Paper, printing & packaging
Mutlu Plastik	1	16.87	10	Plastics
Travelstart	1	16.87	25	Hotels & tourism
Total	20		637	

Source: FDI Markets, 2022

An overview of South African companies investing into Turkey over the last 12 years is tabulated alongside in Figure 23. Mondi Group invested seven projects into the Turkish paper, printing and packaging sector, which reached a total capex of ZAR456m. Other companies listed here, such as Mondi Tire Kutsan and Mondi Istanbul, is owned by the Mondi Group and shown here for convenience.

2.5) Bilateral FDI: Western Cape into Turkey

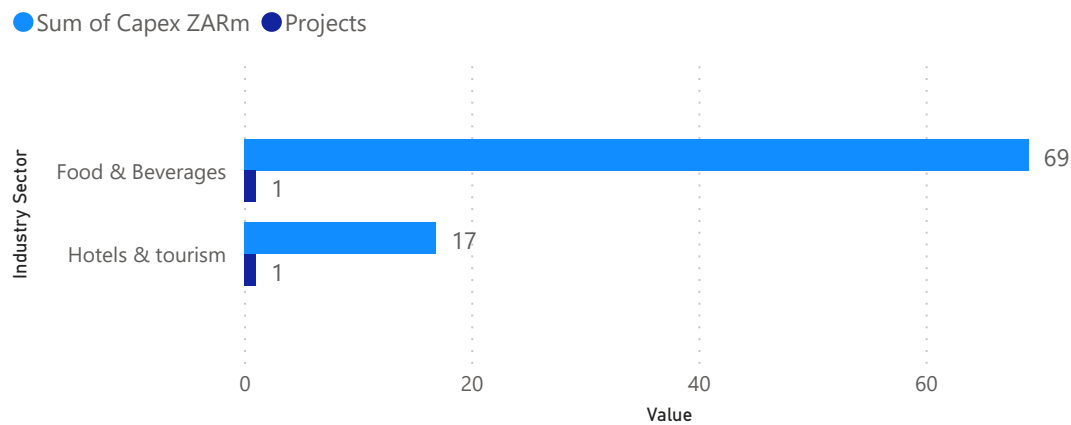
Figure 24: FDI from WC into Turkey, 2010-2022



Source: FDI Markets, 2022

As Figure 24 alongside suggests, there were only two projects invested from the WC into Turkey in the last 12 years spanning the period 2010 to May 2022. The project invested in 2012 reached a capex of ZAR17m, while the project invested in 2014 required a capital spend of ZAR69m. There were no projects invested by Turkey into the WC over the period under review.

Figure 25: FDI from WC into Turkey by Sector, 2010-2022



Source: FDI Markets, 2022

The two projects invested into Turkey by the WC were in the food and beverage industry (with a capex of ZAR69m), while the hotel and tourism industry were the recipient of the other project which reached a capex of ZAR17m in 2012.

Figure 26: WC Companies Investing into Turkey, 2010-2022

Company name	#Projects	Capex ZARm	Total jobs
Capespan	1	69.03	18
Travelstart	1	16.87	25

Source: FDI Markets, 2022

WC companies investing into Turkey is detailed alongside in Figure 26. Capespan invested ZAR69m into the Turkish food and beverage sector, creating 18 jobs, while Travelstart created 25 jobs through their investment into the hotel and tourism sector in Turkey.

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