



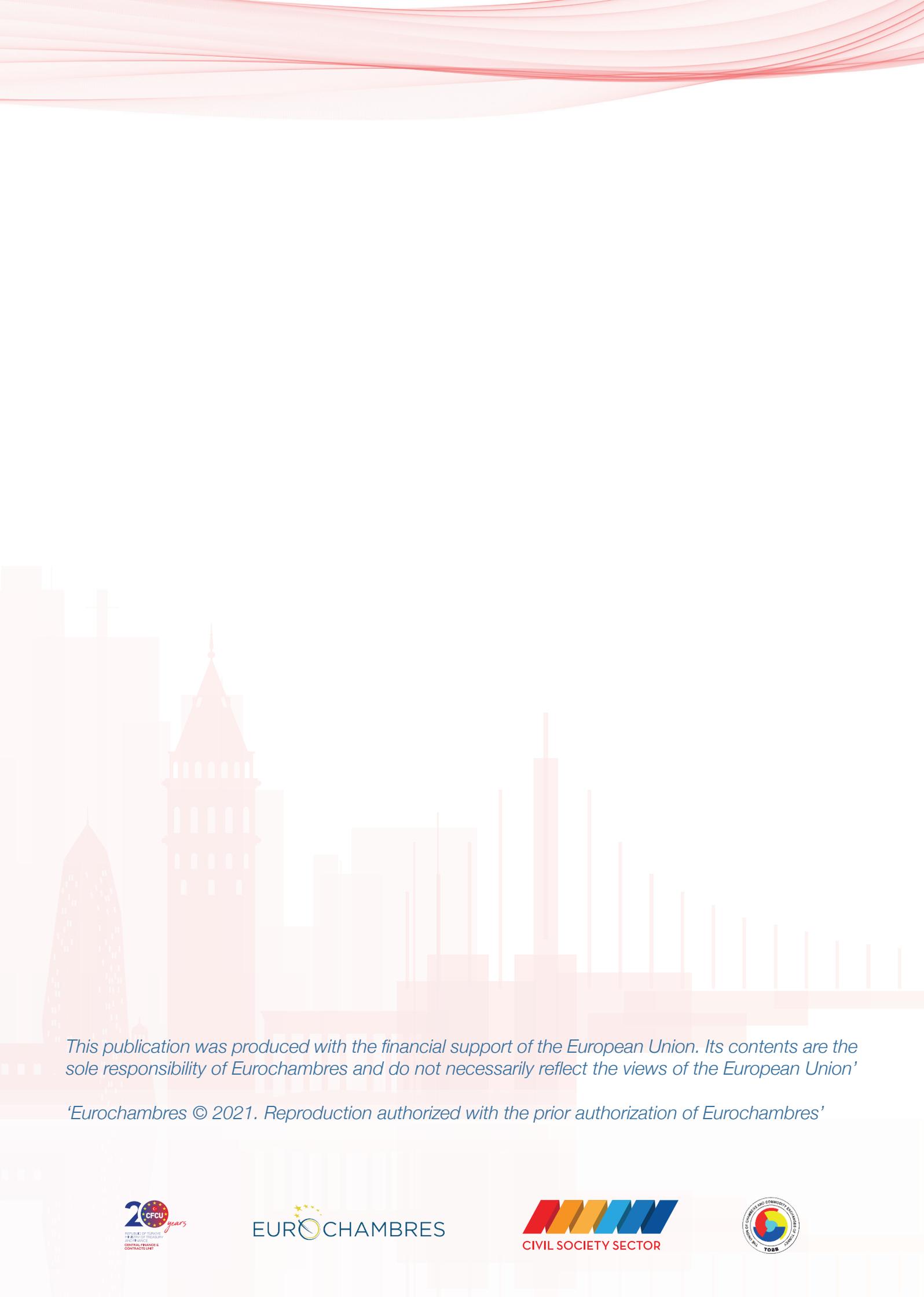
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EU-TURKEY BUSINESS RELATIONS: VIEWS OF THE TURKISH PRIVATE SECTOR

Third Edition-2021





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The Turkey – EU Business Dialogue (TEBD) Project

The Turkey-EU Business Dialogue (TEBD) aims to strengthen mutual understanding and cooperation between the Turkish and EU business communities. TEBD gives Turkish and European Chambers and businesses the opportunity to engage in dialogue, partnerships, capacity building and much more.

Chambers both in Turkey and in the EU have an important role to play in fostering economic cooperation and Turkey's EU accession process. The TEBD Project is based on the long-term partnership of the Association of European Chambers of Commerce and Industry (Eurochambres) and the Union of Chambers and Commodity Exchanges of Turkey (TOBB) as the "voices of the business community" considering their strategic priorities and their members of business communities both in the EU and Turkey.

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/or 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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Published by Eurochambres and TOBB:

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 happy to share with you the results of the third edition of the EU-Turkey Business Dialogue SME Survey on Turkey-EU economic relations. Thanks to the responses of 1,828 Turkish companies of all sizes and from every region of Turkey, for which we are very grateful, this report contains representative insights into the development of attitudes and expectations of the Turkish business community on EU-Turkey economic relations. Earlier surveys were conducted in 2008 and 2013.

The 2021 survey comes against a background of stalled EU-Turkey accession negotiations and major developments in rules regarding environment and digitalization in the EU. The survey focuses on attitudes of Turkish companies towards the Customs Union and its modernization. The talk on Turkey's EU accession has given way to discussions on Customs Union modernisation. This report provides the groundwork to address the implications of the EU's recent Green Deal and digitization policies on Turkish-EU business relations and future discussions on Custom Union modernization.

In line with current state of EU-Turkey relations, this year's survey suggests that Turkish companies show a great interest in the Customs Union and its modernization. Turkish companies would like the chambers to provide them with information regarding the Customs Union. In view of current priority assigned to the Green Deal in the EU, companies will need to adapt to the new environmental and digital concerns. Turkish companies show interest in the digital single market and to further increase collaboration between the EU and Turkey on the topic. This was the most cited topic in EU-Turkey relations that companies would like to be informed about.

Turkish companies value environmental protection and declared that Turkey should ratify the Paris Climate Deal (76%), which the Turkish Parliament ratified in October 2021 (while the survey was

carried out). Yet, very few companies expressed interest to know more about EU's energy and environmental policies, which will have wide reaching impact in shaping EU's trade relations. The Turkish government's Green Deal Action Plan was announced around the same time of the adoption of the Fit for 55 program by the EU.

To ensure that Turkish companies maintain and continue their interactions with EU markets, they 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.

As leading business representatives, Chambers and Commodity Exchanges in Turkey have a legitimate and significant responsibility to assist enterprises in the economic integration process.

We as Eurochambres and TOBB, would like to stress our commitment to further engage in this path of change and progress. We will continue to support our members and to develop their capacity to make sure that the business community are adequately informed about the opportunities and new challenges awaiting them. We also consider, it is important for the Turkish business community to have its voice heard in EU-Turkey relations and are willing to work as strong advocates of deepening of EU-Turkey economic and political relations in contacts with the European, national or local authorities, the media and the population at large.

We hope that the publication of this third survey will provide a fresh impetus to EU-Turkey relations with both civil society and policy makers, and thus will contribute to re-vitalise EU-Turkey relations, which is more important than ever.

EXECUTIVE SUMMARY

Support for EU accession among Turkish companies is still high. 60% of the Turkish companies surveyed were in favor of joining the EU. There has been, however, a decline in support (as high as 75% of surveyed companies were in favor of joining the EU in the 2013 survey), especially among large companies. Support for EU accession is concentrated in industrially developed regions and regions with potential for industrial investments and exports. Companies in manufacturing, trade, finance and construction that received EU investments and/or are export oriented and/or with a potential to export and to attract foreign direct investment (FDI) tend to show high support for Turkey's EU accession. Among those who do not support accession, 80% are pessimistic about the impact of membership on their operations or do not expect any change.

Turkish enterprises are strong supporters of the Customs Union. Companies in a majority of regions are in favour of the Customs Union though a larger percentage of companies in some regions (in comparison to responses regarding support for EU accession) did not have an opinion on the subject possibly pointing to information deficiencies.

Most companies are supportive of the modernization of the Customs Union. The areas that companies would like the Customs Union to be extended is closely related to economic activities in a given region. For instance, companies in regions with agricultural prominence would like the Customs Union to be extended to include agriculture while companies (mostly in western regions) where the service sector is dominant emphasize extension to the service sector. Large companies have stressed the importance of public procurement; this is also an area of interest for companies in West Marmara and Central Anatolia and in the transportation sector.

A key finding of this report is that a large majority of companies (59%) value environmental protection and an overwhelming majority of them declared that Turkey should ratify the Paris Agreement (76%). Nearly half of Turkish companies surveyed are aware of the EU Green Deal. However, very few companies declared that they would like to know more about EU's energy and environmental policies (18%) or the Green Deal.

As high as 74% of companies declared that future collaboration between the EU and Turkey regarding the digital single market should be strengthened. This view was more strongly supported by SMEs, which require resources to adjust to the new realities of the digital age. There is a very high interest to learn more about the digital single market. It was the most cited current topic in EU-Turkey relations that companies would like to be informed about. Liberalization of agricultural trade was the second most frequently cited topic of interest.

Regarding the EU acquis, companies most frequently reported difficulties in trade and taxation rules and require more knowledge on these rules. Product certification, technical regulations and standards were also the most cited area of interest, especially among exporters / companies with commercial ties to the EU. At the same time, companies are still largely unaware of EU funding opportunities and programmes.

Chambers of Commerce remain the most effective source of information on the EU. In the 2021 survey, Turkish businesspersons have expressed a particular interest in the provision of information by the chambers on the Customs Union between Turkey and the EU.

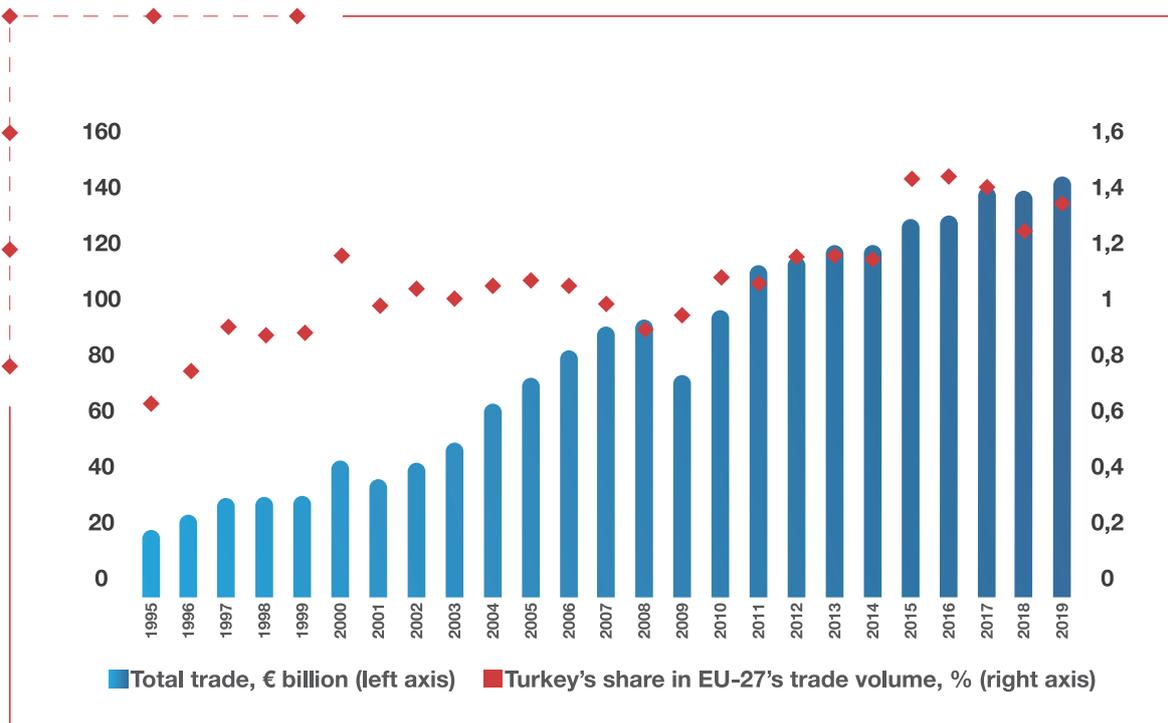
EU-TURKEY RELATIONS: ECONOMIC AND POLITICAL CONTEXT

The second survey in 2013 was carried out against a background of a financial, economic and political crisis of the European Union. Eight years after the second edition of the survey, Turkey’s accession negotiations with the EU have been put on hold and modernization of the Customs Union has been proposed by the European Commission. This section looks at past and present economic and political context of EU-Turkey relations. The EU has emerged as Turkey’s primary trade partner since the initiation of the EU-Turkey Customs Union. Economic ties remain strong regardless of political developments. On the other hand, the recent priority given to environment and digital economy will positively impact the future EU-Turkey economic relations.

Turkey’s trade integration with the EU since 1995: Prospects and Limitations

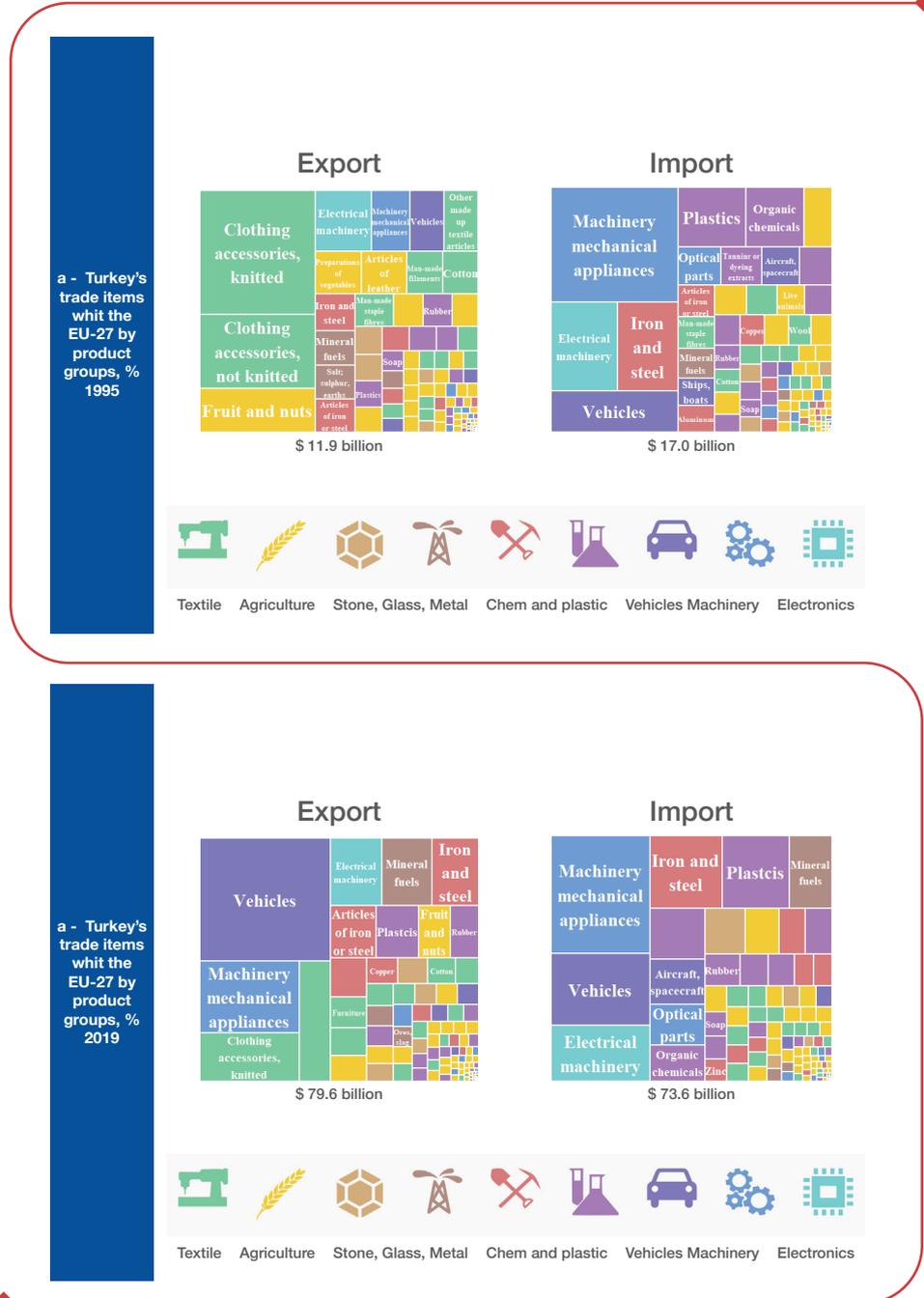
Economic integration, through the Customs Union and the accession process resulted in a significant increase in EU-Turkey trade. Total trade in goods between the EU and Turkey increased from USD 28.9B to USD 153.2 B between 1995 and 2019. The EU is Turkey’s top trade partner and main source of investments. In 2019, 39,6 % of Turkey’s imports came from the EU and 45,4 % of the country’s exports went to the EU in 2019. Turkey is the EU’s 6th biggest trade partner accounting for 1.4% of the EU’s total trade in goods with the world in 2019.

Figure 1 - Total trade in goods between the EU and Turkey, 1995-2019



The Customs Union transformed Turkey’s structure of exports to include manufactured goods. European market integration increased competitiveness of Turkish exports pointing to a change in the structure of exports. In 1995, Turkey’s top exports to the EU were clothing (USD 4 billion, 33,9%) and fruits, vegetables and plants (USD 1.4 billion, 11,8%) while it imported minerals and metals (USD 6.2 billion, 18,6%), non-electrical machinery (USD 5.3 billion, 16%) and chemicals (USD 4.6 billion, 13,9%) from the EU. In 2019, Turkey’s exports to the EU were worth USD 79.6 billion and were led by transport equipment (USD 19.8 billion, 24,8%), minerals and metals (USD 13.6 billion, 17%), clothing (USD 10 billion, 12,6%) and non-electrical machinery (USD 8.8 billion, 11%).

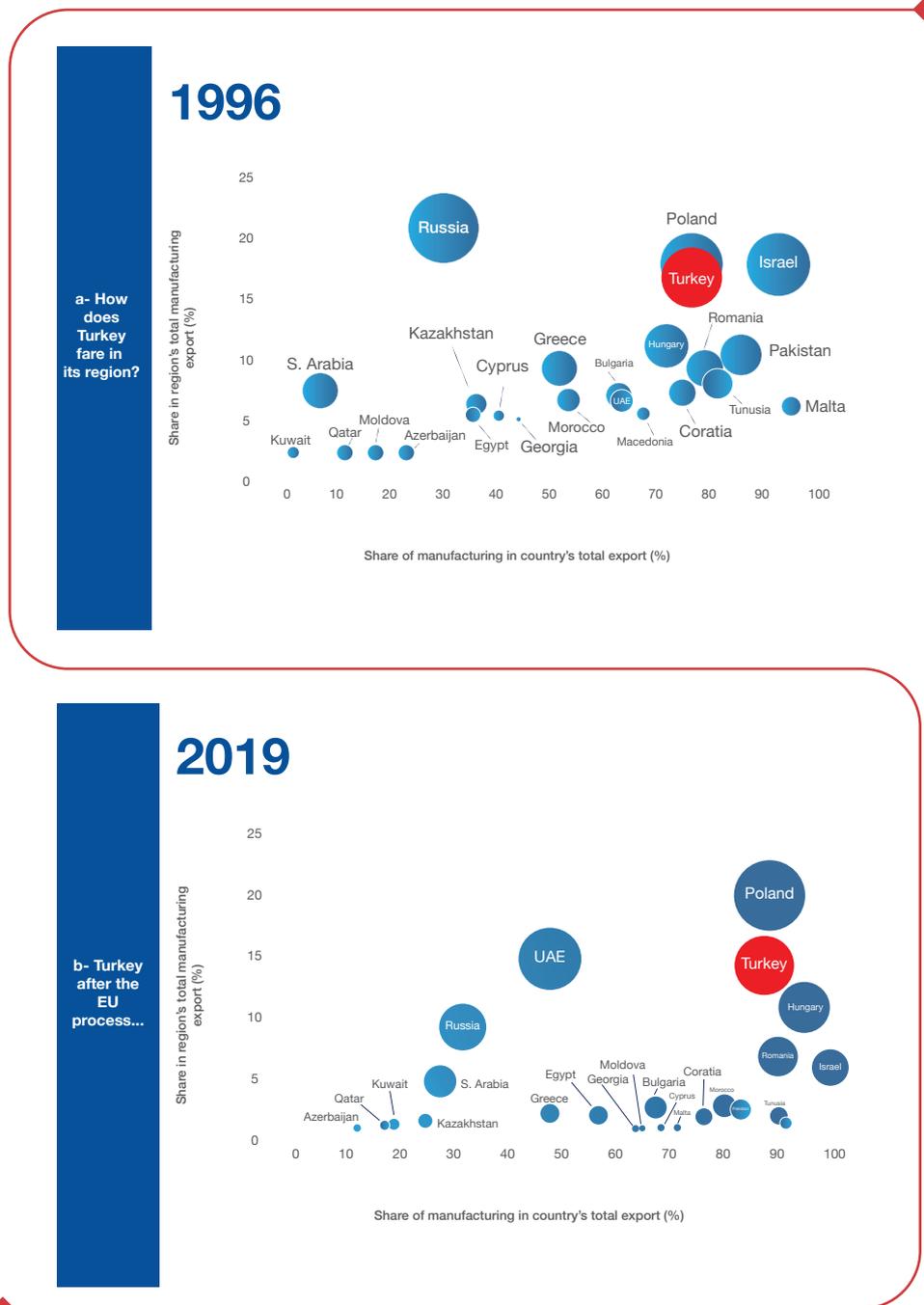
Figure 2 – Comparison of Turkey's trade items with the EU-27 by product groups (%) in 1995 and 2019 (%)



Source: UN Comtrade, BACI *Classifications are based on HS codes at 2 digits

Notwithstanding EU trade integration, Turkey's share in the region's manufacturing has remained stable since 1995. In contrast, countries such as Poland and Hungary that have joined the EU, have increased their share in the region's manufacturing exports.

Figure 3 – Comparison of Turkey's trade items with the EU-27 by product groups (%) in 1995 and 2019 (%)



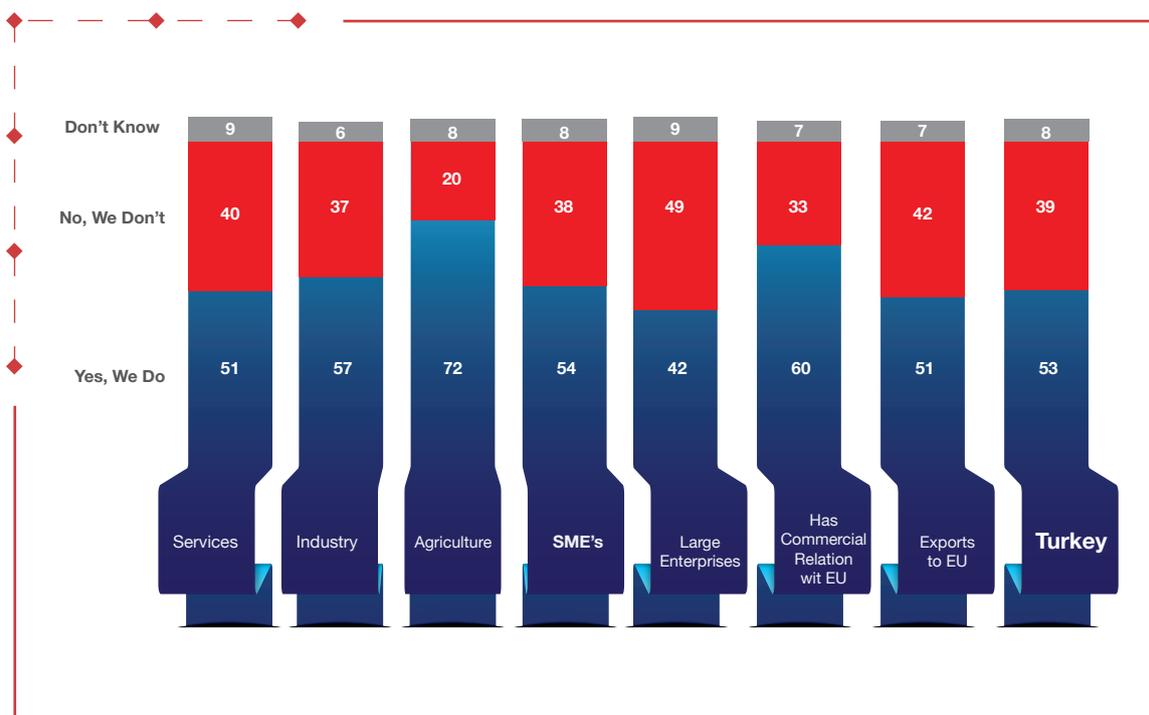
Source: SITC UN Comtrade, World Bank

Note: Bubble sizes represent volume of manufacturing exports.

BOX1: Is Turkey part of the EU economy ?

More than 50% of companies surveyed believe that Turkey is part of the European economy. The perception that Turkey is an integral part of the European economy seems to be higher among SMEs than large companies. 54% of SMEs surveyed consider Turkey to be part of the European economy against 42 % of large companies. Companies, which have commercial relations with the EU, are also more prone to think that Turkey is a part of the EU economy.

Figure 4 - Do you agree with the statement 'Turkey is integral part of the European economy?' (%)



Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business

Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Major developments in Turkey-EU relations since the 2013 survey

Accession negotiations have been effectively frozen while the modernization of the EU-Turkey Customs Union has come to the forefront. Accession negotiations began in 2005. Out of 35 accession negotiations chapters, Turkey opened 16 (one of which was closed on science and research) and 13 of them were opened between 2005 and 2010. The last chapter opened was in 2016.¹ Accession negotiations were effectively frozen during the General Affairs Council meeting in June 2018.²

The potential modernization of the EU-Turkey Customs Union entered the EU's agenda in 2014. The European Commission requested an evaluation report on the implementation of the Customs Union from the World Bank in 2014³. In December 2016, the Commission proposed to modernise the Customs Union and to extend bilateral trade relations to areas such as services, public procurement and sustainable development. The Commission proposal was based on comprehensive preparatory work throughout 2016, which included a public consultation with stakeholders, a detailed Impact Assessment and a study by an external consultant. However, the Council has not yet adopted the mandate.⁴

1. https://www.ab.gov.tr/current-situation_65_en.html

2. https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/negotiations-status/turkey_en

3. <https://www.worldbank.org/content/dam/Worldbank/document/eca/turkey/tr-eu-customs-union-eng.pdf>

4. <https://ec.europa.eu/trade/policy/countries-and-regions/countries/turkey/>; https://ec.europa.eu/smart-regulation/impact/ia_carried_out/docs/ia_2016/turkey_anx6_en.pdf

However, the EU Summit in 2018 halted any further work towards modernisation of the customs union. In October 2020, the European Council has agreed to launch a positive political EU-Turkey agenda with a specific emphasis on the modernisation of the Customs Union subject to conditionalities.⁵ In 2021, the European Council took note of the start of work at the technical level towards a mandate for the modernisation of the EU-Turkey Customs Union and recalled the need to address current difficulties in the implementation of the Customs Union, ensuring its effective application to all Member States.⁶

The EU Green Deal announced in December 2019 has revealed that a new perspective on the CU modernization would be useful. The European Green Deal sets out to make Europe the first climate neutral continent by 2050 by transforming the continent towards a digital, green and circular economy. Imports of certain goods (cement, iron and steel, aluminium, fertilizers, and electricity) from all non-EU countries will be covered by the Carbon Border Adjustment Mechanism (CBAM). This is to prevent “carbon leakage” in the event that EU companies move carbon-intensive production abroad to take advantage of lax standards. In effect, the CBAM will equalize the price of carbon between EU’s domestic products and its imports to ensure that the EU’s climate objectives are not undermined. This could have broad implications for Turkish companies trading with EU as this would require changes in their production standards. CBAM will become operational in 2026 and will initially cover five selected goods at “high risk of carbon leakage” (iron and steel, aluminium, cement, fertilizer and electricity generation).⁷

Turkey will need to adjust to the new EU regulatory environment of the digital single market. The Internet and digital technologies are impacting all types of trade in goods and services. In December 2008, the Information Society and Media Chapter was opened to negotiations during French EU Presidency for all EU candidate countries. In 2015, the EU adopted the Digital Single Market Strategy for Europe to cover digital services and goods from e-commerce to parcel delivery rates, uniform telecoms and copyright rules as well as data sharing. This would require action on the part of Turkish government to ensure Turkish companies adjust to the new EU regulatory environment.

Digital Single Market Strategy for Europe to cover digital services and goods from e-commerce to parcel delivery rates, uniform telecoms and copyright rules as well as data sharing. This would require action on the part of Turkish government to ensure Turkish companies adjust to the new EU regulatory environment.

Other key developments in EU-Turkey relations since 2013:

Visa liberalisation dialogue (VLD):

In 2013, a visa liberalisation dialogue was launched. The VLD is based on the Roadmap towards a visa-free regime with Turkey, a document setting out the requirements that Turkey needs to meet in order to enable the European Parliament and the Council to amend Regulation (EC) No 539/2001. The Roadmap outlines 72 benchmarks under five thematic groups, namely document security; migration management; public order and security; fundamental rights; and readmission of irregular migrants. Of these, Turkey has so far met 66 benchmarks, while six have yet to be fulfilled.⁸

5. <https://www.consilium.europa.eu/en/press/press-releases/2020/10/01/european-council-conclusions-on-external-relations-1-october-2020/>

6. <https://www.consilium.europa.eu/en/press/press-releases/2021/06/25/european-council-conclusions-on-external-relations-24-june-2021/>

7. https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_3661

8. <https://www.avrupa.info.tr/en/visa-liberalisation-dialogue-6896>

The refugee crisis: The EU has been working closely with Turkey on the refugees crisis. A Joint EU-Turkey Action Plan came into force in 2015 following 29 November 2015 Turkey-EU Summit and the EU Facility for Refugees in Turkey was established the same year, with €3 billion funding. Turkey-EU cooperation on migration was further enhanced by 18 March 2016 Turkey-EU Statement that covers other key elements in Turkey-EU relations beyond migration cooperation, as well as committing additional €3 billion funding for FRiT, bringing the total funding up to €6 billion. The Facility coordinates the mobilisation of EU assistance pledged to refugees in Turkey of €6 billion to fund projects in priority areas of education, health, protection, basic needs, socio-economic support and municipal infrastructure.⁹ In June 2021 EU has pledged an additional €3 billion to cover 2021-2023 and continue EU assistance to refugees in Turkey.

EU-Turkey High Level Business Dialogue: In the meeting of the EU Heads of State with the Turkish government on 29 November 2015, it was agreed that a High Level Economic Dialogue (HLED) will be launched in the first quarter of 2016. The aim of the HLED was to further enhance economic relations and create a platform to bring business circles together on an annual basis. Three HLED meetings were held since then (April 2016, December 2017 and February 2019). EU-Turkey High Level Business Dialogue (HLBD) meetings were organised as part of the HLED bringing together the EU and Turkish public and private sectors to discuss EU-Turkey economic relations and how they can be improved. The last EU-Turkey High Level Business Dialogue was organised on 10-11 March 2021 as the stand-alone in the framework of Turkey EU Business Dialogue (TEBD) Project, and also focused on EU Green Deal.

EU-Turkey High Level Climate Dialogue: European Council Conclusions of 25 March 2021 and 24-26 June 2021 refer to the possible launch of a high-level climate dialogue as an element of the positive agenda between Turkey and the EU. Pursuant to that decision, the first meeting of the High Level Climate Dialogue (HLCD) between Minister of Environment, Urbanization and Climate Change, Murat KURUM and the Vice President of the European Commission responsible from the Green Deal, Frans TIMMERMANS was held on 16 September 2021 in Brussels. The second meeting of the HLCD is expected to take place in 2022 in Turkey.

⁹ https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/negotiations-status/turkey_en

RESPONDENT PROFILE

The survey was addressed to a representative sample of 1,828 companies across Turkey. The 2021 survey focuses on attitudes towards Turkey's potential accession to the EU but not on compliance with the acquis by Turkish companies as did earlier surveys. Attitudes towards the Customs Union and its modernization is a primary focus. The survey also covers attitudes of Turkish businesspeople towards the EU's recent Green Deal and digitization policies with implications on future Turkish-EU business relations.

The sample was constructed in a manner that represents all NUTS 3 regions, sectors, and scale of the firms. Size-wise, SMEs account for 92.01% of surveyed enterprises and large enterprises account for 7.99%. All sectors have been represented, though with an emphasis in the following four sectors: wholesale, retail and repair of motor vehicles (35%), manufacturing (31%), transportation and storage (13%) and accommodation and food service activities (9%).

As in the 2008 and 2013 editions of the survey, the majority of respondents operate in the domestic market. 82,11% of the companies do not declare themselves as exporters while only 2,13% of the respondents export more than 50% of their turnover. This is due to the fact that there are a high number of SMEs¹⁰ among respondents and most Turkish SMEs produce for the domestic market. Only 16,79 % of surveyed companies have commercial links with the EU.

¹⁰ According to the amendment made on the "Regulation on Definition, Qualifications and Classification of Small and Medium-Sized Enterprises" on 10/9/2012, enterprises which have less than 250 employees and the annual turnover or the balance sheet total of which does not exceed 125 million TRY are defined as SMEs. In the 2013 survey, companies with less than 250 employees were considered as SMEs, as defined in the employment statistics of TÜİK (Turkish Statistical Institute). In this report, we have also taken into consideration the annual balance sheets of companies in addition to numbers of employees. The analysis remains comparable to the 2013 report. We have made calculations where needed using the employee based definition and concluded that the comparative analysis has not been impacted.



1. ATTITUDE TOWARDS TURKEY'S POTENTIAL EU ACCESSION

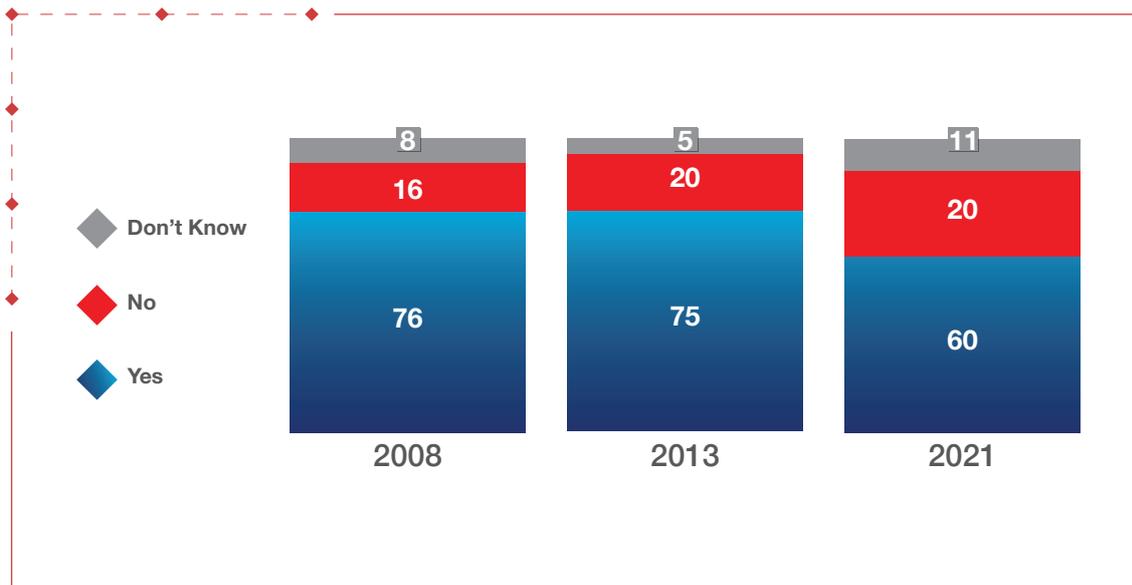
The third survey continues to provide insights into the attitudes of Turkish businesspeople towards Turkey's potential accession to the EU. It is not, however, focused on compliance with the EU acquis as did the earlier surveys. This section analyses the attitudes of Turkish companies, their expectations as well as their apprehensions in relation to Turkey's potential accession to the EU.

1.1. Views about potential membership

Support is still around 60 %

60% of the Turkish companies surveyed were in favour of joining the EU compared to three quarters in 2013. Greater support in earlier surveys of Turkish companies reflected an optimism based on the ongoing accession process. In this year's survey, it is clear that the effectively frozen Turkey-EU accession talks have had a negative impact on the level of support for Turkey's EU membership.

Figure 5 – Support for Turkey's EU membership in 2008, 2013 and 2021 (%)

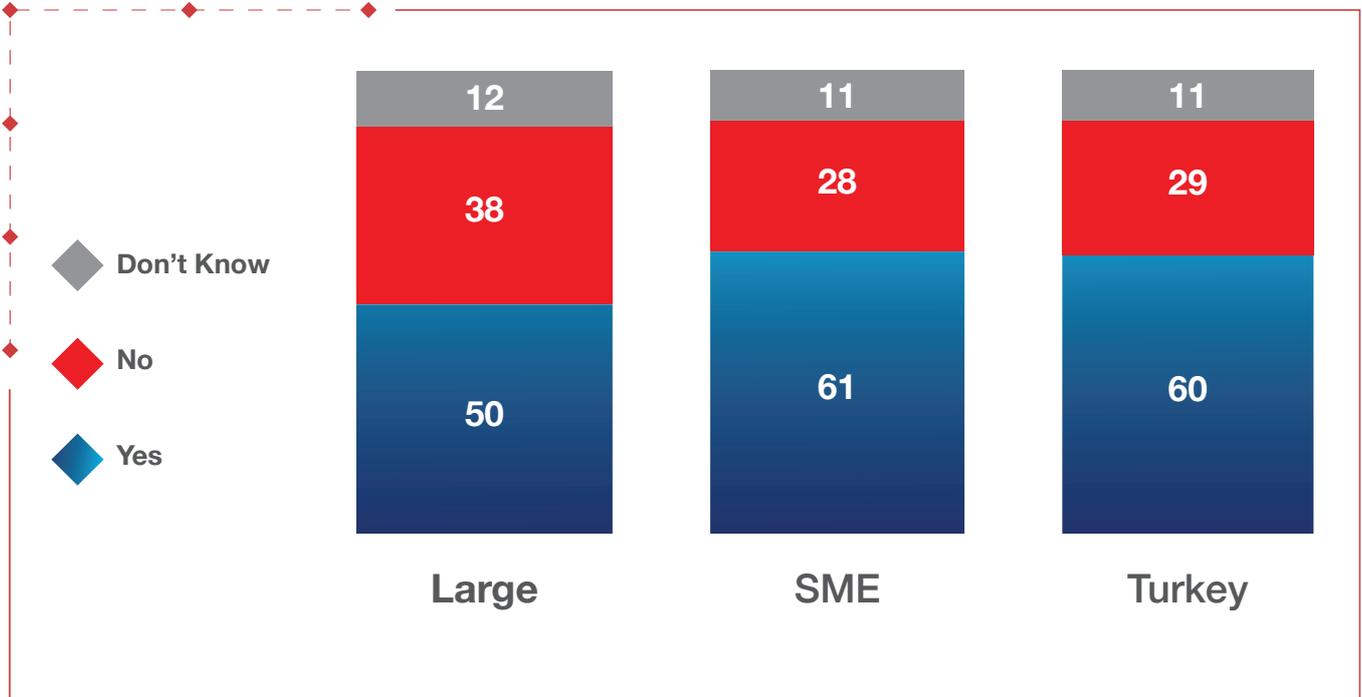


Survey question: Do you support Turkey's EU membership as a company?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

The decline in support for EU accession is most striking among large companies. In the 2013 survey, 90 % of large companies were supportive of EU membership. In 2021, only 50% of large companies expressed their support for joining the EU while support from SMEs was 61%. As the next section indicates, large companies are pessimistic about the impact of membership on their businesses.

Figure 6 - Support Turkey's EU membership by company size (%)



Survey question: Do you support Turkey's EU membership as a company?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

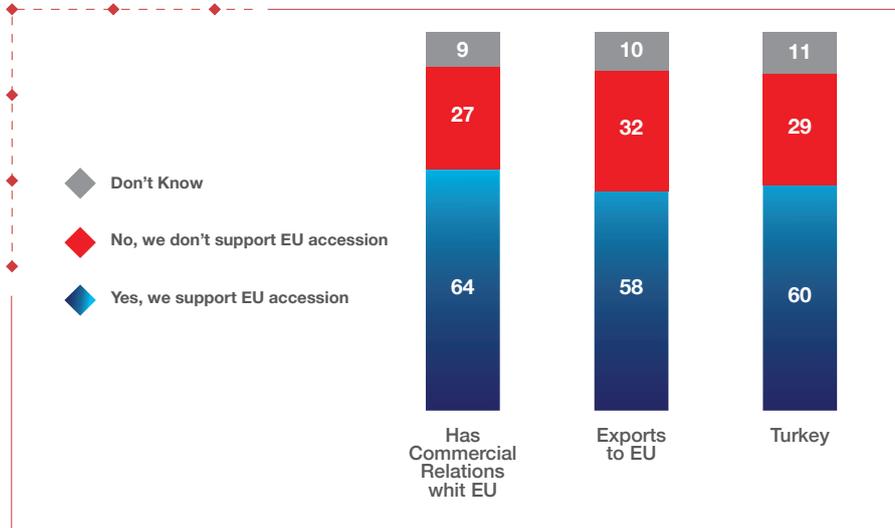
Support for EU accession concentrated in industrially developed regions and regions with potential for industrial investments and exports

Figure 7 - NUTS-1 Classification of Turkey



Exports to the EU does not appear to be an absolute prerequisite for companies to support accession. Among companies that are exporting to the EU only 58 % are supportive of accession, which is below the Turkey average. Commercial relations with the EU and the industrial promise of a region are stronger motivations for support of EU accession.

Figure 8 - Support for Turkey's EU membership among companies with exports to/commercial relations with Turkey (%)

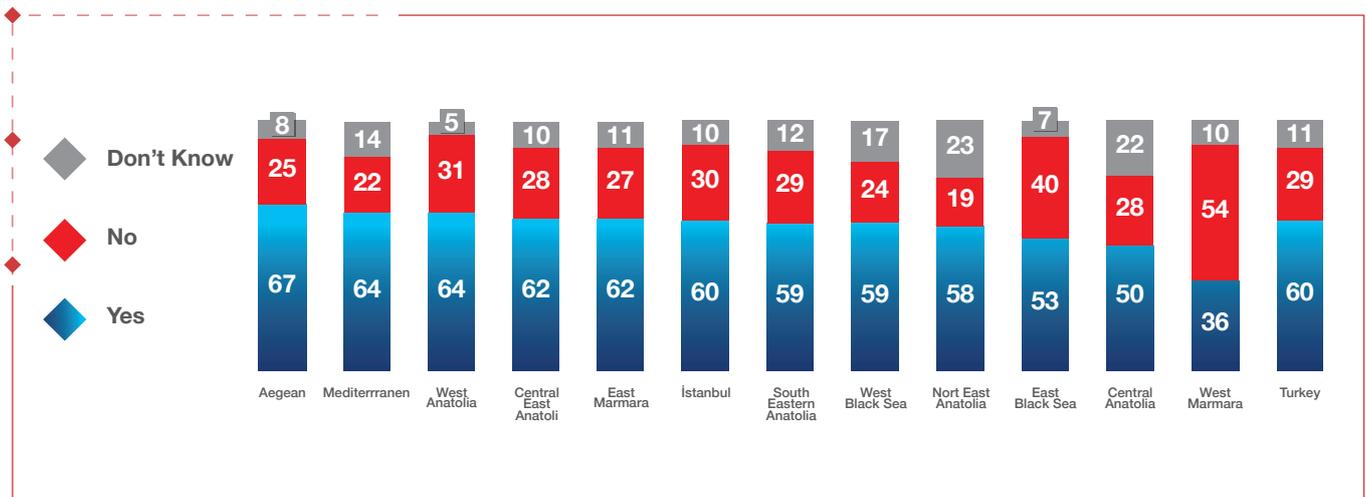


Survey question: Do you support Turkey's EU membership as a company?

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More than 60% of the companies in the Aegean, Mediterranean, Central East Anatolia, Western Anatolia and East Marmara support EU accession.

Figure 9 - Support Turkey's EU membership as a company by region (NUTS-1 Regions, %)



Survey question: Do you support Turkey's EU membership as a company?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation



East Marmara and the Aegean regions are well-established manufacturing centres with strong export links to the EU. The cities in these regions including İzmir, Denizli, Kocaeli, Bursa, and Manisa where EU-bound exports makes up a large portion of total exports are supportive of accession (**Figure 11**). Bursa , Kocaeli and Izmir are also recipients of EU FDI (**Figure 12**).

Mediterranean region's export links to the EU are weaker compared to East Marmara and the Aegean regions (**Figure 10 and Figure 11**). Adana, Antalya and Mersin in this region receive high levels of FDI although not necessarily from the EU. They also have a well-developed food processing industries, which may make these areas attractive for future investment from and exports to the EU. This in turn may explain the high levels of support for accession among Turkish businessmen.

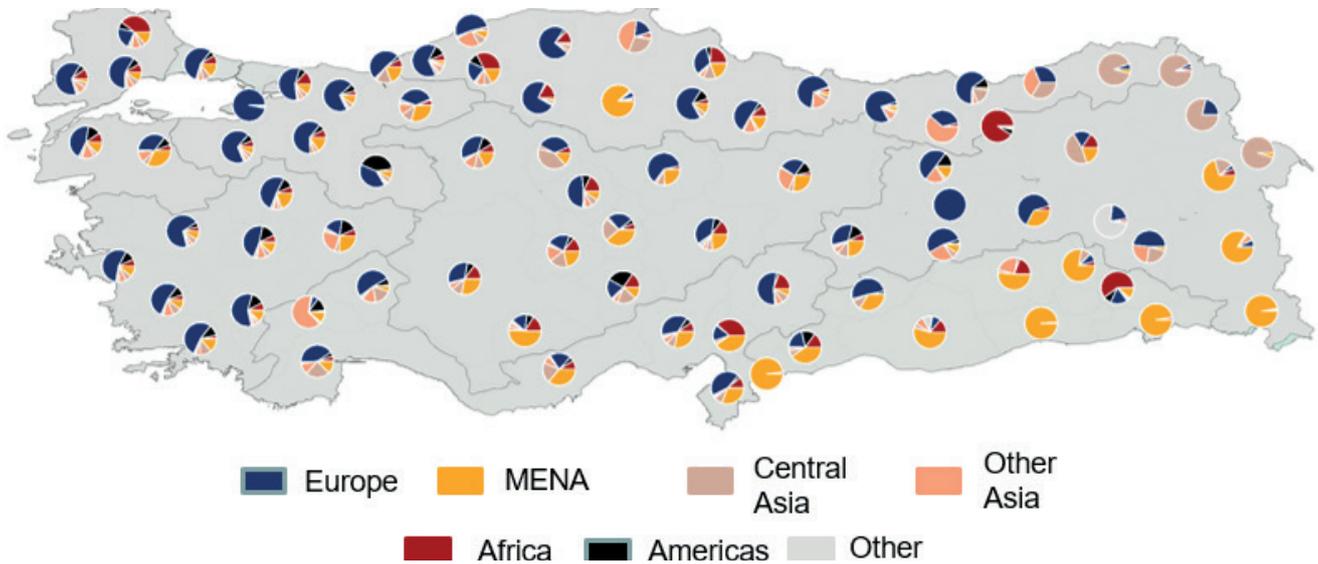
In 2013, Central East Anatolia was also among the most supportive regions of EU accession. This region continue to be supportive though it has only some investments from EU and practically no exports. The support could be explained by the immediate growth effects in these relatively underdeveloped areas, of investments made by the Dutch in Elazığ and French in Van.

In Western Anatolia, in Konya and Ankara support for EU accession is high. In both provinces, the share of exports to the EU in total exports is low although the volume of exports destined to the EU is relatively high in Ankara (**Figure 24**). Ankara is also a receipt of EU FDI while EU based companies have been making considerable investment inroads in Konya in the past decade (**Figure 12**).

On the other hand, compared to earlier surveys, support for EU accession in Istanbul, the country's biggest exporter (**Figure 11**) and largest recipient of European FDI (**Figure 12**) , has fallen sharply from over 80% to 60 %. This can be explained by the diversity of businesses in the mega city.

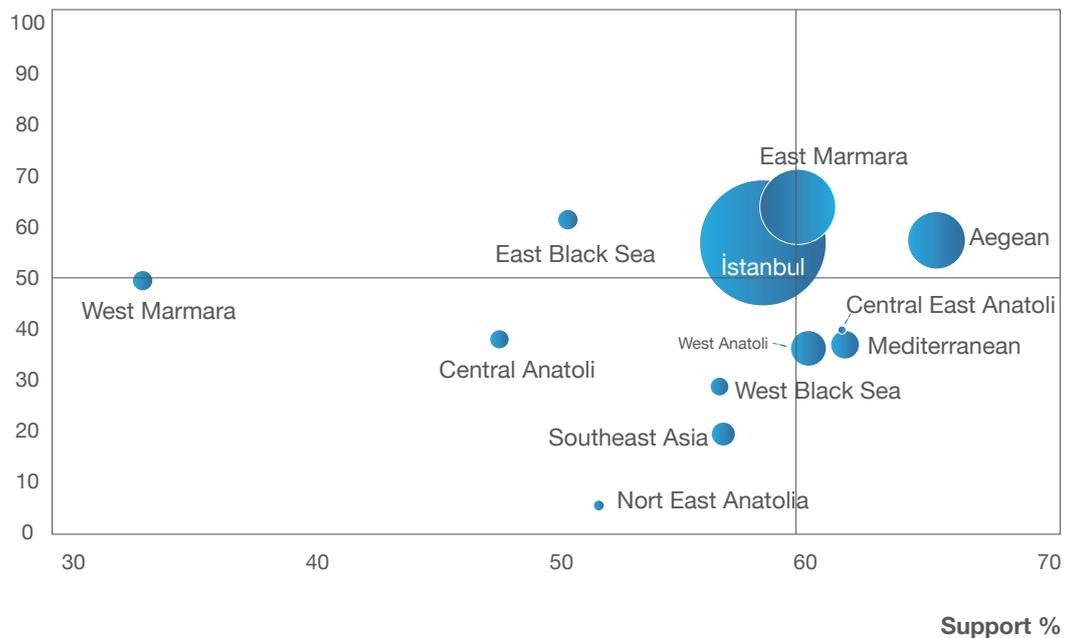
The least supportive companies are to be found in the industrially underdeveloped regions of Central Anatolia and Northwestern Anatolia. More than 20% of companies in these two regions responded that they do not know, possibly pointing to information deficiencies. Support for accession is also low in the East Black Sea region (53%) in spite of the fact that this region includes cities with food processing industries (tea and nuts) that export to the EU (**Figure 10 and Figure 11**). However, a majority of Turkish businesspeople in this region believe the Customs Union is beneficial for Turkey.

Figure 10 – Export map of different provinces (2019, %)



Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

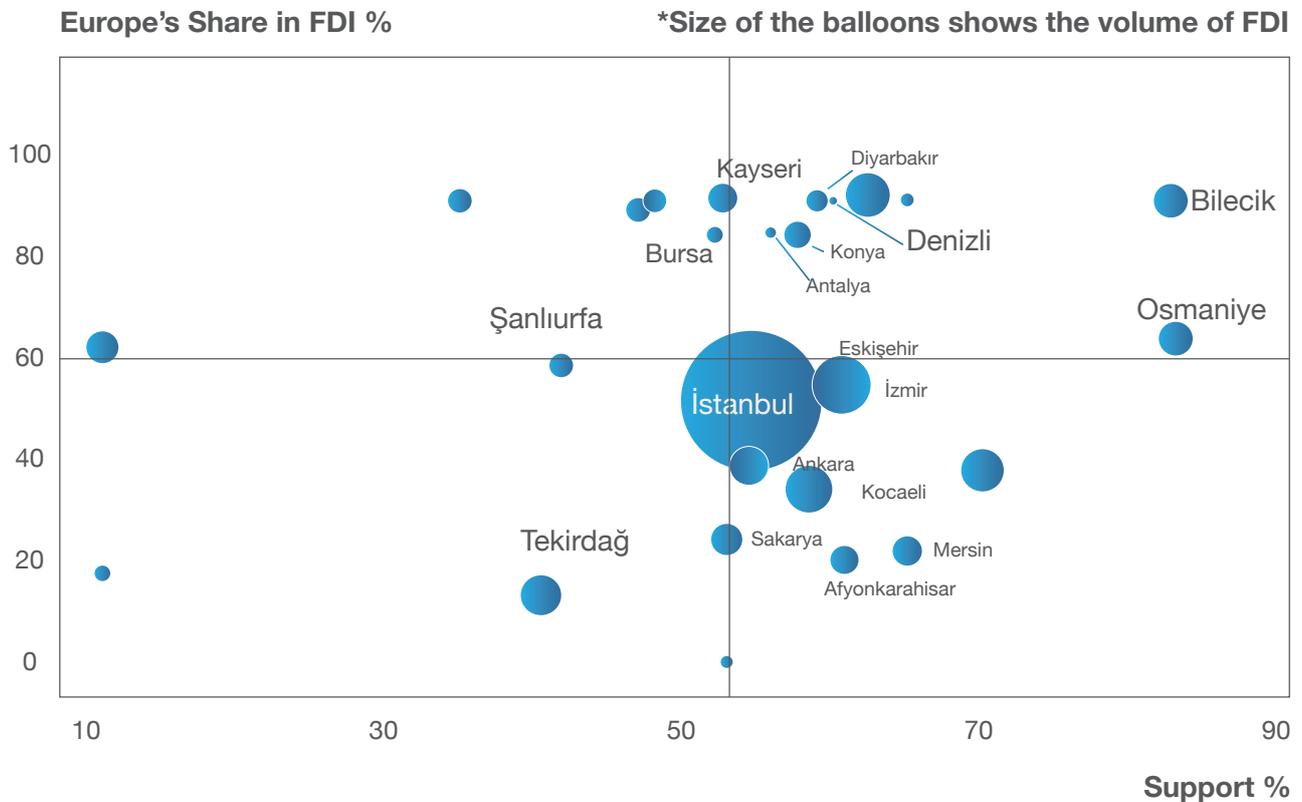
Figure 11 - Support for EU membership in different regions based on the share of European exports in their total exports (% , 2019) and volume of EU destined exports (2019)



Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation



Figure 12 - Support for EU membership in different provinces based on the share of European FDI in their total FDI (2005-2019 cumulative FDI, %)



Source: FDI Market, TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

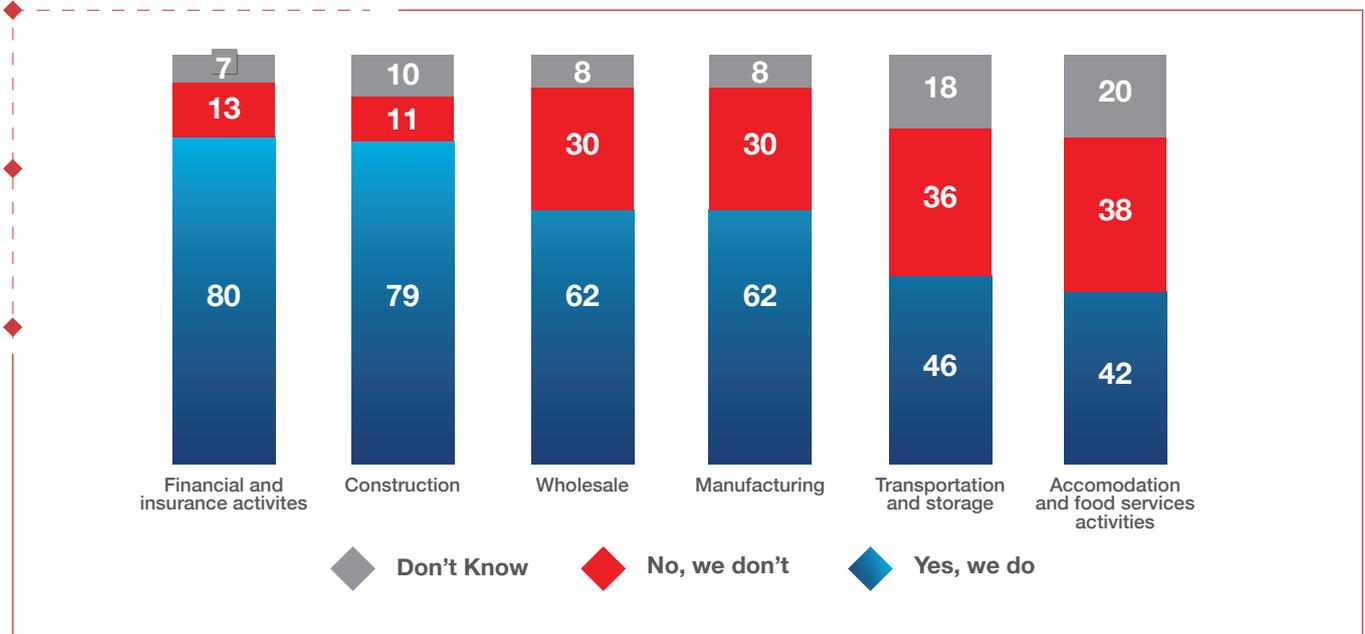
Companies in manufacturing, trade, finance and construction that received EU investments and/or are export oriented and/or with a potential to export and to attract FDI tend to show high support for Turkey’s EU accession

Companies in the financial and insurance sector (80% of respondents in this sector) and the construction sector (79% of respondents in this sector) show very strong support for Turkey’s accession. Easy access to funds as well as sophisticated financial instruments may be a motivation for support among companies in the financial and insurance sector. The construction sector has received considerable investments from the EU between 2005 and 2021: it was the second sector to receive most FDI overall (USD 12.3 B) accounting to 8.6% of total investments coming into Turkey and 18.7 % of EU FDI.

More than 60 % of companies in the wholesale and retail category, and manufacturing sectors also support Turkey’s accession to the EU. These sectors have high rates of exports to the EU.

The least supportive companies are in the transportation and storage (46%) and in accommodation and food service sectors (42%). Companies operating in these sectors are not covered by the Customs Union, and they will have to restructure in line with EU regulations i.e. product certification, food and environmental regulation, and may be negatively impacted by transportation restrictions.

Figure 13 – Support for Turkey’s EU membership by sector (%)



Survey question: Do you support Turkey’s EU membership as a company?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Note: The sectoral analysis includes sectors where the sample size is higher than 45 companies.

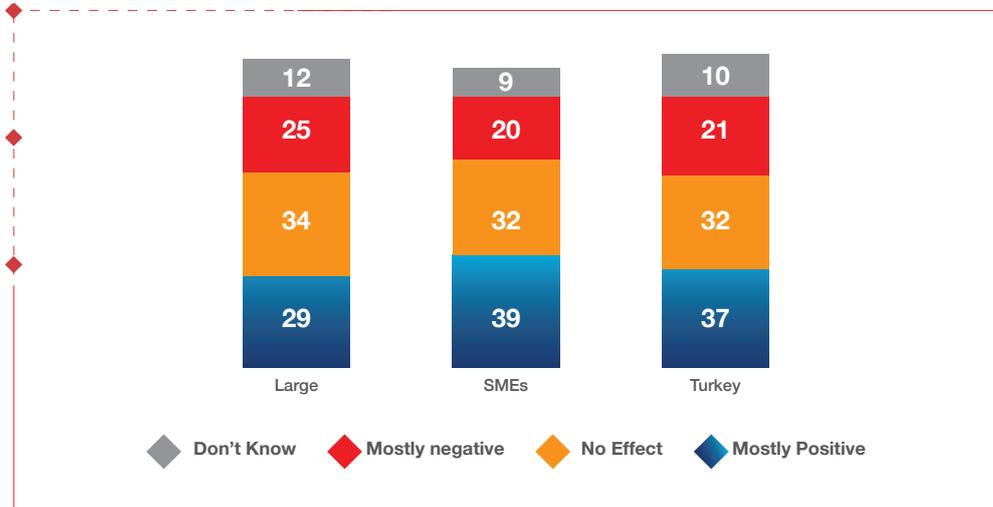
1.2. Expectations from a potential EU membership

Positive expectations from EU membership has fallen, especially among large companies

Turkish companies are less positive than in 2013 regarding the impact on their business, of Turkey’s potential membership to the EU. Only 37 % of companies that participated in the survey are optimistic about their business prospects in the single market. 21 % are pessimistic and 32% do not expect any change. In the 2013 survey, in a related question where companies were asked whether the EU acquis would improve the overall management and operations of their company, 63 % answered that compliance would bring mainly benefits to their companies.

In 2021, large companies are the least optimistic about the benefits of EU membership. Only 29 % believe that the impact would be positive while 34 % and 25 % believe that membership will have no impact and a negative impact, respectively.

Figure 14 – Views on the impact of Turkey’s EU membership on company operations (%)

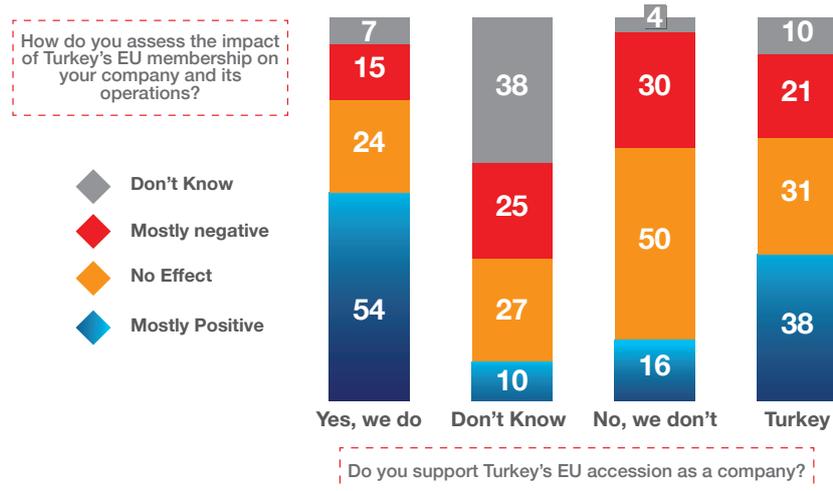


Survey question: How do you assess the impact of Turkey’s EU membership on your company and its operations?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

There is a link between the absence of support for Turkey’s EU accession and the perception of the companies of the impact of EU membership on their business. Among those who do not support accession, 80 % are pessimistic about the impact of membership on their operations or do not expect any change.

Figure 15 - The impact of Turkey’s EU membership on company operations and support for Turkey’s EU membership (%)



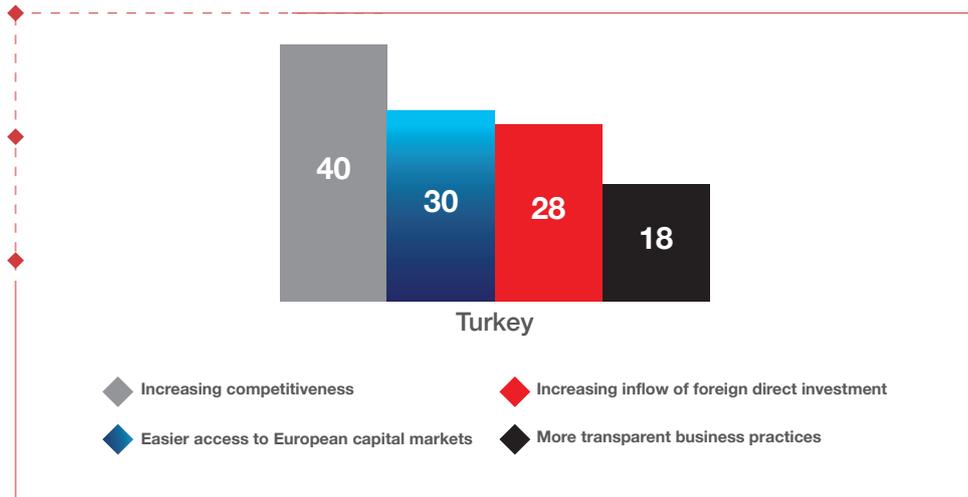
Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Among companies that are optimistic about the benefits of EU membership or do not expect any change, expected positive changes from a potential EU membership of Turkey are long term strengthening of competitiveness, easier access to European capital markets and bigger inflow of Foreign Direct Investments.



Companies expect that EU membership will bring about more competitive business environment and enable access to funds and markets

Figure 16 - The perceived most important positive effects of Turkey's accession to the EU among companies that are optimistic about / do not expect any change from 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: What would be the three most important positive effects of Turkey's accession to the EU for your company?

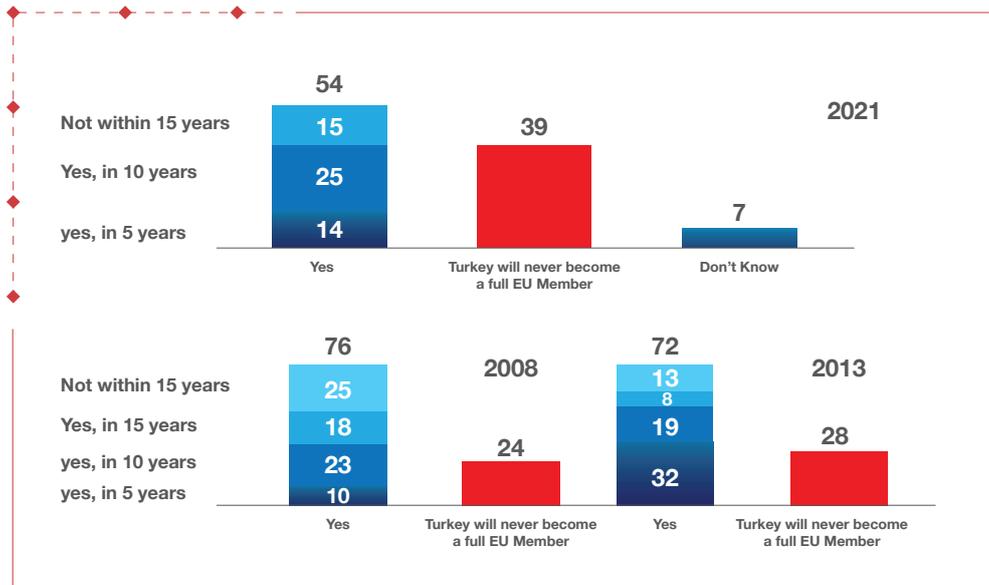
Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Note: The sectoral analysis includes sectors where the sample size is higher than 45 companies.

1.3. Will Turkey become an EU member?

The belief in Turkey's becoming an EU member has declined significantly – but more than 50 % of surveyed companies still believe that Turkey will join the EU

Figure 17 – Views on whether Turkey will become an EU Member in 2013 and 2021 (%)



Survey question: Do you think Turkey will become an EU Member? When?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

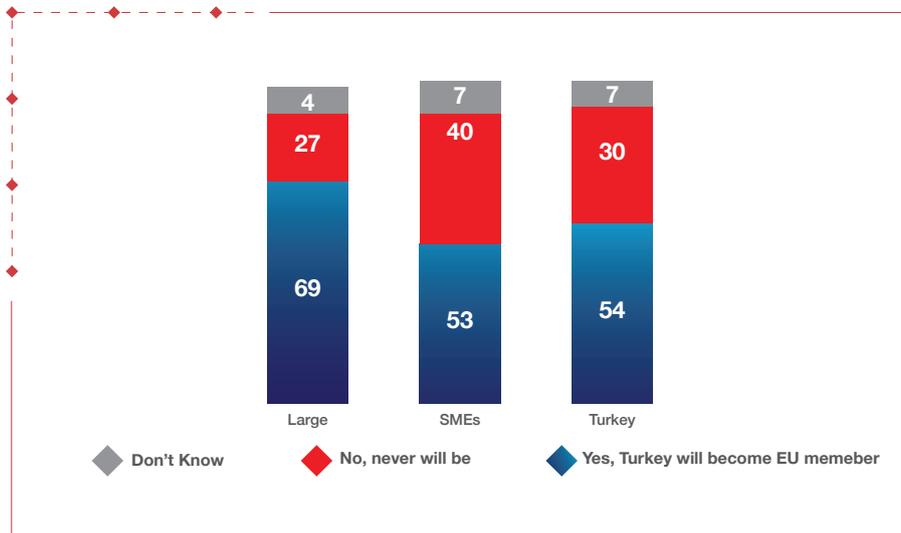
If we consider the earlier editions of the survey, a significantly lower percentage of companies believe that Turkey will join the EU. In 2013, almost three quarters of companies held such a belief compared to just 54 % in 2021. 39 % of the respondents consider that Turkey will join within ten years. The share of companies that believe that Turkey will never join the EU has increased from 28% in 2013 to 39% in 2021.

Companies that are more familiar with EU markets including large companies seem to be the most optimistic about Turkey's EU prospects

In spite of being less supportive of Turkey's EU accession membership, a high proportion of large companies (69%) believe that Turkey will join the EU compared to just 53 % of SMEs. Similarly, 65% of the EU export-oriented companies believe Turkey will join the EU.



Figure 18 – Views on whether Turkey will become an EU member by company size (%)

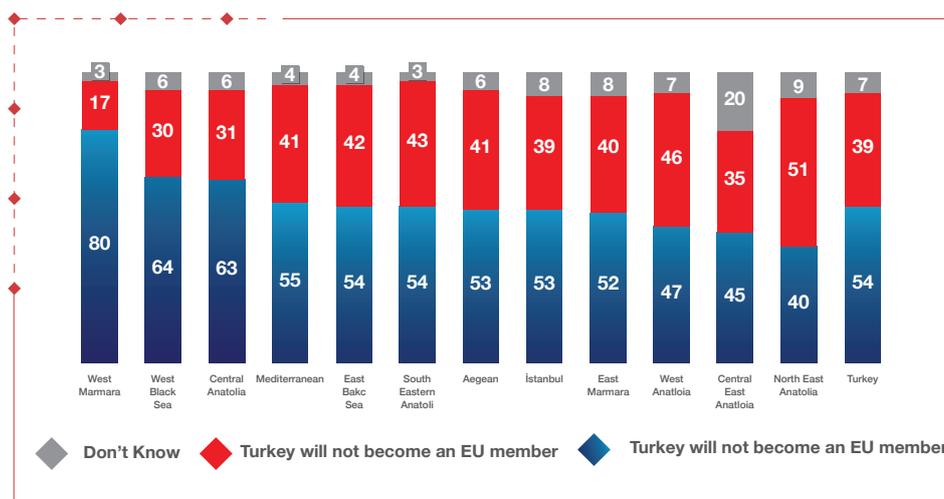


Survey question: Do you think Turkey will become an EU Member?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

The companies with the most positive outlook (which believe that accession will eventually take place) are to be found in West Marmara (80%) although support for accession in this region is low. Similarly, companies in the West Black Sea (64%) and Central Anatolia (64%) have a positive outlook. On the other hand, Northeast Anatolia and West Anatolia are the regions with the highest percentage of companies that consider that Turkey will never join the EU.

Figure 19 - Views on whether Turkey will become an EU member by region (NUTS-1 Regions, %)



Survey question: Do you think Turkey will become an EU Member?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

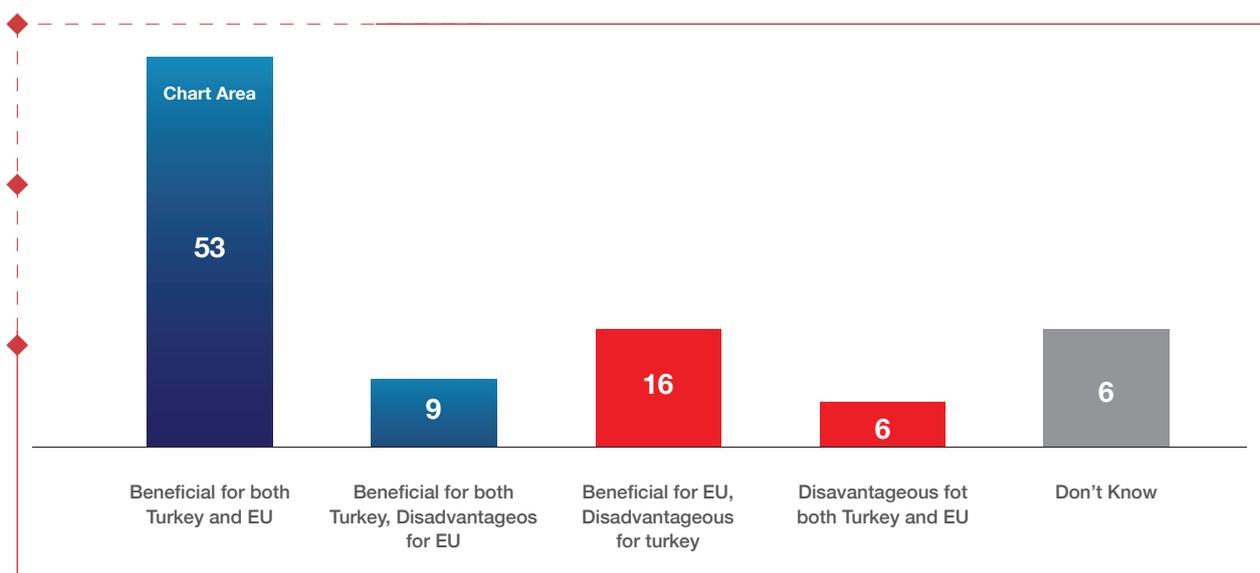
2. ATTITUDE TOWARDS CUSTOMS UNION AND ITS FUTURE: TOWARDS MODERNIZATION AND THE GREEN DEAL

This chapter of the report focuses on attitudes of Turkish companies towards the Customs Union and its modernization. The last section provides insights into the attitudes Turkish businesspeople towards the EU's Green Deal and digitization policies, which will have far reaching implications on Turkish-EU business relations and on the discussions for Customs Union modernization in the near future.

2.1. Support for the Customs Union:

Turkish enterprises are strong supporters of Turkey's Customs Union with the EU

Figure 20 – Views on the Custom Union arrangement between Turkey and EU (%)

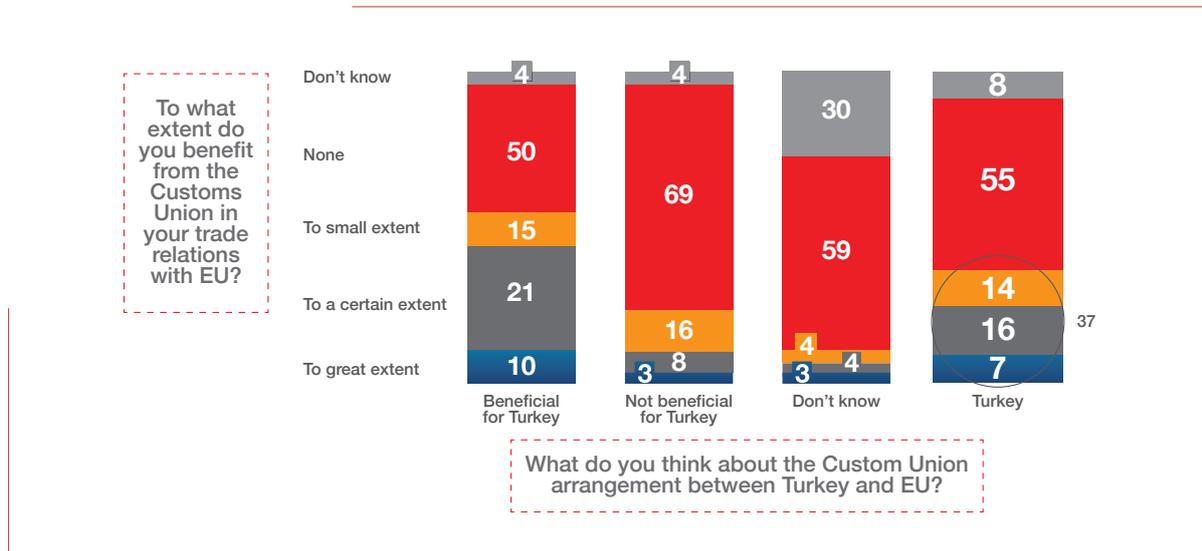


Survey question: What do you think about the Custom Union arrangement between Turkey and EU?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

More than 60% of respondents believe that the Customs Union is beneficial for Turkey. It is important to note that only 37% of all respondents stated that they benefitted from the Customs Union. This difference underlines that the companies' outlook towards the Customs Union is not limited to their fields of activity. The companies' strong support for the Customs Union reflects a wider perspective that on the whole close economic ties with the EU, through the Customs Union, is positive.

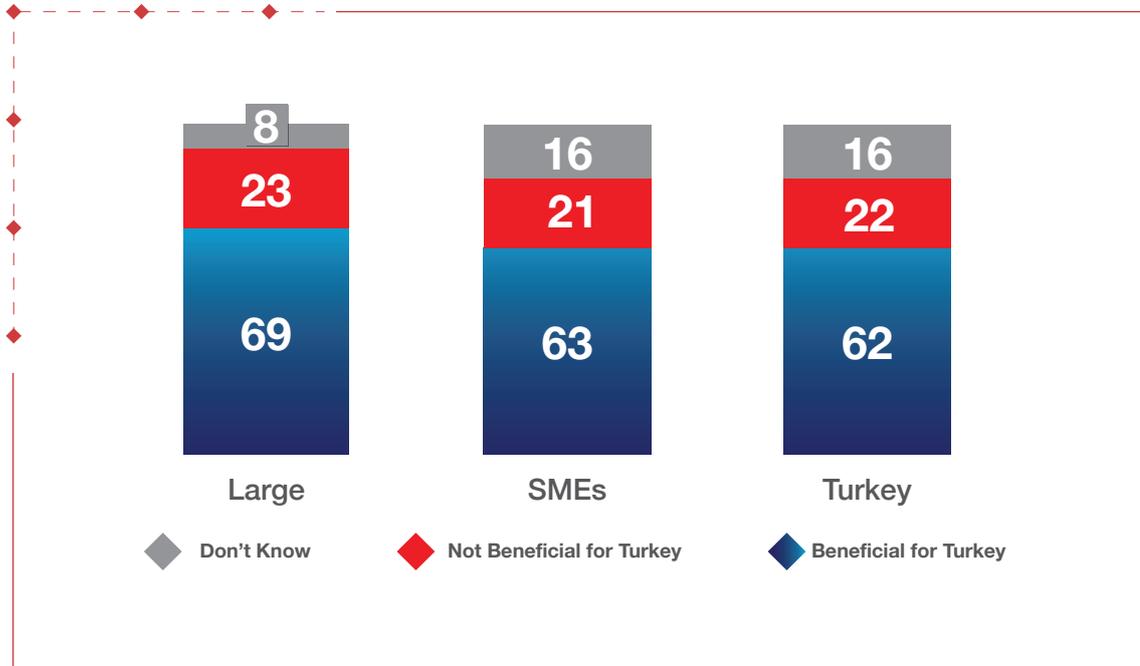
Figure 21 – Views on whether Turkey is part of the EU based on support for the Customs Union (%)



Source: *TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation*

69% of large companies support the Customs Union while only 50% supported Turkey’s EU accession. There is a negligible difference for SMEs with 63 % supporting the Customs Union compared to 61% supporting accession. A higher percentage of SMEs declared that they do not know whether the Customs Union is beneficial, possibly pointing to information deficiencies. As high as 71% of companies that export to the EU, believe that the Customs Union is beneficial for Turkey.

Figure 22 – Views on the Customs Union arrangement between Turkey and the EU by company size (%)



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

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

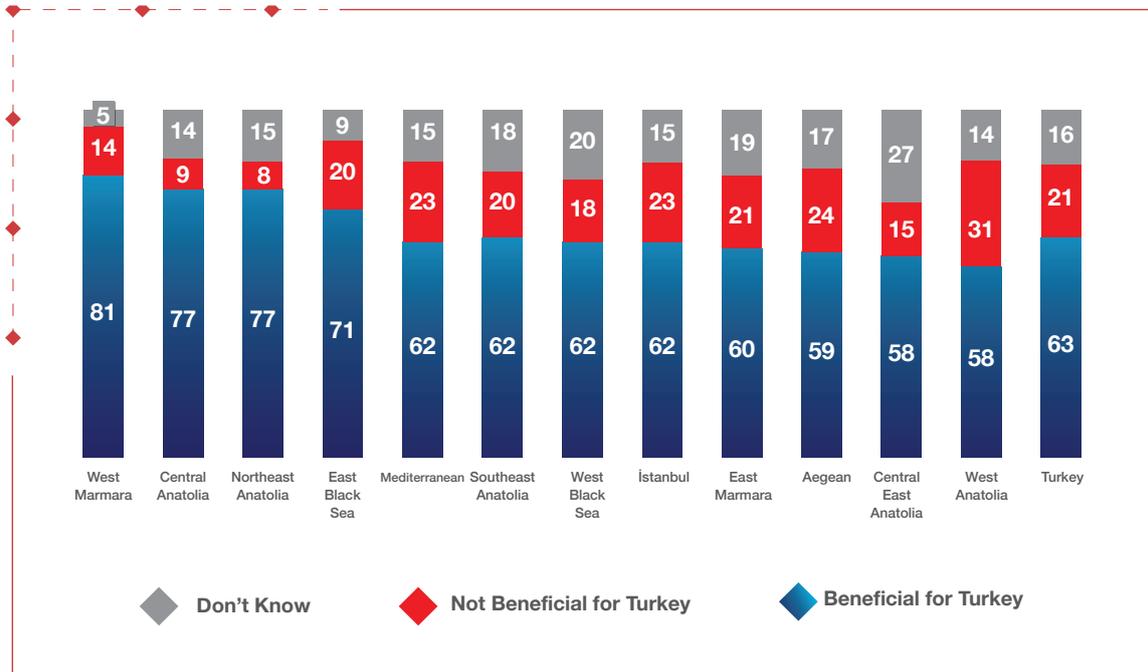
Companies in a majority of regions are in favour of the Customs Union; however, there seems to be ambivalence regarding outcomes of the Customs Union in some regions in comparison to attitudes towards Turkey’s EU accession

Companies in a majority of regions are in favour of the Customs Union though a larger percentage of companies in some regions (in comparison to responses regarding support for EU accession) declared lack of an opinion on the subject. Less than 25 % of surveyed companies across all regions (with the exception of West Anatolia) declared that the Customs Union is not beneficial for Turkey. There are, however, a higher percentage of companies that declared they do not know whether the Customs Union is beneficial. For instance, in the Aegean region, support for the Customs Union is lower than for EU accession but mostly due to the fact that a larger portion of respondents declared that they do not know whether the Customs Union is beneficial for Turkey. Still, companies in Denizli, Kocaeli and Bursa in the East Marmara and the Aegean regions, which are well-established manufacturing centres and with

strong export links to the EU (see Section 1.1 for discussion), are supportive of the Customs Union as they were of EU accession.

Compared to findings regarding EU accession, a higher percentage (more than 70%) of companies in the West Marmara, Central Anatolia, Northeast Anatolia and East Black Sea region declared that they believe the Customs Union is beneficial for Turkey. Companies in these regions were the least supportive of EU accession . The difference can be partly explained by the weight of sectors interviewed in these regions in some instances. For instance, in the case of Tekirdag in West Marmara, a large percentage of companies interviewed were in the transportation and accommodation sectors. Companies in these sectors in general are more favourable towards the Customs Union than EU accession (see next section).

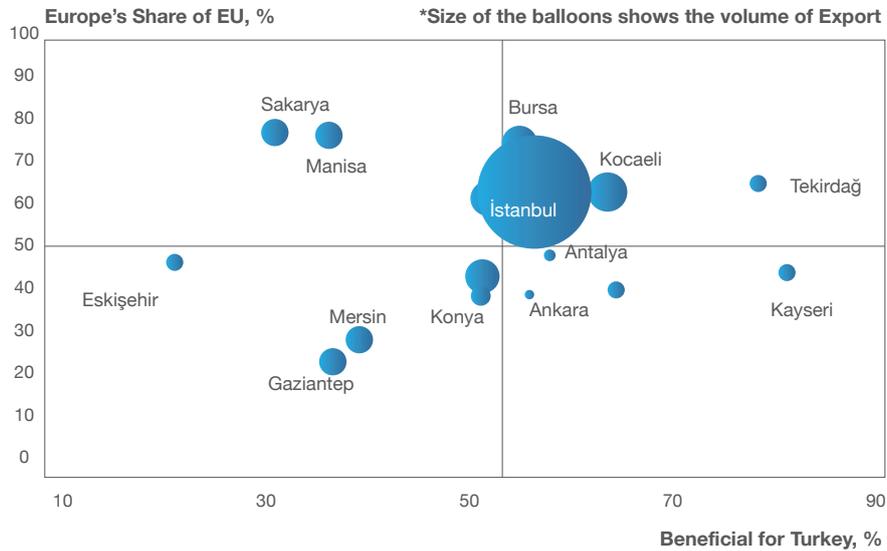
Figure 23 - Views on the Customs Union arrangement between Turkey and the EU by region (%)



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

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

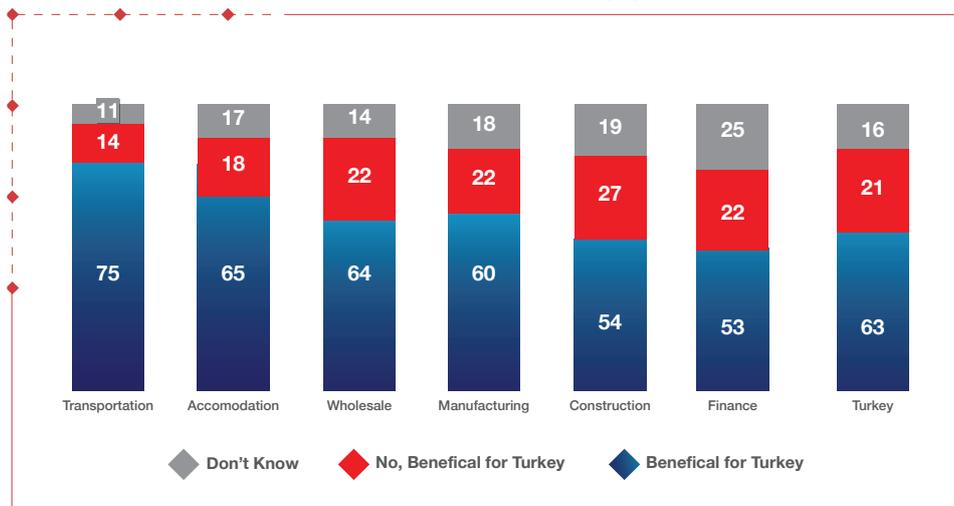
Figure 24 – Views of the Customs Union arrangement between Turkey and the EU in different provinces based on the share of EU exports in their total exports (%)



Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislatio

The percentage of companies that support the Customs Union in the manufacturing and wholesale sectors stood at 60% and 64%, respectively (similar to findings of support for Turkey’s EU accession). Companies in the finance and construction sectors show less support towards the Customs Union compared to EU accession. There has been a notable increase in positive views (compared to EU accession) for companies in the transportation sector (75% of companies in this sector support the Customs Union compared to 46% that support the EU accession). Similarly, a high percentage of companies in the accommodation sector (65%) declared that they believe the Customs Union is beneficial (compared to 42 % that supported accession). It should be noted that although these companies were wary of restructuring in line with EU regulations under EU accession, such problems may also arise with the Customs Union.

Figure 25 - Views on the Customs Union arrangement between Turkey and the EU by sector (%)



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

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Note: The sectoral analysis includes sectors where the sample size is higher than 45 companies.



2.2. Views on the modernization of the Customs Union

The EU-Turkey Customs Union was evaluated by a World Bank study initiated by the European Commission in 2014. This was followed by comprehensive work throughout 2016, which included a public consultation with stakeholders, a detailed Impact Assessment and a study by an external consultant. In December 2016, the Commission proposed to modernise the Customs Union and to extend bilateral trade relations to areas such as services, public procurement and sustainable development. However, the Council has not yet adopted the mandate. Modernisation the functioning (or design) of the customs union aims at (i) addressing the problems related to the difficulty of parallel conclusion of FTAs by the EU and Turkey; (ii) and Turkey's difficulties in complying with its obligation on legislative alignment to EU law; (iii) at introducing an

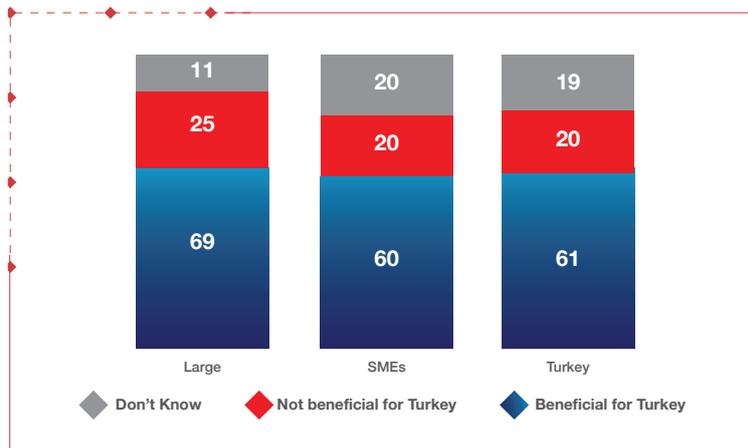
effective dispute settlement mechanism. The initiative would also extend the scope of trade preferences: (i) to mutually enhance market access for trade in agriculture; (ii) improve market access for trade in services; (iii) enhance access to each other's public procurement market, (iv) agree on rules to enhance the environment for trade and investment (e.g. trade and sustainable development, energy/raw materials, sanitary-phytosanitary measures, geographical indications, SMEs, transparency, etc).¹¹

Today, the discussion on the modernization of the Customs Union in Turkey is also focused on the implications of the EU's recent Green Deal and digitization policies on Turkish businesses, covered in the next section.

Although most companies are supportive of the modernization of the Customs Union, there is a lack of knowledge what modernization would entail

61% of respondents believe that the modernization of the Customs Unions would be beneficial for Turkey. The share of companies that declared that they do not have an opinion about modernization and do not think it is beneficial for Turkey were about the same, 19% and 20%, respectively.

Figure 26 - Views on the modernization of the Customs Union by company size (%)



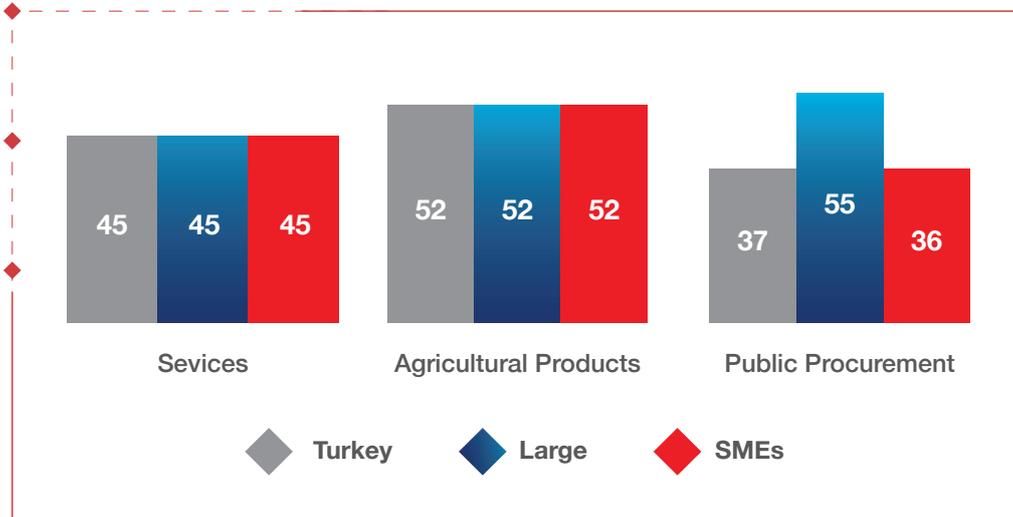
Survey question: How would you assess the modernization of the Customs Union?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

A high percentage of large companies want the Customs Union to be developed in the area of public procurement (55%) while much fewer SMEs favour this proposal (36%). More than 50% of both SMEs and large companies declared that they would want the Customs Union to be extended to agricultural products while 45 % declared that they would want it to be extended to the services sector.

11. https://ec.europa.eu/smart-regulation/impact/ia_carried_out/docs/ia_2016/swd_2016_0476_en.pdf

Figure 27 – Areas the Customs Union should be developed by company size (%)



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

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Companies in regions with agricultural production including the East Black Sea (with tea and nuts industry) , West Marmara, Aegean, East Marmara and Mediterranean more often cited that they would like the Customs Union to be extended to include agriculture. Companies in Southeast Anatolia (cotton) and Northeast Anatolia (dairy products) also emphasized agricultural extension.

The extension of the Customs Union to services sector including finance, transportation and construction was emphasized by companies in western regions where service sector is more developed including Istanbul, West East Marmara and the West Black Sea as well as in West Anatolia where Ankara the capital is located.

Public procurement is not an area of interest for companies in most regions with the notable exceptions of West Marmara and Central Anatolia.

Sector-wise, companies in the accommodation, wholesale and construction sectors more frequently cited that they would favour the Customs Union to be extended to agricultural goods while those in the manufacturing sector focused on Customs Union extension in both services and agriculture. Companies in the transportation sector show greater interest extension of CU in both agriculture and public procurement.

2.3. Attitudes towards the Green Deal

Nearly half of Turkish companies surveyed are aware of the EU Green Deal

The EU Green Deal will greatly impact Turkish business with the EU. A rather high percentage (46%) of companies have some knowledge of it although Turkey has joined the global fight against climate change only with the recent ratification of the Paris Climate Deal (October 2021).

Figure 28 – Awareness about the Green Deal by company size (%)

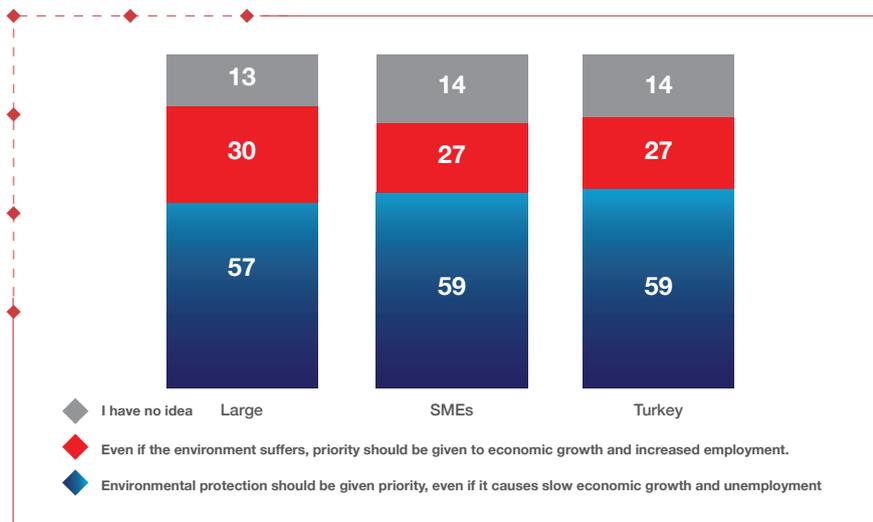


Survey question: Have you heard about the Green Deal?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

A surprisingly large majority of companies (59%) believe that environmental protection should be prioritized even if it slows down economic growth and lead to job losses. An overwhelming majority of companies also declared that Turkey should approve the Paris Climate Deal (76%). However, when it came to their information requirements regarding EU relations, very few companies declared that they would like to know more about EU’s energy and environmental policies (Figure 33) as well as the Green Deal (Figure 36).

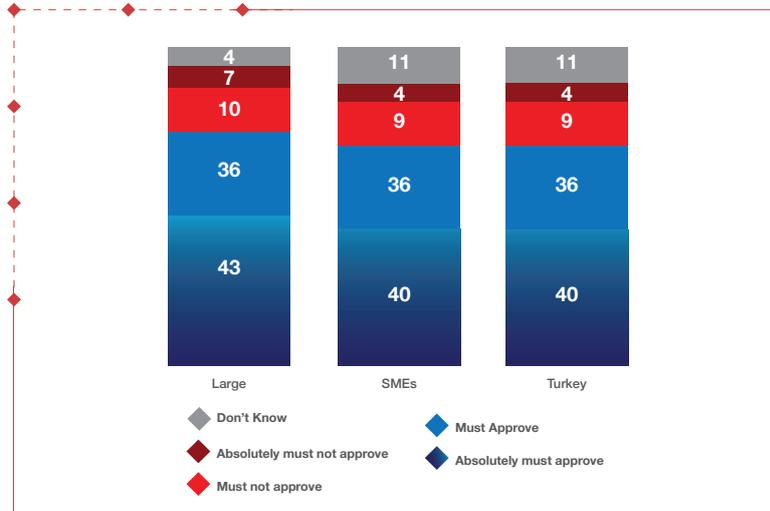
Figure 29 - Attitudes towards environmental protection by company size (%)



Survey question: Which of these statements ont economic growth and the environment is closer to your view ?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Figure 30 – Approval of the Paris Climate Agreement (%)



Survey question: “Turkey should approve the Paris Climate Agreement ?” Do you agree with this statement?

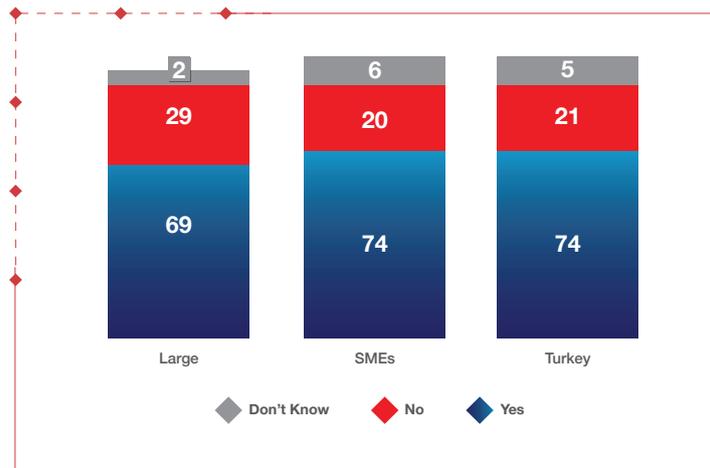
Source: TURKEY-EU Business Dialogue (TEBD) – EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

2.4. Attitudes towards and knowledge of the digital single market

Companies want to learn more about the digital single market

As high as 74% of companies declared that future collaboration between the EU and Turkey regarding the digital single market should be strengthened. This view was more strongly supported by SMEs, which require resources to adjust to the new realities of the digital age.

Figure 31 – Agreement on strengthening future collaboration between EU and Turkey regarding the dijital single market (%)



Survey question: “Future collaboration between EU and Turkey regarding the digital single market should be strengthened.” Do you agree with this statement?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

There is a very high interest to learn more about the digital single market. It was the most cited current topic in EU-Turkey relations that companies would like to be informed about (29% of companies cited the topic as one of their top three areas of interest) (Figure 36).



3. INFORMATION REQUIREMENTS OF TURKISH ENTERPRISES AND THE ROLE OF THE CHAMBERS

In this part of the report, we analyze the level of awareness of the Turkish companies regarding EU markets and EU-Turkey relations and their information requirements regarding the EU accession and on current topics including the digital single market and the Green Deal. Notwithstanding that the EU accession negotiations are effectively frozen, the level of awareness and information about EU can provide insights into the ways Turkish companies will orient their commercial relations with the EU.

The last section of the survey evaluates the information services provided by different sources and expectations of enterprises from the chambers of commerce and industry both European and Turkish. We aim to help provide the chambers with more targeted strategies to raise awareness on critical topics impacting businesses and to fill in the knowledge gaps of companies where most needed.

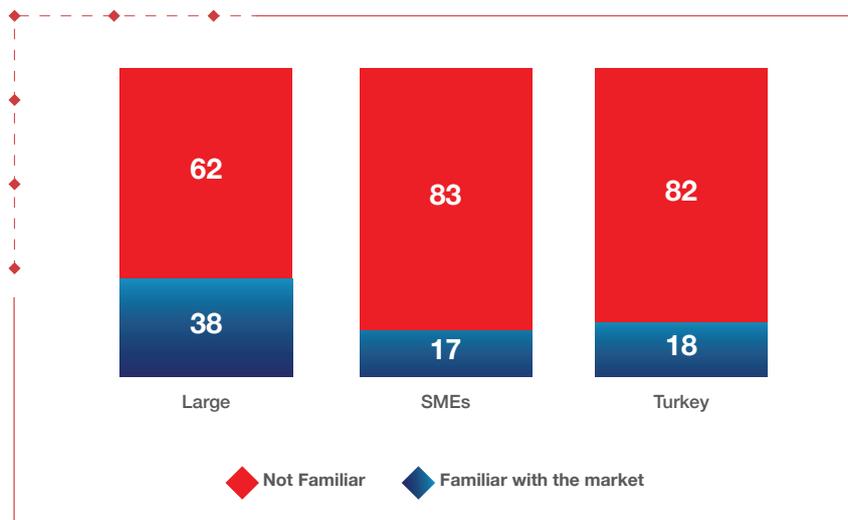
3.1. Information requirements of the Turkish enterprises

3.1.1. Familiarity with the EU market

The level of familiarity with EU markets is low, especially among SMEs

The level of familiarity with EU markets is low with 82 % of companies reporting that they are not familiar. As expected, larger companies show a higher level of familiarity with the EU market (38%) than SMEs. Only 17 % of SMEs declared to be familiar or very familiar with the EU market.

Figure 32 – Level of familiarity with EU market (%)



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

Source: *TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation*

3.1.2. The EU acquis

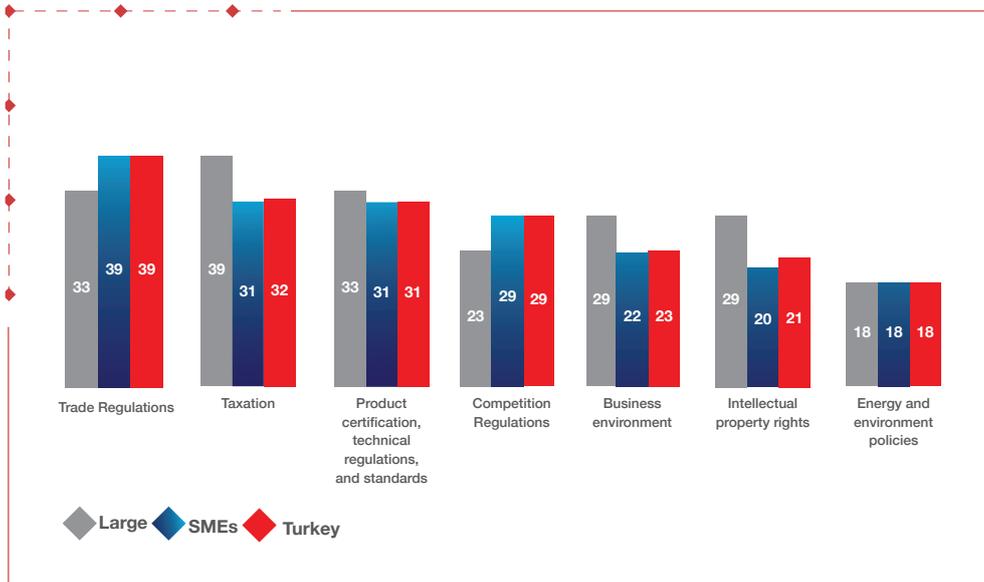
Companies most frequently reported difficulties in EU acquis regarding trade and taxation rules and require more knowledge of these rules

Companies show interest in receiving information on trade rules (39% of respondents), followed by taxation (32%) and product certification, technical regulations, standards (31%).

The most cited area of interest among large companies were tax rules (40%). Companies may face difficulty about differential tariff rates on goods, which may obscure the advantages of low import taxes made possible by the Customs Union. SMEs were more likely to declare that they required information on trade regulations (39%) as did exporters (42 %) and companies with commercial ties to the EU (44%). Product certification, technical regulations and standards was also the most cited area of interest, especially among exporters / companies with commercial ties to the EU (36%).

Only 18% of companies declared that they would need to be informed on energy and environmental policies. Earlier surveys also highlighted that it is worrisome that environmental regulation is the least frequently cited area in terms of information requirements of Turkish companies. Enterprises, irrespective of their size and their field of activity, play a major role in improving environmental performance and will remain the primary source for innovation required to reconcile environmental protection and economic growth. Moreover in sectors such as manufacturing, a significant part of the EU environmental legislation regulates the whole supply chain, from the stages of design and production to the processes of packaging and waste treatment. Important efforts should therefore be made to raise awareness about the importance of the environment acquis so as to be in a position to implement it by accession.

Figure 33 – Areas of difficulties within the scope of EU acquis and related information needs (%)

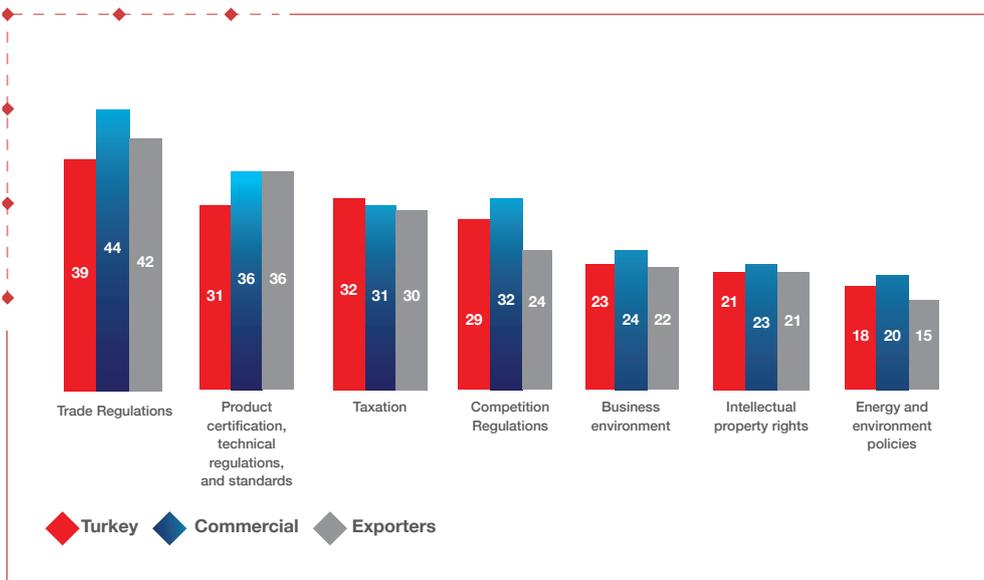


It should be noted that the figures in this chart cannot be simply added as the respondents could provide multiple answers.

Survey question: Within the scope of EU acquis, in which areas do you think your company will have difficulties and do you need to be informed?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Figure 34 - Areas of difficulty within the scope of EU acquis and related information needs of companies that export to /have commercial ties with the EU (%)



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

Survey question: Within the scope of EU acquis, in which areas do you think your company will have difficulties and do you need to be informed?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

EU funding opportunities and programmes open to Turkey are still largely unknown to Turkish enterprises

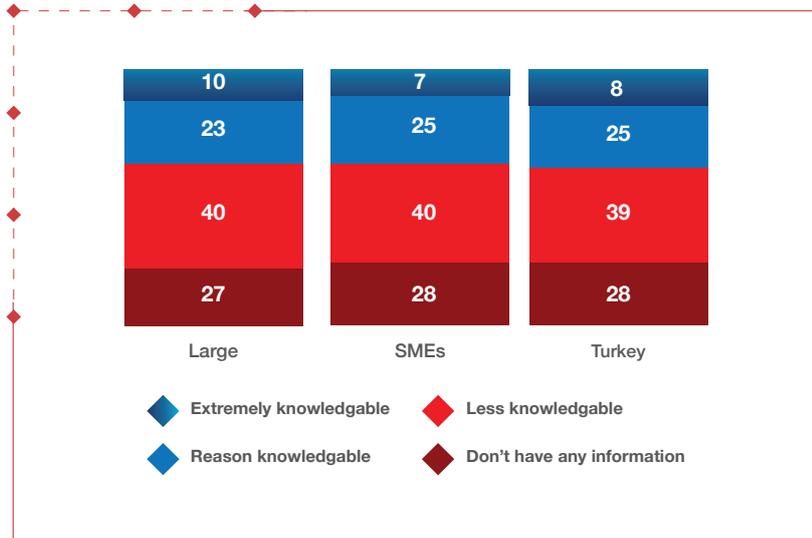
Private sector development has been one of the priorities of the funds provided through the Instrument for Pre-accession Assistance (IPA). In addition, since 2004, Turkey can participate in EU programmes which are financial instruments supporting the development and coordination of EU policy, in different specific fields such as competitiveness, innovation, research, vocational training and employment. These programmes help Turkey become familiar with EU policies and instruments and enhance co-operation before accession.

Although Turkish companies have benefited, indirectly (for instance, vis-à-vis Turkish development agencies), from these financial instruments for more than a decade, they are still largely unaware of the existence of these funds and programmes.

Awareness has risen only slightly since the last survey in 2013. Only 33 % of respondents were reasonably or extremely knowledgeable about EU financial aid and support programmes while 28% have no knowledge. The difference in knowledge gaps is negligible between SMEs and large enterprises. Companies that export to the EU or have commercial ties with the EU are somewhat more knowledgeable.

It is crucial to communicate better the different EU funds and programmes available to Turkish companies. EU funds continue and could be critical to help Turkish businesses adapt to EU regulations in their trade with European partners as well as in the context of the potential modernization of the Customs Union.

Figure 35 – Knowledge on EU financial aid and programs offered to Turkey (%)



Survey question: How much do you know about the financial aid and programs offered by the EU to Turkey?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

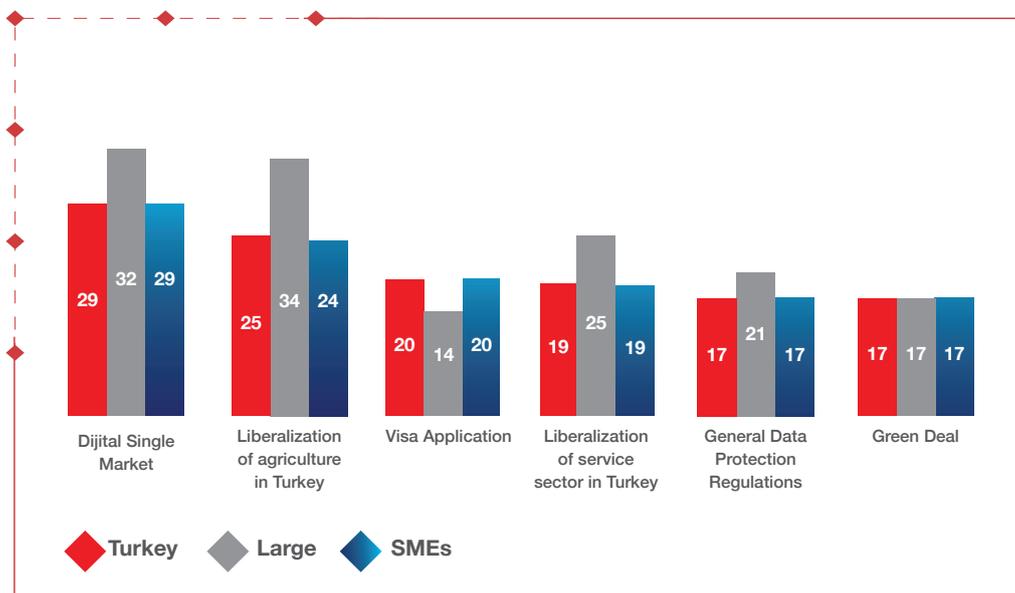


3.1.3. Information needs from the Turkish enterprises regarding current topics in EU-Turkey relations

Companies show high interest to learn more about the digital single market and the potential liberalization of agriculture

The digital single market was the most frequently cited area of interest among companies surveyed (29 % of all respondents cited this at least once). Liberalization of agriculture was the second most frequently cited topic of interest.

Figure 36 – Current issues requiring most help in relations with the EU and in the event of possible 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: *On which current issue do you think you will need the most help in relations with the EU and in the event of possible membership?*

Source: *TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation*

Companies operating in all sectors expressed a need for information regarding the digital single market. This is the most frequently cited area among companies operating in a wide range of sectors including wholesale, transportation and accommodation sectors. It is the second most frequently cited area of interest for the manufacturing sector and construction sector.

It comes as no surprise that liberalization of agriculture in Turkey is the most cited area for the agriculture sector. Liberalization of agriculture was also the most cited area among companies in the manufacturing and second most cited areas of

interest in wholesale and transportation sectors. Liberalization of the service sector was a frequently cited area of interest by companies in wholesale, transportation and accommodation sectors. Companies in the construction sector showed interest in public tenders (third most cited area of interest in this sector).

Green Deal was the third most cited area of interest for companies operating in the manufacturing sector; almost no company in the wholesale, transportation and accommodation sectors indicated an interest on the topic.



3.2. Turkish enterprises' expectations from the Chambers

The last section of the survey evaluates Turkish enterprises' primary sources of information on the EU acquis and EU markets. It also evaluates the kinds of information companies seek from the chambers. It is important that the chambers take into account the information requirements while shaping their future information-oriented activities.

The Chambers remain the most effective source of information on the EU acquis

The Turkish Chambers and Commodity Exchanges helps their member companies to go international and more specifically to make the most of the business opportunities in the EU. It provides a wide range of internationalisation services: organisation of fairs, trade missions, information on business opportunities, market research, partner search, etc. Some of these services are tailor-made for the EU market.

In the earlier surveys in 2008 and 2013, respondents declared that the Turkish Chamber Network provides the most relevant information on EU acquis. The Chamber Network, thanks to its wide geographical coverage and its compulsory membership, seems to be the closest to the companies.

Similarly, in 2021, the Chamber Network is the main source that provides companies with information on the EU across all regions of Turkey. The network consists of Chambers of Commerce, Chambers of Industry, Chambers of Commerce and Industry, Commodity Exchanges, EU information centers, EU Turkish Business Centers Network in Turkey.

A low percentage of companies consult the Enterprise Europe Network (EEN) contact points along with consulting companies, universities and European business partners. This is not so much a reflection of the quality of the services provided, rather the limited number of Chambers providing the services and the limited visibility of the network. On the one hand, specific efforts would be needed to improve those services and to enhance their promotion. On the other hand, it is important that Turkish companies fully exploit services that play such an important role in enhancing EU-Turkey trade and economic relations.



Figure 37 – Sources of information (%)

	Large	SMEs	Turkey
Chamber Network	26.46	36.56	35.43
>> Chambers (Chamber of Commerce and/or Industry, Commodity Exchanges)	7.63	16.95	15.90
>> EU Information Centers	9.67	10.02	9.98
>> EU Turkish Business Centers Network in Turkey	9.16	9.59	9.55
Turkish Trade or Business Associations	14.25	11.28	11.62
Public Institutions	11.2	10.28	10.38
Enterprise Europe Network (EEN)	6.36	9.89	9.49
Consultation Companies	12.21	8.75	9.14
Universities	7.63	7.23	7.27
European Trade or Business Associations	9.67	6.74	7.07
European Business Partners	8.91	5.96	6.3
Think Tanks	3.31	3.31	3.31
Total	100	100	100

Survey question: From which sources do you obtain information about the EU acquis and the EU market?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Figure 38 – Sources of information in different regions (%)

	Istanbul	Aegean	Mediterranean	West Anatolia	East Marmara	Southeast Anatolia	West Black Sea	West Marmara	Central Anatolia	East Black Sea	Central East Anatolia	North East Anatolia	Turkey
Chamber Network	34.06	34.67	39.68	37.64	34.52	38.46	26.16	28.46	30.68	54.05	56.76	37.68	35.42
>> Chambers (Chamber of Commerce and/or Industry, Commodity Exchanges)	14.77	14.94	19.95	19.10	15.18	19.46	11.39	4.07	10.23	20.27	39.19	27.54	15.90
>> EU Information Centers	9.03	9.77	10.55	10.96	9.82	11.76	6.33	10.98	9.09	14.86	14.86	8.70	9.98
>> EU Turkish Business Centers Network in Turkey	10.26	9.96	9.17	7.58	9.52	7.24	8.44	13.41	11.36	18.92	2.70	1.45	9.55
Turkish Trade or Business Associations	12.72	9.77	10.78	12.08	11.31	10.41	13.08	15.04	10.23	12.16	10.81	8.70	11.62
Public Institutions	9.58	11.49	10.32	9.83	10.71	10.41	11.39	9.76	10.80	10.81	6.76	13.04	10.38
Enterprise Europe Network (EEN)	8.34	9.96	9.63	11.80	11.61	9.05	7.59	6.50	9.66	6.76	16.22	8.70	9.49
Consultation Companies	10.12	8.43	8.49	7.87	8.33	5.43	11.81	10.57	13.07	6.76	2.70	15.94	9.14
Universities	6.98	9.77	6.88	5.62	6.25	10.41	9.28	4.47	5.68	2.70	6.76	10.14	7.27
European Trade or Business Associations	7.39	6.32	5.73	7.58	6.55	5.88	7.59	12.60	10.23	4.05	0.00	2.90	7.07
European Business Partners	6.84	5.75	5.73	5.62	6.85	4.98	8.44	9.35	8.52	1.35	0.00	1.45	6.30
Think Tanks	3.97	3.83	2.75	1.97	3.87	4.98	4.64	3.25	1.14	1.35	0.00	1.45	3.31
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

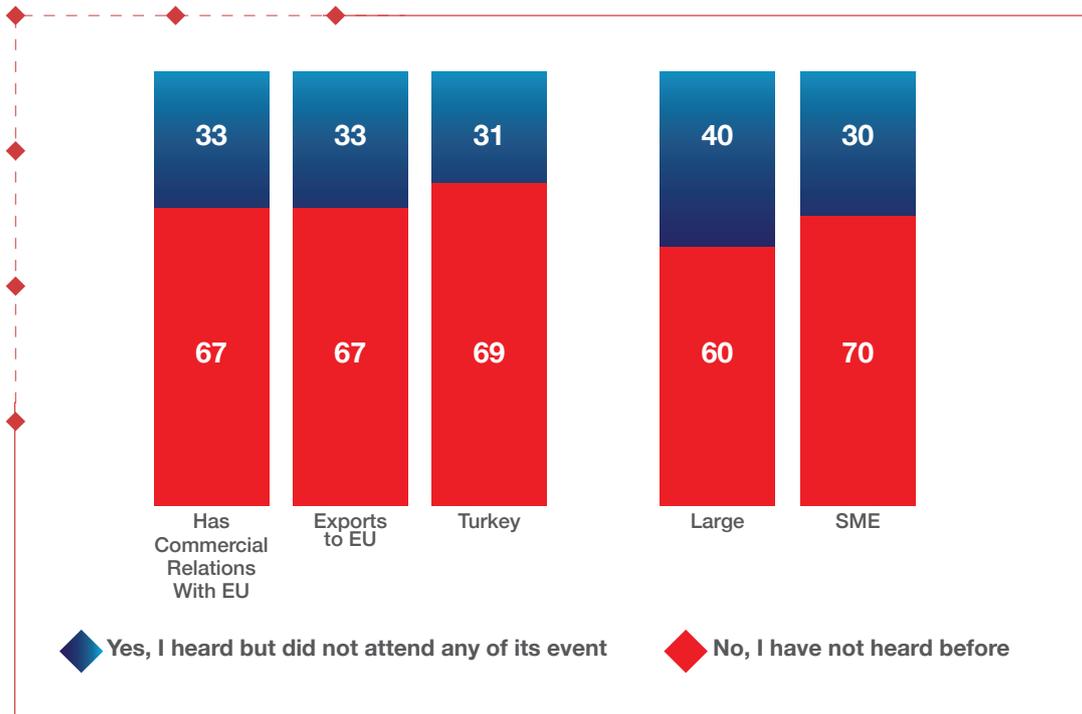
Survey question: From which sources do you obtain information about the EU acquis and the EU market?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

BOX 2 - The Turkey-EU Business Dialogue (TEBD) project

A majority of companies have not heard of the Turkey-EU Business Dialogue (TEBD) project

Figure 39 - Have you heard about the TEBD project before this survey and attended any of its event? (%)

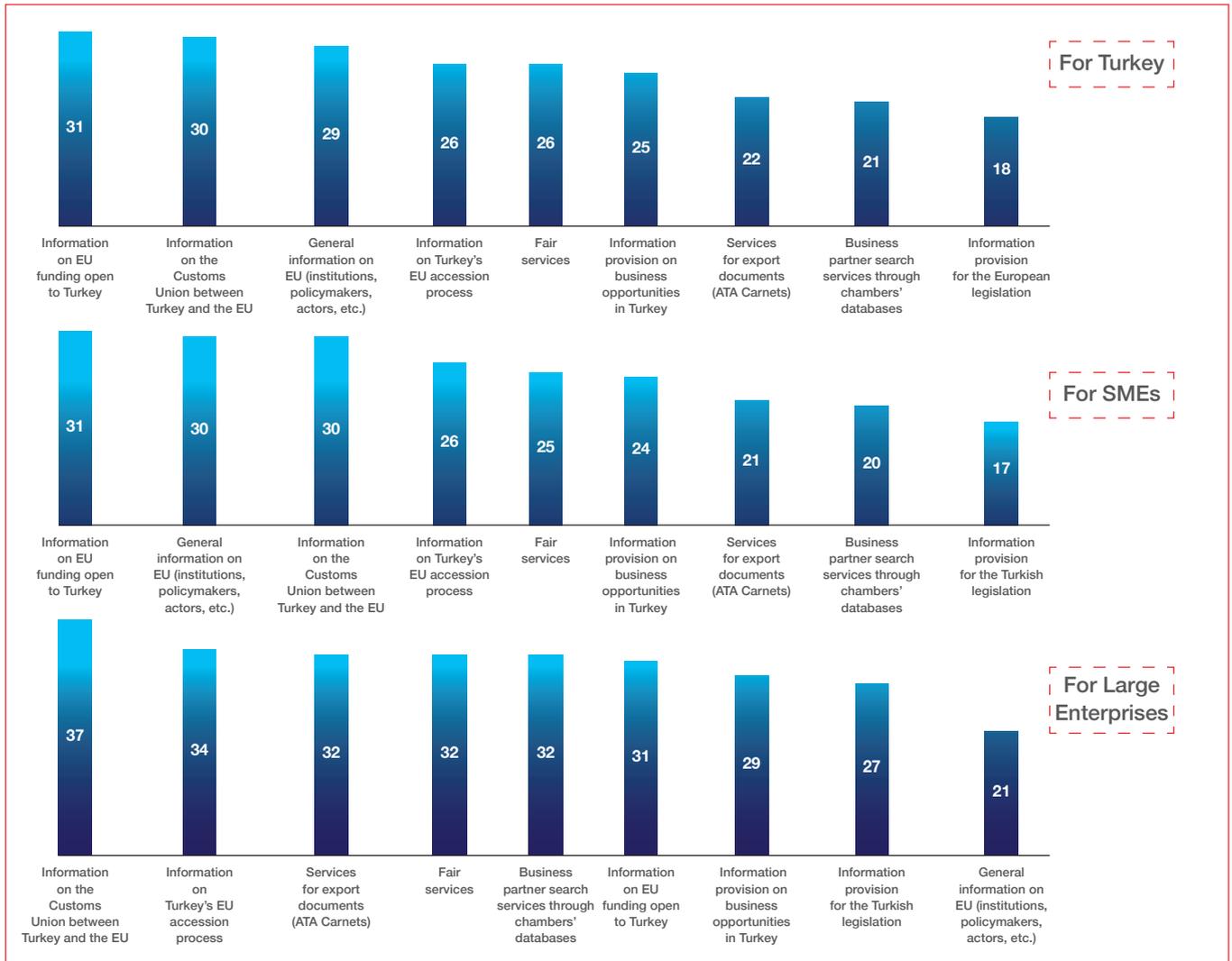


Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

In the 2021 survey, Turkish businesspersons have expressed a particular interest in the provision of information on the Customs Union between Turkey and the EU

Like the 2013 survey, assistance from Chambers and Commodity Exchanges to companies in accessing EU funds remains the most needed service (cited by 31% of respondents). In a departure from the earlier survey, the second most cited service the business community in Turkey expressed a particular interest in was the provision of information on the Customs Union between Turkey and the EU. This underlines that the business community see an opportunity in the Customs Union. As high as 37% of large enterprises are seeking information on the Customs Union while this number drops to 31% among SMEs.

Figure 40 - Service support or information about the EU market sought out from the chamber of commerce network (%)



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

Survey question: What kind of information, service or support do you need about the EU market from the Chamber Network?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Information on the Customs Union between Turkey and the EU is sought after by companies from all regions, especially in the East Black Sea, West Anatolia, Istanbul, West Black Sea and Southeast Anatolia. Information on EU funding open to Turkey is especially sought after by companies in North East Anatolia.

Figure 41 - Service support or information about the EU market sought out from the chamber of commerce network in different regions (%)

	Istanbul	Aegean	Mediterranean	West Anatolia	East Marmara	Southeast Anatolia	West Black Sea	West Marmara	Central Anatolia	East Black Sea	Central East Anatolia	North East Anatolia	Turkey
Information on EU funding open to Turkey	12.87	14.00	14.11	14.08	15.48	13.39	8.75	10.57	14.29	14.56	12.24	19.35	13.42
Information on the Customs Union between Turkey and the EU	14.01	12.13	12.50	14.91	11.79	13.78	14.07	13.82	11.90	19.42	14.29	9.68	13.37
General information on EU (institutions, policymakers, actors, etc.)	11.16	13.37	16.43	13.25	13.51	14.17	10.27	8.13	3.57	11.65	27.55	24.19	12.92
Information on Turkey's EU accession process	12.76	10.73	11.25	10.56	13.02	10.63	9.51	12.60	13.69	13.59	10.20	3.23	11.52
Fair services	11.50	12.13	11.79	10.77	10.32	11.02	9.51	11.79	16.07	5.83	7.14	9.68	11.21
Information provision on business opportunities in EU	11.73	10.89	9.46	10.77	9.58	12.60	11.03	7.72	10.71	12.62	11.22	17.74	10.80
Services for export documents (ATA Carnets)	9.68	11.04	8.39	9.11	9.83	8.66	11.41	14.23	6.55	8.74	6.12	6.45	9.70
Business partner search services through chambers' databases	8.43	8.71	8.04	8.07	8.60	9.84	14.83	9.76	17.26	6.80	5.10	6.45	9.17
Information provision for the EU legislation	7.86	7.00	8.04	8.49	7.86	5.91	10.65	11.38	5.95	6.80	6.12	3.23	7.88
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

Survey question: What kind of information, service or support do you need about the EU market from the Chamber Network?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Different sectors follow a similar pattern: information on the customs union figures in the top areas that businesspersons are interested in receiving information across all sectors. General information on the EU and EU funding opportunities are also sought after among Turkish businesspersons.

Figure 42 - Service support or information about the EU market sought out from the chamber of commerce network in different sectors (%)

	Manufacturing	Construction	Wholesale	Transportation	Accommodation	Finance	Turkey
Information on EU funding open to Turkey	14.64	15.48	13.33	10.66	12.54	16.67	13.42
Information on the Customs Union between Turkey and the EU	12.85	18.45	13.26	14.03	12.54	11.11	13.37
General information on EU (institutions, policymakers, actors, etc.)	14.19	18.45	12.01	8.35	14.29	20	12.92
Information on Turkey's EU accession process	10.25	8.33	13.4	13.32	9.62	10	11.52
Fair services	11.22	10.12	11.32	11.9	9.62	12.22	11.21
Information provision on business opportunities in EU	11.81	11.9	10.07	8.88	11.08	8.89	10.8
Services for export documents (ATA Carnets)	9.14	5.36	10.49	10.83	9.62	10	9.7
Business partner search services through chambers' databases	8.47	5.36	8.26	12.97	11.66	5.56	9.17
Information provision for the EU legislation	7.43	6.55	7.85	9.06	9.04	5.56	7.88
Total	100	100	100	100	100	100	100

Survey question: What kind of information, service or support do you need about the EU market from the Chamber Network?

Source: TURKEY-EU Business Dialogue (TEBD) - EU-Turkey Business Relations: Views of the Turkish Private Sectors, and the Level of Awareness and Readiness of Turkish Companies to Implement EU Legislation

Note: The sectoral analysis includes sectors where the sample size is higher than 45 companies.



3.3. SUMMARY CONCLUSIONS AND KEY TAKEAWAYS

The Customs Union and the accession process shifted the direction of the Turkish economy away from agriculture towards industry. In 1995, Turkey's top exports to the EU were clothing, and fruits, vegetables and plants while in 2019 they were led by transport equipment, minerals and metals, clothing and non-electrical machinery.

EU became Turkey's top trade partner and main source of FDI. Total trade in goods between the EU and Turkey increased from USD 28.9B to USD 153.2 B between 1995 and 2019.

High support for EU accession. Support for EU accession among Turkish companies is still high. 60% of surveyed companies favored joining the EU. This figure was, however, at 75% in the 2013 survey. Large companies are less supportive for EU accession compared to SMEs. Yet, a higher percentage of large companies (69%) believe that Turkey will join the EU compared to just 53 % of SMEs.

Support for EU accession in regions with exports to the EU. Support is high in East Marmara and the Aegean regions that are well-established manufacturing centres with strong export links to the EU. Mediterranean region where support for EU accession is high has considerable exports to the EU, although the share of EU in total exports of this region is low. Support for EU accession in Istanbul, the country's biggest exporter and largest recipient of European FDI has fallen sharply from over 80% to 60 %. This can be explained by the diversity of businesses in the mega city. In the East Black Sea region, exporter of tea to the EU, support is low.

Support for EU accession in regions with EU investments. Exports to the EU does not appear to be an absolute prerequisite for companies to support accession. Strong support can be found in West Anatolia where EU based companies have made considerable investment inroads including in Konya. In Central East Anatolia support is high, which could be explained by the immediate growth effects of investments by the Dutch in Elazığ and the French in Van. The Mediterranean region received high levels of FDI although not necessarily from the EU. This region has well-developed food processing industries, which may make these areas attractive for future investment from and exports to the EU.

Strong support for Turkey's accession in financial, insurance, and construction sectors. 80% of surveyed companies in the financial and insurance sector and 79% in the construction sector support Turkey's EU accession. Easy access to funds as well as sophisticated financial instruments is a motivation for support among companies in the financial and insurance sector. The construction sector received considerable EU investments.

Very low support for EU accession among companies in the transportation and accommodation sectors. Not covered by the Customs Union, these companies are wary of EU regulations i.e. product certification, food or negative effects of transportation restrictions.

High support for the Customs Union. More than 60% of respondents believe that the Customs Union is beneficial for Turkey though only 37% stated that they benefitted from the Customs Union. This difference indicates that companies' view of the Customs Union is not limited by their own activities. The companies' strong support for the Customs Union reflects a broader perspective favoring close economic ties with the EU.



High support for Customs Union among companies in the transportation and accommodation sectors, which did not support EU accession. These findings for the transportation sector may be due to the perception that the Customs Union would resolve long waits at customs or quota issues.

High support for Customs Union modernization. 61% of respondents believe that the modernization of the Customs Unions would be beneficial for Turkey.

Modernization of the Customs Union in agriculture and service sectors on a regional basis. Companies in regions with agricultural prominence would like the Customs Union to be extended to include agriculture while companies (mostly in western regions) where the service sector is dominant emphasize extension to the service sector.

Demand for modernization of the Customs Union in public procurement regulations. Large companies as well as companies in West Marmara and Central Anatolia and in the transportation sector favor modernization of the Customs Union in public procurement regulations.

Turkish companies are closely following EU's green and digital transformation process. A high percentage (46%) of companies have some knowledge of the EU's Green Deal.

Lack of interest in environmental and energy policies. Very few companies showed interest in EU's energy and environmental policies.

High interest in the digital single market. Companies show interest (74%) in the digital single market indicating a growing trend in Turkish e-trade companies and a potential for e-trade with EU.

SMEs high interest in the digital single market. Possibly as part of their interest in linking to EU markets and to value chains.

Lack of clarity on behalf of companies concerning trade regulations and taxation rules of the EU acquis. Company complaints about differential tariff rates on goods, which obscured the advantages of low import taxes made possible by the Customs Union.

Lack of interest in information provision about EU legislation. Companies showed no interest in information or support that can be acquired from the Chamber Network about EU legislation.

Lack of interest in chambers' databases. Few companies seek service support from "business partner search services" through chambers' databases.



Key takeaways

The Chambers (Chambers of Commerce and/or Industry and Commodity Exchanges) can raise awareness among companies and inform them further on the following areas:

- Raise awareness regarding modernization of the Customs Union among companies in the transportation and accommodation sectors.
- Inform Turkish companies about the importance and the content of the EU's Green Deal policies and increase the capacity of institutions providing information about the new EU regulatory environment. Lack of information and awareness about this environment, particularly regarding changes in production standards presupposed by the Green Deal, requires action on the part of Turkish government and chambers.
- Provide information on the digital single market, especially to SMEs, to ensure that they can leverage e-trade.
- Provide guidance in tariff structures for sectors and products with differential tariff rates.
- Provide information to improve awareness of EU legislation among businesses.
- Improve access to the chambers' databases. Information can be provided to companies in different sectors and of different sizes about EU companies they could benefit from cooperating with.

The Customs Union and the accession process transformed Turkey from an agrarian to an industrial economy. Turkish companies strongly support the modernization of the Customs Union. Their information needs, however, will be diversified with the EU Green Deal. As a result, the role of TEBD, as a new instrument in supporting Turkish companies' access to EU markets, is gaining traction. EU's de-carbonization agenda presents an opportunity in EU-Turkey relations. The modernization of the Customs Union opens up the Turkish economy to the EU Green Deal. In doing so it promises to shift EU-Turkey economic relations into a transformative agenda focusing on trade and industrialization and away from the former transactional mode with a focus on migration and security. De-carbonization is not only about climate but also about trade and industrial policy. At this juncture, it is more critical than ever to improve the knowledge on the EU and the Customs Union, including its modernisation among the Turkish business community and to bring the EU closer to the Turkish companies.



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