



FEASIBILITY STUDY FOR TÜRKIYE COMPACT

Stimulating Economic Growth and
Employment of Refugees and Host
Communities through International
Preferential Trade



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About UNDP

As the development arm of the United Nations system worldwide, UNDP works with governments, communities and partners in finding innovative development solutions to address acute, protracted forced displacement. UNDP, with its focus on resilience programming and as a convener on the nexus approach in the region, has generated a wealth of knowledge on development approaches to prevent, respond and support solutions to displacement. The development dimension of protracted displacement requires a more long-term approach that unlocks durable solutions. UNDP's vision consists of promoting and supporting transformative approaches to ensure that short-term responses have long-term impacts towards solutions that are adaptive and sustainable. In the context of 3RP (Regional Refugee and Resilience Plan), UNDP Türkiye has expanded its engagement with the private sector to better articulate the development dimension of the refugee response in pursuing durable solutions.

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ABBREVIATIONS

EN-Full form	EN-abbr.	TR-ks.	TR-Açık hali
Adana Chamber of Industry	ADASO	ADASO	Adana Sanayi Odası
African Growth & Opportunity Act	AGOA	ABFY	Afrika Büyüme ve Fırsat Yasası
Agreement on Textiles & Clothing	ATC	TGA	Tekstil ve Giyim Anlaşması
Association of Apparel Manufacturers in Cambodia	GMAC	GMAC	Kamboçya Hazır Giyim Üreticileri Birliği
Better Factory Cambodia	BFC	BFC	Kamboçya'da Daha İyi Fabrikalar
Coronavirus disease 2019	COVID-19	COVID-19	Koronavirüs hastalığı 2019
Emergency Social Safety Net	ESSN	SUY	Sosyal Uyum Yardım Programı
Euro	EUR	Avro	Avro
European Union	EU	AB	Avrupa Birliği
Everything But Arms	EBA	EBA	Silah Hariç Her Şey
Food & Agricultural Organization	FAO	FAO	Gıda ve Tarım Örgütü
Free Trade Agreement	FTA	STA	Serbest Ticaret Anlaşması
French Development Agency	AFD	AFD	Fransız Kalkınma Ajansı
Generalized System of Preferences	GSP	GTS	Genelleştirilmiş Tercihler Sistemi
Global Compact on Refugees	GCR	MKM	Mültecilere Yönelik Küresel Mutabakat
Gross Domestic Product	GDP	GSYH	Gayri Safi Yurtiçi Hasıla
International Federation of Red Cross & Red Crescent Societies	IFRC	IFRC	Uluslararası Kızılhaç ve Kızılay Dernekleri Federasyonu
Input/Output	I/O	G/Ç	Girdi/Çıktı
International Financial Institution	IFIs	UFK	Uluslararası Finans Kuruluşu
International Labour Organization	ILO	ILO	Uluslararası Çalışma Örgütü
International non-governmental organization	INGO	USTK	Uluslararası sivil toplum kuruluşu
Least Developed Country	LDC	EAGÜ	En Az Gelişmiş Ülke
Minimum Expenditure Basket	MEB	AHS	Asgari Harcama Sepeti
Ministry of Family & Social Services	MoFSS	ASHB	Aile ve Sosyal Hizmetler Bakanlığı
Ministry of Industry & Technology	MoIT	STB	Sanayi ve Teknoloji Bakanlığı
Ministry of Trade	MoT	--	Ticaret Bakanlığı
Most-Favoured Nation	MFN	EÇKÜ	En Çok Kayırılan Ülke
Not applicable	N/A	G.D.	Geçerli değil
Non-governmental organization	NGO	STK	Sivil Toplum Kuruluşu
Non-Trade Barriers	NTB	TDE	Ticaret Dışı Engel
Organized Industrial Zone	OIZ	OSB	Organize Sanayi Bölgesi
Qualifying Industrial Zone	QIZ	NSB	Nitelikli Sanayi Bölgesi
Regional Refugee & Resilience Plan	3RP	3RP	Bölgesel Mülteci ve Dayanıklılık Planı
Rules of Origin	RoO	MK	Menşe Kuralları
Social Security Institution	SGK	SGK	Sosyal Güvenlik Kurumu
Special Economic Zone	SEZ	ÖEB	Özel Ekonomik Bölge
Syrians under Temporary Protection	SuTPs	GKAS	Geçici koruma altındaki Suriyeliler
Turkish Exporters Assembly	TİM	TİM	Türkiye İhracatçılar Meclisi
Turkish Lira	TRY	TL	Türk Lirası
Turkish Red Crescent	TRC	Kızılay	Türk Kızılayı
Türkiye Statistical Institute	TURKSTAT	TÜİK	Türkiye İstatistik Kurumu
Feasibility Study for Türkiye Compact (also Türkiye Compact Feasibility Study)	FSTC	TKFÇ	Türkiye Kompakt Fizibilite Çalışması
United Kingdom (of Great Britain & Northern Ireland)	UK	--	Birleşik Krallık
United Nations	UN	BM	Birleşmiş Milletler
United Nations Development Programme	UNDP	UNDP	Birleşmiş Milletler Kalkınma Programı
United States Agency for International Development	USAID	USAID	Amerika Birleşik Devletleri Uluslararası Kalkınma Ajansı
United States Dollar	USD	ABD Doları	Amerika Birleşik Devletleri Doları
United States of America	USA, US	ABD	Amerika Birleşik Devletleri
World Trade Organization	WTO	DTÖ	Dünya Ticaret Örgütü

EXECUTIVE SUMMARY

The predicament of refugees is a common concern for humanity. Given the current scale and protracted nature of forced displacement, it is now more urgent than ever to deliver solutions for refugees, asylum seekers, and host communities. As of the end of 2021, there were 27.1 million refugees worldwide.[1] The speed and scale of forced displacement require sustainable solutions as millions of refugees live in protracted situations and their average length of stay in host countries continues to grow. To be sustainable and inclusive, refugee response in forced and protracted displacement contexts needs to incorporate more developmental approaches with durable, long-term solutions.

Refugee management issues require international aid agencies, public institutions, and the private sector to act in a coordinated and predictable manner through comprehensive refugee response schemes as underlined in the 2018 Global Compact on Refugees (GCR). GCR also recognizes the need for more equitable responsibility-sharing through international cooperation to ease the pressures on host countries and enhance the self-reliance of refugees.

Accordingly, promoting economic opportunities and decent work through inclusive economic growth in refugee-hosting areas will benefit both forcibly displaced persons on one hand and host countries and communities on the other in line with the 2030 Agenda for Sustainable Development. In that regard, GCR recommends that preferential trade arrangements can be explored in compliance with relevant international obligations, especially in labour-intensive sectors employing refugees.

It is thus urgent to translate these global principles into concrete and innovative actions. This is what Türkiye Compact aims to do by calling Turkish policymakers, the international aid community, donor governments, and the private sector to establish a new “Türkiye Compact” that will harness trade preferences to stimulate job creation for refugees and host communities while supporting Türkiye in hosting the largest refugee population in the world.

Türkiye has indeed been hosting a sizeable refugee population for longer than a decade. The number of registered Syrians under Temporary Protection (SuTPs)[2] in Türkiye as of September 2022 is 3.656.157.[3] Recent data show that 46% of Syrian refugees in Türkiye are women with various backgrounds.[4] Learning from other protracted forced displacement crises, and recent assessment such as the Barometer 2021, suggest that many Syrian refugees in Türkiye are unlikely to return to Syria in a foreseeable future. Though some voluntary returns are taking place, they remain limited to 146,756 monitored returns since 2016 and 22,951 in 2022 as of August.[5]

Despite a progressive national policy framework related to refugees’ access to work and significant efforts from the aid actors on livelihoods programming, limited progress has been achieved to date in creating formal jobs. In fact, ongoing and planned livelihoods programming will deliver results but not at the required scale. A mapping analysis by the Regional Refugee and Resilience Plan (3RP) estimated that 3RP programming and International Financial Institutions (IFIs) projects could collectively create a maximum of 66,000 new jobs (including refugees and host communities) from 2017 through 2024. This falls far short of the need of creating formal jobs at scale given the number of Syrian refugees of working age.

1. <https://www.unhcr.org/news/press/2022/6/62a9d2b04/unhcr-global-displacement-hits-record-capping-decade-long-rising-trend.html>

2. Referred in this report mostly as Syrian refugees.

3. <https://en.goc.gov.tr/temporary-protection27>

4. Ministry of Interior Directorate Presidency for Migration. (2022). ‘Temporary Protection Statistics’. <https://en.goc.gov.tr/temporary-protection27>

5. [Situation Syria Regional Refugee Response \(unhcr.org\)](#)

Regarding socio-economic inclusion, 800,000 to 1 million Syrian refugees are actively working in Türkiye.^[6] However, such employment is mostly informal and leaves refugees in precarious work and social conditions. Hence, one important challenge facing Türkiye with respect to the socio-economic inclusion of Syrian refugees is about incorporating them into the formal economy and enabling them to become economically self-reliant. Labour force participation is particularly low among displaced Syrian women in Türkiye standing at 18.6% in 2020 and a large proportion of the support targeting women lacks a clear connection to the Turkish labour market.

Moreover, current socio-economic inclusion policies do not consider the specific needs and challenges faced by refugee women, often causing them to choose between childcare or work. Refugee single mothers are the most vulnerable groups among refugees because they are often trapped between their domestic and economic responsibilities. Additionally, social tensions are growing with host community members who also face difficult socio-economic conditions in a context where an increasing number of Syrian refugees' plan to stay in Türkiye for the foreseeable future.

Therefore, the current situation is calling for a new, complementary gender-sensitive approach to scale up formal job creation as stressed by GCR on the need for more equitable responsibility sharing through international cooperation, refugee self-reliance, and use of special trade agreements to stimulate Turkish national economy to help absorb large manpower and create more jobs for Syrian refugees and host communities.

Accordingly, a new economic developmental public-private partnership approach should be explored further to complement the existing livelihood programme in Türkiye. Importantly, export-oriented production growth has generated important employment opportunities for newcomers in the labour market in several countries (see examples in Chapter 3) through various mechanisms.

Various trade agreement mechanisms have been implemented in the world (e.g. in Jordan, Egypt, and Ethiopia) from which lessons learned can be analysed to formulate Türkiye Compact including:

- Trade preferences must create a powerful business incentive while trade concessions must generate substantial benefits that can be identified and anticipated by the private sector;
- Beneficiary countries must be in a position (potential competitiveness, marketing, available skills, and workforce, etc.) to exploit opportunities offered by trade preferences;
- Restrictions on the application of these trade benefits - due to national policies or limited locations/sectors/number of products - weaken the incentive to invest and create employment and undermine the impact of trade preferences.
- Credibility is a necessary condition to allow trade liberalization to be effective and generate sustainable effects. Trade preferences must be predictable and stable enough to encourage the private sector to plan new investments, marketing projects, and exports.
- It requires political will and partnerships among public and private stakeholders at international and national levels.

As a matter of fact, the inclusion of refugees, both men, and women, in an export-oriented employment scheme as proposed in the Feasibility Study for Türkiye Compact (TCFS) could be an important step towards the objectives of refugee economic self-reliance while contributing to Türkiye's economic development to help achieve the SDGs.

6. Pinedo Caro, 2020.

TCFS focuses on the most relevant sectors namely agriculture and agro-based products, textile & garment industries (including shoemaking and leather products). To provide a clear picture of the potential economic impact of Türkiye Compact, we consider various scenarios in which USA, Canada, and EU grant new trade preferences to Türkiye, respectively in the textile & garment, agricultural and agro-industrial products.

In the most favourable scenario, we estimate that the total export gains may reach USD 7.8 billion in 2025. This additional export volume will then account for 3% of total Turkish exports.

Based on TCFS, the economic impact of the most favourable scenario, with the full implementation of trade preferences by the USA, Canada, and EU in the targeted sectors can generate:

- Directly, 284,000 formal jobs in the economy, including potentially 57,000 for Syrian refugees. In addition, about 52,000 jobs can be created in the Turkish economy through backward (induced production) and forward linkages (induced demand).
- New exports will add directly 0.42% to GDP. The indirect effects can produce an additional GDP increase of 0.40%.
- Additional direct tax and social security revenues will amount to TRY 7,236 million for a base year. In this case, the increase of formal employment of Syrian workers will generate TRY 1,090 million to 1,450 million in tax and social security revenues annually. [7]

ESTABLISHING TÜRKIYE COMPACT

To scale up job creation for refugees and the Turkish population through special trade agreements, political and economic interest by major public and private stakeholders along with complementary measures and mechanisms should be in place, including:

- A monitoring system must be established to assess the contribution of the refugee workforce to the production of exported goods. It will also provide a framework of transparency and accountability to Turkish enterprises formally employing refugees. This will contribute to improving the working conditions of refugees in regulating their employment through the creation of decent and productive employment and income opportunities and formal jobs, equally for women and men, thus preventing gender-based discrimination, exploitation, and child labour.



*Mohamad now works as in foreign trade responsible of a local elevator manufacturer in Gaziantep, Turkey, after a 2-month-long intensive training.
Photo credit: UNDP Türkiye*

7. By the average exchange rate at the end of first half of 2022 (1 USD= 14.8 TRY), TRY 7,236 million would be valued at USD 487 million; TRY 1,090 million at USD 74 million, TRY 1,450 million at USD 98 million.

- Wages and labour conditions in the sectors covered by Türkiye Compact must be sufficiently attractive to refugees both men and women. Moreover, refugees should be reassured that their acceptance of formal jobs will not undermine their status, access to services, social protection, or the possibility to cope with family obligations.
- On the supply side of the labour market, higher coherence must be promoted between humanitarian social protection allowance schemes and livelihood programmes to create gender-sensitive incentives for refugees to work in the formal sector.
- National policies should be made more flexible to ease refugees' access to formal jobs. The current national work regulation for refugees does not facilitate their employment with work permits along with quota and restrictive freedom of movement. Specifically, socio-economic inclusion policies should consider challenges faced by refugee women, and need to be tailored to their specific needs and situation.
- The potential Türkiye Compact must be aligned with international conventions on human and labour rights, environmental protection and good governance, and notably with the Sustainable Development Goals and its green economy content.

KEY RECOMMENDATIONS AND NEXT STEPS FOR TÜRKIYE COMPACT

To successfully implement Türkiye Compact, UNDP recommends the following next steps and commitments for stakeholders, including governments, the private sector, and development partners.

The Turkish Government should:

- Establish a monitoring system to assess the contribution of the refugee workforce to the production of exported goods. This will also provide a framework of transparency and accountability for Turkish enterprises to formally employ refugees, as a prerequisite to be part of the Compact, that in turn will contribute to improving the working conditions of refugees as well as complying with environmental safeguards.
- Align social assistance programmes to complement refugees' transition into the formal labour force. While it is critical to maintain social assistance programmes for the most vulnerable, the Emergency Social Safety Net (ESSN) and other assistance programmes should emphasize a transition to employment approach which will preserve some income security for beneficiaries entering the formal labour market.
- Expand the freedom of movement for refugee workers in a targeted way. In the current context, the restriction that refugees may only work in the province of registration poses a significant barrier to their employment. In the specific context of Türkiye Compact, lifting such restriction will allow a better match of skills and experience, leading to increased productivity for the private sector.
- Increase the maximum quota for Syrian workers from 10% to minimum 20% per enterprise in the sectors targeted by Türkiye Compact to ease access to formal jobs for refugees.
- Grant work permits that are flexible and applicable across the country allowing employees to apply for permits and transfers between jobs. The current work permit system relies on the employers' will to make the application to formalize refugee workers. Some employers find the work permit application to be burdensome. Easing the application process - through measures such as reduced documentation, more integrated information systems, allowing potential employees to apply for work permits themselves, and allowing workers to change jobs - would facilitate the formalization of employment.

- Ensure that wages and working conditions in the sectors covered by Türkiye Compact are sufficiently attractive to refugees. A key lesson learned from the Jordan Compact shows that factors such as working hours, pay, and commuting time all factor into job acceptance and retention. Refugees should be reassured that their acceptance of formal jobs will not undermine their status, access to services, and social protection. Specifically, socio-economic inclusion policies should take into consideration the challenges faced by refugee women and need to be tailored to their specific needs.

The Turkish private sector, chambers of commerce and industry, business associations and platforms should:

- Conduct specific assessments in collaboration with exporters and industry associations to identify and decide on the market targeting for products with the highest export potential. Trade preferences to increase exports have the greatest potential for labour-intensive goods such as garments, clothing or food products. To identify the needs, targets, and trade barriers of exporters, producer and exporter associations in the textiles and agriculture sectors should be consulted to identify products with the highest export potential for US, Canadian, and EU markets. The early involvement of the private sector will be an opportunity to present the advantages of recruiting Syrian workers within Türkiye Compact.
- Inform employers through awareness-raising campaigns about the opportunities provided by Türkiye Compact, requirements for inclusion, and the rights of workers. The private sector should be made aware of the advantages if they employ refugees, and of their rights and responsibilities towards refugee workers to prevent exploitation. Negative stereotypes should be dispelled through evidence-based awareness-raising initiatives while measures to favour diversity and inclusion should be promoted.

Countries prepared to enter into preferential trade agreements should:

- Ensure that trade preferences create a powerful business incentive and generate substantial benefits that can be identified and anticipated by the private sector. Restrictions on the application of trade benefits - such as limitation on the locations, sectors, or number of products to which benefits apply - can weaken the incentive to invest and create jobs and undermine the impact of trade preferences.
- Develop clear conditions, including the refugee employment component, to allow trade liberalization to be effective and generate sustainable effects. Trade preferences must be predictable and stable enough to encourage the private sector to plan new investments, marketing projects, and exports.

Development partners including other UN agencies and NGOs should:

- At the operational level, apply mechanisms to ensure that trade preferences translate into job creation for refugees and host communities by designing all training components with the private sector. Raise refugee skill levels, including in Turkish language, to match labour market needs.
- Design a communications campaign, together with the Turkish Government, to promote Türkiye Compact. To mitigate any risk of politicization, the public needs to understand the benefits of Türkiye Compact for the Turkish economy, private sector, and host community members.

1. INTRODUCTION

The Global Compact on Refugees (GCR) acknowledges both the humanitarian and development needs of refugees and the heavy burden for host countries. The contributions are recognized as a global public good provided on behalf of the international community. GCR translates the commitments of 193 UN Member States through the adoption of the 2016 New York Declaration for Refugees and Migrants into practical, concrete measures. GCR was adopted by 181 UN Member States including Türkiye.^[8]

GCR provides an innovative scheme in the form of trade arrangements “for goods and sectors with a high level of refugee participation in the labour force”. Job creation through trade incentives will be critical to gradual transition for those able to work from humanitarian aid mechanisms such as the Emergency Social Safety Net (ESSN) to long-term and inclusive employment.

The shift from a humanitarian assistance to a more resilience-based development approach aims at integrating Syrian refugees into the Turkish economy on the basis of greater self-reliance. The objective is to ensure relevant and decent work for the refugee and national labour force while enabling entrepreneurship and businesses growth.

In Türkiye context and aligned with GCR, the main objective of Türkiye Compact is to promote income generation and employment of Syrian refugees and Turkish citizens through the provision of new trade preferences. The primary objective of this TCFS is to identify the potential economic and employment benefits and legal aspects inherent to Türkiye Compact.

The present “Feasibility Study for Türkiye Compact: Stimulating Economic Growth and Employment of Refugees and Host Communities through International Preferential Trade” has been prepared by the United Nations Development Programme (UNDP) in the context of the “Syrian Refugee Response in Türkiye” programme.

TCFS explores the establishment, and possible positive impacts, of a Türkiye Compact. The report presents the context addressed by Türkiye Compact, the main variables and dimensions that it must articulate to be relevant and effective, and its prospective positive impacts on trade and the economy.

TCFS thus aims to provide the “evidence base” on the potential of a Türkiye Compact notably through:

- Identifying priority export sectors to be targeted under an easing of the Generalized System of Preferences (GSP);
- Identifying priority markets to be included in a Türkiye Compact;
- Investigating potential economic and employment benefits of a Türkiye Compact;
- Identifying new trade preferences and potential mechanisms;
- Building recommendations on the way forward.

TCFS follows a risk-informed development approach to avoid creating risks and promote social cohesion.

8. EU member countries, apart from Hungary, have endorsed GCR though it is not a legally binding document. Source: <https://www.fmreview.org/issue67/janmyr>.



Local Turkish women start their own cooperative after receiving training. Photo credit: UNDP Türkiye

The content of this report is based on the analysis of various documents and data related to the overall context, trade performance, other experiences, and interviews of experts and potential stakeholders (list of documents and interviews in annexes). A major challenge during this study has been the difficulty to collect economic data on the private sector.

This report is structured as follows:

Chapter 1 gives a summary of the background and objectives of TCFS.

Chapter 2 provides an overview of the economic conditions of the Syrian refugees in Türkiye and the national context.

Chapter 3 presents other international preferential trade experiences and main lessons learnt.

Chapter 4 presents possible international preferential trade mechanisms available.

Chapter 5 provides an estimation of the additional export revenues that can be generated by Türkiye Compact.

Chapter 6 estimates the economic impact of export growth in terms of employment and value-added.

Chapter 7 discusses a number of key implementation issues.

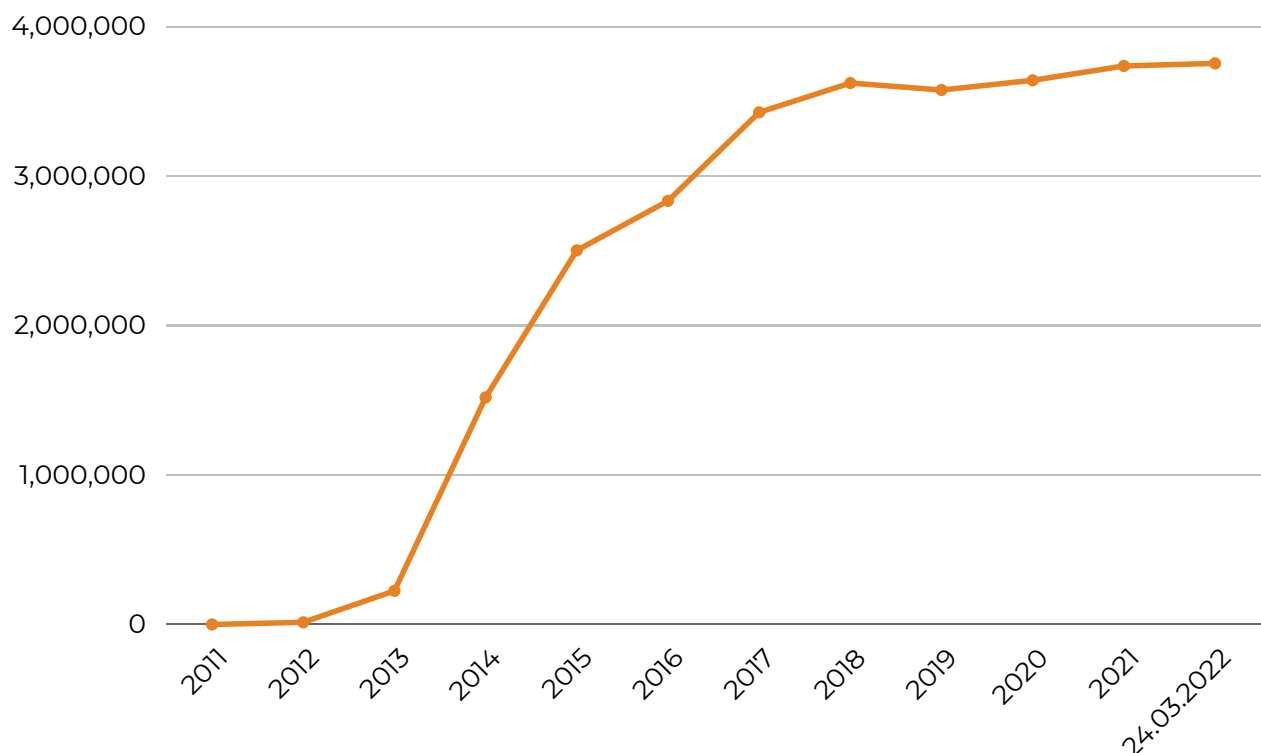
Chapter 8 provides recommendations for the implementation of Türkiye Compact.

2. CONTEXT

2.1. Syrian refugees in Türkiye

For longer than a decade, Türkiye has been hosting a sizeable refugee population, including as of 2022, some 3.7 million Syrians under Temporary Protection (SuTPs)[9] and 320,000 international protection applicants and status holders from other countries.[10] Syrian refugees in Türkiye have generally enjoyed the protection of their rights and access to basic public services.

Figure 1. Total number of Syrians under temporary protection in Türkiye

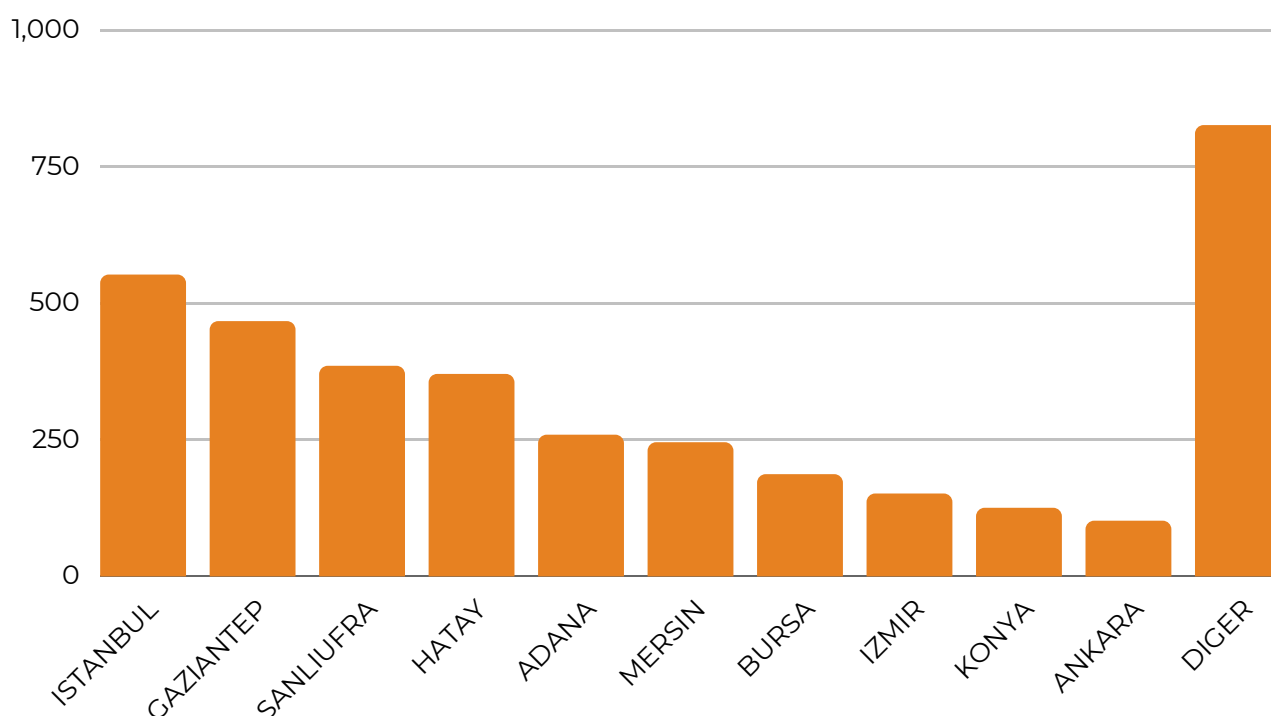


Source: Ministry of Interior, Presidency of Migration Management.

The presence of Syrian refugees is concentrated in the south-eastern part of the country. Istanbul has the largest Syrian refugee population, but not the highest density, followed by Gaziantep, Hatay, Sanliurfa, Adana, Mersin, and Kilis (Figure 2). Although southern provinces are easier for many Syrian refugees to integrate into host communities due to the long history of trading between the two countries, this unequal distribution concentrates the absorption issue on a small number of areas. Thus, while the refugee policy is designed at the central level, the concern of their economic inclusion has de facto become a sub-regional and local development challenge.

9. Referred in this report mostly as Syrian refugees.
10. 3RP 2021-2022

Figure 2. Provincial distribution of Syrian refugees in Türkiye



Source: Ministry of Interior, Presidency of Migration Management, 01.09.2022.

A long-term challenge: Many Syrian refugees will likely not return to Syria

Surveys conducted in 2020 and available figures show that most Syrian refugees are planning to stay in Türkiye even after the end of the conflict in Syria, despite the low living standards they face. In the Syrians Barometer 2020, Syrian refugees were asked “Do you believe that there is a future in Türkiye for yourself, your family, and other Syrian refugees?”. The findings highlight that over 60% of the respondents responded affirmatively.^[11] Insecurity, lack of livelihood prospects, and limited access to basic services in Syria are the main reasons in addition to the relative normalization of the lives they have established over the years in Türkiye.

Considering the trend over years seen in the Syrians Barometers studies, this prospect is likely to last and to further increase in the years to come. Therefore, an increase in socio-economic inclusion will provide refugees with an alternative prospect for the future and be an asset to the Turkish economy.

While better socio-economic inclusion will strengthen the tendency for Syrian refugees to stay permanently, given the situation in Syria, massive return is likely not a viable option over the years to come. Since 2016, only 146,756 voluntary returns to Syria have been observed.^[12] Moreover, as an assumption, many young Syrian refugees born or at least who spent their childhood in Türkiye may not be interested in going back to Syria.

11. Syrians Barometer 2020. A similar conclusion is found in TEPAV, 2018.

12. [Situation Syria Regional Refugee Response \(unhcr.org\)](#).

2.2. Overall economic situation of Syrian refugees

According to various estimates, there are 800,000 to 1 million Syrian refugees actively working in Türkiye corresponding to almost one-half of their working-age segment (aged 15 - 64).^[13] The latest figure on work permits issued in 2020 is 62,369.^[14] Therefore, most jobs are informal that leave Syrian refugees in precarious working and living conditions. Experiences in other contexts (e.g. Bangladesh, Venezuela) show that it can also intensify public resentment driven by low wages and unemployment among unskilled local labour.^[15] Among Syrian refugees who have found a job in the informal economy, the share of those who have continuous and regular employment reaches 50%, the share of those who work at casual (day-to-day) work is 34%, those who suggest that they are self-employed or employers are 14%.^[16] These findings show that the economic inclusion process has significantly been underway as refugees are partly integrating themselves into local communities. Securing income is the most important driver of this socio-economic inclusion process which should continue to receive support.

In addition, there are huge gender disparities in the labour market. Syrian women's participation in labour force is low.^[17] Available evidence points out that more employable and ready-to-work refugee women prefer finding opportunities in the public and social spheres (education, health, or social work) rather than in industries.^[18]

Real incomes of refugee households are very low and the COVID-19 pandemic has worsened their economic situation. On the eve of the COVID-19 outbreak in Türkiye, 45% of refugees were below the World Bank moderate poverty line of TRY 418 and 61% were below the Minimum Expenditure Basket (MEB) of TRY 480.^[19] An initial survey on the impact of the pandemic in Türkiye has shown that 41% of persons under temporary and international protection have lost their earnings due to business closures, and 18% indicated that they had been laid off.^[20] Another survey estimates that 82% of migrants and refugees had recently lost work due to the COVID-19 crisis.^[21] During 2020, Syrian refugees lost 24.3% of the actual hours worked by those who remained in employment. Given the fact that most of them work informally, income losses are expected to be at least of a similar magnitude.^[22] Moreover, as of April 2021, 25% of households were currently facing moderate or severe humanitarian conditions.^[23]

In addition, inflation has reduced real incomes. Between August 2020 and August 2021, the MEB value for a 6-person refugee household increased from TRY 2,454 to 2,816.^[24] The increase in food prices alone was approximately 20%. Prices will further increase. However, the recent - 2021- rebound in growth has had favourable effects on job creation.^[25]

Refugees' income levels would be worse without the social assistance programmes such as ESSN which provides regular monthly cash to 1.5 million people, and C-ESSN (Complementary ESSN) now operated directly by the Ministry of Family and Social Services (MoFSS).

13 See for instance Luis Pinedo Coro, 2020. https://www.ilo.org/ankara/publications/WCMS_738602/lang-en.

14 <https://www.csgh.gov.tr/istatistikler/calisma-hayati-istatistikleri/resmi-istatistik-programi/yabancilarin-calisma-izinleri/>

15 Syrians Barometer 2020, p.261: "Even though the high level of support and solidarity displayed by the Turkish society towards Syrians continues, there appears to be a considerable decrease in the level of this acceptance and solidarity, with an increase in society's anxieties. In other words, the acceptance of Turkish society has largely turned into toleration". (...)

16 Syrians Barometer 2020 p.14.

17 UNDP, 2021a; UNDP, 2021b; TEPAV, 2021; Syrians Barometer 2020; ILO, 2021; 3RP, 2021; Building Markets, 2020.

18 3RP 2022.

19 DRC, 2021; UN 2020.

20 Sources: UN Türkiye, 2020; 3RP 2021.

21 UNDP, 2021c.

22 https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-ankara/documents/publication/wcms_831509.pdf.

23 <https://reliefweb.int/report/turkiye/intersectoral-vulnerability-survey-vulnerability-conditions-refugees-living-turkiye>

24 TRC, 2021b p.13.

25 <https://data.turkstat.gov.tr/>

The cash programme is funded by the EU and implemented by the Turkish Red Crescent (TRC) and the International Federation of Red Cross and Red Crescent Societies (IFRC). As of April 2021, the programme increased the transfer value from 120 to TRY 155 per person. Most of the projects funded by international organizations focus on humanitarian aid and vocational education.

Given the socio-economic situation described above and low number of work permits issued, assistance programmes have not been very effective at creating formal employment and sustainable economic opportunities at scale for Syrian refugees. Despite the targeting of self-reliance and employment by the EU second tranche of assistance, which included EUR 465 million for socio-economic support and labour market integration, in line with the Exit Strategy from ESSN programming released by the government in December 2018, the annual figure of Syrian refugees formal jobs has remained low, around 62,000 in 2020. The internationally supported cash response to assist Syrian refugees has had a very limited impact on their economic inclusion.

2.3. Host country absorption issue

Türkiye's fragile economic growth

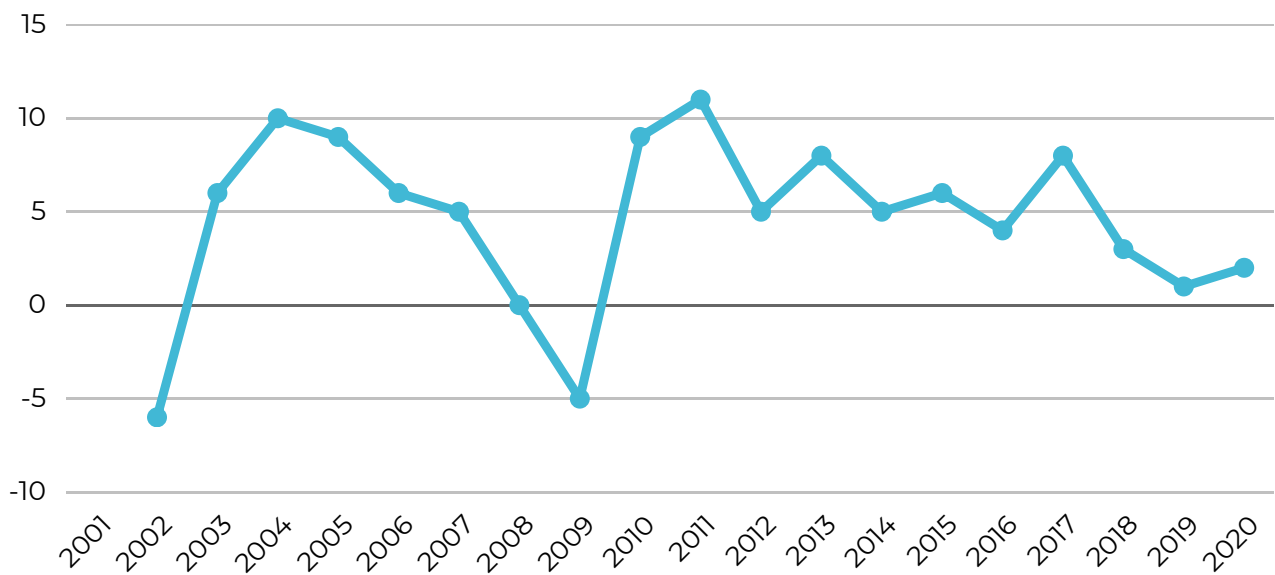
After the 2008 financial crisis, Türkiye was able to recover rapidly with significant annual growth, but such strength of rebounding seems to have long gone. A different period with a special pattern can be identified after 2013 when Türkiye's GDP per capita in USD started to drop. In the years leading up to the COVID-19 pandemic, Türkiye's growth model aggravated external and internal imbalances, leaving the economy vulnerable. Large current account deficits, financed mainly by debt, led to a weaker net international investment position and currency mismatches resulting in an increasing devaluation of the Turkish Lira and high inflation. During this period, a key macroeconomic weakness was the structural deficit of the trade balance, which was partly compensated in the current account by significant tourism revenues.^[26]

The current growth trajectory remains unclear, because of the persistence of structural imbalances and the addition of exogenous shocks. After a contraction in mid-2020, Türkiye benefited from a strong rebound and registered a growth rate of 11% in 2021.

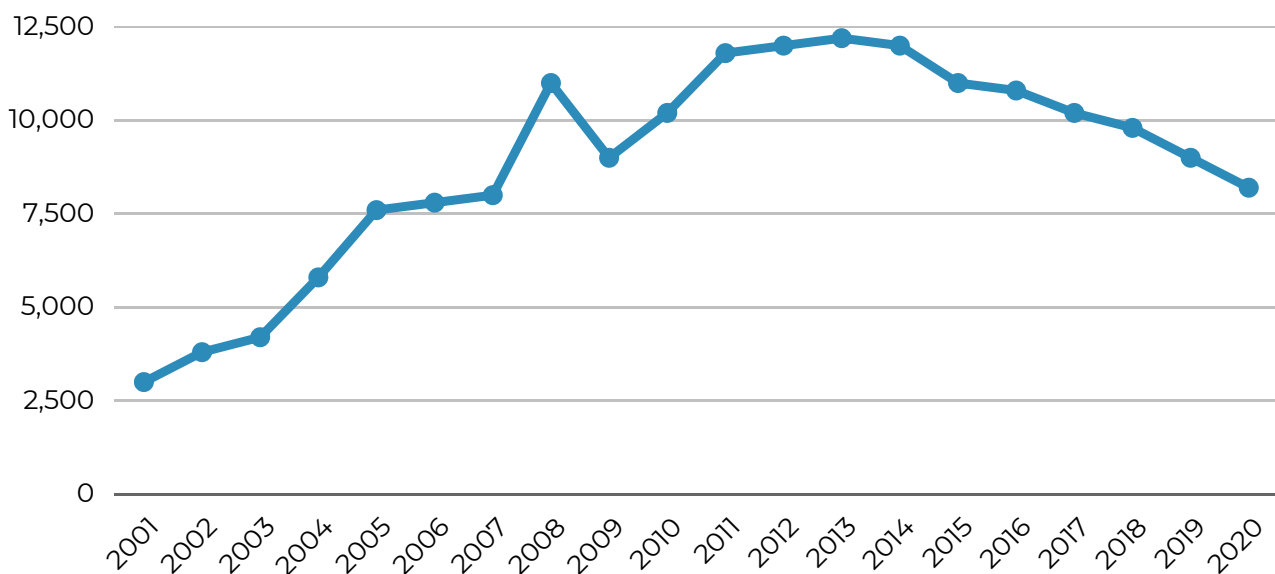
²⁶ This part relies on the following sources: IMF, 2021, World Bank, 2022, <https://data.TURKSTAT.gov.tr/>

Figures 3a, 3b. Türkiye's economic growth

Türkiye growth (annual %)



Türkiye GDP per capita (current US\$)



Source: Based on data from World Development Indicators, World Bank.

Structural economic imbalances and declining growth led to limited job creation in Türkiye, which has been further reduced by the COVID-19 crisis. The total number of jobs lost due to this crisis has been estimated at 5.6 million. Then, Türkiye experienced a very strong rebound and job creation following the COVID-19 crisis due to strong growth in the industry even though there has been some fluctuation since the end of 2021. Overall, 2.1 million jobs were created in 2021 and the unemployment rate fell to 12.0%.

This cyclical setback has contributed to reducing the structurally high ratio of informal employment in the country, falling from 30.1% in 2020/Q1 to 25.8% in 2022/Q1 among Turkish citizens.[27] Rate of informality is particularly high in the eastern regions, roughly at 60%.[28]

In short, the Turkish economy has been facing a growing number of structural challenges plus difficult economic times due to the COVID-19 crisis. The forthcoming loss of tourism revenues and the rise of energy prices due to the war in Ukraine has negatively affected the country.

In this critical context, any form of new external economic opportunity as proposed in Türkiye Compact will be highly beneficial as it has the potential to create decent work opportunities for refugees and host communities.

Socio economic absorption

The socio-economic inclusion of millions of refugees has remained a sensitive issue for Turkish society. While there has been a high level of solidarity displayed by Turkish society towards Syrian refugees, recent surveys show a “considerable decrease in the level of acceptance and solidarity”.[29] This anxiety usually responds to society’s fear of losing jobs in the face of an incoming cheap labour supply. The available evidence has certainly shown a very limited negative impact on job supply since 2014, however, the growing social concern may cause an increasing politicization of the issue of refugee inclusion.

2.4. Need for a new, complementary approach

The livelihoods programming is delivering results but not at scale. UNDP estimates that all livelihood programming in Türkiye (from 2017 onwards, including 3RP, IFIs, etc.) will support about 500,000 people where 350,000 of whom will receive employability support while we can expect a maximum of 66,000 jobs to be created for refugees and host communities by 2024. [30]

Refugees’ narrow access to sustainable and formal employment in Türkiye continues to be a major challenge for the country, compounded by the prospect of their long-term presence. Considering that most Syrian refugees may live in Türkiye for the foreseeable future,[31] there is an urgent need to work out longer-term solutions aligned with the Turkish national and global refugee policies, international labour standards, decent work principles, humanitarian principles, obligations under international law, including human rights law and refugee law and refugees’ policies such as the Global Compact on Refugees (GCR).

27 Source: Turkstat, Labor Force Statistics, Quarter I: January - March, 2022 <https://data.tuik.gov.tr/Bulten/Index?p=Labour-Force-Statistics-Quarter-I:-January---March,-2022-45648>

28 Source: World Bank, 2022.

29 Syrians Barometer 2020.

30 Source: 3RP Interagency, Support to Public Institutions by International Financial Institutions, 3RP Partners, and Bilateral Development Actors, September 2022.

31 Syrians Barometer 2020

Hence, the challenge facing Türkiye with respect to the socio-economic integration of Syrian refugees is including them in the formal economy and enabling them to become economically independent (self-reliant) while contributing to taxation and productivity in the country. For foreign and international partners, though social protection is vital for many refugees, the cost and long-term unsustainability of social assistance programmes with the current number of 1.5 million beneficiaries justify^[32] coming up with different complementary approaches and frameworks to scale up formal employment for refugees, while bolstering the Turkish economy and workers.

A new developmental approach should thus be implemented. Export-oriented production growth has long generated huge employment opportunities for newcomers on the labour market in several countries (see Chapter 3). The inclusion of Syrian refugees in an export-oriented employment scheme in Türkiye can be an important step towards achieving the objectives of self-reliance and economic independence.

For such reasons, new export market opportunities through international preferential trade should be investigated in cooperation with international partners and national public and private actors for mid- and long-term inclusion of Syrian refugees into the Turkish economy that will benefit the country and host community too.

³² <https://www.ifrc.org/emergency-social-safety-net-essn>

*Fatma and her husband
were able to expand their
beekeeping business via
UNDP Turkey support.
Photo credit:
UNDP Türkiye*



3. PREVIOUS EXPERIENCES AND LESSONS LEARNT

3.1. Failure of initial WTO attempt

Supported by Qatar, Türkiye proposed in December 2017 at the World Trade Organization (WTO) ministerial meeting to adopt a declaration to “explore ways that trade and WTO can help in alleviating the adverse impact of this crisis” (Kale, 2022). In this declaration, trade was considered as a means for more equitable sharing of responsibility by the international community to ease the adverse impacts on the countries hosting sizable refugee populations. Suggesting that this type of support will be essential both for the well-being of displaced persons and for the economic and social stability of host countries, the proposal included a draft Ministerial Decision of the intention to cooperate for providing employment for Syrian refugees in Türkiye.

The declaration only proposed the adoption of a decision on a call to engage in relevant consultations within WTO and exploring ways as an indication of international solidarity. However, this call for solidarity and exploration was declined by WTO members. Obviously, the multilateral structure was not effective to promote such kind of preferential trade projects as countries had different interests and politico-economic situations.

3.2. Jordan Compact experience

Yet, trade preferences can amplify the benefits of granting refugees the right to work by creating new investments and formal job opportunities. Donors can also use preferential market access as an incentive for host country governments to facilitate access to their formal labour markets and public services to refugees. The Jordan Compact was the first agreement to explicitly embody such an approach. This ground-breaking experience provides valuable lessons.

In the EU-Jordan Compact, EU agreed to allow greater access to its market for goods produced by Jordanian enterprises employing Syrian refugees. The scheme between the EU and Jordan entered into force in July 2016 and had an initial duration of 10 years.^[33] It granted a more favourable treatment regarding the rules of origin (RoO) to exports from Jordanian enterprises employing at least 15% of Syrian refugees and based in one of the 18 designated Special Economic Zones (SEZs) and Industrial Areas. The relaxation of the RoO reduces the conditions required for a product exported from Jordan to the EU market from 60% to 30% of the total export value. Benefits were expected in two dimensions: 1) To offer Syrian refugees new economic opportunities as well as contribute to Jordan's growth by expanding its export sector and 2) Enhancing employment opportunities for Jordanians. Improved social cohesion was also expected through better integration of refugees into the formal economy.

³³ “EU-Jordan Partnership Priorities and Compact”, Annex to the Decision No. 01/2016 of the 12th EU-Jordan Association Council of 10 June 2017.

However, the Jordan Compact so far could not deliver the outcomes that its designers hoped for. While 200,000 work permits were promised by the Jordanian Government in 2016, the target was not reached in time. The employment in factories eligible for the scheme amounted only to 1,150 jobs in 2019 including the employment of 355 Syrian refugees.[34] Work permits reached 233,000 at the end of 2021 (cumulative since 2016, including about 62,000 in 2021), but about one-half of such permits were granted to engage in cash-for-work programme, not sustainable jobs.[35]

Exports under the scheme increased to EUR 56.4 million. Only 17 enterprises were able to take advantage of the export opportunities under the Jordan Compact.[36] Many exporting enterprises were large businesses with experience in exporting to US markets. There was little evidence of small, local enterprises being able to take advantage of the scheme.

The programme's underperformance can be attributed to several factors:

- *On the Supply side:* There was a lack of competitive enterprises able to export the targeted products to the EU; in a number of cases products did not meet EU technical standards for manufactured goods; employers have been facing difficulties in attracting Syrian refugees to work in the 18 designated areas; logistical difficulties (i.e. weak transport infrastructure) to reach the remote locations of the zones and the high costs of shipping have also affected the outcome.
- *On the Regulation side:* Jordan has continued to apply a quota system that restricted the share of foreign workers Jordanian enterprises were allowed to employ.[37]
- *Export standards* set by the EU and the absence of one-stop-shop services in the government have hindered export growth.
- *On the Demand side:* Complicated EU RoO mechanisms and the limited products scope of the trade concessions raise the issue of the effectiveness of the scheme.
- *The incentive structure* for producers was not fully effective. First, the relaxation of the trade agreement's rules of origin was not enough as an incentive for most enterprises to make new investments. Second, restrictions on the application of these trade benefits, including the requirement that enterprises employ a minimum share of refugees and be located in one of the designated SEZs, further weakened the incentive to invest. Some of these restrictions have since been eased by the EU but it came a bit late to support the Jordan Compact effectiveness to date.

3.3. Ethiopia Jobs Compact

In the Ethiopia Jobs Compact launched in May 2018, the Government of Ethiopia and international partners (WB, United Kingdom Department for International Development (DFID), and EU) joined hands to support industrialization, and job creation for refugees and Ethiopian citizens. The Compact has elements that support legal and policy reforms, development of industrial parks, inclusive and sustainable industrial development, enhanced employee recruitment, and skills development. However, the impact of the Compact was limited as there were various challenges faced including logistics costs, poor lead times, limited supply of skilled labour, low institutional and administrative capacity, lack of infrastructure investments, and limited backward linkages.[38]

34 EU, 2020, *Final Assessment*.

35 Source: 3RP Jordan Livelihoods Sector.

36 Ibid.

37 Arroyo, 2017.

38 European Commission (EC), 2021, *Ethiopia job compact sector reform and performance contract*.

3.4. Qualifying Industrial Zones (QIZs) in Jordan and Egypt

“On the front lines of the worst refugee crises, Bangladesh and Türkiye as host countries have received little or no preferential access to the US market in practice”, concluded Elliott and Arroyo in their thorough analytical review (Elliot et al., 2019). However other countries have benefited from trade preferences for stimulating exports and employment growth in developing countries.

On 13 March 1996, a US Congressman introduced a bill to amend USA-Israel Free Trade Area Implementation Act of 1985. The amendment would confer the US President the power to extend the US-Israel free trade area to cover articles grown, produced, or manufactured in the West Bank, Gaza Strip, or a Qualifying Industrial Zone (QIZ) between Israel and Jordan or Israel and Egypt. The QIZ agreements signed with Jordan and Egypt granted free access to the US market for goods produced in certain specified and approved zones in participating countries, conditional on specified minimum percentages of the value-added being supplied by Israeli enterprises. These minimal percentages were originally based on a 35% “local content” share of the value-added. Over time, such percentages were adjusted downwards. The distribution of the 35% share was initially different in the two cases. In Egypt, QIZ enterprises and the Israeli party each contributed at least one-third (11.7%) of the minimum 35% of local content required. The rest was covered by Egypt, the USA or West Bank, and Gaza. In Jordan, the minimum Israeli input in the 35% local content was 8%. The rest of the 35% was distributed as 11.7% from Jordan and 15.3% from the USA, Jordan, Israel, and/or West Bank and Gaza. In addition, QIZ treatment was granted to enterprises in Egypt as opposed to products in Jordan.

QIZs were not separate treaties but mere extensions of the existing Free Trade Agreement between the USA and Israel allowing for tariff and quota exemptions on imports from designated zones in Egypt and Jordan, as long as these imports satisfied the minimum specified percentages of inputs from Israel.

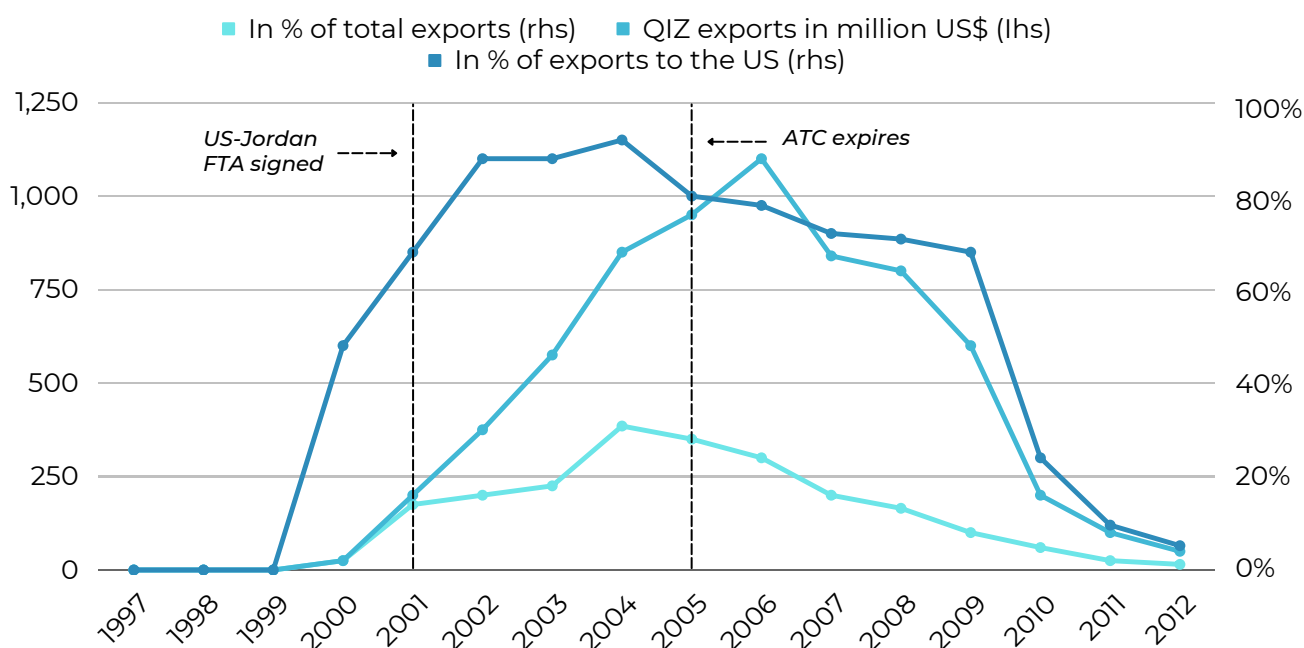
The response in Jordan was initially more positive than in Egypt. Jordan’s government saw potential economic benefits in a QIZ that would help preserve political and economic stability, even though public opinion and some Jordan businessmen were quite opposed. While Egypt initially refused to join a QIZ with Israel and USA, after seeing the rapid growth of Jordan’s exports to the USA, and in anticipation of the shock of the full liberalization of the international textile and clothing market planned for January 2005, Egypt agreed to have its own QIZ with Israel and USA by 2004. The driving force behind signing the protocol was the end of the quota regulation (MFA) of the international textile and clothing trade and the vulnerability of Egyptian products in fierce international competition.^[39] It was estimated that 150,000 workers would lose their jobs in Egypt’s textile and clothing industries.

In the first phase, the QIZ scheme was rather effective and progressed rapidly. Jordan signed a QIZ protocol in 1999, and its exports of apparel to the USA increased from USD 2.4 million in 1999 to 920 million in 2004 (Refaat, 2006). However, QIZ enterprises in Jordan did not produce significant backward linkages as they were heavily dependent on imported intermediate goods (estimated at 59% of the value of exports). More than half of the 35,000 to 45,000 jobs created in QIZs were taken by foreigners, mostly Asian workers (Arroyo, 2017).

³⁹ China had entered WTO in 2001.

This rapid development of QIZ exports became unsustainable when the Agreement on Textiles and Clothing (ATC) expired in 2005 (and the associated elimination of textile quotas). In addition, due to the gradual entry into force of the Free Trade Agreement (FTA) signed between the USA and Jordan in 2001, Jordan no longer had to co-produce with Israel in order to access the US market free of duties. After the quota-jumping incentive disappeared, much of the investment and job creation was reversed.

Figure 4. Apparel exports from QIZs in Jordan



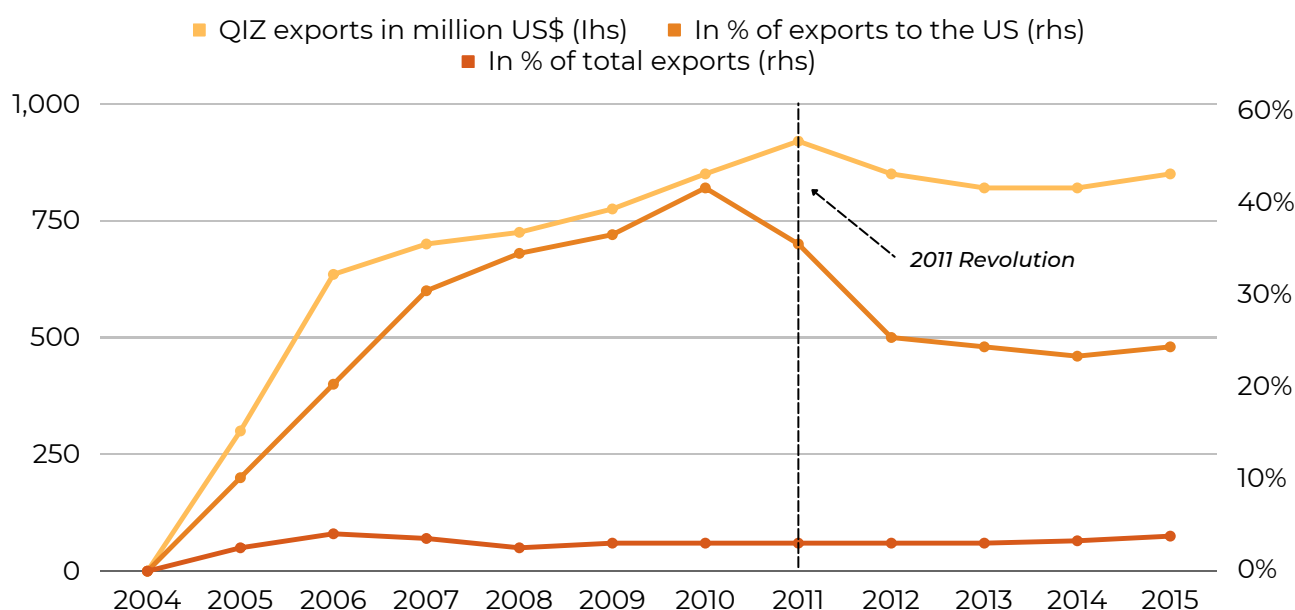
Source: Arroyo, 2017

In contrast, QIZs promoted a more integrated textile industry in Egypt and the overall impact has been larger. The share of domestic inputs from the spinning and weaving industry in the total textile outputs of the Egyptian clothing sector was estimated at 85%. In a first assessment, one year after implementation, the number of eligible enterprises in Egypt increased from 397 to 570; the average increase in exports was 37%. The export growth in 38 enterprises translated into an increase in employment in 33 enterprises; an overall increase of 5,617 workers, mostly Egyptians (Refaat, 2006). In 2006/Q1, 90% of Egypt's total apparel exports to the USA were under the QIZ import programme.[40]

A more recent impact assessment reached the same conclusion: "QIZs of Jordan and subsequently Egypt, along with certain US FTAs, have contributed significantly to an increase in participating countries' shares of exports to the USA in the nine most common categories of clothing items for which the effects of tariff and quota exemptions are likely to be strongest. These influences, although perhaps diminishing after a certain period of time, are stronger than those of exchange rate, transport cost, and changes in openness over time" (Carter et al., 2015).

40 As the majority of exporting enterprises under the QIZ were previous exporters to USA, it is difficult to estimate the exact role of QIZ in the export performance of apparel. Yet, it is clear that the protocol has helped to maintain the competitiveness of the Egyptian products in the US market.

Figure 5. Apparel exports from QIZs in Egypt



Source: Arroyo, 2017

3.5. African Growth and Opportunity Act (AGOA)

Signed in 2000, the African Growth and Opportunity Act (AGOA) is a non-reciprocal trade policy instrument whose long-term objective is to help foster economic growth and development in Sub-Saharan Africa by linking the latter with the multilateral trade system but more specifically with the US market. AGOA is similar to the US Generalised System of Preferences (GSP) by providing the same tariff benefits and eligibility. The only difference lies in the fact that it covers more products than those in GSP and its eligibility criteria go beyond those of GSP and there is no specific link with refugees.

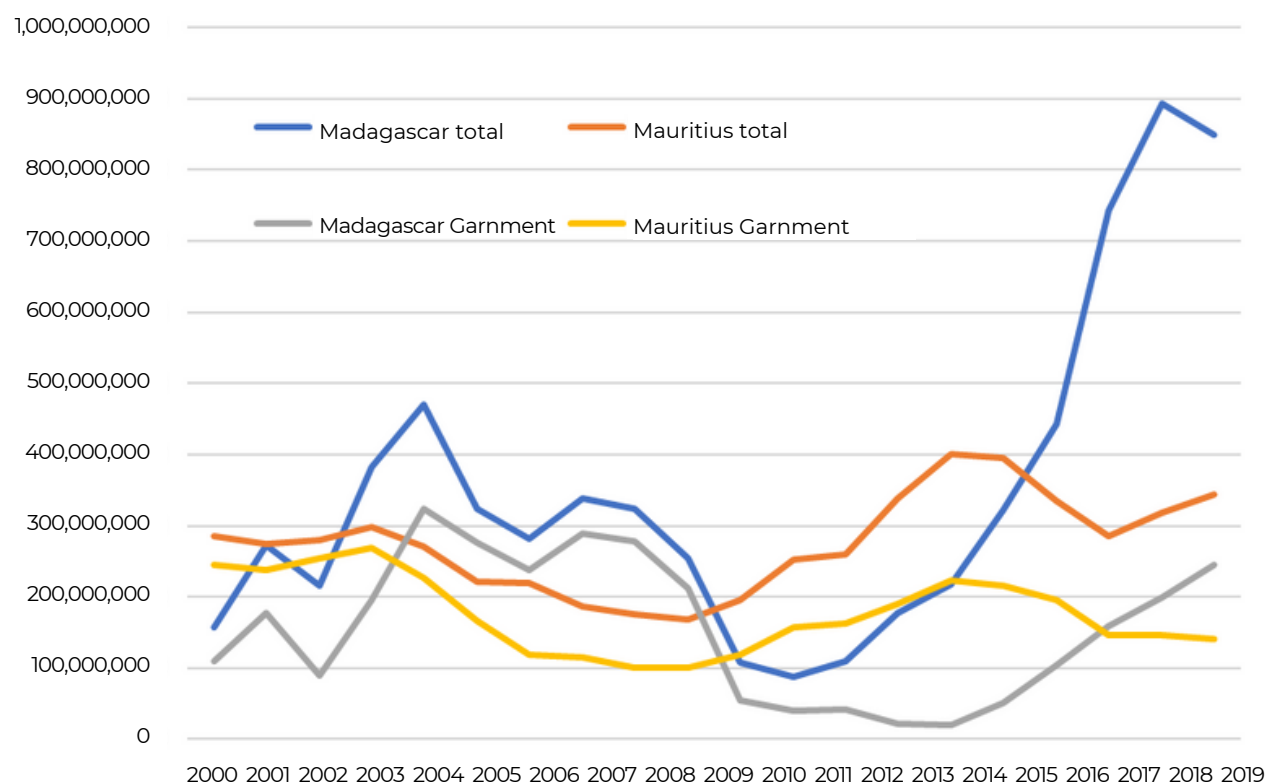
AGOA was passed by the USA in 2000. It unilaterally granted duty-free and tariff-free access to the US market to most Sub-Saharan African countries. When the Act was first implemented in 2000, it applied to 34 countries. By 2008, eight more countries were added to the list. The main criteria for AGOA eligibility related to a basic level of political and democratic freedom within the country. Four countries, the Central African Republic, Eritrea, Côte d'Ivoire, and Mauritania were removed from AGOA because of failures regarding political or democratic freedoms, but all returned to the list of eligible countries by the end of 2017.

The US trade concessions were uniform across all countries eligible for AGOA but differed for apparel and non-apparel items. For non-apparel, approximately 1,800 items were added to the list of products with zero import duty under the existing GSP. As soon as a country is declared AGOA eligible, it can export any of these items duty-free to the USA.

Duty-free access to the US market for exports from an African country is not automatic when AGOA eligibility is granted. Countries needed to be specifically declared to be eligible for the 'apparel provision'; the first ones were Kenya and Mauritius on 18 January 2001. Countries were 'admitted' to the apparel provision at various times over the subsequent years. The apparel provision allows for duty-free and, importantly, also quota-free access to the US market for most apparel products, provided that the fabric (or yarn or thread) comes either from the USA or from another AGOA country. Under AGOA, Least Developed Countries (LDCs) like Lesotho qualified for the third-country provision which is a special rule that allows them to export textiles and garments duty-free even if they source inputs from non-AGOA countries. For purposes of AGOA, an LDC is defined as a country whose per capita income is less than USD 1,500. However, the rule is quite flexible since Botswana, Namibia, and Mauritius though middle-income countries were granted LDC status under AGOA.[41]

US imports from countries eligible for AGOA have increased since 2001, although these countries' share of overall US imports have remained small. Several econometric assessments and field studies confirmed significant supply responses and strong direct employment effects, while backward integration between the successful exporters and the rest of the local economy was very limited.[42] However, the effectiveness of the AGOA instrument was first demonstrated by the impact of its eligibility or removal. The case of Madagascar was an obvious illustration where Madagascar lost its eligibility in 2009 and then regained it in 2014. Mauritius' "stop and go" experience with AGOA had similar results. The country lost its eligibility for the third-country provision in 2005, then obtained an exemption status in 2008.

Figure 6. Exports from Madagascar and Mauritius to USA



Source: Data from Intracen

41 Government of Lesotho, "The AGOA Response Strategy for Lesotho", 2016.
42 See: Van Biesebroeck, 2019.

3.6. Better Factories Cambodia (BFC) Programme^[43]

The ILO programme “Better Factory Cambodia (BFC)” started operating in Cambodia in 2001, when the country began to recover from two decades of war between the Red Khmer regime and the Vietnamese occupation. BFC was specifically linked to a trade agreement between the re-established Royal Government of Cambodia and the USA. The USA-Cambodia Bilateral Textile Agreement, initially covering 2000 and 2001, and later extended, provided an incentive to increase the quota for Cambodian garment exports to the USA linked to improvements in labour conditions in garment factories. Initially funded only by the United States Agency for International Development (USAID), BFC became in 2005 jointly funded by the Cambodian government, the Association of Apparel Manufacturers in Cambodia (GMAC), international buyers, USAID, and the French Development Agency (AFD). BFC’s mandate is to assess compliance with international labour standards in garment exporting companies and support factories in making improvements. The programme began to conduct independent assessments of working conditions in Cambodian factories in 2001.

Two components were critical in the BFC architecture:

- Factories participating in Better Work were regularly monitored and advised through factory assessments and advisory visits by BFC Cambodia. To increase transparency about factory working conditions to programme stakeholders as well as to the general public, BFC publishes annual reports highlighting findings of the assessments including non-compliance rates (See Table 1 below).
- The garment industry has been involved and in charge of the programme. Established in 1996, GMAC has been a major stakeholder in the scheme since its inception, playing a key role in the implementation, adaptation, and enforcement of international labour standards.

Table 1. Rates of non-compliance with international labour standards in BFC programme, 2012-2016

	May 2012	Nov 2012	May 2013	Apr 2014	June 2015	Current Report
Child Labour (factories with confirmed underage workers)	7%	1%	2%	4%	3%	2%
Forced Labour (coercion)	0%	0%	0%	0%	0%	03%
Forced Overtime	N/A	N/A	N/A	N/A	N/A	13%
Discrimination (factories engaged in discrimination)	19%	18%	16%	20%	13%	12%

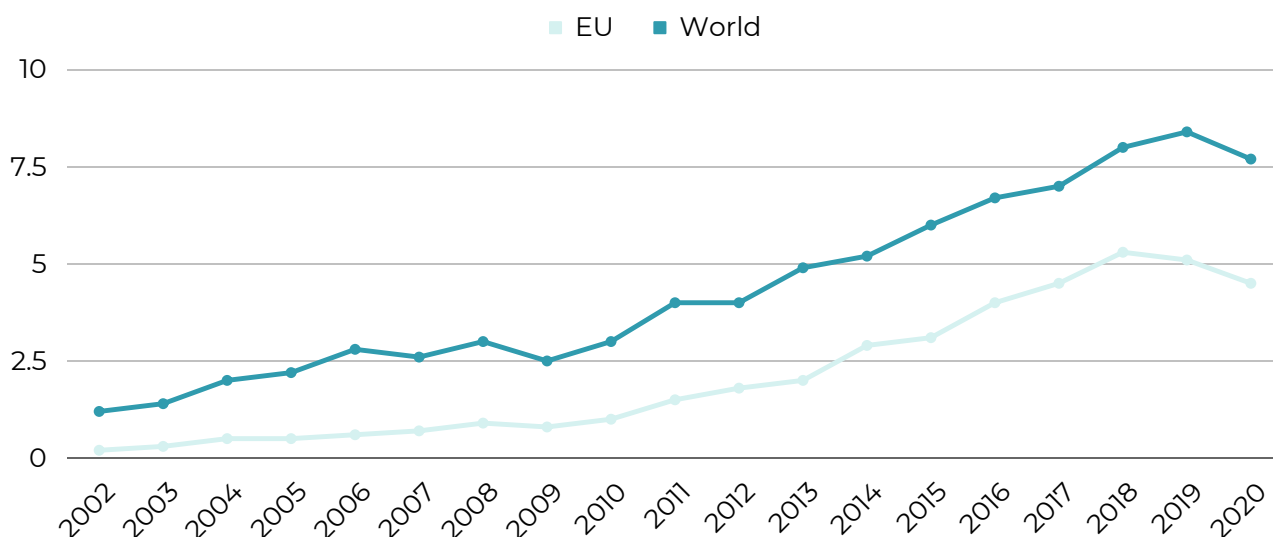
Source: BFC, Annual Report 2016, Table 5. Non-Compliance with Fundamental Rights, 2011-2015

⁴³ <https://betterwork.org/where-we-work/cambodia/>

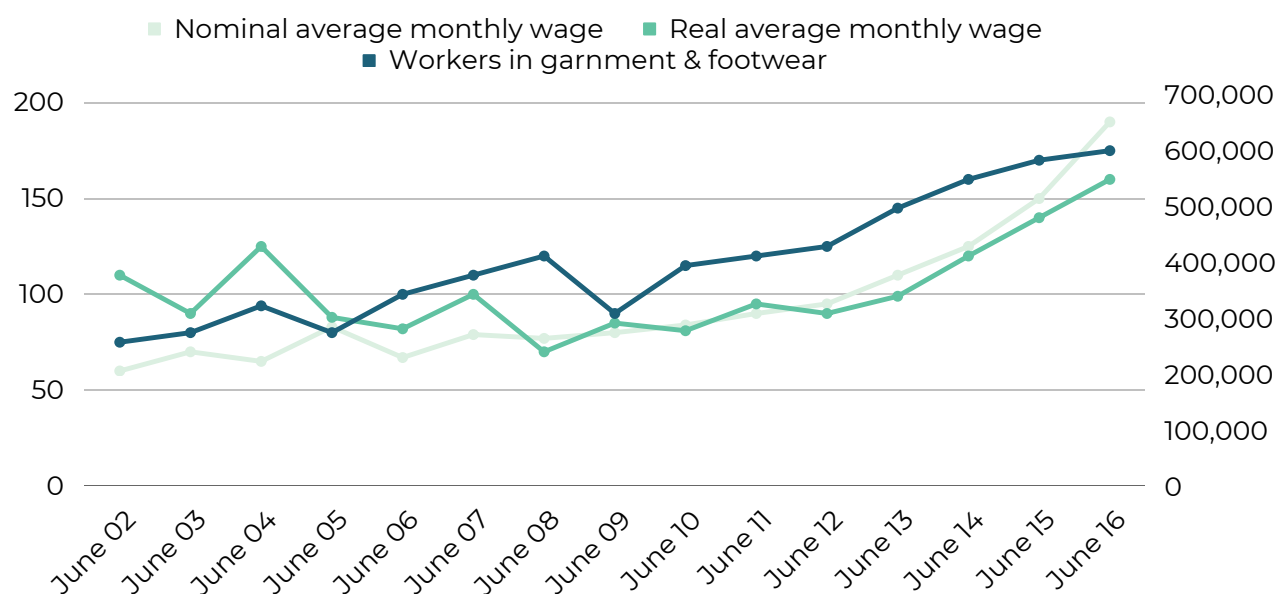
The BFC programme helped create a rather large exporting industry from the scratch. The garment industry in Cambodia has now become a major exporting sector and a key provider of jobs improving the livelihoods of workers and their families. It employs about 1 million workers, in relatively good working conditions, and accounted for USD 8.2 billion in 2019, or roughly 80%, of Cambodia's total exports.

Figure 7. Growth of Cambodian garment exports and wages

Cambodia Garments Exports (HS 61 to 63)



Employment, nominal and real average monthly wage (garment and footwear)



Source. Ministry of Commerce. National Institute of Statistics (NIS)

3.7. Main lessons learnt from international preferential trade cases

To date, the main lessons derived from the Jordan Compact and other international preferential trade schemes are as follows:

1

First, a preferential trade scheme provided by foreign partners must create a powerful business incentive. Trade concessions must generate substantial benefits that can be identified and anticipated by the private sector.

2

Second, trade preference alone is often not enough of a motivation for the private sector to make new investments and create jobs. Beneficiary countries must be in a position (having potential competitiveness, marketing, available skills, and workforce, etc.) to exploit opportunities offered by trade preferences.

3

Third, restrictions on the application of these trade benefits - due to national policies and limited sector and geographic areas or standards requirements - weaken the incentive to invest and create employment. It is difficult to assess or monitor continued eligibility for benefits and adds complexity and costs to the scheme. Conditions must be few, simple, and clear as well as easy for producers to implement. The monitoring process must be simple and effective as well. Export permits or rights must be easily issued under a transparent process.

4

Fourth, the impact of trade preferences is usually concentrated on a limited number of products. It is critical that relevant products be targeted. Experience demonstrates that labour-intensive products (with high tariffs or subject to import quotas) benefit the most from the opportunity to freely enter foreign markets. Indeed, in the case of QIZs of Jordan and Egypt, US imports from their QIZs have been confined almost exclusively to a relatively small number of products (mostly T-shirts and other cotton garments). The same is true for garments exported from Cambodia to the USA and later to the EU. Garments, shoes, and leather products subsectors have been the major beneficiaries of AGOA, BFC, and QIZs programmes.

5

Fifth, to take full advantage of market access granted overseas, beneficiary countries should also liberalize imports of manufacturing inputs into their own economies. Producers should be able to use the most competitive inputs available in the global markets. The third-country provision - allowing the import of raw materials without conditions - has been a critical component of the successful international preferential trade schemes everywhere, in Africa (AGOA), Cambodia (BFC) as well as in Egypt and Jordan (QIZs).

6

Six, credibility is a necessary condition to allow trade liberalization to be effective and generate sustainable effects. Trade preferences must be predictable and stable enough to encourage the private sector to plan new investments, marketing projects, and exports. Instability or changes in trade framework act as a disincentive to further investment.

4. NEW TRADE PREFERENCES: POSSIBLE MECHANISMS & INCENTIVES

Türkiye already benefits from a portfolio of favourable trade agreements. It includes the Customs Union with the EU, which has already fully liberalized exports of manufacturing goods, and the Türkiye-UK FTA signed on 29 December 2020 that came into force on 20 April 2021. According to Article 2.6 of this last Agreement: “Each Party shall eliminate all customs duties on originating industrial goods of the other Party.”

4.1. Potential content of a new programme

The incentives that can be developed by a new preferential trade programme for job creation should be based on customs duty exemption, removal of existing quotas, and non-tariff barriers. The programme can also include direct and indirect support for market access. Türkiye should fulfill a clear set of requirements to promote the employment of Turkish and Syrian workers that can be adapted from Table 2 below.

Table 2. Indicative content of a potential trade agreement

Duration	At least 10 years
Geographical restrictions	No geographical restrictions in the host country
Requirement to have % of Syrian labour	To be negotiated To have from 10% to 20% of Syrian workers in the factory. Syrian workers need to have a valid work permit to be included in the programme.
% change during the life of the programme	None
RoO	Liberalisation of input imports; third-country provision
Sectors/products	To be negotiated. When not already part of existing trade agreements, should include: agriculture; food products; garment with HS61 (Articles of apparel, accessories, knit or crochet); HS62 (Articles of apparel, accessories, not knit or crochet)

4.2. Policy options for expanding trade preferences

A core principle of the current multilateral trading system is that each member should treat the imports of all other members equally, referred to as “most-favoured nation” (MFN) treatment. There are three exceptions to the MFN principle that WTO members can use to improve preferential treatment for countries that provide economic opportunities for their refugee populations. The three WTO-compatible approaches are:

First, Article 24 of the General Agreement on Tariffs and Trade permits members to deviate from the MFN rule when they negotiate bilateral or regional trade agreements that remove barriers to trade among the participants.

Thus, for a refugee-hosting country that has free trade agreements with one or more major markets, it may be quicker and easier for donor countries to go with the GATT Article 24 option and negotiate improvements to those agreements. There are conditions for the use of this exception that aim at minimizing negative effects on third parties. In particular, such agreements should cover “substantially all trade” among the participating countries.

This approach was adopted by the EU in the Jordan Compact, but since the EU had an existing bilateral free trade agreement (FTA) with Jordan, the bilateral and regional trade agreements were unevenly distributed among and enjoyed by large refugee-hosting countries. Therefore, donors can certainly use this approach in situations where it is relevant, but it has limited application overall.

Second, Article 9 of the Marrakesh Agreement, allows for waivers of obligations under exceptional circumstances such as humanitarian crises.

A refugee crisis or the existence of a large population of refugees can be considered an exceptional circumstance. This was the idea Türkiye promoted when it presented its initiative at WTO in 2017. It is also the procedure the USA used to obtain a temporary waiver of the MFN rule for its AGOA programme of trade preferences for Sub-Saharan Africa.

A significant shortcoming of the Article 9 option is that a waiver will have to be adopted by a consensus decision of WTO members and only on a temporary basis. The rejection of the Turkish-Qatari proposal suggests that forging the necessary consensus among WTO members to approve a waiver for this initiative may be politically difficult. The need to renew it periodically will also create uncertainty that could discourage private-sector investments and job creation.^[44]

Third, the Enabling Clause, adopted in 1979 to promote development, allows developed countries to accord preferential treatment to imports from developing countries under GSP. Developing countries can also make preferential trade arrangements among themselves under this clause. The Enabling Clause and other WTO provisions allow also more favourable treatment for countries designated as LDCs by the United Nations.

Most developed countries now have GSP programmes that lower or eliminate duties on a range of imports from developing countries. While GSP programmes are WTO-compatible by virtue of the Enabling Clause, they must still comply with certain conditions regarding non-discriminatory treatment across developing countries.

44 Kale, 2019.

A possible option will entail a reform of GSP and similar preferential programmes for LDCs, to improve market access for refugee-hosting countries that promote the socio-economic inclusion of refugees. The arrangement could offer those countries full or nearly full preferential access like that currently granted to LDCs under current programmes for LDCs. One advantage of this option, in comparison to the 2017 Türkiye proposal, is that it will not require consensus among WTO countries.^[45]

A possible objection to this option is that it will discriminate against GSP beneficiaries that are not hosting large refugee populations, and therefore be conflicting with the Enabling Clause. In 2002, India challenged an initial version of the EU's "GSP+" programme because the greater preferences were only available to some developing countries. An initial WTO dispute settlement panel agreed with India, but the Appellate Body clarified that such a programme could be acceptable, if "identical tariff treatment" was available to all GSP beneficiaries with the same "development, financial [or] trade needs' to which the differential treatment is intended to respond." Thus, the EU could apply a more generous version of GSP to countries meeting certain vulnerability and governance requirements as long as all countries meeting the programmes criteria were treated equally. According to analysts (Elliot et al., 2019; Kale, 2019; Kale, 2022), this decision suggests that if a preferential trade programme, for refugee-hosting countries, uses objective criteria to identify eligible beneficiaries, it should meet the WTO Appellate Body's criteria.

The introduction of a refugee's clause in GSP may also be perceived as going against the objectives of GSP as the 1979 Enabling Clause only waives the MFN in the case of preferences aimed at promoting the economic development of low- and middle-income countries. One may argue, however, that the presence of a large number of refugees have the potential to challenge the economy of host countries and that, by contributing to the resilience and consolidation of the economy, these new trade preferences could contribute to the country stability and economic development while supporting refugee management in a sustainable manner.

However, the USA recently determined that Türkiye was developed enough and no longer needed preferences and then revoked its GSP eligibility. In a similar way, Jordan, Lebanon, and Türkiye - hosting large refugee populations - are no longer eligible for the EU GSP programme.

Consequently, a condition for this option to become effective is the reform of GSP regulations for major donors. The review of the EU GSP rules, which expires at the end of 2023, provides an opportunity for the EU to add refugee issues into the rationale.^[46] In 2016, in its Communication on a New Partnership Framework with Third Countries on Migration, the European Commission proposed to explore introducing migration considerations in the future GSP+ system.^[47] The USA could also adapt its GSP system and adopt rules closer to those of the EU, as well as other important donors.

A possible variant option for the EU may be to offer "Everything But Arms" (EBA) levels of preference to all low and middle-income countries that host significant refugee populations, and take actions to integrate/include refugees.

45 Obviously, it would be more effective, and more consistent with sharing of refugee burden, if this initiative were undertaken collectively by all WTO members offering GSP-type programmes. But it could also be adopted by only some of them.

46 Kale, 2019. *Effective progress and the reform calendar need to be checked with the European Commission.*

47 European Commission, "Establishing a new Partnership Framework with third countries on Migration under the European Agenda on Migration," COM(2016) 385 final, Strasbourg, 07.06.2016.

48 Thelle et al., 2015.



EBA is a special GSP arrangement for LDCs introduced in 2001 by EU. It allows duty-free access to the EU market for all products except for arms and ammunition. The EBA Regulation prescribes that special arrangements for LDCs should be maintained for an unlimited period of time and not be subject to the periodic renewal of the European Commission's scheme of preferences.^[48] This option entails that eligible host countries will receive duty-free, quota-free market access, with the simple EBA rules of origin, regardless of the GSP variant for which they will be eligible on per capita income grounds.

Skilled workforce comprised of Syrians and host community members work in PPE production to respond to needs during the pandemic and strengthen livelihoods.
Photo credit: UNDP Türkiye

These above-mentioned alternatives are not mutually exclusive, and some may be combined in an innovative way. TCFS at that stage will not provide a normative approach as it should remain as open as possible notably to let different parties use various tools and approaches that they deem relevant and suitable. It can also motivate new innovative trade agreements to support Türkiye in hosting a large refugee population.

⁴⁸ Thelle et al., 2015.

5. TRADE IMPACT ASSESSMENT

5.1. Methodology

The potential of all Turkish export sectors could not be systematically studied at this stage under the time constraints allocated for this TCFS. The main economic criteria for selecting sectors, were large job creation potential, size of the export markets and demand trends, as well as the global competitiveness of Turkish products and export capacity. As a consequence, the analysis focuses here on the most relevant sectors according to the criteria established, i.e. agriculture and agro-based products, textile & garment industries (including shoemaking and leather products). In Türkiye, these sectors combine labour-intensive production and global competitiveness.

Agricultural products are currently excluded from the Customs Union with the EU and affected by quotas, duties, and regulatory restrictions, while import shares of Türkiye's textile & garment products on foreign markets are disparate and relatively low in North America.

Agriculture accounts for 7% of Türkiye's GDP (2020) but Türkiye's average agricultural most-favoured nation (MFN) tariff is high, at 41.7% (World Bank, 2014). According to the World Bank 2014 study, extending the Customs Union with the EU to cover agriculture and services would bring important benefits to both parties. An agricultural focus is also relevant because large numbers of Syrian refugees are already employed in this sector. The food industry is the largest sector in Gaziantep after textiles in terms of the number of businesses and level of employment. Although Gaziantep is not an agricultural province, the processing of lentils, chickpeas, and various other crops is mainly carried out in this province. About 65% of Türkiye's pistachios and 26% of its wheat are processed in Gaziantep.

The textiles and garment sector is also labour-intensive. According to statistics from the Social Security Institution, 6.3% of all registered employees work in the textiles and ready-wear sector, and women account for 48% of all employees in that sector. In addition, the labour turnover rate in the sector has always been high. It is estimated at 40% in the ready-wear sector (UNDP, 2019). Importantly, the textile, clothing, leather, and footwear industries collectively employ almost a third of the informal Syrian employees (ILO, 2021).

In these two broad sectors, we selected product categories in which Türkiye has already demonstrated its global competitiveness and runs good prospects of export success in the targeted foreign markets. The export potential assessment methodology is based on a decomposition of the country's potential exports of a product/sector to a target market into two factors: Türkiye global competitiveness for this product/sector, the import share on the target foreign market. Calculations rely on the difference between these two factors.

The identification of the export potential relies here on the assumption that the gap between what a country can export and what it actually does export results from trade policy measures such as tariffs and Non-Trade Barriers (NTB) on the importer side, which can be reduced or suppressed.

The elimination or substantial reduction of trade barriers would allow the exporting country to reach its maximum trade potential in the target market. Therefore, we measure the export potential according to what export figures would be if Türkiye had the same share of the target market as it had on average on the global market. A major assumption is that distance and transport costs do not affect Türkiye's global competitiveness in specific markets, which is true for Türkiye-EU agriculture-related trade, as well as for garments exports to North America.[49]

To sum up, the export potential assessment is a quantitative approach to identify potential export gains in a given target market, based on trade and market access data available and according to prospective scenarios.

Box: Four steps of the estimation methodology

1. For a given product "i" and a given country "j", we calculate X_{ij} , the share of Turkish products in the total imports of the product i by country j. We name X_{ij} , Türkiye's market share in the country j. We calculate also X_{iw} : the share of Türkiye in the total exports of product i on the global market. We name X_{iw} , Türkiye's share of the global market.
2. The difference between X_{ij} and X_{iw} is considered as "revealing" an export potential for Türkiye in the country j, for product i. For instance, if $X_{ij} = 1\%$ and $X_{iw} = 3\%$, we consider that Türkiye's export could grow three-fold.
3. Then we can calculate export "gains", based on the difference between the future value of exports with the current market share X_{ij} and its value if we substitute X_{ij} by X_{iw} .
4. Such gain is an additional export value, from which we can calculate value-added and job creation. The value-added estimate is based on sectoral value-added ratio available. The estimate of direct job creation has relied on available data on production per capita in the different sectors.

5.2. Potential export growth of garments to USA

We consider here the export potential of the following 6 HS subsectors on the US market:

- 60 Knitted or crocheted fabrics
- 61 Articles of apparel and clothing accessories, knitted or crocheted
- 62 Articles of apparel and clothing accessories, not knitted or crocheted
- 63 Other made-up textile articles; sets; worn clothing and worn textile articles; rags
- 64 Footwear, gaiters, and the like; parts of such articles
- 94 Furniture; bedding, mattresses, mattress supports, cushions, and similar stuffed furnishings;

These subsectors share a number of key characteristics:

- Global competitiveness of the Turkish industry[50]
- Labour-intensive production and low entry/growth barriers
- Significant tariff levels on the US markets

49 The main limitation is that all factors that impact supply capacity and demand conditions cannot be taken into account here such as lacking information about the rules and regulations of the target market or difficulties in complying with them or in meeting the (quality) preferences of its consumers.
50 For these products, the share of Türkiye in world exports is significantly higher than the average share of Türkiye in the world trade, which indicates a comparative advantage for those products (except for footwear, which has growth potential, according to interviews).

We consider here the export potential of the following 6 HS subsectors on the US market:

- 60 Knitted or crocheted fabrics
- 61 Articles of apparel and clothing accessories, knitted or crocheted
- 62 Articles of apparel and clothing accessories, not knitted or crocheted
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These subsectors share a number of key characteristics:

- Global competitiveness of the Turkish industry
- Labour-intensive production and low entry/growth barriers
- Significant tariff levels on the US markets

According to the assumptions indicated above, we consider 3 scenarios and estimate the outcome in each case:

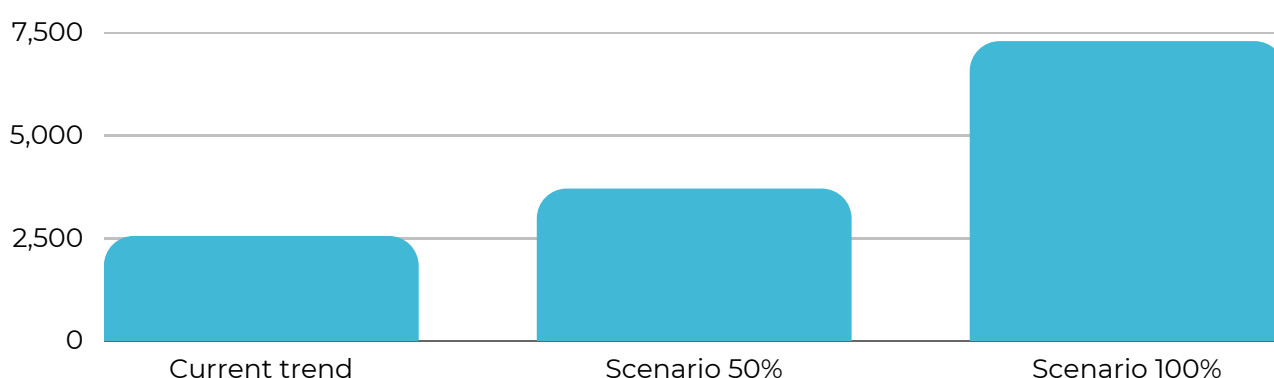
- “Current Trend Scenario”: Future growth of exports at the same rate as occurred during the previous decade (2010-19);
- “Scenario 50%”: Half of the export potential reached on the target market
- “Scenario 100%”: Full export potential reached on the target market

The value of total exports from 6 subsectors was USD 1,719 million in 2021.^[51] The following graph shows estimation of total annual exports from those 6 Turkish manufacturing subsectors to the US market in 2025 under three scenarios.

- Current Trend: Exports will grow at the same rate and reach USD 2,540 million in 2025; +48% increase.
- Scenario 50%: Exports will grow by 114% to USD 3,692 million in 2025.
- Scenario 100%: Export will grow by 323% to USD 7,278 million in 2025.

Figure 8. Projections of Turkish exports in 6 manufacturing subsectors to USA, 3 scenarios, 2025.

6 manufacturing sectors export to USA in 2025: 3 scenarios (millions \$)

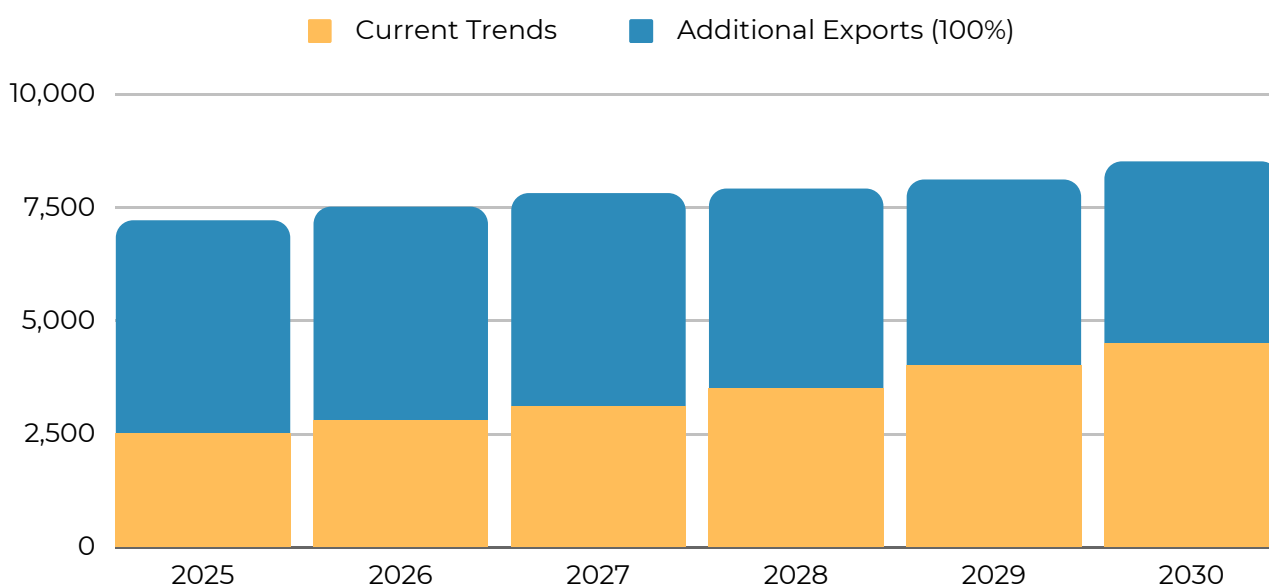


In short, compared to the Current Trend, the full liberalisation of imports from Türkiye on the US market could multiply the export value from these 6 subsectors by almost threefold in 2025, corresponding to additional revenues of USD 4.7 billion.

⁵¹ Source: ITC, based on COMTRADE data.

Figure 9. Projected gains in Turkish exports in 6 manufacturing subsectors to USA, Current Trend Scenario, 2025-2030

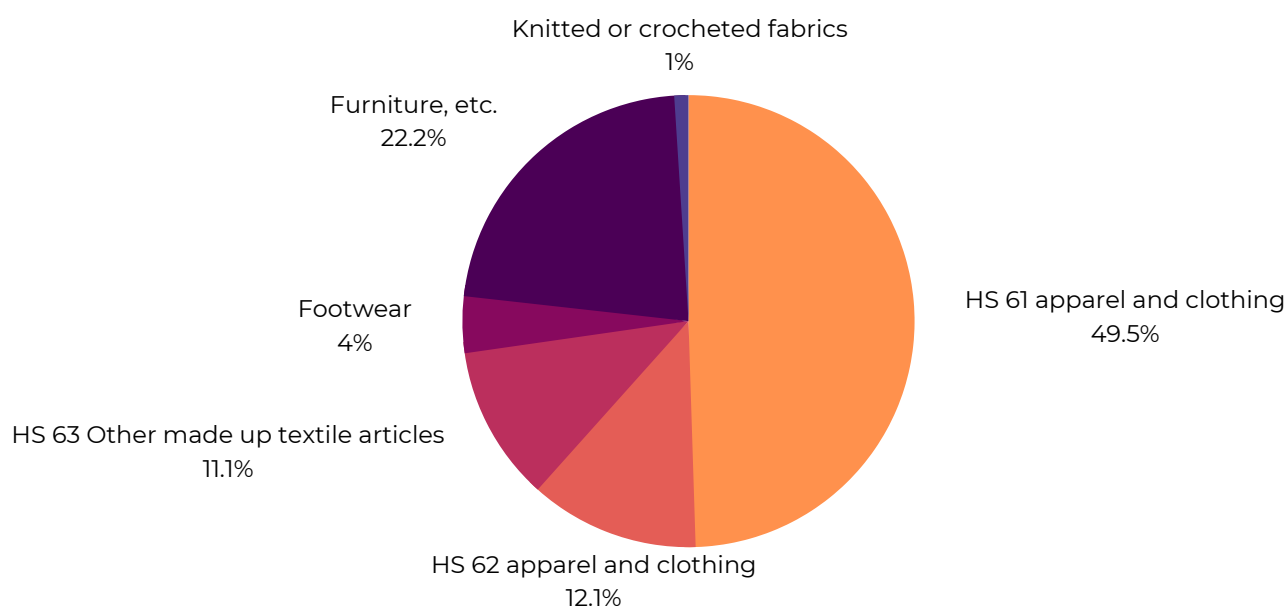
6 manufacturing sectors export to USA in 2025: (millions \$)



In Scenario 100%, the major contributor to the export gains is the garment and related products sector. HS61, “articles of apparel and clothing accessories, knitted or crocheted”, HS62, “articles of apparel and clothing accessories, not knitted or crocheted” and HS63, “other textiles products collectively account for 72% of the additional export value. The furniture and related products sector has a significant potential for a 22% share of the total export gains.

Figure 10. Projected composition (in %) of gains in Turkish exports to USA by subsector, Scenario 100%, 2025

Structure of export surplus, 2025



In this scenario, the additional exports for the garment-related subsectors (HS61, 62,63) will reach USD 3,430 million in 2025 (Figure 11).

Figure 11. Projected composition (in USD million) of gains in Turkish exports to USA by subsector, Scenario 100%, 2025

6 manufacturing sectors export to USA in 2025: (millions \$)

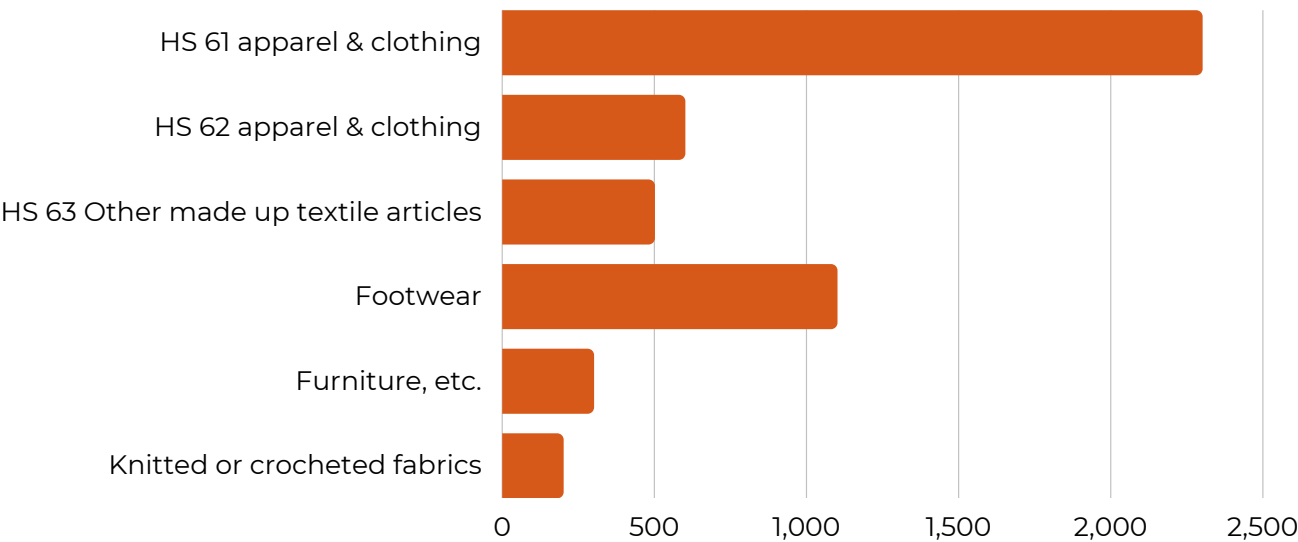
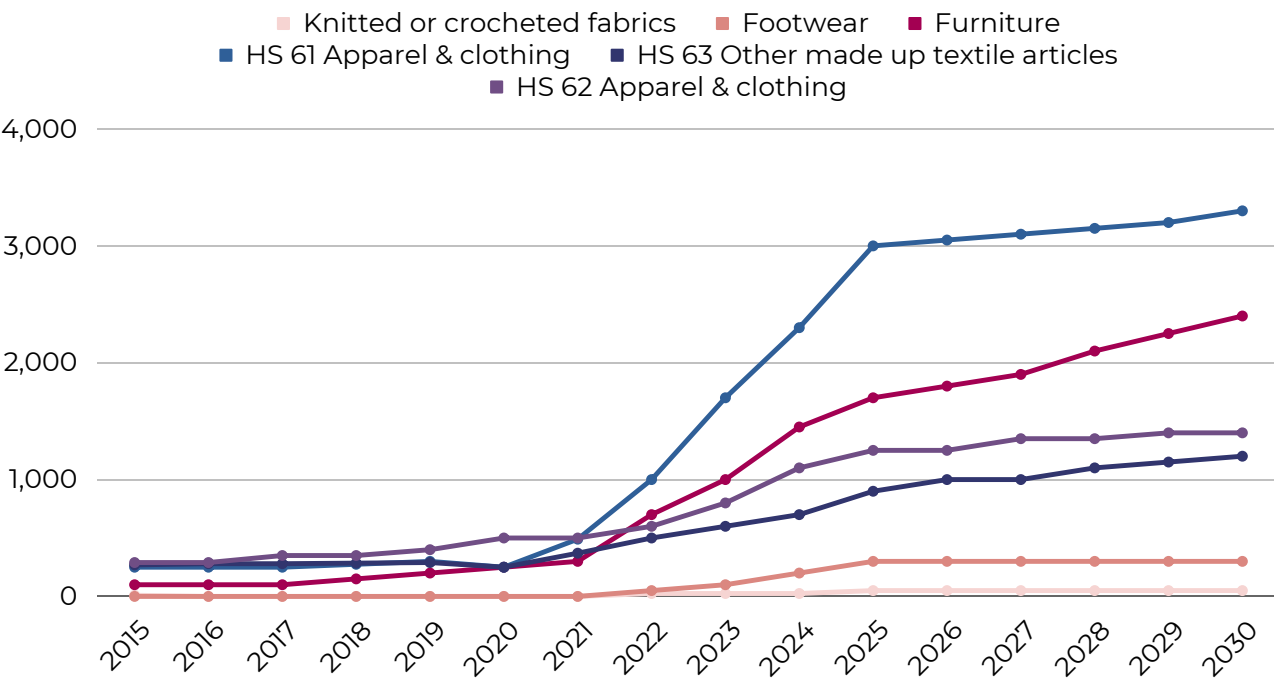


Figure 12 shows the “take-off” effect the elimination of trade barriers could have on Turkish exports to the US market.

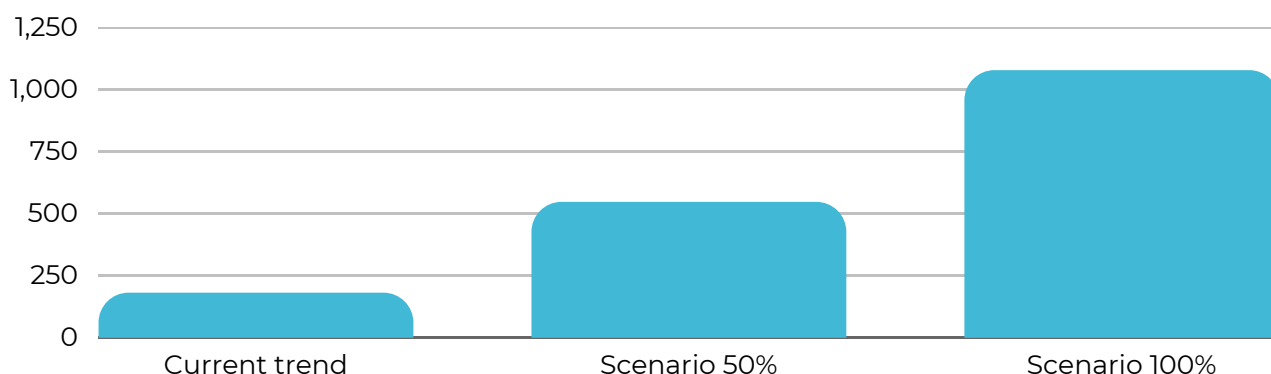
Figure 12. Projected gains in Turkish exports to USA by subsector, Scenario 100%, 2022-2030



5.3. Potential export growth of garments to Canada

Regarding the Canadian market, the same estimation methodology and similar assumptions have been used.

Figure 13. Projections of Turkish exports in 6 manufacturing subsectors to Canada, 3 scenarios, 2025



The value of total exports from the 6 subsectors was USD 133 million in 2021.^[52] If the export growth remains stable ("Current Trend Scenario"), the cumulative value will reach USD 178 million in 2025 (+33%).

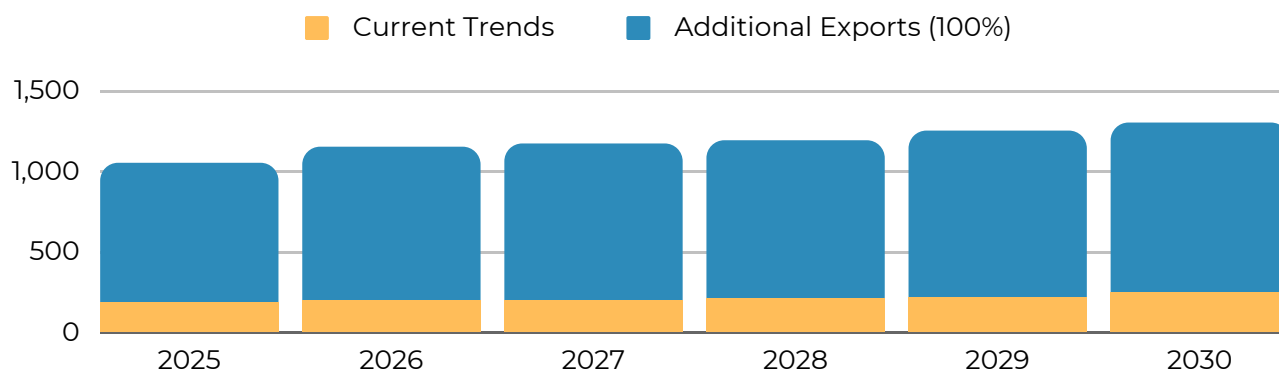
The export take-off allowed by better market access could have the following effects:

- If half of the export potential can be realised ("Scenario 50%"), exports will reach USD 544 million in 2025 (three-fold)
- In the "Scenario 100%", the export value will grow to USD 1,075 million in 2025 (six-fold).

The potential export gains are relatively higher in Canada than in the USA because, currently, the market shares of Turkish products are lower in Canada and do not reflect their global competitiveness.

Figure 14. Projected gains in Turkish exports in 6 manufacturing subsectors to Canada, Current Trend Scenario, 2025-2030

6 manufacturing sectors export to Canada in 2025: (millions \$)



⁵² Source: ITC, based on COMTRADE data.

In Scenario 100%, the two main “winning” and impactful sectors regarding growth and job creation would be:

- 1) The garment and related products sector, HS61, “articles of apparel and clothing accessories, knitted or crocheted”, HS62, “articles of apparel and clothing accessories, not knitted or crocheted” and HS63, “other textiles products” account for 53% of the additional export value;
- 2) The furniture and related products sector, with a 46% share of the export gains.

Figure 15. Projected composition (in %) of gains in Turkish exports to Canada by subsector, Scenario 100%, 2025

Structure of Export gain, 2025

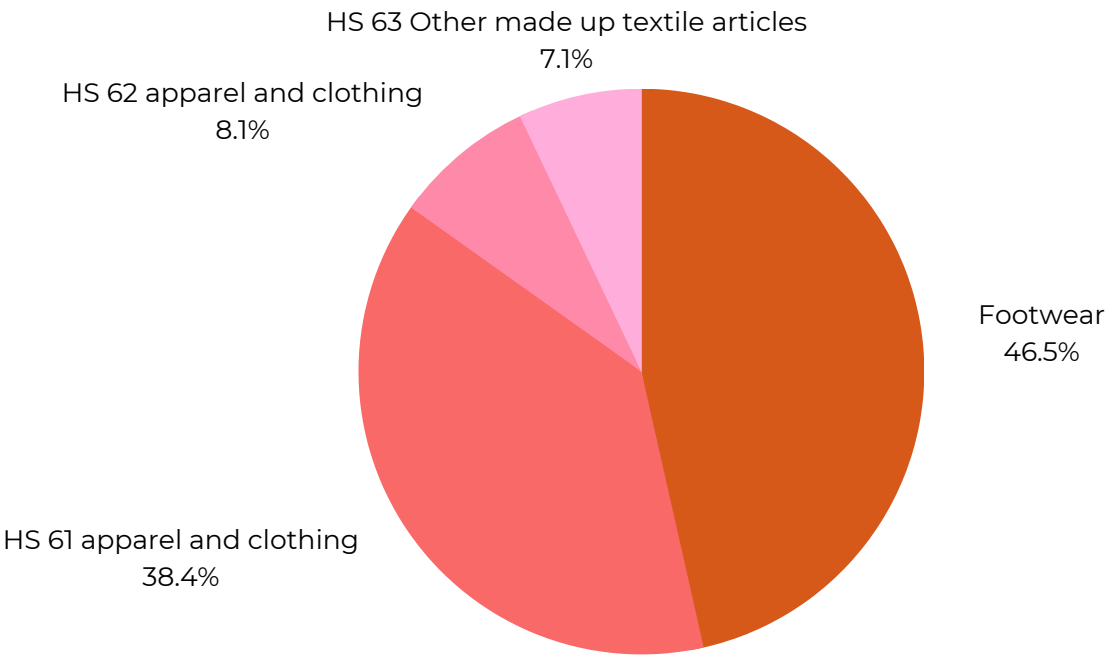
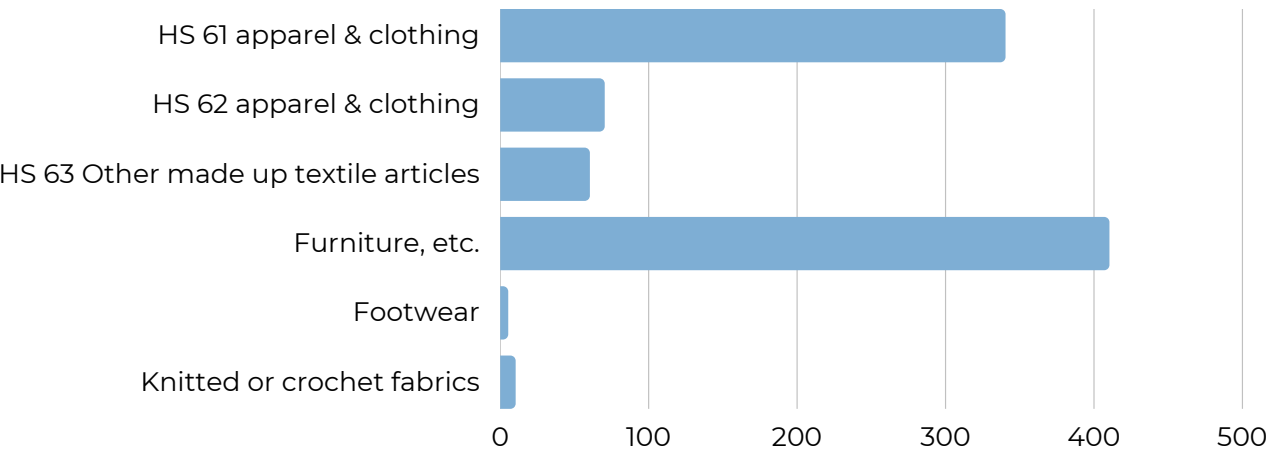


Figure 15. Projected composition (in %) of gains in Turkish exports to Canada by subsector, Scenario 100%, 2025

Export gain by sector, 2025 (million \$)



5.4. Potential export growth of agriculture-related products to EU and UK



5.4.1. European Union

To estimate the prospective exports of agriculture and agro-industrial products to the EU market, we follow the same approach. We first selected the subsectors with additional export potential to the EU, based on the same criteria: identified global competitiveness of Türkiye and evidence of a gap with Türkiye's import share on the EU market.

As a result, 8 HS subsectors are considered here:

- '04 Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...
- '08 Edible fruit and nuts; peel of citrus fruit or melons
- '11 Products of the milling industry; malt; starches; inulin; wheat gluten
- '15 Animal or vegetable fats/oils and their cleavage products; prepared edible fats; animal ...
- '17 Sugars and sugar confectionery
- '18 Cocoa and cocoa preparations
- '19 Preparations of cereals, flour, starch, or milk; pastrycooks' products
- '44 Wood and articles of wood; wood charcoal

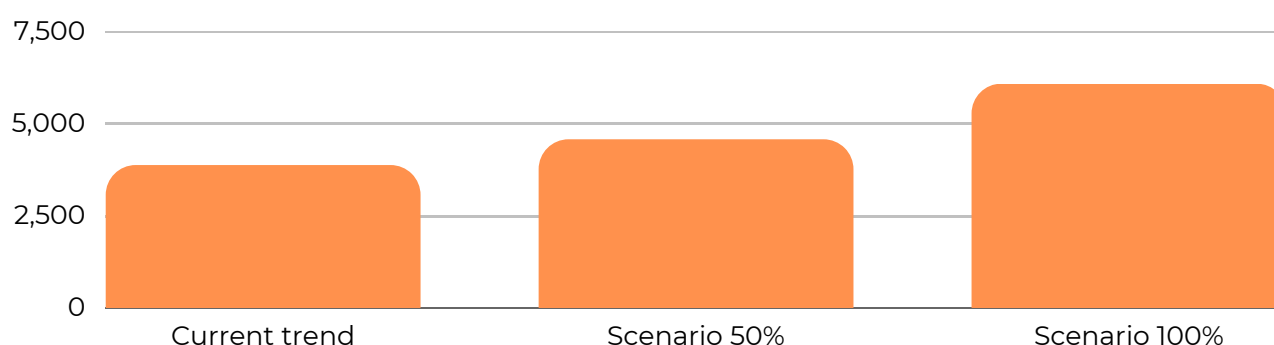
In addition to the agriculture and agro-industrial sectors, we included the wood products sector, which has significant trade and economic similarities. We call them here “agro-related subsectors”.

The value of total exports from these 8 subsectors was USD 2,937 million in 2020.^[53] The next graph shows estimation of total exports from Türkiye to the EU market in 2025 under the three usual scenarios.

- In the Current Trend Scenario, exports will grow at the same rate and will reach USD 3,859 million in 2025; +31% increase.
- If half of the export potential can be reached (“Scenario 50%”), exports will increase by 55%, at USD 4,558 million.
- In “Scenario 100%”, the export value will grow to USD 6,068 million, 107% increase.

Figure 17. Projections of Turkish exports in 8 agro-related subsectors to EU, 3 scenarios, 2025

8 Agro-related sectors export to EU in 2025: 3 scenarios (million \$)



⁵³ Source: ITC, based on COMTRADE data.

Compared to the Current Trend, the full liberalisation of imports from Türkiye to the EU market could increase exports from these 8 subsectors by 57% in 2025, and generate additional revenues of USD 2.2 billion.[54]

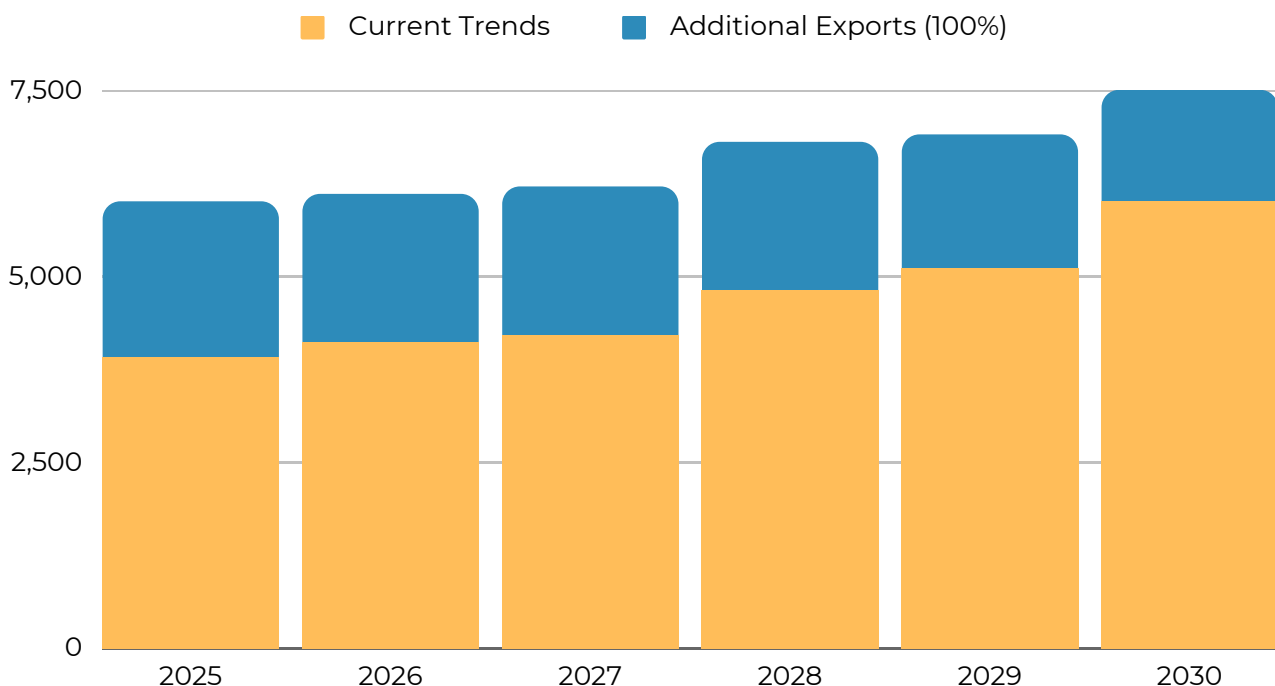
The prospective export value - the potential gap- is lower for agro-related products on the EU market than for garments exports to the USA.

This lower gap in the agro-related subsector is mainly due to:

- The already high import shares on the EU market for Turkish competitive products (HS08, edible fruit, and nuts; peel of citrus fruit or melons; and HS17, sugars, and sugar confectionery);
- The low levels of EU import on products for which Turkish exporters are competitive (HS11, products of the milling industry; malt; starches; inulin; wheat gluten; HS15, animal or vegetable fats and oils, and their cleavage products; prepared edible fats; animal ...; HS19, preparations of cereals, flour, starch or milk; pastrycooks' products). The weakness of EU imports could come from trade barriers as well as from the strong competitiveness of domestic producers.

Figure 18. Projected gains in Turkish exports in 8 agro-related subsectors to EU, Current Trend Scenario, 2025-2030

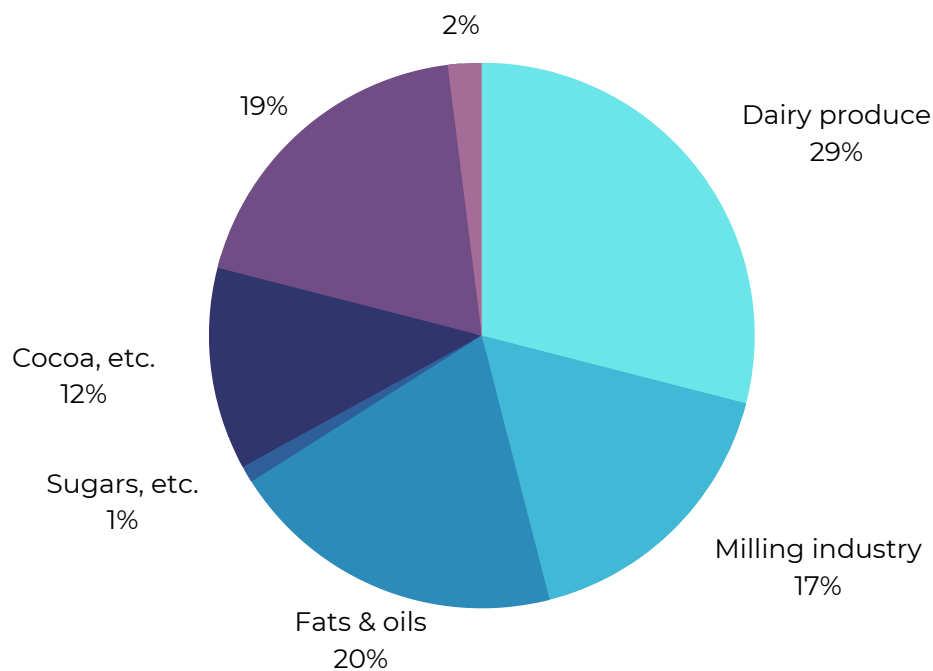
8 Agro-related sectors export to EU (million \$)



54 Based on a larger set of data and more stringent methodology (CGM), the World Bank 2014 study on the impact of a potential agriculture trade liberalisation with EU projected similar export gains (USD 1.5 to 2.5 billion). See World Bank, 2104, p.67.

Figure 15. Projected composition (in %) of gains in Turkish exports to Canada by subsector, Scenario 100%, 2025

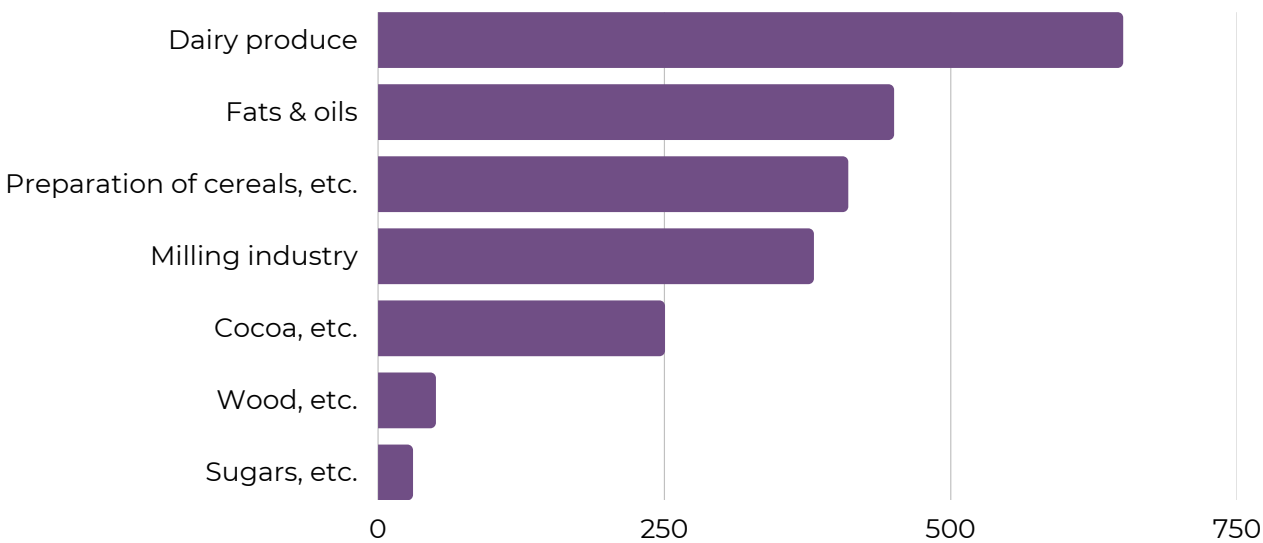
Structure of export gain 2025



As a result of these market conditions, the main contributions to the export gains come from HS04 (Dairy produce, etc.), HS15 (animal or vegetable fats and oils, etc.), HS19 (preparations of cereals, etc.), and HS11 (milling industry) that collectively account for 85% of the cumulative gains in 2025.

Figure 20. Projected composition (in USD million) of gains in Turkish exports to EU by subsector, Scenario 100%, 2025

Export gain by sector 2025 (million \$)





5.4.2. United Kingdom

The UK already has a trade arrangement with Türkiye similar to the EU though a new trade agreement is being discussed that can open up new opportunities.

Under the current trade agreement, the most obvious potential for export growth would concern the food industry and related products. Thus, we use the same estimation methodology as in the case of the EU, as well as similar assumptions.

If Turkish exports follow the Current Trend, they will reach USD 466 million in 2025. In comparison:

- If half of the export potential can be reached ("Scenario 50%"), exports will amount to USD 571 million in 2025 (+23%)
- In "Scenario 100%", the export value will grow to USD 767 million in 2025 (+65%).

Figure 21. Projections of Turkish exports in 8 agro-related subsectors to UK, 3 scenarios, 2025

8 Agro-related sectors export to UK in 2025: 3 scenarios (million \$)

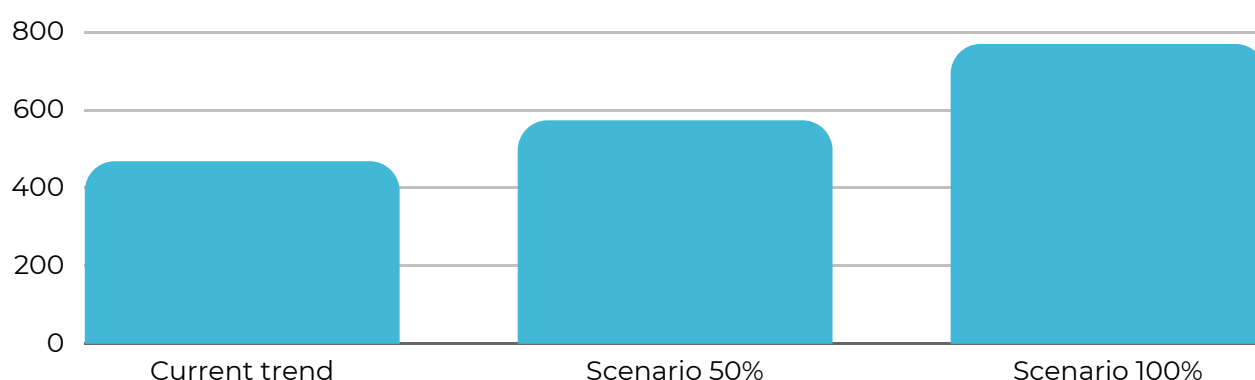
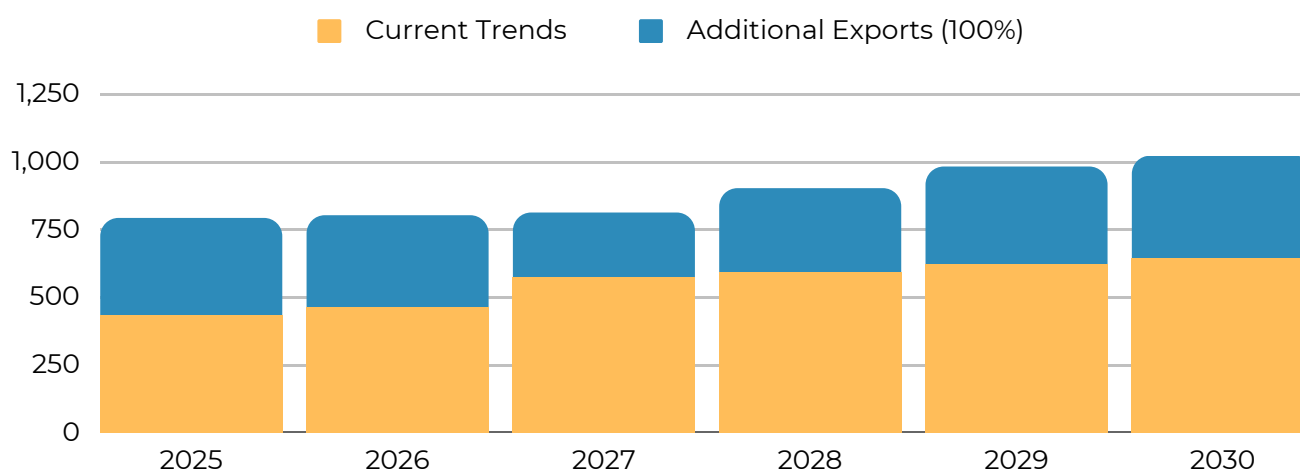


Figure 22. Projected gains in Turkish exports in 8 agro-related subsectors to UK, Current Trend Scenario, 2025-2030

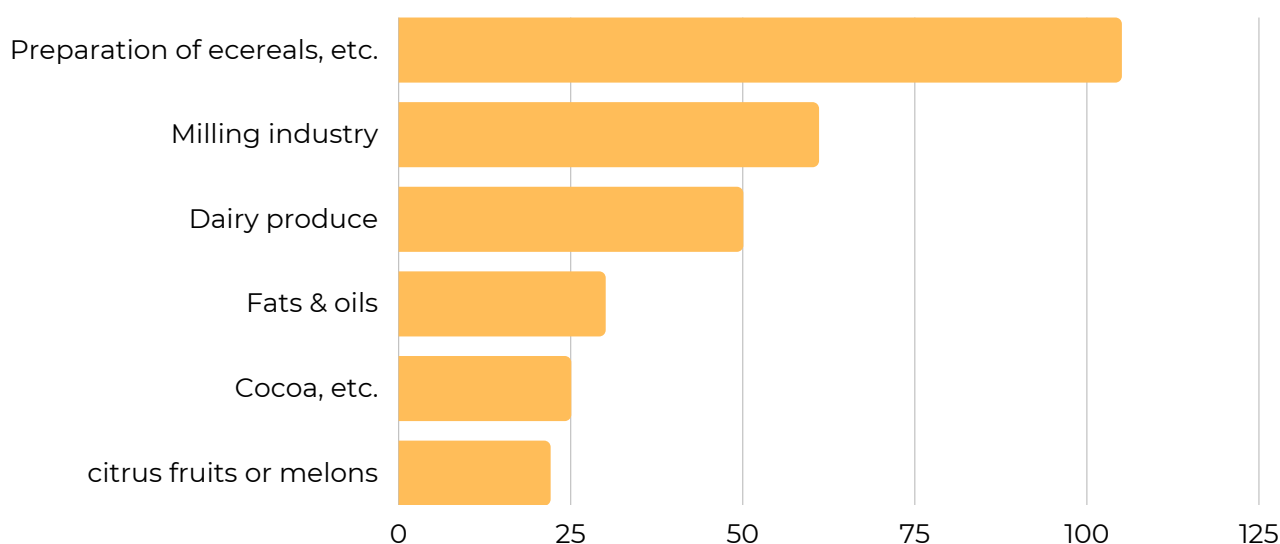
8 Agro-related sectors export to UK (million \$)



The main contributions to the global export gains with the UK will come from the following subsectors: HS19 (preparations of cereals, etc.), HS11 (milling industry, and HS04 (Dairy produce, etc.). Collectively, they account for 73% of the potential gains in 2025.

Figure 23. Projected composition (in USD million) of gains in Turkish exports to UK by subsector, Scenario 100%, 2025

Export gain by sector 2025 (million \$)



5.5. Is there an export potential with Qatar or Saudi Arabia?



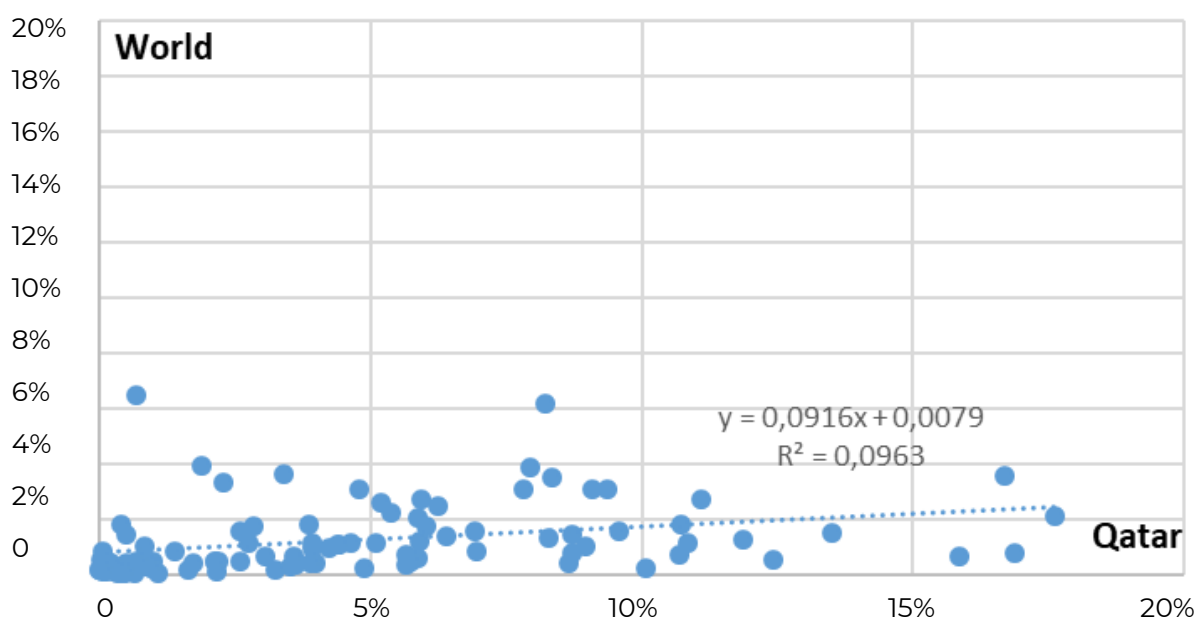
5.5.1. Qatar

The profile of Türkiye-Qatar bilateral trade is specific. On average, the share of Turkish exports in Qatar's imports is four times larger than Türkiye's global market share.

Türkiye's share in Qatar's imports is particularly high for the labour-intensive production we have targeted. For products such as dairy products, fat and oil, as well as fertilisers, plastic products, and wood products, Türkiye's product share is more than 10 times larger in Qatar than in the rest of the world. In the case of garments (HS61 to HS64), Türkiye's market share is two to three times higher than its share of global imports. For carpets products, Türkiye's share reaches 40% of Qatar imports, and for animal products 60%.

Figure 24. Share of Turkish exports to global markets versus Qatar, 2019-2020 average

Turkey Market Shares (average 2019-20)



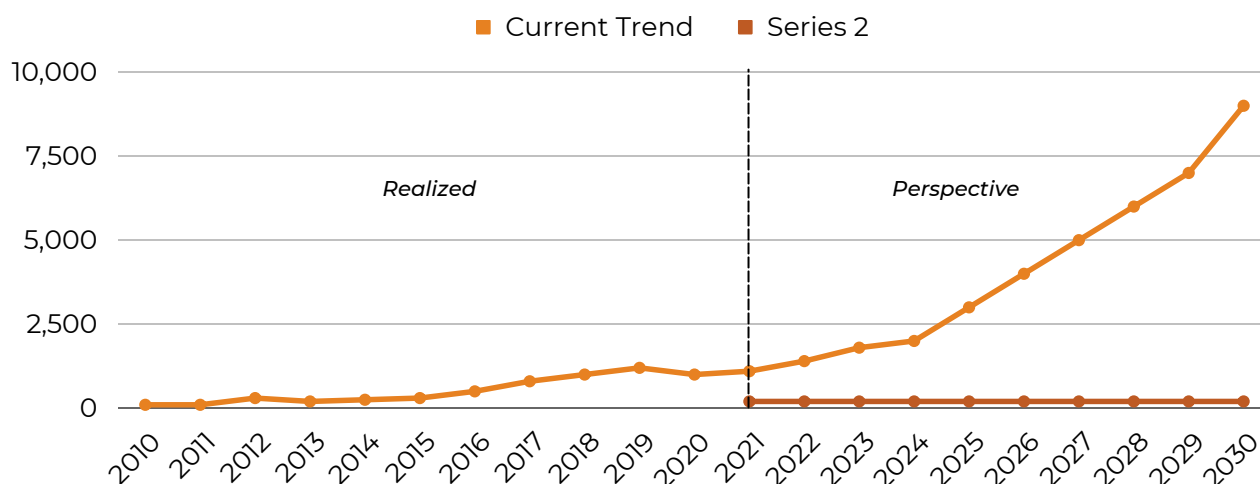
Source: Data from Intracen

Because of such over-competitiveness of Türkiye, there is likely not much to expect from additional trade preferences from Qatar to have an important impact on job creation in Türkiye. On average, Turkish exports to Qatar have increased yearly at a rate of 26% since 2010. If this high rate continues, then the value of Turkish exports will rise from USD 1.2 billion in 2021 to USD 9.2 billion in 2030.

In comparison, if Türkiye's competitive position in Qatar were in line with its global competitiveness (average), its exports would account for USD 264 million in 2021 and would reach USD 331 million in 2030 ("normalized trend").

Figure 25. Turkish exports to Qatar, 2010-2020 actual, 2021-2030 projected

Türkiye exports to Qatar



Source: Data from Intracen



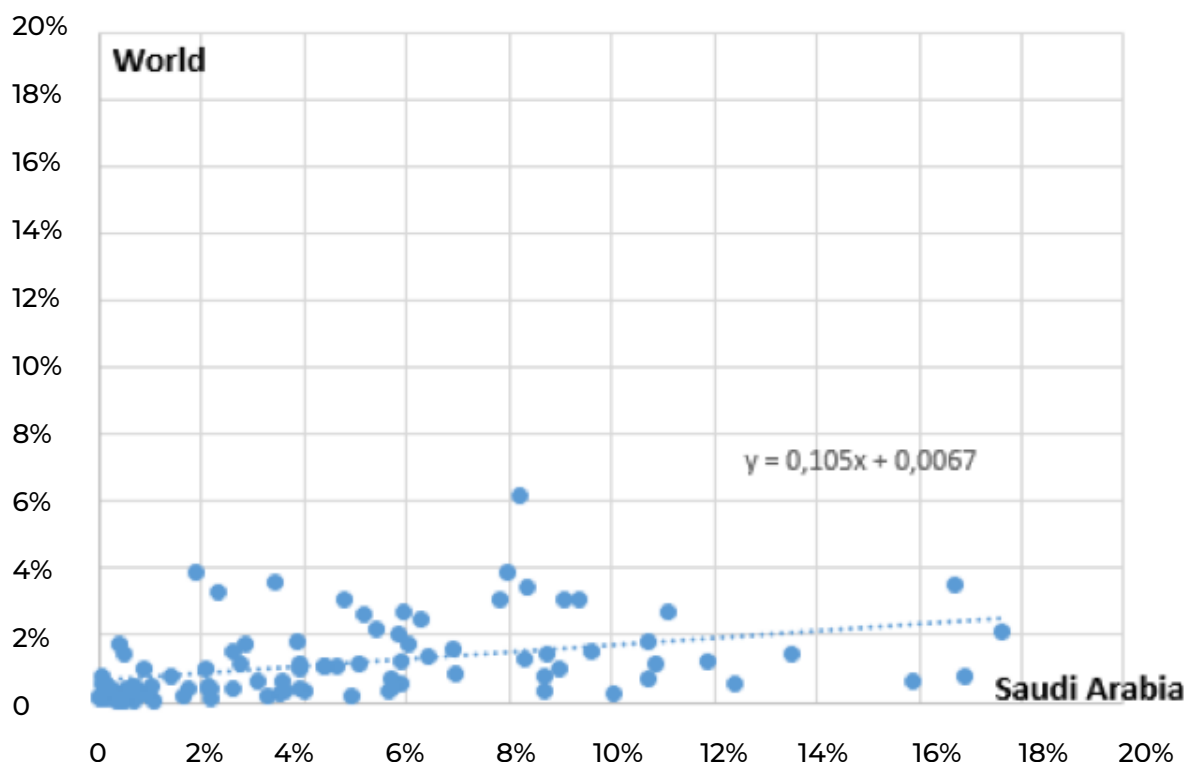
5.5.2. Saudi Arabia

The profile of Turkish exports to Saudi Arabia is similar to Qatar. On average, Türkiye's market share in the country is twice its global average.

In the targeted sectors for employment growth, the existing preferences for Türkiye's products on the Saudi market are already huge: in the garment subsectors, Türkiye's import shares are already two to three times higher in Saudi Arabia than in the rest of the world; in the agro-related subsectors considered above, the ratio is from 2 to 10. For HS04 ("Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified") for instance, Türkiye has an 11% import share in Saudi Arabia and a 0.7% share of the global market.

Figure 26. Share of Turkish exports to global markets versus Saudi Arabia, 2019-2020 average

Turkey Market Shares (average 2019-20)



Source: Data from Intracen

As a consequence of this strong competitiveness of Türkiye's products on the Saudi market, there is likely not much to expect from additional trade preferences from Saudi Arabia to have an important impact on job creation in Türkiye.

5.6. Additional possible targets

In complement to the pre-identified markets presented above, the screening of trade tariffs faced by Turkish exports in the world shows significant trade barriers in the agro-food and garment-related sectors in a number of large foreign markets. Bilateral non-tariff trade barriers (NTB) are not considered here. The targeting has only relied on average tariffs at the HS 2-digit level.[55]

At this exploratory stage, five geographical directions can be identified. It is not possible to assess fully the reasons for the low level of Turkish exports in these countries, nor to calculate any potential under the current study. The level of tariffs points to the possibility of an export potential that should be further analysed by complementary market surveys for the corresponding sectors and countries.

The five countries or groups of countries are as follows:



LATIN-AMERICA

In Brazil and Argentina, tariffs on Türkiye's products are as follows:

- Agriculture (HS07, 08): about 10%^[56]
- Agro-industry (HS11, 17, 18, 19, 20): in the 10-20% range
- Garment and textile related subsectors (HS60 to 64): between 20-40%

In Mexico, the agro-food sector is heavily protected with tariffs applied to Türkiye's products in the 20-40% range.



MAGHREB

In Algeria, Tunisia and Morocco:

- Agriculture is heavily protected. Tariffs faced by Turkish products are between 30-50% (HS07, 08):
- For agro-industry products (HS11, 17, 18, 19, 20), the tariff levels are similar, 20 to 50% for Turkish products.
- Garment and textile related subsectors (HS60 to 64): between 20-40%

Trade protection is usually higher in Algeria than in Tunisia.



JAPAN AND SOUTH-KOREA

On these two important consumer markets, trade protection against Türkiye's products has been relatively high in the following sectors:

- Agriculture (HS07, 08): Tariffs are significant in Japan (around 10%) and very high in South-Korea (50-90%) on average.
- For agro-industry products (HS11, 17, 18, 19, 20), the feature is similar, but Japan's protection levels are higher. The tariff ranges between 15% and 50% for both countries.
- For garment and textile related sectors (HS60 to 63) tariffs are very low in both countries. Main exception: high protection on footwear products in Japan (38%).

It seems that new FTAs are under negotiation with Japan that should be monitored.

⁵⁵ Data come from the following source: ITC, Market Access Map. Accessed in April 2022.
⁵⁶ Average for the HS sector (2-digit).



THAILAND

In the South-East Asia, Thailand is the market where Turkish products do face the highest tariff barriers, notably:

- More than 50% for agricultural products;
- 55% to 75% for most agro-food products
- 20% to 30% for the carpet subsector, where Turkey has a strong global competitiveness



EGYPT

In Egypt tariffs on Türkiye's agriculture and agro-Industry products are in the 15-40% range.

These figures are subsector average (HS 2 digits). Additional assessments will be required to precisely identify the tariff peaks and their correspondence with Türkiye's export capacity.

6. JOB CREATION AND ECONOMIC IMPACT

The objective of this Chapter is to provide a first illustration of the potential economic effects of new trade preferences. However, estimates are built on a set of assumptions and precise data has sometimes been difficult to collect. They should be interpreted cautiously.

To provide a clear picture of the potential economic impact, we consider here the scenario in which USA, EU, and Canada negotiate new trade preferences for Türkiye.

The following figures can be more precisely estimated and adapted to different assumptions on trade performance, sectoral distribution of export gains, and trade agreements.

6.1. Additional Export Values

The first economic impact of the potential Türkiye Compact will be the increase in the value of exported goods. The additional export value for the base year of 2025 is given in Table 3 as well as the cumulative value from 2025 to 2030, for the two scenarios. Scenario 50% (half of the export potential reached on the target market) and Scenario 100% (full export potential completed on the target market).

The net export gains may reach USD 7.85 billion in 2025 in the most favourable scenario, which will then account for 3% of total Turkish exports.

Table 3. Projected gains in Turkish exports by targeted markets, 2 scenarios, 2025-2030

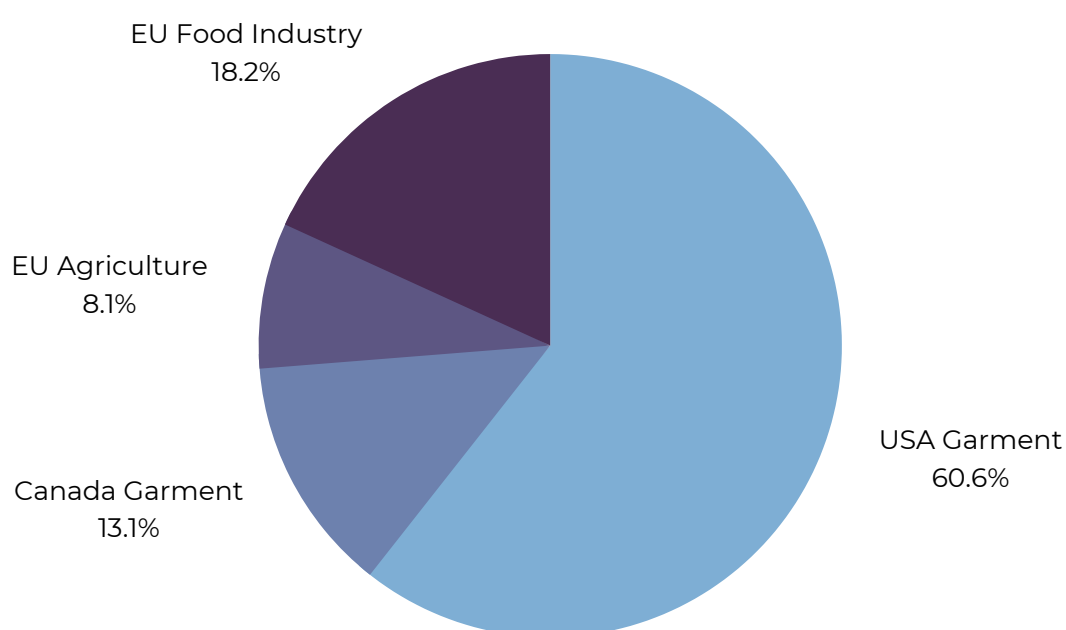
USD 000	Export Revenues, 2025		Cumulative, 2025-2030	
Scenario	50%	100%	50%	100%
USA Garments	1,151,210	4,737,951	5,418,310	26,618,292
Canada Garments	366,585	896,740	2,246,846	5,631,295
EU Agriculture	254,161	643,067	1,200,422	3,662,723
EU Food	444,801	1,565,875	2,610,024	8,120,185
EU Total (Agriculture + Food)	698,962	2,208,943	3,810,446	11,782,908
Total	2,216,757	7,843,633	11,475,602	44,032,495
% of Turkish exports*	0.8%	3%	ns	ns

*Based on the hypothesis of a stable growth rate of exports until 2025 (+5.3%/year on average 2010-2019).

In our simulation, the major source of additional revenues will come from the growth of export of garment-related products to the US and Canadian markets. They will account for $\frac{3}{4}$ of the cumulative export gains in the 100% Scenario. Additional agriculture exports to the EU will be less impressive.

Figure 27. Projected composition of gains in Turkish exports by targeted markets, Scenario 100%

Export surplus: Structure by market



6.2. Direct employment and economic impact

Employment and economic impact estimation has been based on the following complementary hypothesis and intermediate estimates: Turnover/worker USD 25,000 in the garment sector; USD 15,000 in agriculture; USD 100,000 in the food industry.^[57] A critical assumption has notably been made in the labour market in this exercise. We assume that all jobs created are formal. We assume also that additional production for export will only create new jobs and incomes in the economy. There will be no substitution effect from informal to formal employment,^[58] only net job creation.

According to this framework, the total direct net employment induced by these new exports in the beneficiary sectors will reach 82,100 workers in Scenario 50% and 284,000 in the more optimistic Scenario 100%.

Table 4. Projected total job creation in Türkiye by targeted markets, 2 scenarios, 2025

Market	Scenario	
	50%	100%
USA Garments	46,048	189,518
Canada Garments	14,663	35,870
EU Agriculture	16,944	42,871
EU Food	4,448	15,659
EU Total (Agriculture + Food)	21,392	58,530
Total	82,104	283,918

We consider now another factor: the share of Syrian refugees in the new jobs, with two options:

- A 15% share of Syrian refugees;
- A 20% share of Syrian refugees;

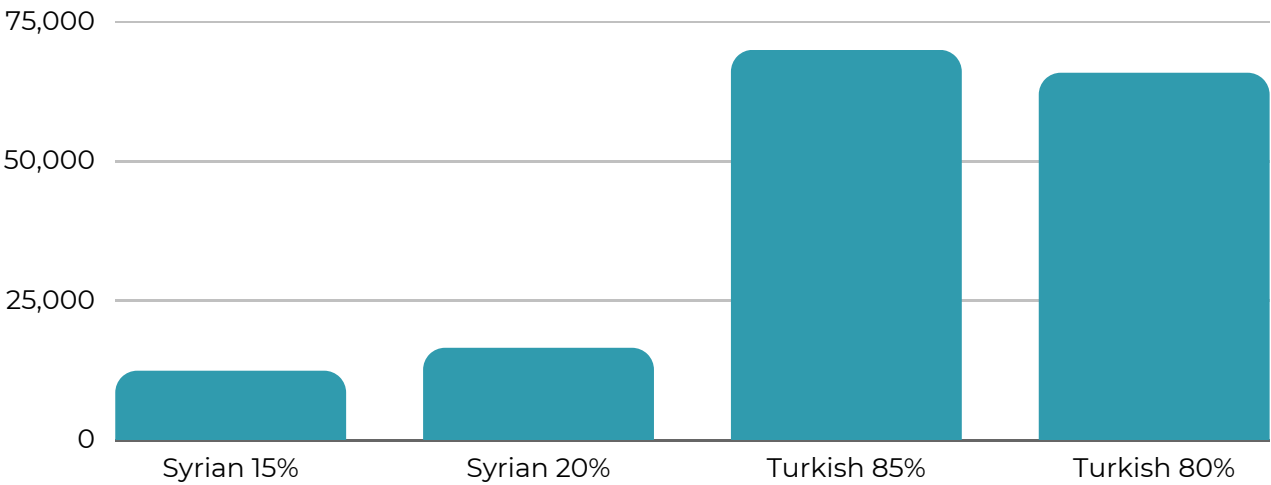
Figure 28 clearly shows that far freer access is required to foreign partner markets (Scenario 100%) for any significant impact on Syrian employment. In this case, 43,000 to 57,000 Syrian formal jobs may be created.

⁵⁷ The first figure comes from ADASO documents and is coherent with international industry ratio. The second figure is an estimate. The third figure is based on enterprise data and on the series of "Food sector analysis report and guide" published by the Minister of Industry in 2021.

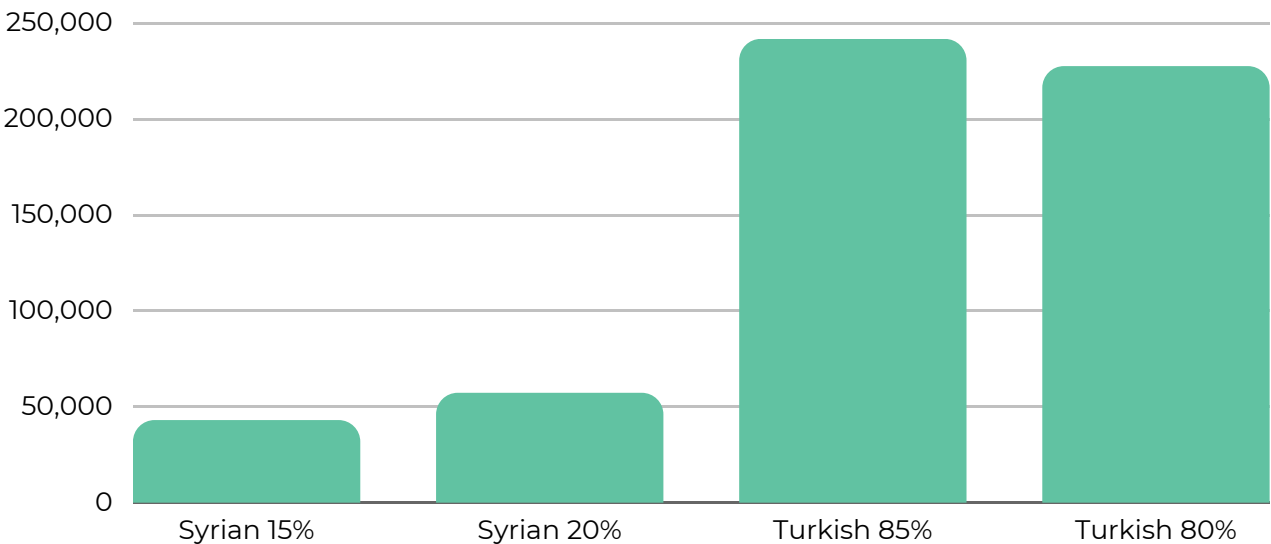
⁵⁸ Different hypothesis could be chosen in future works.

Figure 28. Projected composition of employment created in Türkiye, 2 scenarios

Employment creation,; scenario 50%



Employment creation,; scenario 100%

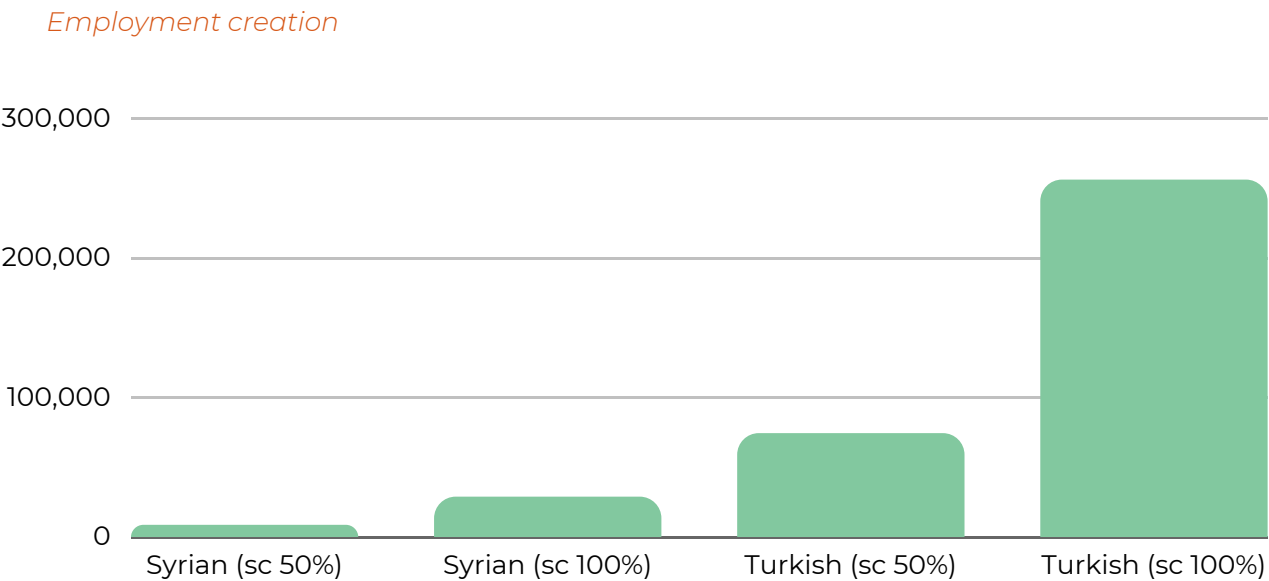


However, the method tends to underestimate the number of Syrian employees for two reasons:

- First, the effective share of Syrian workers may exceed these ratios. At 30% for instance in the best trade scenario, Syrian job creation may reach approximately 90,000.
- Second, we consider here that the qualifying refugees ratio will apply to new production only. In most cases, especially in SMEs, the ratio (15%, 20%) will be calculated with the whole employment of the producer as the denominator.

In comparison, if the ratio of Syrian workers is lower- for instance, 10% - the impact on Syrian formal employment will remain small as shown in the table below. In the best case (Scenario 100%), less than 30,000 jobs will be created for Syrian refugees (Figure 29).

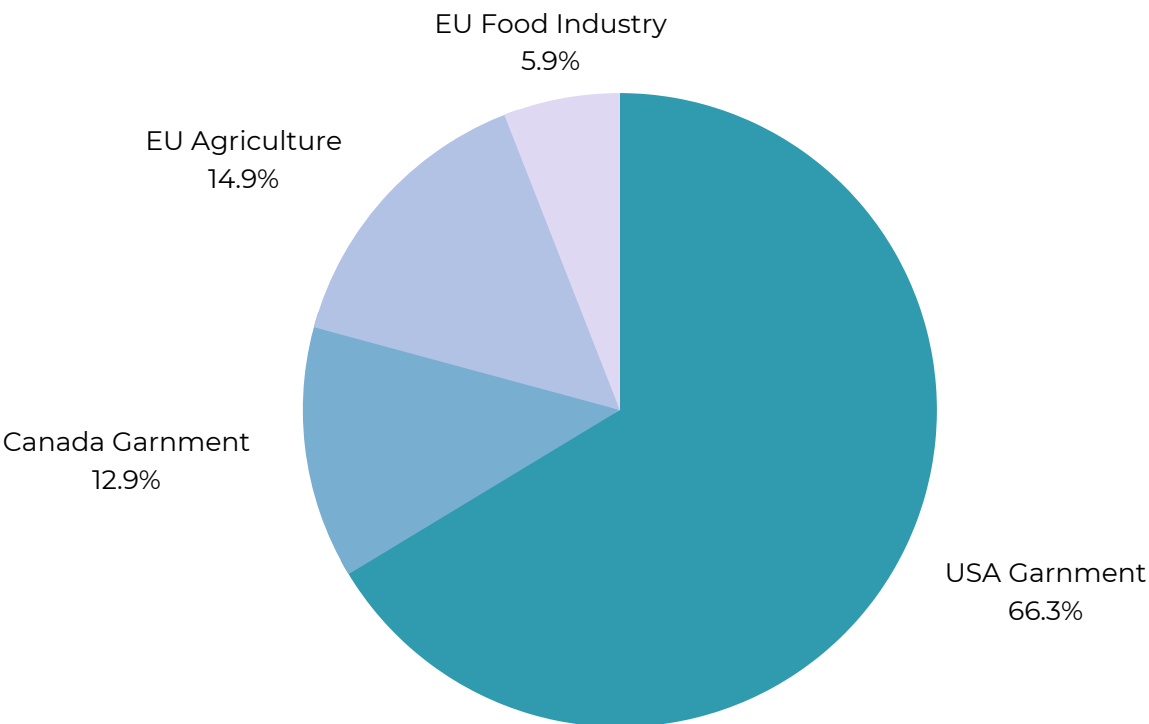
Figure 29. Projected composition of employment created in Türkiye, 2 scenarios, Syrian quota 10%



According to our assumptions, the most effective trade preferences for Syrian employment come from the opportunity provided by potential new garment exports to the US market.

Figure 30. Projected composition of Syrian job creation by targeted markets, Syrian quota 20%

New Syrian Employees



CONTRIBUTION TO GDP

The contribution of additional exports to GDP depends on the value-added ratio in the different sectors. Its estimate varies also with the exchange rate (see footnote 7). We assume here the following exchange rate for our prospective estimation: 15 TRY = 1 USD.[59]

According to the IMF forecast,[60] GDP in 2025 should amount to USD 913 billion. Then, new exports will contribute 0.42% to GDP in the best scenario, for the base year of 2025.

Table 5. Projected contribution of net export gains to GDP in 2025

Market/Sector	VA ratio	Value-added content of exports (% GDP)	
Scenario		50%	100%
USA Garments	50%	605 (0.06%)	2,368,976 (0.26%)
Canada Garments	50%	183,293 (0.02%)	448,370 (0.05%)
EU Agriculture	80%	203,329 (0.02%)	514,454 (0.06%)
EU Food	35%	155,680 (0.02%)	548,056 (0.06%)
Total		1,117,906 (0.12%)	3,879,856 (0.42%)

(The value-added ratio for the garment and agriculture sectors are estimations. For the Food Industry, the ratio is based on sample of Turkish producers data)

INCOME AND WAGES

We assume that these new employees will be paid the minimum wage. The minimum wage is set as follows in June 2022:[61]

- Gross minimum wage: TRY 5,004
- Net minimum wage: TRY 4,253

Table 5. Projected contribution of net export gains to GDP in 2025

ITEM	TRY
Labour cost for the employer	6,130
Social Security for the employer (20.5%)	1,026
unemployment insurance, employer share (2%)	100
Gross minimum wage	5,004
Social Security, worker share (14%)	701
Unemployment insurance, worker share (1%)	50
Net minimum wage	4,253

59 A level close to the first 2022 semester average (14.8).

60 International Monetary Fund, World Economic Outlook Database, April 2022.

61 <https://turkishworkpermit.com/minimum-wage-calculation/>; Accessed 22/6/22. Due to the high inflation rate, the minimum wage has been often re-evaluated, notably last July. It should continue to grow in nominal terms. Because of this rapid changes, we use a cut-off date, June 2022

As a result of the job creation, for a base year, the net wages distributed to households in Türkiye will amount to:[62]

- TRY 4,190 million in the Scenario 50%
- TRY 14,490 million in the Scenario 100%

This amount is an underestimation because a share of these new jobs will be skilled and better paid than the minimum wage. It is partly compensated by the fact that agricultural workers are usually employed and paid for 10 months, not a full year.

TAX AND SOCIAL SECURITY REVENUES

Additional formal worker payments by employers, as well as workers consumption, result in a direct increase in social security revenues, individual income taxes and VAT. For a typical minimum wage employee, these contributions can be valued at:

- TRY 1,727 for social security (employer's + employee's contribution)
- TRY 150 for the unemployment insurance (employer's + employee's contribution)
- Tax income: The minimum wage is exempt from income tax as of 2022
- VAT income: We assume that the VAT rate of products consumed mostly by workers earning minimum wage such as basic foodstuffs is around 8%.[63] In addition, we fix the average propensity to consume at 73% of the disposable income.[64] Thus VAT spending is estimated at TRY 248 per worker per month.

Additional direct tax and social security revenues will amount to TRY 2,093 million in Scenario 50%, and TRY 7,236 million in Scenario 100%, for a base year. As indicated before, these amounts are underestimated because a share of these new employees will earn better wages than the minimum. Thus their tax ratio, notably the income tax, will be higher than indicated here. However, this underestimation is partly compensated by the exemption of social security premiums in agriculture,[65] which reduces the social security revenues.

Table 7. Projected annual social security and tax revenues induced by new exports

Beneficiary (TRY 000,000 at 2022 constant prices)	Scenario	
	50%	100%
Social Security	1,701	5,881
Unemployment insurance	148	511
Income Tax	ns	ns
Value-added Tax	244	845
Total	2,093	7,236

In Scenario 100%, the increase in formal employment of Syrian workers will annually generate TRY 1,090 to 1,450 million in tax and social security revenues.

62 At (June) 2022 constant TRY prices and wage levels.

63 Different rates of VAT are applied to different goods but we consider 8% as a representative average.

64 We follow here the KIGEP 2022 Report approach.

65 Source: Interview with a FAO official.

Table 8. Projected annual social security and tax revenues induced by new Syrian workers, Scenario 100%

Beneficiary (TRY 000,000 at 2022 constant prices)	Share of Syrian employment	
	50%	100%
Social Security	882	1,176
Unemployment insurance	77	102
Income Tax	ns	ns
Value-added Tax	127	169
Total	1,085	1,447

In the Scenario 100%, the increase of formal employment of Syrian workers will annually generate TRY 1,090 to 1,450 million in tax and social security revenues.

6.3. Indirect effects

New production will generate intermediate demand to other sectors of the economy, and new employees will generate new demand on consumption markets. We estimate below a one stage induced effect only, based on available data, and we do not try to consider the full multiplier effect of the new income. It may be done in a future phase.^[66] Consequently, the overall economic impact is underestimated here.

INDUCED PRODUCTION EFFECT (BACKWARD LINKAGE)

The value of the intermediate demand generated by additional production can be estimated by using the complementary to the value-added ratio. We consider that all intermediate goods here come from domestic producers.

Table 9. Projected induced production, 2025

USD 000	Scenario	
	50%	100%
Social Security	575,605	2,368,976
Unemployment insurance	183,293	448,370
Income Tax	50,832	128,613
Value-added Tax	289,121	1,017,819
Total	1,098,850	3,963,778

⁶⁶ The share of imports in the final demand, as well as other I/O ratio, must be available

If we follow Mahia (2019), this indirect production effect spreads through the economy and generates a value-added equivalent to 0.3% of GDP in Scenario 100%.^[67] The effective figure would probably be closer to 0.2% of GDP, for instance, if imports account for 30% of the intermediate consumption. However, the full backward linkages are not included here.

This induced 0.30% of GDP equivalent production effect (1 stage) generates new jobs estimated at 34,700 for a base year (based on Mahia, 2019).

INDUCED DEMAND EFFECT (FORWARD LINKAGE)

The induced demand effect is essentially produced by the direct consumption of new employees, which generates additional final demand for the economy.

In Scenario 100%, the new household available income amounts to TRY 14,490 million. It generates TRY 9,850 million in the new final consumption. The impact on GDP is estimated at +0.10%, and the corresponding job creation of 17,000.^[69]

The impact of new employees' final demand is relatively weak because we assume that they are paid at the minimum wage.

6.4. Synthesis

Export growth generates two categories of economic impact: direct effects and induced effects. Under this study, the direct effects can be estimated, whereas it is difficult to provide a complete assessment of the induced effects, because their estimation needs a different methodology.^[70] Figures provided herein are initial estimates to inform on the magnitude of the economic impact.

Table 10. Projected full impact of new trade preferences, for a base year, Scenario 100%

Impact (in million TRY at constant 2022 prices and in %)	
Jobs created	283,918
Value-added, in% of GDP	0.42%
Social Security and Tax revenues	7,236
Induced production effects	
Job creation (number)	34,700
Value-added, in% of GDP	0.30%
Induced demand effects	
Job creation (number)	17,000
Value-added, in% of GDP	0.10%

⁶⁷ The production value amounts to 0.43% of the estimated GDP. In their simulation based on Turkish Input-Output tables, Mahia et al., 2019 estimate the value-added ratio of new production at 68%. Job creation caused by 0.5% of GDP induced production is estimated at 57,900.

⁶⁸ Hypothesis: average propensity to consume = 0.73 (source: KIGEP, 2022); Share of imports in final consumption 10%.

⁶⁹ GDP 2020 = TRY 5,047 billion (TURKSTAT); value-added ratio of the related production = 0.53 and employment impact of new final demand estimated at 74,500 for a +0.45% GDP gain (Mahia, 2019).

⁷⁰ Input-Output analysis.

To summarize, the full implementation of trade preferences by the EU, USA, and Canada may generate:

- Directly, 284,000 formal jobs in the economy, including potentially 57,000 for Syrian refugees.^[71] In addition, about 52,000 jobs may be created in the Turkish economy through backward (induced production) and forward linkages (induced demand).
- New exports will add directly 0.42% to GDP. The indirect effects may produce an additional GDP increase of 0.40%.

In addition, job creation and improved labour conditions for Syrian refugees will produce two positive side-effects:

1. To encourage better wages conditions in the labour market, by limiting the race to the bottom and the competition from underpaid workers creating tensions with the host community.
2. To improve the living conditions of Syrian households, and thus their potential contribution to the Turkish economy and social cohesion.

7. IMPLEMENTATION ISSUES

7.1. Monitoring and certification

A monitoring system must be set up to assess the formal contribution of Syrian workforce to the production of exported goods. It will also provide a framework of transparency and accountability to Turkish enterprises employing Syrian workers. It will be necessary to make the potential Türkiye Compact credible for international partners and donors. It should ensure compliance with the implementation terms that will be agreed upon in the programme. It should provide a certification to the beneficiary producers and guarantee the different stakeholders that the qualifying conditions are fulfilled by the private sector. It should be transparent and effective.

Such a trust-building mechanism is a key to the effectiveness in such a programme, as well as a condition of sustainability.

The design can rely on national or local monitoring mechanisms to support government on developing/strengthening current mechanisms on compliance with rules and regulations. In a number of countries, the Ministry of Trade (MoT) is in charge of the provision of export licenses to the enterprises and organize assessment and certification processes, usually through a special agency (non-profit, linked with ILO for instance). In Türkiye Compact case, the main requirement will concern the share of Syrian refugees in the enterprise's workforce. The social security administration receives SSI premium from employees and employers and the Ministry of Labour manages the work permit regulation. Thus, they already collect the information needed and can develop a no-cost certification procedure for exporters.

⁷¹ Scenario 100%, with a 20% quota.

A possible alternative may be to rely on local chambers of commerce and industry or business associations. They can provide certification. They will also be competent to facilitate compliance at enterprise level and provide assistance and training in order to meet Türkiye Compact criteria, when necessary. The choice may depend on the scope of Türkiye Compact (see below).

In any case, the monitoring system should include an awareness-information-promotion component to disseminate the information on the opportunity that Türkiye Compact could bring and how to benefit from it, especially for SMEs.

7.2. Humanitarian programmes and opportunity cost of formality

Wages and labour conditions in the sectors covered by Türkiye Compact must be sufficiently attractive to refugees. Moreover, refugees should be reassured that their acceptance of formal jobs will not endanger their legal status, or the potential benefit of the humanitarian assistance they can receive when they need it.

Formal jobs supply must therefore be attractive, safe enough, and sustainable while following decent work principles such as fair income, security and social protection, freedom for expressing concerns, equal opportunity and treatment for all women and men. The disincentive issue must be considered, because there is a cost of moving from informal to the formal job market for refugees. In weighing up their options, some refugees may not seek formal employment for fear of becoming financially unstable due to the loss of financial assistance through ESSN and loss of flexibility provided by informality. The GIZ survey concludes that “ESSN through which refugees receive a monthly stipend per family member (...) is now blocking the system by deterring refugees from seeking formal employment. This is because in case of a family is formally employed, the ESSN payment is stopped.”^[72]

In other words, the opportunity cost of moving to formal employment should be considered and put at the lowest possible level.

7.3. Work regulation for refugees

The current regulation on “Work Permits for Foreigners” hinders the formalization of refugees’ work. In addition to the difficulty to get a work permit, though there are some simplified practices, travel restrictions remain a challenge for refugees since the work permits are only valid for the city where refugees are registered.^[73] Travel restrictions are also applied to those who have established their own businesses and invested in the country. Even though there is an exemption possibility for seasonal agricultural work or in jobs related to livestock breeding, there are also restrictions for the employment of refugees such as employment quotas. In general, the number of refugees employed in a workplace cannot exceed 10% of the Turkish employees. Furthermore, enterprises with less than 10 employees are allowed to recruit only one refugee.^[74]

⁷² GIZ, 2022.

⁷³ There are some simplified practices. After the application, applicants can ask for change of registration through the relevant Ministry.

⁷⁴ See UNDP, 2021 or DRC, 2021 for a more complete presentation.

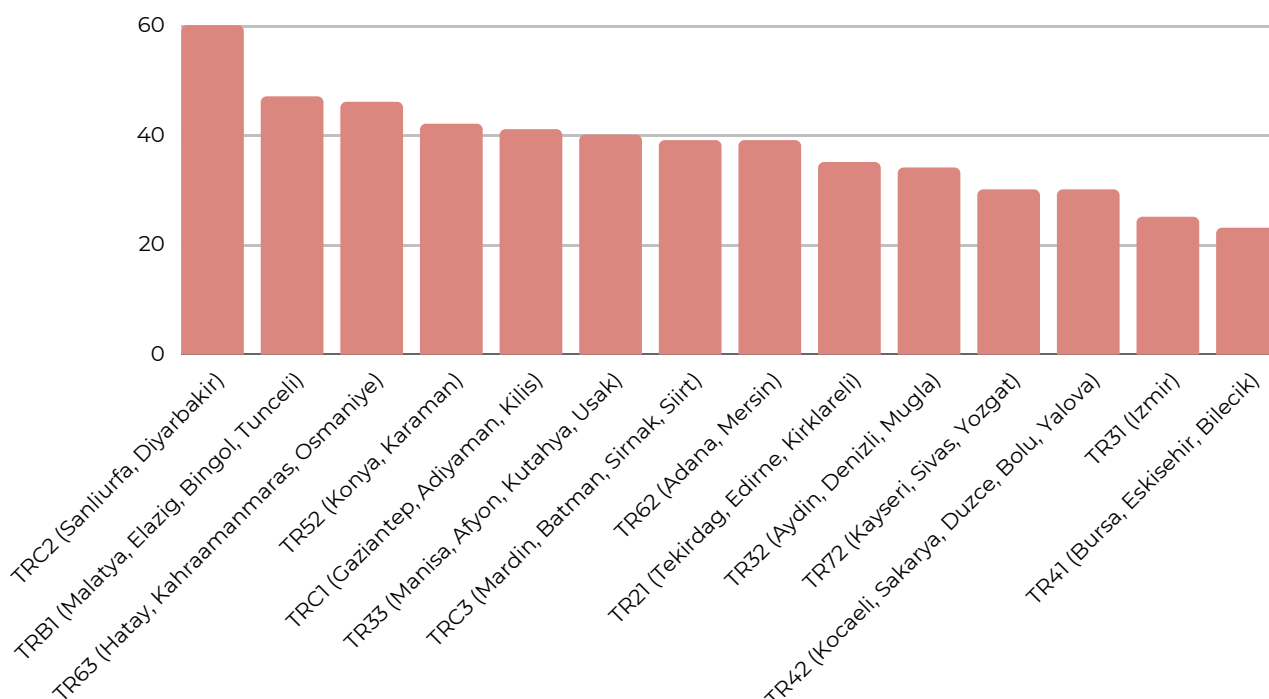
While the size of informal employment has been a major weakness of the Turkish economy (reducing tax income, diminishing state capacity to invest or ensure better social coverage for the most vulnerable, etc.), the actual rules create strong incentives for informality among the refugee community.

The inflexible system of refugee's mobility causes irregularity. If an entrepreneur who has first been registered in Kilis, and due to living and working conditions, has moved to Istanbul and established an enterprise there, he will have difficulties to receive the work permit because his formal registration is in Kilis. He will have to work without a license for a while, issuing invoices through another enterprise and sharing the profit until the license is granted. More generally, available jobs tend to be in big cities rather than in the provinces where refugees are forced to reside in, naturally pushing Syrian refugees to violate their mobility restrictions and to work informally.

The inadequacy of the current regulation is clearly exemplified by the private sector in Kilis region: "The obligation of Syrian refugees to work in the province where they are registered should be lifted. Because in a small city like Kilis with limited employment opportunities, it is very difficult to find a job for 130,000 Syrian refugees without creating new job opportunities. They should take advantage of the employment opportunities available in the nearby provinces where there are job opportunities by obtaining a work permit. Employing Syrian refugees at most 10% of the current number of employees creates a big problem in the employment of Syrian refugees in a small city like Kilis. For example, approximately 2,500 people work in Kilis OIZ. Is it possible to solve the employment problem of 130,000 Syrian refugees by placing 250 Syrian refugees (10% of 2500) to work?".^[75]

Figure 31. Rate of informal employment in Türkiye by regions, 2018

Informal Employment Rate, 2018 (% of total employment)



Source: World Bank, 2020

⁷⁵ Source: Interviews with Kilis Chamber of Commerce.

7.4. Labour, social and environmental standards

In addition to the stimulation of employment, the potential Türkiye Compact will also aim at improving the working conditions of Syrian refugees, in regulating refugees' employment through creation of decent jobs, thus preventing exploitation and child labour.

Thus, it must be aligned with international conventions on human and labour rights, environmental protection and good governance, and notably with the Sustainable Development Goals and its green economy content.

Such compliance with international standards is also a condition of sustainable competitiveness for producers, since these standards become extensively diffused in labour-intensive industries.^[76] These issues mentioned above should be part of the monitoring mechanism.

7.5. Regional Development aspects & Organized Industrial Zones (OIZ)

The main advantages of Organized Industrial Zones (OIZs) are to overcome certain barriers to business development such as excessively strict regulations, poor infrastructures, or inadequate access to logistics that are necessary to engage in international trade. OIZs aims at providing a more favourable business environment in a geographically limited area.

Three main modes of complementarity between Türkiye Compact and OIZs in East Anatolia may be envisaged (e.g. Polateli). A choice should be made in the next phase of Türkiye Compact development. From the less “neutral” option to the more neutral one:

A. Following QIZs and Jordan Compact models, the benefit of Türkiye Compact may be limited to producers from a specific geographical area such as OIZs in Gaziantep and Kilis regions. Only goods produced in certain specified zones will be eligible for trade preferences. The monitoring system, as well as awareness and assistance programmes, should then be implemented at OIZ level. In this area, the geographical concentration of Syrian refugees is high. The potential Türkiye Compact may try to use the density of refugees as an additional economic asset for the region. The availability of a new set of export-oriented incentives and their integration into a wider local development framework will strengthen OIZs economic opportunities for both refugees and host communities. It may become a component of the regional and local development plans.

B. Special exemptions in the work regulation for refugees, and other more flexible measures and incentives can be provided by the government to specific areas only, such as OIZs, without officially limiting the preferential trade benefits to these areas. These advantages will complement other incentives, tax relief and subsidies already given to OIZs to consolidate their attractiveness.

C. The implementation of promotion, information and technical assistance programmes in support of Türkiye Compact can be concentrated on a specific area (area-based approach), where the refugee density is the highest such as in East Anatolia, to increase its effectiveness.

⁷⁶ See for instance: OECD, 2017, *Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*; or: ESCAP, 2017, “Labour Provisions in Asia-Pacific Free Trade Agreements”.

8. RECOMMENDATIONS & BEYOND

A number of recommendations have already been provided in various analyses and reports on the economic conditions of refugees in Türkiye^[77] to promote the integration of Syrian refugees into the labour market.^[78] In the context of TCFS, it is important to insist on the following recommendations and discussion points. The following are some of the issues to be addressed by categories of stakeholders and main justifications can be found in the previous chapters.

A. Türkiye Compact proponents (UN and Development Agencies)



Establish Leadership

The advancement of Türkiye Compact needs commitment at international, regional and national levels of a leading organisation that will assume the role of coordination, leadership, programming and advocacy. UNDP has conceived, formulated and promoted this initiative, and possesses both the network and organizational capacities to support it effectively. As part of the 3RP, a task team led by UNDP and

TRC with the technical support of other organizations (UN, INGOs, IFIs) have developed an outcome report recommending the use of special trade agreement to scale up job creation for refugees and host communities.

On the Turkish side, an implementing organization, public institutions (e.g. MoT, Ministry of Industry and Technology (MoIT)) should also take the lead, in coordination/collaboration with other relevant public and private stakeholders.



Clarify the geographical scope of Türkiye Compact privileges.

In partnership with the foreign trade partner countries.

A key issue will be to define the geographical perimeter of Türkiye Compact, i.e. whether the trade privileges apply to all exporters in Türkiye or to specific regions/areas only.



Make formal employment attractive to refugees

On the supply side of the labour market, new formal employment opportunities should attract more refugee workers to formal employment. Thus, higher coherence must be promoted between humanitarian allowance schemes and development programmes. They should be re-designed in order to produce synergistic outcomes rather than alternative or conflicting effects. Considering the current aid

dependency, and vulnerability of households, it is crucial to continue social assistance programmes for the most vulnerable while boosting the support to transition from basic needs to livelihoods.

⁷⁷ See References (non-exhaustive).

⁷⁸ Notably UNDP, 2021; UNDP, 2019.

ESSN and other assistance programmes should be integrated in the job enhancement approach. Two guiding principles can be followed:

- Sustaining refugees' income: Design a mechanism to limit the risk for Syrian workers of being excluded from the allowance scheme, as long as their source of income is not stable and secured;
- No negative/diversion effect in the labour market in the form of a cost advantage will be provided to refugees.

The social allowance may be preserved for newly hired workers, for a limited time (2 months for instance), or only interrupted (not suppressed) during the working period.

It can also be accumulated on a social savings account, or a social fund. Specific drawing rights will then be made available to refugees, for instance in case of an early work interruption.

A comprehensive study examining the effects of social safety programmes such as ESSN should be conducted to adapt them and to eliminate their adverse effects on formal employment..



Devise gender-sensitive employment opportunities, equally accessible for men and women

The current socio-economic integration policies do not consider the specific challenges faced by refugee women. Gender-sensitive programmes should be designed in order to create equal access to decent employment opportunities and formal jobs both for men and women, with special focus on refugee single mothers, who are among the most vulnerable groups.



Support the creation of formal jobs

In a difficult macro-economic context, businesses have limited incentives to recruit refugees formally. The initial cost of formal employment of vulnerable refugees (work permit fees, Social Security Insurance contributions) can be supported through subsidies to encourage employers.



Public awareness campaign

In partnership with the government, promotion and awareness campaigns must show the synergistic impact and common advantages of the potential Türkiye Compact both for refugees and host communities. It is a necessary condition of sustainability. The unease in the Turkish population with the long-term presence of refugees, the rowing difficulties over unemployment issues, risk of social tension and

political polarization of the refugee issue require demonstrating the significant advantages of the potential Türkiye Compact for the Turkish economy and Turkish nationals. They firstly derive from the additional exports income and job creation expected.

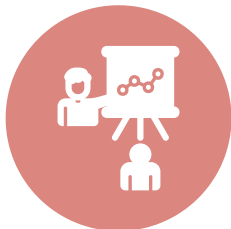
Communication activities can also rely on two additional arguments:

1. Increase of formal refugees' employment reduce informality and thus alleviate the downward pressure on wages and work conditions in the labour market
2. Growth of refugee income generates additional spending and demand in the domestic economy



Promote formal employment and contribution to the national Social Security System

Although refugees already benefit from social protection services without paying contributions, they should also both contribute to and benefit from the national Social Security Institution (SGK) when they participate formally in the labour market. As this is a responsibility and obligation for both employers and employees, it is important to explain and convince, how contributing to SGK fosters access to protected labour rights for all, both Turkish citizens and refugees.



Complementary training programmes

More than 80% of the working-age Syrian refugees do not have a secondary school degree,[79] and the vast majority do not speak Turkish. To increase employability, one of the main challenges remains better matching refugees to the labour market needs by raising their skill levels. According to a field expert, Turkish employers do not report any difference in quality between Turkish employees and Syrian colleagues in labour-intensive production.

While the quality of Syrian work may not be a threat to their employability, complementary training components and especially Turkish language-training[80] should probably be integrated in Türkiye Compact design. A major concern here is to improve or consolidate, the business sector confidence in Syrian workers.



Strengthen the involvement of local actors such as chambers of commerce and industry and their role in the promotion of Syrian refugees economic integration and social cohesion.

Chambers of commerce and industry have an integral role in promoting local economic development as they act as intermediary between their members and local governments. They are the most relevant organizations and able to deal with many of Türkiye Compact challenges, notably content of the training component, awareness campaign, assessment of producer's needs, economic integration of refugees, business connections, etc.

Chambers of industry and commerce have assumed an important role and provided accurate information regarding the Syria crisis response and Syrian refugees. The chambers in South-eastern Anatolia have developed several good practices and the “Syrian Desk” established by Gaziantep Chamber of Commerce is a good example of this innovative capacity.[81]

Chambers of commerce and industry should be integrated as key partners in Türkiye Compact design and implementation. As a result of the increased number of tasks due to the influx of Syrian refugees and efforts to adapt to the changing context, some chambers in the corresponding regions may require further technical assistance and human resources support.

80 Speaking Turkish is considered the most important factor to accessing formal employment in Türkiye. “The most important thing is language which is a big barrier to finding a good job.” (Key Informant Interview, Hatay, April 2021). Source: DRC, 2021.

81 See the 2022 GIZ survey.

B. Turkish government



Remove limitations on freedom of movement for Syrian workers

The work regulation for refugees does not facilitate their employment, on the contrary, it may be an impediment for their integration into the formal sector. In the current context, freedom of movement will reduce the geographical concentration of negative impacts, while increasing refugees' productivity by enabling them to find jobs that better match their skills and experience.

Limitations should be removed on the freedom of movement for Syrian refugees looking for, or who have found, a job in a province other than their province of registration, and the obligation to work in the province where they are registered should be relieved or eliminated.



Simplify work permit regulations

Work permits should be made more flexible and be granted on a national basis.

The current work permit system relies on the employers' will to make the application to formalize refugee workers. Easing the application process should facilitate formalization of employment, with measures such as reduced documentation, more integrated information systems, allowing potential employees to make applications for work permits themselves, and allowing worker transfer between jobs.

C. Turkish private sector & its representatives (chambers of commerce & industry, business associations & platforms)



Product/market targeting

Experience shows that the opportunities to use trade preferences to increase exports have been concentrated in labour-intensive commodities such as garments, clothing or agriculture.

However, the needs and targets of exporters must be precisely identified, as well as the trade barriers they face. They are specific to different sectors and therefore specific assessments by sector should be conducted, based on meetings with exporters and industry associations, to identify and target the products for which there is significant export potential.

A first meeting should be planned with producers/exporters associations in textiles and garment, to identify the products with the highest export potential to the US and Canadian markets. A side benefit of this approach will be to involve the private sector at an early stage and explain the advantages of recruiting Syrian workers within Türkiye Compact framework.

80 Speaking Turkish is considered the most important factor to accessing formal employment in Türkiye. "The most important thing is language which is a big barrier to finding a good job." (Key Informant Interview, Hatay, April 2021). Source: DRC, 2021.

81 See the 2022 GIZ survey.



Awareness campaigns/private sector

In a second step, when Türkiye Compact process building is to be launched and supported by UNDP in partnership with national and international stakeholders:

Employers should be informed on the opportunities provided by Türkiye Compact and the requirements to benefit from them. The private sector should be made aware of the advantages if they employ refugees, and of their rights and responsibilities towards refugee workers to prevent exploitation. Negative stereotypes should be dispelled through evidence-based awareness-raising initiatives while measures to favour diversity and inclusion should be promoted.

D. Next Steps

At this stage of discussions with stakeholders, notably the potential foreign trade partners, it is not realistic to define a calendar or a workplan. However, the 2025 perspective selected for impact estimation will imply a fast advancement of Türkiye Compact building process before the end of 2023, mostly in three directions:

1. Confirmation of the commitment of a major foreign country to subscribe to Türkiye Compact;
2. Agreement of the Turkish Government to implement Türkiye Compact and to set up a credible certification mechanism;
3. Coordination: UNDP takes responsibility for the advancement of Türkiye Compact in close coordination/collaboration with relevant public and private stakeholders;

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ANNEXES

Annex 1. List of interviewees

Full Name	Organization
Ertan Aktan	FAO
Shaddin Almasri	Former Oxfam expert in Jordan
Patricia Augier	Professor of Economics, former President of the FEMISE network
Mr Atilla Bastırmacı	Ministry of Trade of Türkiye
Chiara Biscaldi	Deputy Head, Trade and Eco Unit, EU Delegation Ankara
Cagatay Cebi	FAO
Jean Raphael Chaponnière	Former Chief Economist for Türkiye and ME, French Embassy
Philippe Clerc	Resilience Development Advisor, UNDP, Ankara
Hamit Doğan	Sub-Regional Coordinator, UNDP Syria Crisis Response and Resilience
Varol Dur	ILO, Ankara
Mary Gilson	UK Embassy, Ankara
Hande Gürdağ Uzuner	UNDP, 3RP Livelihoods Sector Coordinator
Arzu Karaarslan	UNDP Türkiye Local Economic Development Projects Manager
Serhat Karaduman	Calikdenim, General Manager
Ahmet İhsan Kaya	UK Embassy, Ankara
Büşra Kılıç	Ministry of Trade of Türkiye
Kemal Kirişçi	Nonresident Senior Fellow Brookings Institution
Kuykendall, Jessie M	US Embassy Ankara, in charge of refugee projects
Bora Kocaman	ADASO, Secretary-General
Hasan Köse	Ministry of Trade of Türkiye, Department of American Countries
Seyfi Özmay	UK Embassy, Ankara
Bartosz Przywara	Head, Trade and Eco Unit, EU Delegation Ankara
Adam Schick	Second Secretary, US Embassy Ankara Economic Section
Halis Can Şire Urge	ADASO, project expert
Bastien Revel	3RP Policy Advisor, UNDP
Mustafa Ali Yurdupak	UNDP Manager of Syria Crisis Response and Resilience Portfolio
Mahmut Açıkgöz	Technical expert in MoIT

ANNEXES

Annex 2. Türkiye's foreign trade and export specialisation by country and by products in targeted sectors (HS 2-digit level)

TÜRKİYE SECTORAL EXPORT FIGURES, USD 000				
	1 January - 31 December			
SECTORS	2020	2021	Change ('21/'20)	Share (2021) (%)
I. AGRICULTURE	24,343,663	29,737,575	22.2	13.2%
<u>A. PLANT PRODUCTS</u>	16,329,877	19,343,588	18.5	8.6%
Cereals, Pulses, Oil Seeds and Products	7,291,851	9,156,524	25.6	4.1%
Fresh Fruit and Vegetables	2,729,986	3,083,585	13.0	1.4%
Fruit and Vegetables	1,682,477	2,028,361	20.6	0.9%
Dried Fruit	1,398,471	1,574,287	12.6	0.7%
Hazelnut and Products	1,939,566	2,260,698	16.6	1.0%
Olive and Olive Oil Products	271,127	309,497	14.2	0.1%
Tobacco	910,291	783,002	-14.0	0.3%
Ornamental Plants and Products	106,108	147,634	39.1	0.1%
<u>B. ANIMAL PRODUCTS</u>	2,449,812	3,400,154	38.8	1.5%
Aqua and Animal Products	2,449,812	3,400,154	38.8	1.5%
<u>C. WOOD and FORESTRY PRODUCTS</u>	5,563,974	6,993,833	25.7	3.1%
Furniture, Paper and Forestry Products	5,563,974	6,993,833	25.7	3.1%
II. INDUSTRY	127,529,917	170,880,410	34.0	75.8%
<u>A. AGRO-BASED PRODUCTS</u>	11,218,440	15,051,777	34.2	6.7%
Textile and Raw Materials	7,283,601	10,145,832	39.3	4.5%
Leather and Leather products	1,331,635	1,726,462	29.6	0.8%
Carpet	2,603,205	3,179,483	22.1	1.4%
<u>B. CHEMICALS and CHEMICAL PRODUCTS</u>	18,256,005	25,348,548	38.9	11.2%
Chemicals and chemical products	18,256,005	25,348,548	38.9	11.2%
<u>C. INDUSTRIAL PRODUCTS</u>	98,055,472	130,480,085	33.1	57.9%
Apparel	17,118,037	20,250,438	183	9.0%
Automotive	25,544,947	29,342,795	14.9	13.0%
Ship and Yacht	1,375,006	1,626,377	18.3	0.7%
Electric Electronic and Service	11,047,749	14,176,022	28.3	6.3%
Machinery and Machinery Accessories	7,538,048	9,416,332	24.9	4.2%
Ferrous and Non-Ferrous Metals	8,252,223	12,357,450	49.7	5.5%
Steel	12,602,840	22,351,413	77.4	9.9%
Cement, Glass, Ceramic and Soil Products	3,757,327	4,615,381	22.8	2.0%
Jewellery	3,777,580	6,781,870	79.5	3.0%
Defence and Aerospace	2,278,695	3,224,786	41.5	1.4%
HVAC-R	4,662,612	6,196,124	32.9	2.7%
Other Industry Products	100,407	141,099	40.5	0.1%
III. MINING	4,269,794	5,930,165	38.9	2.6%
Mining Products	4,269,794	5,930,165	38.9	2.6%
TOTAL (TIM*)	156,143,375	206,548,150	32.3	91.6%
Export figures (extracted from TIM records)	13,494,380	18,819,527	39.5	8.4%
TOTAL (TIM & TURKSTAT**)	169,637,755	225,367,676	32.9	100%

ANNEXES

04/Turkish exports of "Dairy produce; birds eggs; natural honey; edible products of animal origin, not elsewhere specified or included"

Main export destinations from Türkiye in 2020:

- Iraq: 17.1% (USD 105 million)
- United Arab Emirates: 10.5% (USD 64 million)
- Saudi Arabia: 9.7% (USD 59 million)
- Syrian Arab Republic: 7.94% (USD 48 million)
- Kuwait: 7.73% (USD 47 million)
- Qatar: 5.31% (USD 32 million)
- Oman: 4.33% (USD 26 million)
- Egypt: 3.68% (USD 22 million)
- Bangladesh: 2.92% (USD 17.9 million)
- Germany: 2.43% (USD 14.9 million)

Exports composition of HS04 from Türkiye; main commodity groups:

- 41% (USD 256 million): 0407 - Birds' eggs, in shell, fresh, preserved or cooked.
- 30% (USD 185 million): 0406 - Cheese and curd.
- 8.64% (USD 52 million): 0404 - Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included.
- 8.48% (USD 52 million): 0402 - Milk and cream, concentrated or containing added sugar or other sweetening matter.
- 4.26% (USD 26 million): 0409 - Natural honey.
- 3.27% (USD 20 million): 0401 - Milk and cream, not concentrated nor containing added sugar or other sweetening matter.
- 1.72% (USD 10.5 million): 0405 - Butter and other fats and oils derived from milk; dairy spreads.

08/Turkish exports of "Edible fruit and nuts; peel of citrus fruit or melons"

Main export destinations of "Edible fruit and nuts; peel of citrus fruit or melons" from Türkiye in 2020:

- Russia: 18.2% (USD 880 million)
- Germany: 11% (USD 534 million)
- Italy: 10.6% (USD 516 million)
- Iraq: 6.34% (USD 306 million)
- United Kingdom: 5.08% (USD 245 million)
- France: 4.08% (USD 197 million)
- USA: 3.06% (USD 147 million)
- Ukraine: 3.02% (USD 146 million)
- Netherlands: 2.91% (USD 140 million)
- Poland: 2.68% (USD 129 million)

Exports composition of HS08; main commodity groups:

- 31% (USD 1.54 billion): 0802 - Other nuts, fresh or dried, whether or not shelled or peeled.
- 19.4% (USD 940 million): 0805 - Citrus fruit, fresh or dried.
- 13.9% (USD 671 million): 0806 - Grapes, fresh or dried.
- 9.59% (USD 463 million): 0809 - Apricots, cherries, peaches (including nectarines), plums and sloes, fresh.

- 6.66% (USD 322 million): 0804 - Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried.
- 6.21% (USD 300 million): 0813 - Fruit, dried, other than that of headings Nos. 08.01 to 08.06; mixtures of nuts or dried fruits of this Chapter.
- 3.49% (USD 168 million): 0808 - Apples, pears and quinces, fresh.
- 3.23% (USD 156 million): 0810 - Other fruit, fresh.
- 2.3% (USD 111 million): 0811 - Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter.
- 2.08% (USD 100 million): 0803 - Bananas, including plantains, fresh or dried.

11/Turkish exports of "Products of the milling industry; malt; starches; inulin; wheat gluten"

Main export destinations of "Products of the milling industry; malt; starches; inulin; wheat gluten" from Türkiye in 2020:

- Iraq: 39% (USD 472 million)
- Yemen: 7.65% (USD 90 million)
- Syrian Arab Republic: 5.26% (USD 62 million)
- Angola: 5.16% (USD 61 million)
- Venezuela: 4.74% (USD 56 million)
- USA: 3.96% (USD 47 million)
- Benin: 3.12% (USD 37 million)
- Somalia: 2.61% (USD 31 million)

Exports composition of HS11; main commodity groups:

- 80% (USD 951 million): 1101 - Wheat or meslin flour.
- 6.08% (USD 72 million): 1108 - Starches; inulin.
- 5.48% (USD 65 million): 1103 - Cereal groats, meal and pellets.
- 5.16% (USD 61 million): 1104 - Cereal grains otherwise worked (for example, hulled, rolled, flaked, pearled, sliced or kibbled), except rice of heading 10.06; germ of cereals, whole, rolled, flaked or ground.
- 2.57% (USD 30 million): 1106 - Flour, meal and powder of the dried leguminous vegetables of heading 07.13, of sago or of roots or tubers of heading 07.14 or of the products of Chapter 8.

15/Turkish exports of "Animal or vegetable fats and oils and their cleavage products prepared edible fats; animal or vegetable waxes"

Main export destinations from Türkiye in 2020:

- Iraq: 13.4% (USD 186 million)
- Djibouti: 13.2% (USD 183 million)
- Russia: 6.72% (USD 93 million)
- Libya: 6.28% (USD 87 million)
- Syrian Arab Republic: 5.75% (USD 79 million)
- Iran: 4.99% (USD 69 million)
- USA: 4.78% (USD 66 million)
- Yemen: 3.57% (USD 49 million)
- Algeria: 2.64% (USD 36 million)
- India: 2.32% (USD 32 million)

Exports composition of HS15 from Türkiye in 2020; main commodity groups:

- 53% (USD 736 million): 1512 - Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified.
- 10.5% (USD 146 million): 1507 - Soya-bean oil and its fractions, whether or not refined, but not chemically modified.
- 9.32% (USD 129 million): 1509 - Olive oil and its fractions, whether or not refined, but not chemically modified.
- 8.63% (USD 119 million): 1511 - Palm oil and its fractions, whether or not refined, but not chemically modified.

- 7.06% (USD 97 million): 1517 - Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading 15.16.
- 6.2% (USD 86 million): 1515 - Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified.
- 2.34% (USD 32 million): 1504 - Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified.

17/Turkish exports of "Sugars and sugar confectionery"

Main export destinations of "Sugars and sugar confectionery" from Türkiye in 2020:

- USA: 15.8% (USD 105 million)
- Iraq: 7.36% (USD 49 million)
- United Kingdom: 5.8% (USD 38 million)
- Germany: 4.53% (USD 30 million)
- Syrian Arab Republic: 4.07% (USD 27 million)
- Netherlands: 3.14% (USD 21 million)
- South Africa: 2.77% (USD 18.5 million)
- Russia: 2.72% (USD 18.2 million)
- Israel: 2.35% (USD 15.8 million)
- Nigeria: 2.3% (USD 15.4 million)

Overall composition of HS17; main commodity groups:

- 72% (USD 487 million): 1704 - Sugar confectionery (including white chocolate), not containing cocoa.
- 23% (USD 159 million): 1702 - Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel.
- 3.51% (USD 23 million): 1701 - Cane or beet sugar and chemically pure sucrose, in solid form.

18/Turkish exports of "Cocoa and cocoa preparations"

Main export destinations of "Cocoa and cocoa preparations" from Türkiye in 2020:

- Iraq: 17.8% (USD 116 million)
- Iran: 7.82% (USD 51 million)
- USA: 5.68% (USD 37 million)
- Saudi Arabia: 5.58% (USD 36 million)
- Israel: 5.12% (USD 33 million)
- Libya: 4.51% (USD 29 million)
- United Arab Emirates: 3.76% (USD 24 million)
- Azerbaijan: 2.34% (USD 15.3 million)
- Yemen: 2.07% (USD 13.5 million)
- Lebanon: 1.72% (USD 11.2 million)

Exports composition of HS18; main commodity groups:

- 84% (USD 554 million): 1806 - Chocolate and other food preparations containing cocoa.
- 8.01% (USD 52 million): 1805 - Cocoa powder, not containing added sugar or other sweetening matter.
- 3.93% (USD 25 million): 1804 - Cocoa butter, fat and oil.
- 1.91% (USD 12.5 million): 1801 - Cocoa beans, whole or broken, raw or roasted.

07/Turkish exports of "Edible vegetables and certain roots and tubers"[82]

Main export destinations of "Edible vegetables and certain roots and tubers" from Türkiye in 2020:

- Iraq: 12.4% (USD 178 million)

- Germany: 8.79% (USD 126 million)
- Russia: 8.63% (USD 123 million)
- Romania: 6.42% (USD 92 million)
- Syrian Arab Republic: 4.65% (USD 66 million)
- Ukraine: 4.02% (USD 57 million)
- Bulgaria: 3.67% (USD 52 million)
- Israel: 3.29% (USD 47 million)
- Sudan: 3.27% (USD 46 million)
- Italy: 3.06% (USD 44 million)

Exports composition of HS07; main commodity groups:

- 41% (USD 591 million): 0713 - Dried leguminous vegetables, shelled, whether or not skinned or split.
- 21% (USD 312 million): 0702 - Tomatoes, fresh or chilled.
- 16.1% (USD 231 million): 0709 - Other vegetables, fresh or chilled.
- 5% (USD 71 million): 0710 - Vegetables (uncooked or cooked by steaming or boiling in water), frozen.
- 4.46% (USD 64 million): 0712 - Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared.
- 4.01% (USD 57 million): 0703 - Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
- 3.52% (USD 50 million): 0707 - Cucumbers and gherkins, fresh or chilled.
- 1.7% (USD 24 million): 0701 - Potatoes, fresh or chilled.

19/Turkish exports of "Preparations of cereals, flour, starch or milk; bakers' wares"

Main export destinations of "Preparations of cereals, flour, starch or milk; bakers' wares" from Türkiye in 2020:

- Iraq: 19.5% (USD 407 million)
- Venezuela: 5.97% (USD 124 million)
- Somalia: 4.09% (USD 85 million)
- Yemen: 3.89% (USD 81 million)
- Germany: 3.83% (USD 79 million)
- Saudi Arabia: 3.47% (USD 72 million)
- USA: 3.24% (USD 67 million)
- Israel: 2.57% (USD 53 million)
- Syrian Arab Republic: 2.51% (USD 52 million)
- Japan: 2.35% (USD 48 million)

Exports composition of HS19; main commodity groups:

- 52% (USD 1.09 billion): 1905 - Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products.
- 36% (USD 761 million): 1902 - Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared.
- 9.4% (USD 195 million): 1904 - Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour, groats and meal), pre-cooked, or otherwise prepared, not elsewhere specified or included.

20/Turkish exports of "Preparations of vegetables, fruit, nuts or other parts of plants"

Main export destinations of "Preparations of vegetables, fruit, nuts or other parts of plants" from Türkiye in 2020:

- Germany: 23% (USD 545 million)
- USA: 10.2% (USD 243 million)

- Iraq: 7.85% (USD 185 million)
- Netherlands: 7.28% (USD 172 million)
- United Kingdom: 5.09% (USD 120 million)
- Italy: 3.38% (USD 80 million)
- France: 3.27% (USD 77 million)
- Austria: 2.92% (USD 69 million)
- China: 2.91% (USD 68 million)
- Belgium: 2.37% (USD 56 million)

Exports composition of HS20; main commodity groups:

- 38% (USD 907 million): 2008 - Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included.
- 16.6% (USD 393 million): 2009 - Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.
- 12.4% (USD 293 million): 2001 - Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid.
- 11.5% (USD 272 million): 2007 - Jams, fruit jellies, marmalades, fruit or nut or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter.
- 10.4% (USD 248 million): 2005 - Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 20.06.
- 8.73% (USD 206 million): 2002 - Tomatoes prepared or preserved otherwise than by vinegar or acetic acid.
- 1.73% (USD 40 million): 2004 - Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading 20.06.

44/Turkish exports of "Wood and articles of wood; wood charcoal"

Main export destinations of "Wood and articles of wood; wood charcoal" from Türkiye in 2020:

- Iraq: 12.4% (USD 121 million)
- Egypt: 4.94% (USD 48 million)
- Iran: 4.86% (USD 47 million)
- Georgia: 4.35% (USD 42 million)
- Canada: 4% (USD 39 million)
- Turkmenistan: 3.95% (USD 38 million)
- Tunisia: 3.93% (USD 38 million)
- Algeria: 3.56% (USD 34 million)
- Libya: 3.06% (USD 29 million)

Exports composition of HS44; main commodity groups:

- 50% (USD 488 million): 4411 - Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances.
- 16.2% (USD 158 million): 4410 - Particle board and similar board (for example, oriented strand board and waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances.
- 16% (USD 156 million): 4418 - Builders' joinery and carpentry of wood, including cellular wood panels, assembled parquet panels, shingles and shakes.
- 4.71% (USD 46 million): 4407 - Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm.
- 2.97% (USD 29 million): 4408 - Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for other similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm.
- 2.11% (USD 20 million): 4412 - Plywood, veneered panels and similar laminated wood.

57/Turkish exports of "Carpets and other textile floor coverings"

Main export destinations of "Carpets and other textile floor coverings" from Türkiye in 2020:

- USA: 35% (USD 942 million)
- Saudi Arabia: 10.2% (USD 267 million)
- Germany: 5.38% (USD 141 million)
- United Kingdom: 4.78% (USD 125 million)
- Iraq: 4.19% (USD 110 million)
- Egypt: 3.03% (USD 79 million)
- United Arab Emirates: 2.64% (USD 69 million)
- Libya: 2.27% (USD 59 million)
- Kuwait: 1.42% (USD 37 million)
- Israel: 1.4% (USD 36 million)

Exports composition of HS57 - in 2020; main commodity groups:

- 85% (USD 2.23 billion): 5702 - Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including Kelem, Schumacks, Karamanie and similar hand-woven rugs.
- 13% (USD 343 million): 5703 - Carpets and other textile floor coverings, tufted, whether or not made up.

60/Turkish exports of "Knitted or crocheted fabrics"

Main export destinations of "Knitted or crocheted fabrics" from Türkiye in 2020:

- Italy: 13.8% (USD 208 million)
- Bulgaria: 9.25% (USD 139 million)
- Belarus: 8.25% (USD 124 million)
- Russia: 8.23% (USD 124 million)
- Kyrgyz Republic: 4.93% (USD 74 million)
- Poland: 4.43% (USD 67 million)
- Greece: 3.63% (USD 54 million)
- Netherlands: 3.62% (USD 54 million)
- Germany: 3.56% (USD 53 million)
- Serbia: 3.51% (USD 53 million)

Exports composition of HS60 in 2020 represented; main commodity groups:

- 56% (USD 860 million): 6006 - Other knitted or crocheted fabrics.
- 31% (USD 479 million): 6004 - Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread, other than those of heading 60.01.
- 6.71% (USD 101 million): 6005 - Warp knit fabrics (including those made on galloon knitting machines), other than those of headings 60.01 to 60.04.
- 3.32% (USD 50 million): 6001 - Pile fabrics, including long pile fabrics and terry fabrics, knitted or crocheted.

61/Turkish exports of "Articles of apparel and clothing accessories, knitted or crocheted"

Main export destinations from Türkiye in 2020:

- Germany: 20% (USD 1.73 billion)
- United Kingdom: 14.8% (USD 1.24 billion)
- Spain: 11.4% (USD 960 million)
- Netherlands: 6.29% (USD 528 million)
- France: 5.04% (USD 423 million)
- Iraq: 3.56% (USD 299 million)
- Italy: 3.19% (USD 267 million)
- Belgium: 2.24% (USD 188 million)
- USA: 2.2% (USD 185 million)
- Denmark: 2.07% (USD 174 million)

Exports composition of HS61; main commodity groups:

- 27% (USD 2.3 billion): 6109 - T-shirts, singlets and other vests, knitted or crocheted.
- 23% (USD 1.98 billion): 6110 - Jerseys, pullovers, cardigans, waist-coats and similar articles, knitted or crocheted.
- 13.4% (USD 1.12 billion): 6104 - Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted.
- 12.5% (USD 1.04 billion): 6115 - Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted.
- 4.48% (USD 376 million): 6103 - Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted.
- 4.04% (USD 339 million): 6106 - Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted.
- 3.33% (USD 280 million): 6108 - Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted.
- 2.57% (USD 215 million): 6111 - Babies' garments and clothing accessories, knitted or crocheted.
- 2.01% (USD 169 million): 6105 - Men's or boys' shirts, knitted or crocheted.
- 1.89% (USD 158 million): 6112 - Track suits, ski suits and swimwear, knitted or crocheted.

62/Turkish exports of "Articles of apparel and clothing accessories, not knitted or crocheted"

Main export destinations of "Articles of apparel and clothing accessories, not knitted or crocheted" from Türkiye in 2020:

- Spain: 15.8% (USD 1.04 billion)
- Germany: 14.5% (USD 960 million)
- Netherlands: 9.39% (USD 619 million)
- United Kingdom: 7.92% (USD 522 million)
- USA: 5.49% (USD 362 million)
- France: 3.75% (USD 247 million)
- Italy: 3.31% (USD 219 million)
- Denmark: 3.11% (USD 205 million)
- Israel: 3.04% (USD 201 million)
- Iraq: 2.91% (USD 192 million)

Exports composition of HS62; main commodity groups:

- 38% (USD 2.52 billion): 6204 - Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear).
- 19.5% (USD 1.29 billion): 6203 - Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear).
- 14% (USD 928 million): 6210 - Garments, made up of fabrics of heading 56.02, 56.03, 59.03, 59.06 or 59.07.
- 7.85% (USD 518 million): 6206 - Women's or girls' blouses, shirts and shirt-blouses.
- 6.1% (USD 403 million): 6205 - Men's or boys' shirts.
- 4.36% (USD 287 million): 6211 - Track suits, ski suits and swimwear; other garments.
- 2.49% (USD 164 million): 6208 - Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, bathrobes, dressing gowns and similar articles.
- 2.1% (USD 139 million): 6201 - Men's or boys' overcoats, coats, capes, cloaks, anoraks and similar articles, other than those of heading 62.03.
- 1.52% (USD 100 million): 6202 - Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading 62.04.

63/Turkish exports of "Other made up textile articles; sets; worn clothing and worn textile articles; rags"

Main export destinations of "Other made up textile articles; sets; worn clothing and worn textile articles; rags" from Türkiye in 2020:

- Germany: 22% (USD 575 million)
- USA: 11.1% (USD 281 million)
- France: 5.79% (USD 146 million)
- United Kingdom: 5.47% (USD 138 million)
- Netherlands: 4.72% (USD 119 million)
- Italy: 3.99% (USD 100 million)
- Spain: 2.75% (USD 69 million)
- Austria: 2.24% (USD 56 million)
- Iraq: 1.91% (USD 48 million)
- Bulgaria: 1.77% (USD 44 million)

Exports composition of HS63; main commodity groups:

- 46% (USD 1.16 billion): 6302 - Bed linen, table linen, toilet linen and kitchen linen.
- 22% (USD 561 million): 6307 - Other made up articles, including dress patterns.
- 13.5% (USD 342 million): 6305 - Sacks and bags, of a kind used for the packing of goods.
- 6.27% (USD 158 million): 6303 - Curtains (including drapes) and interior blinds; curtain or bed valances.
- 5.22% (USD 131 million): 6304 - Other furnishing articles, excluding those of heading 94.04.
- 2.06% (USD 52 million): 6309 - Worn clothing and other worn articles.
- 1.94% (USD 48 million): 6306 - Tarpaulins, awnings and sunblinds; tents; sails for boats, sailboards or landcraft; camping goods.
- 1.91% (USD 48 million): 6301 - Blankets and travelling rugs.

64/Turkish exports of "Footwear, gaiters and the like; parts of such articles"

Main export destinations of "Footwear, gaiters and the like; parts of such articles" from Türkiye in 2020:

- Russia: 7.9% (USD 65 million)
- Iraq: 7.68% (USD 63 million)
- Germany: 7.22% (USD 59 million)
- Spain: 7.22% (USD 59 million)
- Romania: 4.03% (USD 33 million)
- Italy: 3.03% (USD 25 million)
- Netherlands: 2.98% (USD 24 million)
- Israel: 2.88% (USD 23 million)
- United Kingdom: 2.84% (USD 23 million)
- Saudi Arabia: 2.77% (USD 22 million)

Exports composition of 64 - Footwear, gaiters and the like; parts of such articles - from Türkiye in 2020; main commodity groups:

- 42% (USD 356 million): 6403 - Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.
- 30% (USD 251 million): 6402 - Other footwear with outer soles and uppers of rubber or plastics.
- 14.1% (USD 117 million): 6404 - Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.
- 6.03% (USD 50 million): 6406 - Parts of footwear; heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof.
- 5.35% (USD 44 million): 6405 - Other footwear.

94/Turkish exports of “Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated sign illuminated nameplates and the like; prefabricated buildings”

Main export destinations from Türkiye in 2020:

- Iraq: 13% (USD 508 million)
- Germany: 9.39% (USD 366 million)
- USA: 7.09% (USD 276 million)
- Saudi Arabia: 5.08% (USD 198 million)
- France: 4.54% (USD 177 million)
- United Kingdom: 3.96% (USD 154 million)
- Libya: 3.76% (USD 146 million)
- Israel: 3.7% (USD 144 million)
- Romania: 2.98% (USD 116 million)
- Netherlands: 2.71% (USD 105 million)

Exports composition of HS94 from Türkiye in 2020; main commodity groups:

- 44% (USD 1.75 billion): 9403 - Other furniture and parts thereof.
- 29% (USD 1.16 billion): 9401 - Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof.
- 10.2% (USD 398 million): 9404 - Mattress supports; articles of bedding and similar furnishing (for example, mattresses, quilts, eiderdowns, cushions, pouffes and pillows) fitted with springs or stuffed or internally fitted with any material or of cellular rubber or plastics, whether or not covered.
- 6.12% (USD 238 million): 9406 - Prefabricated buildings.
- 5.94% (USD 231 million): 9405 - Lamps and lighting fittings including searchlights and spotlights and parts thereof, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like, having a permanently fixed light source, and parts thereof not elsewhere specified or included.
- 2.91% (USD 113 million): 9402 - Medical, surgical, dental or veterinary furniture (for example, operating tables, examination tables, hospital beds with mechanical fittings, dentists' chairs); barbers' chairs and similar chairs, having rotating as well as both reclining and elevating movements; parts of the foregoing articles.



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