



Department for  
Business & Trade



# UK-Turkey

Free Trade Agreement  
Strategic Approach



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## Chapter 1: Strategic Case

*Please note that the official name of Turkey is the Republic of Türkiye, however, for the purposes of this document Turkey is used throughout.*

### Introduction

The United Kingdom (UK) and Turkey have agreed to enter into negotiations to secure an ambitious, modern, and upgraded Free Trade Agreement (FTA). As two strategic allies, we want to further strengthen the existing bonds between our nations, deepen trade links and create opportunities for business to prosper.

### Strengthening an important geostrategic partnership

The UK and Turkey are long-term strategic partners with deep economic links. Turkey is a key market situated at the crossroads of three continents; a vital commercial hub and nexus for regional trade. An upgraded, modern FTA with Turkey will position British businesses advantageously for the opportunities of the future.

Turkey is also a dynamic economy with one of the fastest growth rates among Organisation for Economic Co-operation and Development (OECD) members.<sup>1</sup> Turkey's economy has almost tripled in size in real terms since the early 2000s and is now the 19th largest in the world.<sup>2</sup> By 2050, it is expected to be the 12th largest economy in the world, and the fourth largest in Europe.<sup>3</sup>

As well as being a major economy, Turkey is a significant partner for the UK: a strategically-located NATO ally; a key actor in regional security; an important partner in defence and contributor to our national security. The deeper economic links secured by an upgraded FTA will have positive geopolitical implications for the UK and our partnership with Turkey in these broader areas.

### Building on our existing trade relationship

Between 2017 and 2022, our trade relationship with Turkey grew by an average of 9.9% each year.<sup>4</sup> Through the current UK-Turkey FTA, we were able to secure trade continuity for UK businesses as we left the EU. This deal has contributed to the delivery of tariff free trade on the vast majority of goods, predictable customs procedures and provisions on intellectual property, trade remedies and dispute settlement.

With this agreement in place, UK goods exports to Turkey have consistently grown, rising above 2019 levels. In 2022 these exports amounted to £6.7 billion (73% of total UK exports to Turkey), an increase of 31% or almost £1.6 billion from 2021.<sup>5</sup> Where appropriate, we will seek to build on the success of this trading relationship, by supporting UK businesses' market access in Turkey.

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<sup>1</sup> International Monetary Fund (IMF) World Economic Outlook (WEO) (October 2023)

<sup>2</sup> IMF WEO (October 2023)

<sup>3</sup> DBT (2023) Global Trade Outlook

<sup>4</sup> ONS UK total trade: all countries, seasonally adjusted, July to September 2023 edition

<sup>5</sup> ONS UK total trade: all countries, seasonally adjusted, July to September 2023 edition

Whilst the current UK-Turkey agreement has facilitated increased goods trade between our nations, there is room for improvement, particularly in agri-food products. This agreement is largely based on previous EU arrangements and is not fully tailored to the interests of the UK. Key areas such as digital trade, investment and trade in services are not covered, and it contains minimal provisions on government procurement – all cornerstones of the UK economy. An upgraded FTA provides an opportunity to secure greater coverage in these critical areas. Doing so could improve trading conditions, benefit businesses and support the UK economy's growth prospects.

## **Increasing services and investment opportunities**

An upgraded FTA will aim to reduce and remove barriers in sectors of strategic importance to the UK.

The UK was the second biggest services exporter in the world in 2022 - behind only the US - and the services sector contributes around 80% of the UK's Gross Domestic Product (GDP).<sup>6</sup> <sup>7</sup> In 2022, Turkey's average Services Trade Restrictiveness Index (STRI) across all sectors, was more restrictive than comparable economies, ranking 29th least restrictive out of the 50 countries measured by the OECD.<sup>8</sup> An upgraded FTA with Turkey could provide further opportunities for the UK's cutting-edge service suppliers, building on our existing annual £2.5 billion of services exports.<sup>9</sup>

The investment relationship between the UK and Turkey has also grown substantially in recent years. In 2021, the stock of FDI from the UK in Turkey was £8.9 billion, this was an increase of 25.6% or £1.8 billion from 2020. In the same period, Turkey's FDI position in the UK has also grown substantially, representing an increase of 13.5% or £86 million when compared to 2020.<sup>10</sup> An upgraded FTA that guarantees market access and legal certainty would be significantly valuable for UK investors and could lead to greater investment.

## **Unlocking commercial opportunities with a key economic partner**

In the field of procurement, Turkey is not a party to the World Trade Organization's (WTO) Agreement on Government Procurement (GPA). Currently UK contractors and consultants are subject to a lack of predictability and accessibility when bidding for public procurement contracts in Turkey. Addressing these barriers through an upgraded FTA could unlock opportunities for UK businesses and support the UK's trade priorities and interests.

In recent years, Turkey has undertaken a campaign of significant economic investment and modernisation. By negotiating an upgraded FTA, we can help ensure UK businesses are well placed to benefit from this modernisation, accessing the

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<sup>6</sup> UNCTAD Handbook of Statistics (2023)

<sup>7</sup> OECD (2022) Value added by activity

<sup>8</sup> OECD (2022), Digital Services Trade Restrictiveness Index.

<sup>9</sup> Office for National Statistics (ONS) (2024), UK total trade: all countries, seasonally adjusted, July-September 2023 edition.

<sup>10</sup> Source: ONS, [Foreign direct investment \(FDI\) totals for inward and outward flows, positions and earnings](#), released 24 January 2023

opportunities increased investment brings to the Turkish market. The potential gains are clear when looking at Turkey's rail network, where there have been significant public investments in domestic rail infrastructure.

An upgraded FTA with Turkey has the potential to create greater access for UK businesses to infrastructure projects in Turkey and in joint cooperation for projects in third countries. The UK is a world-leader in engineering services and an expert at delivering complex projects – there is appetite for British expertise in Turkey, and an upgraded FTA could help to deliver this.

## **Conclusion**

In summary, there is a significant opportunity to expand our trade with a dynamic, growing market. An upgraded FTA will help boost British businesses, support high quality employment opportunities across our nation, and strengthen ties with a region crucial to a range of UK strategic interests.

## Chapter 2: Response to the Call for Input on Trade Negotiations with Turkey

The Department for Business and Trade opened a call for input on 2 November 2023 to give businesses, business associations, civil society and members of the public the opportunity to inform the UK's negotiating objectives.

The call for input ran for 9 weeks, closing on 5 January 2024. This period was an opportunity to interact with a range of stakeholders from business and civil society across the UK. We welcome the interest and engagement that this process has generated and would like to thank all those who submitted responses.

### Overview of the Response

In total, we received 212 responses to the consultation. Respondents were given the option of replying either through our online questionnaire, hosted by the Qualtrics platform, or to a dedicated inbox monitored by the Department for Business and Trade.

The questions that were included on the online platform were available to respondents in a PDF form to facilitate review and distribution.

Respondents were categorised into one of the following five groups:

- An individual – Responding with personal views, rather than as an official representative of a business, business association or another organisation.
- Business – Responding in an official capacity, representing the views of an individual business.
- Business association – Responding in an official capacity, representing the views of a business representative organisation or trade association.
- Non-governmental organisation (NGO) – Responding in an official capacity as the representative of a non-governmental organisation, trade union, academic institution or another organisation.
- Public sector body (PSB) – Responding in an official capacity as a representative of a local government organisation, public service provider, or another public sector body in the UK or elsewhere.

A breakdown of responses by respondent group can be seen below:

Respondent group	Responses
Individual	55
NGO	17
Business	90
Business association	44
PSB	6
<b>TOTAL</b>	<b>212</b>

## Policy Response

This section contains the government's explanation of its policy in relation to the comments raised by respondents.

Individual policy areas that were raised in the consultation are summarised, including specific asks of key stakeholders. A short response has been provided here, whilst more detail about how we will approach each of these areas in the negotiations can be found in the accompanying outline approach in Chapter Three.

Overall, stakeholders wanted the existing benefits achieved through the current Free Trade Agreement (FTA) between the UK and Turkey retained and enhanced.

A number of reoccurring points were raised by respondents in the consultation, with a view to enhancing the bilateral trade and investment relationship with Turkey. These include deepening our relationship in goods, services, regulatory cooperation, government procurement and others.

### Sectoral interests

The call for input drew interest from all sectors of the UK economy. Stakeholders across the sectors viewed prospective negotiations for an upgraded FTA as an opportunity to build on the existing FTA further.

Respondents, particularly Small and Medium Enterprises (SMEs), expressed an interest in simplified processes and reduced paperwork, especially for trusted traders. Any removal of barriers to trade for small businesses will greatly benefit both economies.

There was a desire for the UK and Turkey to deepen cooperation across a number of sectors, including life sciences, artificial intelligence, and emerging regulatory issues.

### Responses by policy area:

This section contains more detailed information about policy areas raised in the consultation. An explanation of the policy and current UK-Turkey Free Trade Agreement is provided alongside a summary of the feedback from respondents.

### Key areas of focus

- Trade in Services and Investment
- Digital
- Intellectual Property
- Government Procurement
- Trade in Goods
- Rules of Origin
- Innovation
- Regulations and Standards
- Sanitary and Phytosanitary Measures (SPS) and Animal Welfare
- Environment
- Labour
- Trade and Development

- Human Rights
- Anti-corruption
- Trade Remedies

### **Trade in Services and Investment**

The current agreement between the UK and Turkey does not include any provisions to facilitate trade in services. Services trade with Turkey currently takes place under relevant WTO rules. Services are, however, the predominant driver of the UK economy, contributing around 81% of economic activity in 2022 and employing 81% of the UK workforce in 2021.<sup>11</sup>

In 2022, UK services exports to Turkey amounted to £2.5 billion, representing 27% of total UK exports to the country.<sup>12</sup> Building our existing agreement with Turkey beyond WTO rules could increase bilateral trade even further, unlock opportunities for UK businesses and support the UK's trade priorities and interests in the services sector.

A wide range of respondents called for the inclusion of services provisions in an upgraded FTA with Turkey, in order to enhance market access for service suppliers such as in the financial services and professional and business services sectors.

In 2021, the stock of outward foreign direct investment (FDI) from the UK in Turkey was £8.9bn, while inward stock was £0.7bn.<sup>13</sup> Respondents called for the inclusion of an ambitious investment chapter enhancing market access and providing a level playing field for investors.

Respondents also emphasised the importance of strong business mobility commitments in an upgraded agreement with Turkey, supporting more UK professionals to do business in market. Input also reflected an interest in potential opportunities for a future FTA to facilitate the recognition of professional qualifications, while protecting UK standards and public safety.

Ambitious services and investment provisions could expand opportunities for trade in services between the UK and Turkey. We will ensure that negotiations for the UK-Turkey FTA align with the UK's interests and policy priorities. Any agreement will maintain, in all cases, the UK's continued right to regulate in the public interest to uphold public policy objectives, including for public health purposes.

### **Digital**

Digital trade provides the UK with the opportunity to expand its trading capacity by assisting micro, small, medium, and large businesses to trade with the world. The current agreement between the UK and Turkey does not include provisions for digital trade. The majority of services exports from the UK to Turkey are digitally delivered or involves the use of digital technology.

Many respondents called for the inclusion of commitments on digital trade. A number of common barriers were raised by UK businesses engaging in Turkey. Digitalisation of trade documents, platforms and processes were of particular interest, including

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<sup>11</sup> World Bank (2021), World Development Indicators.

<sup>12</sup> ONS (2024), UK total trade: all countries, seasonally adjusted, July-September 2023 edition.

<sup>13</sup> ONS (2022), Foreign direct investment (FDI) totals for inward and outward flows, positions and earnings: 2020 and 2021

electronic signatures and contracts. Respondents also called on the UK to prohibit duties on electronic transmissions and prevent compulsory transfer of source code, algorithms, or encryption keys as prerequisites for market access.

A range of respondents raised concerns on restrictions to data flows and data localisation requirements as barriers to trade. Data flows are fundamental to trade and the digital economy, affecting the ability of firms to be competitive, as well as localisation creating high investment costs.

Digital provisions could promote greater openness and reduce or remove unfair restrictions or conditions on UK businesses as they trade overseas. The government will continue to champion data flows internationally, preventing barriers to data crossing borders, while ensuring the UK's high standards for personal data protection are maintained.

### **Intellectual Property (IP)**

A balanced and effective IP regime is an essential element of a vibrant and creative economy, providing confidence and protection for innovators and creators whilst also reflecting wider public interests.

The UK is widely recognised as being a world leader in IP protection, providing an effective balance between rights holders, users and consumers.

Respondents recognised that the current FTA between the UK and Turkey provides some basic IP provisions but noted that the negotiations provide an opportunity to seek enhanced protections.

Respondents made requests to strengthen IP protection in areas of interest to the creative, digital, and life sciences industries in Turkey. Inadequate enforcement of IP rights, piracy, and counterfeiting were noted as areas of particular concern.

Both the UK and Turkey have made commitments in their previous FTAs on the protection of IP rights to varying degrees. The negotiation will seek to strengthen and build upon the existing commitments between the UK and Turkey, recognising the need to deliver a balanced outcome for right holders, users, consumers, and wider societal interests.

### **Government Procurement**

Procurement provisions in FTAs seek to promote transparency, non-discrimination, and competition within the government procurement markets of the trading parties. These provisions represent enforceable rules and standards for how the procurements that are covered by the agreement should be run and ensure that suppliers from the other party are treated the same as domestic suppliers.

Respondents requested greater transparency in the bidding rules for government procurement in Turkey, and for UK businesses to be treated fairly in comparison to local suppliers. The call for input also asked for the removal of obstacles inherent in technical specifications and the removal of market access barriers. It urged the promotion of transparent tender and award information for UK businesses. Respondents suggested encouraging Turkey to become a full member of the WTO's Agreement on Government Procurement.

The UK wants to ensure that procurement processes are simple, fair, open, transparent, and accessible to all potential suppliers. The UK will seek to maximise access for UK businesses to compete for procurements at all levels, whilst ensuring appropriate protections remain in place for key public services such as National Health Service (NHS) health and care services and broadcasting.

### **Trade in Goods**

Tariffs are customs duties on imported goods. Tariffs are normally applied on a Most Favoured Nation (MFN) basis. WTO rules require members to apply the same tariffs to all other members unless an exemption can be relied upon, including where a preferential trade agreement is in place.

In the existing UK-Turkey FTA, 82.8% of product lines of Turkish imports from UK, covering 98.8% of the value in 2021, benefit from tariff-free access to the Turkish market. 90.2% of product lines of UK imports from Turkey, covering 99.1% of the value in 2022, qualify for tariff-free access to the UK.

Respondents expressed interest in lowering or removing tariffs or adjusting quotas where these remain in place on a range of products and tackling non-tariff barriers to the export of goods. Some respondents also raised the complexity of health and safety product labelling, as well as wider sanitary, phytosanitary and animal welfare considerations.

The UK will seek to secure reductions or the removal of remaining tariffs for UK agri-food exports, reflecting UK producer interests.

### **Rules of Origin**

Rules of origin are used to determine the 'economic nationality' of a good. In FTAs, their purpose is to define which goods can benefit from the agreement, ensuring that it is the traders of the parties to the agreement that benefit from tariff reductions.

For a good to be eligible for the preferential tariffs agreed in the FTA, it must meet the rule of origin for that good, which determines whether the good originated in the FTA party. Rules of origin therefore prevent the circumvention of tariffs and tariff quotas by goods from countries which are not party to the agreement.

Respondents raised the established nature of supply chains between the UK and Turkey, and Turkey's Customs Union with the EU. Respondents asked for supply chains to be maintained with rules of origin which complement market access.

### **Customs and Trade Facilitation**

In our FTAs, we seek to agree modern and ambitious customs and trade facilitation chapters that secure commitments to efficient and transparent customs procedures and minimise costs and administrative burdens for businesses. We look to ensure processes are predictable at, and away from, the border to provide consistency and stability for traders.

The current UK-Turkey FTA includes a comprehensive customs chapter and includes stronger commitments than the World Trade Organization Trade Facilitation Agreement (WTO TFA) in some instances.

Respondents expressed an interest in a reduction of administrative burden and increased simplification of border processes to reduce delays in the customs clearance of goods. The UK will consider further opportunities to support transparent, predictable, and efficient customs procedures that help facilitate trade at the border.

### **Innovation**

The current trade agreement between Turkey and the UK does not include provisions to support innovation in our trading relationship. In FTAs, provisions on innovation aim to provide a mechanism to discuss the impacts that innovation can have on trade and helps to ensure the agreement remains fit for purpose as our economies grow.

Respondents called for the reduction of technical barriers on import and export of innovative goods such as product samples, which face significant regulatory and technical barriers. Respondents also highlighted the significance of technology transfer and the importance of joint adoptions of innovative products and services.

The UK will seek to deliver an FTA between the UK and Turkey that acknowledges and champions our technological strengths, remains adaptable to change, and serves as a foundation for tackling shared global and economic obstacles.

### **Regulations and Standards**

Provisions seeking to create a stable regulatory environment in FTAs help to add predictability and clarity to regulation, a key factor for businesses when deciding whether to enter overseas markets. In all FTA negotiations, the government aims to reduce non-tariff barriers to trade, protect against trade distortion and unfair competition, to create a stable regulatory environment for businesses.

Many respondents supported provisions which would make regulations in Turkey simpler and more accessible, reducing unnecessary non-tariff barriers to trade for the long-term. Respondents emphasised how establishing a business in Turkey can be time consuming and burdensome, with regulatory changes sometimes introduced without consultation and to short timeframes.

Through FTA negotiations, the UK will aim to reduce regulatory obstacles, increase certainty, facilitate market access and improve trade flows by encouraging a transparent, fair, predictable and stable regulatory environment, while protecting our right to regulate in accordance with our domestic rules and procedures.

### **Sanitary and Phytosanitary Measures (SPS) and Animal Welfare**

Respondents said that an enhanced FTA with Turkey should maintain the UK's high animal health and welfare, and public health standards. They sought greater transparency of SPS measures, and cooperation to help UK producers better understand how they can meet Turkey's import requirements and prevent barriers to trade, particularly around recognition of regionalisation measures and certification. Respondents were concerned that Turkey's legislation on animal welfare and veterinary care was limited and wanted to see cooperation commitments on animal welfare to further promote high animal welfare standards, and on antimicrobial resistance.

The government remains firmly committed to upholding our high standards on food safety, public health, animal, plant and human health, and animal welfare. The UK recognises the opportunities through a trade agreement to secure commitments for dialogue and transparency on SPS measures, with a view to helping UK firms trade more easily.

### **Environment**

The UK remains committed to maintaining our high domestic levels of environmental protection in trade agreements and maintaining our right to regulate.

The UK and Turkey are party to many Multilateral Environmental Agreements, including the Paris Agreement. We are committed to upholding our international obligations under these agreements and will continue to play an active role internationally.

Respondents noted that the current agreement between the UK and Turkey lacks environment provisions, highlighting a gap in addressing critical aspects of environmental sustainability. Respondents also noted how the UK and Turkey have complementary competencies in sectors like renewable energy.

The UK will look to promote high levels of environmental protection and cooperation across a range of important issues in this FTA.

### **Labour**

Labour chapters in FTAs address issues on trade and labour protections and provide the opportunity for Parties to reaffirm commitments to international obligations.

On labour, respondents called for the UK to maintain its high labour standards and sought that labour commitments in the FTA be effectively enforced, including the fundamental ILO conventions, particularly those related to labour rights and the right to strike.

Concerns were raised over the connection between human rights and labour rights, and that the agreement should protect the rights of migrant workers, refugees, and asylum seekers.

The UK will reaffirm commitments to international labour standards. The UK will also seek assurances that parties will not waive from or fail to enforce their domestic labour protections in ways that create an artificial competitive advantage.

### **Trade and Development**

Provisions which seek to deepen cooperation on international development with FTA partners have been included in previous UK agreements. These recognise the interdependency between trade and international development, seeking to ensure our updated trading arrangements are sensitive to developing country interests.

The current FTA between UK and Turkey does not include a Trade and Development Chapter and some respondents listed international development as area of interest in their responses.

## **Human Rights**

The UK has a strong history of protecting human rights and promoting our values globally. By having stronger economic partnerships across the world, we can have more open discussions on a range of issues, including human rights.

Respondents highlighted the protection and promotion of human rights both in Turkey and more generally, arguing that trade should not come at the expense of human rights.

The UK is a leading advocate for human rights around the world. We remain committed to the promotion of universal human rights and believe that strong trading relationships can increase UK influence and help us to have open conversations with international partners on a range of issues.

## **Anti-corruption**

The UK will also explore the inclusion of principles on anti-corruption with Turkey to address the trade distorting effects of corruption in global trade.

Respondents were clear in their desire to see provisions related to anti-corruption within the FTA, which aligns with the aims of the government.

Tackling corruption is part of the 2030 Agenda for Sustainable Development and is appearing more frequently on the international policy agenda. The UK has a strong framework for tackling corruption through the UK Bribery Act 2010 and the government is seeking to build partnerships and uphold standards in this area.

## **Trade Remedies**

Trade remedies refer to policy measures that are used to protect domestic industries from unfair trade practices or unexpected surges in imports. The current agreement between the UK and Turkey includes a short trade remedies chapter that contains a handful of provisions, some of which are not in line with the UK's core trade remedies policy.

Respondents noted that the trade remedies chapter would ideally be updated and be more specific. The UK recognises trade remedies as an important part of a balanced approach to trade, providing an opportunity to affirm our obligations under WTO agreements and assure domestic industry.

The UK has a good track record of securing comprehensive trade remedies chapters in its FTAs as seen in the UK's agreements with Australia, New Zealand and EEA EFTA. The UK will seek provisions that uphold our WTO commitments and facilitate trade liberalisation whilst protecting against unfair trading practices.

## Chapter 3: Outline Approach

### Overall Objectives

- Pursue a comprehensive and upgraded FTA with Turkey, a dynamic economy with one of the fastest growth rates among OECD members.
- Promote new opportunities for UK businesses, including small and medium-sized enterprises (SMEs), facilitating greater choice and competition to benefit UK producers and consumers.
- Support the UK's trade priorities and interests in a range of services sectors including digital and financial services.
- Unlock opportunities for trade in a region crucial to UK strategic priorities and support high quality employment opportunities across our nations.
- Ensure the UK's existing high standards and protections for consumers and workers are maintained, whilst building on our existing international obligations. We will not compromise on our high environmental and labour protections, public health, animal welfare and food standards, and we will maintain our right to regulate in the public interest.
- Uphold the government's manifesto commitment that the NHS, its services, and the cost of medicines are not on the table. We will not accept any provisions that would increase the cost of medicines for the NHS. Protecting the NHS is a fundamental principle of our trade policy, and our commitment to this will not change during our negotiations with Turkey.
- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.
- Ensure that we continue to draw on views from businesses, civil society, parliament, and other stakeholders throughout negotiations to help shape the agreement's outcomes.

### Trade in Services

- Create new opportunities and certainty of access for UK service exporters, building on existing services trade between Turkey and the UK.
- Pursue modern rules for a broad range of services sectors, as well as sector-specific rules to support our world-leading services industries, including financial, professional and business services.
- Support UK professionals' ability to supply services in Turkey, while protecting UK standards and public safety.
- Provide certainty for businesspersons to travel to and deliver services in Turkey, whilst continuing to preserve the integrity of the UK's domestic immigration system.

## Public Services

- Protect the right to regulate public services, including the NHS and public service broadcasters.
- Continue to ensure that decisions on how to run public services are made by the UK government, including the Devolved Administrations (DAs).

## Investment

- Create new opportunities and certainty of access for UK investors in Turkey.
- Maintain the UK's right to regulate in the national interest, and, as the government has made clear, continue to protect the NHS.

## Financial Services

- Pursue ambitious financial services provisions that expand opportunities for UK financial services between the UK and Turkey.
- Increase opportunities to ease frictions to cross-border trade and investment between the UK and Turkey.

## Digital Trade and Telecommunications

- Pursue commitments that facilitate free and trusted cross-border data flows, tackle unjustified data localisation and maintain the UK's high standards for personal data protection.
- Seek commitments to facilitate more efficient and secure international trade through use of digital technologies, with necessary business and consumer safeguards.
- Promote predictable and open regulatory principles so that firms can access overseas digital markets and operate across borders freely and in fair competition.
- Promote as open and competitive telecommunications market as possible, with fair and non-discriminatory access to networks and services.
- Promote equitable and clear regulatory structures, managed by impartial and independent regulatory bodies.

## Intellectual Property (IP)

- Protect the UK's existing Intellectual Property (IP) standards.
- Achieve an effective balance between rewarding research and encouraging innovation, reflecting wider public interests such as ensuring access to medicines.
- Secure adequate protection for brands and design-intensive goods whilst keeping the market open to fair competition.
- Ensure rights holders receive protection and fair remuneration for the use of their work abroad, whilst ensuring reasonable and fair access for consumers.
- Promote the accessible, transparent, effective, and efficient enforcement of IP rights, including for online IP infringement, and facilitating cross-border collaboration on IP matters.

- Ensure consistency with the UK's existing international obligations, including the European Patent Convention, to which the UK is party.
- Promote provisions which take account of emerging opportunities and challenges in the digital age.
- Seek effective protection of UK geographical indications so that consumers are not misled about the origins of goods whilst ensuring they have access to a range of products.

## **Government Procurement**

- Seek to maximise access to valuable government procurement opportunities in Turkey for UK businesses, especially in areas where they are competitive.
- Seek to ensure that government procurement processes are fair, open, transparent, enforceable, and minimise barriers to access for suppliers from Turkey and the UK.
- Ensure appropriate protections remain in place for key public services such as NHS health and care services and broadcasting and defence.
- Ensure that any potential legislative, regulatory or political consequences arising from procurement commitments in the FTA are consistent with the UK's domestic procurement regime.

## **Goods Market Access**

- Enhance the UK-Turkey FTA in agri-food products, which is already delivering tariff free trade on most industrial goods.
- Account for UK sensitivities and build on the progress made in the existing UK-Turkey FTA.

## **Trade Remedies**

- Ensure provisions support market access, uphold our WTO commitments, and are underpinned by transparency, efficiency, impartiality, and proportionality.
- Agree provisions which facilitate trade liberalisation while protecting against unfair trading practices.

## **Rules of Origin**

- Maintain Rules of Origin that complement Market Access.

## **Customs and Trade Facilitation**

- Maintain transparent, predictable, and efficient customs procedures that help facilitate trade at the border. Promote customs processes that are predictable before, at, and away from the border between the parties.

## **Technical Barriers to Trade**

- Note the recent conclusion of negotiations on Technical Barriers to Trade between the UK and Turkey (due to enter into force in 2024) and consider any further measures to encourage trade.

## Sanitary and Phytosanitary (SPS) and Animal Welfare Measures

- Uphold the UK's high standards of food safety, animal and plant health, and animal welfare, and the UK's right to regulate in these areas in the public interest.
- Enhance access for UK agri-food goods to the Turkish market by seeking commitments for dialogue and transparency on sanitary and phytosanitary measures with a view to helping UK firms trade more easily.
- Seek cooperation on the important issues of animal welfare and antimicrobial resistance, including through the development and promotion of best practice.

## Good Regulatory Practice and Regulatory Cooperation

- Seek to reduce regulatory obstacles, facilitate market access, and enhance trade flows by ensuring a transparent, predictable, and stable regulatory environment, which gives confidence to UK exporting businesses and investors.
- Seek commitments to apply good regulatory practice to help facilitate market access, improve trade flows, and enable regulatory cooperation, such as:
  - Transparency in the regulatory process, including making relevant information freely and publicly available online.
  - Promoting evidenced-based policy making through robust public consultations and regulatory impact assessments provisions.
  - Reviewing existing regulatory measures to make sure they are still fit for purpose.

## Transparency

- Seek appropriate levels of transparency between the UK and Turkey, particularly with regards to the publication of measures (such as laws and regulations) affecting trade and investment, public consultation, and the right of appropriate review of these measures.

## Competition and Consumer Protection

- Pursue effective competition law and enforcement mechanisms that promote open and fair competition for UK firms at home and in Turkey.
- Ensure core consumer rights are protected, shielding consumers from fraudulent and deceptive commercial practices.

## Subsidies and State-Owned Enterprises (SOEs)

- Pursue subsidy and SOE provisions that promote open and fair competition and address discriminatory or trade distortive practices for UK firms at home and in Turkey.
- Consider transparency provisions, whilst ensuring that UK state enterprises, particularly those providing public services, and our domestic subsidy regime can continue to operate as they do now.

## Dispute Settlement

- Seek appropriate mechanisms that promote compliance with the agreement and seek to ensure that state-to-state disputes are dealt with consistently and fairly in a cost-effective, transparent, and timely manner, whilst seeking predictability and certainty for businesses and stakeholders.

## Small and Medium-sized Enterprises (SME) Policy

- Seek a dedicated SME chapter to support UK SMEs by helping them to take advantage of the trade opportunities created by the UK-Turkey FTA. This may include increasing transparency on rules and regulations, including information about the FTA, and building on international cooperation with the aim of supporting SMEs.

## Labour

- Reaffirm commitments to international labour standards.
- Include measures which allow the UK to protect its regulatory sovereignty, and maintain the integrity of, and provide meaningful protection for, its labour protections.
- Provide assurances that parties will not waive from or fail to enforce their domestic labour protections in ways that create an artificial competitive advantage.
- Provide for the appropriate mechanisms for the implementation, monitoring and dispute resolution of labour provisions.

## Anti-Corruption

- Provide for provisions to tackle barriers to trade posed by corruption such as bribery.
- Provide for appropriate mechanisms for the implementation, monitoring and dispute resolution of anti-corruption provisions.

## Trade and Gender Equality

- Promote women's access to the full benefits and opportunities of this agreement, as workers, business owners, entrepreneurs, and consumers.
- Seek cooperation to address the barriers which exist disproportionately for women in trade.
- Recognise the importance of upholding protections on gender equality.

## Innovation

- Seek an FTA that acknowledges and champions our technological strengths, remains adaptable to change, and serves as a foundation for tackling shared global and economic obstacles.
- Acknowledge the significance of innovation and seek to facilitate the trade of pioneering goods and services.

## **Environment**

- Include commitments that promote high levels of environmental protection and cooperation across a range of important environmental issues, such as tackling climate change, and promoting trade and investment in environmental goods and services.
- Ensure commitments that parties do not waive or derogate from, or fail to enforce, their domestic environmental laws in ways that create an artificial competitive advantage.
- Maintain the UK's right to regulate to meet environmental objectives, including on climate change.
- Affirm commitments to Multilateral Environmental Agreements such as the UNFCCC and the Paris Agreement.
- Provide for appropriate mechanisms for the implementation, monitoring and dispute resolution of environmental provisions.

## **Trade and Development**

- Promote the intrinsic link between trade and development; ensuring our UK-Turkey trading relationship is sensitive to third party developing country interests.
- Seek to strengthen cooperation between the UK and Turkey on trade and development activities, including monitoring the impacts of the UK-Turkey FTA on developing countries.

## **General Provisions and Territorial Application**

- Ensure flexibility for the Government to protect legitimate domestic priorities by providing the necessary general exceptions to the agreement.
- Provide for review of the operation of the agreement.
- Allow for the agreement to be amended, when necessary, in support of shared objectives between the UK and Turkey.
- Provide for application of the agreement to all four constituent nations of the UK, taking into account the effects of the Windsor Framework.
- Provide for appropriate coverage of the agreement to the Crown Dependencies and Gibraltar and other Overseas Territories.

## Chapter 4: Scoping Analysis

### Introduction

#### About Scoping Analysis

The Scoping Analysis sets out the potential economic impact of upgrading the UK-Turkey FTA.

A Scoping Analysis is used where the negotiations cover an augmentation of an existing trade agreement and focuses on where we can make additional gains. It uses data analysis and other evidence, such as tariff analysis and descriptive analysis, as the main evidence base to highlight where there are remaining barriers to trade. Given there is an existing FTA in place already, it does not include economic Computable General Equilibrium (CGE) modelling which estimates the potential impacts on the macroeconomy.

At the end of negotiations, an Impact Assessment will be published.

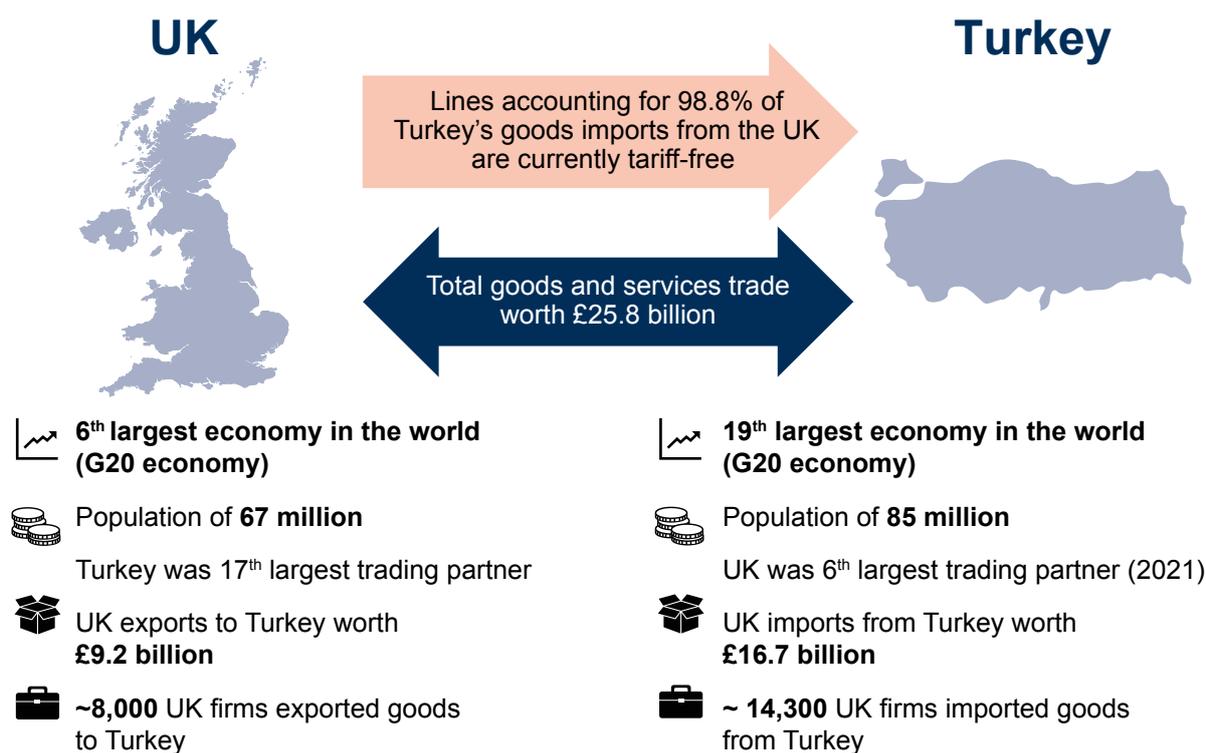
#### A Note on Data and Statistics

Statistics in this Scoping Analysis are based on 2022 or the latest available annual data, in nominal terms, as of January 2024, unless otherwise specified. Figures are reported in current prices and have not been adjusted for inflation. Tariff liberalisation analysis uses 2022 trade flow data. Due to the COVID-19 pandemic, trade data was more volatile in 2020. Therefore, where 2020 is the latest data, we have opted to use 2019 data instead.

## The Existing Trade and Economic Relationship Between the UK and Turkey

Total trade in goods and services between the UK and Turkey was worth £25.8 billion in 2022, which consisted of £9.2 billion of UK exports to Turkey and £16.7 billion of UK imports from Turkey. Figure 2 shows how trade with Turkey has recovered considerably since COVID restrictions, reaching a quarterly high since 2016 of £6.7 billion in just the third quarter of 2022.

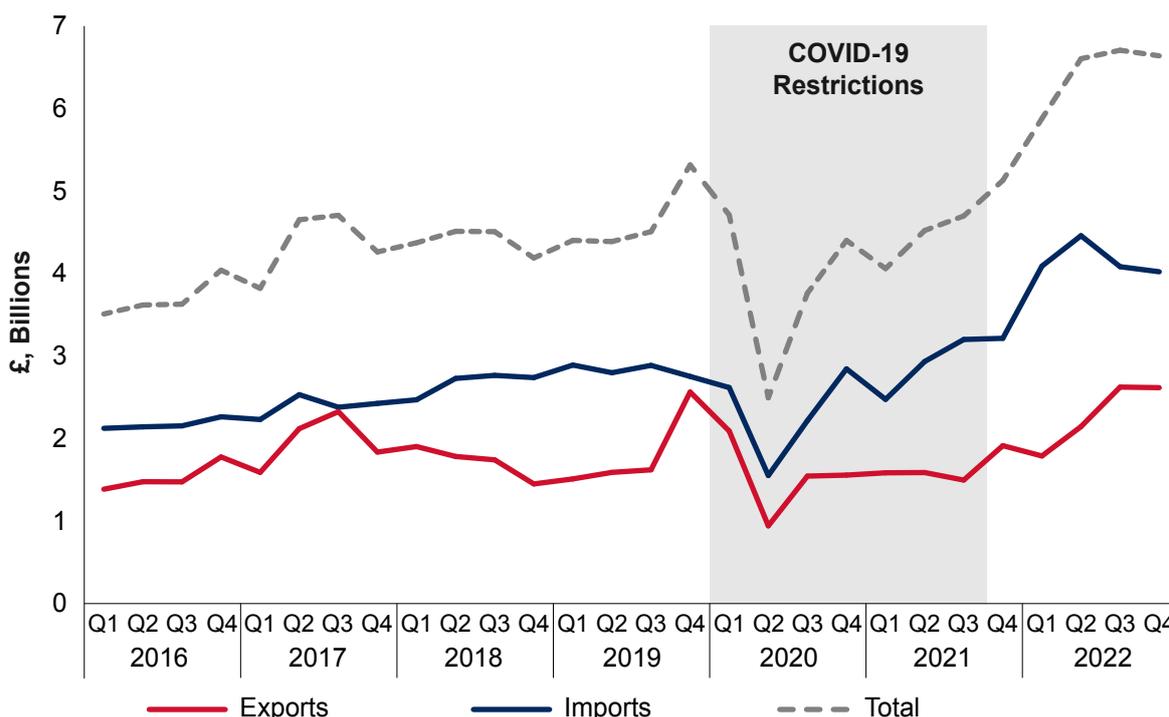
**Figure 1: Economic Indicators for the UK and Turkey**



Based on the latest available data (2022 unless specified otherwise)

Source: IMF World Economic Outlook (October 2023); World Bank Population data; World Integrated Trade Solution (WITS); ONS UK total trade: all countries, seasonally adjusted, July to September 2023 edition; HMRC UK trade in goods by business characteristics 2022. WTO, Macmaps and ITC Trademap, 2021 values.

Figure 2: UK-Turkey total trade, 2016 - 2022



ONS UK total trade: all countries, seasonally adjusted, July to September 2023 edition

### Trade in Goods

The UK-Turkey FTA, inherited from the EU, entered into force in 2021, a year in which total bilateral trade in goods was £15.9 billion. In 2022, this increased to £19.3 billion.<sup>14</sup>

The UK imported around £12.6 billion worth of goods from Turkey in 2022.<sup>15</sup> The existing agreement provides Turkey tariff free access on 90.2% of tariff lines, accounting for over 99.1% of UK goods imports from Turkey in 2022.<sup>16</sup> 100% of industrial trade and 83.1% of UK agricultural imports were tariff-free in 2022.<sup>17</sup>

The UK’s top goods import from Turkey was road vehicles other than cars (capital) in 2022, which are vehicles used to produce goods, such as tractors. These accounted for 15.6% (£2.0 billion) of total goods imports, followed by clothing, cars, and electrical machinery (consumer), which collectively accounted for a further 26.1% of total imports.<sup>18</sup>

The UK exported £6.7 billion of goods to Turkey in 2022.<sup>19</sup> The existing agreement provides the UK with tariff free access on 82.8% of tariff lines, accounting for 98.8% of Turkish goods imports from the UK in 2021.<sup>20</sup> 100% of industrial exports to Turkey

<sup>14</sup> ONS (2024), UK total trade: all countries, seasonally adjusted, July-September 2023 edition.

<sup>15</sup> ONS (2024), UK total trade: all countries, seasonally adjusted, July-September 2023 edition.

<sup>16</sup> DBT calculations using UK import data at the CN8 level from HMRC Imports data by regime, Jan 2024

<sup>17</sup> DBT calculations using UK import data at the CN8 level from HMRC Imports data by regime, Jan 2024

<sup>18</sup> ONS (2023), Trade in goods: country-by-commodity imports, December 2023 edition.

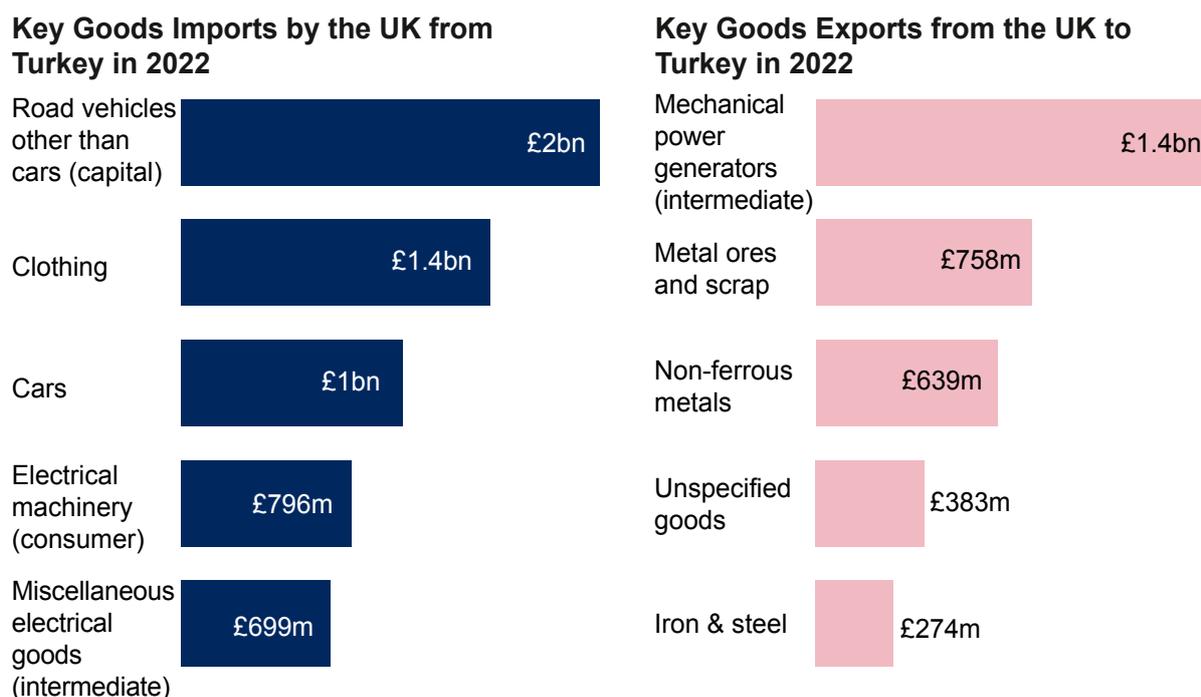
<sup>19</sup> ONS (2023), UK total trade: all countries, seasonally adjusted, July-September 2023 edition.

<sup>20</sup> DBT analysis based on WTO, Macmaps and ITC Trademap.

were fully liberalised in 2021. Although 72.1% of current UK agri-food exports to Turkey are tariff-free, many agri-food lines remain subject to tariffs under the current agreement.<sup>21</sup>

Mechanical power generators (intermediate) were the top good exported by the UK to Turkey in 2022 (£1.4 billion) accounting for 20.7% of total goods exports. The UK's other top exports were metal ores & scrap, non-ferrous metals and unspecified goods making up a further 26.5% of total exports.<sup>22</sup>

**Figure 3: Key Goods Traded Between the UK and Turkey in 2022**



Source: ONS Trade in goods, country-by-commodity imports and exports, January 2023 edition

The existing UK-Turkey trade agreement has ensured that UK exports have preferential access to the Turkey market. Were the UK and Turkey trading on most favoured nation (MFN) terms, UK exports to Turkey would have incurred estimated annual duties of £140.1 million (based on Turkey import data) in 2021. The preferential tariffs under the existing arrangement reduce these annual duties on UK exports to an estimated £5.2 million in 2021 assuming full utilisation of preferences, boosting the competitiveness of UK businesses.<sup>23</sup>

Both Turkish exporters and UK businesses importing from Turkey have benefitted from preferential access to the UK market. Were the UK and Turkey trading on MFN terms, UK imports from Turkey would have incurred estimated annual

<sup>21</sup> DBT analysis based on WTO, Macmaps and ITC Trademap.

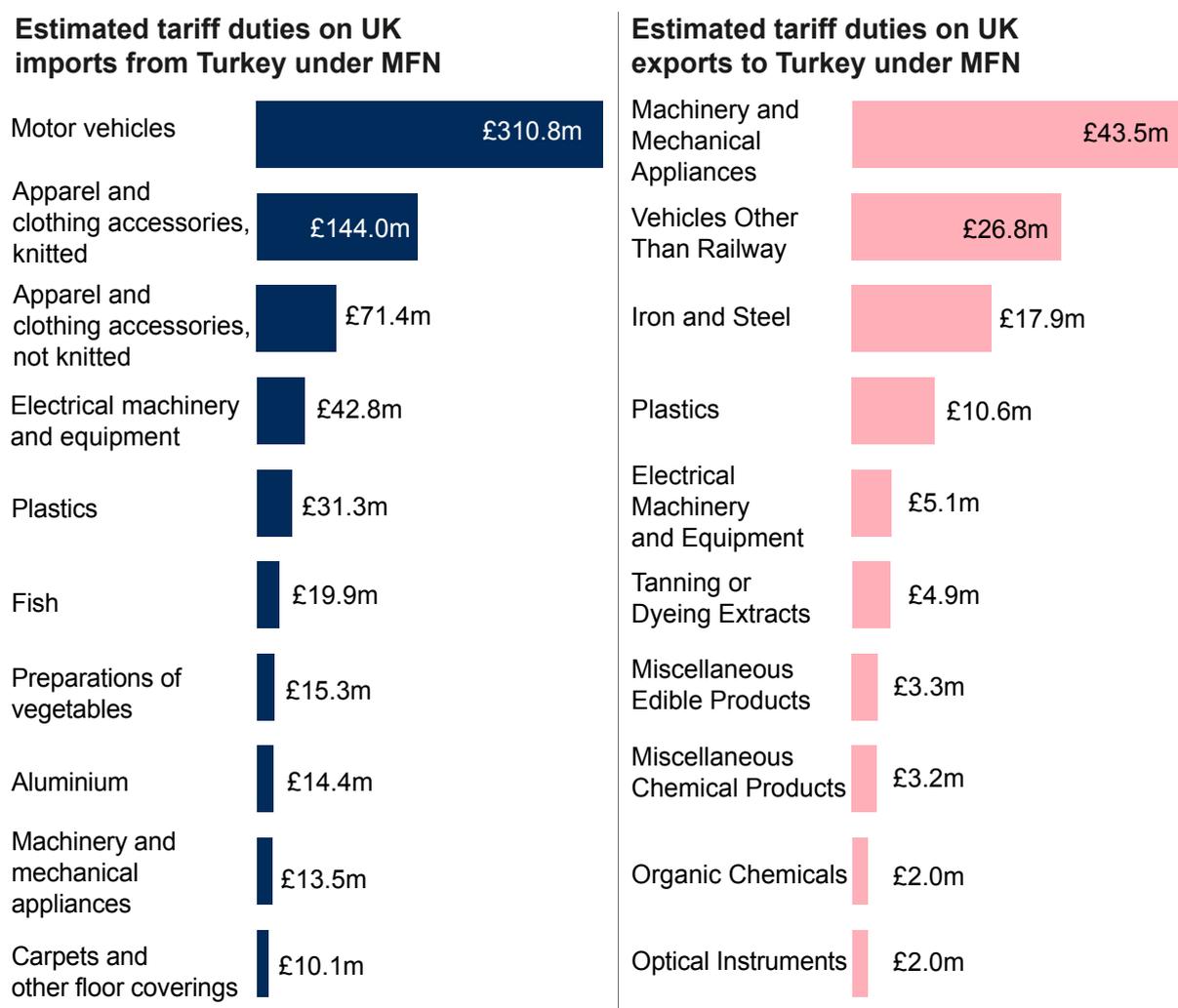
<sup>22</sup> ONS (2023), Trade in goods: country-by-commodity exports, December 2023 edition.

<sup>23</sup> DBT analysis based on WTO, Macmaps and ITC Trademap.

duties of £766.9 million based on 2022 figures. The preferential tariffs under the existing agreement reduce these annual duties on UK imports to the benefit of UK consumers.<sup>24</sup>

Figure 4 shows the products that would have incurred the highest estimated annual duties were the UK and Turkey trading on MFN terms.

**Figure 4: Estimated Annual Tariff Duties on Goods Imports and Exports were the UK and Turkey trading Under MFN (£ Million)**



Source: DBT analysis based on WTO, Macmaps and ITC Trademap. UK export figures are based on Turkey's import data from official government sources. UK import data at the CN8 level from HMRC Import data by preference, Jan 2024. It assumes full utilisation of tariffs and compliance with rules of origin requirements. Note duties paid on UK imports from Turkey reflect estimated values as of 2022 and duties paid on UK exports to Turkey reflect estimated values of as 2021.

<sup>24</sup> DBT calculations using UK import data at the CN8 level from HMRC Import data by preference, Jan 2024. Figures assume full utilisation of tariffs and compliance with rules of origin requirements.

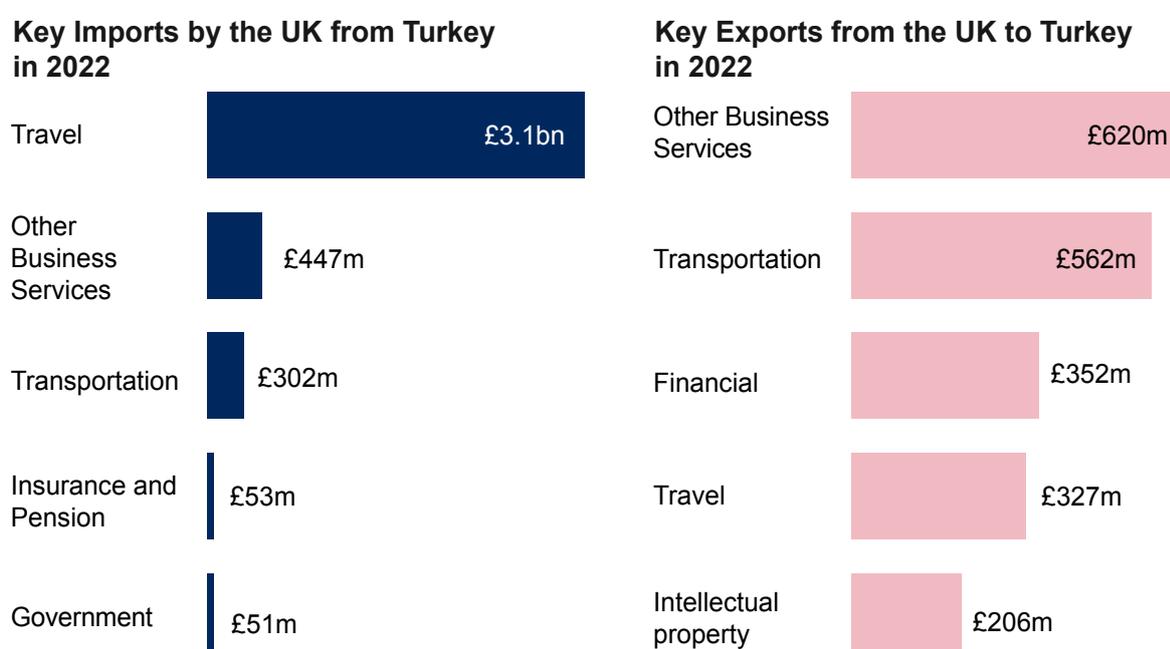
Figure 4 assumes full utilisation of tariffs and compliance with rules of origin requirements. In practice, not all preferential tariffs are fully utilised and this impacts the value of the duty savings realised. The opportunities from greater utilisation of preferences are covered in more detail in subsequent sections.

## Trade in Services

The existing UK-Turkey FTA contains no considerable services provisions. Currently, the UK and Turkey rely on each other's offers under the GATS (General Agreement on Trade in Services) which represents the level of access and the treatment granted to all WTO members.

Total trade in services with Turkey in 2022 was worth £6.5 billion, made up of £2.5 billion of UK exports and £4.1 billion of UK imports.<sup>25</sup> The top categories of services trade between the UK and Turkey in 2022 are shown in Figure 5.

**Figure 5: Key Services Traded Between the UK and Turkey in 2022**



Source: ONS UK trade in services: service type by partner country, non-seasonally adjusted, October 2023 edition

The top 3 services imports from Turkey in 2022 accounted for 94% of the total value of services imports, with travel ranking as the main contributor at 76%.<sup>26</sup>

A quarter of UK services exports to Turkey, totalling at £620 million, were in the other business services sector. This consisted of technical, trade-related and other business services (£479 million) as well as professional and management consulting services (£141 million).<sup>27</sup>

<sup>25</sup> ONS (2024), UK total trade: all countries, seasonally adjusted, July-September 2023 edition.

<sup>26</sup> ONS (2023) UK trade in services: service type by partner country, non-seasonally adjusted

<sup>27</sup> Key export sub-sectors to Turkey within Other business services include Engineering services; Business and management consulting and public relations services; and Advertising, market research and public opinion polling.

Intellectual property, financial services and government procurement represent significant sectors of trade with Turkey. The next section discusses the opportunities that an enhanced FTA with Turkey might offer in these areas in more detail.

## Utilisation of the Agreement

Preference Utilisation Rates (PURs) measure the extent to which businesses make use of the zero or reduced tariffs available via FTAs. PURs offer a view on the effective use of tariff preferences made available by FTAs. A higher PUR indicates businesses are making greater use of their preferential tariffs when exporting goods. As outlined in the response to the call for input, the UK will consider ways in which to better facilitate trade which may increase the utilisation of preferential rates.

PURs measure the extent to which tariff preferences provided by trade agreements are being used, in goods where preferential tariff rates are available and lower than the Most Favoured Nation (MFN) rate i.e. tariffs that apply to imports from any WTO member. Imports are considered eligible for a preference if there is one or more preferential tariff available for that good from the specified partner country in the month of reporting, and that preferential rate is lower than the tariff that would otherwise apply. The PUR is presented as a percentage, reflecting the value of goods imported under trade preferences, as a share of the total value of imports eligible for preferences.

The values provided in the Trade in Goods section assume that utilisation of preferential tariffs is 100%, which may not occur in practice. The overall PUR for UK exports to Turkey in 2019 was 82%.<sup>28</sup> This means that 82% of UK exports that were eligible for preferential treatment were exported to Turkey under preferential terms, with the remainder exported under MFN terms. Products with the largest value of UK exports to Turkey eligible for preference in 2019 include machinery and mechanical appliances (90% PUR), transportation equipment (67% PUR) and chemical products (74% PUR).

The overall PUR for UK imports from Turkey in 2019 was 99%.<sup>29</sup> Data is unavailable for 2020. Following EU-exit the PUR for imports from Turkey into the UK in 2021, was 95% and in 2022 92%. Products with the largest value of UK imports from Turkey eligible for preference include machinery and mechanical appliances, textiles and textile articles and transportation equipment. All three sections have utilisation rates of over 99% in 2019, 92% in 2021 and 86% in 2022.

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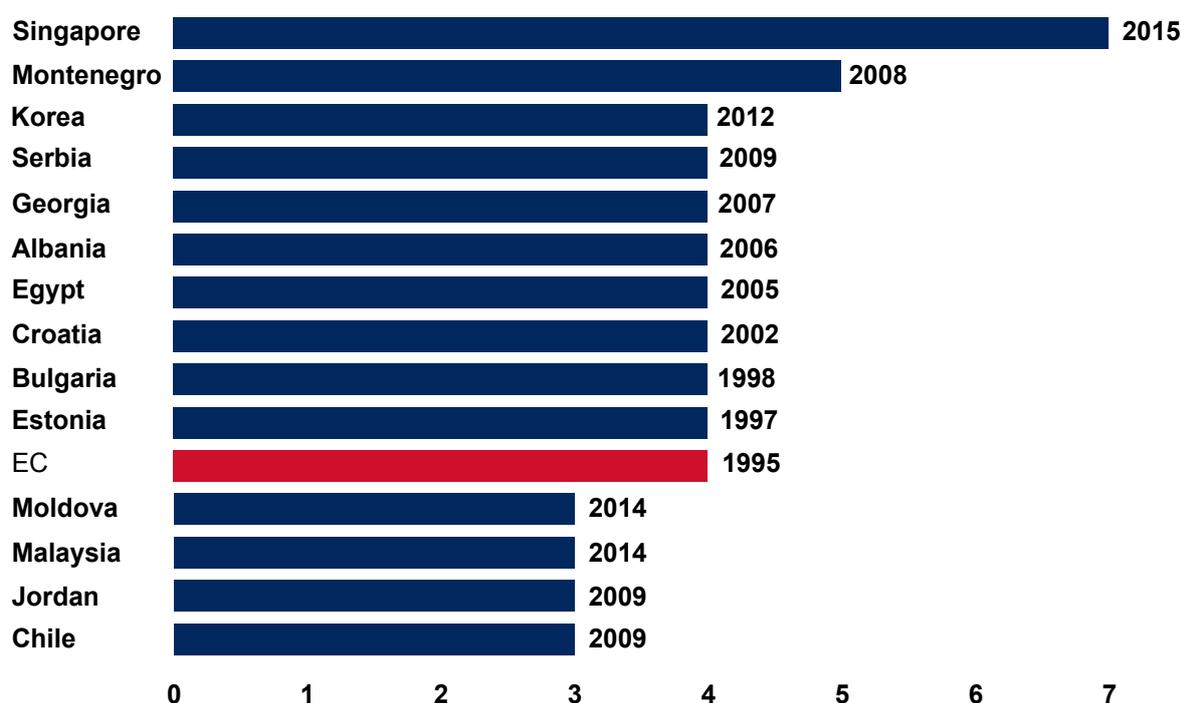
<sup>28</sup> Director General for Trade of the European Commission calculations based on data from national customs administrations of importing third countries and MADB, updated 21 October 2020. PUR data of UK goods exports is publicly available up to 2019. Note: The UK-Turkey FTA entered into force on 1 January 2021, providing continuity of trading arrangements as the UK left the European Union. The 2019 Eurostat data covers the agreement that was in place for the UK as part of the EU Customs Union and does not take into account any changes to the agreement since Brexit.

<sup>29</sup> HMRC imports by preference, November 2023. The import PUR calculation is based on data published by HMRC, i.e. UK goods imports by tariff regime, by country, by month, at CN8 commodity level with statistical disclosure control applied. Statistical disclosure control suppresses any commercially sensitive data, in the same manner carried out with other HMRC goods trade statistics. Figures are subject to future revisions

## Analysis of Potential Opportunities for an Upgraded FTA

The current trade agreement between the UK and Turkey reflects the depth of the European Economic Community (EC) Turkey (1995) agreement upon which it is based. Figure 6 shows academic research into the depth of agreements across the FTAs Turkey currently has in force, up to 2020. In recent years Turkey has negotiated increasingly ambitious trade agreements. Singapore (2015) and Montenegro (2008) ranked as deepest and second deepest.

**Figure 6: Depth of Turkey's FTAs, As Measured by the Design of Trade Agreements (DESTA) Index (max = 7)**



Source: Dür, Andreas, Leonardo Baccini and Manfred Elsig. 2014. "The Design of International Trade Agreements: Introducing a New Database". *Review of International Organizations*, 9(3): 353-375.

Note: The index measures the scope of trade agreements by identifying seven key provisions that can be included, with agreements scored based on whether they contain substantive provisions in each area, meaning there is cooperation that goes beyond tariff reductions, in areas such as services trade, investments, standards, public procurement, competition, and intellectual property rights.

Between 2021 and 2050, Turkey is expected to grow from the 19th largest economy to the 12th largest in nominal terms and increase its share of global imports from 1.1% to 1.9%. As Turkey gets richer, the size of the middle class could potentially reach around 70 million by 2050, up from only 15 million in 2021. This expanding middle class will increase demand for high-value goods and services.<sup>30</sup>

This section explores the potential benefits that could follow an upgraded agreement.

<sup>30</sup> DBT (2023) Global Trade Outlook

## Services

The UK is considered a services-oriented economy, with 81% of the UK's value added coming from services sectors. Turkey is considered a mixed economy with 57% and 25% of value added in Turkey driven by services and manufacturing respectively.<sup>31</sup> However, services trade only accounts for 27% of UK exports to Turkey, compared to 49% of the UK's exports to the world in 2022. The UK market share in Turkey was 8% in 2022 for services only. This is an increase of almost 1 percentage point from 2021.<sup>32</sup>

The services sector employs 81% of the UK workforce and 56% of the Turkey workforce and therefore increasing trade in services has the potential to benefit workers and businesses in both economies.<sup>33</sup>

Turkey is more restrictive to trade in services than the OECD average in all but 3 of the 22 sectors included in the OECD's Services Trade Restrictiveness Index (STRI), and more restrictive than the UK in all sectors.<sup>34</sup> Turkey is most restrictive in the accounting, air transport and legal services sectors.<sup>35</sup> Over 50% of the restrictiveness across these sectors in Turkey are the result of restrictions on foreign entry.

Turkey is the 19th most restrictive economy for movement of persons amongst the 38 OECD countries and is only less restrictive in 4 sectors compared to the OECD average.<sup>36</sup> In 2021, the UK exported £109 million worth of services delivered via mode 4 (presence of natural person) to Turkey, accounting for 8.1% of UK services exports to Turkey through modes 1,2 and 4.<sup>37</sup> Should there be opportunity to secure further commitments on business mobility, both the UK and Turkey economies could benefit.

## Foreign Direct Investment

Foreign Direct Investment (FDI) is an important contributor to economic growth due to its potential to enhance productivity and innovation, create employment, and benefit a broad range of sectors and regions.

In 2021, the stock of FDI from Turkey in the UK was £720 million, 13.5% or £86 million higher than in 2020. In 2021, Turkey accounted for less than 0.1% of the total UK inward FDI stock.<sup>38</sup> Between December 2013 and December 2023, 107 Turkey greenfield FDI projects have landed in the UK, of which 71 were located in the South East, and a further 23 were located across the East of England, the West

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<sup>31</sup> OECD (2022), Value added by activity.

<sup>32</sup> ONS data source for market share: [UK total trade data \(seasonally adjusted\)](#). UNCTAD data source for market share: [Goods and Services \(BPM6\): Exports and imports of goods and services, annual](#). Some UNCTAD data may be based on estimates.

<sup>33</sup> World Bank (2021), World Development Indicators.

<sup>34</sup> OECD (2022), Services Trade Restrictiveness Index

<sup>35</sup> OECD (2022), Services Trade Restrictiveness Index

<sup>36</sup> OECD (2022), Services Trade Restrictiveness Index

<sup>37</sup> ONS (2023), Imports and exports of services by country, by modes of supply 2021, UK. Mode 1 is used as a proxy for digital delivery.

<sup>38</sup> ONS (2022), Foreign direct investment (FDI) totals for inward and outward flows, positions and earnings: 2020 and 2021

Midlands, the East Midlands and the North West.<sup>39</sup> In 2021, the stock of FDI from the UK in Turkey was £8.9 billion, 25.6% or £1.8 billion higher than in 2020. In 2021, Turkey accounted for 0.5% of the total UK outward FDI stock.<sup>40</sup>

Turkey is less restrictive to inward FDI than the OECD average, as measured by the OECD FDI Regulatory Restrictiveness Index. The most restrictive sectors were, specifically maritime and air transport as well as real estate investment. Across the 6 sectors where Turkey has FDI restrictions in place, these are largely in the form of equity restrictions. These limit the extent of foreign ownership permitted in companies or in the aggregate of companies in these sectors. Should there be opportunities to reduce restrictions in some of these sectors this may facilitate greater UK FDI.

On average across the 22 service sectors, Turkey is 4th most restrictive country amongst the 38 OECD countries in regard to foreign entry restrictions, according to the STRI. Restrictions on foreign entry include equity caps for ownership of firms, restrictions on M&A and requirements for board of directors, which primarily impedes services delivered via a commercial presence and FDI.

## Digital Trade

Digital policies could have an important impact on the ease of trading between the partners. Services delivered remotely (mode 1 of services trade) account for 56.6% of services trade between the UK and Turkey in 2021. 71.9% of UK services exports to Turkey and 36.4% of UK imports were delivered remotely, compared to 76.8% and 72.8% respectively for services trade with the world.<sup>41</sup>

Turkey has higher barriers to digital trade than the OECD average and the UK.<sup>42</sup> The main impediments are barriers around infrastructure and connectivity, specifically surrounding cross-border data flows and communication services, and other barriers affecting trade in digitally enabled services, including commercial and local presence requirements. These account for 45% and 25% of restrictions on digital trade respectively.<sup>43</sup> These barriers result in Turkey ranking as the 4th most restrictive to digital trade of the 38 OECD countries. By comparison, the UK ranks as the joint 3rd most open economy to digital trade of the OECD countries, with barriers around infrastructure and connectivity, as well as electronic transactions the main drivers behind any restrictiveness.

Should there be opportunities to reduce restrictions in some of these sectors this may facilitate greater digital trade. Digitalisation, or digital trade policies, may also positively impact non-digital trade by reducing overall trade costs at the border and helping suppliers or customers identify new trading opportunities even when transactions are not digitally ordered or delivered.

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<sup>39</sup> Financial Times FDI markets, Online database of cross border greenfield investments. As this only covers greenfield investment, it likely underestimates the scale of the UK-Türkiye investment relationship.

<sup>40</sup> ONS (2022), Foreign direct investment (FDI) totals for inward and outward flows, positions and earnings: 2020 and 2021

<sup>41</sup> ONS (2023), Imports and Exports of services by country, by modes of supply: 2021 Mode 1 is used as a proxy for digital delivery.

<sup>42</sup> OECD (2022), Digital Services Trade Restrictiveness Index.

<sup>43</sup> Data accessed via the OECD Digital Services Trade Restrictiveness Index Simulator

## Government Procurement

The existing UK-Turkey FTA does not contain any substantive procurement commitments. It stipulates that both parties shall consult on the opening of their respective government procurement markets. In 2019, general government procurement spending was approximately 11% of Turkey's GDP and about 31% of its total government expenditure compared to 13% and 32% for the UK respectively.<sup>44</sup> Opening procurement markets could greatly increase opportunities for UK firms to build and grow their presence in Turkey.

## Intellectual Property

Intellectual Property (IP) secures protections for the innovations created by individuals and businesses. Trade agreements provide the opportunity to build upon the minimum IP standards set out under the WTO Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement and secure tailored provisions which will maximise trade and investment opportunities.

Turkish applicants account for a small proportion of IP registrations in the UK. In 2022, this varies from 0.1% to 0.7% in patents and trade marks respectively. Similarly, UK applicants accounted for no more than 1% of patent, trade mark or design registrations in Turkey.<sup>45</sup>

The UK is a net exporter to Turkey of IP services, which captures the charges levied for the use of trade marks, designs, copyrighted work, and patents.

The latest data from 2022 reveals the UK exported a record £205 million worth of IP services to Turkey, more than double the average value between 2017-2021 (£79 million)<sup>46</sup> and around £200 million more than that imported from Turkey in the same year. IP services accounted for 8% of total services exported to Turkey in 2022, a greater share than the average across all countries which was 6%.

Copyright, trade marks and designs are estimated to have constituted 54% and 37% of UK IP services exported to Turkey in 2021, respectively.<sup>47</sup> Patents are estimated to be an additional 9%.<sup>48</sup> This differs to the composition exported globally, notably for patents, which accounts for a quarter of total UK IP services exported. In 2021, the UK generated £8 million from the outright sale of trade marks, designs and copyrighted work to Turkey.<sup>49</sup>

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<sup>44</sup> OECD (2023), Government at a glance

<sup>45</sup> WIPO (2023), WIPO IP Statistics Data Center

<sup>46</sup> ONS (2024), UK trade in services: service type by partner country, non-seasonally adjusted, 2022 data.

<sup>47</sup> ONS (2023), International trade in services by service product and country, 2021 data

<sup>48</sup> ONS (2023), International trade in services by service product and country, 2021 data

<sup>49</sup> ONS (2023), International trade in services by service product and country, 2021 data

## Wider Economic Impacts

An enhanced FTA provides the opportunity to:

### **Support Both Small and Large Businesses that Trade with Turkey**

In 2022, around 8,000 UK businesses exported goods to Turkey, and 14,300 UK businesses imported goods from Turkey, of which 84.6% (6,800) and 79% (11,300) respectively were SMEs.<sup>50</sup> Provisions supporting SMEs provide the opportunity to increase the number of businesses of all sizes trading with Turkey.

### **Support UK Jobs Across All Regions**

Exports to Turkey directly supported around 58,000 jobs in the UK in 2019, of which over 68.2% were in services sectors.<sup>51</sup> London, the South-East, and the East had a combined goods export value of just under £2 billion to Turkey in 2022.<sup>52</sup> Figure 7 shows the distribution of UK goods exports to and imports from Turkey, supporting jobs across all UK nations and English regions in 2022.

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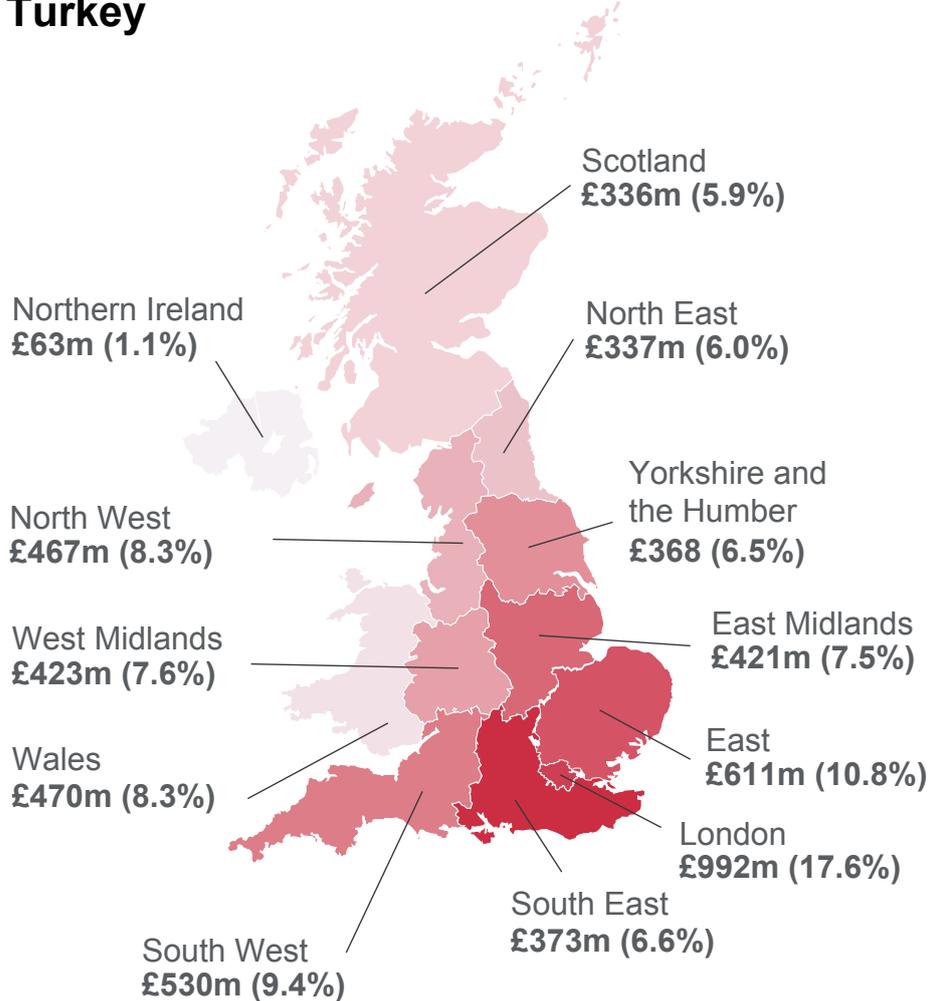
<sup>50</sup> HMRC (2023), UK trade in goods by business characteristics 2022 data tables.

<sup>51</sup> OECD (2021) Trade in employment database

<sup>52</sup> HMRC (2022), Regional trade data: custom tables

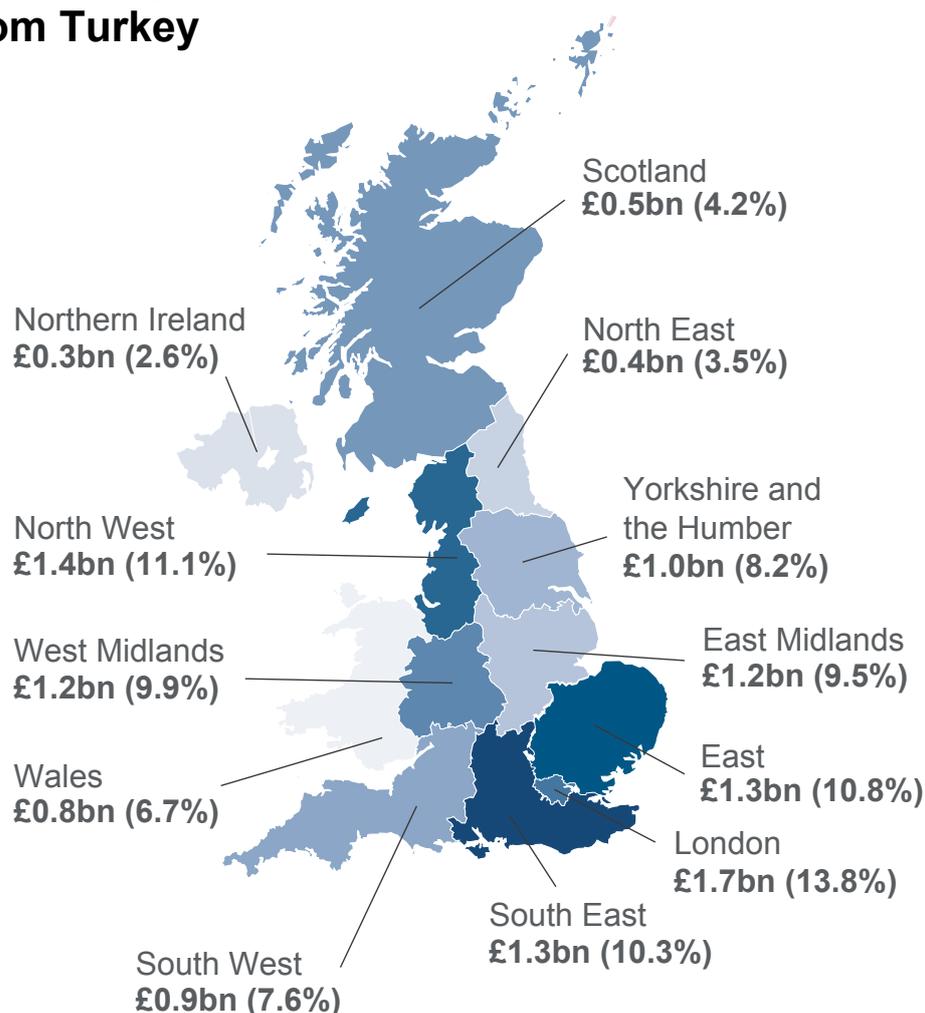
Figure 7: National and regional goods trade between UK and Turkey in 2022

### Goods exports in 2022 to Turkey



Contains Ordnance Survey and National Statistics data ©Crown copyright and database right [2017]

## Goods imports in 2022 from Turkey



Contains Ordnance Survey and National Statistics data ©Crown copyright and database right [2017]

Source: HMRC Regional Trade Statistics (data extracted from the interactive tables)<sup>53</sup>

### Third Country Impacts (including developing countries)

The upgrading of the UK-Turkey FTA could involve greater goods market access through the liberalisation of goods tariffs. This could have the potential to affect the economies of third countries, including potential preference erosion for least developed and developing countries.<sup>54</sup> We do not expect major impacts on third countries from this upgrade, but further analysis will be conducted to identify any potential impacts, and these will be considered as part of the UK's approach.

<sup>53</sup> Note that these figures from HMRC are reported on a physical movement basis and are not directly comparable to trade data from ONS which are reported on a change of ownership basis. Totals presented here will differ from overall HMRC trade figures and percentages will not total 100% due to the exclusion of trade in non-monetary gold and non-response estimates and the exclusion of data not allocated to a UK country or region.

<sup>54</sup> Preference erosion refers to the loss of competitive advantage an exporter enjoys in a foreign market due to preferential trade treatments for other countries. This can lead to trade diversion for example where developing countries could see a reduction of their exports to the UK as a result of Turkey facing lower tariffs in the UK market.

## Environmental Impacts

On average across 2020 to 2022, Turkey emitted 250kg CO<sub>2</sub>e per \$1,000 USD of GDP per year, whereas the UK emitted 141kg CO<sub>2</sub>e. This means that, on average, the UK is less emissions intensive than Turkey.<sup>55</sup>

The UK became the first G20 country to legislate binding commitments in 2019 to bring greenhouse gas (GHG) emissions to net zero by 2050.<sup>56</sup> Turkey has committed to achieving net zero by 2053. From 1990 to 2019, the UK's GDP has grown by 72%, while its GHG emissions reduced by 43.8%.<sup>57,58</sup> Over the same period, Turkey's GDP has grown by 246%, while its GHG emissions have increased by 139%.<sup>59,60</sup>

As set out in the Outline Approach, the rationale for an enhanced agreement with Turkey is focussed on increased liberalisation in areas such as financial services and digital trade. The UK's ambition is also to continue promoting trade and investment in environment and climate friendly goods and services through a modern FTA.

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<sup>55</sup> CO<sub>2</sub>e includes CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and F-gases. Source: Author calculations based on (European Commission et al., 2023)

<sup>56</sup> HM Government, Net Zero Strategy: Build Back Greener, October 2021

<sup>57</sup> Department for Energy and Security (2021) Final UK greenhouse gas emissions national statistics: 1990 to 2019

<sup>58</sup> IMF World Economic Outlook Database: October 2023 Edition

<sup>59</sup> IMF World Economic Outlook Database: October 2023 Edition

<sup>60</sup> The World Bank, Total greenhouse gas emissions (kt of CO<sub>2</sub> equivalent), 2020

**Department for  
Business and Trade**

The UK's Department for Business and Trade (DBT) has overall responsibility for promoting UK trade across the world and attracting foreign investment to our economy. We are a specialised government department with responsibility for negotiating international trade policy, supporting business, as well as delivering an outward looking trade diplomacy strategy.

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