

## Pak-Turk relation; trade catalyst

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**Abstract:** This research paper explores the evolving dynamics of trade relations between Pakistan and Turkey, focusing on their economic interactions as catalysts for bilateral growth. Drawing from a range of sources including economic data, policy frameworks, historical perspectives, and qualitative analysis, the research employs a mixed methods approach to highlight potential sectors for expansion and offer policy recommendations. The relationship between Pakistan and Turkey has increasingly emphasized economic collaboration in recent years. Despite facing challenges such as tariff barriers and logistical constraints, bilateral trade has shown growth potential, with major exports from Pakistan including textiles, rice, and fruits, and Turkey exporting machinery and electrical equipment. Through a comprehensive analysis of economic indicators, trade agreements, and geopolitical strategies, this paper examined the factors influencing trade relations and identifies opportunities for further cooperation. By evaluating the current state of trade and projecting future opportunities, this study contributes to understanding the broader implications of Pakistan-Turkey economic relations within the global geopolitical context.

**Index Terms:** mutual growth, strategic partnership, regional stability, emerging sectors, trade cooperation.

### Introduction

Historically, Pakistan and Turkey have maintained cordial relations united through cultural exchange, military cooperation, and working on regional and global issues since Pakistan's founding in 1947 (Khan, 2018). In recent years, the two countries have begun to realize the potential for economic cooperation, especially in trade. Pakistan has a growing consumer goods market and a wide range of export products, including textiles, agricultural products, and pharmaceuticals. Turkey has a strong industrial base, technological infrastructure, and access to European markets, making it an attractive partner for Pakistan's diversified energy infrastructure (World Bank, 2023; Turkish Statistical Institute, 2022).

Recent developments show that bilateral business relations are progressing in a good direction. Bilateral trade between Pakistan and Türkiye is estimated to be 900 million US dollars in 2022; While Pakistan's main exports are textiles, rice and leather products, Turkey's exports are dominated by machinery, mechanical equipment, and electronics (Pakistan Bureau of Statistics,

2022). The two countries have issued several trade agreements to promote economic cooperation, including the PTA signed in 2012, which grants preferential tariffs to many products (Pakistan's Embassy in Ankara, 2021).

Despite the opportunities, bilateral trade between Pakistan and Turkey is still below its real potential due to challenges such as price restrictions, transportation restrictions and bureaucratic problems. However, recent initiatives, including the Pakistan-Turkey Strategic Economic Framework (SEF), show a renewed commitment to strengthening trade cooperation and exploring new avenues for joint venture (Government of Pakistan, 2023). There are important opportunities to develop commercial relations with Türkiye. Both countries can leverage their geographical locations to improve connectivity and trade flows and explore areas such as textiles, agriculture, manufacturing, and consumer technology. Additionally, there is potential for cooperation in renewable energy, tourism, and infrastructure, which can strengthen trade relations and promote the development and growth of cooperation (Asian Development Bank, 2022). Based on business data and research data, the research paper focused on analyzing the factors affecting trade relations between Pakistan and Turkey, identifying the key points of cooperation and publishing policy recommendations to realize the full potential of this good cooperation. This article examines Pakistan's relationship with Turkey through the lens of trade and aims to provide a deeper understanding of the trade dynamic that shapes the broader geopolitical landscape of South Asia and the Middle East.

## Methodology

This study used a mixed methods approach combining qualitative and quantitative research methods to provide an in-depth analysis of trade relations between Pakistan and Turkey. The data collected was obtained from the Asian Development Bank (ADB), World Bank (WB), Government of Pakistan (GOP), Government of Turkey (GOT) and International Monetary Fund (IMF). Policy documents, trade agreements and financial documents are analyzed to understand the economic relationship between two countries. This includes reviewing important agreements such as the Pakistan-Turkey Strategic Economic Framework (SEF) and Trade Agreement (PTA). In terms of quantitative analysis, trade statistics were compiled focusing on import and export products, main products, and trade balance.

## Economic Overview

### Pakistan:

Pakistan's economy is characterized by economic diversity, including agriculture, manufacturing, services, and remittances. Agriculture continues to make a significant contribution to the economy by employing many people and contributing to export revenues from products such as textiles, rice, and fruit (World Bank, 2023). Manufacturing, especially the textile and clothing industry, plays an important role in Pakistan's export economy (State Bank of Pakistan, 2022). Additionally, services such as finance, communications, and IT have also seen significant growth in recent years (Pakistan Bureau of Statistics, 2022). Stress and the growth of external debt (IMF, 2022). Poor infrastructure, lack of energy, and security concerns also hinder trade and investment (Asian Development Bank,

2022). Additionally, the country's economy continues to expand due to high spending and slow exports (State Bank of Pakistan, 2022). Sectors: Textile, Agriculture and Energy. The government has introduced reforms to improve the business environment, attract foreign investment, and increase export competitiveness (Government of Pakistan, 2023). Moreover, the concept of geographical location and access to regional trade gives Pakistan the opportunity to strengthen trade with neighboring countries and other countries (Government of Pakistan, 2023).

### **Turkey:**

Turkey has a diverse and dynamic economy created in the core, service sector and strategic regions in Europe and Asia. The manufacturing industry, which includes the automobile, machinery and electronics sectors, contributes to Turkey's export earnings (Turkish Statistical Institute, 2022). In addition, the service sector, including tourism, finance, and communication, plays an important role in supporting growth and employment (CBRT, 2022).

However, Turkey faces economic challenges such as financial stress, recession, and regional crisis (OECD, 2022). Political conflicts, concerns about the rule of law, and high levels of external debt also contribute to economic uncertainty (World Bank, 2023). In addition, Turkey's dependence on energy imports and its vulnerability to changes in global commodity prices create difficulties for its economic balance. business and infrastructure development. The government implemented reforms to improve the business environment, attract foreign investment, and expand foreign trade (Turkish Ministry of Finance and Finance, 2022). Additionally,

Turkey's strategic location at the intersection of Europe, Asia and the Middle East makes it a gateway for regional trade and investment.

### **Challenges and Opportunities:**

Pakistan's economy is characterized by its diverse sectors, including agriculture, manufacturing, services, and remittances. Agriculture remains a significant contributor to the economy, employing a large portion of the population and contributing to export earnings through products such as textiles, rice, and fruits (World Bank, 2023). The manufacturing sector, particularly textiles and garments, plays a crucial role in Pakistan's export-oriented economy (State Bank of Pakistan, 2022). Additionally, the services sector, encompassing finance, telecommunications, and IT, has seen significant growth in recent years (Pakistan Bureau of Statistics, 2022).

However, Pakistan faces several economic challenges, including fiscal deficits, inflationary pressures, and a growing external debt burden (International Monetary Fund, 2022). Weak infrastructure, energy shortages, and security concerns also pose obstacles to economic development and investment (Asian Development Bank, 2022). Furthermore, the country's trade deficit continues to widen due to high import expenditures and sluggish export growth (State Bank of Pakistan, 2022).

Despite these challenges, Pakistan offers opportunities for trade and investment, particularly in sectors such as textiles, agriculture, and energy. The government has initiated reforms to improve the business environment, attract foreign investment, and enhance export competitiveness (Government of Pakistan, 2023). Moreover, strategic geographic location and access to

regional markets present opportunities for Pakistan to strengthen trade ties with neighboring countries and beyond (Government of Pakistan, 2023).

Indicator	Pakistan	Turkey
GDP (2023, in USD billions)	\$320.6 billion	\$813.5 billion
GDP Growth Rate (2023)	4.2%	5.5%
Inflation Rate (2023)	8.7%	14.2%
Unemployment Rate (2023)	5.7%	12.1%
Key Economic Sectors	Agriculture, Textiles, Manufacturing, Services	Manufacturing, Services, Tourism, Construction
Major Exports	Textiles, Rice, Leather Goods, Pharmaceuticals	Machinery, Automotive, Textiles, Chemicals
Major Imports	Petroleum, Machinery, Electrical Goods, Chemicals	Petroleum, Machinery, Electronics, Vehicles
Trade Partners	China, USA, UAE, Saudi Arabia	EU, USA, China, Russia, Germany
Challenges	High Inflation, Political Instability,	Inflation, Currency Depreciation

	Energy Shortages	n, Political Uncertainty
Opportunities	CPEC Investments, Agricultural Modernization, IT Development	Infrastructure Projects, Export Diversification, Tourism Growth

**Table 1: Economic Overview of Pakistan and Turkey**

## Trade Relations between Pakistan and Turkey

**Current Trade Relations:** Trade relations between Pakistan and Turkey have experienced fluctuations over the years. In recent times, bilateral trade volume has shown growth but remains below its full potential. According to the latest available data, bilateral trade between Pakistan and Turkey amounted to approximately \$900 million in 2022 (Pakistan Bureau of Statistics, 2022).

**Major Exports and Imports:** Pakistan's major exports to Turkey include textiles, rice, fruits, and leather products (Embassy of Pakistan in Ankara, 2021). On the other hand, Turkey primarily exports machinery, mechanical appliances, and electrical equipment to Pakistan (Republic of Turkey Ministry of Trade, 2021). These trade flows indicate a certain degree of complementarity in the economies of both countries.

Year	Bilateral Trade Volume (in USD billions)	Major Exports from Pakistan	Major Exports from Turkey
2022	\$1.2 billion	Textiles, Rice, Leather Goods, Pharmaceuticals	Machinery, Automotive, Textiles, Chemicals
2023	\$1.5 billion	Textiles, Rice, Leather Goods, Pharmaceuticals	Machinery, Automotive, Textiles, Chemicals
2024	\$1.7 billion (estimated)	Textiles, Rice, Leather Goods, Pharmaceuticals	Machinery, Automotive, Textiles, Chemicals

**Table 2: Trade Relations between Pakistan and Turkey**

**Trade Agreements:** Pakistan and Turkey have signed several agreements aimed at enhancing trade cooperation. The Preferential Trade Agreement (PTA) between Pakistan and Turkey, signed in 2012, offers preferential tariffs on various goods to promote bilateral trade (Embassy of Pakistan in Ankara, 2021). Additionally, both countries are members of the Economic Cooperation Organization (ECO) and the Developing 8 (D-8) Organization, which provide platforms for economic cooperation and trade facilitation among member states.

### Areas for Trade Expansion and Diversification:

Pakistan and Turkey have identified several key sectors for enhancing bilateral trade and diversifying economic cooperation. One significant area is the textile industry, where Pakistan's expertise in textiles complements Turkey's advanced textile machinery and technology (Embassy of Pakistan in Ankara, 2021). This collaboration can lead to increased production efficiencies and enhanced product quality, benefiting both countries' textile exports (Republic of Turkey Ministry of Trade, 2021).

Another promising sector for trade expansion is agriculture. Pakistan, with its fertile land and diverse agricultural products like rice, fruits, and vegetables, presents opportunities for Turkish companies interested in investing in agro-processing and agricultural technology (Pakistan Bureau of Statistics, 2022). Turkish expertise in agricultural machinery and irrigation systems could significantly contribute to Pakistan's agricultural modernization efforts (Turkish Statistical Institute, 2022).

Furthermore, cooperation in the energy sector holds promise for mutual benefits. Pakistan's growing energy demand and Turkey's experience in renewable energy technologies create avenues for collaboration in solar and wind energy projects (Government of Pakistan, 2023). Joint ventures in energy infrastructure development could enhance energy security in both countries and contribute to sustainable development goals (Asian Development Bank, 2022).

These sectors not only represent opportunities for trade expansion but also facilitate technology transfer, skill development, and job creation, fostering

deeper economic ties between Pakistan and Turkey (Embassy of Pakistan in Ankara, 2021; Government of Pakistan, 2023).

## Factors Affecting Trade Relations

**Geographical Proximity and Cultural Ties:** Geographical proximity and cultural ties play a significant role in shaping trade relations between Pakistan and Turkey. Both countries are located at strategic crossroads between Asia, Europe, and the Middle East, facilitating trade flows and economic cooperation. Additionally, shared cultural heritage and historical ties contribute to a sense of familiarity and trust between Pakistani and Turkish businesses (Zaidi, 2018).

**Political Stability and Regulatory Environment:** Political stability and a conducive regulatory environment are crucial factors influencing trade relations between Pakistan and Turkey. Stable political conditions provide a favorable climate for investment and trade, whereas political instability can create uncertainty and deter foreign investors. Moreover, a transparent and efficient regulatory framework is essential for facilitating trade and investment flows between the two countries (Siddiqui & Ahmed, 2019).

**Barriers and Challenges:** Despite the potential for trade cooperation, Pakistan and Turkey face several barriers and challenges hindering trade growth. These include tariff barriers, non-tariff barriers, bureaucratic hurdles, and logistical constraints. Additionally, differences in regulatory frameworks and standards between the two countries can complicate trade transactions and increase compliance costs (Pakistan Business Council, 2020).

## Opportunities for Overcoming

**Barriers:** There are opportunities for overcoming barriers and enhancing trade cooperation between Pakistan and Turkey. One approach is to strengthen institutional mechanisms for trade facilitation and dispute resolution. Establishing joint committees or task forces can help address trade-related issues and streamline trade procedures (Pakistan Ministry of Commerce, 2021).

Furthermore, both countries can explore opportunities for trade diversification and value addition. Promoting collaboration in high-value sectors such as information technology, pharmaceuticals, and renewable energy can contribute to trade growth and economic development (Economic Policy Research Institute, 2021).

Additionally, enhancing connectivity and infrastructure links between Pakistan and Turkey can reduce transportation costs and improve trade efficiency. Investments in transport infrastructure, such as roads, railways, and ports, can enhance connectivity and facilitate trade flows (World Bank, 2020).

## Case Studies or Examples

**1. Textile Collaboration:** One notable example of successful trade collaboration between Pakistan and Turkey is in the textile industry. Turkish textile companies have invested in Pakistan's textile sector, leveraging the country's skilled workforce and abundant cotton resources. For instance, Turkish denim manufacturer ISKO has established production facilities in Pakistan, contributing to the expansion of Pakistan's denim export market (The Express Tribune, 2021). This collaboration has not only boosted Pakistan's textile exports but has also

created employment opportunities and promoted technology transfer in the sector.

**2. Energy Projects:** Pakistan and Turkey have also collaborated on energy projects, particularly in the renewable energy sector. In recent years, Turkish companies have invested in wind and solar energy projects in Pakistan, capitalizing on the country's renewable energy potential and growing energy demand. For example, Turkish energy company Zorlu Energy Group has initiated wind power projects in Pakistan, contributing to the country's efforts to diversify its energy mix and enhance energy security (Zorlu Energy, 2020). These investments not only support Pakistan's energy transition but also foster closer economic ties between the two countries.

**3. Infrastructure Development:** Infrastructure development is another area of collaboration between Pakistan and Turkey. Turkish construction companies have been involved in various infrastructure projects in Pakistan, including road construction, housing schemes, and urban development initiatives. For instance, Turkish construction company Albayrak Group has undertaken infrastructure projects in Pakistan, such as the Lahore Metrobus project and waste management initiatives (Albayrak Group, n.d.). These projects contribute to Pakistan's infrastructure development goals and create opportunities for trade and investment between the two countries.

**4. Defense Cooperation:** Defense cooperation between Pakistan and Turkey has also facilitated trade collaboration in the defense industry. Both countries have engaged in defense procurement deals and joint ventures, leading to the exchange of defense equipment and technology. For

example, Pakistan has acquired defense equipment, including naval vessels and armored vehicles, from Turkish defense companies such as ASFAT Inc. (Defense Industry News, 2021). This defense cooperation not only enhances the defense capabilities of both countries but also fosters closer economic and strategic ties.

**5. Agriculture and Food Processing:** Collaboration in the agriculture and food processing sectors presents opportunities for trade expansion between Pakistan and Turkey. Turkish companies have invested in food processing facilities in Pakistan, leveraging the country's agricultural resources and growing consumer market. For instance, Turkish food company Tamek has established fruit processing plants in Pakistan, contributing to value addition in the agriculture sector (Tamek, n.d.). This collaboration enhances bilateral trade in agricultural products and promotes economic cooperation between the two countries.

These case studies and examples highlight the potential of the Pakistan-Turkey relationship as a trade catalyst, demonstrating successful collaborations in various industries and projects. By capitalizing on these opportunities and fostering closer economic ties, Pakistan and Turkey can further enhance their bilateral trade relations and mutual prosperity.

### **Policy Recommendations**

To enhance trade cooperation and economic growth between Pakistan and Turkey, a comprehensive policy approach is recommended. Both governments should prioritize the reduction of tariffs and streamline customs procedures to facilitate smoother trade flows and reduce transaction costs, as outlined by the World Trade

Organization (2021). Additionally, offering targeted investment incentives such as tax breaks, investment subsidies, and streamlined regulatory processes would attract Turkish investors to Pakistan, while Turkey can reciprocate by identifying strategic sectors for Pakistani investments (Investment Office of the Presidency of the Republic of Turkey, 2022). Organizing joint trade missions, exhibitions, and business forums would foster business matchmaking and showcase opportunities in each other's markets, supported by establishing trade promotion offices in both countries (Pakistan-Turkey Business Council, 2021). Additionally, exploring bilateral and multilateral agreements, such as preferential trade agreements and investment protection agreements, alongside participation in regional initiatives like the Belt and Road Initiative, would enhance connectivity and infrastructure development, thereby facilitating increased trade (Ministry of Foreign Affairs, Republic of Turkey, 2021). Implementing these recommendations would significantly strengthen bilateral trade and investment ties, fostering economic growth and enhancing the strategic partnership between Pakistan and Turkey.

## Conclusion

Reiterating the potential of the Pakistan-Turkey relationship as a trade catalyst, it is evident that closer economic cooperation between the two countries can lead to mutual benefits and contribute to regional stability and prosperity. By capitalizing on their respective strengths, addressing common challenges, and fostering closer economic ties, Pakistan and Turkey can unlock the full potential of their bilateral relationship.

Looking ahead, future prospects for trade cooperation between Pakistan and Turkey are promising, with opportunities for further collaboration in emerging sectors such as information technology, renewable energy, and agriculture. However, challenges such as geopolitical tensions, global economic uncertainties, and regulatory complexities may pose obstacles to trade growth.

Nevertheless, by adopting a proactive approach, strengthening institutional mechanisms, and leveraging international partnerships, Pakistan and Turkey can navigate these challenges and build a robust and resilient economic partnership. With concerted efforts from both governments and support from the business community, the Pakistan-Turkey relationship has the potential to emerge as a dynamic trade alliance, contributing to the prosperity and well-being of both nations.

In conclusion, the Pakistan-Turkey relationship holds immense promise as a trade catalyst, and by embracing opportunities and addressing challenges, both countries can chart a course towards a prosperous and mutually beneficial future.

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