



BILATERAL TRADE ANALYSIS OF TURKEY AND PAKISTAN

Country Report on Turkey

**Trade Development Authority of Pakistan
Ministry of Commerce
Government of Pakistan**

ABSTRACT

This report includes thorough bilateral trade analysis of Turkey & Pakistan and suggests potential exportable and trade scenario

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Country Report on Turkey

Executive Summary

Turkey is as an emerging market economy, and according to CIA World Factbook, it is a newly industrialised developing country with a 13th largest GDP by Purchasing power parity. However, Turkey and Pakistan enjoy a close historical, cultural and military relations which are now expanding and seeking a better economic relationship, the total trade volume between the two countries is \$596.08 million for the year 2017 with a positive trade balance for Pakistan of US\$ 58.61 million.

This study has identified five potential products as HS-06 digits such as; semi or wholly milled rice, medical & surgical instruments, fresh & dry dates, men's or boys' trousers and cane or beet sugar, that are further exportable to Turkish market for better trade gain.

In this regard, a thorough, comparative analysis of these products is carried out with respect to Pakistan's competitors in Turkish market on the basis of ECI ranking, export share, Average unit price, export promotion strategies, tariff and non-tariff barriers.

Based on the analysis, this study recommends that Pakistan should ensure either negotiating GSP plus benefits that Turkey provides to other trading countries as a European union custom union member or finalise its long-standing FTA, further existing tariffs on the potential product must be rationalized through consensual dialogues.

ACRONYMS

GSP: General scheme of preference

EU: European Union

R&D: Research and Development

SIMAP: Surgical Instrument Manufacturing Association of Pakistan

FOB: Free on board

CST: Central Sales Tax

CE: French acronym “Conformity Europeenne.”

EEA: European Economic Area

TBT: Trade Barrier for Trade

USD: United State Dollar

CAGR: Cumulative Annual Growth Rate

ITC: International Trade Center

APTMI: All Pakistan Textile Mills Association

GDP: Gross Domestic Product

HS: Harmonized system

AUP: Average Unit Price

IEIS: Incremental Export Incentivization Scheme

EDF: Export Development Fund

RMG: Ready Made Garments

LDC: Least Developing Country

NSG: Nuclear Suppliers Group

SEZ: Special Economic Zones

ECO: Economic Cooperation Organization

FTA: Free Trade Agreements

USSR: Union of Soviet Socialist Republic

WTO: World Trade Organization

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Introduction

The purpose of this study is to identify and highlight trade opportunities in the Turkish market and to propose strategies for better and prosperous bilateral trade between the two countries. In pursuance of this goal, the study has identified potentially exportable to the Turkish market for Pakistan by its competitors. Further, the study highlighted bottlenecks that may hamper trade development.

The first section of the study provides an outline of the geographical and social landscape of Turkey along with its economic overview; the focus has been on major economic indicators, its trade profile from 2013 onwards, major exports and imports trends from the world. The second section discusses the bilateral trade between Pakistan and Turkey, its major imports and exports trends at HS 06 digit.

Further, in the third section, the study identifies the potential products at HS 06 digits which are then analysed for its ECI ranking, average unit price, market share, export promotion strategies concerning its competitors in the Turkish market.

The fourth section highlights the non-tariff barriers on the potential products identified for export to Turkish markets, while the fifth section explains the demand and supply-side issues that are prevailing between the two countries.

This section of the study discusses the trade promotional activities that are in the pipeline for the calendar year by the Trade Development Authority of Pakistan, along with highlighting the relevant trade shows that can be helpful for promoting the potential exportable identified in the study, followed by SWOT analysis of the bilateral trade between Pakistan and Turkey.

Lastly, the study concludes with the recommendation and way forward for the prosperous bilateral trade.

1. Geographical and Social Landscape

Geographical Location

The lands of Turkey is located at a point where the three continents meet making up the old world of Asia, Africa and Europe closest to each other. Turkey is situated in an area where Europe meets Asia, creating a link between these two continents. The European part of the country is called Thrace, while the Asian part is known as Anatolia (or Asia Minor). It is bordering to the northwest by Greece and Bulgaria, to the east by the former USSR (Georgia, Armenia, and Azerbaijan Republics) and Iran, and to the south by Iraq and Syria.

1.1 Key Social indicator

Official name: Republic of Turkey

Federal Capital: Ankara

Government system: Unitary
Presidential Constitutional Republic

Head of state: President

Legal system: Civil Law system

Currency: Turkish Lira



1.2 Total Area

Total area: 780,580 sq. km

Land area: 770,760 sq. km

Water area: 9,820 sq. km

Thrace Europe: 23,764 sq. km

Anatolia Asia: 755,688 sq. km

Figure 1 Map of Turkey



1.3 Bordering countries

Bordering countries of Turkey are:

Table 1 Bordering countries

Bordering country	Border length
Total Border length	2,648 km
Armenia	268 km
Azerbaijan	9 km
Bulgaria	240 km
Georgia	252 km
Greece	206 km
Iran	499 km
Iraq	352 km
Syria	877 km

1.4 Natural Resources:

- Coal
- Iron ore
- Copper
- Chromium
- Antimony
- Mercury
- Gold
- Barite
- Borate
- Celestite (strontium)
- Emery
- Feldspar
- Limestone
- Magnesite
- Marble
- Perlite
- Pumice
- Pyrites (sulfur)
- Clay
- Arable land
- Hydropower

1.5 Demographic

Population

Total Population: 82,099,724 (August 2018)

Population Growth Rate: 1.45 (2018)

Urban Population: 73.89 % (2016)

Table 2 Population distribution by age

Distribution Age	%	Male	Female
0-14	23.6	18,925,782	9,210,762
15-64	67.9	27,409,238	26,828,348
65 years and over	8.5	2,919,392	3,732,111

2. Economic overview

Turkey is defined as an emerging market economy by IMF, according to CIA World Factbook, it a newly industrialised developing country with a 13th largest GDP by purchasing power parity. Turkish free-market economy is increasingly driven by its industrial and services sectors, although the agriculture sector still accounts for 25% of the employment. The petrochemical, electronics and automotive industry have risen in its importance, and it has surpassed the traditional textile and clothing sector while changing the turkey's export mix.

However, the recent political instability and economic dynamism have given way to domestic uncertainty and security concerns, which are causing financial market volatility on Turkey's market outlook.

The current government policies also emphasise populist spending measure and credit breaks, while the implementation of structural economic reforms have slowed down. The government is playing an active role in using economic institution and regulators to target the opponents, discouraging the private sector confidence in the judicial system.

Similarly, in 2016 and 2017 three credit rating agencies citing concerns about the rule of law and the pace of economic reforms has downgraded Turkey's sovereign credit ratings.

Moreover, Turkey's energy sector is highly dependent on oil and gas imports but it's pursuing the policy of energy relationship with a broader set of international players, yet its taking step to increase use of domestic renewable, coal and nuclear energy.

Further, Turkish-Azerbaijani Trans-Anatolian is a project in progress that will help diversify Turkey's source of imported gas as it will increase transport Caspian gas to Turkey. ¹

¹ World economic outlook (April 2018) IMF

After financial crises of 2001 Turkey adopted financial and fiscal reforms as part of the IMF program which strengthened the country's economy and ushered in the era of strong growth with an average of 6% annual growth till 2008, in that period aggressive privatisation took place which resultantly reduces state involvement in the basic industries.

However, in 2009 the global financial crisis and tighter fiscal policy have contracted its GDP, but Turkey's well-regulated financial markets and strong banking sector have helped the country to overcome that, and its GDP recorded a growth of 9% in 2010 and 2011 respectively, as the exports and investment recovered the crises.

Since 2016 the growth of Turkish GDP has revealed a persistent fundamental imbalance in the Turkish economy. In particular, the large current account deficit means a must rely on external investment inflow to finance growth that leaves the country economy vulnerable to destabilisation.

Additionally, the rising unemployment and inflation in 2017 are also troublesome trend coupled with the Turkish Lira's continued devaluation against the US dollar, although the public debt to GDP remains low at about 30%, but corporate and bank borrowing almost tripled during the past decade as a per cent of GDP, prompting investors concerns about its long-term sustainability.

Table 3 Economic indicators

Indicators	2013	2014	2015	2016	2017
Population (Millions)	76.7	77.7	78.7	79.8	80.8
Real GDP Growth Rate (%)	8.5	5.2	6.1	3.2	7.4
GDP Per Capita (USD)	12,386	12,026	10,898	10,805	10,536
Un Employment Rate (%)	9.1	10	10.3	10.9	10.9
Inflation (%)	7.4	8.2	8.8	8.5	11.9
Public debt (% of GDP)	31.3	28.6	27.5	28.3	28.3
GDP (USD Billion)	950	934	858	862	851
Trade balance (USD Billion)	-79.9	-63.6	-48.1	-40.9	-58.9
Current Account balance % of GDP	-63.6	-43.6	-32.1	-33.1	-47.4

Source: (World Bank, IMF)

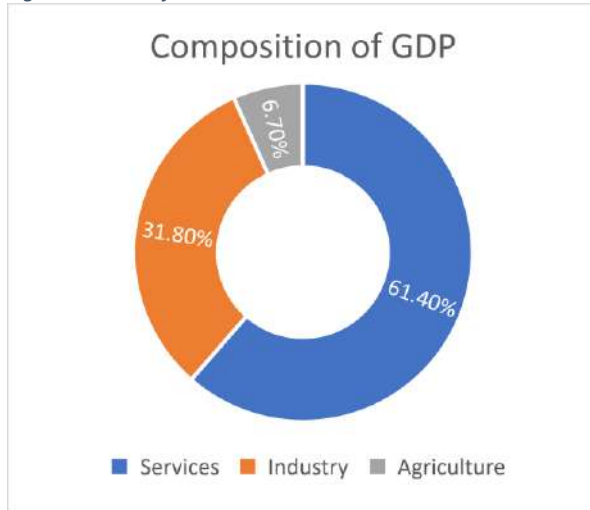
2.1 Recent Economic Developments

- Recep Tayyip Erdogan was re-elected for a second presidential term in June 2018, completing the transition towards an executive presidency.
- Turkey has large external financing needs, and its private sector is resilient but highly indebted in foreign currency; the country is therefore highly sensitive to turbulence on global financial markets.
- The government is trying to curb the recent sharp decline of the lira, but it will face difficulties to restore foreign investors' confidence

2.2 Composition of GDP

The figure below depicts the share of each sector in GDP of Turkey

Figure 2 Share of the sector in GDP



Industry

The manufacturing sector of Turkey mainly includes textiles, chemicals, cement, iron and steel, food processing, construction, glass

and ceramics, motor vehicles, and mining. In 2017, the industrial sector contributed 31.8% to the GDP, and It employed 26.6% of the labour force.

Service

The services sector of Turkey is the major contributor with 61.4 per cent to the GDP, which mainly includes financial services, education, health care, transportation and real estate.

Agriculture

The agriculture sector of Turkey contributes merely 6.7% to the GDP, which mainly includes cereals, pulses, sugar, nuts, industrial crops, olive oil, fresh and dried fruits.

2.3 Turkey's Trade overview

Table 4 Turkey international Trade overview

Turkey-World	2013	2014	2015	2016	2017	CAGR
Turkey's Exports	151.80	157.61	143.85	142.52	157.05	0.006
Turkey's Imports	251.66	242.17	207.20	198.61	233.79	-0.014
Balance of Trade	(99.85)	(84.56)	(63.35)	(56.08)	(76.73)	-0.051
Total Trade volume	403.46	399.78	351.05	341.14	390.84	-0.006

Source: ITC Trade Map

Value in US Billion

Turkey is the 29th largest export economy in the world. In 2017 only, Turkey exported \$157 billion worth of goods, and in the same period, it has imported US\$233 billion, which eventually resulted in a negative trade balance of \$76.7 billion.

The trade deficit has increased from \$56 billion in 2016 to \$76.7 billion, a huge increase of \$20 billion has been recorded in the year 2016-17 which is due to the significant increase in its import bills and the price effect of the devaluation of the Turkish Lira. Its imports have increased by 17.7 per cent on year to year basis.

2.4 Major Exports:

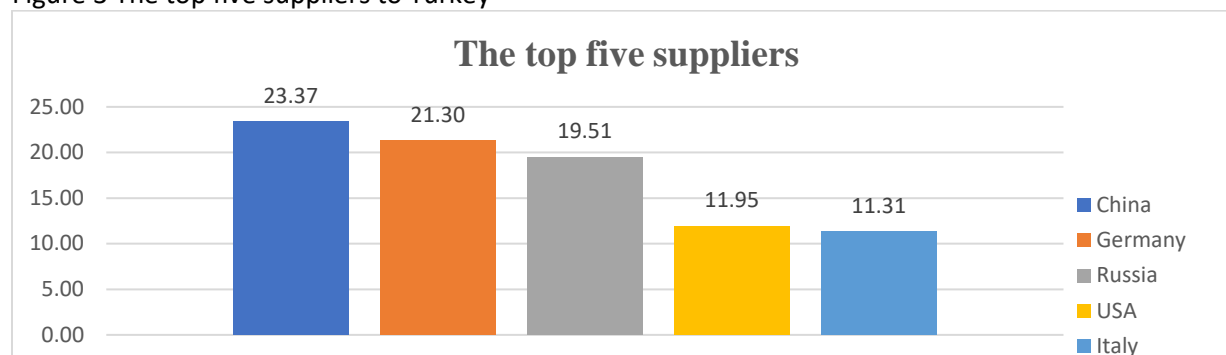
The top exports of the country using HS Code classification at 02 digits are vehicles (\$23.9 billion), machinery (\$13.8 billion), precious or semi-precious (\$10.8 billion), article of apparel and clothing accessories (\$8.84 billion) and Iron and steel \$8.23 billion.

However, the top export destination of Turkey is; Germany (\$15.12 billion), United Kingdom (\$9.60 billion), the United Arab Emirates (\$9.18 billion), Iraq (\$9.05 billion), and USA (\$8.65 billion).

2.4 Major Imports:

The major imports basket contains mineral fuels & oil (\$37.1 billion), machinery (\$27.1 billion), electrical machinery (\$21.1 billion), precious or semi-precious stone (\$17.4 billion), and vehicles of (\$17.4 billion).

Figure 3 The top five suppliers to Turkey



Source: ITC Trade Map

The top five suppliers to Turkish markets are; China \$23.37 billion, Germany \$21.30, Russia \$19.51 billion, USA \$11.95 and Italy with US\$11.31 billion.

3. Bilateral Trade Analysis:

Turkey is an old and all-weather trading partner of Pakistan, there is sufficient trade between the two countries, over the years the trade volume has been stagnant with minute fluctuation in the year 2014 and 2015, the trade volume between the two countries has increased in 2017 to all-time high \$596 million.

Turkey's Trade with Pakistan

Table 5 Pakistan -Turkey bilateral

Pak-Turkey Trade	2013	2014	2015	2016	2017	CAGR
Pakistan Exports	406.96	391.08	235.44	236.87	327.35	-0.04
Pakistan Imports	150.46	192.86	205.23	260.08	268.73	0.12
Trade Balance	256.50	198.22	30.21	-23.21	58.61	-0.25
Total trade volume	557.42	583.94	440.68	496.95	596.08	0.01

Source: ITC Trade Map

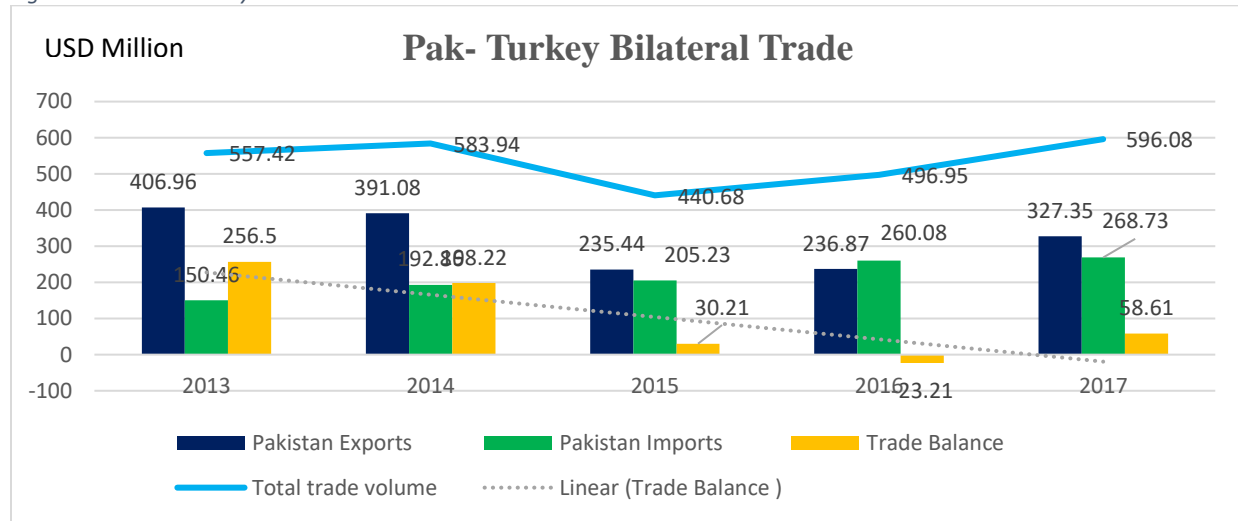
Value in USD million

However, exports to Turkey has recorded a cumulative annual decline of 0.04 per cent over the period of 2013-17, and in the same period imports from Turkey recorded an increase of 0.12 per cent.

Eventually resulting in a trade balance of \$58.6 million which were \$256.5 in the year 2013, that means that over the years Pakistan imports have substantially increase whereas its exports have remained stagnant.

In 2016 a trade deficit of \$ 23.21 million was recorded which was due to a significant increase in the import bill of Pakistan, with an increase of approximately \$55 million, however, in the same year Turkey’s import from the world have also decreased, but that didn’t affect Pakistan’s exports to Turkey.

Figure 4 Pakistan-Turkey bilateral Trade



Source: ITC Trade Map

3.1 Trade Trends of Pakistan & Turkey

Following are the list of top 15 items, that Pakistan is exporting to Turkey in the fiscal year 2017-18 and 2016-17 at HS 08 digit along with its quantity.

Table 6 Top exporting product from Pakistan to Turkey at HS-08 fiscal year 2017-18

EXPORT FROM PAKISTAN TO TURKEY								
H.S.#	COUNTRY BY COMMODITIES	UNIT	JULY-JUNE 2017-18		JULY-JUNE 2016-17			Var %
			QTY.	000.\$	QTY.	000.\$	Var	
52094200	COTTON WOV FAB DENIM>200G/SQM	SQM	92,260,465	126,881	50,463,092	64,533	62,347	96.61
52053200	MUL/CAB C/Y ULF.232.56-714.29D	KG	7,689,343	22,605	9,570,843	26,411	(3,806)	-14.41
52051200	S-COT.YARN UCF.D-232.56-714.29	KG	7,692,864	20,782	6,113,594	16,664	4,118	24.71
22071000	UNDENATURE ETHYL ALCOHOL O/SPR	LTR	31,133,653	16,443	16,609,149	9,330	7,113	76.23
52052200	S/C YARN LF.DX.232.56-714.29	KG	5,105,656	15,874	2,706,055	8,738	7,136	81.67

39076920	OTH BOTTLE GRADE	KG	8,096,000	9,074	-	-	9,074	
52081200	WOV FAB COT WT>100G/SQM UNBLEA	SQM	10,065,661	8,909	4,060,769	4,100	4,810	117.31
62032200	ENSEMBLE MEN/BOY COT NOT KNIT	DOZ	105,086	6,896	42,794	2,472	4,423	178.91
52062100	S/C YARN COMBED FIBRE 714-29DX	KG	2,511,945	6,719	1,939,009	5,530	1,189	21.49
52081900	OTHER WOVEN COTTON FAB UN-BLH	SQM	6,750,269	5,396	5,922,662	5,533	(137)	-2.48
90189090	OTH INST, APP MEDICAL/SUR/VETEN	NO	3,423,539	5,063	1,867,600	4,200	863	20.54
52083100	WOV FAB COT WT 100G/SQM DYED	SQM	4,655,815	4,049	214,100	153	3,896	2539.77
41071200	WHOLE HIDE/SKIN GRAIN SPLIT BV	SQM	305,061	3,570	36,628	528	3,042	576.48
52091200	COTTON WOV FAB 3-4THREAD UN-BL	SQM	4,028,741	3,177	3,441,261	3,400	(224)	-6.58
52114200	W-FAB COT DENM, MX MFW>200G/SQM	SQM	3,028,539	2,706	1,153,390	1,036	1,670	161.27
95066210	FOOTBALLS	DOZ	55,181	2,671	48,487	2,244	427	19.03

Source: Pakistan Bureau of Statistics

The above table shows that Pakistan's major exports to Turkey are cotton and textile products, among the top 15 products, 11 are from the textile and cotton sector. In these products denim is the top product that Pakistan is exporting to Turkey in the year 2017-18, whose exports have increased significantly by 96.61pc on year on year basis, among these top 11 items of textile sector, the exports of three items has decreased on year on year basis, other products are medical and surgical instrument, footballs and polyethene terephthalate.

Table 7 List of top exporting product from Pakistan to Turkey at HS-06 at the year 2016-17

Product code	Product label	Pak-Exp 2016 USD Million	Pak-Exp 2017 USD Million	AAGR 2016/17	Tariff lines	Turkey import 2017 %
'TOTAL	All products	236,873	327,346	27.64		
'520942	Denim	64,555	107,377	39.88	6	34.41
'520512	Single cotton yarn, of uncombed fibers,	5,319	28,611	81.41	3	11.46
'520532	Multiple "folded" or cabled cotton yarn, of uncombed fibers,	22,859	23,648	3.34	3	49.78
'630629	Tents of textile materials	9,383	17,048	44.96	10	
'520522	Single cotton yarn, of combed fibers,	6,141	15,660	60.79	3	51.00
'220710	Undenatured ethyl alcohol, of actual alcoholic strength	4,076	13,896	70.67	30	65.08
'390761	Polyethylene terephthalate", in primary forms, having a viscosity number	-	6,953	100.00		2.71
'520819	Woven fabrics of cotton	5,609	6,396	12.30	6	17.06
'520812	Plain woven fabrics of cotton	2,879	6,346	54.63	6	10.93
'520621	Single cotton yarn containing predominantly	5,796	6,166	6.00	3	

'100630	Semi-milled or wholly milled rice	6,803	5,628	(20.88)	45	7.24
'901890	Instruments and appliances used in medical, surgical or veterinary sciences.	3,276	5,331	38.55	0	1.40
'630140	Blankets and travelling rugs of synthetic fibres	2,413	5,204	53.63	10	
'120740	Sesamum seeds, whether or not broken	2,479	4,230	41.39	12	1.73
'520912	Woven fabrics of cotton, containing	1,118	3,840	70.89	6	
'610339	Men's or boys' jackets and blazers of textile materials	9,151	13,164	30.48	10	

Source: ITC Trade Map

The above table shows the list of top 15 products that Pakistan are exporting to Turkey at HS-06 digit in the year 2016-17 with its tariff duties and market share.

It also depicts that denim is the top exporting product to this market, Among these product semi or wholly milled rice is the only product that is recording an average annual decline of 20.8 pc in the year 2016-17.

4. Methodology for Potential Product

Three tier criteria have been followed to identify potential products, the exportable that are considered as potential in Turkish markets are identified on the criteria set as;

First, if Pakistan's exports of that particular product to the world is greater than \$100 million and Turkey's imports of the same product from the world is greater than \$50 million, than the product quality to go through the next stage.

In the second stage, these products are filtered as the potential on the criteria of market share. Thus, products that are having less than 10% of market share in the total import of Turkey from the world are filtered as a potential product, whereas those products that don't qualify the criteria are not incorporated in this study.

Thirdly, the rule of thumb is employed to further scrutinised the product, so that the product in which Pakistan's has enough exports, mean a comparative advantage, and at the same time there is also enough demand of that product in the markets of Turkey are identified as potential products for further analysis.

4.1 Pakistan's Export Potential to Turkey

The following five product has been identified as a potential exportable in the Turkish market at HS-06 digit from the data on Trade map for the year 2017.

Table 8 Proposed Potential Products for exports to Turkey

Product label	Turkey's imports world 2017 USD Million	Pak Exp to Turkey 2017 USD Million	Pakistan's exports to the world	% of Turkey imports	CAGR
Semi-milled or wholly milled rice, whether polished or glazed	77,687	5,628	1,512,694	7.24	-0.41
Instruments and appliances used in medical, surgical or veterinary sciences	380,006	5,331	360,575	1.4	-0.57
Fresh or dried dates	51,309	1,547	107,488	3.02	-0.50
Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	167,927	0.479	410,423	0.29	-0.69
Cane or beet sugar and chemically pure sucrose, in solid form	120,310	-	342,901	-	

4.2 Semi-milled or wholly milled rice

Semi-milled or wholly milled rice has world export share of 0.01 per cent with an export value of \$18.7 billion in the year 2017, its top exporting country is India with 35.52% share in the world market followed by Thailand whose export share is 24%. Pakistan exports \$1.51 billion worth of semi-milled rice to the world and ranks third biggest suppliers of this product in the world, and Its top importing country is China

Table 9 Exports to Turkey

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
Italy	33,674	25,150	45	1	2	676
India	13,264	10,720	45	5	5	446
China	0.004	8,552	45	16	6	400
Thailand	8,552	1,758	45	7	9	428
Pakistan	0.345	1,211	45	14	10	345
Vietnam	3,328	0.622	45	8	12	546
Total record of competitors	58,818	47,392				
Others	20,807	30,295				
The total value of the world	79,625	77,687				

Source: ITC Trade Map

In term of value Turkey imports \$77.6 million worth of this item in the year 2017, Pakistan exports to Turkey have recorded an annual decrease of 22.8 per cent in 2016-17, and its export share has recorded a cumulative annual decrease of 0.41 over the period of 2013-17.

In the same period, Turkey imports have decreased by 2.43 per cent. However, Pakistan’s exports have increased in that period from \$0.34 million to \$1.21 million.

Italy and India are the major shareholder in the market with \$25.1million and \$10.7 million exports share respectively, and China is the emerging competitor in the market whose share was mere \$0.004 million in 2013, but now it has captured a market share of \$8.5 million.

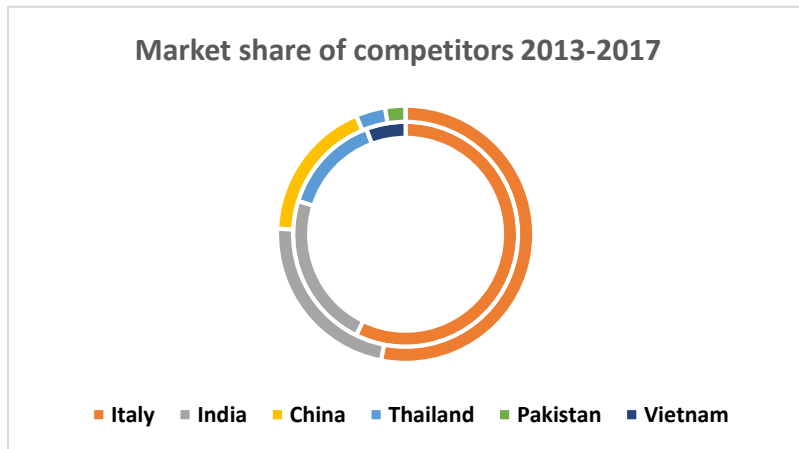


Figure 5 percentage share of competitors

Whereas, Thailand and Vietnam are the countries who have lost their market shares in these years, as Thailand was exporting \$8.5 million worth of rice to Turkey in 2013 which is now reduced to only \$1.7 million. Similarly, Vietnam was exporting \$3.3 million worth of rice to Turkey in 2013 which has reduced to just \$0.62 million.

China and Pakistan are the two countries whose market share have increased over the year, Pakistan exports have increased by 251 per cent in the year 2013-17 whereas China was having equal to no export in 2013 but now it exports \$8.5 million worth of rice to Turkey.

On export competitiveness index Pakistan and China are the only two country whose competitiveness has improvement whereas India is the only country which has maintained its competitiveness over the year but still it has lost some share in the market which may be due to decline in the total import of Turkey.

Moreover, if we compare their average unit price we see that Pakistan offers the lowest average unit price in the market.

While, Italy’s AUP is highest, but still it’s the biggest supplier in the Turkish market, which indicates that the quality and variety of the rice Italy is offering to the market are either superior or matches the demand of the market. However, Italy has geographical proximity over other players in the market.

Pakistan as being one of the top suppliers of this product in the world with a competitive average unit price and quality Basmati Rice known for its aroma has an opportunity to expand in the Turkish market.

4.2.1 Competitors strategy for Semi-milled or wholly milled rice 100630

Factor benefiting Italy in the Turkish market

There are four main competitors for this product in Turkish markets namely; Italy, India, China and Thailand, out of these supplier Italian rice farmer receives a substantial subsidy for growing rice.

Their exporter strategy varies depending on the type and nature of the market, in case the market is competitive, Italy increases its quality levels, i.e. their sophistication content and value addition, yet in another case, it chooses price competitions and keeps its average unit value at a lower level than other competitors in the market.

Moreover, there are less non-tariff measures for Italy in the Turkish market; both these countries enjoy good bilateral trade ties with a trading volume of almost \$19 billion in 2017.

Italy is also part of Regional Trade Agreement (RTA), which is between Turkey and EU and there is a customs union between EU and Turkey which provide access to good to travel without any custom restriction.

Factor benefiting India in the Turkish market

The government of India is providing incentives to the exporter of agriculture sector under “Vishesh Krishi and Gram Udyog Yojana (VKGUY)”. A scheme that provides incentives in the form of duty credit scrip on 5 per cent of FOB value of exports. Additionally, the Government provides grants in the form of Duty Credit Scrip under the “Incremental Export Incentivization Scheme (IEIS).

Moreover, the duty drawback has also being restored by the finance ministry of India recently specifically for the rice exporter of the country. The extension came with the concept of brand rate basis this time, which mean each exporter need to separately apply to the finance ministry for the approval of rates.

These duty drawback payments compensate exporters on custom and excise duties paid on input used in the manufacturing of the exportable product, the payments are made either based on industrial rate, brand rates or fixed as a percentage of free on board (FOB), the decision help the exporters in neutralizing the duty suffered on packing materials.

In addition to that, the state government has announced the waiver of two per cent on central sales tax (CST) for rice miller in paddy procurement and exports of surplus rice. The above mention initiative helps India boost its rice exports to the world. There are no or less Non-tariff barriers for India in the Turkish market.

Factor benefiting Thailand in the Turkish market

Thailand also provides incentive to its rice farmers in the form of loans totalling \$1 billion; the military regime wants to boost struggling rice farmer with its incomes because of the economic shock due to the fall in prices of jasmine rice in the international market to a nine-year low, which has become a growing problem.

The scheme requires the farmer to store their crop for six months to get money from the rice scheme. The stockpiling strategy is to help limit supplies and buoy prices of jasmine rice which they believe would ultimately increase the prices of other varieties of rice.

4.3 Instruments and appliances used in medical, surgical or veterinary sciences

The medical and surgical instrument has a world export share of 0.06 per cent with an export value of \$117.9 billion in the year 2017, its top exporting country is the USA with 22.4% share in the world market followed by Germany with 12% export share.

Table 10 Exports to Turkey

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
USA	97,763	80,599	0	3	2	135,917
Germany	111,809	68,337	0	1	1	98,044
China	50,945	46,925	0	8	7	22,031
France	15,387	25,554	0	13	8	19,687
Vietnam	3,502	7,871	0	21	18	24,520
Pakistan	3,462	5,331	0	23	23	54,236
Total record of competitors	282,323	275,741				
Others	156,767	104,265				

The total value of the world	439,090	380,006				
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Source: ITC Trade Map

Pakistan exports \$364.98 million worth of this product to the world, its top importing country is the United States of America. In term of value Turkey imports \$380 million worth of this product in 2017, Pakistan’s exports to Turkey have recorded an increase of 54.2 per cent in 2013-17, and its exports share have recorded a cumulative annual growth rate of 0.09 per cent from 2013 to 17.

Turkey’s import of this item has decreased over time; it had dropped down to \$380 million in 2017 from \$439 million in 2013. However, USA has captured a major share of \$80.5 million in this market, which is 21.2% of the market, followed by Germany, whose another big supplier in the Turkish market with \$68.3 million worth of exports in 2017, however its exports have decreased by 38.8 per cent from 2013, its exports were \$111.8 million in 2013.

Other than USA and Germany other suppliers have sufficient exports of this product to Turkey some of the major suppliers are China, France and Vietnam. Pakistan and Vietnam are competitors with minor share in the market, but the trend shows that both these players have capture more share with the passage of time as its exports have increased multifold

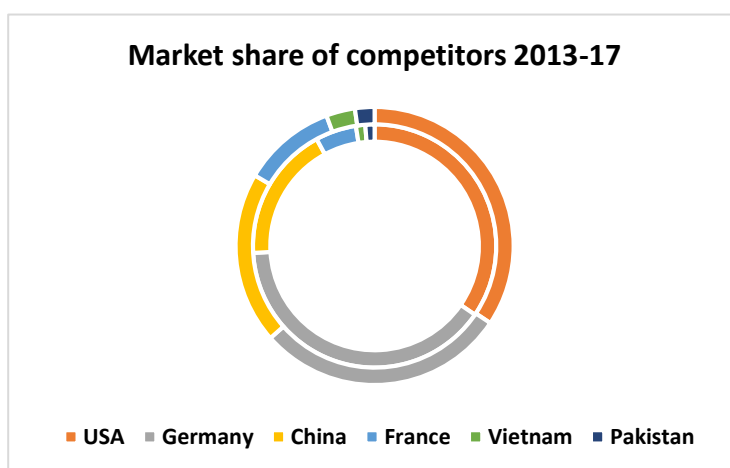


Figure 6 percentage share of competitors

over the years even when the overall import of this product has decreased, in the same period the export share of the major supplier have decreased.

Turkey has provided a level playing field for all the supplier with zero tariffs duties on this product, on this ground value addition and pricing strategy provides a competitive advantage, the average unit price Pakistan is offering is not very attractive, it higher than Vietnam, China and France.

In the same market, USA and Germany which has the major share of the market are offering highest price which that means the market of Turkey are not very price sensitive.

In order to expand in Turkish market Pakistani suppliers, need to devise a strategy that helps them capture more market share, either through offering competitive pricing, or value addition and robust marketing.

4.3.1 Competitors strategy for medical and surgical instruments

Factor benefiting Germany in Turkish market:

Germany is the world second-biggest supplier of this product with \$6.14 billion worth of exports, and at the same time it is also the second biggest importer of this product with \$3.83 billion, its export strategy is to sell value-added products.

In the market of Turkey, there is no significant non-tariff barrier for Germany, as being part of the European Union it enjoys free trade flow into Turkey. There is a high number of SMEs in Germany that work for its medical and surgical instrument industry. However, Germany sells value-added branded products, one of its major brands is B,Braun. Germany's strategy is to import non-branded low-value product from the developing world for the purpose to re-export it to the world with some value addition and branding.

Factor benefiting the USA in Turkish market:

The United States of America is the world biggest supplier of this product with \$12.3 billion worth of exports, and it's also the world biggest importer with \$10.2 billion worth of imports.

The US exports of value-added and innovative products are the major reason for high exports to this market; additionally, US has a technological advantage over another supplier in the market because of its extensive R&D sector.

There is no significant non-tariff barrier for the USA, and therefore it's the main supplier in the market with \$80 million worth of exports. USA has a significant FDI in Turkey which accounts 9.3pc of its total FDI in 2017. The Major company and brands for this product are Baxter International, Boston Scientific, Johnson & Johnson, and Stryker.

Factor benefiting China in Turkish market:

China is also one of the major supplier of this product in the world with more than \$1 billion worth of exports; it is the third big supplier to the Turkish market.

There is no significant non- tariff barrier for China in Turkey, it is heavily relying on its pricing strategy to capture market share due to price effect it is capitalising consumer behaviour. Moreover, China is also selling its product online through robust marketing while employing e-commerce firm, and their biggest online selling portal is Alibaba.

4.4 Fresh or dried dates 080410

Fresh or dried dates have a world export share of 0.007 per cent with an export value of \$1.34 billion in the year 2017, its top exporting country is Tunisia with 18.9 per cent share in the world market followed by Saudi Arabia with 13.5 per cent export share.

Table 11 Exports to Turkey 080410

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
Saudi	3,519	13,972	0	7	2	1,885
Israel	3,376	11,913	0	3	1	5,130
Iran	3,049	11,446	0	8	3	632
Tunisia	4,331	5,522	0	2	5	2,012
Palestine	0.990	4,232	0			4,904
Pakistan	0.070	1,871	0	15	11	1,562
Total record of competitors	15,265	47,085				
Others	781	4,224				
The total value of the world	16,046	51,309				

Source: ITC Trade Map

Pakistan exports \$107.4 million worth of fresh or dried dates to the world, its top importing country in the world is India. In term of value Turkey imports \$50.1 million worth of this item in the year 2017. Pakistan exports to Turkey have recorded an increase of 260 per cent in 2016-17, and its export share has recorded a cumulative annual growth of 0.92 per cent over the period of 2013-17.

Whereas, in the same period Turkey imports have increased by 219 per cent, however, Saudi Arabia has captured a major share of \$13.9 million which is 27.2 percent of the market share, followed by Israel who's the second big supplier in the Turkish market with \$11.4 million worth of exports in 2017, both Saudi and Israel exports have increased multifold over the years.

Iran, Palestine and Tunisia are other important supplier in the market which has sufficient share in the market, Pakistan has the lowest market share among the competitors even though it offers a competitive price in the market.

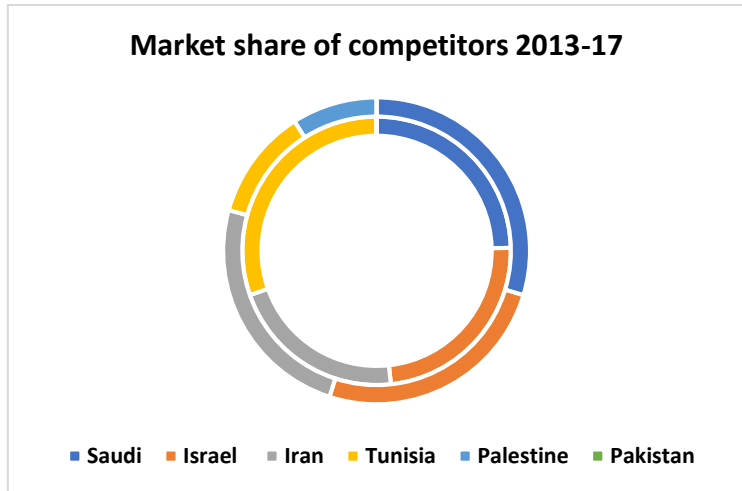


Figure 7 percentage share of competitors

Turkey provides a zero tariff duty on import of this product, Pakistan as being the fifth biggest suppliers of

dates in the world; it should capitalise this market and devise a strategy to capture more share in the coming years.

4.4.1 Competitors strategy for Fresh or dried dates 080410

Factor benefiting Saudi Arabia in Turkish market:

Saudi Arabia is the second biggest supplier of this product in the world with \$182 million worth of exports, it exports \$13 million worth of supplies to the Turkish market, and it provides different varieties of dates in the market.

Saudi Arabia has employed e-commerce services of Alibaba for selling its dates; the country relies on its pricing strategy as it offers a competitive price in the market. There are some non-tariffs barriers for Saudi dates in the Turkish market.

Factor benefiting Israel in Turkish market:

Israel is the third biggest supplier of this product to the world with \$165 million worth of exports; It's the second big supplier in the Turkish market, there are different varieties of dates that Israel exports, it has a brand of dates with the supplies to 25 different countries of the world through retailers.

However, Israel Medjool dates dominate the global market; it provides a modern and sophisticated packing for its dates. The major strategy of its exports is branding, and sophisticated packing

through it sell value-added products. Moreover, Israel also faces some non- tariff barrier in the Turkish market.

Factor benefiting Iran in Turkish market:

Iran is also one of the major suppliers of dates in the world with \$136 million worth of exports; it exports \$11 million worth of dates to the Turkish market, the average unit price of their dates is lowest in the market that highlights its pricing strategy for its exports.

Moreover, it has also employed e-commerce business giant Ali Baba for online business services. Iran has its brand of dates name Arami dates. So, it can be inferred that Iran employs mix export promotion strategy which makes it a potential competitor in the market. Moreover, Iran enjoys geographical proximity in the Turkish market.

4.5 Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton 620342

Men's and boy's trouser have a world export share of 0.14 per cent with an export value of \$26.5 billion in the year 2017; its top exporting country is Bangladesh with 20.6 per cent share in the world market followed by China with 20.4 per cent exports share.

Table 12 Exports to Turkey 620342

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
Egypt	55,112	52,684	0	4	1	19,513
Bangladesh	124,986	40,111	0	1	3	23,833
Bulgaria	10,042	13,931	0	2	2	11,846
Italy	11,415	11,853	0	8	4	194,311
Spain	4,916	6,740	0	12	6	26,535
Pakistan	8,699	9,106	9.6	13	7	21,426
Total record of competitors	215,170	134,425				
Others	79,026	33,502				
The total value of the world	294,196	167,927				

Source: ITC Trade Map

Men's and boy's trouser have a world export share of 0.14 per cent with an export value of \$26.5 billion in the year 2017; its top exporting country is Bangladesh with 20.6 per cent share in the world market followed by China with 20.4 per cent exports share.

Pakistan exports \$410.42 million worth of this product to the world, its top importing country in the world is USA, in term of value Turkey imports \$167.92 million worth of this product in the

year 2017, which is 42 percent less than what it imported in 2013. In term of value it was importing \$294.1 million worth of this item.

Pakistan exports to Turkey have recorded an increase of 4.6 per cent in 2013-17, and its export share has recorded a cumulative annual growth rate of 0.009 per cent from 2013 to 17. However, Egypt and Bangladesh are the main suppliers in the Turkish market, Egypt has captured 31.3 per cent share of the market, in term of value it has exported \$52.6 million worth of this item to Turkey.

Followed by Bangladesh who has captured 23.8 per cent share of the market, however, its export has decreased by the cumulative annual decline of (0.20) per cent, in terms of value it has lost a share of almost \$84 million in Turkish market from 2013 to 17.

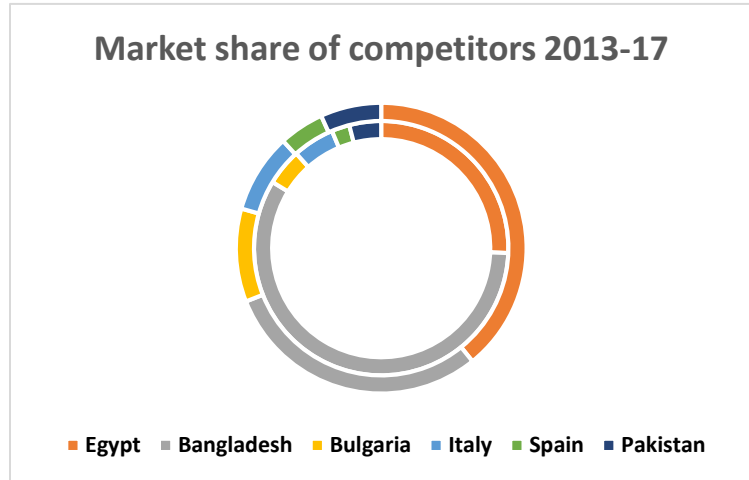


Figure 8 percentage share of competitors

Other suppliers in the market are Bulgaria, Italy and Spain who also

has enough export of this product to Turkey and these suppliers have sustained their supplies in the market even after the major cut in its demand, Bangladesh is the only country whose supplies have been affected and decreased with the declining trend in demand.

However, Pakistan is the only country that is facing high tariff duties of 9.6 per cent whereas there are zero tariff duties for other competitors in the market. Moreover, the trend shows that the pricing strategy works in this market and there is also a demand for branded and value-added item in the Turkish market.

4.5.1 Competitors strategy for men's or boys' trousers of cotton 620342

Factor benefiting Egypt in Turkish market:

Egypt is exporting \$138 million worth of supplies to the world, in the Turkish market, it supplies \$52 million worth of this product. The textile industry of Egypt has been substantial subsidies

through government Export Development Fund (EDF), and the number of export subsidies is expected to increase by a double from EGP 2.4 billion to EGP 5 billion.

In FY 2013-14 some 2000 Egyptian companies benefiting from the program. However, the subsidy ranges from 1-10 pc of exports value. Moreover, Egypt has adequate labour resource, its cotton had an international appreciation and known as the “white gold of Egypt”. The government of Egypt run various programs for training and continuously upgrading the skill of its labour resource.

Additionally, Egypt has a natural geographical edge due to which it can easily facilitate exports to Asia, Europe and Africa and even to the US than other competitors that make Egypt an ideal sourcing agent.

Factor benefiting Bangladesh in Turkish market:

Bangladesh is the world top supplier of this product with \$5.4 billion export, in the Turkish market, it exports \$40 million of this item. It is a global leader in readymade garments (RMG) The textile industry of Bangladesh has being subsidize by cash incentives, bonded warehousing and duty drawback facilities. The bonded warehouse facility means that any input that the export-oriented industry is importing it's either raw material and packaging material will be tax and duty-free. Whereas, the drawback duty is a government of Bangladesh refund scheme for taxes and duties paid on raw material imports to be used for the manufacturing of export goods and services.

Moreover, Bangladesh has a high number of unskilled labours which the industry benefit from, and it also enjoys LDC status that benefits the export-oriented industry. However, there is a significant number of non-tariff barriers for Bangladesh in the Turkish market.

4.6 Cane or beet sugar and chemically pure sucrose, in solid form 170199

Cane or beet sugar has a world export share of 0.07 per cent with an export value of \$13.7 billion in the year 2017; its top exporting country is Brazil with 17.2 per cent share in the world market followed by Thailand with 10.7 per cent export share.

Table 13 Exports to Turkey 170199

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
Brazil	441	40,636	135	4	2	536
Ukraine	0	21,195	135	7	1	566
France	3,526	15,902	135	2	3	523
Algeria	0	12,044	135			507
Morocco	0	6,209	135	7	6	535
Pakistan	12,378*	0				
Total record of competitors	16,345	95,986				
Others	6,955	24,324				
The total value of the world	9,390*	120,310				

Source: ITC Trade Map

Pakistan exports \$342.9 million worth of this product to the world, its top importing country in the world is Myanmar, in term of value Turkey imports \$120.3 million worth of this product in the year 2017. It shows a cumulative annual growth rate of 0.66 per cent from 2013.

Pakistan exports to Turkey have come to stand still in 2017, whereas in 2013 its exports were \$12.3 million, although in the same period Pakistan's export to the world has increased from \$289.2 million to \$342.9 in 2014-17.

Brazil, Ukraine and France are the main suppliers in the Turkish market. However, Brazil has captured a major share of 33.7 per cent, in term of value it has exported \$40.6 million worth of exports to Turkey in 2017.

Followed by Ukraine who has to seize 16.9 per cent share of the market, both of these countries had equal to no exports in 2013, but its exports have increased with the increasing demand in the Turkish market.

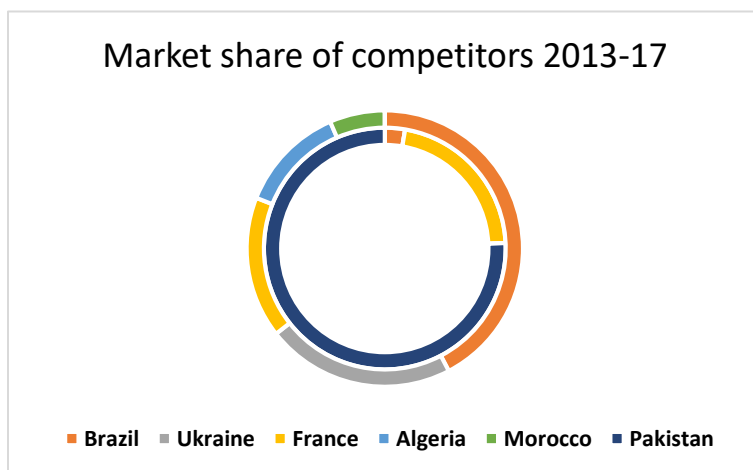


Figure 9 percentage share of competitors

Pakistan who is one of the earlier suppliers to this market have not capitalised this opportunity, Pakistan was the major supplier in 2013 with \$12.3 million exports of this product to turkey.

Other suppliers in the market are Algeria and Morocco who like other competitors had no supplies to the market of turkey in 2013 yet, it has captured a sufficient market share in 2017, Algeria and Morocco in term of value have exported \$12 million and \$6.2 million worth of supplies to Turkey in the year 2017.

The data shows that there are high tariff duties for this product in Turkish market which is equal for all competitors and there is no significant average unit price difference from the competitors, the trend shows that the market of Turkey for this product is very volatile.

The study asserts that Pakistan still has an opportunity to capture a significant market share in this market with appropriate marketing strategies and it should also negotiate the tariff duties with Turkey for better access to its markets.

4.6.1 Competitors strategy for Cane or beet sugar 170199

Factor benefiting Brazil in Turkish market:

Brazil is the world top supplier and producer of this product with the \$2.3 billion worth of exports; it exports \$40 million worth of this item to Turkey. The government of Brazil have substantial subsidies to the sugar industry; it provides nearly \$2.5 billion per year.

The given government intervention has provided the sugar industry of Brazil a competitive advantage over its competitors, and it has helped the country to capture 50 pc of the market share of global sugar exports.

There are high tariff and non-tariff barrier for this product in the Turkish market. However Brazil has been alleged of distorting global price through high incentive, and the same has been unearthed by Patrick Chatenay, a sugar and ethanol expert from the UK regarding the extensive subsidising of the sugar industry in Brazil.

5. Non-Tariff Barriers for the potential product in the markets of Turkey²

The following table depicts the non-tariff barriers for the potential products identified in this study for the Turkish market.

Table 14 Non-tariff barrier for Potential Products

Hs Code	Product label	Non-Tariff Barriers
170199	Cane or beet sugar and chemically pure sucrose,	<ol style="list-style-type: none"> 1. Export Related Measures 2. Sanitary and phytosanitary
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	<ol style="list-style-type: none"> 1. Pre-shipment inspections 2. Technical Barrier to Trade
080410	Fresh or dried dates	<ol style="list-style-type: none"> 1. Export Related Measure 2. Pre-shipment inspection 3. Sanitary and phytosanitary
100630	Semi-milled or wholly milled rice	<ol style="list-style-type: none"> 1. Contingent trade protective measure [CTPM] 2. Export-related measure [EXP] 3. other measure 4. Pre-shipment inspection [INSP] 5. Price control measure [PC] 6. Quantity control measures [QC] 7. Sanitary and Phytosanitary [SPS] 8. Technical Barriers to Trade [TBT]
901890	Instruments and appliances used in medical, surgical or veterinary sciences	<ol style="list-style-type: none"> 1. No Record / NTBs

² www.intracen.org/itc/market-info-tools/non-tariff-measures

6. General Supply side issues of the bilateral trade

The supply side of the business environment, we look at the different indicators that measure the business environment of the country, such as; Ease of doing business and, Global competitiveness indicator.

6.1 Ease of Doing Business

Ease of doing business measure the different aspect of “*business regulation and their implication for firm establishment and operation.*” It measures the areas that are under the control of policy maker, bureaucrats, and legislatures, as government throughout the world recognise the impact of economic and political decision on business.

The 11 indicators of Doing Business measure the quality and effectiveness of business regulation and many research findings have also substantiated the economic relevance of business regulation. Eventually, it is argued that high start-up cost results in overall lower productivity. Pakistan ranks 147 on ease of doing business amount 190 economies, its ranking has deteriorated from 144 in the year 2017 to 147 in 2018, and its overall average rank from 2014 to 2018 is 137, which shows that the overall business environment in Pakistan is not very encouraging.

6.2 Global Competitiveness Index

The *Global Competitiveness Index* is a yearly report published by *World Economic Forum*, developed by “Xavier Sala-i-Martin and Elsa V. Artadi” which integrates the macro and micro aspects of competitiveness into a single index. It measures the *national competitiveness, defined by a set of institutions, policies, and factors that determine the level of productivity.*

The Competitiveness index shows Pakistan’s rank deteriorated over the period from 123 in the year 2012-13 to 155 in 2017-18, whereas, the ranks of regional competitors such as China, India, Bangladesh, and Vietnam have improved over the years, and so does their exports during the same period.

The analysis reveals that the competitiveness has a direct and substantial effect on growth in exports, however, there are other factors which are equally important.

Countries that can produce high value-added and sophisticated products have excelled better in the international arena, so it is suggested that Pakistan not only needs to improve its competitiveness but it also needs to work on its product sophistication and value addition.

6.3 Potential Product Specific supply-side issue

6.3.1 The sugar industry issues

The sugar industry is the second largest agro-based industry in Pakistan after textile. Pakistan is an important cane producing country in the world with fifth acreage ranking and 9th regarding sugar production. It roughly employ over 1.5 million people in the country and it constitutes 4.2 per cent of the manufacturing sector in Pakistan.

Over the time there has been a great rift between the sugar mill owners and farmers, the sugar mill associate is alleged of safeguarding the interest of mill owner while exploiting the grower, whereas, the government fixed price per 40kg has also been not ensured by mill owner and said to be paying lower prices.

On the other hand, the mill owner claims that due to the price hike of raw material their profit margins decrease, as the unit prices cannot be increased significantly due to price-sensitive nature of consumers who can instantly switch to cheaper, unbranded and low-quality alternatives.

However, due to the steep fall of prices in the the global market, the sugar industry urges the government to restore the export subsidies, like the level of export subsidy of 2015-16, which was 124 USD per ton equivalent to Rs 13000, as “*the mills are not about to export at the current international price*” The sugar association also pegs that the crop production is expected to reach a record of 8 million ton this year, whereas the local demand is of 5 million ton, hence, without support from the exports revenue the mill owner will struggle to pay the grower.

6.3.2 Textile Sector issues

Minimal or low value-added products exports dominate the textile sector of the country; it constitutes over 60% of the total exports of the country. The major exported product of this sector is cotton cloth, cotton yarn, bed sheets and knitwear.

Over the last five years, the export composition has not undergone through any major change except minimal improvement in the share of readymade garments at, 18% in FY16 compared to 13% in FY11 leaving significant upside potential untapped.

Moreover, Pakistan's product mix of natural to synthetic fibre (80:20) does not correspond to the international standards which are (60:40). As the usage of manmade fibre enhance the flexibility opposed to natural fibre, further there are high customs duties on Polyester staple fibre (PSF) and polyester fibre (PF) 16% and 11% respectively, that Pakistan import as a raw material for its textile-based exports in order to meet the international standard and demand.

Additionally, the lack of proper infrastructure facilities has also hindered the growth of the textile sector. Previously country-wide energy crisis had adversely affected the textile sector, which led to the closure and transfer of textile units to Bangladesh, Turkey, and other countries.

Further, the facilities installed require up-gradation, but there is a dearth of investment as neither local bodies nor foreigners are willing to invest.

6.3.3 Fresh and Dry dates supply issues

The Fresh and Dry dates of Pakistan hold the fourth position in term of exports in the world, unlike other products, its exports are expanding over the years. Sukkur and Khairpur are the main dates producing regions of the country.

Most of the date exports of Pakistan are in the form of dry dates whose value is nearly half of the high valued fresh dates, and the major reason of lower export of fresh dates is the lack of proper cleaning, processing, grading and packaging facilities.

On the contrary Pakistan imports \$8.9 million worth of dates in 2017 to meet the local demand, this is not because the imported dates are well processed and therefore tastes better, but due to the perishable nature of dates and its extensive lose in the country, by some estimates there is only 5pc of domestic dates that are consumed locally.

Also, the monsoon rain becomes one of the sources of decay on palm trees and dates lying on the vast land for drying purpose. As a result, date produced waste as much as half of their produces.

Moreover, the export competitors of this product in the international market such as Israel and Tunisia are offering much higher average unit prices such as the US \$5,130 and \$2,912 respectively, indicating a large price differential between Pakistani exports and their exports. Further, the report submitted by Pakistan Horticulture Development & Export board in 2009 argue

that due to lack of product quality and poor post-harvest management Pakistani dates are less valuable in the international markets.

6.3.4 Surgical Instruments

The surgical industry of Pakistan is one of the oldest industries, dating back to 1940s; it is one of the important export-oriented industry in Pakistan that faces a problem of inadequate value addition and branding, due to which it cannot participate directly in business tenders international and lacks the bargaining power to business deals. The weakness has been exploited by international distributors and traders.

The surgical industry of Pakistan needs to be well equipped with advanced technology and skilled labour to meet the contemporary business requirement and changing scientific development in the medical industry.

Moreover, the industry faces an increased cost of raw material due to the lack of indigenous raw material availability; the government should provide support to the surgical industry by imposing high tariffs on the export of raw material (scraps) and unfinished good.

Additionally, it should provide tax-free import of scrap for an export-oriented industry that should be bound to export branded and value-added surgical products to retain these tax exemption.

6.4 Demand Side Issues

Turkey is a large developing country, with the population of 82 million and a median age of about 30 years. With a Gross Domestic Product (GDP) of \$851 billion in 2017, though Turkey experienced rapid growth in recent years, the economy is expected to slow down in 2018, with estimated of 4.2 growth rate in 2018 according to international monetary fund projection.

Although GDP per capita has grown from \$4,500 in 2003 to \$12,386 in 2013, GDP per capita is just \$10,536 in 2018 due to domestic currency depreciation.

The Turkish Lira has declined considerably against the U.S dollar in recent years, thereby increasing the cost of imported goods one U.S dollar bought 2.34 TL on Jan 1, 2015, 2.92 TL on Jan 1, 2016, and is now over 6.44 TL in Sept 2018.

In the World Bank Ease of Doing Business, Turkey ranks 60 on the chart of 190. However, there is a certain obstacle while doing business in Turkey. Such as:

- Regulatory issues
- Bureaucratic obstacles
- The abrupt change in legislation and regulation
- A necessity to regularly visit the market to fulfil the Turkish requirement

The exporters have expressed their concerns over the frequent regulatory changes with short implementation timeframe, whereas others have expressed concern over impartiality and independence of state institutions and the rule of law.

Further, they need to demonstrate a key set of skills and capability to fulfil the Turkish requirement to indicate that they are prepared to discuss the solution for business needs in Turkey.

Hence, the exporters are advised to work with a competent local partner and hire the services of experienced commercial lawyers in order to excel in Turkish markets.

7. SWOT Analysis of the bilateral trade between Turkey and Pakistan

The SWOT analysis of the bilateral trade between Pakistan & Turkey is based on the political and socio-economic indicators that influence bilateral trade activities.

7.1 Strength of the bilateral trade

- Turkey and Pakistan enjoy a bond of traditional and deep-rooted brotherhood.
- The establishment of diplomatic relations soon after the independence of Pakistan and bilateral relations which became increasingly close owing to cultural, religious and geopolitical linkages between the two countries.
- The strength of the bilateral relationship can be seen in the international platforms, where Pakistan and Turkey support each other.
- The establishment of a high-level strategic cooperation council indicates both countries desire to further bilateral relation in every field.

- Moreover, the frequent high-level dignitaries visit also indicates a close social and political relations between Turkey and Pakistan.
- Turkish backing of Pakistan stance on Kashmir issue, demanding plebiscite for Kashmir under the united nation.
- Turkey firm support for Pakistan's membership in Nuclear Suppliers Group (NSG).

7.2 Weaknesses of the bilateral trade

- Pakistan and Turkey's failure to finalise free trade agreement after several rounds of talks that depicts the weakness of bilateral trade.
- Non-issuances of GSP+ status by a Turkey that is an obligation, since Turkey is part of a customs union with European Union, Turkey has extended that status to all except Pakistan and Armenia.
- The weak logistic infrastructure between Turkey and Pakistan.

7.3 Opportunities of the bilateral trade

- The commercial and economic relations of Pakistan and Turkey must also reflect the close political ties that both countries enjoy.
- The currency swap agreement between Turkey and Pakistan provides an opportunity for the trader to lend Turkish lira and Pakistani rupee for transactions in a particular currency.
- Pakistan's offer to Turkey for investments in special economic zones (SEZs) that propose attractive tax exemption and incentives.
- Investment opportunity for Turkish investor in all sectors of Pakistan particularly pharmaceutical, mining and agriculture machinery.
- The Pakistan Business council asserts that the well negotiated free trade agreement will increase bilateral trade to \$5 billion, which is currently below \$600 million.
- The memorandum signed between Pakistan and Turkey that provides an exemption of visa for business community for three months.
- The prospect of an approved joint project that will connect Istanbul-Islamabad railway route under economic cooperation organisation (ECO) that would provide fast, reliable and low-cost logistics.

7.4 Threats of the bilateral trade

- The extreme position of Ankara towards Pakistan on high tariff was imposed in 2011 that has reduced the potential exports of Pakistan by 69pc in 2017. Turkey has astonishingly refused to reduce these tariffs.
- After the failure of rounds of talks on FTA and tariff reduction, the expected retaliatory tariff on Turkish products can further worsen the bilateral trade volume.
- Presently, there are no further meeting scheduled for talks on FTA. Hence the commerce ministry has formally asked the cabinet to take up the matter of Turkish refusal of either reducing the tariff or extend GSP+ status, with the WTO as a trade dispute.

8. Trade Promotional Initiatives

Following are the planned marketing initiative calendar for Turkey by TDAP in the year 2018.

Table 15 Trade promotional initiatives in Turkey

S: No	Details of Event	Dates	Products
1	World Food, Istanbul, Turkey	September 2018	Food & beverages
2	Halal Expo, Istanbul, Turkey	December 2018	Halal Food
3	Automechanica Istanbul, Turkey	April 2018	Auto Parts
4	World Food, Istanbul, Turkey	September 2018	Food & Beverages

9. Recommendation and Conclusion

Turkey is an attractive market for Pakistani products, and there is a significant untapped potential which Pakistan can exploit to expand its bilateral trade volume. The study identified five potential items at HS 06 digit that can be further exported to this market, these products are; semi or wholly milled rice, medical and surgical instrument, dry & fresh dates, cane & beet sugar and men's and boy's trousers.

This study suggests the following initiatives;

- A high tariff imposed by Turkey must be negotiated for tariff rationalisation

- The rounds of talks for a trade agreement between Pakistan & Turkey must be continued until it brings both parties to any logical conclusion that better off both the country.
- The newly elected government must approach the government of Turkey for fresh trade negotiation
- The Ministry of commerce must avoid retaliatory tariff on Turkish products that can deteriorate the bilateral trade benefiting Pakistan
- The further meeting must be scheduled for talks on trade agreements and GSP + status.

Moreover, it also proposes product specific measure for country offices, trade bodies, associations, MOC and TDAP.

Hence, the study advices that the exporters must be supported through export incentives, customs duty relaxations on raw material imports for export industries, and it suggests adopting modern packaging techniques, use of e-commerce and efficient technology that can help to export value-add products that can provide a competitive advantage in the market.

10.Appendix

170199 Export Related Measures: The list of commodities exports of which is prohibited or subject to preliminary authorisation by certain governmental authorities.

Sanitary and phytosanitary: Procedures and principles for customs surveillance and inspection for loading, unloading and carrying operations using vessels between Turkish ports.

620342 Pre-shipment inspections: Customs administrations authorised to complete free movement transactions of textile products under chapters 50 to 63 (50 and 63 inclusive) of Turkish Customs Tariff Table.

Technical Barrier to Trade: Importation is subject to surveillance regardless with the country of origin) / (Permission and prohibition to import or export certain products.

080410 Fresh or dried dates Export Related Measure: The list of commodities exports of which is prohibited or subject to preliminary authorisation by certain governmental authorities)/ (Procedures and principles applicable to import and export of vegetables, vegetable products and other substances regarding vegetable health.

Pre-shipment inspection Customs administrations authorised for entry of certain products subject to inspection by the Ministry of Food, Agriculture and Livestock and the Food, Agriculture and Livestock Provincial Directorates authorized to carry out official inspections.

Sanitary and phytosanitary Procedures and principles for customs surveillance and inspection for loading, unloading and carrying operations using vessels between Turkish ports Procedures and principles applicable to import and export of vegetables, vegetable products and other substances regarding vegetable health.

Table 16 Import into Pakistan from Turkey

IMPORT INTO PAKISTAN FROM TURKEY								
H.S.#	COUNTRY BY COMMODITIES	UNIT	JULY-JUNE 2017-18			JULY-JUNE 2016-17		
		QTY.	QTY.	000.\$	QTY.	000.\$	Var	var %
73269090	OTH ART I/S FORGED/STAM N-WORK	KG	1,314,074	6,920	601,131	3,602	3,318	92.12
57024290	OTH CARPETS ETC.MAX/M/TEX MATL	SQM	1,304,659	5,959	1,241,011	5,274	685	12.99
96190020	DIAPERS FOR INFANTS AND BABIES	DOZ	2,341,139	5,515	1,628,949	2,917	2,598	89.06
38099190	OTH FINISHING AGENT ETC TX ETC	KG	1,231,675	4,420	1,023,437	3,661	759	20.74
56031200	N-WOV, M-MAD FIL>25G/SQM>70GSQM	KG	1,867,825	4,310	1,059,865	3,455	855	24.73
84212100	FILTERING PURIFY MACH&APARATUS	NO	7,793	4,166	6,947	3,814	352	9.23
72286000	OTH BAR/ROD ALLOY STEEL NES	MT	4,094	4,049	413	536	3,514	655.67
84362900	OTH POULTRY KEEPING MACHINERY	NO	688	3,901	104	700	3,200	457.15
4041010	WHEY POWDER	KG	5,293,927	3,897	3,206,983	2,586	1,311	50.72
84831019	OTH SHAFT WORM,SPINDLE,ETC	NO	177,417	3,880	229,168	3,919	(38)	-0.98
54023400	TEXTURED YARN OF POLYPROPYLENE	KG	2,613,913	3,784	1,192,489	3,329	455	13.66
32029010	TANNING SUBS/PREP CHROMIUM SUPH	KG	4,365,560	3,780	3,391,140	3,110	671	21.57
4021000	MILK IN POWDER FAT 1.5%	KG	1,414,007	3,543	2,321,580	7,329	(3,785)	-51.65
39235000	STOPPERS,LIDS,CAPS ETC OF PLAS	KG	911,486	3,326	858,644	3,121	205	6.56
87161090	OTH TRAILER/S-TRAILER CRV TYPE	NO	8	3,185	-	-	3,185	
76129010	ROUND CANS ALUMINIUM DIA>45MM	KG	437,919	2,840	218,203	1,457	1,383	94.94

Table 17 Product increase and decrease statistics June-July

PRODUCT INCREASE				PRODUCT DECREASE			
	JULY-JUNE				JULY-JUNE		
	2017-18	2016-17	VAR.		2017-18	2016-17	VAR.
COTTON CLOTH	162,608	91,700	70,908	TENTS & OTH.CANVAS GOODS	2,824	32,300	(29,476)
COTTON YARN	72,540	62,550	9,990	PLASTIC MATERIALS	12,590	20,331	(7,741)
OTHER CHEMICAL	18,624	10,903	7,721	RICE BASMATI	721	4,932	(4,211)
READY MADE GARMENTS	8,302	4,757	3,545	OIL SEEDS NUTS& KERNALS	1,524	4,634	(3,110)
LEATHER	7,049	3,934	3,115	RICE OTHER VARIETIES	2,096	3,462	(1,366)
KNITWEARS	5,547	3,924	1,623	COTTON WASTE	34	583	(549)
RUBBER MANUFACTURES	2,910	1,736	1,174	FISH & FISH PREP.	28	145	(117)
WOL. CARPETS & RUGS	1,866	790	1,076	OTHER (SPORTS)	408	522	(114)
CRUDE ANIMAL MATERIAL	1,028	101	927	COTTON THREAD	51	162	(111)
ART SILK & SYNTHETIC TEX.	2,674	1,774	900	ARTICLES OF PLASTIC	765	867	(102)
SURGICAL GOODS, MEDICAL	5,266	4,588	678	GUAR AND GUAR PRODUCTS	70	137	(67)
FRUITS	2,293	1,679	614	COTTON BAGS/SACKS	-	51	(51)
MACHINERY SPECIALIZED	761	217	544	WASTE MATERIAL OF TEX.	-	44	(44)
APPAREL & CLOTHING	561	71	490	FRUIT & VEGET. JUICES	-	34	(34)
FOOTBALLS COMPLETE	2,689	2,254	435	JEWELLERY	4	25	(21)
OTHER MACHINERY	736	378	358	LEATHER GLOVES	1,437	1,457	(20)
CUTLERY	766	415	351	SPICES(INCL. CHILLIES)	94	107	(13)
YARN OTH.THAN C. YARN	1,887	1,546	341	BOOKS & PRINTED MATTERS	11	24	(13)
AUTO PARTS	617	326	291	TRANSPORT EQUIPMENT	-	12	(12)
OTH.ELECTRICAL MACHINERY	469	200	269	MARBLES AND STONES	4	10	(6)
GLOVES (SPORTS)	990	740	250	PARTS OF FOOTWEAR	-	6	(6)
PHARMACEUTICAL PROD.	669	516	153	MOLASSES	-	1	(1)
LEATHER FOOTWEAR	164	20	144	PREC./SEMI-PREC. STONE	-	1	(1)
TULE, LACE, EMBROID. ETC	166	34	132				
TOWELS	125	1	124				
BEDWEAR	138	27	111				
SUGAR REFINED	87	-	87				
TEX.MADE UPS(EXC.T.& BED).	109	53	56				
TEX. FABRICS WOVEN(OTHER	52	-	52				

HOUSE-HOLD EQUIPMENT	51	-	51				
ONYX MANUFACTURED	62	17	45				
PAPER & PAPERBOARD	40	2	38				
ELECTRIC FANS	31	-	31				
OTH. LEATHER MANUF.	24	1	23				
OTHER FOOTWEAR	24	3	21				
ANIMAL HAIR	18	9	9				
TEXTILE FOR MACHINERY	19	14	5				
VEGETABLES	4	-	4				
FURNITURE	6	2	4				
HANDICRAFTS	18	16	2				
OTHER COMMODITIES	10,928	10,674	254				
TOTAL	312,918	205,972	106,946	TOTAL	22,661	69,847	(47,186)
	22,661	69,847	(47,186)				