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THE PROSPECTS OF NURTURING
TRADE RELATIONS BETWEEN
BRITAIN AND TURKEY WITHIN THE
CONTEXT OF BREXIT



context

- Britain wants a Turkey deal in 2020 even before Brexit
- Ankara favours a 'visionary approach'
- Trade deal is significant for both countries commercially and politically
 - The UK is one of Turkey's few remaining allies in the West
 - One of the best periods to develop the bilateral relationship
- The current trade setup within the context of EU needs to be reproduced and yet it could very hard if not impossible

OBSTACLE

EU-UK Brexit trade agreement

Turkey is in customs union with the EU

EU will not permit goods from an outside nation a backdoor entry into its customs zone borders

But the Customs Union Agreement is outdated and is in need of urgent modernisation

EU has been unwilling to restart negotiations to modernise and extend liberalisation. Areas such as services, agriculture and procurement must be included. They are important for gender equality as well.



status

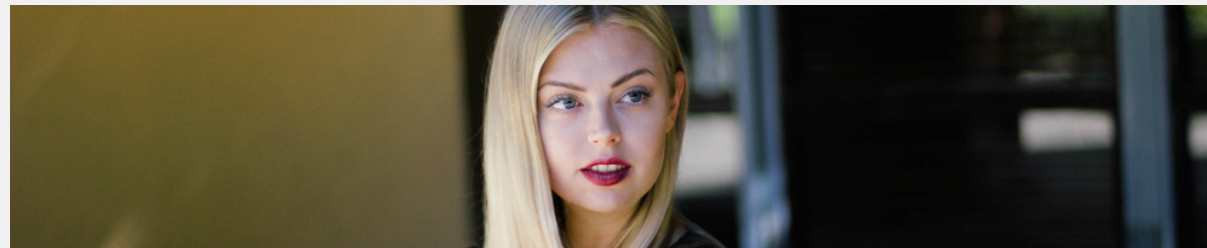
- Turkey says a consensus has been reached on most of the imperative issues
- Innovation, high tech, fintech, renewable energy and health are cited as areas that could most benefit from a deal

Ranil Jayawardena, U.K. International Trade Minister:

“We are currently working hard to explore all options to secure trade continuity.”

GOLDEN TRAINING

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TURKEY

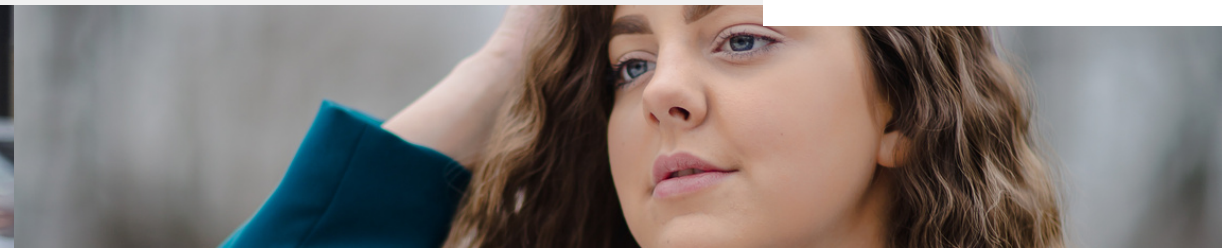
may default on the customs union arrangement with Brussels and strike a free-trade deal with the UK

It has done that with Malaysia a few years ago



BRITAIN

Yet Britain's importance is much greater, therefore, the EU will not agree



EU

But given Turkey's crisis with the EU, Turkey is keeping all options on the table

This could be a complete collapse of the Turkey-EU economic relationship

TURKEY HAS FIVE PRIORITY SECTORS:

machinery, automotive, electronics, chemicals and food

top exports to the U.K. are electrical machinery and devices

in 2018, Turkey exported £10.6 billion of goods and services to the UK

95% of the bilateral trade is in industrial products

5% is agriculture and services



Britain is;

TURKEY'S FIFTH LARGEST
INVESTOR

SECOND BIGGEST EXPORT
MARKET IN EUROPE

between 6 and 7 percent of its
total annual exports

BILATERAL TRADE WORTH
OVER £18 BILLION IN 2019

Turkey's second-largest trading
partner after Germany

Turkey is;

IS ONE OF THE 17 COUNTRIES
MENTIONED IN THE UK'S EXPORT
MASTER PLAN

Turkey has had a foreign trade surplus in
its economic relations with the UK since
2001

FTA CRITICAL FOR \$20 BILLION
TRADE TARGET'

98% OF TURKEY'S TRADE WITH
THE U.K. IS EXEMPT FROM
CUSTOMS TAXES



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textiles
are crucial



Turkey supplies around £2 billion worth of fashion and
textiles products

"Delivering a free-trade deal with Turkey is going to be
much easier and will have a much greater, quicker impact."

Adam Mansell, CEO of the U.K. Fashion and Textiles
Association

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cars
are critical

products that could be hit with tariffs

duties on cars and trucks would be 10 %

"A free-trade deal with Turkey is a key priority for the U.K. automotive industry," Mike Hawes, chief executive of the Society of Motor Manufacturers and Traders

more than a third of the engines built in Britain go to Turkey

many exported back to the UK in finished vehicles

one in five new vans sold in Britain come from Turkey



other sectors

DEFENSE	HEALTH	TOURISM
In early 2017, the UK and Turkey made a deal. BAE Systems will participate in a project to build a fighter jet for Turkey's airforce	COVID-19 has provided an chance to work together: Turkey sent PPE to the UK. The government intervened after an order the UK had placed with a private company fell through.	In 2019, approximately 2.29 million trips were made from the UK to Turkey

New Economic Program (NEP)

Turkey is planning to create a new preferential trade system

PLAN BETWEEN 2021-2023 IS

to improve and deepen economic relations with other countries through Preferential Trade Agreements (PTAs) and Free Trade Agreements (FTAs), taking into consideration the sustainability of the current account balance

FUTURE

an agreement that will surpass the advantages provided by the Customs Union is targeted

OPTIONS

CUSTOMS UNION	RULES	EU REFUSES	IF A DEAL IS REACHED
a deal would not technically be the same, because Britain would be out of the customs union	OF ORIGIN ENSURE EXPORTS DID NOT COME FROM SOMEWHERE ELSE	FLEXIBILITY ON THE ISSUE WITH THE UK	
	to qualify for tariff-free trade, exporters on both sides will have to prove a significant quantity of parts in their goods were made or manufactured locally	rules of origin often require at least 60 % of the value of an exported car to have been created locally for it to qualify for zero tariffs	similar point were to apply to a trade agreement with the UK. This would create an issue for some Turkish car exporters, as they source below 60 per cent of their inputs within Turkey

OPTIONS

TURKEY

is required to apply the same (or at least not lower) tariffs as the EU to goods imported from elsewhere

TURKEY

is also required to mirror the EU's trade policy, negotiating free trade agreements with the same countries and matching the EU's tariff reductions and rules of origin criteria

CU COVERS INDUSTRIAL GOODS AND SOME PROCESSED FOOD

trade in agriculture is covered by a separate agreement that the UK and Turkey will also need to replicate

IF A DEAL IS REACHED

the CU will collapse as there is a major risk of British goods and inputs being transhipped into the EU via Turkey

OPTIONS

BRITAIN

could unilaterally offer easing of rules of origin for Turkish imports, at least for a period, as a helping hand to manufacturers, i.e., allow for imports from Turkey to enter duty free irrespective of their originating status for a temporary grace period

BLANKET TARIFFS

the immediate aim is to avoid blanket tariffs

WTO

If a new (FTA) agreement is not signed, the World Trade Organization (WTO) model will be considered

WORST CASE SCENARIO

the end of tax exemption and the imposition of 5%-12% of customs tax on Turkish goods

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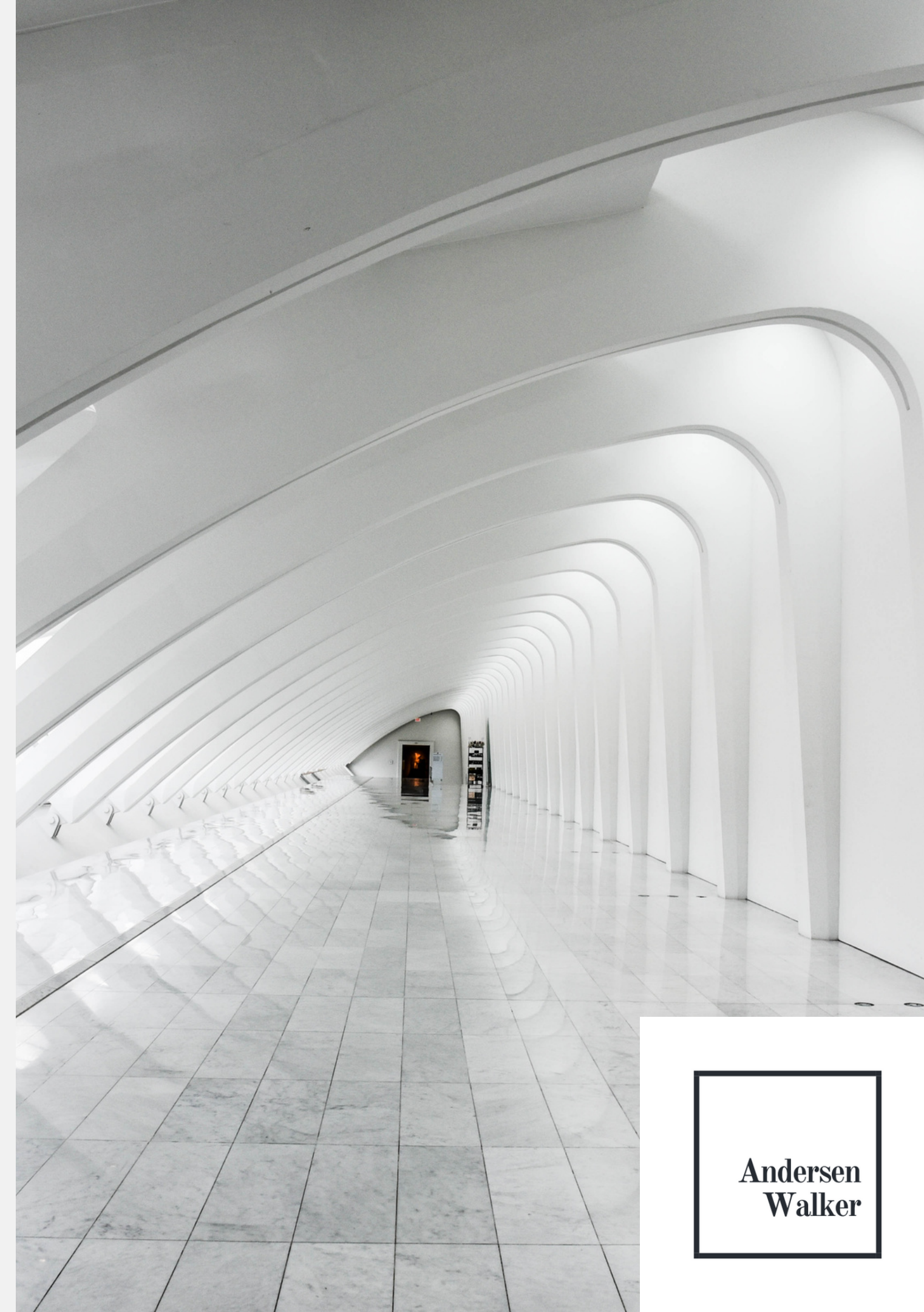
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