

## TRADE RELATIONSHIP BETWEEN TURKEY AND SOUTH AFRICA A BRIEF OVERVIEW OF THE LAST 20 YEARS

AHMET MURAT YETKIN

UNIVERSITY OF PÉCS

In the 2000s, a single political party became able to manage Turkey alone for the first time in the country's history. By ensuring internal stability, Turkey started to build and improve its relationships with foreign countries. In this manner, Turkey decided to look for ways to strengthen its relations with the African continent and especially with South Africa.

After the 2000s, South Africa-Turkey relations have improved in every way. Trade volume<sup>2</sup>, which was less than \$250 million in 2000, exceeded \$2 billion at the end of 2017. It decreased to \$1.9 billion at the end of 2018 due to low import of Turkey from South Africa only because of dramatic decrease of Turkish Lira against dollar. The years 2007 and 2008 were when mutual trade was at its highest level. Unfortunately, these peak values have not been maintained for many years due to the effect of the global economic crisis, but it is undoubtedly a huge success that the total trade volume between the two countries in the last 15 years has increased by nearly ten times. The biggest factor in this success is that the results have been remarkable despite Turkey's lack of an Africa policy before the 2000s.

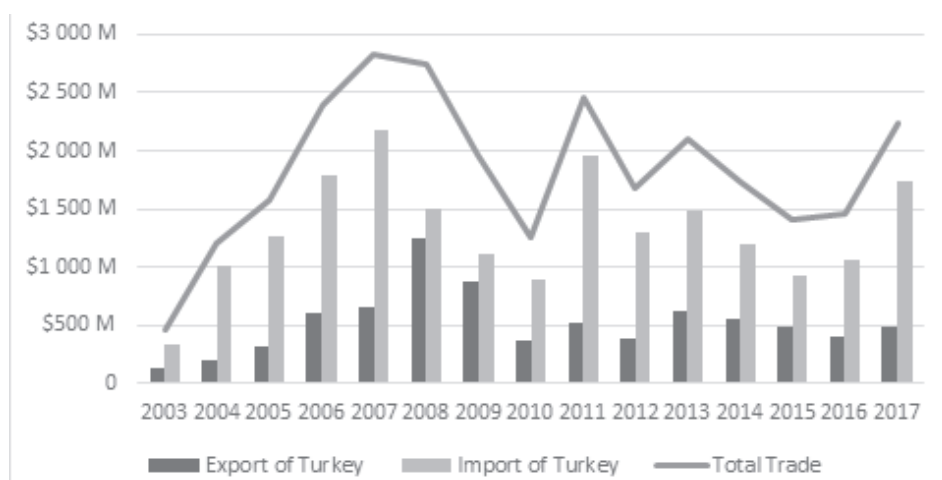


Figure 1: Trade Volume between Turkey and South Africa

The number of Turkish embassies in Africa increased from 12 to 41 over the last 15 years (the target is 50). Turkish Airlines has direct flights to 28 African countries and 40 African cities.<sup>2</sup> Additionally, Turkish Airlines increases its market share for cargo carriage to Africa every day. Thanks to Turkish Airlines, the trade volume between Turkey and Africa has increased continuously. These flight networks have also encouraged Turkish authorities to put transit trade on their agenda.

South Africa is a very important and strategic country for Turkey, a partner that is able to open up the African continent. Both in terms of geographical location and the economic development of the last 15 years, South Africa is a key country, especially due to its high economic development.

The Republic of South Africa has been designated as a priority country to provide an entry to sub-Saharan African countries under the strategy for the improvement of economic relations with African countries put into practice by the Ministry of Economy in 2003. The Turkish government sees South Africa as the gateway to sub-Saharan African countries, while the Turkish private sector considers South Africa the main entrance to all of Africa.

There are more than 20 Turkish companies with investments in South Africa. The amount of investment made by these companies is estimated to exceed \$500 million. These companies employ about 4,500 people locally.

The biggest investment made in South Africa by a Turkish company until now is the purchase of Defy by Arçelik. Arçelik is the first white goods producer in Turkey, and Defy is the leader of the white goods market in South Africa. The purchase price was \$327 million, which makes it the biggest investment of a Turkish company in South Africa. Conversely, South Africa's investments in Turkey is limited. In 2013, Metair bought Mutlu Battery, the biggest battery manufacturer in Turkey, for \$280 million. This investment is the largest South African investment in Turkey.

South Africa is seen as Turkey's door to the African market and is extremely important. For example, Arçelik, a Turkish company, has increased its presence in Africa from 19 countries to 39 countries within three years after the acquisition of Defy. In 2017, 17% of Arçelik's total sales were made in Africa. Undoubtedly, the main reason for this success is the right investment at the right time in South Africa. Arçelik invests not only in South Africa but potentially in the entire African continent. Surely, in comparison with other African countries, South Africa has received the most benefits from this purchase, which has strengthened the relations between Turkey and South Africa.

Turkey expects a free trade agreement from South Africa. However, South Africa does not give a warm welcome to this free trade agreement. South Africa thinks that such an agreement will have a negative impact on the industry of the country.

The former South African ambassador to Turkey suggested that Turkey and South Africa should cooperate in the key fields such as car manufacturing and construction in order to sell these products or services in a third country.<sup>3</sup> Currently, South Africa is following a conservative import policy to protect its production. Especially anti-dumping applications are aiming to reduce the price-based advantage of goods that

enter the country. In this context, South Africa, which is among the first countries to open an anti-dumping investigation, is also implementing high customs duties. Additionally, excessive congestion at ports, customs value determined higher than invoice prices, theft of goods, import permits, copyright violations, and insufficient bureaucracy are major complaints.

The increasing relations with Africa over the last 15 years have begun to bear fruits in many fields and have created unprecedented opportunities. In recent years, Japanese companies have opted to partner with Turkish companies to minimise their risks when investing in Africa.

## Conclusion

Trade relations between Turkey and South Africa have grown almost ten times in the last 15 years. However, relations are not yet at the desired level. South Africa's conservative trade policies have been offensive to some Turkish investors. However, South Africa is a very important country for Turkey. Turkey is aware of the importance of strengthening its relations with South Africa to open up the continent of Africa. Turkey has not experienced any problems with South Africa so far, but diplomatic and trade relations were both in fairly poor condition before the 2000s.

After the 2000s, trade relations with South Africa were particularly emphasized. Considerable efforts are being made both by Turkey and South Africa to improve trade between the two countries. As in the case of Arçelik, Turkish investors have made South Africa a strategic base and are taking advantage of the strategic (economic and geographical) conditions of South Africa to gain access to other countries of Africa. ☀

## Notes

- 1 Republic of Turkey, Ministry of Trade, Country Reports
- 2 Republic of Turkey Ministry of Foreign Affairs
- 3 South African Ambassador Pule I. Malefane (interview)

## Bibliography

- Adams, S. (2009). Can foreign Direct Investment help to promote growth in Africa? *African Journal of Business Management* 3 (3), 178-183.
- Parlak, F. (2016). Guest of Ankara Talks: South African Ambassador Pule I. Malefane (interview). *Dunya Newspaper*, 25 .04. 2016.
- Gelb, S. and Black, A. (2004). Foreign Direct Investment in South Africa. In: Estrin, S. and Meyer, K. E. (Eds.). *Investment Strategies in Emerging Markets*. Edward Elgar Publishing, 177-212.
- Gibson, G. G. (2016). *Factors Effecting the Foreign Direct Investment (An Application on South Africa)*. Master's Thesis, Dokuz Eylulu University.
- Republic of Turkey Ministry of Foreign Affairs. <http://www.mfa.gov.tr/turkiye-afrika-iliskileri.tr.mfa> [01.05.2019]
- Republic of Turkey, Ministry of Trade, Country Reports. (n.d.) <https://www.ticaret.gov.tr/portal/content/conn/UCM/uuid/dDocName:EK-174415> [01.05.2019]
- Saatcioglu, C. (2002). *Foreign Direct Investment and Turkey*, Istanbul University.
- South Africa Country Report. (2010). Economist Intelligence Unit (EIU), September 2010.
- World Bank DataBank. (n. d.) <http://databank.worldbank.org> [20.07.2018]