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EU-TÜRKİYE BUSINESS RELATIONS: PERSPECTIVES FROM THE EUROPEAN BUSINESS COMMUNITY 2022

The Turkey – EU Business Dialogue (TEBD) Project

The Turkey-EU Business Dialogue (TEBD) is a project co-funded by the European Union under its IPA II programme with Turkey. TEBD is managed by EUROCHAMBRES, through a grant contract with CFCU, in close cooperation with TOBB, as the end beneficiary institution of the project. The TEBD activities are implemented through the European and Turkish Chambers of Commerce and Industry, and Commodity Exchanges.

The overall objective of the project is to strengthen mutual knowledge and understanding between Turkish Chambers and Commodity Exchanges, and their counterparts in the EU, thus promoting the integration of EU and Turkish business communities and ensuring a stronger awareness of the opportunities and challenges of a potential future Turkey's accession to the EU in both Turkey and the EU.

The TEBD project wants to promote a constructive private sector dialogue between the EU and Turkey that will lead to positive and lasting results for both sides.

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EUROCHAMBRES

Avenue des Arts 19 A/D
B – 1000 Brussels
Belgium
Tel : +32 (0)2 282 0850
Fax : +32 (0)2 230 0038

TOBB

Dumlupınar Bulvarı No:252 (Eskişehir Yolu 9.km),
06530 ANKARA
Turkey
Tel.: +90 312 218 20 00
Fax: +90 312 218 23 84

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INTRODUCTION

We are delighted to share with you the results of the third edition of the EU-Türkiye Business Dialogue SME Survey on European business perspectives on EU-Türkiye economic relations. We are grateful for the responses from companies of all sizes in all EU-27 countries. A sample of 1004 companies across the European Union fully completed a detailed questionnaire.

Earlier surveys were conducted in 2008 and 2013. The 2022 survey was completed against a background of stalled EU-Türkiye accession negotiations. The talk on Türkiye's EU accession has shifted to discussions on the modernisation of the Customs Union. Moreover, there have been major developments in EU policy and legislative framework regarding climate change and digitalization. The EU's Green Deal and the digital single market will have far reaching implications on Turkish-EU business relations and on future discussions for Customs Union modernization.

In light of disruptions in global supply chains, especially those from China, occasioned by the Covid-19 pandemic, EU business attitudes towards Türkiye have undergone certain changes as regional supply chains gained new traction.

Against this backdrop, the report focuses on changing European business interest in exploring business opportunities in the Turkish market. It provides insights into attitudes of EU-based companies towards the Customs Union and its modernization. Finally, the report addresses European businesses' views on collaboration with Türkiye regarding the Green Deal and digitization policies.

The main findings of the survey reveal that

1. There is a rising interest by European businesses in the Turkish market;
2. Despite general pessimism surrounding Türkiye's EU prospects, European companies are more optimistic about the impact of Türkiye's potential EU membership on their own business compared to 2013;
3. Compared to findings of 2013, more EU enterprises support Customs Union with Türkiye and are seeking to be better informed;
4. Regarding modernization of Customs Union, companies are supportive;
5. In their existing or potential engagement with Türkiye, European businesses prioritize removal of further barriers to trade and liberalization of services;
6. European businesses support collaboration between the EU and Türkiye regarding the Green Deal and digital single market.

The survey's results call for increased acquaintance of the European enterprises with the Turkish markets, by providing information on business opportunities and conditions in Türkiye, as well as measures that will eliminate barriers to trade and investment. From the perspective of the modernization of the Customs Union, it is crucial that European companies are part of the process to make sure that their concerns are taken into account and are given a voice. Moreover, both European and Turkish enterprises need to be adequately informed about the opportunities and new challenges awaiting them with changes in EU internal priorities of the Green Deal and modernization of the Customs Union.

We believe that Chambers of Commerce and Industry, as leading business representatives, has a responsibility to assist European companies in meeting these challenges by providing relevant information and guidance. The Chambers are the primary source of information for EU companies seeking information about Türkiye. With their wide network, they have the capacity to enable flow of information and communication between European and Turkish business communities.

The 2022 survey confirms the crucial importance of economic relations between the EU and Türkiye. We hope that the publication of the survey will provide a fresh impetus to EU-Türkiye relations with both civil society and policy makers, and thus will contribute to re-vitalise EU-Türkiye relations, which is more important than ever.

EXECUTIVE SUMMARY

European companies have expressed a high level of interest in the Turkish market while familiarity with the Turkish market has not improved since the 2013 survey.

In both 2022 and 2013 surveys, about only one third of EU companies affirmed being familiar with the Turkish market. However, in 2022, more than half of companies affirmed being not familiar with the Turkish market but interested in developing business relations compared to 31%, which were interested in 2013. Moreover, only 16.1% of companies declared being not familiar and not interested in developing business relations compared to 39 % in 2013.

Recent changes in global supply chains in the aftermath of the Covid 19 pandemic and due to the war in Ukraine have raised interest in the Turkish market. Almost two thirds of EU companies (61.8%) that are not already present in the Turkish market expressed an interest in developing business relations with Türkiye. The high interest among these companies underscore an opportunity to improve European business and trade in Türkiye by better informing European companies about the Turkish market and its opportunities.

Regardless of their current involvement in Turkish markets, as high as 40.7 % of European companies surveyed believe Türkiye is an inseparable part of the EU economy. However, companies present in the Turkish market are far more prone to think that Türkiye is a part of the European economy than those which are not present. Also, referred to as "latecomers to the EU" in this report, they include Baltic, Eastern and Central European countries plus Malta and Cyprus.

Nearly one third of European companies (29%) believe that there is potential in doing business with Turkish companies outside of Türkiye and EU countries. Familiarity with the Turkish businesses plays a role in the attitudes of EU companies' potential in doing business with Turkish companies outside of Türkiye and EU. EU latecomers were more supportive of this idea compared to EU-14 countries. EU based companies may explore partnership possibilities with Turkish businesses in the Middle East and Central Asia where Turkish companies have a strong presence.

Removal of barriers to trade are a top priority for European companies in relations with Türkiye and Türkiye's membership to the European Union. Companies participating in the survey expressed a high level of interest in the elimination of non-tariff barriers and abolition of EU-Türkiye trade and transport quotas. EU companies that procure certain goods from Türkiye may be impacted by transport quotas that are being delivered from Türkiye to EU.

Liberalization of services is also a top priority, especially for European companies that are already present in the Turkish market. When asked in which area the Customs Union should be extended, majority of respondents cited services (61.6%).

Despite general pessimism surrounding Türkiye's EU membership prospects, European companies are more optimistic about the impact of Türkiye's potential EU membership on their own business. The belief in Türkiye becoming an EU member has declined significantly since the 2013 survey. At the same time, in 2022, as high as 45.9% of the surveyed companies think that Türkiye's EU membership would be beneficial for their company compared to 21 % of surveyed companies in 2013. The positive effects that companies expect from a potential EU membership of Türkiye are easier access to Turkish markets, and more transparent business practices. Those enterprises with existing trade and investment relations underlined improved logistics and transportation as a positive outcome. The most frequently cited negative effect that companies expect from a potential EU membership of Türkiye is tougher competition in the domestic market (73.6% of surveyed companies).

EU enterprises are strong supporters of the Customs Union with Türkiye regardless of whether they are currently present in the Turkish market. Two thirds (66%) of respondents believe that the Customs Union is beneficial both for Türkiye and the EU. Only 17.4% of surveyed respondents presently trade with Türkiye and therefore may not directly benefit from the Customs Union. The companies' strong support for the Customs Union reflects a long term perspective that close economic ties with Türkiye, through the Customs Union, is beneficial. The Customs Union was also the most frequently cited topic for which surveyed companies seek information from the Chambers network (34 % of companies).

There is a need to raise awareness of Customs Union modernization. Opinion is split on the support for the modernization of the Customs Union with half of respondents finding it beneficial and the other half expressing a lack of knowledge on the subject. Even companies that already trade with/invest in Türkiye stated that they do not know whether the modernization of the Customs Union would be beneficial.

EU companies show strong support for future collaboration between the EU and Türkiye regarding the Green Deal. 77.2% believe that collaboration in this area should be strengthened. Most of these companies do not currently have trade relations with Türkiye while a significant percentage of companies that already trade with Türkiye said that they do not know whether such collaboration should be strengthened (61.6%). Such ambivalence may be explained by the fact that there is still a lack of specific legislation regarding the use of high carbon footprint inputs in the EU context.

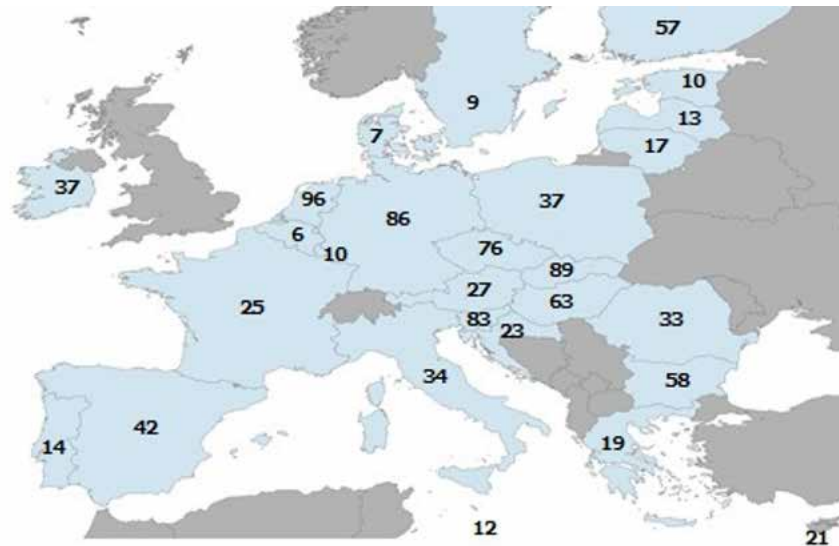
There is also strong support for collaboration regarding the digital single market. More than half of (57.1 %) of surveyed companies believe that collaboration should be strengthened. As in the case with the Green Deal, companies that do not have trade relations with Türkiye show more enthusiasm about collaboration regarding the digital single market (67.1%) compared to companies that already trade with Türkiye (55%).



1. RESPONDENT PROFILE

A sample of 1004 companies across the European Union fully completed a detailed questionnaire (See annex). All the 27 EU countries have been covered by the 2022 survey, which encompass EU countries that joined the block in the 2000s. Referred to as “latecomers to the EU” in this report, they include Baltic, Eastern and Central European countries plus Malta and Cyprus and constitute 53 % of the survey sample. These countries have shown a greater interest in taking part in the survey. Hence, new trade and investment partnerships may potentially be explored between Eastern and central European countries and Türkiye.

Figure 1 Participants by country



Size-wise, SMEs¹ and large enterprises are almost equally represented in this year's survey (51.1% and 48.9 % of respondents, respectively). In terms of number of employees, 78.6% of the respondents employ less than 250 persons. 62.2% of the participating companies' turnover is less than €50 million.

Figure 2 Number of employees

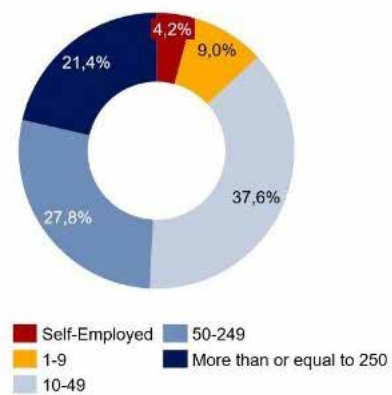
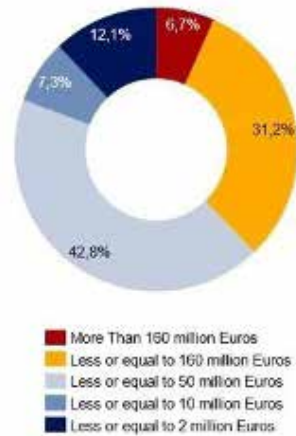


Figure 3 Turnover in 2020 in Euros



¹ We have applied the European Commission definition of micro, small and medium-sized enterprises adopted in the EC recommendation of 6 May 2003 2003/361/EC:

- The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
- Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
- Within the SME category, a micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million. In order to avoid complexity in the classification, in this report, except for the section on company profiles, companies with less than 250 employees are considered as SMEs.



All sectors have been represented, though with an emphasis on manufacturing (38.1% of respondents) and wholesale, retail and repair of motor vehicles (25.8%) sectors.

As in the 2013 edition of the survey, the majority of respondents operate in their respective domestic market with only 13.85% declaring themselves as exporters.

Companies that have already traded with/ invested in Türkiye represent 17.4% of the sample. Although lower than in the 2013 survey (where 26 % of respondents had traded or invested in Türkiye), the sample does allow to make meaningful comparisons of findings between companies with experience in trading / investing in Türkiye and those without.

Among the respondents, SMEs are more present in the Turkish market than large companies with 22.6% of surveyed SMEs trading with/ investing in Türkiye compared to 12% of large companies.

The Turkish market is not insignificant among surveyed companies, which export to and import

from Türkiye although the sample sizes for these categories of companies is small (138 and 126 companies, respectively). 31.6 % of exporting companies export more than 10% of their overall exports to Türkiye. Similarly, a majority of companies in importing from Türkiye (63.5%) import more than 10% of their overall imports from Türkiye while 13.5 % import more than 50%.

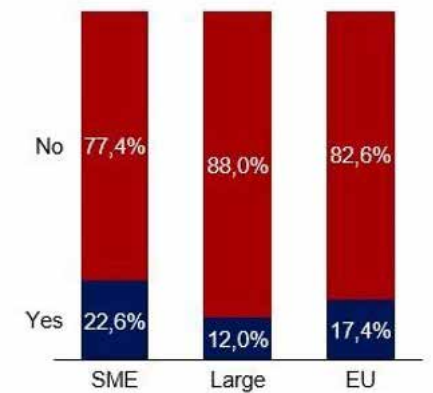


Figure 5 Share of exports to Türkiye in total exports among companies that export to Türkiye

Share of participants exports to Turkey in the overall exports in 2020?

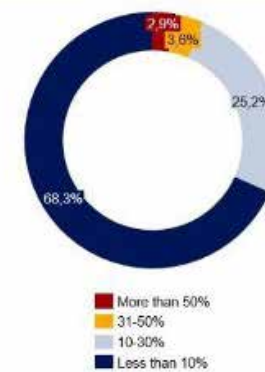
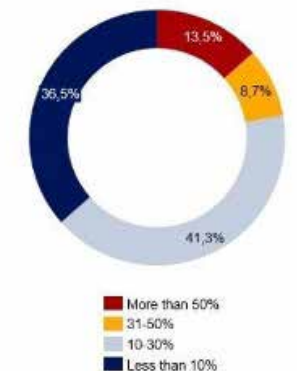


Figure 6 Share of imports from Türkiye in total imports among companies that import from Türkiye

Share of your participants imports from Turkey in the overall imports in 2020?





2. EU – TÜRKİYE TRADE AND INVESTMENT RELATIONS

In this part of the report, we analyze the level of awareness of European companies regarding the Turkish market and their interest in developing new business opportunities. The analysis draws comparisons with the 2013 survey as well as the recently published 2022 survey on attitudes of the Turkish business community on EU-Türkiye economic relations. The final section focuses on European companies' priorities in current relations with Türkiye and Türkiye's membership to the European Union.

2.1 Level of familiarity with the Turkish market

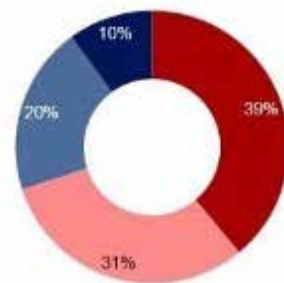
European companies have expressed a high level of interest in the Turkish market while displaying a low level of familiarity.

Familiarity with the Turkish market among European companies has not improved since the 2013 survey. In both 2022 and 2013 surveys, about one third of companies affirmed being familiar with the Turkish market (31.3 % in 2022 and 30 % in 2013). Familiarity with EU markets among Turkish companies was even lower at 18 % according to the 2022 survey on attitudes of the Turkish business community on EU-Türkiye relations.

Interest in developing business relations with Türkiye seems to be rising since the 2013 survey. In 2022, more than half of responding EU companies (52.6%) affirm being not familiar with the Turkish market but interested in developing business relations compared to 31% in 2013. Only 16.1% of companies declared being not familiar and not interested in developing business relations compared to 39 % in 2013.

Figure 7 Level of familiarity with Turkish market (%) in 2013

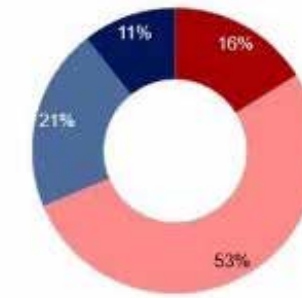
Familiarity with and interest in the Turkish market, 2013



Not familiar with the market and not interested in exploring export or investment opportunities in this market
Not familiar with the market, but would like to develop business relations and trade/invest more
Familiar with the market; some business contacts
Very familiar with the market, long history of trading/ investment, established relations



Figure 8 Level of familiarity with Turkish market (%) in 2022



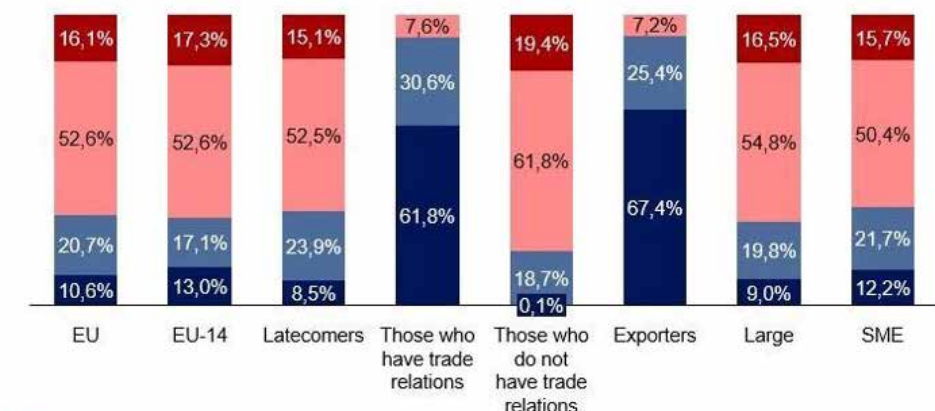
Survey question: How do you assess your relationship with the Turkish market?

Source: Turkey-EU Business Dialogue (TEBD) - EU- Türkiye Business Relations

Not familiar with the market and not interested in exploring export or investment opportunities in this market
Not familiar with the market, but would like to develop business relations and trade/invest more
Familiar with the market; some business contacts
Very familiar with the market, long history of trading/ investment, established relations

Moreover, almost two thirds of EU companies (61.8%) that are not present in the Turkish market expressed an interest in developing business relations. The high interest among these companies underscore an opportunity to improve European business and trade in Türkiye by better informing European companies about the Turkish market and its opportunities.

Figure 9 Level of familiarity with Turkish market (%)



Not familiar with the market and not interested in exploring export or investment opportunities in this market
Not familiar with the market, but would like to develop business relations and trade/invest more
Familiar with the market; some business contacts
Very familiar with the market, long history of trading/ investment, established relations

Survey question: How do you assess your relationship with the Turkish market?

Source: Turkey-EU Business Dialogue (TEBD) - EU- Türkiye Business Relations

At the country level, surveyed companies in Romania (68%), Denmark (57.1%), Bulgaria (50%), Sweden (44.4%), Croatia (43.5%), Czechia (40.8 %), Spain (38.1%) and Portugal (35.7%), are the ones that are most familiar with the Turkish market². On the other hand, the level of familiarity is low in Slovenia (19.3%), Estonia (20%), Hungary (20.6%), Poland (21.6%), Finland (22.8 %), Latvia (23.1%), Cyprus (23.8%) and the Netherlands (24 %).

It will be crucial to target European companies, interested but not aware of the opportunities of the Turkish market, and to provide them with relevant information to translate their interest into concrete business opportunities.

² The sample sizes for Denmark and Sweden are small but proportional to their population.



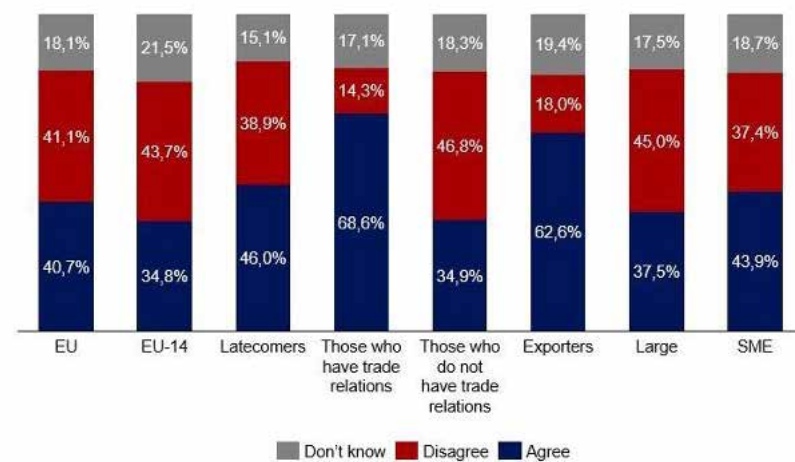
BOX: Is Türkiye an inseparable part of the EU economy?

European companies surveyed were asked whether they believe Türkiye is an inseparable part of the EU economy. As high as 40.7% of the respondents believe it is so. An even higher percentage of Turkish companies surveyed in 2022 believed that Türkiye is a part of the European economy (53%). The perception that Türkiye is an integral part of the European economy is higher among European SMEs (43.9%) than large companies (37.5%).

Companies which trade with/invest in and export to Türkiye are far more prone to think that Türkiye is a part of the European economy (68.6 % and 62.6 %, respectively).

At the sectoral level, the belief that Türkiye is an integral part of the European economy is more common among companies that operate in industry and services sectors compared to the agriculture sector. A higher percentage of EU latecomers compared to EU-14 countries consider Türkiye to be part of the European economy. More than 60 % of surveyed companies from Bulgaria, Romania and Croatia believe that Türkiye is part of the European economy, which may be due to historical linkages in the region.

Figure 10 Do you agree with the statement 'Türkiye is a part of the European economy?' (%)



2.2 Views on doing business with Turkish companies in other countries

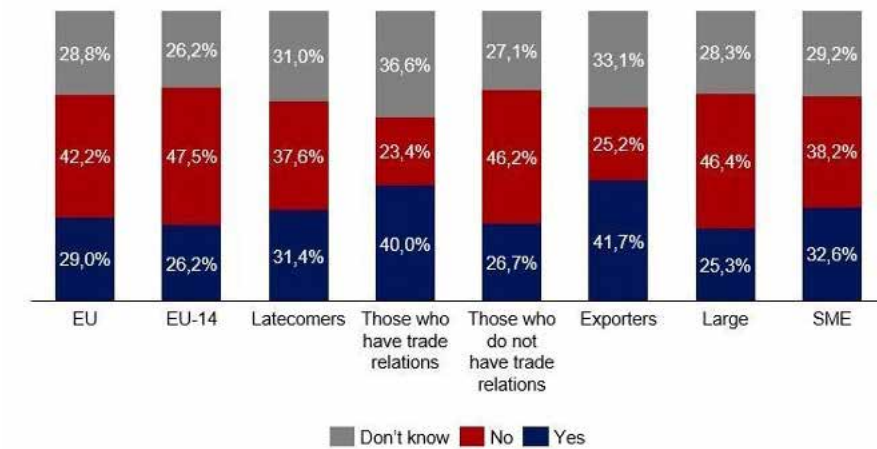
A non-negligible proportion of European companies believe that there is potential in doing business with Turkish companies outside of Türkiye and EU countries.

European companies participating in the survey were asked whether they see potential in doing business with Turkish companies outside of Türkiye and EU countries. 42.2 % of the respondents do not see such potential. The rest of the participating companies are almost equally divided on this subject: 29% see potential in doing business with Turkish companies in other countries while 28.8% responded that they do not know. Familiarity with the Turkish businesses plays a role in the attitudes of EU companies' potential in doing business with Turkish companies outside of Türkiye and EU. A much higher proportion of European companies which trade with/invest in and export to Türkiye see potential in doing business with Turkish companies in other countries (40 % and 41.7%, respectively). EU latecomers were also more supportive of this idea compared to EU-14 countries.

There may be a potential for EU based companies to seek out partnerships with Turkish businesses in the Middle East and Central Asia where Turkish companies have a strong presence. Moreover, in the post-Brexit period there might be a potential with doing business in the UK since the presence of both EU and Turkish companies in the UK market are already well established.



Figure 11 Attitudes towards doing business with Turkish companies outside of Türkiye and the EU, %



Survey question: Do you see potential in doing business with Turkish companies outside of Türkiye and the EU?

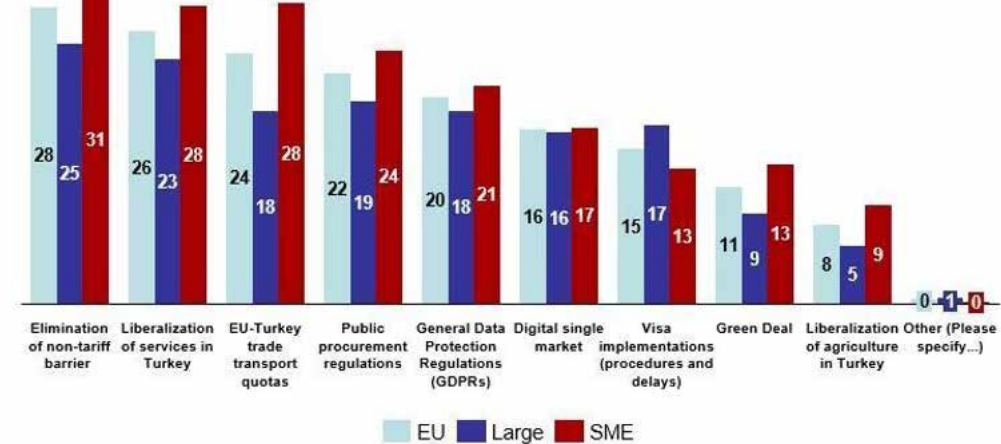
Source: Turkey-EU Business Dialogue (TEBD) - EU- Türkiye Business Relations

2.3 Priority areas for EU companies in current relations with Türkiye and Türkiye's membership to the EU

Overall European companies show high level of interest in the abolishment of barriers to trade and liberalization of services.

European companies participating in the survey were provided a list of priority areas in current relations with Türkiye and Türkiye's membership to the European Union to rate on the basis of their experience / perception. Companies participating in the survey expressed a high level of interest in the elimination of non-tariff barriers and abolition of EU-Türkiye trade and transport quotas. A higher percentage of SMEs (28.4%) cited trade and transport quotas as a priority area compared to large companies (18.3%). EU companies that procure certain goods from Türkiye may be impacted by transport quotas that are being delivered from Türkiye to EU. Other priority areas include improving market access for trade in services and enhancing access to the public procurement market. Liberalization of services was the top priority for companies which already trade with/invest in Türkiye (41 % of these companies cited this as a priority).

Figure 12 Priority areas in current relations with Türkiye and Türkiye's EU membership, %



It should be noted that the figures in this chart cannot be simply added as the respondents could provide up to three answers.

Survey question: Please select the areas that should be prioritized considering current relations with Türkiye and Türkiye's membership to the EU.

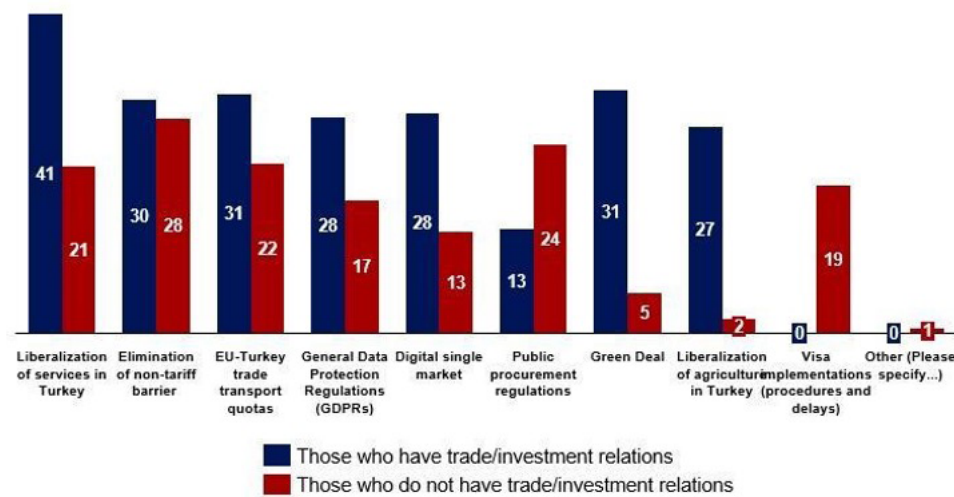
Source: Turkey-EU Business Dialogue (TEBD) - EU- Türkiye Business Relations



Overall interest for the digital single market and the Green Deal was low among EU companies surveyed (16.5 % and 11.1% of companies cited these as priority areas, respectively). However, companies which already trade with/ invest in Türkiye and are more aware of the business environment, consider the Green Deal as a top priority. The Green Deal was the second most frequently cited priority among companies trading with/ invest in Türkiye (31.2 % of these companies). Similarly, 28.3 % companies trading with/investing in Türkiye consider the digital single market to be a priority.

Both the digital single market and the Green Deal will have wide reaching impact in shaping EU's trade and business relations. More awareness of these issues on the part of both EU and Turkish companies will be essential in determining the course of their future interactions.

Figure 13 Priority areas in current relations with Türkiye and Türkiye's EU membership among companies that trade with/invest in Türkiye and those that do not, %



It should be noted that the figures in this chart cannot be simply added as the respondents could provide up to three answers.

Survey question: Please select the areas that should be prioritized considering current relations with Türkiye and Türkiye's membership to the EU.

Source: Turkey-EU Business Dialogue (TEBD) - EU- Türkiye Business Relations

It should be noted that the figures in this chart cannot be simply added as the respondents could provide up to three answers.



3. EUROPEAN COMPANIES' VIEWS ON TÜRKİYE'S ACCESSION PROCESS

The 2022 survey continues to provide insights into the attitudes of European businesses towards Türkiye's potential accession to the EU. This section provides insights into European companies' perception of whether Türkiye will become an EU member state as well as their expectations and apprehensions in relation to Türkiye's potential accession to the EU.

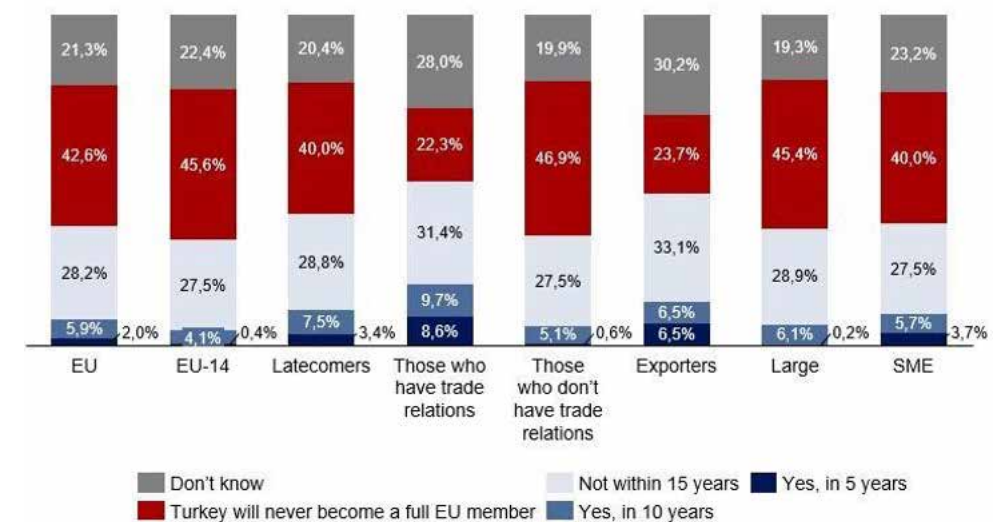
3.1 Will Türkiye become an EU country?

The belief in Türkiye becoming an EU member has declined significantly since the 2013 survey

Compared to the earlier surveys in 2008 and 2013, the percentage of European companies believing Türkiye will join the EU has dropped considerably. In the 2013 survey, more than half of the surveyed companies (55%) considered that Türkiye will be an EU Member State in 10 years. That percentage dropped to 7.9% in 2022.

Moreover, in 2013 only one eighth of the companies interviewed (12%) believed that Türkiye would never join the EU. In 2022 as high as 42.6 % of companies think that Türkiye will never become an EU member state.

Figure 14 Views on whether Türkiye will become an EU member, %



Survey question: Do you think Türkiye will become an EU member?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations

Companies which have traded with or invested in Türkiye are more optimistic regarding Türkiye's entry into the European Union. Almost half of these companies believe that Türkiye will enter the European Union eventually compared to 33.2 % of those who do not have any business relations.

EU latecomers are also more optimistic about Türkiye's accession into the European Union compared to EU-14 countries.

Country wise, companies in Denmark, Bulgaria, Belgium, Romania and Germany are optimistic about Türkiye's entry into the EU³. More than 45% of the respondents in these countries believe that Türkiye will eventually join the EU. Companies from these countries were also more prone to think Türkiye is a part of the European economy.

On the other hand, more than half of surveyed companies in Greece, Luxembourg⁴, Austria, Ireland, Poland, Hungary, Lithuania, Cyprus believe that Türkiye will never join the EU, respectively 63.2%, 60%, 60%, 54.1%, 54.1%, 54 %, 53% and 52.4 % of the respondents in these countries.

³ The sample sizes for Denmark and Belgium are small but proportional to their population.

⁴ The sample size for Luxembourg is small but proportional to its population.

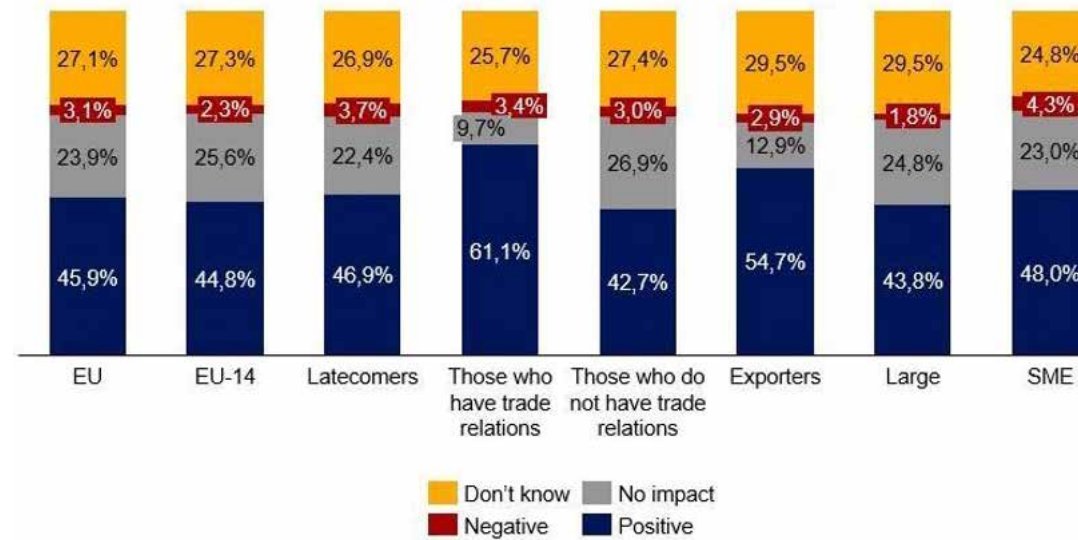


3.2 Expectations from potential EU membership for Türkiye

Despite pessimism surrounding Türkiye's EU prospects, a high proportion of European companies believe the impact of Türkiye's potential EU membership on their own business would be positive.

In 2022, as high as 45.9% of the surveyed companies think that Türkiye's EU membership would benefit their company compared to 21 % in the 2013 survey. Only 3.1 % of companies consider that Turkish membership would present challenges (compared to 19 % in 2013). 29% of the surveyed companies think that Türkiye's membership would have no impact on their company's operations while 24% declared they do not know. Prior engagement with Turkish market is an important factor in EU companies' assessment of the impact of Türkiye's EU membership on its business. As high as 61.1% of companies that have trade/investment relations with Türkiye and 54.7% of those that export to Türkiye believe that Türkiye's potential EU membership would have a positive impact on their business.

Figure 15 Views on the impact of Türkiye's EU membership on company operations, %



Survey question: How do you assess the impact of Türkiye's EU membership on your company and its operations?

Source: Turkey-EU Business Dialogue (TEBD) - EU- Türkiye Business Relations

European companies expect that Türkiye's EU membership will enable easier access to Turkish markets and more transparent business practices.

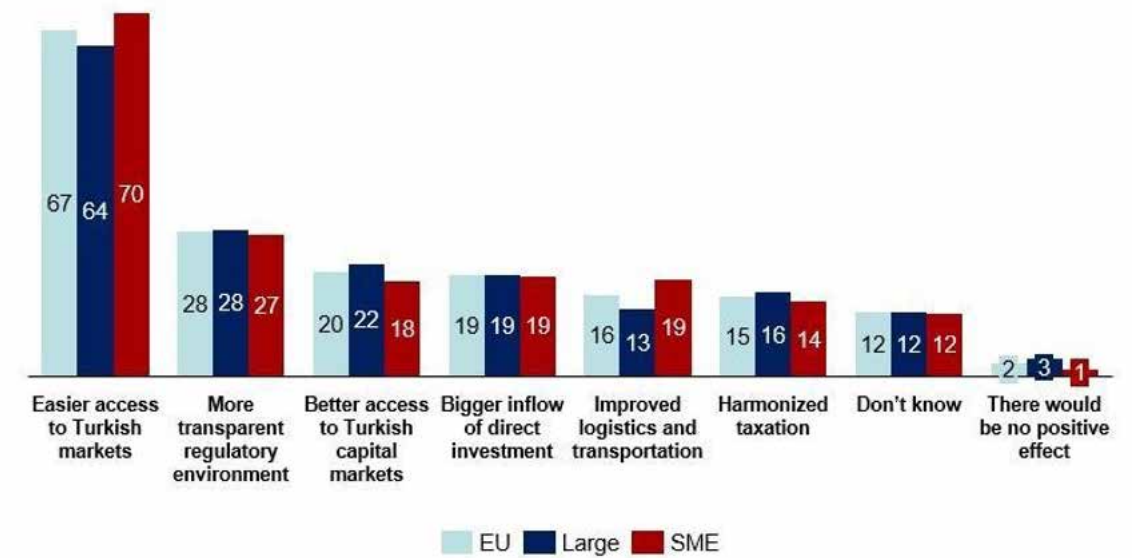
The positive effects that companies expect from a potential EU membership of Türkiye are easier access to Turkish markets and more transparent business practices. Easier access to Turkish markets ranked as the main positive impact by companies in all EU Member States.

A higher percentage of large enterprises cited better access to Turkish capital markets compared to SMEs. About one fifth of both SMEs and large enterprises emphasize bigger inflow of direct investment as an advantage of Türkiye's membership.

Those enterprises with existing trade and investment relations underlined improved logistics and transportation after Türkiye's accession. 36 % of these companies expect that Türkiye's EU membership would deliver such improvements compared to companies (12 %) that are not present in the Turkish market.



Figure 16 The perceived most important positive effects of Türkiye's accession to the EU on company operations, %

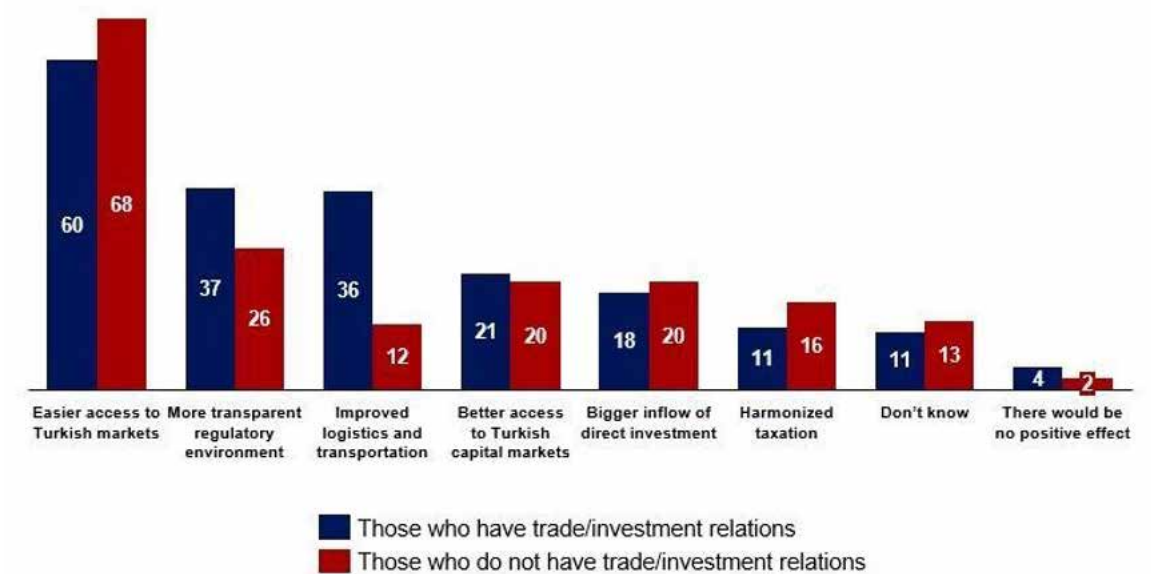


It should be noted that the figures in this chart cannot be simply added as the respondents could provide up to three answers.

Survey question: What would be the three most important positive effects of Türkiye's accession to the EU for your company?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relation

Figure 17 The perceived most important positive effects of Türkiye's accession to the EU on company operations among companies that trade with/invest in Türkiye and those that do not, %



It should be noted that the figures in this chart cannot be simply added as the respondents could provide up to three answers.

Survey question: What would be the three most important positive effects of Türkiye's accession to the EU for your company?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relation



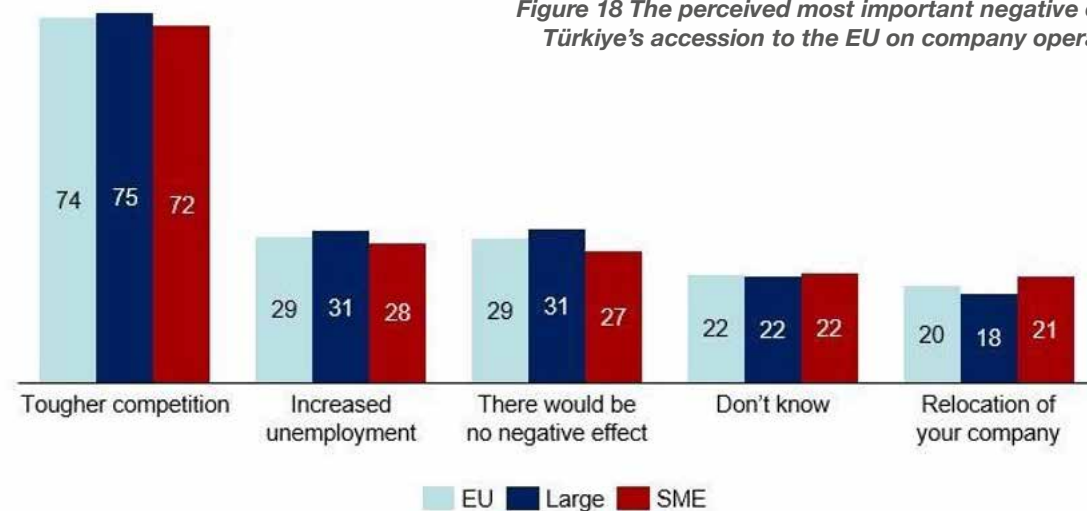
European companies fear tougher competition in the home market.

The most frequently cited negative effect that companies expect is tougher competition in the domestic market (73.6 % of surveyed companies). Tougher competition in home markets is ranked as the main concern by companies in all EU Member States.

Companies also expressed concerns about unemployment (29.5%) while 29.1 % of companies do not expect EU membership of Türkiye to have a negative impact on their operations. The risk of higher unemployment in EU countries derives, somehow, from the higher competitive pressure that could potentially be caused by Türkiye's EU membership.

Companies which are not already present in the Turkish market emphasized increased negative effects of Türkiye's EU accession on employment in their home markets. About one third (30.6 %) of these companies cited increases in unemployment as a negative effect compared to just 16.9 % of companies that already trade with/ invest in Türkiye.

Figure 18 The perceived most important negative effects of Türkiye's accession to the EU on company operations, %

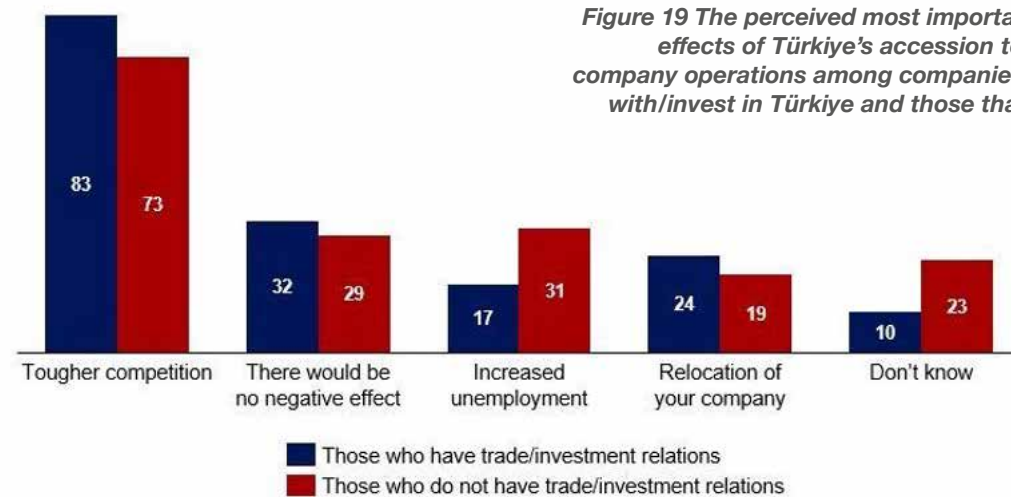


It should be noted that the figures in this chart cannot be simply added as the respondents could provide up to three answers.

Survey question: What would be the three most important negative effects of Türkiye's accession to the EU for your company?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relation

Figure 19 The perceived most important negative effects of Türkiye's accession to the EU on company operations among companies that trade with/invest in Türkiye and those that do not, %



It should be noted that the figures in this chart cannot be simply added as the respondents could provide up to three answers.

Survey question: What would be the three most important negative effects of Türkiye's accession to the EU for your company?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relation



4. THE CUSTOMS UNION BETWEEN TÜRKİYE AND THE EUROPEAN UNION

The Customs Union, which entered into force in 1996, liberalized the trade in goods between the EU and Türkiye. It has also accelerated Türkiye's regulatory convergence with EU rules on free movement of goods, competition policy and intellectual property rights. The potential modernization of the EU-Türkiye Customs Union entered the EU's agenda in 2014.

This third chapter presents the level of knowledge of European companies of the Customs Union and the Customs Union's perceived impact on their own business. It also addresses whether and how the current Customs Union should be modernized. The last section provides insights into the attitudes of European businesses towards collaboration with Türkiye regarding the EU's Green Deal and the digital single market, which will have far reaching implications on Turkish-EU business relations and on the discussions for Customs Union modernization in the near future.

4.1 The EU-Türkiye Customs Union's Perceived Impact

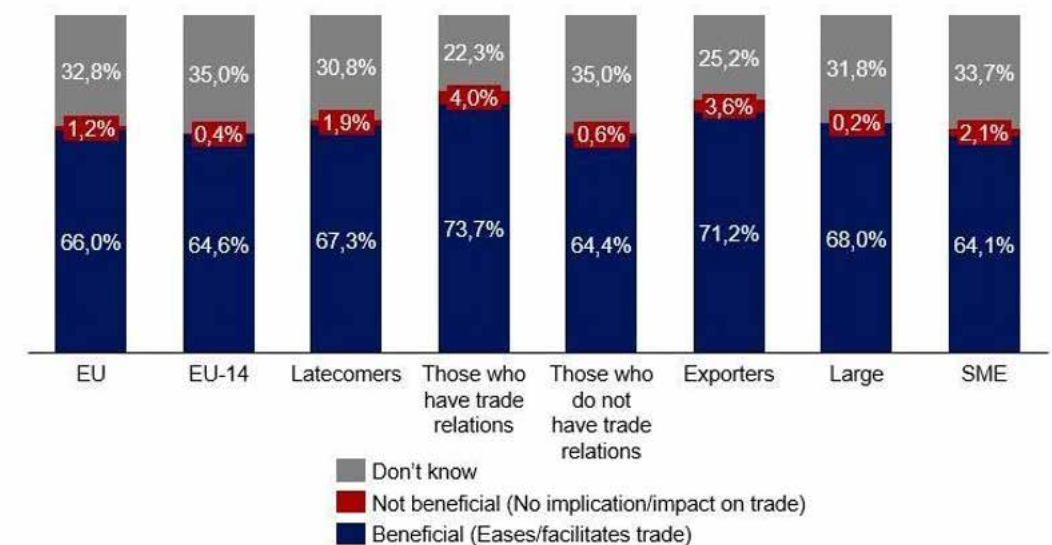
EU enterprises are strong supporters of the Customs Union with Türkiye

In 2022, two thirds (66%) of respondents believe that the Customs Union is beneficial for both Türkiye and the EU. Very few companies said that the Customs Union would not be beneficial. It is important to note that only 17.4% of surveyed respondents presently trade with Türkiye and therefore may not directly benefit from the Customs Union. This difference underlines that the companies' outlook towards the Customs Union is not limited to their immediate involvements. The companies' strong support for the Customs Union reflects a long term perspective that close economic ties with Türkiye, through the Customs Union, is beneficial.

Both support for and awareness of the Customs Union seems to be rising since the 2013 survey. In 2013, only 27 % of companies stated that the Customs Union brought significant advantages to their business compared to 66 % of enterprises that believe the Customs Union is beneficial in 2022.

In terms of awareness, in 2013, 53% of enterprises surveyed stated that they were not informed about the Customs Union with Türkiye while only 32 % of surveyed companies in 2022 said they do not have an opinion. The difference between the two surveys is due to the fact in the 2013 survey companies that do not already trade with / invest in Türkiye were far less aware of the Customs Unions (66 %) . In 2022, however, only 35% of surveyed companies that do not already trade with / invest in Türkiye stated that they do not have an opinion. This may suggest an increase in general awareness about and interest in the Customs Union with Türkiye.

Figure 20 Views on the Custom Union arrangement between Türkiye and EU, %

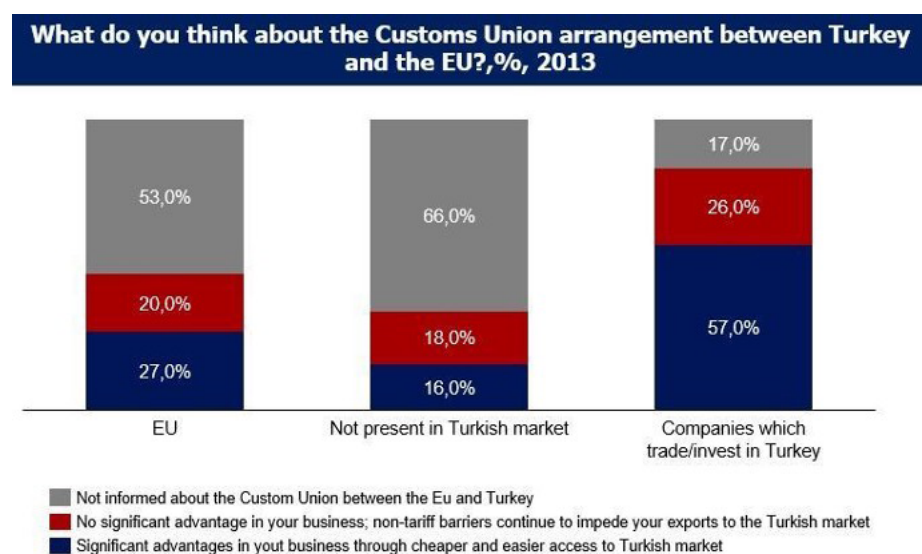


Survey question: What do you think about the Custom Union arrangement between Türkiye and EU?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations



Figure 21 Familiarity with the EU-Türkiye Customs Union and impact of the Customs Union, 2013, %



Survey question: How do you assess the impact of the Customs Union between the EU and Türkiye?

Source: EU-Türkiye Chambers Forum -EU-Türkiye Relations: Perspectives from the European business community - 2013

In a country by country analysis, more than 70 % of the surveyed companies in Denmark (85.7%), Greece (84.2%), Lithuania (82.4%), Latvia (77%), Hungary (76.2%), Romania (75.8%), Slovakia (73%), France (72%) and Portugal (71.4%) believe that the Customs Union is beneficial for both Türkiye and the EU. On the other hand, more than 40 % of companies in Estonia (50%), Sweden (44.4%), Spain (42.9%), Malta (41.7%), the Netherlands (41.7%) and Ireland (40.6 %) stated that they do not know whether the Customs Union is beneficial.

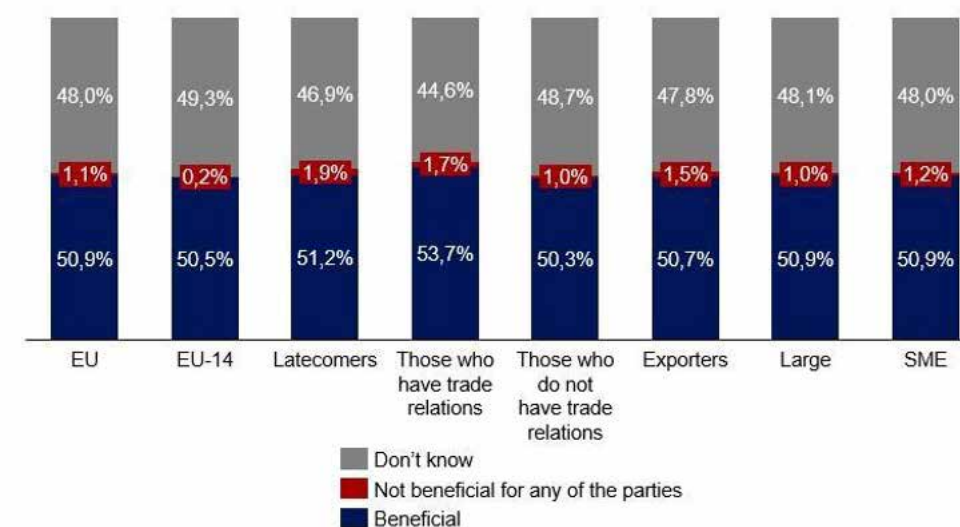
4.2 Views on the modernization of the Customs Union

Opinion is split on the support of the modernization of the Customs Union with half of respondents finding it beneficial and the other half expressing a lack of knowledge on the subject

50.9 % respondents believe that the modernization of the Customs Unions would be beneficial. The other 48% declared that they do not have an opinion about modernization. Only 1.1 % believe that the Customs Union would not be beneficial for either Türkiye or the EU. There is no significant variation among different categories of companies e.g. those that already trade with/invest in Türkiye and those that do not, EU newcomers and EU 14 countries, large and small enterprises.



Figure 22 Views on the modernization of the Customs Union, %

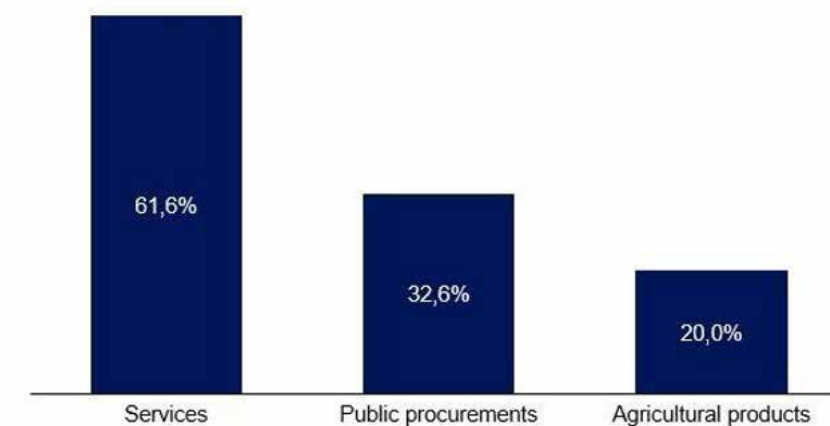


Survey question: How would you assess the modernization of the Customs Union?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations

When asked in which area the Customs Union should be extended, majority of respondents cited services (61.6%). About a third (32.6 %) cited public procurement with agriculture trailing behind at 20 % of surveyed respondents.

Figure 23 Areas the Customs Union should be developed, %



Survey question: In which areas the Customs Union needs to be modernised?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations

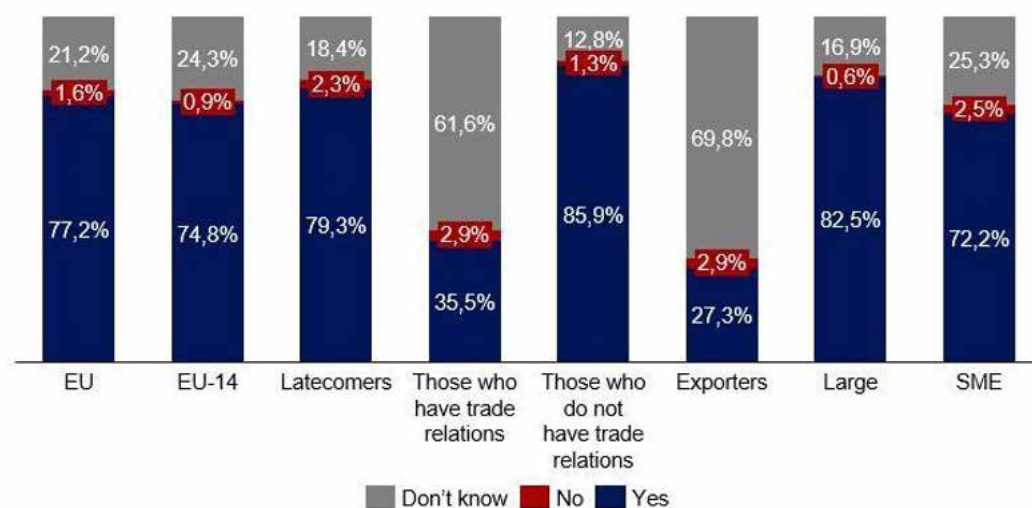


4.3 Views on the Green Deal and future EU-Türkiye collaboration in this area

The EU Green Deal will greatly impact EU-Türkiye business relations. A large majority of EU companies (77.2%) believe that future collaboration between the EU and Türkiye regarding the Green Deal should be strengthened. Large companies were more supportive of such collaboration compared to SMEs.

A very high percentage of companies that do not have trade relations with Türkiye embrace collaboration between the EU and Türkiye regarding the Green Deal (85.9%). On the other hand, a very high percentage of companies that already trade with Türkiye said that they do not know whether such collaboration should be strengthened (61.6%). Uncertainties among companies already present in the Turkish market may be due to the fact that there is still a lack of specific legislation regarding the use of high carbon footprint inputs in the EU context.

Figure 24 Agreement on strengthening collaboration between EU and Türkiye regarding the Green Deal, %



Survey question: "Collaboration between EU and Türkiye regarding the Green Deal should be strengthened." Do you agree with this statement?

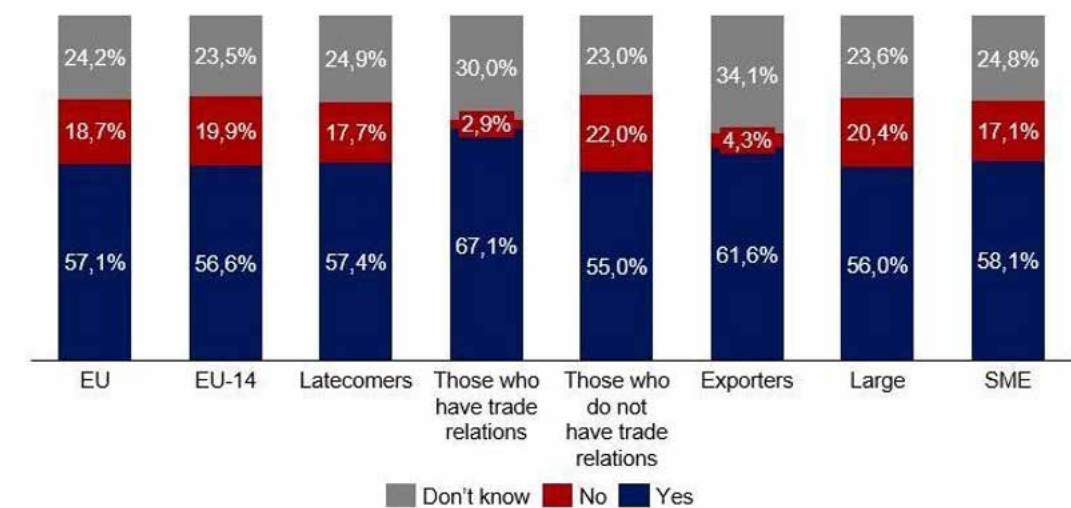
Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations



4.4 Support for future EU-Türkiye collaboration regarding the digital single market

As high as 57.1 % of surveyed companies believe that collaboration regarding the digital single market should be strengthened. As in the case with collaboration regarding the Green Deal, companies that do not have trade relations with Türkiye are more enthusiastic about collaboration regarding the digital single market (67.1%) compared to companies that already trade with Türkiye (55%).

Figure 25 Agreement on strengthening future collaboration between EU and Türkiye regarding the digital single market, %



Survey question: "Collaboration between EU and Türkiye regarding the digital single market should be strengthened." Do you agree with this statement?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations



5. INFORMATION NEEDS AND SOURCES FROM THE EUROPEAN COMPANIES REGARDING THE TURKISH MARKET

The last section of the survey addresses the kind of service support or information European companies seek from the chamber of commerce network and their sources of information about Türkiye.

5.1 Information requirements about the Turkish market

Companies show a high level of interest to be informed about the Customs Union and services to help them find business partners in Türkiye.

Need for information on the Customs Union between Türkiye and the EU, and on finding business partners in Türkiye were the most frequently cited items among companies surveyed (about 34% of companies each cited these items). SMEs were more keen on seeking for information on business opportunities and on Turkish legislation on trade and investment compared to larger companies.

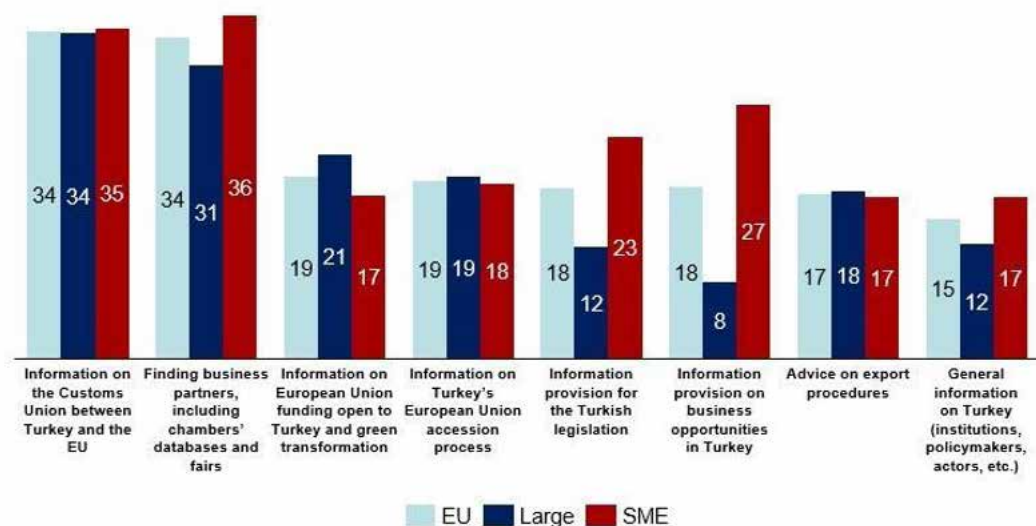
Companies that do not already trade with or invest in Türkiye are keen on finding business partners and getting more information on the Customs Union as well as on being better informed about Türkiye's European Union accession process.

European companies in different sectors place emphasis on the Customs Union with Türkiye. Information on the Customs Union was among the top three most frequently cited items in all sectors. Companies in agriculture and finance were particularly keen on access to information on European funding available for Türkiye. Companies in the construction sector were keen on information on Turkish legislation on trade and investment and on business opportunities.

Information on the Customs Union and on finding business partners were among the top three most frequently cited items by surveyed enterprises in all European member countries. Companies from Netherlands, Finland, Cyprus, Portugal would also like to be better acquainted with Türkiye's European Union accession process. Companies in Bulgaria, Romania and France seek information on Turkish legislation on trade and investment while those in Romania and Croatia would like to be informed on export services.

It is important that the Chambers take into account the specific information requirements of individual companies in the different sectors and countries while shaping their future information-oriented activities.

Figure 26 Information needs and topics of interest regarding doing business in Türkiye, %

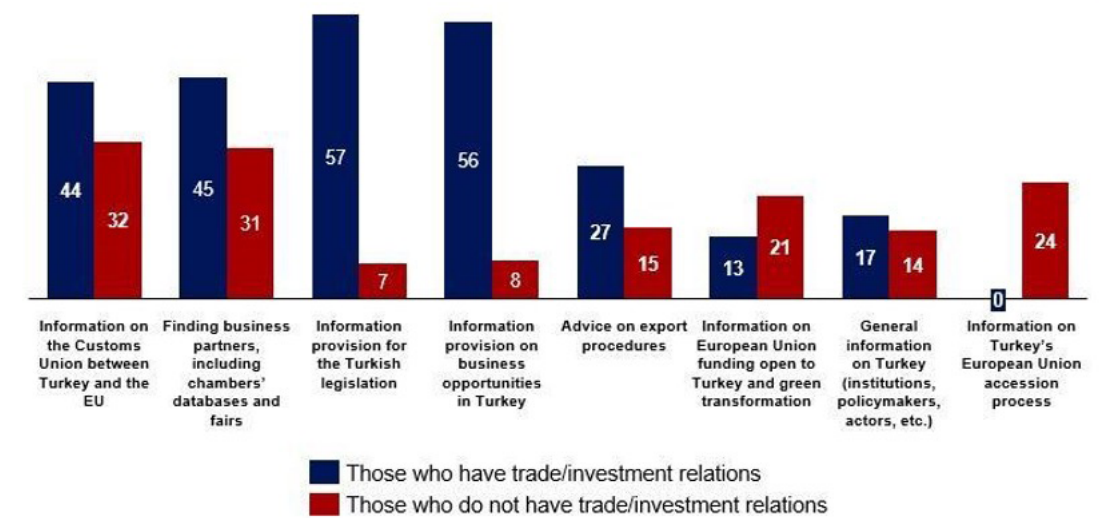


Survey question: What kind of information would you need / be interest in on Türkiye in terms of doing business?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations



Figure 27 Figure 26 Information needs and topics of interest regarding doing business in Türkiye among companies that trade



Survey question: What kind of information would you need / be interest in on Türkiye in terms of doing business?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations

5.2 Sources of information on Türkiye

Chambers of Commerce are the most reliable source of information

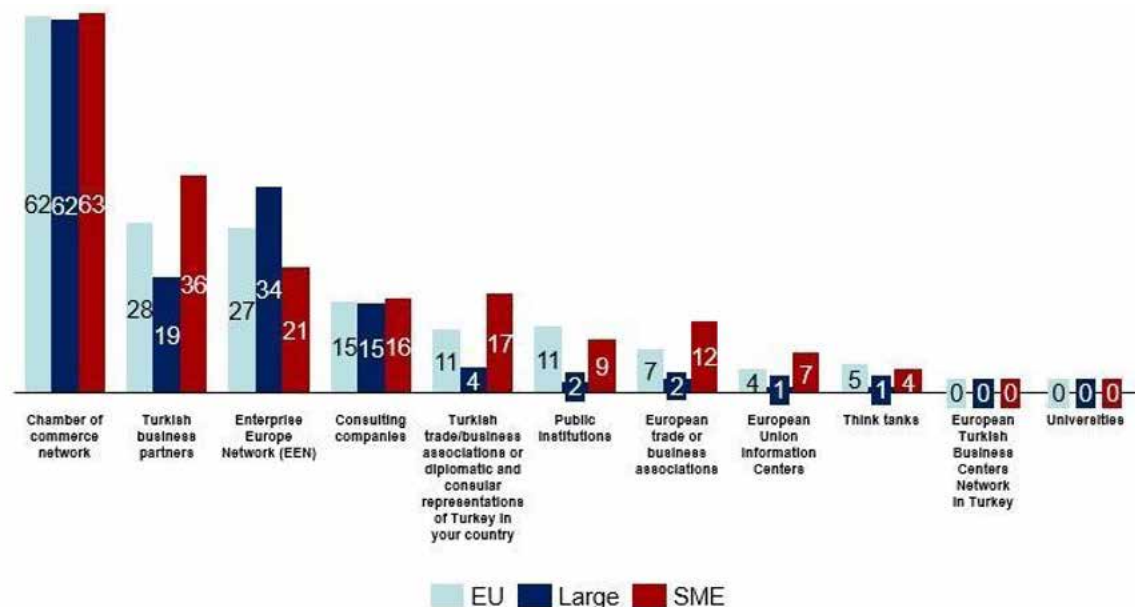
European companies stated that they acquire information on Türkiye mainly via the Chamber Network (62%), Turkish business partners (28 %) and Enterprise Europe Network (27 %). The Chambers of Commerce and Industry, with its large network ensures a unique proximity with the European companies. It plays a leading role in the internationalisation of companies providing a wide range of services: organisation of fairs, trade missions, information on business opportunities, market research, partner search, etc.

The Chamber Network is the main source of information for companies from all sectors and almost all countries with the exception of Romania. In this country, Turkish business partners are the most important source of information followed by European Turkish Business Centers Network in Türkiye and Chambers Network.

The Chamber Network plays a particularly significant role in providing information and services to companies that are not already present in the Turkish market. Specific efforts should be made by the Chambers to ensure these companies, which are exploring opportunities in Türkiye, to be provided with adequate information addressed to their particular needs and requirements.



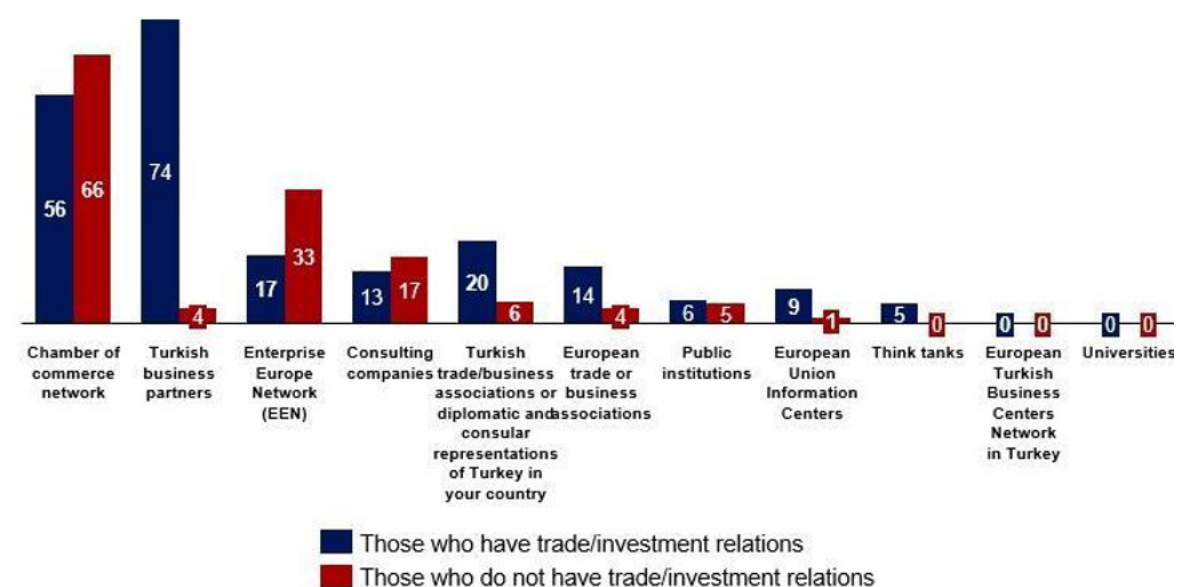
Figure 28 Sources of information, %



Survey question: How do you obtain information about Türkiye?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations

Figure 29 Sources of information among companies that trade with/invest in Türkiye and those that do not, %



Survey question: How do you obtain information about Türkiye?

Source: Turkey-EU Business Dialogue (TEBD) - EU-Türkiye Business Relations



6. CONCLUDING COMMENTS AND A MAJOR POLICY CONCLUSION

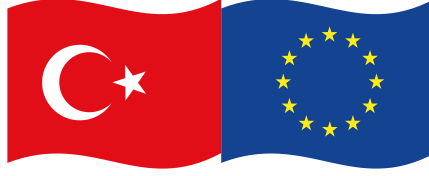
The 2022 survey's results indicate an increased acquaintance of European enterprises with the Turkish market when compared to the results of the 2013 survey. European enterprises are interested in information on the Customs Union, and prioritize elimination of non-tariff barriers to trade and liberalization of services in current relations with Türkiye. This development suggests that the 26-year Customs Union experience between the EU and Türkiye has been successful in raising interest in and familiarity with the Turkish market.

From the perspective Customs Union's modernization, it is crucial that European enterprises are part of the process, their concerns are fully taken into account and are given a voice. Similarly, Turkish enterprises need to be included.

Both the digital single market and the Green Deal will be central topics in modernization discussions. More than half of respondents in the survey noted that collaboration should be strengthened regarding the digital single market. The digital single market and the decarbonization agenda of the EU were not on the table when the original Customs Union arrangement between Türkiye and the EU was designed. It should also be noted that the digital single market debate that began in 2015 preceded the European Green Deal debate.

Digitalization and decarbonization measures are radically changing the structure of trade between countries. The original Customs Union arrangement has become obsolete as can be observed in the design of the European "Carbon Border Adjustment Mechanism" (CBAM) and the current debate on product standards. Modernization of the Customs Union between Türkiye and the EU today should primarily focus on digitalization, data sharing and decarbonization. The 2022 survey also indicates that nearly half of the companies were ignorant about the modernization agenda.

"Modernization is decarbonization" dictum needs to be emphasized both in Europe and Türkiye to define the Customs Union modernization agenda. This is in line with the new growth agenda of the EU, namely the European Green Deal (EGD). Hence, both European and Turkish enterprises need to be adequately informed about the opportunities and new challenges awaiting them with changes in EU's internal priorities of the Green Deal, the Digital Single Market and the modernization of the Customs Union. As EGD is here to stay and influence further guidelines for a more sustainable Europe, modernizing the outdated Customs Union with Türkiye is an immediate priority as can be deduced from the 2022 Survey.



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