EXPORT-IMPORT BANK OF INDIA

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TURKEY: A STUDY OF INDIA'S TRADE AND INVESTMENT POTENTIAL

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EXECUTIVE SUMMARY

Introduction

The Republic of Turkey, spanning across a total area of 783,562 sq km, is a gateway between Europe and Asia (that portion of Turkey west of the Bosporus is geographically part of Europe), bordering the Black Sea, between Bulgaria and Georgia, and the Aegean Sea and the Mediterranean Sea, between Greece and Syria. With a per capita income of US$ 10,518 in 2014, Turkey is classified as an upper-middle-income country by the World Bank. Turkey's economy is increasingly driven by its service and manufacturing sectors, although the traditional agriculture sector still accounts for about 30 percent of employment. Services sector constitutes 64 percent of GDP of Turkey, followed by industry (28 percent) and agriculture (8 percent). Turkey is endowed with abundant natural resources which include coal, iron ore, copper, chromium, antimony, mercury, gold, barite, borate, celestite (strontium), emery, feldspar, limestone, magnesite, marble, perlite, pumice, pyrites, clay, arable land, and hydropower.

Economic Environment of Turkey

A sound macroeconomic strategy in combination with prudent fiscal policies and major structural reforms in effect since 2002 has integrated the Turkish economy into the globalized world, while transforming the country into one of the major recipients of FDI in the region. Driven mostly by domestic demand growth, Turkey has managed to rebound strongly following the global financial crisis, growing at 9 percent per year on average in 2010-11, but it has since then been growing more modestly. The authorities' policies and large capital inflows have supported domestic demand. Turkey's economy was the fastest growing in Europe in 2011, growing at 8.8 percent. However, in 2012 Turkey experienced a slump in growth as the global economic slowdown adversely affected its exports and capital inflows. In 2014, growth weakened to 2.9 percent, as private consumption and investment moderated. Turkey has set its goal of "Vision 2023", under which it aims to achieve a GDP of US$ 2 trillion, as well as a per capita income of US$ 25,000 by 2023 and a reduction of unemployment to 5 percent.

Monetary policies of the Turkish Central Bank played a crucial role in securing macroeconomic balances, thereby reining in inflation over the last decade. Having been one of the major concerns of the Government for more than three decades, inflation has finally been brought down to single digit by mid-2000s. Average inflation has been 7.9 percent, above the central bank's target of 5 percent, while the average current account deficit was 7.5 percent of GDP during the period 2010-13. Though there was some rebalancing in 2012, this proved short-lived owing to policy loosening. Inflation overshot the central bank's target in 2014 and was seen at 8.8 percent, reflecting premature monetary easing.

There has been significant fall in public debt of Turkey over the past decade. The public debt to GDP ratio, which stood at 90.5 percent in 2001, decreased to 39.1 percent in 2011 and further to 33.5 percent in 2014, comfortably below the Maastricht Criterion of 60 percent.

Turkey's international reserves have continued to increase throughout the last decade, reaching US$ 127.3 billion by 2014. The driving forces behind this considerable expansion in reserves stems from FDI inflows and portfolio transfers. The central bank operates a free-floating exchange rate regime.

Foreign direct investment (FDI) inflows into Turkey registered a marginal 0.6 percent rise in 2014 and were seen at US$ 12.5 billion, compared to US$ 12.4 billion in the previous year. During the last five years, the manufacturing sector has attracted the highest amount of FDI. The majority of FDI inflows to Turkey came from developed Europe, North America, and the Middle Eastern countries.

International Trade of Turkey

Turkey has been pursuing an export-led growth since 1980s. Economic reforms implemented in Turkey has resulted in lifting of restrictions on imports, reduced safeguarding practices, and liberalization of foreign exchange transactions. In 2014, Turkey accounted for 0.8 percent of global exports, and 1.3 percent of global imports.

Underlined by rise in both exports and imports, Turkey's total trade (exports + imports) increased more than two-fold, from US$ 190.3 billion in 2005, to reach US$ 399.9 billion in 2014.

According to the World Trade Organization (WTO), in 2014, Turkey was ranked 32nd in global exports, and 19th in global imports. Turkish exports are well-diversified, ranging from natural resources and low value-added products such as metals, precious stones, energy, apparel, and food stuffs, to higher value goods including vehicles and machinery. In 2014, Turkey's export basket comprised motor vehicles, machinery, iron and steel, electrical goods and gold. Developments in recent years point to a substantial increase in production and exports of high technology products, which include electrical and electronic items, machinery and equipments, as well as the automobile industry. In 2014, Germany was the major export destination, followed by Iraq, UK, Italy, France, and USA.

Turkey's import profile reflects a rapidly industrializing country, with intermediate goods representing over two-thirds of total imports. Mineral fuel was the key import of Turkey in 2014, followed by machinery, electrical and electronic equipments, iron and steel and motor vehicles. Although Turkey is an oil producer, its level of production is not large enough to make it self-sufficient, necessitating oil imports and leaving it vulnerable to oil price volatility. Russia, China, Germany, USA, and Italy were the top import sources of Turkey.

Since 1962, Turkey has been negotiating and signing agreements for the reciprocal promotion and protection of investments. As of April 2014, Turkey had 82 bilateral investment agreements in force.

India's Turkey Bilateral Relations

India's economic and commercial co-operation with Turkey has deepened over the years and constitutes an important dimension of the bilateral relationship. India's bilateral trade with Turkey has increased significantly by more than five-fold in the last decade, with a total trade of US$ 7.5 billion in 2014.

India maintains a trade surplus with Turkey, which has risen significantly over the last few years. In 2014, Turkey was India's 32nd largest trading partner. Turkey was the 16th largest global export destination, and 44th largest global source of imports for India. At the same time, India was the 9th largest source of imports for Turkey, and the 47th largest export destination.

India's exports to Turkey amounted to US$ 6.9 billion in 2014, accounting for 2.8 percent of Turkey's global imports. Mineral fuels and products dominate India's exports to Turkey, accounting for 4.8 percent of Turkey's global imports of the product in 2014. Within the same product, India was the third largest global supplier of petroleum oils, not crude (HS- 2710), and the seventeenth largest supplier of petroleum jelly, mineral waxes (HS- 2712) to Turkey. India was also the second largest global source of Turkey's imports of manmade filaments; eighth largest global source of imports of organic chemicals; third largest global source of manmade staple fibres; and the eleventh largest source of imports of vehicles, other than railway, tramway.

India's imports from Turkey have also risen, from US$ 219.9 million in 2005 to US$ 586.7 million in 2014, depicting close to a three-fold increase.

Turkey ranks 41st in terms of FDI inflows to India with cumulative direct investment amounting to US$ 127.7 million (April 2000 - June 2015) accounting for 0.1 percent of India's total FDI inflows. During April 1996 - August 2015, total approved outflows to Turkey amounted to US$ 478.8 million.

Potential Areas for Enhancing Bilateral Trade Relations with Turkey

India has registered a positive growth in its trade with Turkey, which has increased significantly by more than five-fold in the last decade, registering a trade volume of US$ 7.5 billion in 2014. Both the countries are characterized by large markets. Underlying this increase in total trade has been a significant rise in India's exports to as well as imports from Turkey. While India's total exports to Turkey have increased more than five-fold in 2014 compared to 2005, India's imports from Turkey have also increased close to three-fold during the same period.

In this regard, with a view to boosting bilateral trade relations with Turkey, an important endeavour could be enhanced sourcing of Turkey's imports from India, in which India has export capability and competitiveness. This would entail identification of potential items of India's exports, which would be based on the following analysis:

- Identification of major items of imports of Turkey, and share of India in each product line of imports, based on 2-digit HS code
- Selection of potential items of India's exports to Turkey, based on low share of India in Turkey's import basket of major commodities; keeping in view India's global export capability, as also Turkey's demand for import of such commodities. This would further entail identification of potential export items to each market, up to the 6-digit HS code

Based on the above criterion, potential items of exports from India to Turkey identified at 2-digit HS Code Classification would therefore include:

- Mineral fuels, oils, distillation products, etc (HS-27)
- Machinery and instruments (HS-84)
- Electrical and electronic equipment (HS-85)
- Iron and steel (HS-72)

- Vehicles other than railway, tramway (HS-87)
- Plastics and articles (HS-39)
- Pearls and precious stones (HS-71)
- Optical, photo, technical apparatus (HS-90)
- Pharmaceutical products (HS-30)
- Copper and articles (HS-74)
- Aluminium and articles (HS-76)
- Aircraft, spacecraft and parts (HS-88)
- Rubber and articles (HS-40)
- Cereals (HS-10)
- Misc. chemical products (HS-38)

Turkey's Competitiveness and Transparency

According to IMF's 2013 Article IV Consultation, low FDI inward flows relative to peers, limited export sophistication (about 75 percent of exports are concentrated in agriculture and low and medium medium-tech manufacturing), and fast wage growth are among the indicators that point to a competitiveness challenge. The government has put in place various measures to address this gap which include package of investment incentives to help companies move into advanced technology sectors and lower the import content of production. While the new commercial code introduced in 2012 is widely thought to represent major progress, foreign investors often complain of a slow and inconsistent judiciary, cumbersome licensing, high wages, and a costly tax policy and administration.

Turkey ranks 55 out of 189 in the World Bank's "Doing Business 2015 Report", placed above other high growth markets. Starting a business in Turkey takes an average of 6 days, compared to the global average of 30.6 days and OECD average of 12 days. However, the high cost of starting a business acts as a potential constraint. Turkey ranks 45 out of 144 in the 2014-15 "Global Competitiveness Index" compiled by the World Economic Forum.

Investment Opportunities in Turkey

With access to markets in Europe, Africa Asia, Commonwealth of Independent States (CIS) and the Middle East, strong public and private institutions, a growing middle class, manufacturing hub especially in automobiles, a developing agricultural economy and an educated work force, Turkey represents an opportunity for global companies looking for investment. Some of the sectors which provide abundant opportunities to investors have been outlined below.

I . Agriculture and food processing

Turkey currently acts as a regional hub for the production, processing and export of foodstuffs to large European and Middle Eastern markets. Its agricultural diversity and amenable climate allows it to produce a sustainable supply chain of raw inputs for its processing industry, facilitating its status as a large net exporter of food and beverages.

With respect to the agriculture sector, Turkey's ambitious Vision 2023 envisages on the following:

- US$ 150 billion gross agricultural domestic product
- US$ 40 billion agricultural export
- Becoming one of the top five countries in terms of agricultural production
- 8.5 million hectare irrigable area (from 5.4 million)

Turkey has a large and growing food and agriculture industry that corresponds to 8.5 percent of the overall gross value-added (GVA). A growing population of more than 76 million people, rising income levels and changing consumption patterns, as well as urbanization has led to an increase in interest in packaged and processed food, such as ready- to- eat meals and frozen food. With proliferation of supermarkets and consumer tastes shifting towards convenience products, opportunities are present in processed, packaged and frozen food sectors. There also exists opportunity to focus on the Halal market to cater to a rising domestic and foreign Islamic population. Opportunities also exist in fruit and vegetable processing, confectionery products, herbal foods, processed organic food, as well as vegetable oil (especially olive oil) and viticulture. There is a new focus on organic farming techniques and the government is especially very supportive of organic food manufacturing projects.

II. Alternative/renewable energy

Over the past decade, demand in the Turkish energy market has been growing in line with its economic developments, driven by industrialization and urbanization. The total amount of investments required to meet the energy demand in Turkey by 2023 is estimated to be around US$ 120 billion (growing by 7 percent per annum), more than double the total amount invested during 2003-2013. With the on-going liberalization process, the Turkish energy sector is becoming more vibrant and competitive, attracting the attention of more investors for each component of the value chain in all the energy sub-sectors.

Turkey's ambitious Vision 2023, envisages targets for the energy sector which include:

- Lifting up installed power to 120,000 MW
- Maximizing the use of hydropower
- Increasing wind power installed capacity to 20,000 MW
- Installing power plants with 600 MW of geothermal and 3,000 MW of solar energy
- Extending the length of transmission lines to 60,717 km
- Reaching a power distribution unit capacity of 158,460 MVA
- Extending the use of smart grids
- Raising the natural gas storage capacity to 5 billion m^3
- Commissioning nuclear power plants (two operational nuclear power plants, with a third under construction)
- Building a coal-fired power plant with a capacity of 18,500 MW

The government is exploring alternatives for adding significant amounts of capacity in order to meet the probable shortage of supply in the medium term. According to Turkey's State Planning Organization, a total investment amounting to US$ 20 billion would be required during 2011-2015 and US$ 51 billion during 2016-2020. To meet the shortfall, the government is seeking private investors to build and operate new hydro electric dams, thermal energy power plants and rehabilitate existing ones.

III. Healthcare

Turkey's healthcare sector has developed largely due to support provided by government policies that have ensured broader access to the system. Enjoying a surge in interest from hospital chains and investment funds, Turkey's healthcare sector, including subsectors such as dentistry, optometry and other healthcare services, are in high demand for partnerships and acquisitions. Investing in the country's healthcare sector became much easier with the recent passage of laws that emphasizes public-private partnership in providing healthcare services.

Turkey is likely to experience a continued economic expansion and rising income which, in turn, is expected to create more demand for health services and products, reflected in healthcare spending projections. According to Economist Intelligence Unit (EIU) forecasts, the healthcare sector in Turkey is set to boom by a CAGR of 5.6 percent between 2013 and 2017, while most developed countries will be experiencing relatively lower growth rates.

As growth in the healthcare sector is expected to continue and restructuring of the health financing system on the agenda, Turkey will remain an attractive market for investment in equipment and supplies, as well as medical consulting services and knowledge transfers. In addition to its growing internal market, Turkey also offers opportunities for healthcare services and equipment providers as a stepping-stone to the markets in Central Asia and North Africa. Developments in the healthcare policy will have further positive effects on the growth of private healthcare services.

IV. Transport and Logistics

Turkey has ambitious targets for 2023 for the logistics industry. In order to attract more investors to the logistics industry, Turkey is diversifying its modes of transportation for carrying freight and passengers. Turkey's 2023 foreign trade target of US$ 1.1 trillion, of which US$ 500 billion to be exports, are likely to bring forth the need for development in the transportation and logistics industry and diversify the modes of transportation. The Turkish government has set challenging targets to be achieved by 2023 for improving the logistics infrastructure, which include:

- Building an additional 15,000 km of dual carriageways and highways
- Increasing the shares of railway transportation to 10 percent and 15 percent in passenger and freight transportation respectively
- Building an additional 9,000 km of high-speed train lines
- Constructing new airports with a total annual capacity of 400 million passengers
- Increasing the share of sea freight transportation to 10 percent in total freight transportation and containerization by 15 percent
- Building three large ports in each seas surrounding Turkey

The Turkish Industrial Strategy Paper 2011-2014 has outlined a strategic shift in the transportation modal mix, from rail to road. In this regards, projects for expanding the hinterland connections between container seaports and inland rail terminals as well as roadway development have a high priority.

V. Tourism

Turkey has been one of the world's fastest growing tourism markets globally, attracting more than 30 million tourists each year. The Turkish tourism industry's growth remains unhindered by the negative effects of the recent global economic crisis, while retaining immense untapped potential.

According to a report by the Turkstat, the number of tourists visiting Turkey rose in the past three decades, from 1.5 million in 1979 to a record 33 million in 2010, including 28.62 million foreign nationals and 4.395 million Turks living abroad but visiting the country. Turkey's tourism earnings also grew from a modest US$ 280 million in 1979 to a record US$ 21.2 billion in 2009, according to the Ministry of Culture and Tourism. In 2008, the country had a 3.3 percent share in the global tourism market share, up from 2.7 percent in 2005. By 2023, Turkey aims to attract 60 million foreign tourists annually and earn US$ 60 billion a year from tourism, according to the State Planning Organization.

According to the World Travel and Tourism Council the nation has the opportunity to develop alternatives including ecological tourism, incentive and convention tourism, adventure travels, ski holidays, religious and culture tours, and there is almost immeasurable potential for growth and profit in the travel and tourism industry in Turkey.

Potential Areas of Co-operation with Turkey for Enhancing Bilateral Ties

Some broad areas which would serve to enhance two-way trade and investment between India and Turkey would include:

I. Developing Linkages with Investment Promotion Agencies/Chambers of Commerce

Besides streamlining investment regimes, Turkey has set up specialized investment promotion agencies/Chambers of Commerce to promote and facilitate inflow of foreign investment, while also serving as one-stop-shop for investment related activities. In light of the key role of these institutions, building closer co-operation and linkages with these investment promotion agencies in Turkey would serve to enhance access to information about investment opportunities in the country. An important element of the strategy to boost bilateral trade and investment relations would be to effectively disseminate relevant information relating to the presence of potential to Indian exporters and investors in India.

II. Co-operation in Infrastructure Development

An important area of bilateral co-operation could be infrastructure development, owing to an increasing need for better infrastructural facilities, coupled with Turkey's endeavour for rapid economic growth. Turkey's emerging economy presents a need for infrastructure investments in various industries, which include construction, residential and non-residential buildings, transportation and energy. Indian construction companies could explore business opportunities to meet infrastructural requirements, also contributing largely to economic development.

III. Co-operation in Information and Communication Technology

With Turkey still on the path of modernization and computerization, Information and Communication Technology (ICT) is another area for co-operation. With the strength and capability that India possesses in the realm of Information Technology (IT), Indian IT firms could explore opportunities in Turkey, and focus on investing in subsidiaries and joint ventures in the areas of e-governance, financial services and e-education. Indian companies could also share their expertise in providing software programmes and services for banks and financial institutes in the region.

Designing specialized e-learning courses on the web for providing technological assistance, manufacturing know how, and other technical areas also present opportunities. Such initiatives would help industry promote education in remote areas, create employment opportunities and provide healthcare, thereby contributing to overall development of Turkey.

1. ECONOMIC PROFILE OF TURKEY

The Republic of Turkey, spanning across a total area of 783,562 sq km, is a gateway between Europe and Asia (that portion of Turkey west of the Bosporus is geographically part of Europe), bordering the Black Sea, between Bulgaria and Georgia, and the Aegean Sea and the Mediterranean Sea, between Greece and Syria (**Chart 1.1**). With a per capita income of US$ 10,518 in 2014, Turkey is classified as an upper-middle-income country by the World Bank (**Table 1.1**). Turkey's economy is increasingly driven by its service and manufacturing sectors, although the traditional agricultural sector still accounts for about 30 percent of employment. Services sector constitutes 64 percent of GDP followed by industry (28 percent) and agriculture (8 percent). Turkey is endowed with abundant natural resources which include coal, iron ore, copper, chromium, antimony, mercury, gold, barite, borate, celestite (strontium), emery, feldspar, limestone, magnesite, marble, perlite, pumice, pyrites, clay, arable land, and hydropower.

Chart 1.1: Map of Turkey

Source: www.mapsofworld.com

Table 1.1: Macroeconomic Snapshot of Turkey

Indicator	2010	2011	2012	2013	2014	2015[f]
GDP (US$ billion)	731.5	774.7	788.6	821.9	806.1	752.5
Real GDP (%)	9.2	8.8	2.1	4.1	2.9	3.1
GDP per capita (US$)	10,020.7	10,476.4	10,530.9	10,721.1	10,518.3	11,018.0
Inflation (average, %)	8.6	6.5	8.9	7.5	8.8	6.6
Population (million)	73.0	74.0	74.9	76.5	77.3	78.2
Fiscal Balance (% of GDP)	-3.4	-0.6	-1.4	-1.5	-2.0	-1.9
Public Debt (% of GDP)	42.3	39.1	36.2	36.3	33.5	33.4
Current account balance (% of GDP)	-6.2	-9.7	-6.2	-7.9	-5.7	-4.2
International Reserves (US$ billion)	87.9	88.2	119.1	131.0	127.3	118.2
Exchange rate (TRY: US$)	1.5	1.9	1.8	1.9	2.2	2.6

[e]- Estimates; [f]- Forecasts

Source: International Monetary Fund (IMF); Economist Intelligence Unit (EIU)

A sound macroeconomic strategy in combination with prudent fiscal policies and major structural reforms in effect since 2002 has integrated the Turkish economy into the globalized world, while transforming the country into one of the major recipients of FDI in the region. Driven mostly by domestic demand growth, Turkey has managed to rebound strongly following the global financial crisis, growing at 9 percent per year on average in 2010-11, but it has since then been growing more modestly. The authorities' policies and large capital inflows have supported domestic demand. Turkey's economy was the fastest growing in Europe in 2011, growing at 8.8 percent. However, in 2012 Turkey experienced a slump in growth as the global economic slowdown adversely affected its exports and capital inflows. In 2014, growth weakened to 2.9 percent, as private consumption and investment moderated. Turkey has set its goal of "Vision 2023", under which it aims to achieve a GDP of US$ 2 trillion, as well as per capita income of US$ 25,000 by 2023 and a reduction of unemployment to 5 percent.

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Turkey's international reserves have continued to increase throughout the last decade, reaching US$ 127.3 billion by 2014. The driving forces behind this considerable expansion in reserves stems from FDI inflows and portfolio transfers. The central bank operates a free-floating exchange rate regime.

Foreign direct investment (FDI) inflows into Turkey registered a marginal 0.6 percent rise in 2014 and were seen at US$ 12.5 billion, compared to US$ 12.4 billion in the previous year. During the last five years, the manufacturing sector has attracted the highest amount of FDI (**Table 1.3**). The majority of FDI inflows to Turkey came from developed Europe, North America, and the Middle Eastern countries (**Table 1.4**).

Table 1.2: FDI Flows in Turkey, US$ million

Items	2010	2011	2012	2013	2014
FDI Total (Net)	**9,099**	**16,176**	**13,282**	**12,457**	**12,530**
Equity Investments (Net)	6,221	14,146	10,126	9,298	8,445
Inflows	6,256	16,137	10,759	9,866	8,699
Liquidation Outflows	35	1,991	633	568	254
Intra -Company Loans	384	17	520	110	-236
Real Estate (Net)	2,494	2,013	2,636	3,049	4,321

Source: Investment Support and Promotion Agency, The Republic of Turkey Prime Ministry

Table 1.3: FDI Flows in Turkey by Sector, US$ million

Sectors	2010	2011	2012	2013*	2014
Agriculture	**81**	**32**	**43**	**47**	**61**
Industrial sectors	**2,887**	**8,038**	**5,480**	**4,819**	**4,666**
Manufacturing	*924*	*3,597*	*4,343*	*2,207*	*2,891*
Mining and quarrying	*136*	*146*	*213*	*242*	*449*
Electricity, gas	*1,824*	*4,293*	*924*	*2,334*	*1,323*
Others	*3*	*2*	*-*	*36*	*3*
Services	**3,288**	**8,067**	**5,236**	**5,000**	**3,972**
Construction	*310*	*301*	*1,427*	*178*	*232*
Wholesale and retail trade	*435*	*709*	*221*	*377*	*1,165*
Transportation and storage	*183*	*222*	*130*	*300*	*136*
0thers	*2,360*	*6,835*	*3,458*	*4,145*	*2,439*
Total	**6,256**	**16,137**	**10,759**	**9,866**	**8,699**

'-' indicates nil / negligible
Source: Investment Support and Promotion Agency, The Republic of Turkey Prime Ministry

Table 1.4: Geographic Breakdown of FDI Inflow to Turkey, US$ million

Region	2010	2011	2012	2013	2014
Europe	**4,939**	**12,588**	**7,925**	**6,400**	**6,566**
Developed Europe	*4,737*	*11,495*	*7,303*	*5,272*	*5,512*
EFTA countries	*197*	*323*	*592*	*234*	*324*
Other European countries	*5*	*770*	*30*	*894*	*730*
Africa	**-**	**-**	**-**	**221**	**42**
America	**384**	**1,485**	**491**	**343**	**325**
North America	*378*	*1,423*	*471*	*342*	*325*
Central America	-	*57*	*16*	*1*	-
South America	*6*	*5*	*4*	-	-
Asia	**928**	**2,055**	**2,337**	**2,899**	**1,766**
Near Middle Eastern countries	473	1,558	1,593	2,286	1,231
Arabian Gulf countries	388	195	940	880	425
Other Near and Middle Eastern countries	45	1,359	653	1,406	788
Other Asian countries	455	497	744	613	535
Oceania and polar regions	**5**	**9**	**6**	**3**	**-**
Total	**6,256**	**16,137**	**10,759**	**9,866**	**8,699**

'-' indicates nil / negligible
Source: Investment Support and Promotion Agency, The Republic of Turkey Prime Ministry

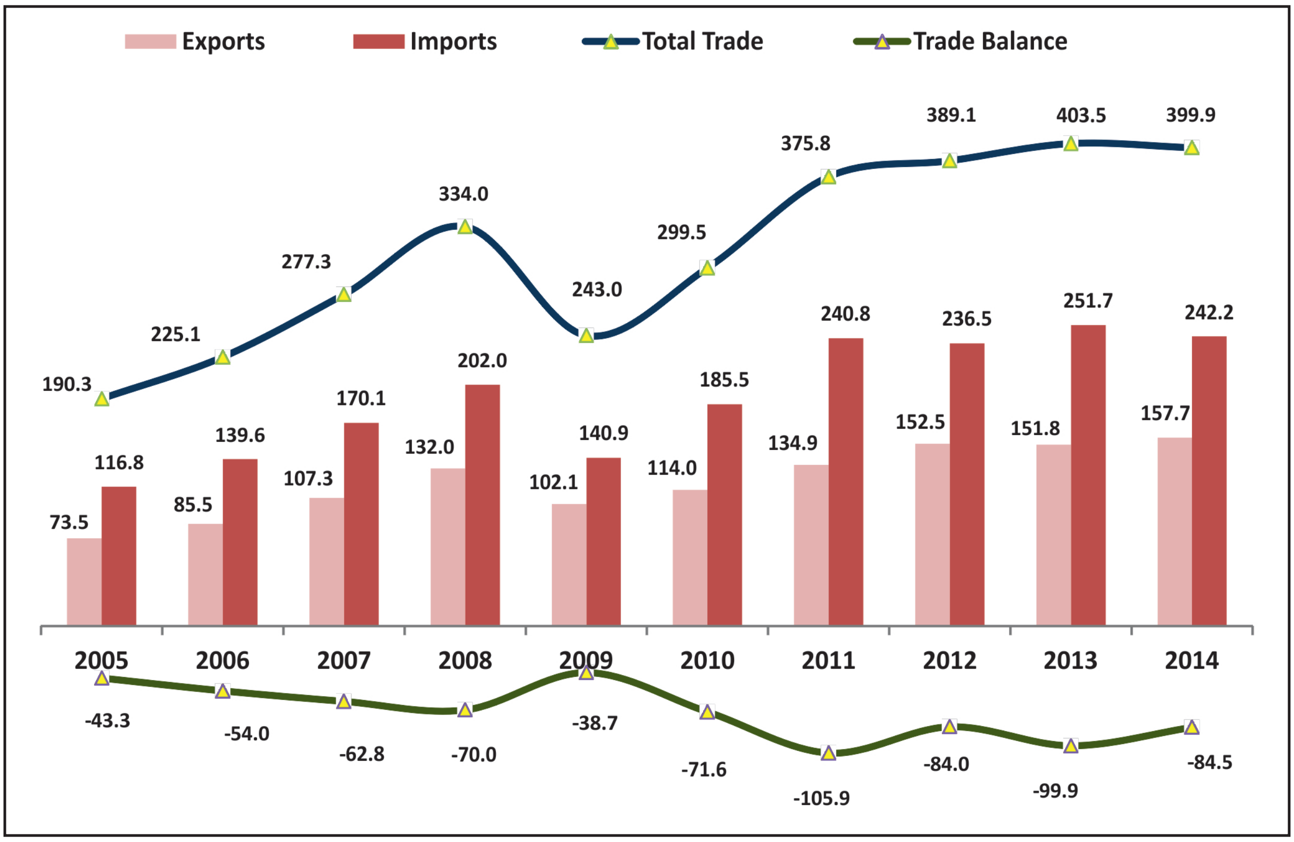
2. INTERNATIONAL TRADE OF TURKEY

Turkey has been pursuing an export-led growth since 1980s. Economic reforms implemented in Turkey has resulted in lifting of restrictions on imports, reduced safeguarding practices, and liberalization of foreign exchange transactions. In 2014, Turkey accounted for 0.8 percent of global exports, and 1.3 percent of global imports. **Chart 2.1** presents the recent trends in Turkey's foreign trade. Underlined by rise in both exports and imports, Turkey's total trade (exports + imports) increased more than two-fold, from US$ 190.3 billion in 2005, to reach US$ 399.9 billion in 2014.

Turkey maintains a trade deficit, which has widened from US$ 43.3 billion in 2005 to a high of US$ 105.9 billion in 2011, before falling to US$ 84.5 billion in 2014, reflecting large imports of energy and high value-added commodities.

According to the World Trade Organization (WTO), in 2014, Turkey was ranked 32nd in global exports, and 19th in global imports. Turkish exports are well-diversified, ranging from natural resources and low value-added products such as metals, precious stones, energy, apparel, and food stuffs, to higher value goods including

Chart 2.1: International Trade of Turkey, US$ billion



Source: Trade Map, ITC Geneva

vehicles and machinery. In 2014, Turkey's export basket comprised motor vehicles, machinery, iron and steel, electrical goods and gold (**Table 2.1**). Developments in recent years point to a substantial increase in production and exports of high-technology products, which include electrical and electronic items, machinery and equipments, as well as the automobile industry. In 2014, Germany was the major export destination, followed by Iraq, UK, Italy, France, and USA.

Table 2.1: Turkey's Major Export Items, US$ billion

HS Code	Commodity	2005	2007	2009	2011	2012	2013	2014
	All products	**73.5**	**107.3**	**102.1**	**134.9**	**152.5**	**151.8**	**157.7**
87	Vehicles other than railway, tramway	9.6	15.9	12.3	15.8	15.2	17.0	18.1
84	Machinery and instruments	5.2	8.8	8.1	11.6	12.0	13.0	13.6
61	Articles of apparel, accessories, knit or crochet	6.6	8.0	6.9	8.4	8.4	9.2	10.0
85	Electrical and electronic equipment	5.4	7.4	6.6	8.9	9.4	9.5	9.7
72	Iron and steel	5.0	8.4	7.6	11.2	11.3	9.9	9.3
71	Pearls and precious stones	1.3	2.6	5.9	3.7	16.3	7.0	7.7
73	Articles of iron or steel	2.7	4.1	4.6	5.7	6.1	6.1	6.4
62	Articles of apparel, accessories, not knit or crochet	4.9	5.4	4.3	5.1	5.4	5.7	6.2
27	Mineral fuels, oils, distillation products, etc	2.6	5.1	3.9	6.5	7.7	6.7	6.1
39	Plastics and articles	1.7	2.8	3.1	4.6	5.0	5.6	6.1
08	Edible fruit, nuts, peel of citrus fruit, melons	2.5	2.7	3.0	3.9	3.8	4.0	4.3
94	Furniture, lighting, signs, prefabricated buildings	1.0	1.5	1.6	2.1	2.4	2.8	3.0
40	Rubber and articles	1.0	1.6	1.5	2.6	2.4	2.5	2.6
25	Salt, sulphur, earth, stone, plaster, lime and cement	1.1	1.5	2.2	2.5	2.5	2.7	2.6
76	Aluminium and articles	0.9	1.6	1.4	2.3	2.3	2.4	2.5
57	Carpets and other textile floor coverings	0.7	1.0	1.1	1.6	2.0	2.2	2.3
63	Other made textile articles, sets, worn clothing etc	2.0	2.1	1.6	2.1	1.9	2.2	2.2
20	Vegetable, fruit, nut, etc food preparations	1.3	1.3	1.3	1.7	1.7	1.8	2.1
52	Cotton	1.2	1.6	1.3	1.9	1.8	1.9	1.9
54	Manmade filaments	0.9	1.3	1.1	1.4	1.5	1.7	1.8

Source: Trade Map, ITC Geneva

Turkey's import profile reflects a rapidly industrializing country, with intermediate goods representing over two-thirds of total imports. Mineral fuel was the key import of Turkey in 2014, followed by machinery, electrical and electronic equipments, iron and steel and motor vehicles (**Table 2.2**). Although Turkey is an oil producer, its level of production is not large enough to make it self-sufficient, necessitating oil imports and leaving it vulnerable to oil price volatility. Russia, China, Germany, USA, and Italy were the top import sources of Turkey.

Table 2.2: Turkey's Major Import Items, US$ billion

HS Code	Commodity	2005	2007	2009	2011	2012	2013	2014
	All Products	**116.8**	**170.1**	**140.9**	**240.8**	**236.5**	**251.7**	**242.2**
27	Mineral fuels, oils, distillation products, etc	21.3	33.9	29.9	54.1	60.1	55.9	54.9
84	Machinery and instruments	16.4	22.6	17.1	27.1	26.3	30.2	28.1
85	Electrical and electronic equipment	9.7	13.3	12.2	16.8	16.3	17.8	18.0
72	Iron and steel	9.5	16.2	11.3	20.4	19.6	18.7	17.6
87	Vehicles other than railway, tramway	10.6	12.4	9.0	17.2	14.5	16.8	15.7
39	Plastics and articles thereof	5.8	8.7	6.9	12.6	12.5	13.9	14.2
71	Pearls and precious stones	4.2	5.9	2.0	7.0	8.5	16.2	8.1
29	Organic chemicals	3.5	4.0	3.3	5.5	5.1	5.3	5.8
90	Optical, photo, technical apparatus	2.5	3.0	2.8	4.1	4.1	4.6	4.9
30	Pharmaceutical products	2.8	3.5	4.1	4.7	4.0	4.2	4.4
74	Copper and articles	1.5	3.2	2.0	4.1	3.9	3.7	3.6
76	Aluminium and articles	1.2	2.4	1.6	3.3	3.0	3.2	3.5
48	Paper and paperboard	1.8	2.5	2.2	3.1	2.9	3.1	3.2
88	Aircraft, spacecraft, and parts	0.3	1.1	1.0	3.9	3.2	2.4	3.0
52	Cotton	2.1	2.8	2.1	3.6	2.4	3.0	3.0
40	Rubber and articles	1.2	1.9	1.6	3.4	3.0	3.1	2.9
73	Articles of iron or steel	1.2	1.8	1.5	2.5	2.4	2.8	2.6
54	Manmade filaments	1.1	1.6	1.2	2.0	2.2	2.1	2.4
10	Cereals	0.2	1.0	1.2	1.9	1.5	2.0	2.3
38	Miscellaneous chemical products	1.1	1.5	1.5	2.2	2.1	2.1	2.3

Source: Trade Map, ITC

Trade and Investment Agreements

Since 1962, Turkey has been negotiating and signing agreements for the reciprocal promotion and protection of investments. As of April 2014, Turkey has 82 bilateral investment agreements in force with Afghanistan, Albania, Argentina, Austria, Australia, Azerbaijan, Bangladesh, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cuba, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Latvia, Lebanon, Libya, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Moldova, Mongolia, Morocco, Netherlands, Oman, Saudi Arabia, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkmenistan, United Arab Emirates, UK, USA, Ukraine, Uzbekistan, and Yemen (US Department of State: 2015 Investment Climate Statement)

Free Trade Agreements[1]

Turkey has been a member of the World Trade Organization (WTO) since 1995. Turkey has signed Free Trade Agreement (FTA) with EU, Iceland, Norway, Switzerland and Lichtenstein, Georgia, Israel, Macedonia, Bosnia-Herzegovina, Tunisia, Morocco, Palestine, Syria (pending), Egypt, Albania, Montenegro, Serbia, Chile, Jordan, Mauritius, South Korea, Lebanon*, Malaysia*, Kosovo*, Moldova*and Ghana*.

[1]Investment Support and Promotion Agency, The Republic of Turkey Prime Ministry
*To be ratified

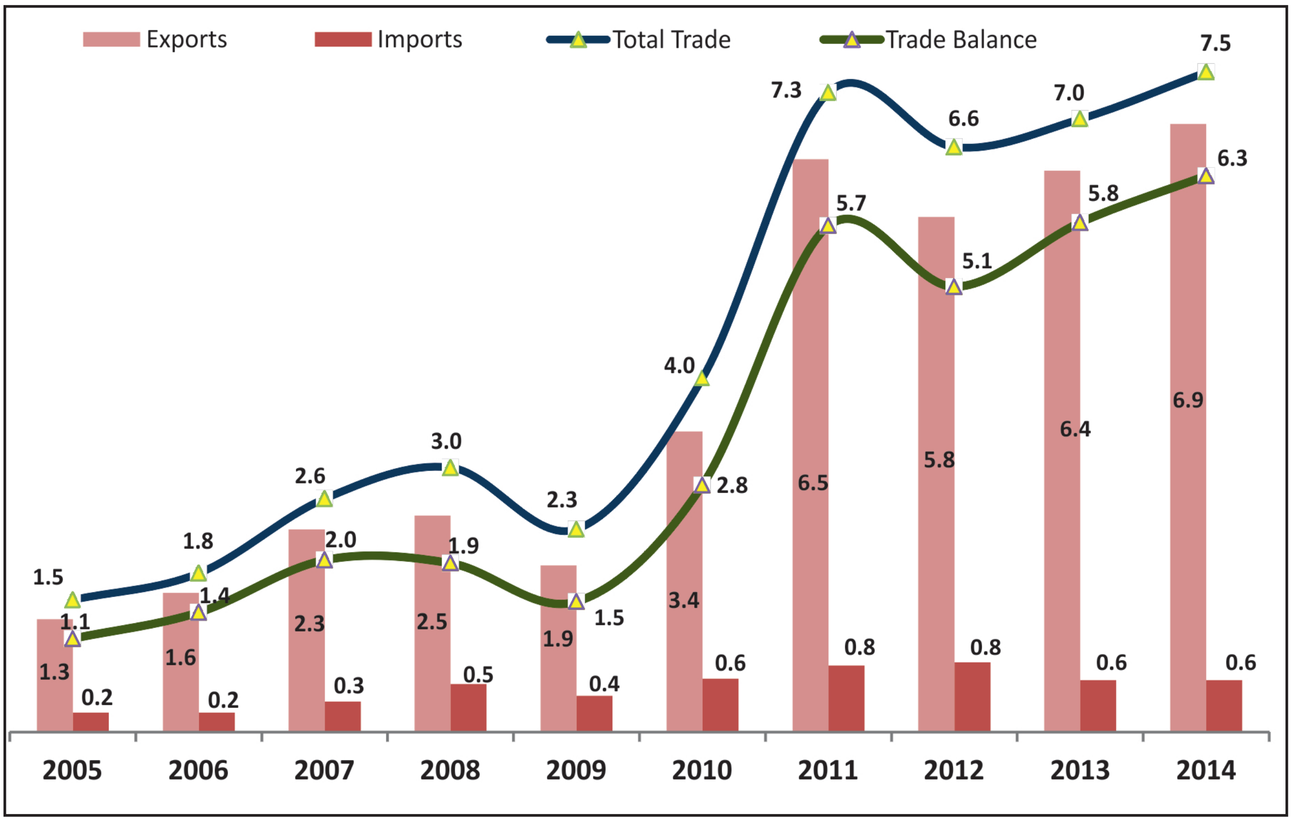
3. INDIA-TURKEY BILATERAL RELATIONS

India's economic and commercial co-operation with Turkey has deepened over the years and constitutes an important dimension of the bilateral relationship. India's bilateral trade with Turkey has increased significantly by five-fold during the last decade, with a total trade of US$ 7.5 billion in 2014 (**Chart 3.1**).

India maintains a trade surplus with Turkey, which has risen significantly over the last few years. In 2014, Turkey was India's 32nd largest trading partner. Turkey was the 16th largest global export destination, and 44th largest global source of imports for India. At the same time, India was the 9th largest source of imports for Turkey, and the 47th largest export destination.

India's exports to Turkey amounted to US$ 6.9 billion in 2014, accounting for 2.8 percent of Turkey's global imports. **Table 3.1** presents trends in India's major items of exports to Turkey during the period 2005 to 2014.

Chart 3.1: India's Trade with Turkey, US$ billion



Source: Trade Map, ITC Geneva

Table 3.1: India’s Exports to Turkey, US$ million

HS Code	Commodity	2005	2010	2011	2012	2013	2014
	All products	**1,280.5**	**3,409.9**	**6,498.7**	**5,843.6**	**6,367.8**	**6,898.6**
27	Mineral fuels, oils, distillation products, etc	44.2	644.5	2,883.3	2,486.6	2,730.3	2,662.8
87	Vehicles other than railway, tramway	74.6	190.6	290.9	266.0	309.5	460.6
84	Machinery and instruments	62.1	157.6	229.8	227.8	309.6	427.8
54	Manmade filaments	21.9	128.6	188.3	281.6	281.1	379.1
39	Plastics and articles	122.2	183.0	298.2	321.7	241.9	315.3
29	Organic chemicals	268.3	366.5	416.9	373.4	356.4	291.6
85	Electrical and electronic equipment	59.1	133.2	250.7	205.9	257.0	239.4
55	Manmade staple fibres	118.4	232.7	283.0	232.1	245.1	234.7
32	Tanning, dyeing extracts, tannins, derivatives, pigments etc	50.0	101.9	116.9	118.1	162.6	228.6
52	Cotton	107.4	271.6	189.6	67.1	127.9	191.7
72	Iron and steel	38.6	112.7	182.6	185.3	215.4	172.8
68	Stone, plaster, cement, asbestos, mica, etc articles	10.1	68.5	85.4	83.0	96.7	98.8
10	Cereals	0.0	0.4	0.5	2.8	13.3	78.6
62	Articles of apparel, accessories, not knit or crochet	30.0	98.4	115.9	68.3	71.0	71.2

Source: Trade Map, ITC Geneva

Mineral fuels and products dominate India’s exports to Turkey, accounting for 4.8 percent of Turkey’s global imports of the product in 2014. Within the same product, India was the third largest global supplier of petroleum oils, not crude (HS- 2710), and the seventeenth largest supplier of petroleum jelly, mineral waxes (HS- 2712) to Turkey. India was also the second largest global source of Turkey’s imports of manmade filaments; eighth largest global source of imports of organic chemicals; third largest global source of manmade staple fibres; and the eleventh largest source of imports of vehicles, other than railway, tramway.

India’s imports from Turkey have also risen, from US$ 219.9 million in 2005 to US$ 586.7 million in 2014, depicting close to a three-fold increase. **Table 3.2** presents trends in Turkey’s major items of exports to India during the period 2005 to 2014.

In 2014, Turkey was India’s second largest global source for imports of oil seed and oleagic fruits; ninth largest source of imports of salt, sulphur and cement; fourteenth largest source of ores, slag and ash; and nineteenth largest source of inorganic chemicals.

Table 3.2: India's Imports from Turkey, US$ million

HS Code	Commodity	2005	2010	2011	2012	2013	2014
	All products	**219.9**	**606.8**	**756.1**	**791.7**	**586.9**	**586.7**
84	Machinery and instruments	54.8	89.8	119.7	111.8	90.2	83.8
25	Salt, sulphur, earth, stone, plaster, lime and cement	6.3	46.6	42.0	60.4	57.8	75.8
72	Iron and steel	46.4	27.8	34.5	28.5	15.9	51.0
12	Oil seed, oleagic fruits	18.2	38.8	53.6	44.1	62.5	40.8
26	Ores, slag and ash	0.1	44.8	53.0	67.5	19.5	37.1
28	Inorganic chemicals	10.9	27.3	36.9	41.3	33.7	35.1
71	Pearls and precious stones	1.0	87.3	181.7	203.0	48.9	24.1
85	Electrical amd electronic equipment	3.7	45.4	29.2	26.1	26.4	17.9
27	Mineral fuels, oils, distillation products, etc	1.5	2.9	4.4	9.0	18.2	16.6
87	Vehicles other than railway, tramway	0.8	13.0	25.4	27.9	23.4	16.5
39	Plastics and articles	4.1	9.5	11.6	9.2	15.0	15.8
73	Articles of iron or steel	3.6	5.9	9.1	11.4	8.0	12.0
29	Organic chemicals	4.0	11.7	14.2	12.7	5.8	10.6
38	Miscellaneous chemical products	0.2	6.1	7.4	8.2	11.2	9.9

Source: Trade Map, ITC Geneva

India's Investment Relations with Turkey[2]

Turkey ranks 41st in terms of FDI inflows to India with cumulative direct investment amounting to US$ 127.7 million (April 2000 – June 2015) accounting for 0.1 percent of India's total FDI inflows. Turkish companies having presence in India include Limak Construction, Fernas, Sarar, Soktas, Izopoli-Kingspan, and Hidromas. A consortium formed by the Nas Aviation Services India Ltd and the Turkish airport ground services provider Celebi won a tender to provide ground services for 10 years at Mumbai international airport in India. Celebi has a 51 percent stake in the venture while the Indian company has a 49 percent stake. Celebi has also won another tender for modernization of the cargo terminal at Delhi's IGIA and managing it for 25 years. Fernas, a Turkish infrastructure company mainly operating in pipeline sector, has won a contract for laying and commissioning a segment of the GAIL pipeline in Gujarat.

During April 1996 – August 2015, total approved outflows of India's investment to Turkey amounted to US$ 478.8 million. More than 150 Indian companies have registered businesses in Turkey in the form of joint ventures, trade and representative offices, which include M/s Polyplex, GMR Infrastructure, TATA Motors, Mahindra &

[2]India - Turkey Relations , Government of India (GOI) July 2014 and India - Turkey Trade Economic Relations, FICCI, August 2014.

Mahindra, Reliance, Ispat, Tractors and Farm Equipment Ltd., Jain Irrigation, Wipro and Dabur. Some of the investments supported by Indian companies in Turkey would include:

- The Indian Railway Construction Company (IRCON) executed two railroad electrification projects worth US$ 35 million awarded by the Turkish State Railway Authority (TCDD) in nineties
- Kalpataru along with BARMEK participated in power transmission line projects for TEAS in 2003
- Punj Lloyd along with LIMAK had undertaken construction work in the prestigious Baku-Tbilisi-Ceyhan Pipeline Project in 2002. It was the first foreign company to do such a project in Turkey
- An Indian company Polyplex set up a polyplex film manufacturing factory in Chorlu, Turkey. The production from the factory is utilized mostly for exporting to West European countries and partly to Turkish market
- In 2002, Indo-Rama Group started a production unit for polyester fiber
- TATA Motors has an existing tie-up with Mesin Limited of Isotlar Group for marketing and after sale service for TATA vehicles in Turkey. For past few years, it has been selling TATA pickup vehicles in Turkey. In February 2005, TATA Motors launched their passenger vehicles in Turkey. TATA Motors has also started an Assembly Unit in Adana for assembly of TATA buses primarily for export to Middle East
- Mahindra & Mahindra has formed a joint venture marketing network with ILCE OtomotivServisve Ticaret A.S. for its utility vehicles and tractors in Turkey
- Industrial houses such as Reliance, Ispat, Aditya Birla Group etc. have established their trading offices in Turkey to look for opportunities in the market
- Tractors and Farm Equipment Ltd (TAFE), a Chennai-based company of the Amalgamations group, announced in October 2008 that it plans to set up a tractor manufacturing plant in Turkey. With an investment of around US$ 20 million, the plant went on stream in 2010 and manufactures a range of tractors for distribution in Turkey through AGCO's dealer network
- The Indian Oil Corporation Limited (IOCL), in collaboration with ÇalikEnerji of Turkey, was granted license for establishing an oil refinery with a capacity of 15 million tons a year in Ceyhan, envisaging a total investment of approximately US$ 5 billion
- National Building Construction Corporation (NBCC) provided consultancy services for the Marmara Engineering Emergency Reconstruction Project
- Jain Irrigation Systems has invested around US$ 20 million in two major projects in the southern province of Adana. The manufacturing facility produces irrigation systems
- Arcelor Mittal has acquired significant business interests in two steel plants in Turkey, operated by Erdemir and Borusan respectively

- C.R.I. Pumps have set up an assembly unit in Izmir

- Dhanus Technologies, a Chennai based IT company had concluded an agreement to acquire Borusan Telekom - Turkey's first alternative telecom operator with "A" type license in January 2008 with an investment of US$ 77 million

- Some of the Indian companies have invested in mining sector in Turkey, including in iron ore, marble and boron

Bilateral Agreements[3]

India and Turkey have signed many Agreements over the years to strengthen and deepen their economic co-operation.

- The Bilateral Trade Agreement between India and Turkey (1973)

- Agreement on setting up an India–Turkey Joint Committee on Economic and Technical Co-operation (JCETC) (1983)

- Bilateral Civil Aviation agreement (1986)

- Two Agreements – one regarding avoidance of double taxation and the second on tourism (1995)

- Agreements on Reciprocal Promotion and Protection of Investment; Prevention of Illicit Trafficking in Narcotics and Psychotropic Substances; Memorandum of Understanding (MoU) between the Council for Scientific and Industrial Research (CSIR) and Turkish Scientific and Technological Research Institute (TUBITAK) and Memorandum of Understanding between the National Centre of Trade Promotion (NCTP) and Export Promotion Centre of Turkey (IGEME) which were signed in 1998

- MoU in the field of agriculture and for co-operation in the Railway sector (2000)

- Agreement on Co-operation in the field of Science & Technology and a Protocol on Co-operation in the fields of Information Technology and Computer Software (2003)

- In 2013, five inter-governmental agreements were signed along with six agreements in the education sector viz., MoU between NSIC and Small and Medium Enterprises Development Organization (KOSGEB); Protocol between All India Radio & Turkish Radio & TV Corporation (TRT); Protocol between Department of Science & Technology (DST) & Scientific & Technological Research Council of Turkey (TUBITAK); Protocol between Doordarshan & TRT; Protocol in the field of Archives between Government of India & Government of Turkey; MoU between Jamia Millia Islamia and Kadir Has University, Turkey; MoU between Delhi University and Kadir Has University, Turkey; MoU between Mevlana University, Turkey and University of Hyderabad; MoU between Jamia Millia Islamia and Istanbul University; MoU between Delhi University and Ataturk University, Turkey; MoU between JNU and Kadir Has University, Turkey

[3]India - Turkey Relations, GOI, July 2014

4. POTENTIAL AREAS FOR ENHANCING BILATERAL TRADE RELATIONS WITH TURKEY

As highlighted in the previous chapter, India has registered a positive growth in its trade with Turkey, which has increased significantly by five-fold during the last decade, from US$ 1.5 billion in 2005 to US$ 7.5 billion in 2014. Both the countries are characterized by large markets.

Underlying this increase in total trade has been a significant rise in India's exports to as well as imports from Turkey. While India's total exports to Turkey have increased more than five-fold in 2014 compared to 2005, India's imports from Turkey have also increased close to three-fold during the same period.

With a view to boosting bilateral trade relations with Turkey, an important endeavour could be enhanced sourcing of the country's imports from India, in which India has export capability and competitiveness. This would entail identification of potential items of India's exports, which would be based on the following analysis

- Identification of major items of imports of Turkey, and share of India in each product line of imports, based on 2-digit HS code

- Selection of potential items of India's exports to Turkey, based on low share of India in Turkey's import basket of major commodities; keeping in view India's global export capability, as also Turkey's demand for import of such commodities. This would further entail identification of potential export items to each market, upto the 6-digit HS code.

Potential Items of Trade between India and Turkey

As can be seen from **Table 4.1**, India had a very low share of 2.8 percent in Turkey's global imports. India's share was high for limited commodities, which include organic chemicals (HS- 29), cotton (HS-52), manmade filaments (HS- 54), manmade staple fibres (HS-55), and tanning, dyeing extracts (HS- 32), stone, plaster, cement, asbestos (HS-68), tobacco and manufactured tobacco (HS-24), articles of leather (HS-42). India's share, however, remain low in the case of other commodities.

Potential items of exports from India to Turkey identified at 2-digit HS Code Classification would therefore include:

- Mineral fuels, oils, distillation products, etc (HS-27)
- Machinery and instruments (HS-84)
- Electrical and electronic equipment (HS-85)
- Iron and steel (HS-72)
- Vehicles other than railway, tramway (HS-87)
- Plastic and articles (HS-39)
- Pearls and precious stones (HS-71)

Table 4.1: Turkey's Global Imports and India's Share in 2014

HS Code	Product	Turkey's imports from World, 2014	Turkey's imports from India, 2014	India's share in Turkey's imports, 2014	India's exports to World, 2014
		(US$ mn)	(US$ mn)	(%)	(US$ mn)
TOTAL	**All products**	**242,224.0**	**6,898.6**	**2.8**	**317,544.6**
27	Mineral fuels, oils, distillation products	54,906.1	2,662.8	4.8	62,348.5
84	Machinery and instruments	28,103.8	427.8	1.5	13,596.1
85	Electrical and electronic equipment	17,950.2	239.4	1.3	9,002.3
72	Iron and steel	17,606.0	172.8	1.0	9,080.6
87	Vehicles other than railway, tramway	15,735.9	460.6	2.9	14,482.0
39	Plastics and articles	14,150.7	315.3	2.2	5,398.3
71	Pearls and precious stones	8,120.8	32.3	0.4	40,703.5
29	**Organic chemicals**	**5,832.9**	**291.6**	**5.0**	**12,035.1**
90	Optical, photo, technical apparatus	4,878.5	49.3	1.0	2,334.6
30	Pharmaceutical products	4,428.1	53.3	1.2	11,663.3
74	Copper and articles	3,570.5	2.7	0.1	3,456.1
76	Aluminium and articles	3,500.0	63.7	1.8	2,582.5
48	Paper and paperboard	3,170.7	7.9	0.2	1,116.0
88	Aircraft, spacecraft, and parts	3,022.2	0.001	-	6,721.2
52	**Cotton**	**3,022.0**	**191.7**	**6.3**	**8,883.9**
40	Rubber and articles	2,856.4	60.3	2.1	2,763.2
73	Articles of iron or steel	2,617.5	47.5	1.8	7,518.7
54	**Manmade filaments**	**2,361.5**	**379.1**	**16.1**	**2,505.4**
10	Cereals	2,338.4	78.6	3.4	10,059.3
38	Miscellaneous chemical products	2,276.1	42.9	1.9	3,164.4
12	Oil seed, oleagic fruits	2,261.8	28.0	1.2	2,151.4
55	**Manmade staple fibres**	**2,163.7**	**234.7**	**10.8**	**2,181.6**
32	**Tanning, dyeing extracts**	**2,122.9**	**228.6**	**10.8**	**2,907.1**
62	Articles of apparel, accessories, not knit or crochet	1,882.9	71.2	3.8	9,055.7
28	Inorganic chemicals	1,593.6	28.6	1.8	1,429.4
94	Furniture, lighting, signs	1,589.0	19.1	1.2	1,204.4
23	Residues, wastes of food industry	1,329.4	10.3	0.8	2,042.8
33	Essential oils, perfumes,	1,191.6	41.4	3.5	1,442.8
61	Articles of apparel, accessories, knit or crochet	985.0	37.1	3.8	7,482.5
64	Footwear, gaiters and parts	953.9	24.2	2.5	2,990.7
68	**Stone, plaster, cement, asbestos**	**601.0**	**98.8**	**16.4**	**1,406.0**
24	**Tobacco and manufactured tobacco**	**563.7**	**40.9**	**7.2**	**957.2**
42	**Articles of leather**	**554.6**	**40.5**	**7.3**	**2,548.2**
41	Raw hides and skins	506.5	22.3	4.4	1,363.7
07	Edible vegetables	465.9	18.5	4.0	1,128.3
89	Ships, boats and other floating structures	452.7	-	-	4,556.6
25	Salt, sulphur, earth, stone	424.6	4.7	1.1	1,990.0
08	Edible fruit, nuts	415.9	6.1	1.5	1,632.9

'-' indicates nil / negligible
Source: Trade Map, ITC Geneva

- Optical, photo, technical apparatus (HS-90)
- Pharmaceutical products (HS-30)
- Copper and articles (HS-74)
- Aluminium and articles (HS-76)
- Aircraft, spacecraft and parts (HS-88)
- Rubber and articles (HS-40)
- Cereals (HS-10)
- Misc. chemical products (HS-38)

Potential items of export from India to Turkey up to 6-digit HS Code Classification under major import categories of Turkey are briefly highlighted below:

Mineral fuels, oils, distillation products, etc (HS-27)

In 2014, Russia and Iran were the largest sources for Turkey's imports of mineral fuels, together accounting for 45.3 percent of Turkey's global imports of the product. India's share in Turkey's imports has increased during the last decade, and accounted for 4.8 percent of Turkey's global imports of the product (**Table 4.2**).

Petroleum products form India's largest exports in 2014. With a view to increasing India's exports of mineral fuels, oils and distillation products to Turkey, potential exports at 6 - digit HS Code Classification have been identified and presented in **Table 4.3**.

Table 4.2: Turkey's Import Sources of Mineral fuels, oils, distillation products (HS-27) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**21255.6**	**38496.3**	**54906.1**	**100.0**	**100.0**	**100.0**
Russia	8802.3	15951.9	16498.4	41.4	41.4	30.0
Iran	3325.2	6711.6	8420.3	15.6	17.4	15.3
Greece	179.4	592.4	3032.5	0.8	1.5	5.5
India	**44.2**	**644.5**	**2662.8**	**0.2**	**1.7**	**4.8**
Israel	189.5	367.1	1943.0	0.9	1.0	3.5
Italy	285.1	1022.2	1442.2	1.3	2.7	2.6
USA	297.3	823.3	1074.6	1.4	2.1	2.0
Algeria	1577.5	2136.8	883.9	7.4	5.6	1.6
Bulgaria	24.1	130.1	836.8	0.1	0.3	1.5
Colombia	155.4	261.9	786.1	0.7	0.7	1.4
Romania	219.4	174.6	527.2	1.0	0.5	1.0
Kazakhstan	110.2	1488.1	448.9	0.5	3.9	0.8
South Africa	116.2	223.1	380.7	0.5	0.6	0.7
Norway	173.7	334.9	347.0	0.8	0.9	0.6
Ukraine	325.3	433.1	228.7	1.5	1.1	0.4

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Table 4.3: India's Potential Exports of Mineral fuels, oils, distillation products (HS-27), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's Imports from India (US$ mn)	India's Share in Turkey's Global Imports (%)	India's Global Exports (US$ mn)
271210	Petroleum jelly	3.3	0.1	4.1	60.1

Source: Trade Map, ITC Geneva

Machinery and instruments (HS-84)

In 2014, Germany, China and Italy were the primary sources of Turkey's imports of machinery and instruments, accounting for close to 50 percent of Turkey's global imports of the product (**Table 4.4**).

While India is one of the largest global exporters of machinery and instruments its share in Turkey's imports was only 1.5 percent. Potential items of exports of India to Turkey, of machinery and instruments, identified at 6-digit HS Code Classification are given in **Table 4.5**.

Table 4.4: Turkey's Import Sources of Machinery and instruments (HS-84) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**16400.3**	**21266.4**	**28103.8**	**100.0**	**100.0**	**100.0**
Germany	3462.4	3631.2	5427.5	21.1	17.1	19.3
China	1590.1	3616.1	5248.5	9.7	17.0	18.7
Italy	2315.5	2499.2	3216.2	14.1	11.8	11.4
UK	1241.4	1152.5	1417.7	7.6	5.4	5.0
Japan	1060.4	1104.6	1286.4	6.5	5.2	4.6
USA	768.6	1415.5	1258.7	4.7	6.7	4.5
France	831.0	1399.8	1177.7	5.1	6.6	4.2
South Korea	717.0	773.9	1073.3	4.4	3.6	3.8
Poland	247.0	622.8	868.4	1.5	2.9	3.1
Czech Republic	155.6	307.4	617.3	0.9	1.4	2.2
Switzerland	375.5	336.7	597.6	2.3	1.6	2.1
Spain	467.8	480.3	533.4	2.9	2.3	1.9
Taipei, Chinese	472.7	414.1	500.1	2.9	1.9	1.8
Belgium	345.4	321.7	487.2	2.1	1.5	1.7
Austria	196.4	318.1	482.3	1.2	1.5	1.7

Source: Trade Map, ITC Geneva

Table 4.5: India's Potential Exports of Machinery and instruments (HS-84), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India, 2014 (US$ mn)	India's share in Turkey's imports, 2014 (%)	India's exports to world, 2014 (US$ mn)
840820	Engines, diesel, for vehicles	1952.9	6.8	0.3	134.9
848180	Taps, cocks, valves and similar appliances	643.2	5.2	0.8	717.7
847989	Machines & mechanical appliances having individual functions	610.6	5.8	0.9	344.9
840999	Parts for diesel and semi-diesel engines	503.1	13.0	2.6	584.9
842952	Shovels and excavators with a 360 revolving superstructure	455.9	-	-	145.8
842139	Filtering or purifying machinery and apparatus for gases	392.3	1.6	0.4	104.6
840991	Parts for spark-ignition type engines	312.5	2.7	0.9	283.3
844520	Textile spinning machines	272.4	4.3	1.6	109.9
841480	Air or gas compressors, hoods	261.4	9.7	3.7	327.2
841370	Centrifugal pumps	251.7	1.5	0.6	201.5
848340	Gears & gearing, ball screws, gear boxes, speed changers/torque converters	216.6	8.3	3.8	155.0
842959	Self-propelled excavating machinery	184.4	0.1	-	109.8
847330	Parts &accessories of automatic data processing machines& units thereof	177.3	0.1	-	115.9
841950	Heat exchange units, non-domestic, non-electric	160.3	3.2	2.0	144.9
841989	Machinery, plant/laboratory equipment for treatment of mat by change of temp	127.8	5.3	4.2	145.9
843143	Parts of boring or sinking machinery, whether or not self-propelled	119.7	1.0	0.8	170.4
841391	Parts of pumps for liquid whether or not fitted with a measuring device	118.8	1.6	1.3	290.9
842199	Parts for filtering or purifying machinery & apparatus for liquids or gases	114.2	1.7	1.5	109.4
848190	Parts of taps, cocks, valves or similar appliances	113.4	1.8	1.6	337.4
847990	Parts of machines& mechanical appliances having individual functions	113.0	0.6	0.5	138.2
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	107.0	0.2	0.2	332.0

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Electrical and electronic equipment (HS-85)

China and South Korea were the key markets for Turkey's imports of electrical and electronic equipment, together accounting for 47 percent of Turkey's imports of the commodity (**Table 4.6)**.

Though India's exports of the commodity has increased more than four-fold from US$ 59.1 million in 2005 to US$ 239.4 million in 2014, India's share remains low at 1.3 percent. To further boost India's exports to Turkey, potential commodities identified at 6-digit HS Code Classification have been identified in **Table 4.7**.

Table 4.6: Turkey's Import Sources of Electrical and electronic equipment (HS-85) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**9663.5**	**14641.9**	**17950.2**	**100.0**	**100.0**	**100.0**
China	1528.7	4327.8	6483.0	15.8	29.6	36.1
South Korea	806.0	887.0	1860.6	8.3	6.1	10.4
Germany	1172.6	1556.0	1708.9	12.1	10.6	9.5
Vietnam	7.8	115.4	841.8	0.1	0.8	4.7
Italy	506.7	721.4	665.8	5.2	4.9	3.7
France	541.7	603.5	636.3	5.6	4.1	3.5
Taipei, Chinese	684.1	609.1	551.2	7.1	4.2	3.1
USA	316.6	417.7	484.2	3.3	2.9	2.7
Spain	185.2	289.4	400.4	1.9	2.0	2.2
Poland	230.7	567.3	342.0	2.4	3.9	1.9
Czech Republic	159.9	242.6	309.2	1.7	1.7	1.7
Japan	528.0	297.8	277.7	5.5	2.0	1.5
India	**59.1**	**133.2**	**239.4**	**0.6**	**0.9**	**1.3**
Denmark	72.0	117.3	219.3	0.7	0.8	1.2
Austria	96.6	147.1	218.3	1.0	1.0	1.2

Source: Trade Map, ITC Geneva

Table 4.7: India's Potential Exports of Electrical and electronic equipment (HS-85), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
851712	Telephones for cellular networks mobile telephones	2,998.6	51.9	1.7	561.6
852990	Parts suitable for use solely/principally with apparatus	1,360.7	0.3	-	133.6
851762	Machines for the reception, conversion and transmission or regeneration	948.4	2.4	0.3	135.9
853710	Boards, panels, including numerical control panels, for a voltage <=1000 V	653.9	5.4	0.8	321.7
850440	Static converters	501.4	6.4	1.3	453.3
853650	Electrical switches for a voltage not exceeding 1,000 volts	315.8	10.6	3.4	114.4
854430	Ignition wiring sets & other wiring sets used in vehicles, aircraft	266.4	7.9	3.0	162.0
851770	Parts of telephone sets, telephones for cellular networks	232.0	0.4	0.2	501.9
853890	Parts for use with the apparatus	227.3	1.9	0.8	337.1
850300	Parts of electric motors, generators, generating sets & rotary converters	206.6	1.5	0.7	248.2
853690	Electrical app for switching electrical circuits, not exceeding 1,000 V	204.9	2.7	1.3	201.5
853620	Automatic circuit breakers for a voltage not exceeding 1,000 volts	174.7	6.0	3.5	108.3
850110	Electric motors of an output not exceeding 37.5 W	167.8	0.2	0.1	148.5
854140	Photosensitive semiconductor device, photovoltaic cells & light emit diodes	165.2	0.1	-	174.7
853720	Boards, panels, including numerical control panels, for a voltage > 1,000 V	122.6	1.0	0.8	104.2

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Iron and steel (HS-72)

In 2014, Russia was the largest source of imports of iron and steel by Turkey. Other important suppliers include Ukraine, USA (**Table 4.8**).

Potential exports from India of iron and steel, identified at 6-digit HS Code Classification are given in **Table 4.9**.

Table 4.8: Turkey's Import Sources of Iron and steel (HS-72) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**9457.8**	**16118.9**	**17606.0**	**100.0**	**100.0**	**100.0**
Russia	2235.0	2130.8	2689.2	23.6	13.2	15.3
Ukraine	1482.0	1937.8	2379.0	15.7	12.0	13.5
USA	348.9	1677.0	1555.0	3.7	10.4	8.8
UK	359.6	710.0	1456.2	3.8	4.4	8.3
France	340.7	630.4	898.6	3.6	3.9	5.1
Belgium	326.5	915.6	870.4	3.5	5.7	4.9
Romania	1056.4	1553.7	764.0	11.2	9.6	4.3
Germany	571.3	874.1	718.8	6.0	5.4	4.1
South Korea	70.0	339.5	694.5	0.7	2.1	3.9
Netherlands	306.0	790.3	688.2	3.2	4.9	3.9
China	115.4	398.4	648.9	1.2	2.5	3.7
Italy	245.3	567.2	470.5	2.6	3.5	2.7
Spain	176.0	362.5	440.9	1.9	2.2	2.5
Denmark	5.3	159.1	263.5	0.1	1.0	1.5
Sweden	56.4	168.6	226.6	0.6	1.0	1.3

Source: Trade Map, ITC Geneva

Table 4.9: India's Potential Exports of Iron and steel (HS-72), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
720839	Hot roll iron/steel, coil >600mm x <3mm	849.8	-	-	303.7
721049	Flat rolled product/ plated or coated with zinc,>/=600mm wide,	594.5	-	-	993.3
720838	Hot roll iron/steel, coil >600mm x 3-4.75mm	413.5	-	-	124.3
720110	Pig iron, non-alloy, containing by weight <=0.5% phosphorus in primary form	391.6	-	-	313.7
720917	Cold rolled iron/steel, coils >600mm x 0.5-1mm	307.2	-	-	125.2
720851	Hot roll iron/steel, not coil >600mm x >10mm	288.7	-	-	276.4
720837	Hot roll iron/steel, coil >600mm x 4.75-10mm	185.8	-	-	112.5
721070	Flat rolled product, painted, varnished or plastic coated,>/=600mm wide	69.1	-	-	319.8

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Vehicles other than railway, tramway (HS-87)

In 2014, Germany was the largest supplier of vehicles to Turkey (**Table 4.10**). Other major suppliers include Spain, Italy, and France. During the same year, India's share was seen at a modest 2.9 percent.

Table 4.10: Turkey's Import Sources of Vehicles other than railway, tramway (HS-87) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**10552.8**	**13419.4**	**15735.9**	**100.0**	**100.0**	**100.0**
Germany	2639.6	4107.7	5223.0	25.0	30.6	33.2
Spain	1182.8	1381.5	1314.2	11.2	10.3	8.4
Italy	589.0	843.9	969.1	5.6	6.3	6.2
France	1729.1	1558.8	938.6	16.4	11.6	6.0
UK	870.8	667.9	721.9	8.3	5.0	4.6
Czech Republic	148.0	289.9	692.9	1.4	2.2	4.4
Poland	421.5	490.9	679.2	4.0	3.7	4.3
South Korea	778.4	722.5	604.1	7.4	5.4	3.8
China	246.8	442.1	603.9	2.3	3.3	3.8
Romania	75.8	318.5	470.3	0.7	2.4	3.0
India	**74.6**	**190.6**	**460.6**	**0.7**	**1.4**	**2.9**
Japan	535.5	737.5	403.7	5.1	5.5	2.6
Hungary	69.0	48.0	342.0	0.7	0.4	2.2
Mexico	83.9	163.5	338.4	0.8	1.2	2.2
USA	57.3	163.4	311.6	0.5	1.2	2.0

Source: Trade Map, ITC Geneva

Potential items of India's exports of vehicles other than railway, tramway to Turkey, identified at 6-digit HS Code Classification are given in **Table 4.11**.

Table 4.11: India's Potential Exports of Vehicles other than railway, tramway (HS-87), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
870323	Automobiles reciprocating piston engine displacing > 1500 cc to 3000 cc	1539.4	-	-	835.5
870331	Automobiles with diesel engine displacing not more than 1500 cc	1202.9	0.8	0.1	389.4
870322	Automobiles w reciprocating piston engine displacing > 1000 cc to 1500 cc	1153.2	28.9	2.5	3236.8
870421	Diesel powered trucks with a GVW not exceeding five tonnes	770.2	1.3	0.2	271.1
870210	Diesel powered buses with a seating capacity of > nine persons	268.5	-	-	259.5
870422	Diesel powered trucks w a GVW exceeding five tonnes but not exceeding twenty tonnes	132.6	-	-	218.7
870321	Automobiles w reciprocating piston engine displacing not more than 1000 cc	39.9	-	-	1199.8
871499	Bicycle parts	34.2	0.3	0.9	123.7

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Plastic and articles (HS-39)

In 2014, Turkey's imports of plastics and articles amounted to US$ 14.2 billion, primarily sourced from Saudi Arabia, Germany, and South Korea (**Table 4.12**). During the same year, India accounted for 2.2 percent of Turkey's import of the commodity.

Though India's exports of plastic and articles to Turkey has increased more than two-fold from US$ 122.2 million in 2005 to US$ 315.3 million in 2014, India's share remains low at 2.2 percent. Therefore, potential items of India's exports of plastic and articles to Turkey, identified at 6-digit HS Code Classification are given in **Table 4.13.**

Pearls and precious stones (HS-71)

In 2014, Turkey's imports of pearls and precious stones amounted to US$ 8.1 billion, the primary sources being Switzerland, UAE and Germany, which together accounted for over 68 percent of Turkey's imports (**Table 4.14)**.

Table 4.12: Turkey's Import Sources of Plastic and articles (HS-39) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**5795.6**	**9730.4**	**14150.7**	**100.0**	**100.0**	**100.0**
Saudi Arabia	232.7	1086.1	1722.6	4.0	11.2	12.2
Germany	1019.6	1248.4	1612.0	17.6	12.8	11.4
South Korea	214.6	476.9	1340.4	3.7	4.9	9.5
China	193.1	554.4	993.8	3.3	5.7	7.0
Belgium	533.7	675.4	830.5	9.2	6.9	5.9
Italy	400.9	601.5	797.7	6.9	6.2	5.6
France	419.1	479.0	702.5	7.2	4.9	5.0
Spain	222.9	377.8	560.0	3.8	3.9	4.0
USA	167.1	417.9	531.9	2.9	4.3	3.8
Netherlands	372.5	436.2	520.7	6.4	4.5	3.7
Iran	35.1	335.8	515.6	0.6	3.5	3.6
Egypt	28.1	87.8	358.1	0.5	0.9	2.5
India	**122.2**	**183.0**	**315.3**	**2.1**	**1.9**	**2.2**
UK	221.1	235.8	242.9	3.8	2.4	1.7
Greece	127.2	186.2	231.9	2.2	1.9	1.6

Source: Trade Map, ITC Geneva

Table 4.13: India's Potential Exports of Plastic and articles (HS-39), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
390120	Polyethylene having a specific gravity of 0.94 or more	1217.2	4.1	0.3	57.9
390110	Polyethylene having a specific gravity of less than 0.94	1052.8	6.5	0.6	54.0
390720	Polyethers	560.7	0.5	0.1	66.1
392690	Articles of plastics or of other materials of Nos 39.01 to 39.14	546.1	5.0	0.9	506.5
390319	Polystyrene	476.8	7.8	1.6	105.0
390690	Acrylic polymers, in primary forms	425.0	0.5	0.1	65.7
390190	Polymers of ethylene, in primary forms	265.3	0.1	0.0	26.8

Source: Trade Map, ITC Geneva

Table 4.14: Turkey's Import Sources of Pearls and precious stones (HS-71) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**4226.9**	**3037.0**	**8120.8**	**100.0**	**100.0**	**100.0**
Switzerland	2759.7	1408.9	2784.1	65.3	46.4	34.3
UAE	81.6	483.4	2749.8	1.9	15.9	33.9
Germany	37.7	30.7	432.0	0.9	1.0	5.3
Australia	84.4	0.1	334.0	2.0	-	4.1
South Africa	943.0	374.4	313.0	22.3	12.3	3.9
Italy	111.9	182.2	248.6	2.6	6.0	3.1
Spain	2.0	1.6	150.3	0.0	0.1	1.9
China	25.5	92.9	139.9	0.6	3.1	1.7
USA	28.3	79.8	127.7	0.7	2.6	1.6
Morocco	-	1.8	116.5	-	0.1	1.4
Iraq	-	35.6	116.5	-	1.2	1.4
Libya	0.5	0.7	91.5	-	-	1.1
Romania	0.3	30.9	70.5	-	1.0	0.9
Belgium	19.3	8.1	57.3	0.5	0.3	0.7
Austria	1.5	2.7	40.1	-	0.1	0.5

'-' indicates nil / negligible
Source: Trade Map, ITC Geneva

Pearls and precious stones form India's key global exports. However India's share in Turkey's global imports was negligible. Potential items of India's exports of pearls and precious stones to Turkey, identifies at 6-digit HS Code Classification are given in **Table 4.15**.

Table 4.15: India's Potential Exports of Pearls and precious stones (HS-71), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
710812	Gold in unwrought forms non-monetary	7104.9	-	-	2432.6
711319	Articles of jewellery &part therof	611.4	4.7	0.8	11222.5
711719	Imitation jewellery of base metal whether o not plaited	85.1	3.1	3.6	113.2
711311	Articles of jewellery & parts therof	46.9	0.4	1.0	1864.7
711790	Imitation jewellery	22.5	0.9	3.9	181.2

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Optical, photo, technical apparatus (HS-90)

Turkey's imports of optical, photo and technical apparatus amounted to US$ 4.9 billion during 2014, with the major suppliers being Germany, USA, China, and Italy, which together accounted for 53.8 percent of Turkey's import of these items (**Table 4.16**).

Table 4.16: Turkey's Import Sources of Optical, photo, technical apparatus (HS-90) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**2472.7**	**3437.7**	**4878.5**	**100.0**	**100.0**	**100.0**
Germany	500.4	576.0	861.9	20.2	16.8	17.7
USA	493.0	623.2	833.1	19.9	18.1	17.1
China	190.3	390.4	625.3	7.7	11.4	12.8
Italy	200.9	271.5	304.9	8.1	7.9	6.2
South Korea	71.1	88.6	290.9	2.9	2.6	6.0
France	125.5	261.3	248.9	5.1	7.6	5.1
Japan	218.5	205.4	245.9	8.8	6.0	5.0
UK	138.0	138.8	168.3	5.6	4.0	3.4
Switzerland	65.5	115.2	134.7	2.6	3.4	2.8
Ireland	46.0	57.2	90.2	1.9	1.7	1.8
Czech Republic	7.1	37.8	73.6	0.3	1.1	1.5
Israel	25.2	63.6	69.9	1.0	1.8	1.4
Spain	25.0	22.6	67.7	1.0	0.7	1.4
Mexico	8.3	38.3	65.7	0.3	1.1	1.3
Netherlands	68.1	63.7	65.5	2.8	1.9	1.3

Source: Trade Map, ITC Geneva

India’s share in Turkey’s import of the commodities was only 1 percent. Potential exports from India to Turkey, of optical, photo, technical apparatus are given in **Table 4.17.**

Pharmaceutical products (HS-30)

Germany, USA, France, Switzerland and Italy were the main markets for Turkey’s imports of pharmaceuticals in 2014 (**Table 4.18**). India’s share was low at 1.2 percent.

Pharmaceuticals form a key component in India’s global export basket. However, India’s share in Turkey’s global imports of the commodity was low at 1.2 percent. Potential exports of pharmaceuticals from India to Turkey identified at 6-digit HS Code Classification are given in **Table 4.19**.

Table 4.17: India’s Potential Exports of Optical, photo, technical apparatus (HS-90), 2014

HS Code	Product	Turkey’s Global Imports (US$ mn)	Turkey’s imports from India (US$ mn)	India’s share in Turkey’s imports (%)	India’s exports to world (US$ mn)
901839	Needles, catheters, cannulae and the like	193.1	9.3	4.8	221.0
902139	Artificial parts of the body (excl. artificial teeth and dental fitting	192.3	4.2	2.2	20.9
901890	Instruments and appliances used in medical or veterinary sciences	484.0	1.6	0.3	208.9
903289	Automatic regulating or controlling instruments and apparatus	392.0	1.1	0.3	159.9
903180	Measuring or checking instruments, appliances and machines	265.9	1.0	0.4	75.8
902214	X-rays apparatus, medical/surgical/veterinary use	121.5	0.7	0.6	63.4
901819	Electro-diagnostic apparatus	76.6	0.7	0.9	80.4

Source: Trade Map, ITC Geneva

Table 4.18: Turkey's Import Sources of Pharmaceutical products (HS-30) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**2849.3**	**4410.1**	**4428.1**	**100.0**	**100.0**	**100.0**
Germany	514.7	750.6	857.4	18.1	17.0	19.4
USA	300.2	522.0	598.1	10.5	11.8	13.5
France	323.9	490.7	438.8	11.4	11.1	9.9
Switzerland	283.9	458.0	410.5	10.0	10.4	9.3
Italy	235.7	368.1	306.4	8.3	8.3	6.9
Ukraine	360.4	421.6	296.0	12.6	9.6	6.7
Ireland	122.5	300.8	280.6	4.3	6.8	6.3
Belgium	74.5	106.3	165.1	2.6	2.4	3.7
Denmark	79.0	97.2	155.7	2.8	2.2	3.5
South Korea	5.0	5.8	133.3	0.2	0.1	3.0
Spain	87.0	131.0	119.4	3.1	3.0	2.7
Sweden	127.1	159.8	112.6	4.5	3.6	2.5
Austria	62.8	116.2	91.5	2.2	2.6	2.1
Netherlands	53.0	60.3	71.1	1.9	1.4	1.6
India	**17.9**	**49.4**	**53.3**	**0.6**	**1.1**	**1.2**

Source: Trade Map, ITC Geneva

Table 4.19: India's Potential Exports of Pharmaceutical products (HS-30), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
300490	Medicaments, in dosage	2248.9	4.7	0.2	8288.9
300450	Vitamins and their derivatives,in dosage	46.7	1.0	2.2	251.3
300420	Antibiotics, in dosage	104.9	0.1	0.1	911.6
300431	Insulin, in dosage	196.6	-	-	108.4

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Copper and articles (HS-74)

In 2014, Turkey's global imports of copper and articles amounted to US$ 3.6 billion in 2014, with the main sources being Bulgaria, Uzbekistan, and Spain, among others (**Table 4.20**).

Potential exports from India to Turkey of copper and articles, identified at 6-digit HS Code Classification are given in **Table 4.21**.

Aluminium and articles (HS-76)

Turkey's key import sources of aluminium and articles in 2014 included Russia, Qatar, Germany, and UAE, among others (**Table 4.22**).

Table 4.20: Turkey's Import Sources of Copper and articles (HS-74) - Major Suppliers

Country	US$ mn			% share		
	2005	2010	2014	2005	2010	2014
World	**1458.4**	**3299.3**	**3570.5**	**100.0**	**100.0**	**100.0**
Bulgaria	183.0	453.5	545.3	12.6	13.7	15.3
Uzbekistan	137.7	517.0	543.1	9.4	15.7	15.2
Spain	33.1	137.9	389.4	2.3	4.2	10.9
Kazakhstan	330.8	516.6	332.4	22.7	15.7	9.3
Russia	125.2	624.9	301.1	8.6	18.9	8.4
Chile	301.4	248.2	242.7	20.7	7.5	6.8
Iran	12.5	305.4	225.4	0.9	9.3	6.3
D R Congo	-	0.8	196.1	-	-	5.5
Poland	0.3	0.2	156.9	-	-	4.4
Germany	61.1	75.3	91.8	4.2	2.3	2.6
Congo	-	0.7	78.5	-	-	2.2
France	40.0	106.6	74.4	2.7	3.2	2.1
Greece	5.2	28.7	57.4	0.4	0.9	1.6
Serbia	-	10.0	46.5	-	0.3	1.3
Italy	30.3	30.1	45.9	2.1	0.9	1.3

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Table 4.21: India's Potential Exports of Copper and articles (HS-74), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
741999	Articles of copper	18.9	0.8	4.2	553.1
740311	Copper cathodes and sections of cathodes unwrought	2541.4	-	-	2578.1

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Table 4.22: Turkey's Import Sources of Aluminium and articles (HS-76) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**1232.0**	**2487.6**	**3499.9**	**100.0**	**100.0**	**100.0**
Russia	549.1	869.1	1108.8	44.6	34.9	31.7
Qatar	-	80.9	238.3	-	3.3	6.8
Germany	139.3	135.7	188.8	11.3	5.5	5.4
UAE	42.6	65.8	164.6	3.5	2.6	4.7
Tajikistan	42.1	216.6	131.1	3.4	8.7	3.7
China	30.8	62.3	130.7	2.5	2.5	3.7
Bahrain	18.3	45.8	120.7	1.5	1.8	3.4
Azerbaijan	8.0	28.7	117.4	0.7	1.2	3.4
Iran	2.2	27.0	107.8	0.2	1.1	3.1
Kazakhstan	0.7	113.1	98.1	0.1	4.5	2.8
Greece	20.1	54.0	95.0	1.6	2.2	2.7
Italy	53.1	68.4	82.9	4.3	2.7	2.4
Saudi Arabia	-	0.3	81.6	-	-	2.3
South Africa	-	2.1	81.3	-	0.1	2.3
Oman	-	15.4	78.5	-	0.6	2.2

'-' indicates nil / negligible

Source: Trade Map, ITC Geneva

Potential exports from India of aluminium and articles to Turkey, identified at 6-digit HS Code Classification are given in **Table 4.23**.

Aircraft, spacecraft and parts (HS-88)

In 2014, USA and France together accounted for 81.4 percent of total imports of aircraft, spacecraft and parts (**Table 4.24**).

Table 4.23: India's Potential Exports of Aluminium and articles (HS-76), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
760110	Aluminium unwrought, not alloyed	1509.7	30.1	2.0	1126.8
760120	Aluminium unwrought, alloyed	981.0	27.8	2.8	212.5
761699	Articles of aluminium	76.0	0.9	1.2	347.7
760612	Plate, sheet or strip, aluminium alloy, rectangular or sq, exceeding 0.2mm thick	285.6	0.2	0.1	157.2

Source: Trade Map, ITC Geneva

Table 4.24: Turkey's Import Sources of Aircraft, spacecraft and parts (HS-88) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**314.1**	**3156.1**	**3022.2**	**100.0**	**100.0**	**100.0**
USA	170.7	2148.8	1397.9	54.3	68.1	46.3
France	100.6	668.8	1060.2	32.0	21.2	35.1
Spain	2.1	1.8	215.7	0.7	0.1	7.1
Canada	-	43.8	188.3	-	1.4	6.2
Italy	5.5	48.3	75.4	1.8	1.5	2.5
Germany	7.8	11.7	49.6	2.5	0.4	1.6
UK	8.9	30.0	8.7	2.8	1.0	0.3
Bulgaria	-	-	7.0	-	-	0.2
Austria	0.1	2.1	5.6	-	0.1	0.2
Netherlands	12.7	10.4	2.6	4.0	0.3	0.1
Belgium	0.1	0.4	1.9	-	-	0.1
Greece	-	3.0	1.5	-	0.1	-
UAE	0.1	-	1.3	-	-	-
Czech Republic	-	0.3	0.7	-	-	-
Israel	0.6	72.9	0.7	0.2	2.3	-

'-' indicates nil / negligible
Source: Trade Map, ITC Geneva

Potential exports from India to Turkey of aircraft, spacecraft and parts identified at 6-digit HS Code Classification are given in **Table 4.25**.

Rubber and articles (HS-40)

In 2014, Turkey's global imports of rubber and articles amounted to US$ 2.9 billion, with the key sources being Germany, Italy, South Korea, Indonesia and Thailand, among others (**Table 4.26**).

Table 4.25: India's Potential Exports of Aircraft, spacecraft and parts (HS-88), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
880390	Parts of balloons, dirigibles, and spacecraft nes	44.4	-	-	165.3
880330	Aircraft parts	213.4	-	-	1250.8
880240	Aircraft of an unladen weight exceeding 15,000 kg	2283.2	-	-	3431.0
880230	Aircraft of an unladen weight > 2,000 kg but not exceeding 15,000 kg	204.5	-	-	1627.0

'-' indicates nil / negligible
Source: Trade Map, ITC Geneva

Table 4.26: Turkey's Import Sources of Rubber and articles (HS-40) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**1205.1**	**2321.6**	**2856.4**	**100.0**	**100.0**	**100.0**
Germany	130.0	240.5	269.2	10.8	10.4	9.4
Italy	119.1	174.0	210.2	9.9	7.5	7.4
South Korea	85.2	149.5	204.7	7.1	6.4	7.2
Indonesia	68.8	202.7	186.0	5.7	8.7	6.5
Thailand	95.6	192.7	176.0	7.9	8.3	6.2
China	31.4	85.0	171.7	2.6	3.7	6.0
Japan	59.7	126.1	164.3	5.0	5.4	5.8
Romania	3.0	42.2	146.7	0.2	1.8	5.1
USA	57.3	89.9	135.8	4.8	3.9	4.8
France	122.3	148.5	123.9	10.2	6.4	4.3
Malaysia	53.7	132.7	113.9	4.5	5.7	4.0
Slovakia	15.4	32.0	105.7	1.3	1.4	3.7
Poland	13.8	86.4	99.2	1.1	3.7	3.5
Russia	21.8	79.7	71.1	1.8	3.4	2.5
Taipei, Chinese	23.4	40.8	68.8	1.9	1.8	2.4

Source: Trade Map, ITC Geneva

India's share in Turkey's imports of rubber during the same year stood at 2.1 percent. Potential exports from India to Turkey of rubber and articles, based on 6-digit HS Code Classification are given in **Table 4.27**.

Cereals (HS-10)

In 2014, Turkey's global imports of cereals amounted to US$ 2.3 billion, with the key sources being Russia, Ukraine, USA and Mexico. India was the fifth largest source with a share of 3.4 percent of total imports of cereals (**Table 4.28**).

Table 4.27: India's Potential Exports of Rubber and articles (HS-40), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
400821	Plates,sheets&strip of non cellular rubber, other than hard rubber (vulcanised)	54.8	1.5	2.8	52.1
401693	Gaskets, washers and other seals of vulcanised rubber	128.2	1.5	1.2	67.6
401110	Pneumatic tire new of rubber f motor car including station wagons &racing cars	449.8	1.5	0.3	98.6
401290	Solid of cushioned tires, interchangeable tire treads& tire flaps of rubber	31.4	0.4	1.4	36.8

Source: Trade Map, ITC Geneva

Table 4.28: Turkey's Import Sources of Cereals (HS-10) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**189.6**	**1056.7**	**2338.4**	**100.0**	**100.0**	**100.0**
Russia	8.1	387.7	1451.4	4.3	36.7	62.1
Ukraine	7.0	46.5	136.8	3.7	4.4	5.9
USA	36.9	195.9	118.4	19.4	18.5	5.1
Mexico	-	4.9	81.3	-	0.5	3.5
India	**-**	**0.4**	**78.6**	**-**	**-**	**3.4**
Romania	9.7	28.7	72.6	5.1	2.7	3.1
Kazakhstan	16.0	115.0	60.4	8.5	10.9	2.6
Italy	21.1	24.8	33.7	11.2	2.3	1.4
France	12.3	14.5	33.7	6.5	1.4	1.4
Bulgaria	1.5	12.9	33.3	0.8	1.2	1.4
Canada	0.1	0.5	32.6	-	0.1	1.4
Serbia	-	7.2	28.6	-	0.7	1.2
Republic of Moldova	1.0	10.1	28.4	0.5	1.0	1.2
Bosnia and Herzegovina	-	21.2	25.4	-	2.0	1.1
Lithuania	-	17.4	21.7	-	1.6	0.9

'-' indicates nil / negligible
Source: Trade Map, ITC Geneva

With a view to increase India's exports of cereals to Turkey, potential items identified at 6-digit HS Code Classification are given in **Table 4.29**.

Misc. chemical products (HS-38)

In 2014, Germany, France, Italy, USA, and China were the main sources of Turkey's imports of misc. chemical products (**Table 4.30**). However India's share was low at 1.9 percent.

Table 4.29: India's Potential Exports of Cereals (HS-10), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
100590	Maize (corn)	338.0	-	-	808.5
100199	Wheat and meslin (excl. seed for sowing, and durum wheat)	1331.1	-	-	1014.3
100390	Barley (excl. seed for sowing)	164.0	-	-	122.4

'-' indicates nil / negligible
Source: Trade Map, ITC Geneva

Table 4.30: Turkey's Import Sources of Misc. chemical products (HS-38) - Major Suppliers

Country	Turkey's imports (US$ mn)			% share		
	2005	2010	2014	2005	2010	2014
World	**1131.5**	**1795.4**	**2276.1**	**100.0**	**100.0**	**100.0**
Germany	291.3	374.9	454.8	25.7	20.9	20.0
France	104.5	181.3	238.5	9.2	10.1	10.5
Italy	122.9	187.4	203.0	10.9	10.4	8.9
USA	105.3	129.4	196.6	9.3	7.2	8.6
China	43.4	113.8	158.4	3.8	6.3	7.0
Belgium	81.6	87.1	113.6	7.2	4.8	5.0
UK	46.8	102.8	107.2	4.1	5.7	4.7
Netherlands	51.9	50.3	80.7	4.6	2.8	3.5
Spain	47.7	63.2	78.5	4.2	3.5	3.4
Egypt	3.1	56.8	72.4	0.3	3.2	3.2
Ireland	15.4	89.1	67.9	1.4	5.0	3.0
Indonesia	12.9	33.6	58.3	1.1	1.9	2.6
India	**20.1**	**30.1**	**42.9**	**1.8**	**1.7**	**1.9**
Japan	19.9	38.4	42.1	1.8	2.1	1.8
Switzerland	18.9	24.7	35.8	1.7	1.4	1.6

Source: Trade Map, ITC Geneva

Potential exports from India, identified at 6-digit HS Code Classification are given in **Table 4.31**.

Table 4.31: India's Potential Exports of Misc. chemical products (HS-38), 2014

HS Code	Product	Turkey's Global Imports (US$ mn)	Turkey's imports from India (US$ mn)	India's share in Turkey's imports (%)	India's exports to world (US$ mn)
382490	Chemical/allied industry preparations/prods nes	564.6	21.3	3.8	203.8
380891	Insecticides	105.8	2.5	2.4	784.4
380893	Herbicides, anti-sprouting products and plant-growth regulators	81.1	2.3	2.8	333.1
380892	Fungicides	92.4	1.2	1.4	351.1

Source: Trade Map, ITC Geneva

5. INVESTMENT REGULATIONS IN TURKEY

Turkey is a large rapidly developing country and EU accession negotiations are leading to significant opportunities for companies worldwide in a broad range of sectors. The ongoing EU accession talks are also a key driver for the modernization of Turkey's economy and business environment.

Turkey experienced a remarkable growth after 1980s, marked by a shift from agriculture towards industry and service activities, modernization of the existing industry and technology transfer, and growth in international trade and competition. Private investments were the driving force in accelerating economic activities in recent years. The liberalization of capital movements and the willingness of foreign creditors to lend to Turkish investors contributed to the growth of private investment.

Turkey's Competitiveness and Transparency

According to IMF's 2013 Article IV Consultation, low FDI inward flows relative to peers, limited export sophistication (about 75 percent of exports are concentrated in agriculture and low and medium medium-tech manufacturing), and fast wage growth are among the indicators that point to a competitiveness challenge. The government has put in place various measures to address this gap which includes package of investment incentives to help companies move into advanced technology sectors and lower the import content of production. While the new commercial code introduced in 2012 is widely thought to represent major progress, foreign investors often complain of a slow and inconsistent judiciary, cumbersome licensing, high wages, and a costly tax policy and administration.

Turkey ranks 55 out of 189 countries in the World Bank's "*Doing Business 2015* Report". Starting a business in Turkey takes an average of 6 days, compared to the global average of 30.6 days and OECD's average of 12 days. However, the high cost of starting a business acts as a potential constraint.

Turkey ranks 45 out of 144 country in the 2014-15 *Global Competitiveness* Index compiled by the World Economic Forum.

Starting a Business[4]

A foreign company may perform its business in Turkey by establishing a subsidiary, branch or liaison office.

The new Turkish Commercial Code, legislated by July, 2012, brought many changes to corporate structures in Turkey. In accordance with the new Code, both subsidiary and branch establishments in Turkey are subject to registration with the Trade Registry in order to be legally established. Furthermore, both subsidiary and branch establishments shall be registered with local tax office in order to receive tax identification number.

[4] Invest in Turkey, The Republic of Turkey Prime Ministry Investment Support and Promotion Agency
http://www.invest.gov.tr/en-US/investmentguide/investorsguide/comingtoturkey/Pages/HowToGetAWorkPermit.aspx

Local Turkish Subsidiary: Foreign companies may choose to set up 100 percent-owned subsidiaries in Turkey either in the form of a joint stock company (JSC) or a limited liability company (LLC). Such subsidiaries are treated in the same way as the resident companies. Subsidiaries may be in the form of a joint venture with a Turkish or international partner. There is no requirement for a local shareholding or directorship for establishing a subsidiary.

In the following businesses, the company structure is compulsory as a JSC by the related laws and decrees: Banking & Insurance, Reinsurance, Securities, Real Estate, Venture Capital Investment Companies, Intermediary Institutions (Brokerage Houses), Financial Leasing, Factoring, Consumer Financing, Holdings. The minimum amount of capital required for establishing a joint stock company is TRY 50,000. However, for the joint stock companies that are open to public, adopt a registered capital policy with the minimum amount of capital being TRY 100,000. It is more suitable for large-scale investors.

LLCs can be formed by only one shareholder and number of shareholders of a LLC cannot exceed 50. The shareholder may be individuals or corporate bodies, residents or non-residents. The minimum capital requirement for a limited liability company is TRY 10,000. The following assets may be treated as capital for foreign investors: cash; machinery, equipment, parts, tools and goods as capital in kind; intangible assets (patents, trademarks, etc.), profits obtained from foreign investment and principals of foreign loans and interest thereon and other financial rights; natural resources exploration and manufacturing rights; shares in another company.

Branch Office: Foreign companies can establish a branch in Turkey. The parent company is required to allocate capital to the branch office at the establishment phase, although there is no minimum capital amount required. Branches are established according to the provisions of the Turkish Commercial Code with the approval from the Ministry of Industry and Trade. In terms of corporate tax liability branch is subject to same rates as a subsidiary company.

Representative Office: Representative offices of foreign companies are not permitted to perform any commercial activity in Turkey. Their activities are limited to representation of a foreign company in Turkey and providing information. Expenses of the representative office must be financed by the head office abroad. The representative office may not generate any income from its activities in Turkey, just as it is not itself subject to corporate income tax or personal income tax. However, it should maintain statutory books and provide any necessary information to the authorities when required. Employees of a representative office are not subject to income tax either, provided that their salaries are paid from abroad in foreign currency.

Taxation

Income taxes in Turkey are levied on all income, including that of domestic and foreign individuals and corporations residing in Turkey. Non-residents earning income in Turkey through employment, ownership of property, business transactions, or any other activity which generates income are also subject to taxation, but only on the income earned in Turkey.

Corporate income, as adjusted for exemptions and deductions and including prior year losses (tax losses may be carried forward for five years but losses may not be carried back) is subject to corporate income tax at a rate of 20 percent, irrespective of the legal form (i.e. JSC, LLC, branch office).

Dividend distributions to individual and non-resident corporate shareholders are subject to withholding tax (WHT) at a rate of 15 percent. This rate may be reduced for foreign shareholders if a tax treaty is present. For non-resident entities operating in Turkey (i.e. branches, other type of permanent establishments such as permanent representatives/agents) WHT will only be applicable on the portion of the profit that is transferred to the headquarters/principal, in other words repatriated from Turkey.

The personal income tax rate varies from 15 percent to 35 percent.

Special Investment Zone

1. Technology Development Zones - Technoparks

Technology Development Zones (TDZs) are areas designed to support R&D activities and attract investments in high technology fields.

Advantages of TDZs:

- Revenues derived from software development and R&D activities are exempt from income and corporate taxes until December 31, 2023.
- Sales of application software produced exclusively in TDZs are exempt from VAT until December 31, 2023. Examples include software for systems management, data management, business applications, different business sectors, the Internet, mobile phones and military command control.
- Salaries of R&D and support personnel employed in the zone are exempt from all taxes until December 31, 2023. The number of the support personnel covered by the exemption shall not exceed 10 percent of the number of the R&D personnel.
- Enterprises may make the investment, required for the production of the technological product obtained as a result of the R&D projects conducted in the zone, in the TDZ, if deemed suitable by the operator company and allowed by the Ministry.
- 50 percent of the employer's share of the social security premium will be paid by the government for 5 years until December 31, 2024.

2. Organized Industrial Zones

Organized Industrial Zones (OIZs) are designed to allow companies to operate within an investor-friendly environment with ready-to-use infrastructure and social facilities. The existing infrastructure provided in the zones includes roads, water, natural gas, electricity, communications, waste treatment, and other services.

Advantages of OIZs:

In addition to the investment incentives scheme in Turkey (general investment incentives, regional investment incentives, large-scale investment incentives, strategic investment incentives, employment incentives, R&D support, etc.), investors operating in the OIZs can benefit from the following advantages:

- No VAT for land acquisitions

- Exemption from real estate duty for five years starting after the construction of the plant
- Low water, natural gas, and telecommunication costs
- For unification and/or separation of plots, no tax to be paid. Exemption from municipality tax for construction and usage of the plant
- Exemption from the municipality tax on solid waste if the OIZ does not benefit from the municipality service

3. Free Zones

Free zones are special sites considered to be outside the customs area, although they are within the political borders of the country. These zones are designed to increase the number of export-focused investments. Legal and administrative regulations in the commercial, financial, and economic fields that are applicable within the customs area are either not implemented or partially implemented in the free zones.

Advantages of FZs:

- 100 percent exemption from customs duties and other assorted duties
- 100 percent exemption from corporate income tax for manufacturing companies
- 100 percent exemption from value added tax (VAT) and special consumption tax
- 100 percent exemption from income tax on employees' salaries (for companies that export at least 85 percent of the FOB value of the goods they produce in the free zones)
- Goods can remain in free zones for an unlimited period
- Companies are free to transfer profits from free zones to abroad as well as to Turkey, without restrictions

Transfers

Foreign investors can freely transfer abroad: net profits, dividends, proceeds from the sale or liquidation of all or any part of an investment, compensation payments, amounts arising from license, management and similar agreements, and reimbursements and interest payments arising from foreign loans through banks or special financial institutions.

Investment Incentive Regime

The objective of the incentives is to encourage exports, high technology, increase competitiveness of the investments and employment, continuity of investment tendency and provide sustainable development.

Regional and sector-based investments: Turkey is separated into six regions based on the development level of the districts/cities in these regions. The first three zones represent well developed regions, respectively, whereas the last three show relatively less developed zones in Turkey.

Large scale investments: Investments in excess of at least TRY50 million where such amount increases depending on the industry of the investment. The minimum investment amounts for certain industries such as automotive supplier industry has been decreased whereas certain mining investments were included in the large scale investment schedule.

Prioritized investments: This type of investments can benefit from the incentives that are granted to 5th region investments. Investments in the below industries can qualify as prioritized investment:

- Investments regarding sea transportation of load and/or passengers
- Railway investments that are to be made by the private sector members for the purpose of domestic load and/or passenger transportation and inner city load transportation
- Automotive, space or defence orientated test centres, wind tunnels and other related investments. Accommodation investments for tourism purposes that are entitled to regional incentives in areas in the scope of protection and development of culture and tourism
- International fair investments with a minimum closed area of 50 thousand square meters (excluding the accommodation and shopping mall units)
- Investments with a minimum amount of TRY20 million and in biotechnological, oncology and blood product investments in Pharma industry, following the approval of project by the Ministry of Health
- Investments with a minimum amount of TRY20 million in defence, aviation and aerospace areas, following the approval of the project by the Undersecretariat of Defence
- Mine extraction and/or mine processing investments (excluding the ones to be realized in Istanbul and aggregate investments and investments into the 1st group of mine defined in the Mining Law.
- Pre-school, primary, secondary and high school investments to be made by the private sector members
- Products developed as a result of R&D projects that are supported by Ministry of Science, Industry and Technology, Small and Medium Sized Enterprises Development Organizationand the Scientific and Technological Research Council of Turkey
- Investments in motor vehicles industry with a minimum investment amount of TRY300 million and auto components industry (i.e. engine production investments with a minimum investment amount of TRY75 million, investments in components and transmission components of engines and electronics of automotive with a minimum investment amount of TRY20 million)
- Investments in coal based electricity generation power plants (under a mining and prospecting license)

Strategic investments: A strategic investment should altogether qualify the below:

- The minimum fixed amount of the investment should exceed at least TRY50 million
- Total imports related to the investment good should exceed TRY50 million in the closed year
- Added value that is expected to be provided by the potential investment should be minimum 40%
- The total domestic production capacity of the final good to be produced should be less than the imports

Investments entitled to incentives applicable in a successive region: This incentive is granted to large-scale and/or regional investments with one of the below properties:

- Investments in the Organized Industrial Zones (OIZ)
- Investment that is made by an investor with at least 5 individuals or corporate shareholders and provides an integration of the investments to be made in a common operating area

If the investment is in 6th region, 2 years to social security employer contribution and 5 points to the investment contribution rate are added to the current incentives applicable in that region.

Investment Incentives

Investment incentives are available to investors through an "Investment Incentive Certificate" (IIC), which is obtained from the General Directorate of Incentive Application and Foreign Capital under the Ministry of Economy (Authority). In order for an investment to be granted an IIC, the minimum investment amounts should be TRY 1,000,000 for the first two regions and TRY 500,000 for other regions. It should also be noted that any investment fulfilling the minimum investment amounts are still subject to the evaluation of the Ministry of Economy.

Customs duty exemption: 100 percent customs duty exemption is available on the imported machinery and equipment (Imports from EU countries are already customs duty free).

Value Added Tax (VAT) exemption: 100 percent VAT exemption for both domestic purchase of and import of machinery and equipments for the qualified investments (Under the VAT Code, importation of machinery and equipment under an investment incentive certificate is not subject to VAT, as well as local purchases of machinery and equipments).

Corporate tax reduction: Regional and sector-based, prioritized, large-scale and strategic investments are entitled to benefit from corporate tax reduction limited to the tax savings that reach the investment contribution rate. Government provides a corporate tax reduction from 50 percent up to 90 percent depending on the location and the amount of the investment.

Social security employer premium contribution: Social Security employer premium incentive is granted from 2 years to 10 years, depending on the location of the investment and limited to the premiums applicable to minimum wage ceiling (monthly). The incentive amount is also limited to a percentage of the actual investment amount which should be checked for each investment project eligible for this incentive.

Social security employee premium contribution: This incentive is provided only for the investments in 6th region limited to 10 years.

Allocation of Land: Land can be provided to the investors as a right of easement or usage right for 49 years by the Ministry of Finance.

Interest support on the financing: Government also contributes to interest payments on the loans granted in the scope of incentive regime. The highest amount of contribution is TRY 900 thousand which is provided for investments in the 6th region. The highest amount of interest support is granted to strategic investments, with a limitation of 5 percent of the fixed investment amount but can reach up to TRY 50 million.

Income withholding tax: This incentive is granted to investors only for the investments in 6th region limited to 10 years.

VAT refund: This incentive is granted to investors for strategic investments over TRY500 million and limited to their building and construction expenses.

Expropriation and Nationalization

Foreign direct investments shall not be expropriated or nationalized, except for public interest and upon compensation in accordance with due process of law

Employment Conditions

A foreign individual sent by a foreign company to carry out business on its behalf in Turkey has to obtain a work permit from the Ministry of Social Security and Labour Affairs and a work visa from the Turkish consulate,and apply for the residence permit to the Foreigners Office of Police Department with this work permit.

The Turkish Labour Code, Law No. 4857, regulates the employer-employee relationship in Turkey as individual parties. It regulates the conditions of the employment contract for which legal requirements are to be evidenced in writing if they are to be signed for a definite period of one year or longer. Work, which continues for maximum 30 workdays on account of its nature, is called temporary work, and work that lasts longer is called permanent work. The Labour Code also regulates the probationary period which shall be at most two months for employment contracts signed for a permanent period. During this period, the parties may terminate the employment contract without notice and compensation. The salary shall be paid to the employee once a month and a commission working under the Ministry of Labour and Social Security determines the minimum monthly gross wage to constitute a fair income level for the employees by taking into account the cost of living. As regards the termination of the employment contract, these may either be concluded for a definite or indefinite period of time, in the latter case both the employee and the employer are entitled to terminate the contract by observing the minimum periods stated in the Turkish Labour Code.

Under the Labor Law, the maximum regular working hours are 45 hours per week. In principle, 45 hours should be splitted equally among the working days. However, in accordance with the Labor Law, working hours may be arranged by the employer within the legal limits. As a rule, hours exceeding the limit of 45 hours per week are to be paid as “overtime hours”. The wage/salary for each hour of overtime work is paid by raising the hourly rate of the regular working salary by fifty percent. Instead of the overtime payment, employees may be granted 1.5 hours of free time for every overtime hour worked. Overtime hours worked during weekends and public holidays are to be paid as wage for one day holiday and overtime wage. These rates may be increased on the basis of a collective or personal employment contracts between employees and employers. The total number of overtime hours worked per year may not exceed 270 hours.

In case the employer recruits at least 10 workers within the same workplace or across the whole country; any premium, wage, compensation, etc. to be paid to workers shall be paid in Turkish Lira (TRY) to the bank accounts of employees. If wage and salary amounts are not paid into employees' bank accounts, an administrative penalty is charged to the employer. It is possible to denominate wages/salaries in terms of a foreign currency. In this case, wages/salaries shall be paid in TRY calculated on the basis of the relevant foreign currency rate prevailing as of the payment date.

In case the employment contract is terminated by the employer, it is required that the underlying reason of this termination be notified to the employee, and the reason of termination be valid. The employee has the right to file a lawsuit in Labor Court within one month from the date of notification of termination. In the lawsuit to be filed, liability of proving that termination is based on a valid reason belongs to the employer, and if the employee claims that termination is due to another reason, he/she is obligated to prove this claim. In case the court decides that the termination is invalid and the employee is to be reemployed, and if the employee does not apply to the employer within ten work days from the date of notification of the decision to him/her, termination executed by the employer is deemed as a valid termination, and employer is only held responsible for the legal consequences.

All workers and functionaries are considered as insured from the moment they start working. Prior to commencement of work, the company must be registered with the local labour office as an employer, and must register itself and each employee with the local social security office. Social security premiums are compulsory in respect of all persons earning salaries and wages. Social insurance premiums are calculated on the basis of the monthly wages and are paid jointly by the worker and the employer. However, foreigners making social security contributions in their home countries do not have to pay the Turkish social security premiums if there is a reciprocal agreement between the home country and Turkey.

6. INVESTMENT OPPORTUNITIES IN TURKEY

With access to markets in Europe, Africa Asia, Commonwealth of Independent States (CIS) and the Middle East, strong public and private institutions, a growing middle class, manufacturing hub especially in automobiles, a developing agricultural economy and an educated work force, Turkey represents an opportunity for global companies looking for investment. Some of the sectors which provide abundant opportunities to investors have been outlined below.

I. Agriculture and food processing

Turkey currently acts as a regional hub for the production, processing and export of foodstuffs to large European and Middle Eastern markets. Its agricultural diversity and amenable climate allows it to produce a sustainable supply chain of raw inputs for its processing industry, facilitating its status as a large net exporter of food and beverages.

According to McKinsey report[5], Turkey offers significant investment opportunities especially in the agribusiness subsectors such as fruit and vegetable processing, animal feed, livestock, poultry, dairy and functional food. Turkey is a major global producer of fruits and vegetables, a part of which is exported mainly to the EU countries. Among dry fruits, Turkey is a leading producer of figs, raisins and hazelnuts and dried apricots. Turkey is also becoming one of the largest markets for baked goods as well as dairy products including milk, yoghurt, and cheese. Traditionally, unpackaged products have dominated the Turkish dairy market offering potential to investors. Given these factors, the country is one of the largest exporters of agricultural products in the Eastern Europe, Middle East and North Africa (EMEA) region.

With respect to the agriculture sector, Turkey's ambitious Vision for 2023 envisages on the following:

- US$ 150 billion gross agricultural domestic product
- US$ 40 billion agricultural export
- Becoming one of the top five countries in terms of agricultural production
- 8.5 million hectare irrigable area (from 5.4 million)
- Ranking number one in fisheries as compared with the EU

Turkey has a large and growing food and agriculture industry that corresponds to 8.5 percent of the overall gross value-added (GVA). A growing population of more than 76 million people, rising income levels and changing consumption patterns, urbanization has led to an increase in interest in packaged and processed food, such as ready-to-eat meals and frozen food. With proliferation of supermarkets and consumer tastes shifting towards convenience products, opportunities are

[5] Turkey: Making the Productivity and Growth Breakthrough

present in processed, packaged and frozen food sectors. There also exists opportunity to focus on the Halal market to cater to a rising domestic and foreign Islamic population. Opportunities also exist in fruit and vegetable processing, confectionery products, herbal foods, processed organic food, as well as vegetable oil (especially olive oil) and viticulture. There is a new focus on organic farming techniques and the government is especially very supportive of organic food manufacturing projects.

II. Alternatiave/Renewable energy

Over the past decade, demand in the Turkish energy market has been growing in line with its economic developments, driven by industrialization and urbanization. The total amount of investments required to meet the energy demand in Turkey by 2023 is estimated to be around US$ 120 billion (growing by 7 percent per annum), more than double the total amount invested during 2003-2013. With the on-going liberalization process, the Turkish energy sector is becoming more vibrant and competitive, attracting the attention of more investors for each component of the value chain in all the energy sub-sectors.

The renewable forms of energy, primarily hydro, wind, solar, geothermal and others are abundant in Turkey and encouraging policies backed by favorable feed-in tariffs are expected to increase their share in the national grid in the coming years. The Turkish government has made it a priority to increase the share of renewable sources in the country's total installed power to a remarkable 30 percent by 2023, while taking the energy efficiency concept to realization by enacting laws that set principles for saving energy, both at the individual and corporate levels. Turkey's ambitious Vision for 2023, envisages targets for the energy sector which include:

- Lifting up installed power to 120,000 MW
- Maximizing the use of hydropower
- Increasing wind power installed capacity to 20,000 MW
- Installing power plants with 600 MW of geothermal and 3,000 MW of solar energy
- Extending the length of transmission lines to 60,717 km
- Reaching a power distribution unit capacity of 158,460 MVA
- Extending the use of smart grids
- Raising the natural gas storage capacity to 5 billion m^3
- Commissioning nuclear power plants (two operational nuclear power plants, with a third under construction)
- Building a coal-fired power plant with a capacity of 18,500 MW

Turkey's hot climate and natural waterways allows a third of its installed capacity to be made up from renewable sources. However the country is still lagging behind the per capita energy consumption in comparison with the OECD average, which shows that there is still more room for further growth, in alignment with increasing per capita GDP.

The government is exploring alternatives for adding significant amounts of capacity in order to meet the probable shortage of supply in the medium term. According to Turkey's State Planning

Organization, a total investment amounting to US$20 billion would be required during 2011-2015 and US$ 51 billion during 2016-2020. To meet the shortfall, the government is seeking private investors to build and operate new hydro electric dams, thermal energy power plants and rehabilitate existing ones.

III. Healthcare

Turkey's healthcare sector has developed largely due to support provided by government policies that have ensured broader access to the system. Enjoying a surge in interest from hospital chains and investment funds, Turkey's healthcare sector, including subsectors such as dentistry, optometry and home healthcare services, are in high demand for partnerships and acquisitions. Investing in the country's healthcare sector became much easier with the recent passage of laws that emphasizes public-private partnership in proving healthcare services.

Turkey is likely to experience a continued economic expansion and rising incomes which, in turn, is expected to create more demand for health services and products, reflected in healthcare spending projections. According to Economist Intelligence Unit (EIU) forecasts, the healthcare sector in Turkey is set to boom by a CAGR of 5.6 percent between 2013 and 2017, while most developed countries will be experiencing relatively lower growth rates.

The Ministry of Health has in pipeline plans to open tax-free healthcare zones specifically tailored for foreign patients, which include hospitals, rehabilitation centers, thermal tourism facilities, nursing houses, health techno-cities and R&D centers. As part of the reforms, a new rule has been put in place to pave the way for government guarantees for international project financing investments of TRY 500 million (US$279 million) and above.

There are plans to increase health tourism revenue to US$ 20 billion by 2023. As a result, healthcare spending per capita has been targeted to almost triple by 2023, reaching US$ 2,000 from US$ 750 in 2013. The Ministry of Health, with the support of the World Bank, has been implementing a 26,000 bed health transformation programme with the objectives of renovating healthcare infrastructure throughout Turkey to meet increasing healthcare demands, bringing together smaller hospitals under several integrated health campuses and increasing the quality and efficiency of the health service. Turkey is already among the top ten healthcare destinations globally, according to Deloitte's 2014 Global Life Sciences Outlook, with 250,000 medical tourists in 2013, up from 74,000 in 2008. The country's health tourism strategy includes medical, spa and healthcare for elderly and disabled people, and foreign patients are also seeking medical care in dentistry, optometry, orthopedics and plastic surgery.

As growth in the healthcare sector is expected to continue and restructuring of the health financing system on the agenda, Turkey will remain an attractive market for investment in equipment and supplies, as well as medical consulting services and knowledge transfers. In addition to its growing internal market, Turkey also offers opportunities for healthcare services and equipment providers as a stepping-stone to the markets in Central Asia and North Africa. Developments in the healthcare policy will have further positive effects on the growth of private healthcare services.

IV. Information and communications technology (ICT)

Turkey's ICT industry is dominated by telecoms, which constitute approximately 73 percent of the market by value, with the IT sector, which includes hardware, software and IT services, comprising the remaining 27 percent. The Turkish ICT market has expanded notably over the last few years, driven by strong consumer demand for smart devices, landmark government investments, and buoyant private sector spending. Turkey's ICT sector is ranked among the rapidly growing sectors of the country with an annual composite growth rate of 14 percent achieved during 2003-2013 (as per latest data available)[6]. Since 2005, many large scale international companies have invested in Turkey's ICT sector. The economy of Turkey has a large domestic market with sizeable potential in the ICT sector, which is expected to grow at a CAGR of 7.4 percent during the 2012-2017.

In Turkey, the total number of mobile phone subscribers is expected to reach 75 million by 2017. IT spending on hardware, software, IT services and telecommunication services in Turkey is also expected to increase to US$ 25 billion by 2016. The percentage of internet users in Turkey which stood at 42 percent in 2013 is forecast to rise to above 47 percent in 2017.

Bolstered by growth in mobile broadband and fibre-optic services, plans for massive 4G expansion, and a young population keen to embrace the latest in technology, IT is one of the fastest-growing sectors in the Turkish economy. Under the government's expansive Vision 2023 strategy, the country plans to make major strides in internet penetration, technological innovations and research leadership within the sector. The government has set a range of targets for the sector as part of its Vision 2023 goals, including reaching 30 million broadband subscribers, supplying 50 percent of the ICT sector with domestic products and services, having the ICT sector generate 8 percent of GDP, providing all public services electronically by 2019, and achieving 80 percent computer literacy throughout the population.

V. Transport and logistics

Turkey's strategic location gives the country's transportation and logistics sector a major advantage in serving the markets of Europe, the Middle East and North Africa, as well as Central Asia, thereby creating opportunities for projects in transport and logistics, and allowing it to function as a hub for over US$ 2 trillion worth of freight carried in the region[7]. Turkey's current logistics industry size is estimated to be US$ 80-100 billion and is forecast to reach US$ 108-140 billion by 2017[8].

Proximity to suppliers and customers makes Turkey an attractive logistics hub for import and export of goods. Acceleration in Turkey's foreign trade with neighboring as well as distant countries has underlined the importance of Turkey as a major trade route. Increase in Turkey's foreign trade volume has led to above-average growth in the transportation and logistics industries. Turkey has attracted global logistics companies, with the top global logistics companies conducting operations either on a standalone basis or through joint ventures. Both public and private infrastructure investments in the last ten years have significantly improved the logistics services provided in the country. Many new airports have been built, dual carriageways have spread across the country, the high-speed train network has started to reach

[6] International Data Corporation (IDC), July 2014
[7,8] Turkstat, 2014

major cities and the capacity of Turkish ports has been increased.

Turkey has ambitious targets for 2023 for the logistics industry. In order to attract more investors to the logistics industry, Turkey is diversifying its modes of transportation for carrying freight and passengers. Turkey's 2023 foreign trade target of US$ 1.1 trillion, of which US$ 500 billion to be exports, are likely to bring forth the need for development in the transportation and logistics industry and diversify the modes of transportation. The Turkish government has set challenging targets to be achieved by 2023 for improving the logistics infrastructure, which include:

- Building an additional 15,000 km of dual carriageways and highways
- Increasing the shares of railway transportation to 10 percent and 15 percent in passenger and freight transportation respectively
- Building an additional 9,000 km of high-speed train lines
- Constructing new airports with a total annual capacity of 400 million passengers
- Increasing the share of sea freight transportation to 10 percent in total freight transportation and containerization by 15 percent
- Building three large ports in each seas surrounding Turkey

The Turkish Industrial Strategy Paper 2011-14 has outlined a strategic shift in the transportation modal mix, from rail to road. In this regards, projects for expanding the hinterland connections between container seaports and inland rail terminals as well as roadway development have a high priority.

VI. Tourism

Turkey has been one of the world's fastest growing tourism markets globally, attracting more than 30 million tourists each year. The Turkish tourism industry's growth remains unhindered by the negative effects of the recent global economic crisis, while retaining immense untapped potential.

For boosting tourism, construction of new luxury hotels and holiday villages are in progress. In addition to the hotel and resort construction boom, other infrastructure such as drinking water and sewage systems are being overhauled, and new marinas and golf courses are being built to attract rich foreign tourists to coastal areas, characterized by miles of long, unpolluted beaches, ruins of magnificent cities of antiquity, and long warm summers and mild winters. New hotels are also springing up in Istanbul and other big cities to encourage convention and business tourism across Turkey.

According to a report by the Turkstat, the number of tourists visiting Turkey rose 21.7-fold in the past three decades, from 1.5 million in 1979 to a record 33 million in 2010, including 28.62 million foreign nationals and 4.395 million Turks living abroad but visiting the country. Turkey's tourism earnings also grew from a modest US$ 280 million in 1979 to a record US$ 21.2 billion in 2009, according to the Ministry of Culture and Tourism. In 2008, the country had a 3.3 percent share in the global tourism market share, up from 2.7 percent in 2005. By 2023, Turkey aims to attract 60 million foreign tourists annually and earn US$ 60 billion a year from tourism, according to the State Planning Organization (DPT).

In 2013 Travel & Tourism Competitive Index report by World Economic Forum, which measures the investment attractiveness of the travel and tourism industry in a country, Turkey averaged 4.44 out of 6. Turkey improved both its air transport and tourism infrastructure from 2011 to 2013. Nine airports were built from 2003 to 2013, which increased the total number of airports to more than 50.

According to the World Travel and Tourism Council the nation has the opportunity to develop alternatives including ecological tourism, incentive and convention tourism, adventure travels, ski holidays, religious and culture tours, and there is almost immeasurable potential for growth and profit in the travel and tourism industry in Turkey.

VII. Chemical and petrochemical

Turkey has a thriving chemical products industry (CPI), but is heavily dependent on imports of chemical raw materials, basic chemicals and finished products, as well as technology. Chemical imports are the second biggest import item of Turkey following mineral fuels. However, Turkey has ambitious targets for 2023 for the chemical industry which include reaching US$50 billion in chemical exports, thus capturing 0.79 percent share of the global chemicals market.

Turkish companies have shown interest in cooperating with foreign companies on manufacturing organic and inorganic chemicals, including specialized resins with sophisticated technology in order to lower production cost in Turkey. FDI inflows to the chemical industry increased at a CAGR of 27 percent from 2008 to 2012 nearing almost US$ 1 billion in 2012. M&A's in Turkish chemicals industry from 2010 to 2013 accounted for more than US$ 800 million. International chemical companies, including Unilever, Cognis, Henkel, P&G, Clariant, and BASF, strengthened their base in Turkey. India's Polyplex Corporation Limited, has made an investment of US$ 150 million, and Dabur has acquired 100 percent stake in Hobi Kozmetik, Zeki Plastik, Ra Pazarlama.

Turkey's substantial economic growth combined with industry's strong positioning offer ample growth opportunities for Turkey's chemicals industry. The industry possesses natural resources and a soaring demand, but lacks adequate capital. The industry depends on imports for both raw materials and technology requirements.

Advantages of Investing in Turkey

- Stable economic growth with an average annual real GDP growth rate of 4.8 percent between 2002 and 2014.
- Strategic location: A natural bridge between both East-West and North-South axes, thus creating an efficient and cost-effective outlet to major markets thus facilitating easy access to 1.5 billion customers in Europe, Eurasia, the Middle East and North Africa
- Large domestic market
- Turkey entered a customs union with the EU in 1996 and has been an EU accession candidate since 2005, which has resulted in the expansion of trade relations with Europe
- Skilled and cost-effective workforce
- An important energy terminal and corridor in Europe connecting the East and the West
- Tax benefits and incentives in Technology Development Zones, Industrial Zones and Free Zones, including total or partial exemption from Corporate Income Tax, a grant on employer's social security share, as well as land allocation
- R&D and Innovation Support Law
- Incentives for strategic investments, large-scale investments and regional investments
- Well-developed and low-cost sea transport facilities
- Promising economy with a bright future as it is expected to become one of the fastest growing economies among the OECD members during 2014-2016 with an average annual real GDP growth rate of 3.6 percent (OECD, February 2015)
- Over 29.2 million young, well-educated and motivated professionals (2014, TurkStat)
- The second biggest reformer among OECD countries in terms of its restrictions on FDI since 1997 (OECD FDI Regulatory Restrictiveness Index 1997-2012)
- Equal treatment for all investors
- Around 39,180 companies with international capital in 2014 (Ministry of Economy)

Source: Invest in Turkey, The Republic of Turkey Prime Ministry Investment Support and Promotion Agency

7. POTENTIAL AREAS OF CO-OPERATION WITH TURKEY FOR ENHANCING BILATERAL RELATIONS

The concluding chapter delineates some broad areas which would build upon the analysis and findings of the previous chapters, and thereby serve to enhance two-way trade and investment between India and Turkey.

Developing Linkages with Investment Promotion Agencies/Chambers of Commerce

Besides streamlining investment regimes, Turkey has set up specialized investment promotion agencies/Chambers of Commerce to promote and facilitate inflow of foreign investment, while also serving as one-stop-shop for investment related activities. In light of the key role of these institutions, building closer co-operation and linkages with these investment promotion agencies in Turkey would serve to enhance access to information about investment opportunities in the country. An important element of the strategy to boost bilateral trade and investment relations would be to effectively disseminate relevant information relating to the presence of potential to Indian exporters and investors in India.

Such relationship would serve to enhance knowledge about potential areas of investment, upcoming projects in different sectors, prospective investment partners, as also procedures, rules and regulations required for venturing into specific sectors in Turkey and incentives offered to investors. Further, investment promotional events with select investment promotion agencies would foster increased interaction between potential investors and concerned agencies in potential sectors. A national level industry association/ trade chamber could be identified which could undertake various trade promoting activities such as organizing Business-to-Government (B2G) and Business-to- Business (B2B) delegation visits relating to identified potential sectors; organizing fairs to showcase the competencies of Indian SMEs and to capture market opportunities.

Besides, an interactive portal hyperlinked with major industry and trade associations and chambers in Turkey would be helpful in providing necessary information and advisory services on potential export and investment markets. It could also maintain a readymade database accessible to all the potential investors and exporters in both India and Turkey. Training by way of specialized courses on the web for providing technical assistance and other technical advices in sectors relevant to Turkey can be an important step towards enhancing bilateral trade and investment.

Co-operation in Infrastructure Development

An important area of bilateral co-operation could be infrastructure development, owing to an increasing need for better infrastructural facilities, coupled with Turkey's endeavour for rapid economic growth. Turkey's emerging economy presents a need for infrastructure investments in various industries, which include construction, residential and non-residential buildings, transportation and energy.

Areas that hold potential would include development of highways and roadways, development of railway networks and power systems. For example, it is expected that from 2011 to 2023, value of infrastructure projects will increase at a CAGR of 12 percent from TRY 10.9 billion to TRY 36.6 billion. This include plans to increase the length of high speed railway lines to 10,000 km in 2023 from 888 in 2012 km at a CAGR of 25 percent; highways are expected to reach 7,500 km from 2,236 km during the same period; increase installed power capacity to 125,000 MW by 2023 from 57,059 MW in 2012; value of roads and bridges expected to reach TRY 16.8 billion in 2023 from TRY 5.6 billion in 2012.

Indian construction companies could explore business opportunities to meet infrastructural requirements, also contributing largely to economic development.

Tie-ups in Education Sector

Investment in human capital is one of the major means to accelerate growth of an economy. Among the various measures of investment in human capital, education is the most vital for achieving a high rate of growth. The enrichment of human capital through education is not only critical to ensure economic prosperity but also crucial in human development. Turkey has requirements of quality secondary education, vocational education and training, and tertiary education, thereby strengthening links to the labour market. Though foreign institutions are currently not allowed to establish a physical presence in Turkey, transnational provision can be offered through a collaborative arrangement (e.g. joint degrees). India's significant achievements in some of the knowledge-oriented sectors may be attributed to well orient higher education system. Indian educational institutions can establish partnership with universities and higher education institutes in Turkey, and can also facilitate exchange programmes, and joint study programmes and degrees, and promote research in science and technology.

Co-operation in Energy Sector

Turkey's energy industry, which supplied 40,000 MW annually, is dominated by hydro, natural, gas and coal resources. The share of public and private enterprises in this production is 58 percent and 18 percent respectively. According to Vision 2023 projections, production capacity needs to be increased to 50,000 MW, which requires an investment of US$ 4 billion to US$ 5 billion annually. About 22 percent of Turkey's annual imports in 2013 had been energy related. The Turkish energy industry relies heavily on imports from Russia, followed by Iran. Due to oil prospects in the Black Sea, companies like BP-Chevron, ExxonMobil and Petro Brass have collaborated with Turkish petroleum corporations in the Black Sea region. This provides an opportunity for Indian companies also to use their expertise in oil extraction and enter into technical collaboration or MoUs.

At the same time, Turkey has started looking at alternative sources of fuel, and plans to set up large generating as well as manufacturing capacities in renewable energy sources, particularly wind and solar. Turkey has already enticed major international investors such as General Electric and Siemens AG. India can also offer its support and expertise in setting up renewable energy projects for Turkey, which is almost entirely dependent on imports for its energy needs.

Co-operation in Information and Communication Technology

With Turkey still on the path of modernization and computerization, Information and Communication Technology (ICT) is another area for co-operation. With the strength and capability that India possesses in the realm of Information Technology (IT), Indian IT firms could explore opportunities in Turkey, and focus on investing in subsidiaries and joint ventures in the areas of e-governance, financial services and e-education. Indian companies could also share their expertise in providing software programmes and services for banks and financial institutes in the region.

Designing specialized e-learning courses on the web for providing technological assistance, manufacturing know how, and other technical areas also present opportunities. Such initiatives would help industry promote education in remote areas, create employment opportunities and provide healthcare, thereby contributing to overall development of Turkey.