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Trade Policy Review of Turkey

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Abstract

This paper examines the WTO's 2023 Trade Policy Review (TPR) of Turkey, covering 2016–2022. As Turkey marked its centenary in 2023, the TPR allows for critical reflections on Turkey's global and European economic integration and its evolving economic policies. The review period witnessed key developments: heightened tensions with the European Union (EU), the country's transition into a presidential system, and the impacts of COVID-19 and the Ukraine war. Turkey continued its state-led development and proactive industrial policy post-Global Financial Crisis, aiming to reduce the current account deficit, diversify exports, advance technological sophistication and enhance its position in global value chains (GVCs). Recently Turkey has further aligned its import–export regimes and trade negotiations with these strategic goals, increasing its Most Favoured Nation tariffs and adopting localisation strategies to support key sectors. Turkey navigated the pandemic effectively, bolstering its role in global supply chains, as indicated by its increased trade-to-GDP ratio. This underscores its economic resilience and strategic location. However, Turkey's trade policies are increasingly diverging from those of the EU, its main trade and supply chain partner and Customs Union ally. Turkey's new Regional Trade Agreements aim for deeper sectoral integration with partners other than the EU.

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KEYWORDS

Regional Trade Agreements, Trade Policy Review, Turkey, Turkey-EU Relations, Turkish Political Economy, World Trade Organization

1 | INTRODUCTION

This paper scrutinises the 2023 Trade Policy Review (TPR) of Turkey by the World Trade Organization (WTO), executed from 13 to 15 November 2023. As a founding member of the WTO with developing country status, Turkey is subject to a TPR quadrennially. Nevertheless, the scheduled seventh review in 2020 was postponed due to the COVID-19 pandemic and the earthquakes in Southeast Turkey in early 2023. The report by the WTO secretariat, issued on 1 February 2023, covers the period from 2016 to 2022, providing a pivotal basis for evaluating Turkey's trade policy evolution post the 2008–2009 Global Financial Crisis in the centennial of the Republic of Turkey. Drawing on reports from the WTO secretariat and the Turkish government, personal interviews with Turkish trade policymakers[1] and recent studies, this paper delves into Turkey's economic and sectoral policy shifts over the past 7 years, assessing their impact on global and European market integration (WTO, 2023a, 2023b).

Turkey has witnessed significant political shifts since 2016, affecting its industrial, commercial and foreign policy landscape. These transitions, notably the shift to a presidential system in 2017, the cessation of EU membership negotiations in 2018 and regional security concerns in the Eastern Mediterranean, Syria and Ukraine, have centralised trade policy and reoriented Turkey's strategic and industrial focus, impacting its relations with key partners, particularly the EU, its largest trading partner and Customs Union ally. Despite challenges, including strained Western relations, the pandemic and the 2023 earthquakes, Turkey exhibited macroeconomic resilience, notably outperforming G-20 peers in economic growth during the pandemic period.

The TPR underscores Turkey's post-Global Financial Crisis (GFC) embrace of state-led developmentalism and industrial policy proactiveness, alongside a strategic pivot away from the EU since 2016. The review accentuates Turkey's rising pivotal role in global supply chains, facilitated by its strategic locale and market accessibility, as evidenced by its enhanced trade-to-GDP ratio and increased manufacturing share of its GDP. Turkey's government has recalibrated trade and economic policies towards export and foreign direct investment (FDI) promotion, focusing on global competitiveness, current account deficit reduction, export market diversification, export product sophistication and global value chain (GVC) integration under its 'Vision 2023' strategy, which has been in effect since 2012.

Furthermore, Turkey's trade policy realignment to support developmental and industrial ambitions has diverged from its EU commitments, particularly under the CU and Turkey's EU accession negotiations. This is manifested in its adjusted import–export regimes, incentive schemes, localisation efforts, and unilateral, regional and preferential trade agreements as discussed in this paper. Notably, Turkey has adjusted Most Favoured Nation (MFN) tariffs on specific products, surpassing EU rates and contravening its CU obligations. Moreover, import measures and localisation strategies have been employed to safeguard or promote certain sectors and products. During the review period, these policy shifts and divergences have precipitated WTO disputes between Turkey and the EU, marking a historic development in their six-decade association.

[1]Interviews conducted face-to-face with 12 policymakers and negotiators at the Turkish Ministry of Trade who prefer to remain anonymous, took place in Ankara from 2 to 4 January 2024.

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The remainder of this paper is structured into five sections, each dissecting various facets of Turkey's trade policies. It explores political and economic shifts since the last TPR, Turkey's trade and investment performance, strategic trade policy initiatives, and proactive engagement in multilateral and preferential trade negotiations, highlighting the increasing deviation from EU policies. The conclusion synthesises the analysis.

2 | MAIN DEVELOPMENTS SINCE THE LAST REVIEW

Turkey, as a middle power and a foundational WTO member holding developing country status, actively navigates the complex terrain of global trade, influenced by both domestic factors and international obligations, notably under WTO and EU frameworks (Öniş & Kutlay, 2017). Although in a CU with the EU since 1995 and negotiating for EU accession since 2005, Turkey's trade policy and EU relations have undergone significant shifts since 2016. These include a strategic redirection post-Global Financial Crisis (GFC) towards revamped developmental goals, the transition to a presidential governance system in 2018 enhancing executive authority and fostering strategic autonomy, and evolving political dynamics that have strained EU relations, impeding accession talks and impacting CU functionality. The review period delineates a pivotal recalibration of Turkey's trade strategy, harmonising domestic priorities with its global engagements, and major findings in the TPR reports should be read against this shifting domestic and international political context.

First of all, Turkey's recent trade policies are a reflection of Turkey's strategic repositioning post-GFC. Turkey, echoing the trajectory of some other emerging economies, embraced a new developmental paradigm underscored by state activism. This paradigm, diverging from traditional import substitution, amalgamates market-oriented reforms with state-led interventions aimed at industrial growth and social inclusion. Such strategies, reflective of a broader trend towards state-led developmentalism, aim to bolster regional integration, enhance sectoral competitiveness and assert autonomy from international financial institutions (e.g. Öniş, 2019; Öniş & Kutlay, 2013; Toksöz et al., 2023). As argued by Öniş and Kutlay (2013, pp. 1420–1423) in response to the GFC, Turkey's adoption of state-led initiatives marked a significant policy evolution, inspired by 'catch-up' economies of the Global South. The Justice and Development Party (AKP) government's 'Vision 2023', put into effect fully in 2012, aimed to position Turkey among the top 10 global economies by 2023, the centennial of the republic (WTO, 2016, p. 17). The Vision 2023, coincided more recently with a shift towards centralised executive power and a presidential system under Recep Tayyip Erdoğan, emphasised an export-oriented growth model aiming primarily to address macroeconomic imbalances and elevate the sophistication of Turkish exports (Kutlay, 2020; Toksöz et al., 2023, pp. 180–223).

Specifically, since 2010 Turkey has strategically pivoted from its EU-aligned trade policies towards a state-led industrialisation strategy, emphasising 'selective' industrial policies aimed at mitigating economic and regional disparities (Atiyas & Bakis, 2015, pp. 1219–1226; Yilmaz, 2011). This redirection focused on fostering high-value-added sectors such as machinery, automotive, electronics and chemicals, underscored by a 2012 investment stimulus package that incentivised high-tech manufacturing. Ambitious targets were set within the Turkish Exports Strategy for 2023, aspiring for a 1.5% share in global trade and an 80% export/import ratio, with a pronounced emphasis on high-tech investments (WTO, 2016, pp. 27–30). Subsequent National Development Plans, notably the 10th (2014–2018) and 11th (2019–2023), further honed this agenda, accentuating productivity, localisation via public procurement and environmental sustainability. The 11th Plan introduced a 'Green Development Revolution', aligned with the Paris Agreement's targets for net-zero emissions

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by 2053 and the formulation of a Climate Law incorporating carbon pricing mechanisms, thereby reinforcing the sustainable development paradigm within Turkey's industrial policy framework. The Plan emphasised public procurement in sectors such as pharmaceuticals and renewable energy, which became contentious in EU relations (EC, 2022, pp. 69–71; 103–104).

The review period witnessed a recalibration of Turkey's trade policy to support this evolving trajectory. Efforts were made to reduce import reliance, decrease trade deficits and enhance GVC integration. Specific measures, as discussed in detail below, included elevating MFN tariffs in sectors such as textiles to protect domestic industries, thereby challenging CU obligations with the EU. Furthermore, Turkey pursued agricultural self-sufficiency and sought to bolster exports in strategic areas, complemented by new export and FDI strategies and the leveraging of regional trade agreements (RTAs) to globally integrate Turkish businesses across diverse sectors.

Second, as underlined by the WTO report, Turkey has undergone a significant transformation in its governance structure, a change that has profoundly influenced its trade policy recalibration. The April 2017 referendum catalysed constitutional amendments in 2018, transitioning the country from a parliamentary to a presidential system. This markedly bolstered the executive branch, notably enhancing the President's authority and consolidating governmental power within the presidency, thereby merging the roles of head of state and government. This has led to a reconfiguration of Turkey's legislative and judicial frameworks, facilitating the introduction of presidential decrees and decisively impacting the nation's political and trade policy architecture. The presidency now plays a direct and pivotal role in shaping trade and investment policies and overseeing international treaties, with the Turkish Grand National Assembly's approval.

As confirmed by senior trade bureaucrats, this centralisation of power has streamlined decision-making processes and fortified policy coordination across trade, industrial and executive bodies.[2] In 2018, the establishment of the Presidency of Strategy and Budget marked a strategic realignment, absorbing functions from the former Ministry of Development and introducing several policy councils and offices aimed at fostering strategic investments and digital transformation. The creation of the Turkey Wealth Fund Management Co. in 2016 exemplifies the government's strategy to stimulate economic engagement through investments and public-private partnerships, mirroring practices observed in other emerging economies in Asia (Kutlay, 2020, p. 697; Öniş, 2019, pp. 210–211). Furthermore, the merger of the Ministry of Customs and Trade with the Ministry of Economy resulted in the formation of the Ministry of Trade (MoT), which now supervises a broad spectrum of trade policies and international interactions, including the operation of the Türk Eximbank. This restructuring also emphasised Turkey's sharpened focus on service exports, especially through RTAs, with the establishment of a new General Directorate of International Services in 2018.

On the contrary, the Ministry of Industry and Technology (MoIT) has evolved to include responsibilities related not only to industrial and innovation policies but also to investment incentives, the National Technology Move Program for high-value-added local production and the Turkish Space Agency. In a significant shift away from the EU membership perspective, the Ministry of European Union Affairs was dissolved in 2018, transferring its duties to the Directorate for EU Affairs under the Ministry of Foreign Affairs.

A third critical development in Turkish trade policy has been rising tensions with the European Union (EU), Turkey's CU partner. The EU has expressed concerns over Turkey's adherence to

[2]Interviews with two senior foreign trade negotiators, Ministry of Trade, Ankara, 3 and 4 January 2024.

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democratic norms, the rule of law and human rights, particularly following the 2016 coup attempt and the shift to a presidential regime (EC, 2018, 2022). Such tensions, exacerbated by tensions in the Eastern Mediterranean, have negatively impacted Turkey's EU accession trajectory and CU operations. Notably, Turkey's legislative and policy shifts, especially in areas critical to the CU such as the common commercial policy (CCP), signal a deviation from the EU's *acquis*. This has complicated CU functionality and precipitated WTO disputes amidst the pandemic, underscoring the multifaceted challenges facing Turkey–EU relations.

3 | TRADE PERFORMANCE AND INVESTMENT

3.1 | Macroeconomic environment

Between 2016 and May 2023, Turkey implemented macroeconomic policies that melded cautious fiscal strategies with expansionary monetary measures, characterised by the Central Bank of the Republic of Turkey (CBRT)'s reduced interest rates and the Turkish lira's depreciation. The period of 2016–2019 was marked by fiscal restraint aimed at macroeconomic stability, GDP growth enhancement and current account deficit reduction. The budget deficit was kept below the Maastricht criterion of 3%, outstripping 23 EU countries' performance. Despite the COVID-19 pandemic's impact, the deficit dropped to 2.8% in 2021, below the forecasted 3.5%.[3]

The post-pandemic depreciation of the lira led to inflationary pressures and dwindling CBRT reserves, boosting exports while escalating import demand and foreign asset investments, with deposit dollarisation peaking at 64.5%. The 2021–2023 Economic Reform Package aimed to curb inflation and dollarisation, yet the International Monetary Fund (IMF) highlighted Turkey's external reserves as insufficient, noting net international reserves as negative when accounting for foreign exchange swaps. Inflation remains a persistent challenge, with CPI inflation soaring to 72.3% by the end of 2022, significantly overshooting the CBRT's 5% target (IMF, 2023a; see Table 1).

Turkey's external account deficits, exacerbated by currency instability and inflation, have been predominantly debt-financed. As seen in Table 1, the goods trade deficit widened to USD 107 billion in 2022, while services trade contributed a surplus, somewhat mitigating the balance of payments strain. The goods and services trade deficit expanded from USD 19 billion in 2016 to USD 39.8 billion in 2022. The current account's GDP percentage varied, showcasing a −3.1% in 2016, a 1.4% surplus in 2019, and deteriorating to −5.4% in 2022. Despite these challenges, Turkey managed a moderate government debt-to-GDP ratio into late 2023, contending with shorter borrowing terms and increased external debt.

3.2 | Gross domestic product and sectors' performance

In 2022, Turkey's GDP reached USD 907 billion, supporting a population of 85 million. Since the GFC, Turkey has shown economic resilience, maintaining positive GDP growth except for a dip in 2009. Growth rates fluctuated, peaking at 9.2% in 2010 and dropping to 2.1%

[3]Apart from the data in tables and figures, compiled from various sources cited beneath each, the information within the paper, unless otherwise specified, is based on TPR reports by the WTO secretariat and the Turkish government (WTO, 2023a, 2023b).

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TABLE 1 Selected macroeconomic indicators.

	2016	2017	2018	2019	2020	2021	2022
GDP at current prices (USD billion)	869.7	859.0	779.0	761.0	720.3	819.9	907.1
GDP growth (% change)	3.3	7.5	3.0	0.8	1.9	11.4	5.5
Population	79.3	80.3	81.4	82.6	83.4	84.1	85.0
GDP per capita (USD)	10,970	10,696	9569	9215	8639	9743	10,675
Share of GDP (% of GDP at current prices)							
Share of exports of goods and services (%)	23.1	26.0	31.2	33.1	29.1	35.7	38.6
Share of imports of goods and services (%)	25.2	29.7	31.4	30.1	32.2	35.3	42.6
Contribution to GDP growth (% change in chain-linked volume 2009 = 100)							
Exports of goods and services (annual % growth)	−1.7	12.4	9.1	5.3	−14.6	25.1	9.9
Imports of goods and services (annual % growth)	3.0	10.6	−6.2	−5.0	6.8	1.7	8.6
Unemployment rate	10.8	10.8	10.9	13.7	13.1	12.0	10.0
Inflation, (CPI annual change, %)	7.8	11.1	16.3	15.2	12.3	19.6	72.3
External sector							
Current account (% of GDP)	−3.1	−4.7	−2.6	1.4	−4.4	−0.9	−5.4
Exports of goods (USD billion)	142.5	157.0	167.9	171.5	160.7	213.6	235.2
Imports of goods (USD billion)	198.6	233.8	223.0	202.7	209.5	260.7	342.2
Balance of trade in goods (USD billion)	−56.1	−76.8	−55.1	−31.2	−48.9	−47.1	−107.0
Exports of goods and services (USD billion)	199.3	223.2	238.3	249.4	206.6	286.1	343.7
Imports of goods and services (USD billion)	218.4	254.9	248.1	227.6	230.1	283.6	383.5
Balance of trade in goods and services (USD billion)	−19.0	−31.8	−9.8	21.8	−23.5	2.5	−39.8
Exports of goods and services annual growth (%)	−1.7	12.4	9.1	5.3	−14.6	25.1	9.9
Imports of goods and services annual growth (%)	3.0	10.6	−6.2	−5.0	6.8	1.7	8.6
Trade in goods and services as share of GDP (%)	48.0	55.7	62.4	62.7	60.6	69.5	80.2
Exports/imports ratio (goods)	71.8	67.1	75.3	84.6	76.7	81.9	68.7
Exports/imports ratio (goods and services)	91.3	87.5	96.0	109.6	89.8	100.9	89.6
TRY/USD (period average)	3.0	3.7	4.9	5.7	7.0	8.9	16.6
TRY/EUR (period average)	3.3	4.1	5.7	6.4	8.0	10.5	17.4

Source: World Bank database, IMF, TurkStat.

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in 2012, highlighting vulnerability to external capital flows and climate-impacted agriculture (IMF, 2023a). Geopolitical challenges and refugee influxes since 2015 further complicated matters. Nonetheless, Turkey sustained growth from 2016 to 2022, even registering a 1.9% increase in 2020, one of the highest among G20 countries. As noted by the WTO, the government's expansionary monetary policy and credit growth played a vital role during the COVID-19 pandemic.

Turkey's economic expansion has been driven by exports and domestic consumption, with private consumption and capital investments leading growth in 2016 and 2017. In 2021, a global demand surge boosted exports by 25.1%, leading to 11.4% GDP growth, the highest in the G20 and reducing unemployment to 10% in 2022. The IMF (2023b) forecasts a 4% expansion in real GDP for the year 2023, with projections indicating 3.1% growth for 2024. This outlook is supported by robust trade performance.

As shown in the chart below, services constituted 59% of Turkey's GDP in 2022, slightly down from 2016 (Figure 1). Despite growth in sectors such as wholesale, retail trade and transportation, real estate and construction declined. Agriculture and fisheries showed variability, and mining contributed modestly despite rich natural resources. A key development, as highlighted by the TPR report, is the rising significance of industrial manufacturing, increasing its GDP share from 18.8% to 24.7% from 2016 to 2022. Sectors such as automotive, aviation and electronics expanded, benefitting in particular from global supply chain disruptions. Turkey's growth, facilitated by strategic policies, low-cost credit and foreign investment, is integrating it further into GVCs. However, issues of productivity, income disparity, widespread informality and labour market challenges necessitate a more inclusive and sustainable approach, as advised by the OECD (2023).

3.3 | Trade performance

From 2016 to 2022, Turkey's economy, particularly its trade sector, underwent notable structural changes. In 2016, exports in goods were USD 142.5 billion, rebounding to USD 213.6 billion in 2021 after a pandemic-induced decline, surpassing the global average increase. By 2022, exports reached USD 235.3 billion, representing an 8.7% annual growth rate since 2016. However, imports grew faster at 9.5% annually, rising from USD 198.6 billion to USD 342.2 billion. This led

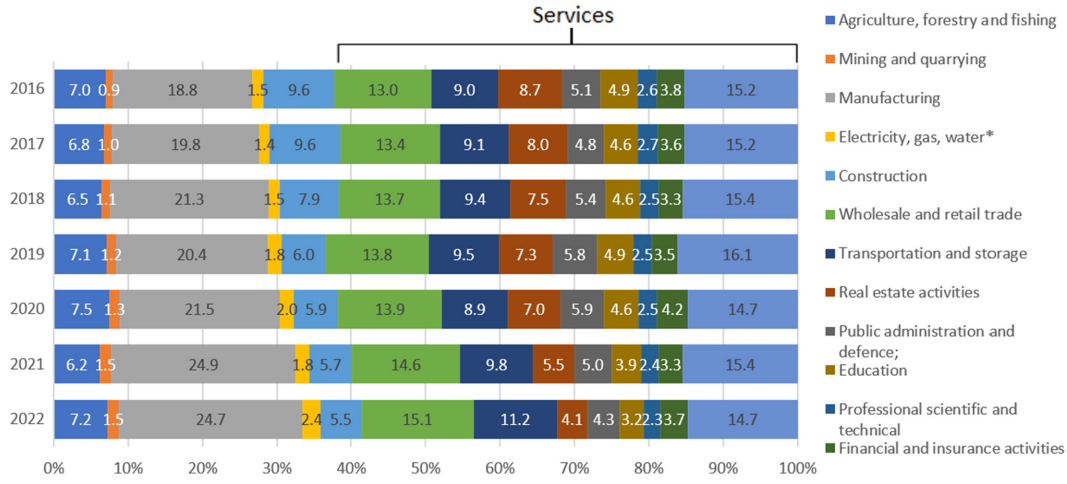

FIGURE 1 Distribution of Turkey's GDP by industry group at current prices, 2016–2023. *Source*: TurkStat. [Colour figure can be viewed at wileyonlinelibrary.com]

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to Turkey's foreign trade volume expanding from USD 341.1 billion in 2016 to USD 577.5 billion in 2022, with the trade contribution to GDP climbing from 48.0% in 2016 to 80.2% in 2022 (see Tables 1–3).

Despite the trade growth, Turkey faced a foreign trade deficit in goods to GDP ratio of 11.8%, indicating ongoing structural challenges leading to trade and current account deficits since 2001. The export–import coverage ratio, meeting the 2023 Export Strategy target of 80% in 2021, fell to 68.7% in 2022 due to a significant 31.3% annual increase in imports. Turkey's reliance on imported fossil fuels and intermediate goods, respectively, from Russia and the EU, increases its trade balance vulnerability to foreign exchange fluctuations and macroeconomic shocks in respective markets.

3.3.1 | Agriculture

Turkey, a leading agricultural exporter in the Eastern Europe, Middle East and North Africa region, consistently maintains a trade surplus in agriculture, despite a general goods trade deficit. This achievement is supported by protective tariffs and subsidies and expanded irrigation and cultivation of previously unused lands alongside its rich biodiversity, including 11,000 plant species. Agricultural land spans 38.1 million ha, a third of the country's land, with the sector employing 18% of the workforce and contributing 5.5% to GDP in current USD in 2021. Characterised by nearly 3 million small-scale family farms averaging 6 ha, Turkey's agriculture focuses on field crops and animal grazing. Key crops include cereals such as wheat, maize, barley and fruits such as stone fruits and hazelnuts. Turkey is the world's 10th largest agricultural producer and a leading exporter of apricots, cherries, figs, hazelnuts, quinces and dried fruits. Animal production has also doubled from 2016 to 2020, with Turkey being prominent in European sheep and goat farming, poultry production and dairy, producing 24 million tons of milk annually (Invest in Turkey, 2024).

Agricultural trade from 2016 to 2022 saw growth in both imports and exports, leading to an increased trade surplus. In 2022, agricultural exports totalled USD 29.3 billion, including nuts, wheat, flour, pasta, bakery items, fruits and vegetables, mainly to the EU-27, Iraq, and the United States. Imports reached USD 22.6 billion, driven by commodities such as wheat, grains, cotton, soya beans, oilseeds and live bovine animals, mainly from the EU-27, Russia and the United States (Table 3).

3.3.2 | Manufacturing

Since its inception in 1995, the EU–Turkey CU has significantly transformed Turkey's industrial sector. Duty-free trade with the EU and lowered tariffs for third-party goods led to extensive liberalisation of industrial tariffs, boosting domestic competition. This drastic reform shifted Turkey's industrial focus and export composition, increasing manufacturing exports to the EU while reducing agriculture's share (World Bank, 2014). Textiles and clothing experienced a decline in exports, while sectors such as automotive, machinery and electronics saw growth in market share and competitiveness. Small and medium-sized enterprises (SMEs) played a key role, contributing 42% to production value in 2020. Turkey's engagement in the GVC rose from 8.8% in 1995 to 20.9% in 2018, and by 2021, medium- and high-tech exports constituted 41.6% of its total manufacturing exports, positioning Turkey 27th among 153 countries (UNIDO, 2022). Despite

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TABLE 2 Turkey's exports in goods, 2022.

SITC rev 4	Commodity	Total exports, 2022 (USD million)	Percentage distribution, Total exports	Annual growth rate of exports, 2013–2022 (%)	Exports to EU, 2022 (USD million)	Percentage distribution, exports to EU	Share of exports to EU of sectoral exports
	Agricultural products						
0 + 1 + 4 + 22	Food	29,315	12.46	5.55	6140	6.45	20.95
2–22–27–28	Agricultural raw materials	1753	0.75	9.31	902	0.95	51.48
	Mining products		0.00				
27 + 28	Ores and other minerals	5022	2.13	2.24	2211	2.32	44.02
3	Fuels	16,078	6.83	5.57	3770	3.96	23.45
68	Non-ferrous metals	8286	3.52	14.00	4724	4.96	57.01
	Manufactures						
67	Iron and Steel	17,107	7.27	4.59	6733	7.07	39.36
	Chemicals				–		
51	Organic chemicals	1083	0.46	5.93	609	0.64	56.23
57 + 58	Plastics	7967	3.39	8.34	3624	3.81	45.48
52	Inorganic chemicals	2593	1.10	26.50	1182	1.24	45.57
54	Pharmaceuticals	1942	0.83	7.11	330	0.35	17.00
53 + 55 + 56 + 59	Other chemicals	6800	2.89	7.87	1586	1.67	23.32
6–65–67–68	Other semi-manufactures	26,635	11.32	6.00	11,657	12.25	43.76
	Machinery and transport equipment						
71–713	Power-generating machinery	2869	1.22	9.48	1335	1.40	46.52

(Continues)

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TABLE 2 (Continued)

SITC rev 4	Commodity	Total exports, 2022 (USD million)	Percentage distribution, Total exports	Annual growth rate of exports, 2013–2022 (%)	Exports to EU, 2022 (USD million)	Percentage distribution, exports to EU	Share of exports to EU of sectoral exports
72 + 73 + 74	Other non-electrical machinery	15,262	6.49	7.03	5979	6.28	39.18
75 + 76 + 776	Office machines and tel equipment	2084	0.89	(3.27)	705	0.74	33.85
77–776–7784	Electrical machinery and apparatus	14,150	6.01	3.38	6681	7.02	47.21
78–785–786 + 7132 + 7783	Automotive products	25,316	10.76	4.18	17,013	17.87	67.20
79 + 785 + 786 + 7131 + 7133 + 7138 + 7139	Other transport equipment	6017	2.56	(12.10)	3129	3.29	52.00
65	*Textiles*	14,591	6.20	1.91	5986	6.29	41.03
84	*Clothing*	19,901	8.46	2.56	12,174	12.79	61.17
8–84–891	*Other consumer goods*	23,359	9.93	8.02	6943	7.29	29.72
9 + 891	*Other products*	6194	2.63	0.88	525	0.55	8.47
Total		2,35,247	100.00	4.99	95,184	100.00	40.46

Abbreviation: SITC, Standard International Trade Classification.

Source: Own calculation based on data provided by TurkStat.

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TABLE 3 Turkey's imports in goods, 2022.

SITC rev 4	Commodity	Total imports, 2022 (USD million)	Percentage distribution, Total imports	Annual growth rate of imports, 2013–2022 (%)	Imports from EU, 2022 (USD million)	Percentatge distribution, Imports from EU	Share of Imports from EU of sectoral exports
	Agricultural products						
0 + 1 + 4 + 22	Food	22,624	6.61	6.63	3464	3.97	15.31
2–22–27–28	Agricultural raw materials	9423	2.75	4.67	1894	2.17	20.10
	Mining products				–		
27 + 28	Ores and other minerals	13,282	3.88	4.18	5394	6.19	40.61
3	Fuels	31,719	9.27	4.14	4403	5.05	13.88
68	Non-ferrous metals	15,800	4.62	7.85	2324	2.66	14.71
	Manufactures						
67	Iron and Steel	20,084	5.87	5.56	4239	4.86	21.11
	Chemicals						
51	Organic chemicals	10,819	3.16	8.81	2874	3.30	26.56
57 + 58	Plastics	17,501	5.11	3.60	5936	6.81	33.92
52	Inorganic chemicals	3401	0.99	8.85	796	0.91	23.39
54	Pharmaceuticals	5002	1.46	0.67	3205	3.68	64.07
53 + 55 + 56 + 59	Other chemicals	12,387	3.62	4.44	5826	6.68	47.04
6–65–67–68	Other semi-manufactures	14,327	4.19	1.61	7401	8.49	51.66
	Machinery and transport equipment						
71–713	Power-generating machinery	3689	1.08	(2.31)	2229	2.56	60.41

(Continues)

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TABLE 3 (Continued)

SITC rev 4	Commodity	Total imports, 2022 (USD million)	Percentage distribution, Total imports	Annual growth rate of imports, 2013–2022 (%)	Imports from EU, 2022 (USD million)	Percentatge distribution, Imports from EU	Share of Imports from EU of sectoral exports
72 + 73 + 74	Other non-electrical machinery	23,980	7.01	1.49	12,437	14.26	51.86
75 + 76 + 776	Office machines and tel equipment	11,782	3.44	(0.42)	3403	3.90	28.88
77–776–7784	Electrical machinery and apparatus	11,425	3.34	3.39	5648	6.48	49.44
78–785–786 + 7132 + 7783	Automotive products	20,278	5.93	0.12	14,704	16.86	72.51
79 + 785 + 786 + 7131 + 7133 + 7138 + 7139	Other transport equipment	7585	2.22	3.50	6257	7.18	82.49
65	*Textiles*	8071	2.36	1.58	1703	1.95	21.10
84	*Clothing*	2759	0.81	(0.55)	1408	1.61	51.03
8–84–891	*Other consumer goods*	12,248	3.58	(0.05)	6586	7.55	53.77
9 + 891	*Other products*	85,614	25.02	5.83	2553	2.93	2.98
Total		3,42,210	100.00	3.47	87,196	100.00	25.48

Abbreviation: SITC, Standard International Trade Classification.

Source: Own calculation based on data provided by TurkStat.

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these gains, high-tech products still represent a mere 3% of the total merchandise exports, well below the 20% target set in the 2023 Export Strategy.

From 2016 to 2022, Turkey's manufactured goods exports saw consistent growth, culminating in a 33% increase in 2021 and representing 95% of total merchandise exports by 2022. As seen in the tables above, primary agriculture, non-ferrous metals, chemicals, plastics and machinery sectors experienced above-average growth, while office machines, telecommunication equipment and other transport equipment declined. The automotive sector achieved USD 25.3 billion in exports in 2022, bolstered by initiatives like Turkey's Automobile Initiative Group (TOGG) established in 2018 and led to Turkey's first domestic car production in 2023. The textile and apparel sectors, still crucial to Turkey's GDP and employment, emphasised high-value, sustainable products, reaching USD 34.5 billion in exports in 2022. Machinery exports, exclusive of transport equipment, totalled USD 34.3 billion, supporting key industries like automotive and construction. Chemical exports more than doubled to USD 20.4 billion in 2022, indicating a shift towards tech-intensive products. The steel industry also expanded, ranking as the 7th largest global producer with iron and steel exports valued at USD 17.1 billion in 2022.

Over the past decade, Turkey's import composition continued to shift towards intermediate goods thanks to GVC integration, impacting investment and consumption goods. Imports of petroleum, mineral products, machinery and electrical equipment remained substantial. Imports in chemicals, metals, agri-food products and transport equipment outpaced average growth, while power generators and clothing declined. Notable increases in imports were in iron and steel, energy products and chemicals. Conversely, imports of various manufactured goods, live animals and vehicles decreased.

Despite strategies to diversify its trade partners since the early 2000s, the EU-27 continues as Turkey's leading export and import partner, with Turkey reducing its import reliance on the EU. In EU foreign trade statistics for 2021, Turkey ranked as the sixth-largest partner, accounting for 3.7% of imports and 3.6% of exports. Turkey still relies heavily on EU markets for merchandise exports. Between 2016 and 2021, the EU's share of Turkey's exports rose from 39.8% to 41.1%, whereas its import share dropped from 36.3% to 31.1%. Diverging from its NATO allies and the EU, Turkey increased its trade with Russia during the Ukraine conflict, leading to Russian imports growing from 10.6% in 2021 to 16.8% in 2022, subsequently decreasing the EU's share of Turkish imports to 25.5% in 2022. Turkey's exports to Russia saw a 45% surge between 2021 and 2022, raising Russia's share from 2.5% to 3.3%. Germany is still Turkey's top export destination, contributing 8.12% to total exports in 2022, down from 10.2% in 2016. Other significant export markets include the United States, Italy, Iraq and other Middle Eastern countries. Exports to Asia slightly increased from 5.4% in 2016 to 6.0% in 2021, with a notable rise in exports to Russia from 1.2% to 2.5%. Conversely, Asia, predominantly China, represented 24.0% of Turkey's imports in 2021 following the leadership of EU countries. The Russian Federation's share of Turkey's imports increased from 7.6% to 10.6% between 2016 and 2021 and reached a peak of 16.8% in 2022.

3.3.3 | Services

In 2022, the service sector significantly contributed to Turkey's economy, comprising 25.8% of gross exports and over 50% in value-added terms, highlighting the manufacturing sector's conventional reliance on services (Altay & Hannum, 2019; World Bank, 2022). Despite COVID-19 challenges, Turkey remained a net service exporter, with its trade surplus in services rising from

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USD 20.9 billion to USD 49.7 billion in 2022, supported by a strategic focus on service exports under the Presidential system and service chapters in Turkey's new generation RTAs. Turkey ranked as the 13th largest global commercial service exporter in 2022, with USD 89 billion in exports and 24th in imports at USD 39.3 billion.

As seen in Table 4, travel and transport services dominate Turkey's service exports, while transport and other business services, including technical, professional and R&D services, lead imports. In 2022, transportation services contributed USD 35.3 billion, 43.4% of total service exports, achieving a USD 19 billion trade surplus. Air transport rebounded to USD 21.9 billion, and maritime transport accounted for USD 6.2 billion. Tourism generated USD 30.2 billion in 2021, and health services sector growth was notable, with health tourism revenues increasing, except in 2020.

The information and communication technologies sector saw significant growth, with exports climbing from USD 1 billion in 2016 to USD 3 billion in 2022, encompassing fintech, cybersecurity, gaming and e-government. Financial and insurance services doubled in value-added from 2016 to 2020, with banking assets at 127.8% of GDP and a non-performing loans ratio of 3.9% in December 2021. The audio-visual sector, including Turkish TV series reaching over 800 million viewers in more than 160 countries also contributed substantially to GDP.

Excluding travel services, EU countries constituted a stable share of Turkey's service exports, maintaining 37% from 2016 to 2022, with key export destinations including Germany, the United States, the UK, Russia, France, Italy, Iraq, Switzerland, the UAE, Ireland and Israel. In service imports excluding travel, the EU share, decreased slightly from 41% in 2016 to 36% in 2021–2022. Major service import sources in 2022 included Ireland, Germany, the United States, the UK, Liberia, Panama, Malta and the Netherlands. The World Bank (2022) recommends that Turkey should enhance global market access and deepen economic integration with key partners, such as the EU, to foster GVC expansion, which can be achieved particularly through the reduction of trade barriers in services.

3.4 | Foreign direct investment

From 2002 to 2020, foreign capital companies in Turkey surged from 5600 to 73,675, reflecting the attraction of an expanding Turkish market and improved business climate. FDI inflows saw a decline from 2016 to 2020 due to uncertainties and political concerns, particularly from the EU, Turkey's primary investor. Nonetheless, post-pandemic, FDI inflows rebounded, exceeding USD 13 billion in 2021, with significant contributions from European countries such as the Netherlands, Germany and the UK, as well as Qatar, Singapore, Russia, Azerbaijan and the United States.

Turkey's national FDI promotion strategy for 2021–2023 leveraged the country's position post-pandemic as a cost-effective manufacturing hub near EU markets. As illustrated in Figure 2, despite global economic fluctuations, FDI stock reached USD 229.6 billion in 2020, dipped in 2021 and recovered to USD 202 billion in 2022. The services sector, particularly wholesale, retail, and financial and insurance activities, traditionally dominated Turkey's FDI stocks. While the services attracted 54.5% of the total FDI stock in 2021, manufacturing has meaningfully increased its share (36.1%) along with FDI stocks in electricity (7.0%). Turkey's annual FDI outflows averaged USD 3.85 billion since 2016, peaking at USD 6.5 billion in 2021 and USD 4.9 billion in 2022. The outward FDI stock reached USD 54 billion, illustrating Turkey's growth as a significant foreign direct investor and its enhanced integration into global supply chains.

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TABLE 4 Turkey's exports and imports in services by type of services (2016–2022).

	Exports							Imports							Trade balance						
	2016	2017	2018	2019	2020	2021	2022	2016	2017	2018	2019	2020	2021	2022	2016	2017	2018	2019	2020	2021	2022
Total (USD million)	46,698	53,971	59,341	67,217	38,243	61,408	88,950	25,805	27,148	28,453	28,657	23,884	29,596	39,285	20,893	26,823	30,888	38,560	14,359	31,812	49,665
Types of services	(% of total exports)							(% of total imports)							(USD million)						
Manufacturing services on physical inputs owned by others	0.8	0.6	0.5	0.5	0.7	0.4	0.4	0.6	0.5	0.5	0.2	0.3	0.5	0.2	216	194	160	286	219	129	253
Maintenance and repair services	1.7	1.9	1.9	1.8	3.0	2.8	2.1	3.3	2.3	2.6	2.7	2.5	2.9	2.0	−57	374	388	467	570	867	1119
Transport	42.3	41.0	41.0	34.8	42.1	39.1	39.7	27.3	28.9	33.2	33.4	33.4	36.8	41.5	12,682	14,272	14,887	13,821	8098	13,109	19,027
Passenger	16.6	17.6	19.5	17.1	8.9	11.5	18.4	3.5	3.8	5.2	4.0	1.5	1.5	1.9	6844	8471	10,096	10,332	3021	6632	15,671
Freight	18.2	17.1	15.3	12.4	24.5	20.3	15.2	18.2	18.3	19.6	21.1	26.8	29.4	33.7	3798	4270	3514	2332	2981	3769	331
Other	7.4	6.3	6.2	5.3	8.7	7.2	6.1	5.6	6.8	8.4	8.3	5.1	5.9	6.0	2039	1531	1277	1157	2096	2708	3025
Postal and courier services	0.4	0.4	0.4	0.2	0.4	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	182	183	174	90	112	99	71
Travel	40.9	42.6	43.7	51.0	34.8	43.4	46.5	18.5	17.8	16.1	14.3	4.4	5.2	10.3	14,326	18,149	21,344	30,204	12,280	25,148	37,316
Construction	1.0	1.0	0.9	0.5	0.6	0.5	0.4	0.8	0.5	0.7	0.2	0.1	0.1	0.2	242	427	373	305	220	249	264
Insurance and pension services	2.0	2.5	2.2	1.9	2.5	1.6	1.2	7.8	9.2	6.9	6.6	8.5	7.7	7.1	−1056	−1169	−690	−587	−1077	−1271	−1682
Financial services	0.8	0.9	0.9	0.7	1.0	0.6	0.5	3.8	2.5	2.4	1.7	2.5	1.8	1.4	−598	−173	−133	−11	−224	−134	−73
Charges for the use of intellectual property	0.2	0.2	0.3	0.3	0.7	0.6	0.4	7.3	6.5	7.4	7.6	9.8	9.5	7.2	−1794	−1665	−1947	−1986	−2092	−2410	−2478
Telecommunications, computer and information services	2.3	2.2	2.4	2.2	5.5	4.2	3.3	7.9	8.8	7.5	9.3	13.1	10.8	9.0	−992	−1211	−703	−1210	−1020	−606	−565
Other business services	5.9	5.5	4.6	4.7	7.6	5.7	4.5	17.1	18.3	18.4	19.2	20.2	20.3	17.4	−1671	−2009	−2504	−2315	−1925	−2473	−2859
Personal, cultural and recreational services	0.3	0.3	0.2	0.3	0.4	0.3	0.3	0.6	0.5	0.4	0.6	1.1	1.0	1.0	−4	15	19	−7	−101	−112	−85
Government goods and services	1.9	1.4	1.3	1.2	1.0	0.6	0.5	5.1	4.1	3.8	4.2	4.0	3.5	2.7	−400	−380	−305	−406	−590	−684	−573

Source: Own calculation based on data provided by TurkStat.

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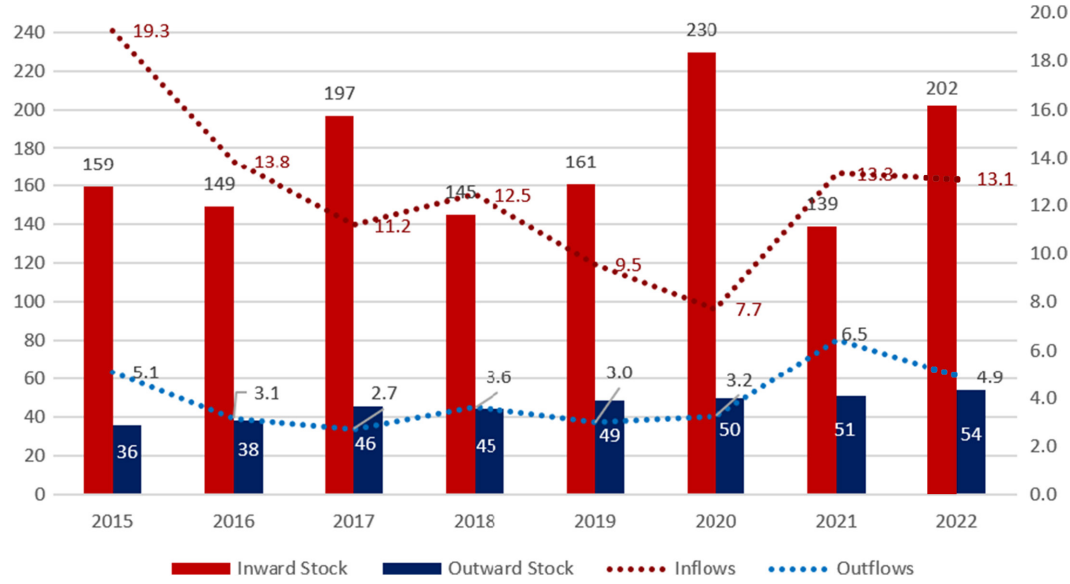

FIGURE 2 Turkey's foreign direct investment stocks and flows, 2015–2022. *Source*: TurkStat. [Colour figure can be viewed at wileyonlinelibrary.com]

4 | REVIEW OF TRADE POLICIES

From 2016 to 2022, Turkey updated its trade and investment policies to support its development and industrial goals. New and revised laws targeted product safety, industrial property, customs, technology zones, local content, competition and data protection, while Turkey focused on safeguarding domestic industries and addressing trade deficits by use of tariffs and other measures. On exports, Turkey utilised promotion tools to diversify markets, integrate into GVCs and attract FDI, with incentives aimed at key sectors and high-tech localisation. The Turkey Wealth Fund managed significant investments in state-owned enterprises. Efforts to harmonise with EU standards in technical regulations and intellectual property aimed to enhance market access and technological growth, though disparities in technical standards, state aid, localisation and sanitary measures remain challenges in EU relations.

4.1 | Export restrictions and promotion

Turkey responded to COVID-19 and international price fluctuations by implementing trade restrictions, including export prohibitions and non-automatic licensing, usually aligned with WTO notifications. These measures primarily address environmental, health and domestic agricultural concerns, with 'export taxes' applied to specific items like hazelnuts and raw hides since October 2022.

On the contrary, Turkey's export promotion policies include the Inward Processing Regime adopted under the CU, permitting duty-free import of raw materials for exported products. Since 2016, Turkey has implemented initiatives to bolster export promotion and diversification, encapsulated within its 2023 Export Strategy. The MoT provides comprehensive state aid and incentives, encompassing support for export documentation, testing expenses, market research abroad,

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participation in domestic and international trade fairs, promotional activities to enhance export volume and brand visibility, and trademark registration fees in foreign jurisdictions. Exporters benefit from additional incentives for engaging with target countries, identified biannually by the MoT for ensuring market diversification.

In addition to mainstream country targeting the 'Far Countries Strategy', launched in July 2022, targets nations beyond 2500 km with import volumes over USD 60 billion, seeking to elevate Turkey's export market share to a minimum of 1% and quadruple exports to approximately USD 80 billion. The e-Export Strategy (2018–2020) culminated in the establishment of the 'Easy Export Platform' in August 2020, leveraging AI to connect Turkish exporters with global buyers. The revised Foreign Exchange Earning Support for Trade in Services programme (2022) extends 50%–70% support for market-access expenses across sectors including health, sports, informatics and film-TV, underscoring Turkey's multifaceted approach to export promotion.

4.2 | Measures affecting imports

4.2.1 | Tariffs and other taxes

Since 2016, Turkey frequently adjusted unilateral tariffs particularly raising applied MFN rates, leading to customs duties accounting for 3% of total government tax revenue, up from 2% in 2016. During the COVID-19 pandemic, Turkey balanced facilitating essential imports with increased customs duties and domestic taxes for revenue. For example, the government temporarily reduced customs duties on key agricultural products but raised taxes on alcohol and tobacco. Furthermore, in 2020, a Digital Services Tax was introduced.

Under its WTO commitments, Turkey can increase MFN tariffs, having bound only 50.5% of tariff lines between 0% and 225% post-Uruguay Round. Forty-three per cent of industrial and all agricultural lines are bound, with higher rates in agriculture. According to World Tariff Profiles, Turkey's average final bound rate is 28.9%, with 61.8% in agriculture and 17.2% in non-agricultural products. However, Turkey's tariff flexibility has been restrained effectively by the CU commitments to the EU since 1996. Turkey eliminated tariffs on EU exporters on industrial and processed agricultural products. Until the early 2010s, Turkey also strictly kept aligned with the EU's external MFN tariffs in these sectors.

However, deviation from the EU-set external MFN tariffs has been visible in recent years (Figure 3). As shown in the graph above, by 2022, Turkey's simple average MFN applied rate for non-agriculture reached 13%, indicating increased protection against non-EU and non-RTA countries. Turkey's applied MFN tariffs now include not only 'customs duty', but also 'additional financial liabilities' (AFLs), and 'additional customs duties' (ACDs) applied in 97.9% of tariff lines. Additional duties are applied in response to demands to domestic industries with concerns of domestic injury.[4] ACDs, expanded during the review period, can be adjusted or abolished by Presidential Decision, except for EU and RTA partners, enjoying a zero rate.

As outlined by the WTO report, from 2015 to 2022, Turkey maintained high average MFN tariffs for live animals, vegetable products and prepared foodstuffs. Duty-free tariff lines decreased from 23.5% to 18.8%. The highest tariffs were in the agri-food sector, particularly HS Sections 01 (live animals and products, 0%–225%), 02 (vegetable products, 0%–175.5%) and 04 (prepared

[4]Interview with a senior foreign trade officer responsible for trade defence measures, Ministry of Trade, Ankara, 4 January 2024.

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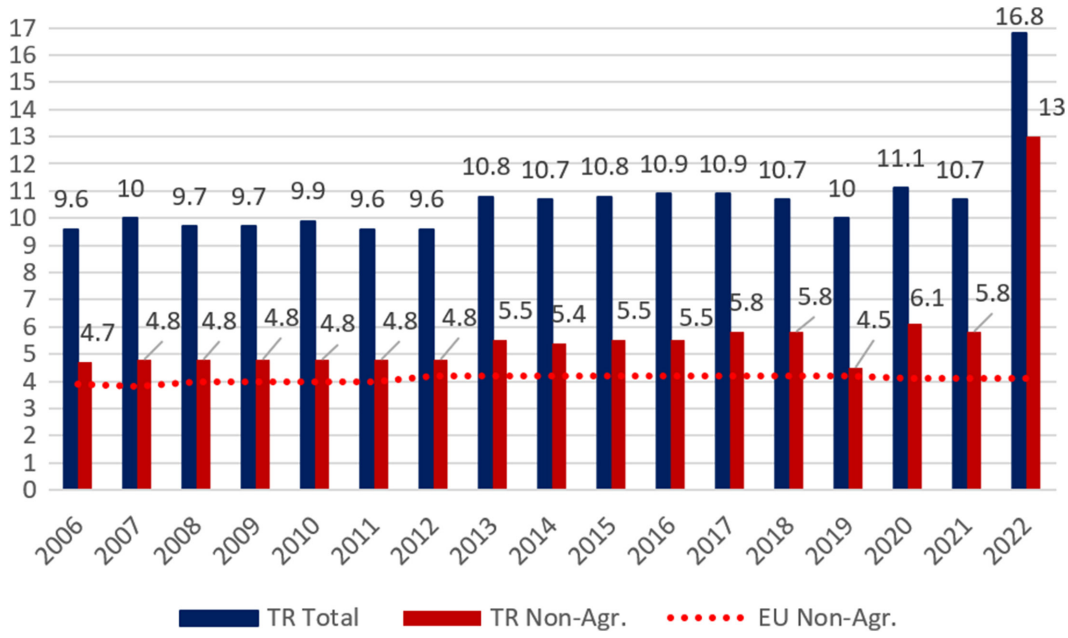

FIGURE 3 Turkey's MFN tariff rates, 2006–2022. *Source*: WTO Tariff Profiles. [Colour figure can be viewed at wileyonlinelibrary.com]

food, beverages, and tobacco, 0%–135.9%). International tariff peaks affected 36.2% of tariff lines, up from 16.1% in 2015, with rates from 0% to 225%. ACDs applied to 27.7% of all lines, ranging from 2% to 30%, with a peak tariff of 225% covering 68 lines, including various meats and offals, to protect domestic industries.

4.2.2 | Import surveillance and trade remedies

Turkey frequently utilises trade remedies, especially anti-dumping measures. In recent years, it also applied safeguard measures and import surveillance mechanisms. Concerns have arisen from the EU and WTO members due to the number, duration and impact of these measures. In 2021, Turkey introduced a new import surveillance system managed by nine ministries and focusing on product safety. The European Commission notes challenges in Turkey's surveillance, particularly amendments in the Product Safety and Technical Regulations Law (Law No. 7223) regarding e-commerce and administrative penalties (EC, 2022, pp. 81–83) whereby some imports require certificates, aiding future anti-dumping and safeguard investigations while monitoring circumvention. In September 2022, Turkey also updated import licensing procedures legitimised by international conventions, national security and safety.

From January 2016 to July 2022, Turkey initiated 44 anti-dumping investigations, primarily against China, with textiles, mining, metals and plastics most affected. As of September 2022, Turkey enforced five final safeguard measures and initiated seven investigations, extending three existing ones. Turkey also notified the WTO of proposed concessions suspension under the Safeguards Agreement, affecting products from Thailand, the United States, Egypt and the EU. Additionally, Turkey applied one countervailing measure on Indian PET films, extending it after a sunset review on 6 March 2022.

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4.2.3 | Other measures

During the review period, Turkey improved customs processes with a Port Single Window System and an electronic tariff classification portal installed in July 2018. The Coordination Committee on Trade Facilitation was established to implement the Trade Facilitation Agreement (TFA) and simplify border procedures. Turkey enhanced customs cooperation with neighbouring countries but faced extended customs clearance during COVID-19.

On the contrary, Turkey has no WTO Tariff Rate Quotas (TRQs) notified to the WTO, but it independently applies TRQs, mainly for agriculture and 10 industrial lines. These offer zero-duty access for limited quantities and are allocated based on capacity or past performance.

4.3 | State support and incentives

In addition to export supports provided by the MoT, investments and R&D are incentivised by the government. The Investment Incentive Program, initiated in 2012, aims to attract FDI, reduce regional disparities and support environmental protection. It contains schemes providing incentives such as tax cuts, VAT and customs duties exemptions, income tax withholding support, land allocation, pension support, R&D personnel support and affordable credit. Four incentive schemes provided in the programme between 2012 and 2016 aimed to increase investments among others for the production of particular import-dependent intermediate and final goods, high-value-added technology products, and medium-to-high technology products (WTO, 2016, pp. 38–42).

During the review period, the MoIT, which has overtaken the coordination of the programme, supplemented the mainstream investment schemes by initiating new incentives to promote medium and high-tech manufacturing. It initiated the Project-Based Incentive Program in 2016 and revised the Technological Product Investment Support Program in 2022 and the Technology-Oriented Industry Move Program in 2019, targeting sectors such as machinery, computers, electronics, optics, electrical equipment, pharmaceuticals, chemicals and vehicles. Turkey also maintained existing special zones system, including Organized Industrial Zones (OIZs), Technology Development Zones (TDZs) and Free Zones (FZs) to incentivise investment, spanning various industries. The MoIT, along with its affiliated body of the Technological Research Institution of Turkey (TÜBITAK), administers R&D incentives, allocating 52% of its budget to R&D efforts in 2022. Small and Medium Enterprises Development Organization of Turkey (KOSGEB) similarly continued aids and grants for SMEs' global supply chain integration and high-tech production with a strategic plan spanning 2019–2023.

Turkey also continued to prioritise its agriculture sector for sustainability and efficiency, as per the 11th Development Plan (2019–2023) and the Ministry of Agriculture and Forestry's (MAF) 2019–2023 Strategic Plan. These plans cover food safety, animal and plant health, fisheries, aquaculture sustainability and resource management. Support programmes include crop and animal production, rural development, aquaculture and R&D, such as the Strategic Crops Scheme, Agricultural Insurance, Farm Accounting Data Network Participation Premium, IPARD National Co-financing Contribution Payments, and Agricultural Extension and Consultancy. TARSIM, a public-private agricultural insurance partnership, subsidises 50%–67% of farmers' insurance premiums.

According to OECD data, despite reduced economic significance, Turkey increased agricultural support, with the Producer Support Estimate (PSE) reaching 20% in 2020 due to COVID-19

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measures like concessional loans. Single Commodity Transfers (SCTs) varied, notably for beef, sunflower, cotton and potatoes. Export subsidies aimed to ease exporters' financial burdens, with honey subsidies decreasing from 32% (2016–2017) to 20% (2018–2021).

4.4 | Competition policy

Turkey's competition policy and state aid framework, shaped by its CU agreement with the EU and aspirations for EU membership, broadly align with EU standards, especially as delineated in the 1995 EC-Turkey Association Council Decision, Chapter IV. This alignment, aimed at ensuring fair competition within the CU, remains partial, however, excluding sectors such as agriculture, fisheries and services. The Competition Authority, through Law No. 4054 enacted in 1994, regulates anti-competitive practices, dominance abuse and sectoral mergers.

Despite legislative reforms, including the 2020 amendment of Turkey's Competition Law to integrate EU principles, challenges persist in transparency and enforcement regarding state aid. While Turkey's state aid law mirrors EU Treaty Articles 107 and 108, it falls short in implementing legislation and establishing a robust institutional framework, further complicated by the President's authority to delay enforcement. The EU underscores the necessity of a comprehensive action plan for Turkey to fully align with the EU *acquis*, advocating for independence, transparency, prompt law implementation and an updated state aid inventory (EC, 2022, pp. 88–90). Additionally, Turkey's failure to report domestic agricultural support to the WTO highlights ongoing transparency issues.

4.5 | Technical standards

Within the CU framework, Turkey aligns its industrial standards with the EU's *acquis*, a critical step for its manufacturing exports to access the EU market. A technical working group, operational since 2004, ensures biannual harmonisation efforts under the Customs Union Joint Committee. By 2022, 37,807 voluntary standards in key sectors such as chemicals and electronics were integrated. The 2021 Product Safety and Technical Regulations Law (Law No. 7223) and subsequent 2022 Presidential Decrees have further aligned regulations with EU safety and market surveillance standards, enhancing the MoT's regulatory oversight. Developments like the 2018 Halal Accreditation Agency and new labelling requirements including a 'domestic production logo' and a voluntary environmental label system showcase Turkey's evolving standards to meet domestic and international expectations.

However, there are challenges with its standards regime, highlighted by WTO member concerns over practices in energy labelling and toy inspections. The TAREKS import control system, demanding EU documentation for safety checks, has drawn queries from the United States, Mexico and Canada. The EU also highlights persistent 'technical barriers', including conformity assessments, inspections and non-acceptance of EU good manufacturing practices certificates, posing challenges to trade (EC, 2022, p. 81).

4.6 | Sanitary and phytosanitary requirements

The food safety framework, underpinned by Law No. 5996 enacted in 2010 and its subsequent 200 amendments, aims to protect human health, ensuring food and plant and animal safety. The Food

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Codex, harmonised with EU and FAO/WHO standards, covers hygiene, residues, additives, contaminants and labelling. Turkey's active participation in the Codex Alimentarius Commission and the World Organization for Animal Health underscores its commitment to international food safety norms, occasionally adopting measures surpassing these standards based on risk assessments. Sanitary and Phytosanitary (SPS) measures, outside the scope of the EU–Turkey Customs Union (CU), see legislative alignment through EU accession endeavours. Notable advancements include organic agriculture, fisheries and food/feed safety harmonisation, as detailed in the Ministry of Agriculture and Forestry's (MAF) 2019–2023 Strategic Plan, which emphasises inspections and health measures. Since 2018, GMO approvals have been managed by the MAF, with over 45 GMOs endorsed. However, Turkey's SPS measures, often more stringent than international standards, have prompted WTO SPS Committee discussions regarding import restrictions. The EU identifies substantial alignment gaps, particularly in food establishment standards and pesticide residue management, necessitating 'significant further work' (EC, 2022, pp. 118–119).

4.7 | Public procurement and local content measures

As an observer in the WTO's Agreement on Government Procurement (AGP), Turkey faces pressures from the EU, the United States and AGP members to join, despite using its exclusion from the EU–Turkey CU to favour localisation via procurement, disadvantaging foreign firms. Governed by the 2002 Public Procurement Law (PPL) for principles and procedures, and the Public Procurement Contracts Law (PPCL) for contract execution, Turkey's procurement policies apply across various government levels for public supply, service and works contracts. Post-2008–2009 financial crisis, numerous amendments to the PPL have favoured domestic goods and services, potentially discriminating against foreign suppliers. The 10th National Development Plan (2014–2018) embraced procurement for localisation to reduce trade deficits, cut foreign dependency and close technological gaps in domestic industries. Amendments now prioritise domestic 'medium and high technology' goods with a 15% price preference, boosting the share of tenders with domestic advantages from 37% in 2017 to 45% in 2021, sourcing approximately 98% of procurement domestically.

According to the European Commission, significant challenges relate to ensuring that localisation and public procurement practices align with EU industrial policy principles (EC, 2022, p. 104). Local content requirements are present in some tenders, such as the Law on Healthcare Public-Private Partnerships, mandating a minimum of 20% locally produced medical equipment in PPP healthcare facilities. A lost WTO dispute (DS583) with the EU over Turkey's pharmaceutical localisation led to Turkey's commitment in August 2022 to adhere to the WTO Panel and Arbitrators' rulings. Concerns from the EU also target Turkey's renewable energy sector, advantaged by the 2010 Renewable Energy Law and Presidential Decree No. 3453 (20 January 2021), providing incentives for domestic components in renewable energy projects, initially for plants operational before December 2020 and extended to 30 June 2021, with a new scheme introduced for plants active between July 2021 and December 2025, stimulating industrial growth (EC, 2022, pp. 67–69).

4.8 | State-owned enterprises and price controls

Turkey's development strategy significantly leverages state-owned enterprises (SOEs) for capital growth, infrastructure and resource management, under the Ministry of Treasury and Finance's supervision. Privatisation efforts focused on the energy sector, ports and sugar

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industry, notably with the 2018 privatisation of 10 sugar factories to Turkey Sugar Factories Inc., later integrated into the Turkey Wealth Fund (TWF) in 2021. Established in 2016, TWF's portfolio includes 26 companies and diverse assets, indicating a broad investment strategy. Capital injections in 2021 for railways and BOTAS in 2022, along with strategic TWF asset transfers, highlight the government's investment in critical sectors. The conversion of Mechanical and Chemical Industries Inc. to a joint-stock company in 2021 and the merger creating Turkish Railway Vehicles Industry Inc. in 2020 reflect Turkey's restructuring efforts. Additionally, marketing boards like the Turkish Grain Board (TGB) and the Meat and Milk Board, under the Ministry of Agriculture and Forestry, play vital roles in regulating agricultural markets and implementing price controls, showcasing the state's ongoing role in stabilising key sectors.

4.9 | Intellectual property rights

During the review period, Turkey emphasised harmonising its intellectual property (IP) regulations with EU standards, in line with its CU obligations, and actively participated in the Turkey–EU Intellectual Property Rights (IPR) Working Group to tackle legislative, enforcement and awareness challenges. Istanbul and Ankara ascended into the top 100 global Science and Technology Clusters as IP utilisation, particularly in trademarks and patents, expanded due to initiatives like the Hezarfen project and the IP Academy, designed to bolster innovation and awareness in SMEs. By 2022, Turkey's innovation index climbed to 37th globally, supported by a 5.2% increase in R&D spending in 2020.

Notable advancements encompass the execution of the National Intellectual and Industrial Property Strategy (2015–2018) and the 2019–2023 Intellectual Property Strategy. The 2017 Industrial Property Code and the 2021 Copyright Law amendment marked significant legal milestones, enhancing protections. Training initiatives reached over 10,000 stakeholders since 2019, and the ratification of the WIPO Marrakesh Treaty in 2021 facilitated improved access for the visually impaired. Despite EU critiques on enforcement (EC, 2022, pp. 87–88), customs actions intensified in 2021, buoyed by the EU's 'Border Enforcement of IPR' initiative. The establishment of specialised IP courts and nationwide awareness campaigns further solidified Turkey's commitment to strengthening its IP protection and enforcement regime.

4.10 | E-commerce and data protection

Turkey, ranking 57th in the UNCTAD B2C Ecommerce Index 2020, observed a 69% increase in e-commerce in 2021, with major e-sellers dominating 79% of the market. Legislative advancements post the 2004 Electronic Signature Law, including the Consumer Protection Law (2013), the Personal Data Protection Law (2016) and updates on cybercrime and payment systems, have propelled e-commerce. July 2022 amendments to the Electronic Commerce Regulation Law addressed unfair competition and monopolisation, instituting fair market access, administrative fines for malpractices and MoT guidelines for e-commerce platforms on intellectual property, seller payments, data protection and annual audits for major e-sellers. Enhancements in consumer protection, e-export incentives, VAT reforms for foreign services and digital services taxes furthered e-commerce integrity.

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Nonetheless, alignment with EU data protection standards, particularly on law enforcement exceptions and Data Protection Authority independence, is pending. The ratification of the 2018 Protocol for Personal Data Processing is crucial for enhancing cooperation with Eurojust, Europol and EU data exchange agreements, essential for broad policy collaboration (EC, 2022, p. 45, 95).

4.11 | Foreign direct investment framework

Turkey's foreign investment framework centres on FDI Law No. 4875, last revised in 2003. This promotes a secure investment climate, ensuring equal treatment and profit repatriation. Notably, Turkey lacks an investment screening mechanism as in some other emerging economies. It maintains consistent FDI restrictions in sectors such as broadcasting, aviation, maritime transport, financial services, mining and education.

Recent developments include aligning investment promotion with national industrial goals. The National FDI Strategy 2021–2023, launched by the Investment Office of the Presidency, aims for a transparent and secure investment environment following international standards. It emphasises high-value, technologically advanced, environmentally friendly and geographically diverse investments to enhance Turkey's position in global supply chains. Turkey also actively pursues bilateral investment treaties to protect investor rights and expand market access, and it inserts investment chapters into some of its new-generation free trade agreements as elaborated on in the next section.

5 | TURKEY'S MULTILATERAL AND REGIONAL TRADE AGENDA

Throughout the review period, the trade agenda, encompassing both multilateral and preferential engagements, closely mirrored the revamped strategic objectives and industrial policies. Asserting greater independence from the EU within the WTO framework, Turkey's foreign trade policy increasingly diverged from the EU's CCP. Turkey pursued stronger economic ties with key partners through individual RTAs, sometimes bypassing its obligations under the CU. Heightened tensions with the EU, have culminated in the first official WTO dispute cases filed mutually by Turkey and the EU against each other.

5.1 | World Trade Organization

Since joining GATT in 1951 and the WTO in 1995, Turkey has integrated its trade policies with the multilateral trading system, actively participating in the WTO and upholding its rules as vital for international trade stability. Turkey is a party to the Information Technology Agreement and holds observer status in the Agreements on Government Procurement and Trade in Civil Aircraft. Despite the inconclusive Doha Round in the 2010s, Turkey maintained a strong multilateral stance. Turkey aligned with the EU in WTO negotiations during the 2000s but has recently shown more independence, leading to the EU's call for 'closer coordination' under the WTO (EC, 2022, p. 124).

Proactively engaging in post-Doha initiatives, Turkey ratified the 2014 Protocol on the Trade Facilitation Agreement in 2016, emphasising its commitment to the WTO's trade facilitation

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agenda. At the WTO's 11th Ministerial Conference in 2017, Turkey engaged in Joint Statement Initiatives on topics such as e-commerce, investment facilitation, SMEs, services trade regulation, and trade and environmental sustainability. Turkey also endorsed the Buenos Aires Declaration on Women and Trade and participated in discussions on trade and environmental sustainability. Amidst global challenges, Turkey stressed WTO reform at the 2022 Ministerial Conference, advocating for updated dispute mechanisms and new rules for contemporary issues such as pandemics and food security.

Turkey's engagement in the WTO's Dispute Settlement Mechanism (DSM) has increased, participating as both complainant and respondent and as a third party in 37 out of 110 disputes since 2016. This reflects its expanding commercial interests and strategic approach to utilising the WTO for development goals. Specifically, Turkey initiated six WTO disputes since the last review, primarily against the EU, the United States and Morocco over trade remedies in steel and metal products. As a respondent, it faced three new cases, including disputes with the United States and Thailand. The EU's DS583 against Turkey concerned localisation measures through pharmaceutical product reimbursement, leading to a WTO ruling against Turkey, which pledged to adhere to the decision.

While Turkey regularly notifies the WTO of legal changes in its trade regime, it has missed notifications in areas such as agriculture, intellectual property rights and RTAs, highlighting a need for improved transparency in its evolving trade policy.

5.2 | EU–Turkey customs union

The CU between Turkey and the EU, stemming from the 1963 Association Agreement, marked Turkey's integration into the European Economic Community's market. Implemented on January 1, 1996, under the Turkey–EU Association Council Decision No. 1/95, the CU unified external tariffs on covered products and aligned Turkey's trade policy and legislation with the EU's commercial policy, and *acquis* concerning fair competition, market access and product standards. Covering all industrial and processed agricultural products, trade-related intellectual property rights and competition policy, the CU excludes primary agricultural goods, services and government procurement. The 2007 Association Council Decision No. 1/2007 introduced concessions in processed agricultural products, and a separate FTA for European Coal and Steel Community products has existed since 1996.

The World Bank, in a 2014 evaluation requested by the EU, recognised the CU's benefits but also stressed its design flaws causing economic asymmetries. Turkey is bound to implement the EU's CCP including its Generalized System of Preferences (GSP) regime and free trade agreements, yet it is excluded from EU trade policy rule-making, leading to economic losses. The CU's asymmetry, lacking an effective institutional framework and dispute resolution, causes inefficiencies, trade irritants and barriers, including non-tariff barriers, transport restrictions, regulatory barriers in services and visa requirements for exporters. Turkey also faces EU anti-dumping measures and vice versa (World Bank, 2014).

The European Commission criticises Turkey for insufficient alignment with EU standards and growing 'non-compliance' with CU commitments, impacting predictability for European businesses. Noted issues include delayed adoption of EU standards, state aid rules and intellectual property rights implementation. The CU's limited sectoral coverage, omitting agriculture, services and government procurement, where Turkey maintains barriers, is also a concern. The CU excluded services, which recent Turkish FTAs have extended to, diminishing the EU's

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preferential advantage in Turkish service markets (EC, 2016, 2022). As the World Bank (2022) suggests deepening integration with the EU, especially through the reduction in trade barriers in services is vital for Turkey to foster its GVC participation.

In May 2015, Turkey and the European Commission agreed to modernise the CU to address these issues and expand its scope to agriculture, services and public procurement. Other proposed enhancements included joint rules on SPS measures, sustainable development and a legal dispute resolution mechanism. However, political tensions have stalled progress, with the European Council's mandate for modernisation pending as of December 2023.

5.3 | Generalised system of preferences scheme

As part of Turkey's CU commitments, Ankara has been required to undertake the EU's unilateral preferences which in time extended from the Generalized System of Preferences (GSP) to include also GSP+ and Everything But Arms (EBA) initiatives. Nevertheless, Turkey has never fully aligned with the EU's evolving unilateral regime. Turkey's 2018 amendment to its GSP regime marked a further divergence from the EU's approach. The revision reduced the number of beneficiary countries and product groups, ending GSP+ preferences for Bolivia, Cabo Verde and Mongolia. Overall, Turkey's unilateral preferences covered 66 economies in 2022, a decrease from 88 in 2015. It graduated 23 economies, including China, India and Indonesia, while adding Kenya.

Turkey also negotiated RTAs with former beneficiaries such as Iran, Azerbaijan and Ukraine, aiming for reciprocity and preferential market access. Turkey's unilateral schemes offer less comprehensive preferences compared with its RTAs. Duty-free rates range from 39.8% under GSP to 49.1% for Least Developed Countries (LDCs), focusing mainly on non-agricultural products (see Figures 4 and 5 below). Agricultural and processed agricultural commodities have seen less liberalisation. Additionally, Turkey excludes certain textiles and clothing items from GSP benefits for competing economies such as Pakistan, Bangladesh and Cambodia.

5.4 | Bilateral trade agreements

As a developing country, Turkey is a key negotiator of RTAs, primarily Free Trade Agreements (FTAs), aligning with the EU's CCP. Before its CU with the EU, Turkey had only one FTA with EFTA countries. Now, Turkey boasts around 30 RTAs, mostly FTAs, with nearly 70 partners, stemming from its CU obligations (see Table 5). Post-CU, Turkey initially negotiated FTAs with Central and Eastern European countries that had existing FTAs with the EU. As indicated in the table, some of these FTAs were discontinued after the EU's enlargements in 2004, 2007 and 2013, requiring Turkey to extend the CU to new EU members. However, several of the EU's FTA partners, such as Algeria, South Africa and Mexico, have not concluded corresponding FTAs with Turkey, leading to an 'FTA asymmetries' problem, and causing trade deflection from those countries.

Following the EU's adoption of the 'Global Europe' strategy in 2006, Turkish stakeholders grew increasingly concerned about the economic challenges posed by FTA asymmetries, especially as the EU negotiated significant deals with countries such as South Korea and Canada, and initiated a mega-regional deal with the United States in 2013 (Altay, 2018). This urgency led policymakers to

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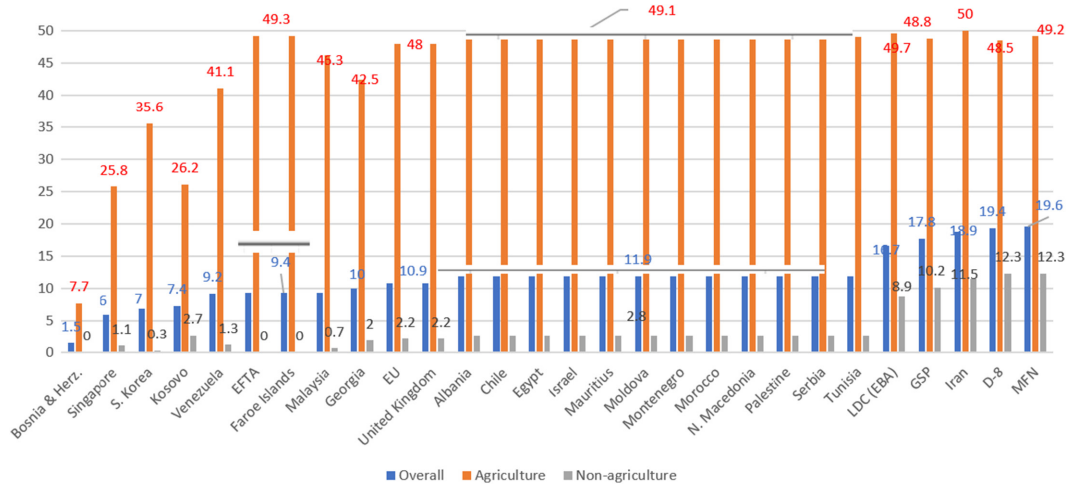

FIGURE 4 Turkey's simple average preferential tariff rates (%). *Source*: WTO Tariff Profiles. [Colour figure can be viewed at wileyonlinelibrary.com]

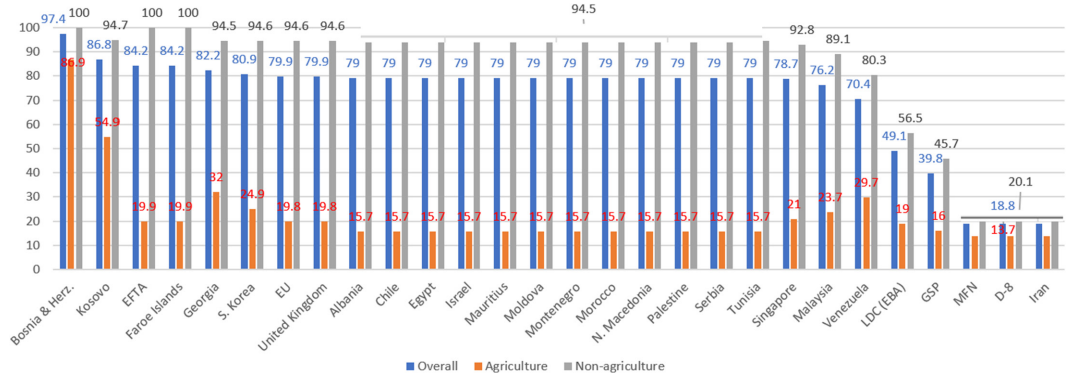

FIGURE 5 Duty-free tariff lines of Turkey as a percentage of total tariff lines (%). *Source*: WTO Tariff Profiles. [Colour figure can be viewed at wileyonlinelibrary.com]

promptly engage in talks with EU counterparts. However, Turkish diplomats have described the EU's FTA agenda as a 'moving target', highlighting the need for vigilant monitoring due to the lack of systematic communications with the EU in frameworks like the Customs Union Joint Committee.[5] In the 2010s, Turkey followed the EU in negotiating FTAs with major economies like South Korea and Singapore and started talks with Japan and Indonesia. Negotiations with Japan, Thailand and Indonesia are ongoing. The FTA with Jordan was terminated in 2018 at the partners' request, and amendments to the Turkey–Morocco FTA in 2022 allowed Morocco to reintroduce customs duties on select Turkish industrial products for 5 years. Throughout the review period, Turkey also negotiated new FTAs with Moldova, Kosovo, Faroe Islands, Lebanon and others, including a post-Brexit FTA with the UK and a long-awaited FTA with Ukraine.

Significantly, Turkey diverged from the EU's CCP by concluding FTAs with countries where EU negotiations were incomplete or absent, such as Malaysia, Singapore and Venezuela, and signed pending FTAs with Qatar and Sudan (EC, 2018, p. 95; 2022, p. 124). Additionally, Turkey negotiated

[5]Interviews with two FTA negotiators, Ministry of Trade, Ankara, 3 January 2024.

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TABLE 5 Turkey's free trade agreements.

Status	Partner	Conclusion	Entry in force		Status	Partner	Conclusion	Entry in force	
Revised	EFTA	1991	1992	*Revised in 2018*	In Force	Mauritius	2011	2013	
In Force	Israel	1996	1997		In Force	S. Korea	2012	2013	*Revised in 2018*
Terminated	Slovakia	1997	1998	*Terminated in 2004*	In force	Kosovo	2013	2019	
Terminated	Romania	1997	1998	*Terminated in2007*	In Force	Moldova	2014	2016	
Terminated	Lithuania	1997	1998	*Terminated in2004*	Revised	Malaysia	2014	2015	*Revised in 2022*
Terminated	Hungary	1997	1998	*Terminated in 2004*	In Force	Faroe Islands	2014	2017	
Terminated	Estonia	1997	1998	*Terminated in 2004*	In Force	Singapore	2015	2017	
Terminated	Czechia	1997	1998	*Terminated in 2004*	Signed	Sudan	2017		
Terminated	Slovenia	1998	2000	*Terminated in 2004*	In Force	Venezuela	2018	2020	
Terminated	Latvia	1998	2000	*Terminated in 2004*	In Force	Qatar	2018		
Terminated	Bulgaria	1998	1999	*Terminated in 2007*	Revised	EFTA	2018	2021	
Terminated	Poland	1999	2000	*Terminated in 2004*	Revised	Serbia	2018	2019	
In Force	N.Macedonia	1999	2000		Revised	Bosnia & Herz.	2019		
Terminated	Croatia	2002	2003	*Terminated in 2013*	In Force	UK	2020	2021	

(Continues)

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TABLE 5 (Continued)

Status	Partner	Conclusion	Entry in force		Status	Partner	Conclusion	Entry in force
Revised	Bosnia & Herz.	2002	2003	*Revised 2019*	Signed	Ukraine	2022	
In Force	Tunisia	2004	2005		Revised	Montenegro	2022	2022
Suspended	Syria	2004	2007	*Suspended in 2011*	Revised	Georgia	2022	
In Force	Morocco	2004	2006		Revised	Malaysia	2022	
In Force	Egypt	2005	2007		In Force	UAE	2023	2023
In Force	Albania	2006	2008		In Force	Lebanon	2023	2023
Revised	Georgia	2007	2008	*Revised in 2022*	Revised	S. Korea	2018	2018
Revised	Montenegro	2008	2010	*Revised in 2022*	Negotiations in progress	Japan		
Revised	Serbia	2009	2010	*Revised in 2022*		Thailand		
Terminated	Jordan	2009	2011	*Terminated in 2018*		Indonesia		
In Force	Chile	2009	2011					

Source: Ministry of Trade.

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'Preferential Trade Agreements (PTAs)' with strategically important countries, less comprehensive in tariff coverage than FTAs. Recent PTAs include those with Iran, Azerbaijan, Pakistan and Uzbekistan, with negotiations for a PTA with Mauritania ongoing. Importantly, Turkey initiated follow-up talks in PTA with Azerbaijan in 2021 to extend their relationship to digital trade cooperation.

Another deviation from EU practices, yet not necessarily violating Turkey's CU commitments, is Turkey's pursuit of 'deep integration' FTAs that go beyond the scope of the CU with the EU in terms of market access and coverage of rules. Turkey modernised agreements with EFTA, Malaysia, Georgia and Moldova to broaden their scope to encompass services, investment and, in some instances, greater agricultural liberalisation.

Turkey has also continued its activism in negotiating Bilateral Investment Treaties (BIT). To date, it has signed BITs with 111 countries, and 87 of these agreements have entered into force. In recent years, some FTAs of Turkey have also included chapters on investment liberalisation (S. Korea and Singapore) while several of Turkey's trade agreements contain provisions on SMEs and investment promotion.

5.5 | Preferential trade agreements under regional organisations

Turkey's commitment to trade liberalisation extends beyond *bilateral* FTAs/PTAs, as demonstrated by its participation in preferential trade agreements within the Economic Cooperation Organization (ECO), Developing Eight Organization for Economic Cooperation (D-8) and Organization of Islamic Cooperation (OIC), in alignment with its CU obligations with the EU. In the ECO, Turkey collaborates with nations such as Afghanistan, Iran, Pakistan and Tajikistan. The ECO Trade Agreement (ECOTA), operational since 2008, aims to limit tariffs to a maximum of 15% for 80% of goods within 8 years. However, practical implementation has been limited due to the absence of concession lists, impeding trade preferences. The ECO's Vision 2025, seeking to activate ECOTA and progress towards a free trade area, has made minimal headway.

The D-8, initiated by Turkey in 1997 and including countries such as Bangladesh, Egypt and Indonesia, implemented its PTA in July 2016. This agreement focuses on gradual tariff reduction, eliminating para-tariffs and non-tariff barriers, and targeting an 8% tariff line reduction. As of September 2022, only Iran, Malaysia and Turkey actively implement it. Within the OIC, Turkey and 12 other members fully implemented the Trade Preferential System (TPS-OIC) in July 2022. This system, offering reciprocal access, applies preferential margins on 2003 MFN duty rates, covering 7% of each member's total HS lines with rates above 10%. Turkey's liberalisation under this system is expected to be completed by 2025.

The WTO report highlights Turkey's non-notification of its RTAs with countries such as Venezuela and Azerbaijan, its participation in the D-8, OIC-TPS agreements, and recent RTA amendments with Bosnia and Herzegovina and Montenegro.

5.6 | Widening scope of Turkish RTAs

In 2022 figures, Turkey's 18.8% of MFN tariff lines had duty-free rates, while its RTAs offered duty-free rates in 70.4%–97.4% of total tariff lines to trading partners, enhancing market access (see Figures 4 and 5). Recent trade agreements, including concessions and other provisions in agriculture, services, investment and public procurement, reduce the EU's preferential status to

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access the Turkish market, as asymmetries in new EU FTAs also limit Turkey's EU access, affecting Turkish integration into European supply chains.

Turkey's agricultural market access in recent RTAs has become less protectionist, offering larger concessions in some deals, often surpassing those in the Turkey–EU CU. Of Turkey's RTAs, 19 include agricultural products, with Bosnia and Herzegovina, South Korea and Malaysia receiving notable concessions when Turkey's average applied tariff rates in 2022 are taken into consideration (see figures below). Bosnia and Herzegovina enjoy the highest duty-free access in Turkey's agricultural trade, followed by Kosovo and Georgia, while EU exporters have limited duty-free access. Average tariffs in agriculture for EU and UK exporters are around 48%, compared with Turkey's MFN tariffs of 49.2%. Seven of Turkey's preferential agreement partners benefit from significantly lower average tariffs in agriculture: Bosnia (7.7%), Singapore (25.8%), Kosovo (26.2%), South Korea (35.6%), Venezuela (41.1%), Georgia (42.5%) and Malaysia (46.3%).

In non-agricultural products, certain third parties, including Bosnia and Herzegovina, EFTA countries, and South Korea, receive more preferential access than the EU. Surprisingly Bosnia and Herzegovina, the four EFTA countries and the Faroe Islands, thanks to comprehensive FTAs with Turkey, receive 100% duty-free access, while EU exporters face an average of 2.2% tariffs. Ranking it seventh for duty-free access new Turkish FTAs diminish the EU's privileged access to Turkish markets.

Turkey's FTAs now also include services, investment and public procurement, areas where the EU lacks privileged access. Recent FTAs with countries such as Bosnia and Herzegovina, Montenegro, Serbia, South Korea, Singapore and EFTA include service commitments. FTAs with Qatar, Malaysia, Georgia and Ukraine cover trade in services. South Korea and Singapore's FTAs include investment market access, and Turkey–Singapore FTA encompasses public procurement concessions.

Turkey's deep FTAs extend beyond the CU with the EU in rule coverage, addressing SPS measures, environmental provisions, e-commerce and labour. In 2021, Turkey signed an MOU with Azerbaijan for digital trade cooperation. These issues and trade rules will also be on the agenda for the modernisation of the CU between Turkey and the EU. Delays in the CU upgrade risk further distancing Turkey from EU integration, with potential implications in the future concerning Turkey's GVC incorporation.

6 | CONCLUSION

The seventh TPR of Turkey by the WTO, encompassing 2016–2022, unveils the country's pivotal moments amidst EU discord, a shift to presidential governance, the repercussions of COVID-19 and the Ukraine conflict. Coinciding with Turkey's centennial, the TPR delineates the nation's endeavours towards economic amalgamation with global and European markets, accentuating a commitment to state-driven development and industrial policy. This era witnessed Turkey's strategic efforts to mitigate its current account deficit, diversify trade relations, elevate export sophistication and solidify its stance in GVCs, facilitated by regulatory adaptations and intensified trade engagements.

Significantly, Turkey's trade strategy has veered from the EU *acquis* and CCP, especially post-2016, with revised state aids, MFN tariffs and localisation strategies, steering towards augmented autonomy from the EU. This recalibration encompasses agricultural products, services and public procurement within its RTAs, aiming for comprehensive sectoral integration.

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Such manoeuvres have attenuated the EU's preferential market access, concurrently hampering Turkey's ingress into EU markets, compounded by the EU's comprehensive FTAs. This evolving trade dynamic and ensuing bilateral frictions have exacerbated Turkey–EU ties, precipitating WTO disputes.

The TPR underscores Turkey's adept navigation through pandemic-induced disruptions, bolstering its integral role in global supply chains and exhibiting robust economic resilience, manifested in an augmented trade-to-GDP ratio. However, Turkey's ambition for industrial and technological advancement necessitates enhanced EU integration. Despite diversification attempts, the EU's role as Turkey's principal trade ally emphasises the critical need for rejuvenating the EU–Turkey CU, incorporating excluded sectors and trade regulations, pivotal for Turkey's sustained GVC participation and strategic economic pursuits. Protracting this modernisation risks further estranging Turkey from EU integration, potentially impeding its GVC positioning and strategic developmental aims.

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