

ECONOMIC RELATIONS BETWEEN TURKEY AND AFRICAN COUNTRIES

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The African continent is the birthplace of mankind and has been an indispensable resource base serving humanity for many centuries.

Hence, we consider it as an important task for the international community to work towards the welfare of the African people and Turkey will try to do its utmost to this end.

African countries have had to struggle with political instabilities and regional disputes along with the poverty, weaknesses and deprivation of human capital and physical infrastructure and superstructure, omnipresent in Africa. However, in recent years, a comparatively stable continent has emerged, and the economic activities which have been put off and the demand which has been low for a long time has been stirred. We expect that such activities will accelerate further in the coming years. We believe that Turkey, with its vision, "fair trade through free trade", is the most appropriate country to help the African countries break the vicious circle of poverty and develop the economic and commercial relations of the African countries all over the globe because the geographical proximity between Turkey and Africa and Turkey's historical ties with certain African countries are crucial factors to the development of economic and commercial relations.

Also, the Turkish industrial and foreign trade infrastructure is quite complementary to those of the African economies. In this framework, Africa is a target market for our firms, particularly the small and medium sized enterprises. Not only does Africa constitute a vibrant market for the Turkish exports, but also it provides cheap raw materials for the Turkish industry.

For centuries, our political relations with African countries have always been maintained on the basis of friendship. As of today, Turkey, with its advanced economy, skilled labor force and experience in international markets is committed to further increase its existing trade and investment relations with the African countries.

This determination has led us to devise and implement a new Development Strategy towards the African countries that we initiated back in 2003.

In this context, “Strategy for Enhancing the Economic and Commercial Relations with Africa” was put into effect in 2003 by our Undersecretariat.

The main objectives of the Strategy are as follows:

- To increase the share of Turkey in the total trade volume of African countries up to 3% in three years (The share of Turkey in the total trade volume of Africa which is 567 billion dollars in 2005 is 2.1%),
- To open way for our small and medium sized enterprises so that they can penetrate into the region countries,
- To make either joint investments or direct Turkish investments with the relevant countries in Africa in order to increase the competitive power of Turkey in certain sectors,
 - To transfer technology from Turkey to the region countries,
 - To raise the share of Turkish construction, consultancy and engineering firms in the African markets,
 - To diminish the poverty by investing in African countries through increasing the economic activities and creating more value added in those domestic economies. The key instruments of the Strategy are in the following:
 - To initiate the regular dialogue by creating Joint Economic Commission (JEC) or high level economic negotiation and decision-making mechanisms,
 - To conclude rapidly the basic agreements that will constitute the legal framework of our relations with the African countries,
 - To make preferential trade arrangements and Free Trade Agreements with the African countries in line with Turkey’s obligations towards the EU and other international liabilities,
 - To provide the African countries with the technical assistance in the preparation and implementation of the laws regarding the trade policy instruments in parallel to the international practices,

- To support the membership efforts of the African countries with regard to the WTO,
- To create the comfortable conditions for holding introductory activities such as the fairs, exhibitions, buyers' missions and trade missions more often,
- To establish the new offices of Commercial Counsellor in the African countries,
- To help Turkish technical consultancy firms structure themselves in the target countries and to promote the creation of new projects in the African countries by these firms via donations and credits offered under agreeable terms,
- To strengthen the activities of Turkish banks in the African countries,
- To provide the African countries with the technical assistance and educational support in the fields in which Turkey is pretty experienced.

In the context of the Strategy, certain target countries were designated considering such factors as the political stability, economic situation, volume and regime of foreign trade, natural resources, growth potential, strategic location and regional integration processes. It is quite necessary to study the African countries by categorizing them as the North African countries and Sub Saharan countries. Country and region based specific studies were initiated on North African and Sub Saharan countries under the Strategy.

NOTEWORTHY OUTCOMES OF THE STRATEGY

From the initiation of our Strategy towards African continent, we had noteworthy outcomes of the strategy through the implementation of its tailor-made instruments. These give us power and courage to continue exerting our efforts in an accelerated mode.

As our plans for the future have already been set on the Strategies towards the African countries, I would like to reveal some milestones and key points of it.

- In order to create an atmosphere conducive to solving the problems faced by our firms in North African countries concerning the market access and apt for the free movement of goods, services and capital, the negotiations on Free Trade Agreements (FTA) with these countries were initiated by our country. In this regard, FTAs were signed with Morocco, Egypt and Tunisia and the negotiations with Algeria were commenced. These FTAs are the first agreements signed in Africa. Also, the FTA negotiations with South Africa

were instigated. In addition, in the context of the current trade relations between the EU and Africa-Caribbean-Pacific, it is planned to negotiate FTAs with Sudan, Democratic Republic of Congo, Kenya, Ethiopia and Djibouti this year. The Agreements on the Avoidance of Double Taxation were signed between our country and Egypt, Algeria, Tunisia, Morocco, Ethiopia, Sudan, South Africa, and also the Agreements on Reciprocal Promotion and Protection of Investments were signed between our country and Egypt, Algeria, South Africa, Tunisia, Morocco, Sudan, Ethiopia bilaterally.

- After putting into practice the Strategy, Trade and Economic Cooperation Agreements were signed with nine countries, namely, Kenya, Tanzania, South Africa, Mauritania, Côte d’Ivoire, Madagascar, Burkina Faso, Malawi and Guinea Equatorial in order to complete economic and commercial legal framework between our country and the African countries so as to promote smooth functioning of economic and commercial activities. Subsequent to signing these agreements, our efforts still continue with a view to making other agreements.

- In order to conclude the agreements aiming at establishing the legal framework of economic and commercial relations between Turkey and Mozambique, Gabon, Angola, Ghana, Namibia, Liberia, Sierra Leone, high level negotiations have already been initiated and preliminary talks have been conducted. These agreements will be signed shortly.

- In order to further develop bilateral relations between Turkey and the African countries, JEC meetings were held with nine countries, namely, Senegal, Djibouti, Cameroon, Morocco, Libya, Algeria, Sudan, Ethiopia, Tunisia, and consequently important concrete projects were developed during these meetings.

- First of all, it is quite imperative to raise the number of diplomatic representations in Africa, consisting of 53 countries. Our country still has only 12 Embassies in Africa where our country presently has intensive economic and commercial engagements as well as the historical ties. The number of the Offices of the Commercial Counselor reached 11 in 2007 whereas this number was only four in 2004.

- In line with the establishment of new Turkish Embassies in the African countries, the number of the Offices of the Commercial Counselor will also increase in the very near future and with this increase it will be achievable to further enhance economic and trade relations.

- One of the chief instruments of the Strategy is the technical assistance and educational programs that will significantly contribute to the development efforts of Africa. In this connection, meetings were held with TİKA in order to constitute a proper environment to coordinate technical assistance and educational programs to be offered by all Turkish public institutions and to use them in accordance with our targets and as a result TİKA accepted to assume engagements in the African countries. TİKA Offices were established in Addis Ababa (Ethiopia), Khartoum (Sudan) and Dakar (Senegal).

- We are quite aware the importance of technical assistance to African countries, particularly to the LDCs, to improve their capabilities, capacities and efficiency. At this point, I would like to mention here the solid commitment of Turkish government to increase its ongoing technical assistance to LDCs in the coming years. In addition to the existing 3 offices in Africa, there will be new technical assistance offices of TİKA to be established in LDCs of the African continent to further enhance the scope and magnitude of Turkish technical assistance.

- Because of some negative developments in the relations with Libya, the Turkish firms in Libya were discharged to a considerable extent. We closely follow the recent developments emerging as a consequence of the integration of Libya into the international system lately and the removal of the sanctions applied to Libya. In this direction, high level contacts with Libya were instituted again. So a Joint Reconciliation Commission was established to liquidate the credits owed to the Turkish construction companies by Libya, which has been the main question in our bilateral relations for the last two decades, and the efforts still continue with the aim to liquidate these credits. Also, recently good opportunities for the Turkish firms began to emerge in the construction market of Libya that developed as a result of the considerable increase in the price of oil. So, after a long period of time, the Turkish construction firms began to undertake new projects last year and today the most prominent Turkish firms have begun to take part again in the bids opened in this sector.

- Sudan which developed economically and politically with the discovery of rich oil reserves in 1999 was announced as a priority country in East Africa and in this connection specific programs were put into practice for the promotion of development of Sudan. The Turkish firms began to be more involved in Sudan in the framework of efforts made up to now. The number of Turkish firms investing in Sudan reached 120 and the amount of investments totaled 200 million dollars. The total value of the projects assumed by the Turkish contractors exceeded 265 million dollars.

- The activities carried out to boost economic relations with Morocco and Algeria, particularly the broad contractors' missions, provided good opportunities for the Turkish contractors to get involved in these construction markets, and in this framework the Turkish construction companies have undertaken projects amounting to 635 million dollars in Morocco and 376 million dollars in Algeria for the last three years.

- In order to further promote the openness of road transportation sector, in which our country is comparatively advantageous, a proper environment has been created for the Turkish road transportation firms to get engaged in Sudanese, Djiboutian and Ethiopian markets for the last two years.

- The trade missions, buyers' missions, fairs and other intensive programs organized in the target countries triggered giant leaps in the Turkish exports to Algeria, Morocco, Libya, South Africa, Sudan, Ethiopia, Djibouti and Cameroon.

- We firmly believe the importance of direct contacts between public and private sectors of Turkey and the African countries, thus, we will organize fairs, buyer's missions and trade missions. There will be more than 15 Turkish Exports Fairs and national participations in the international fairs to be held in African continent within 2 years. As we regularly organize trade missions to African countries and also invite their private sectors to visit the exhibitions in Turkey and get acquainted with their Turkish counterparts, we will increase the number of these events and enhance their scope to meet the needs of African countries and help their economic development through technology transfer and introduction of new industries for creation of more value added in those countries.

- Many Turkish firms could have the chance to acquire raw materials, extremely necessary for the Turkish industry, without the involvement of middlemen as a result of our actions initiated with a view to obtaining them directly from Africa.

- Our exports to Africa which was 2.1 billion dollars in 2003 reached 4.6 billion dollars in 2006 whereas our imports from Africa which was 3.3 billion dollars in 2003 reached 7.3 billion dollars in 2006. It should be noted that we predominantly import the basic raw materials such as the hydrocarbons.

- Considering the period from the beginning of 2003, when the Strategy was initiated, to the end of 2006, it should be underlined that the trade volume of Turkey with the African countries increased from 5.5 billion dollars to 11.8 billion dollars with a 117% increase. This increase in the trade with the African

countries is much higher than the increase in the overall trade volume of Turkey (91%) in the same period.

- While we expect our exports to African continent to reach 6,2 billion USD at the end of 2007, Turkish imports from African countries is foreseen to exceed 9 billion dollars. Thus, the trade volume with the African continent will be more than 15 billion dollars at the end of 2007.

- Due to these very positive developments in our commercial relations with the continent, we expect the trade volume exceed 30 billion dollars at the beginning of 2011.

- The five main export partners of Turkey are Algeria, Egypt, Libya, Morocco and South Africa in 2006 whereas the main import partners of Turkey in Africa are Libya, Algeria, South Africa, Egypt and Nigeria.

- The total values of the projects undertaken by the Turkish construction companies in 2003, 2004, 2005 were 578, 652 and 949 million dollars respectively. In other words, the value of the projects undertaken in the period between 2003 and 2005 increased by 62%. This figure reached 2.3 billion dollars in 2006, marking a record increase.

- Preliminary figures for the projects undertaken by the Turkish construction companies in Africa exhibits a drastic increase and the sum of projects by our companies is expected to exceed 5 billion dollars for 2007 due to a high infrastructure and superstructure demand of North African countries, particularly Libya and Algeria.

- Turkish investments in Africa have increased tremendously since 2003 and exceeded 500 million dollars at the end of 2006.

- With the entry into force of the Turkish-Egyptian Free Trade Agreement, certain Turkish firms have shifted some of their investments to Egypt. We expect that the trend will go on in an accelerating speed.

- Since the inauguration of the Strategy aiming at facilitating the investments in the African countries to be made particularly by the Turkish SMEs and raising the share they obtained from the value-added created in Africa, many Turkish firms began to invest mainly in North African countries, Sudan, Ethiopia and South Africa and we hope the further acceleration of such investments in the coming years.

- Total sum of Turkish investments in the African continent is expected to reach 5 billion dollars by the end of 2010.

- Turkey's share in the North African market reached 4% as a consequence of our activities in five North African countries specified as the targets, namely, Algeria, Egypt, Libya, Morocco, Tunisia.

- In line with the targets of the Strategy, Trade Missions organized in seven countries, that is, Algeria, Sudan, Libya, Egypt, Ethiopia, South Africa, Tunisia, and we, as Turkey, participated in 61 international fairs at national level. Nine of these fairs were organized as "Turkish Exports Fairs".

- Moreover, Turkey attaches great importance to the positive contributions of NGO's towards our Strategy implementations. As a good example of cooperation between public institutions and NGOs of Turkey, TUSKON, we had very successful and resultoriented programs within the last two years as organizing Turkey-Africa Foreign Trade Bridge Programs. As we experienced, these events had very positive outcomes to introduce the private sectors of countries and so many Turkish companies started to invest in some African countries. Therefore, we will continue to organize similar programs densely in the next years with TUSKON.

- In line with the Strategy, as to give some figures, "Turkey-Africa Foreign Trade Bridge Program" was organized in Istanbul on May 8-9, 2006, by the Confederation of Businessmen and Industrialists of Turkey (TUSKON). Around 1,500 businessmen from the Turkish private sector, 12 Ministers from different African countries and about 500 African representatives participated in the program.

- The second phase of this program was held on May 16-20, 2007, with a greater participation of 890 African businessmen, 24 Ministers and Vice Ministers, more than 70 high level bureaucrats and media. We believe that the results of this program will be taken very soon in terms of trade, contracting and consultancy services and direct Turkish investments towards African continent.

- Actually, this program remarkably shows us the determination of Turkey by its public and private sectors to increase its economic and commercial relations with the continent through all possible ways and means.

- We should also mention here the invaluable support and efforts of African Union to further enhance the relations between Turkey and the continent.

- We are ready to join our efforts with the African Union to have broader scope and magnitude and look to the brilliant horizon.

- Within the Strategy, a Memorandum of Understanding (MoU) was signed on May 3, 2006, between the Islamic Development Bank (IDB) and our Undersecretariat with a view to diversifying international financing resources of the Turkish firms eager to trade with and invest in the African countries and the Turkish contractors keen on meeting the needs of these countries which develop pretty fast relative to the previous years regarding the infrastructure and superstructure. This MoU is specifically designed to develop the economic and commercial relations between Turkey and the African countries.

- Through this MoU signed with the IDB, it will be possible for the Turkish firms engaged in economic activities in Africa to utilize the financial resources of the IDB in addition to the resources of the Türk Eximbank.