



DEİK-TÜSİAD
RESEARCH GROUP ON INCREASING EXPORTS TO CHINA
**SURVEY ON INCREASING EXPORTS
FROM TÜRKİYE TO CHINA
FINAL REPORT**

March 2023



TÜSİAD

DEİK



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KORHAN KURDOĞLU

DEİK/Türkiye-China Business Council Chairperson
TÜSİAD China Working Group President

DEİK RESEARCH GROUP

DİLEK TUNA

HAKKI KARATAŞ

AHMET FARUK IŞIK

TÜSİAD RESEARCH GROUP

HALE HATİPOĞLU

TAMER ŞEN

ASLI BAŞKARACAOĞLU

RAPPORTEURS

AHMET FARUK IŞIK / DEİK Business Council Coordinator

ASLI BAŞKARACAOĞLU / TÜSİAD Global Economic Relations Department Director



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SEDAT TEKFİDAN / Design Coordinator

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+90 (212) 339 50 00 (pbx)

info@deik.org.tr

[@deik](#) /deikiletisim | [@deikint](#) | www.deik.org.tr



TURKISH INDUSTRY & BUSINESS ASSOCIATION

Evliya Çelebi Mah. Meşrutiyet Cad. No: 46
34430 Beyoğlu/İstanbul, Türkiye

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CORPORATE COMMUNICATIONS DEPARTMENT

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SU TUNCER / Deputy Director

+90 (212) 249 19 29 (pbx)

tusiad@tusiad.org

[@tusiad](#) /tusiad | www.tusiad.org

PREAMBLE

The “Survey on Increasing Exports From Türkiye to China” prepared by DEİK-TÜSİAD Research Group on Increasing Exports to China was conducted to improve the circumstances for Türkiye-based enterprises’ exports to China and have a better understanding of the challenges that they face in exports to China. Aimed at identifying the problems faced during the exports of goods (industrial and agricultural products) from Türkiye to China and rooms for improvement, this survey was disseminated across the relevant members of TÜSİAD and DEİK.

From December 2nd to December 23rd, 2022, a total of 20 enterprises participated on the survey and gave their suggestions that covers sector-specific challenges that TÜSİAD and DEİK affiliated enterprises who currently exports to China face. The low volume of exports from Türkiye to China had an impact on the number of respondents to the survey. Majority of the respondents are the leading enterprises in Türkiye, who are also the biggest exporters to China.

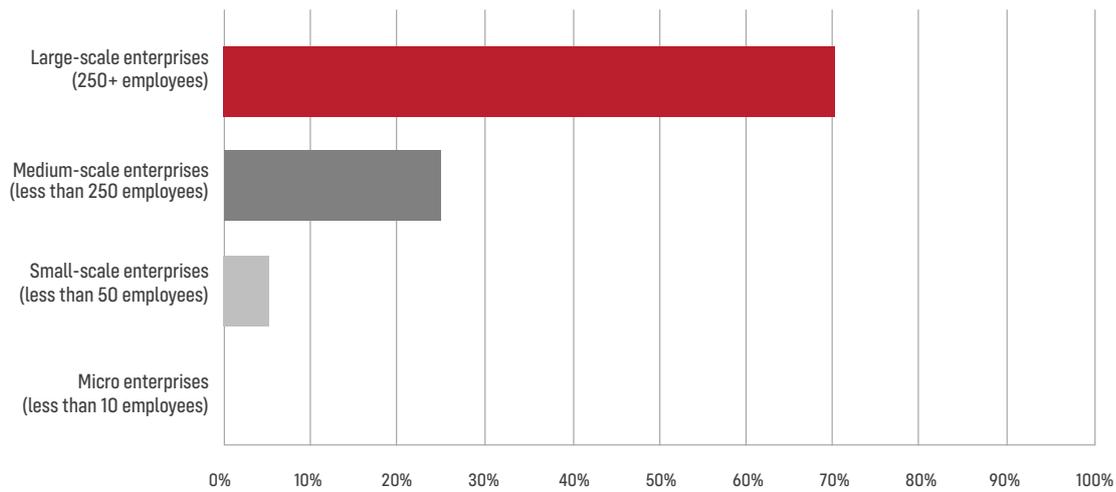
Survey findings will be compiled by TÜSİAD and DEİK for dissemination across public authorities including the Ministry of Trade of the Republic of Türkiye and the Embassy of the People’s Republic of China in Ankara provided that responding enterprises’ details remain confidential.



SURVEY ANALYSIS

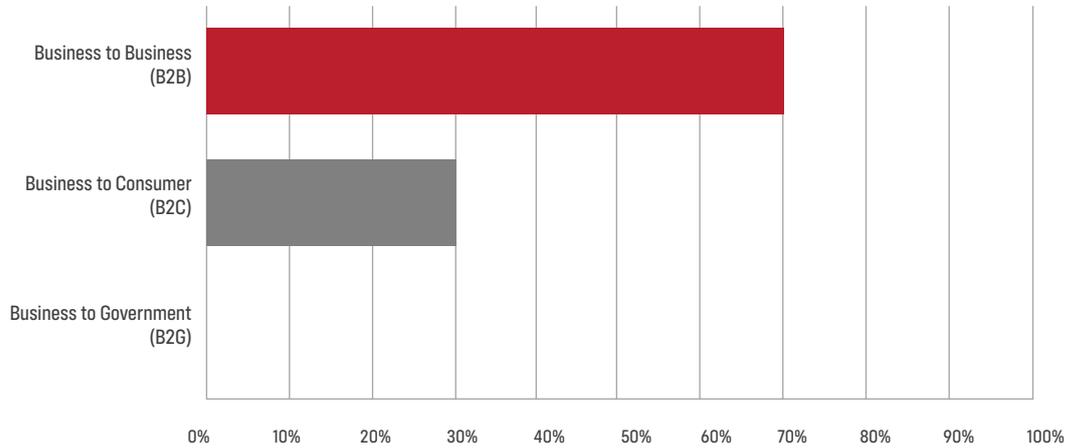
Enterprise Size

70% of responding enterprises were large-scale enterprises (250+ employees, over TL 250 million net sales revenues per annum), 25% were medium-scale enterprises (less than 250 employees, up to TL 250 million net sales revenues per annum), and 5% were small-scale enterprises (less than 50 employees, and up to TL 50 million net sales revenues per annum). Since the survey was conducted among the members of DEİK and TÜSİAD, large-scale enterprises are predominant among respondents. Meanwhile, medium- and small-scale enterprises are relatively slower on their expansion on the Chinese market compared to large-scale enterprises.



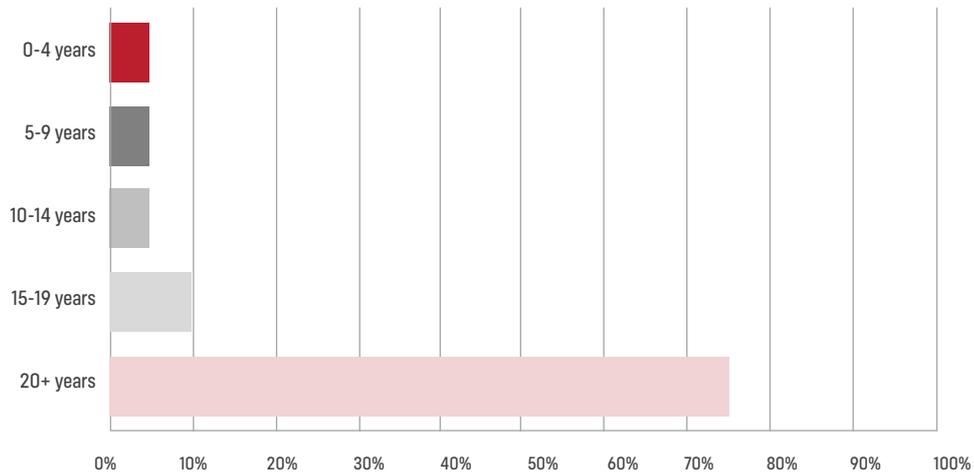
Business Model

A look into respondents' business model shows that 70% have Business to Business export operations (B2B), while remaining 30% have Business to Consumer (B2C) exports. None of the respondents exports from Business to Government (B2G).



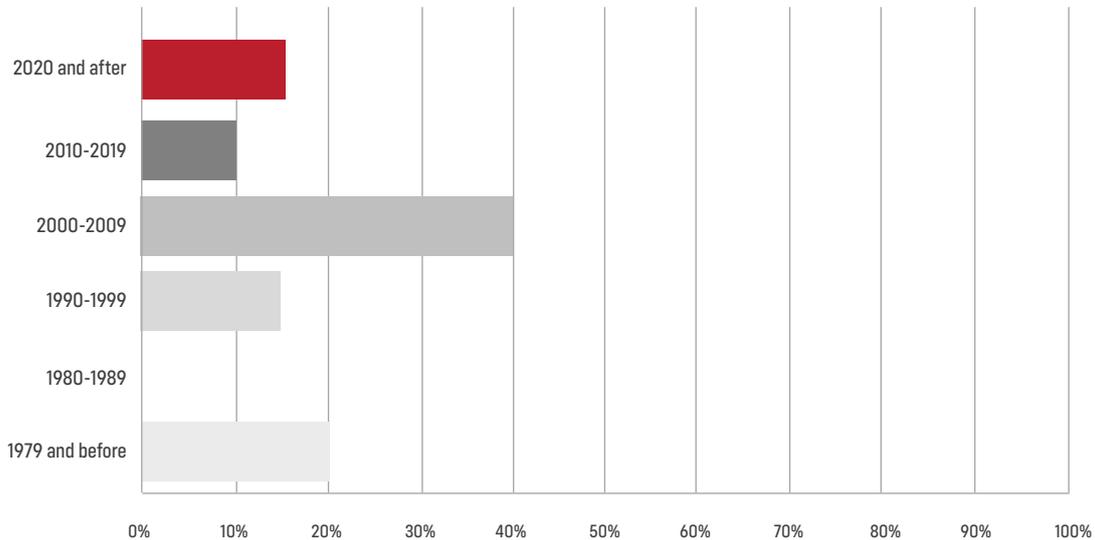
Duration of Operations

When the duration of enterprises' years in operation is examined, 75% have been operational for over 20 years, which corresponds to the majority of respondents. 10% have been operational for 15-19 years, and the remaining 15% have been operational for 10-14 years, 5-9 years and 0-4 years with equal distribution.



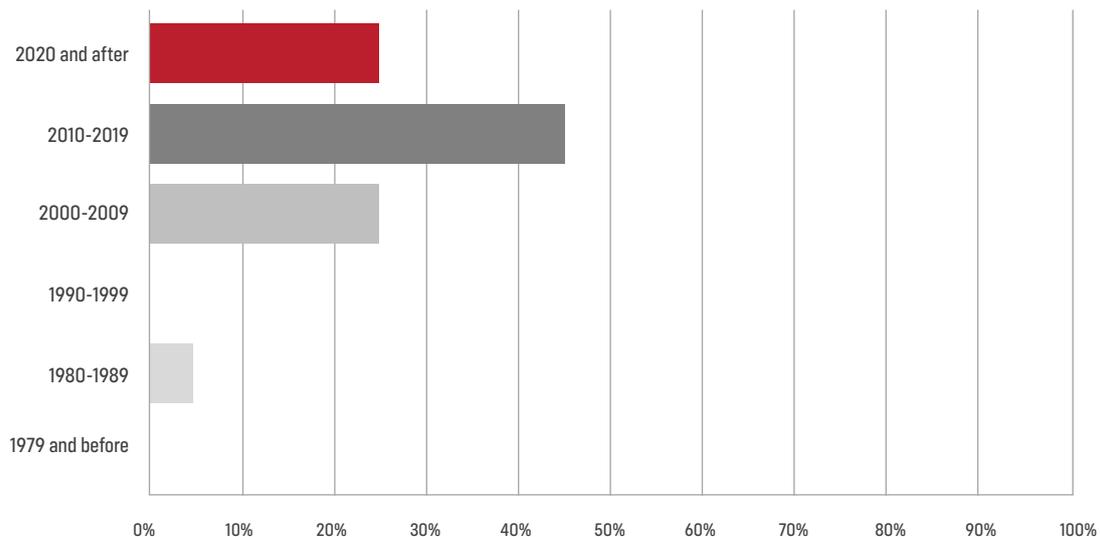
Exports Start Date

When respondents' exports start dates were examined, majority (40%) started exporting between 2000 and 2009, while the second majority (20%) commenced exports in or before 1979, and the following two groups (each representing 15%) started exporting in or after 2020. Finally, a small portion of respondents (10%) started exporting between 2010 and 2019.



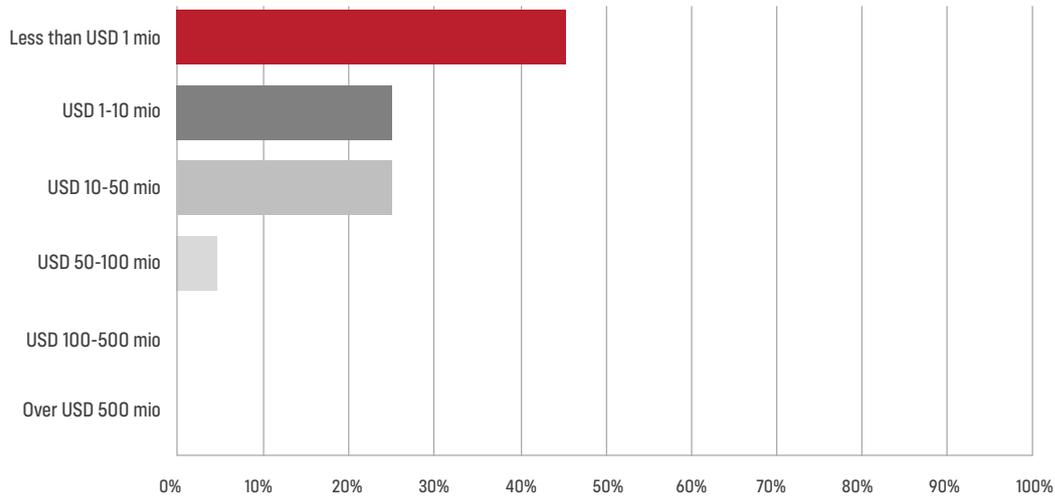
Start Date of Exports to China

As for respondents' start date of exports to China, majority of them (45%) started exporting to China in 2010-2019, while the subsequent two groups (25% each) started exporting to China in 2000-2009 and in or after 2020, respectively. The remaining 5% was determined to be the earliest group to start exporting between 1980 and 1989.



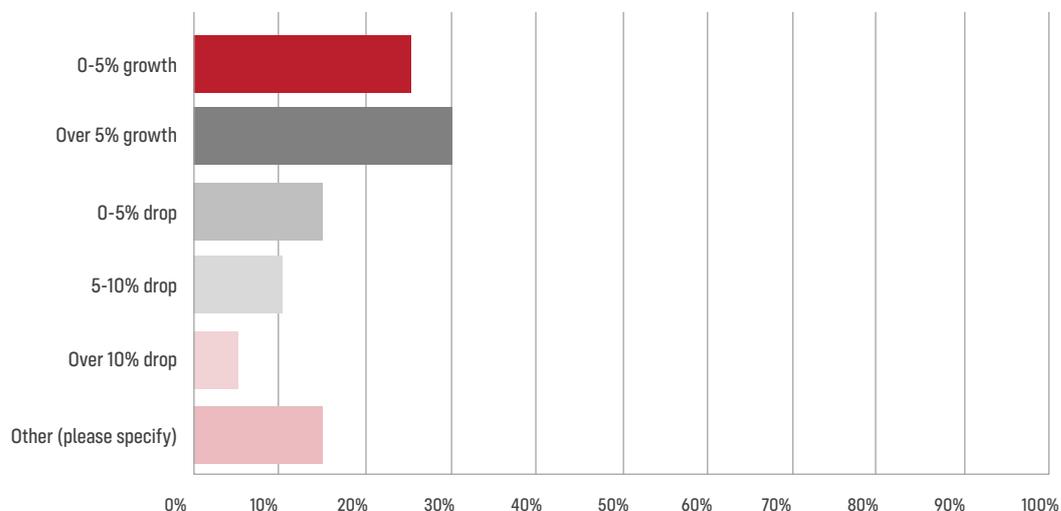
Enterprises' Export Volume to China for the Past One Year

As for enterprises' export volume to China for the past twelve months, less than USD 1 million was the majority of the responses with 45% of enterprises, followed by two groups (each making up 25%) that recorded an export volume of USD 1-10 million and USD 10-50 million, respectively. A small number of respondents (5%) attained the highest export volume, which is USD 50-100 million.



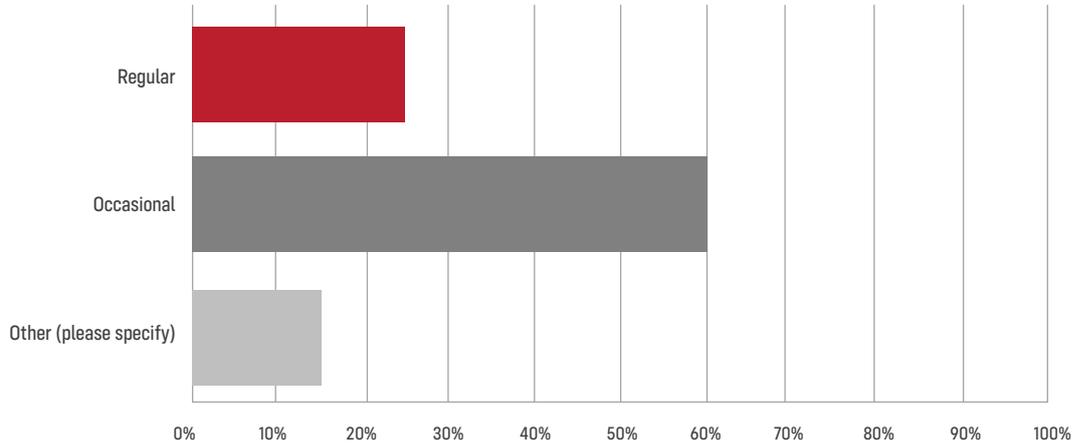
Export Volume to China – Estimated Annual Volume Export (2022)

There was a marked difference among enterprises' estimated annual export volume to China: 30% making up the majority estimated over 5% growth, while 25% pointed to a growth of 0-5%. The subsequent group making up 15% expected a drop of 0-5%, followed by respondents who expressed an expected 5-10% and more than 10% drop in exports making up 10% and 5% of enterprises. There was another group (15%) who responded to this question differently, with varying responses such as an expected growth of 50% because they ventured into the industry with a small volume.



Participation in Trade Fairs in China

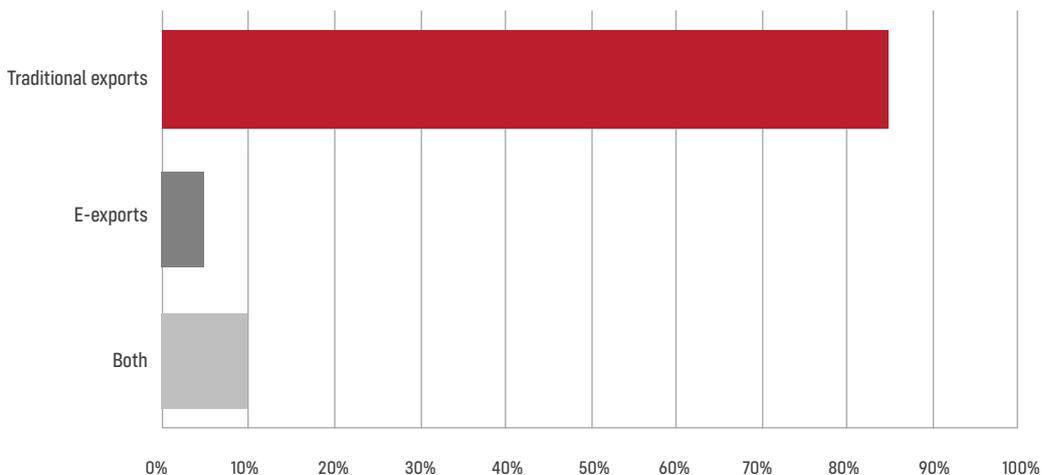
Participation in local trade fairs plays a key role in exports to China, for which the majority of responding enterprises (60%) expressed occasional participation, while 25% expressed regular participation. The remaining 15% stated they did not participate in trade fairs, were unable to do so due to the measures taken during the pandemic, or attended only certain exhibitions related to their areas of interest.



Models of Export to China

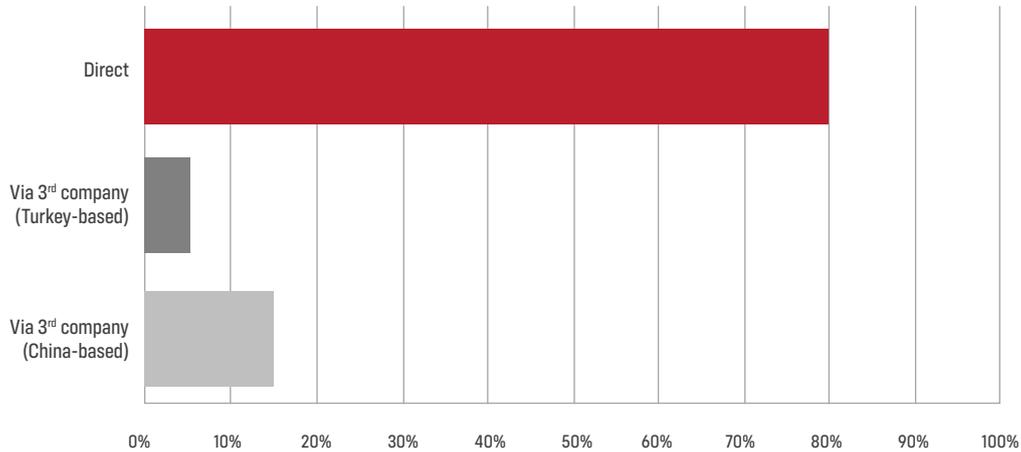
As for respondents' models of export to China, 85% carries out traditional exports, while 5% is engaged in e-exports and 10% engaged in both models.

The Ministry of Trade determined target countries for e-export subsidies by taking the volume and growth rates on global e-commerce markets into account. Within this framework, China falls under the scope of eligible countries as it is covered by the Far Countries' Strategy. Support to be granted for online store presence and consulting services costs that are mandatory on e-commerce marketplaces in China will help our branded enterprises and potential export commodities to penetrate the Chinese market. Therefore, "e-export" is projected to grow further in 2023. The memorandum of understanding (MoU) on "E-Commerce" that is projected for execution between the two countries' Ministries of Trade will greatly contribute to the growth of e-exports.



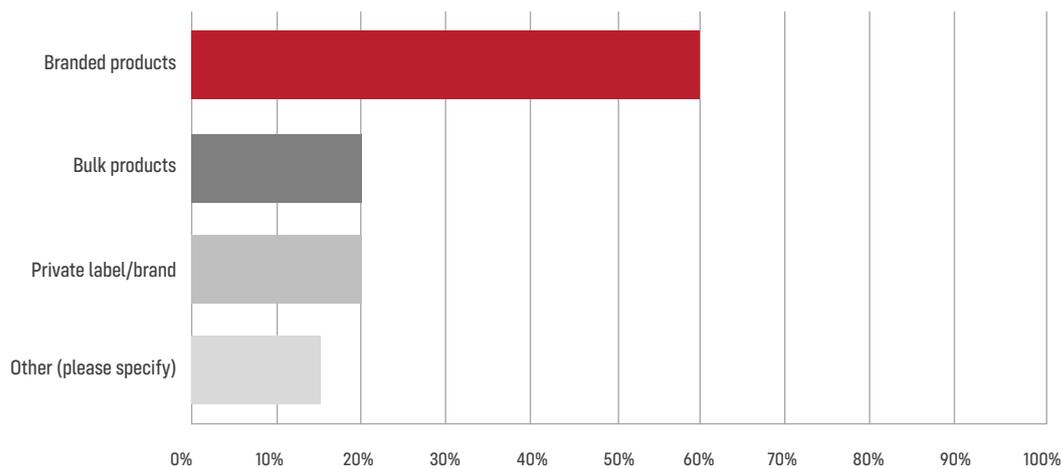
Type of Exports to China

As for enterprises' type of exports to China, majority (80%) directly exports to China, while the subsequent 15% uses an intermediary consulting firm based in China, and another 5% uses an intermediary consulting firm based in Türkiye.



Types of Goods Exported to China

Categories of the goods respondents exported to China were also examined. Accordingly, the majority (60%) exported branded products, while two groups corresponding to 20% each exported bulk products and private labels, respectively. A smaller portion (15%) gave varying responses such as steel manufacturing and assembled products, raw materials, and tea and coffee.



Sectorial Breakdown of Product(s) Exported to China

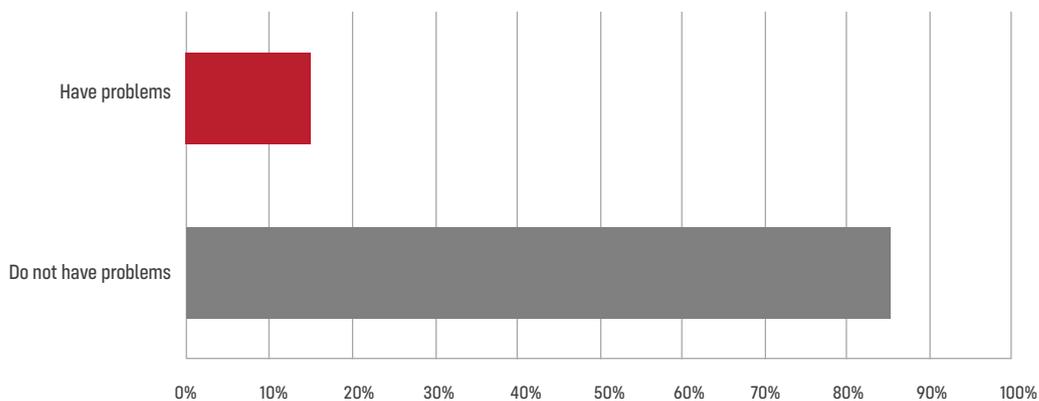
Research on the product(s) exported to China was carried out by selecting specific product groups or sectors. The following questions for respondents were specific to such product/sector. "Textiles and Raw Materials, Ready-Made Clothing and Garment Industry" was the prominent sector with 20% of the respondents. This was followed by "Cement, Glass, Ceramics, and Earthenware", and "Food and Agricultural Products: Fisheries and Animal Products" with 15% of respondents for each sector. The ratios of respondents exporting "Electrical-Electronic Products" and "Food and Agricultural Products: Hazelnuts and Products" were each 10%. "Automotive and Supply Industry", "Machinery and Components", "Furniture, Paper and Forestry Products", "Food and Agricultural Products: Dried Fruits and Products", "Food and Agricultural Products: Fruits and Vegetables" each represented 5% in the breakdown of products respondents exported to China. The final category, which corresponds to 5% of respondents who chose the "Other" option, consisted of cosmetics, convenience food, and snacks.

Since the "Food and Agricultural Products" was included with different sub-categories in the survey, 35% of respondents actually chose this particular industry, which ranks the first among other sectors.



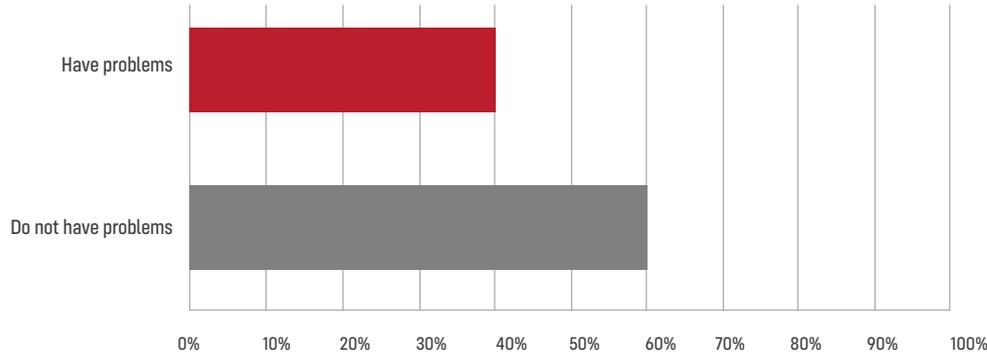
Problems Related with "Customs Procedures" When Exporting to China

It was found out that 85% of respondents did not face problems in terms of "customs procedures", while 15% had problems related with customs which primarily included issues linked with the General Administration of Customs of the People's Republic of China (GACC), issues linked with changes in taxation, challenges in attaching a confirmation to letters of credit, rather lengthy and strict product registration processes in China, slowdown at customs offices due to Covid-19 measures and its impact on products with a short shelf life, and delays in sales permits due to frequent updates to regulations.



Problems Related with “Logistics” When Exporting to China

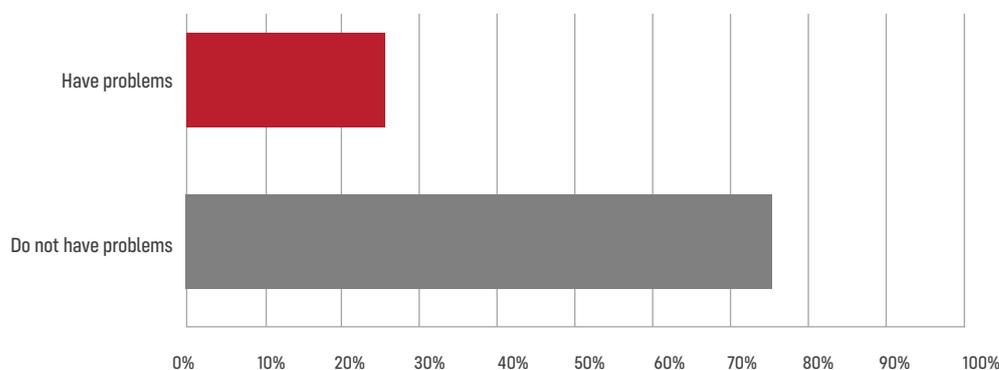
60% of respondents did not face problems in logistics while exporting to China, while the remaining 40% had several problems. These included bottlenecks in ports, “blank sailing”¹, high logistics costs, insufficient direct shipping lines between Türkiye and China, insufficient containers, long transit times, and the lack of an alternative to sea routes, as well as high transportation costs of airlines. Some logistics-related problems are expected to diminish in parallel with the easing of Covid measures China started in the new year.



Problems Related with “Market Access” When Exporting to China

As for problems associated with “Market Access” while exporting to China, 75% of respondents stated they did not experience problems. 25% of the enterprises expressed problems which are listed below:

- Low recognition of Turkish products on the Chinese market, low visibility of Türkiye’s products and their origin among professional buyers, Turkish products’ disadvantaged position vis-à-vis European, Australian and American brands;
- In a very competitive household linen industry, high costs linked with branding efforts despite problems faced in trying to keep product prices in balance;
- Turkish exporters’ limited knowledge of market access conditions for the Chinese market;
- Problems due to the “ban on using import products” in some provinces of China;
- Due to the difficulties experienced in the direct entry of companies from Türkiye into the Chinese market, Turkish products have to enter the market indirectly via Western suppliers with a long presence of manufacturing operations and recognition in China;
- Rather difficult export permit processes;
- High supermarket listing rates at market access and high customs duties resulting in price disadvantage.

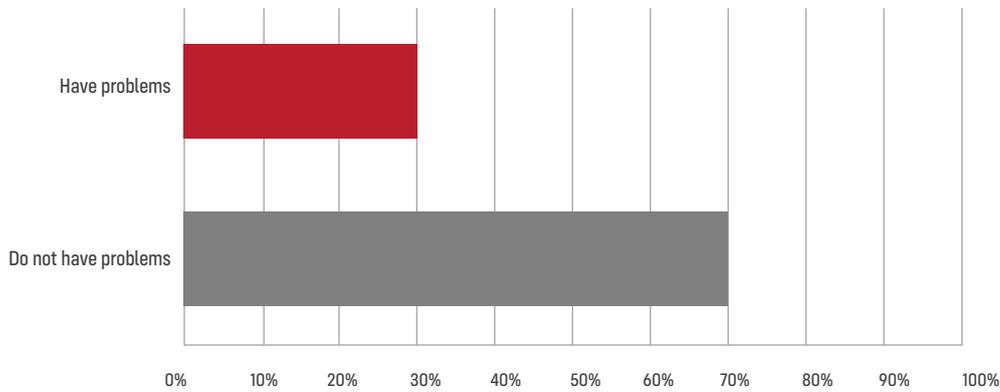


¹ Blank Sailing occurs when a shipping line cancels or skips working on a specific port or route for a particular reason (strike, pandemic, force majeure).

Problems Related with “Financing” When Exporting to China

When the problems linked with “Financing” during exports to China were examined, it was found out that 70% of respondents did not have problems. 30% expressed problems which are listed below:

- Marketing and advertising costs;
- Eximbank not extending support to trade with Asian countries;
- Credit insurance problems resulting from Eximbank Türkiye’s non-inclusion of a confirmation to the letters of credit issued by Chinese banks;
- Cashing letters of credit;
- The obligation to make an explanation to banks in every payment since payments from China do not include remarks such as “cash against goods” etc.



Problems Related with “Legal Regulations in Türkiye” When Exporting to China

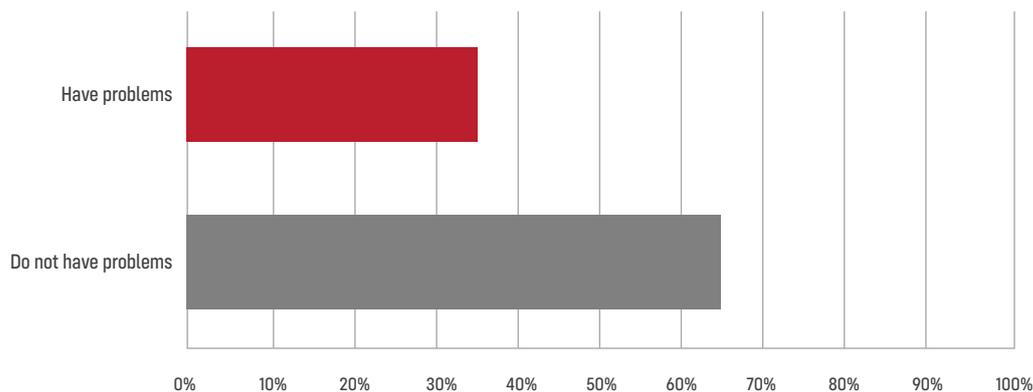
None of the respondents expressed a problem linked with legal regulations in Türkiye while exporting to China. Suggestions to simplify export processes significantly included facilitation of imports from China such materials as packaging, stickers and wrapping papers as they are used in Türkiye’s export goods and inclusion of this practice in activities similar to the inward processing regime.



Problems Related with “Legal Regulations in China” When Exporting to China

65% of the respondents said they did not have problems in terms of “Legal Regulations in China”. Remaining 35% were found to be facing the problems described below:

- Product analysis and results take a long time in China;
- As for the textiles industry, China introduced an anti-dumping tax of 8.2% in 2016 for “Synthetic and Artificial Irregular Fibers / Acrylic or Modacrylic Fibers”. This resulted in a decrease in the exports of such products, while Chinese firms’ exports to Türkiye were reported to have increased rapidly in the same period. Relevant authorities may take the initiative to work towards lifting this tax.
- When a legal regulation is communicated in China, the text is in Chinese and delays occur during the time period until an English translation is ready, which results in interruptions in shipments;
- Lengthy and tiresome product registration processes and strict regulations in China (labeling and packaging legislation, in particular);
- Rather difficult export permit processes;
- High customs duties resulting in a price disadvantage on the market;
- Constantly changing regulations on labels and documentation;
- Interruptions and travel bans as part of the Covid measures



Problems Related with “Sanitary and Phytosanitary Measures (SPS)” While Exporting to China

95% of respondents stated they did not have problems in terms of “Sanitary and Phytosanitary Measures (SPS)” while exporting to China. Only 5% said they had problems related with SPS Measures.

“Other Problems” When Exporting to China

As for the “Other” problems faced while exporting to China, 80% of respondents expressed no problems while 20% who stated the contrary shared the following problems:

- Delays in supply and imbalances in logistics costs;
- Difficulties in getting a visa, preventing Turkish firms from establishing a physical contact and solid communications with Chinese firms with whom they conduct R&D projects or perform exports operations;
- Issues experienced related with intellectual property rights (risk of products imported from Türkiye being copied and manufactured with a similar brand);
- Missed export opportunities due to travel restrictions.

In conclusion, areas where respondents faced problems the most while exporting to China are as follows:

1. Logistics (40%)
2. Legal regulations in China (35%)
3. Financing (30%)
4. Market access conditions (25%)
5. Other (%20)
6. Customs procedures (15%)
7. Sanitary and Phytosanitary Measures (SPS) (5%)
8. Legal regulations in Türkiye (0%)



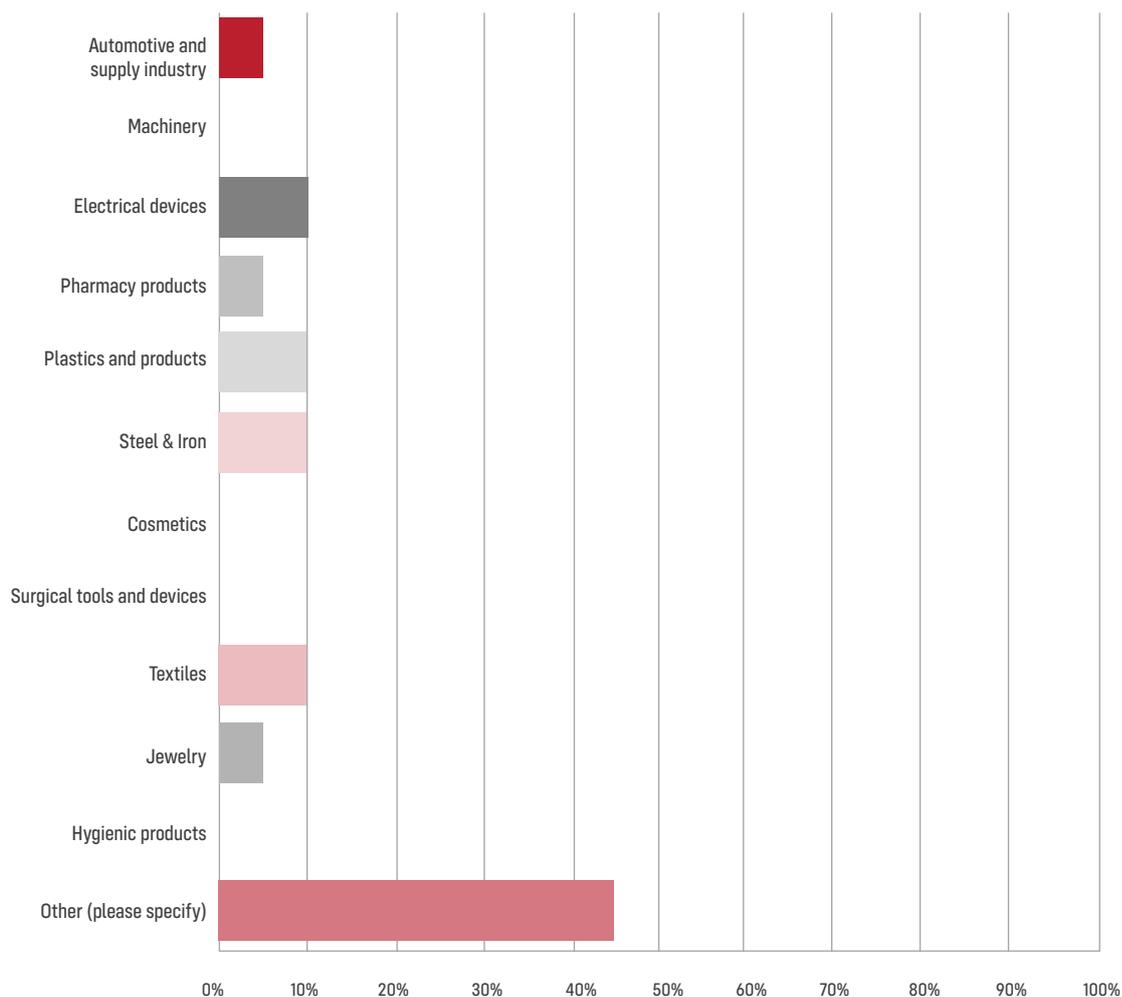
Products that Respondents Consider Exporting to China in the Coming Period from among Potential “Industrial Products” as Specified in Trade Ministry’s Far Countries Strategy

Potential “Industrial Products” that the Ministry of Trade considers for exports to China as specified in its Far Countries Strategy are as follows: Automotive and supply industry, machines, electrical devices, pharmacy products, plastics and plastic products, steel&iron, surgical tools and devices, textiles, jewelry, and hygiene products.

Products from among this list that responding enterprises consider exporting to China in the coming period are: electrical devices, plastics and plastic products, steel and iron, and textiles each representing 10%; automotive and supply industry, pharmacy products, jewelry each representing 5%.

Respondents also selected the “other” option with a ratio of 45% aside from the categories specified by the Ministry of Trade. Products and sectors in the “Other” category are as follows:

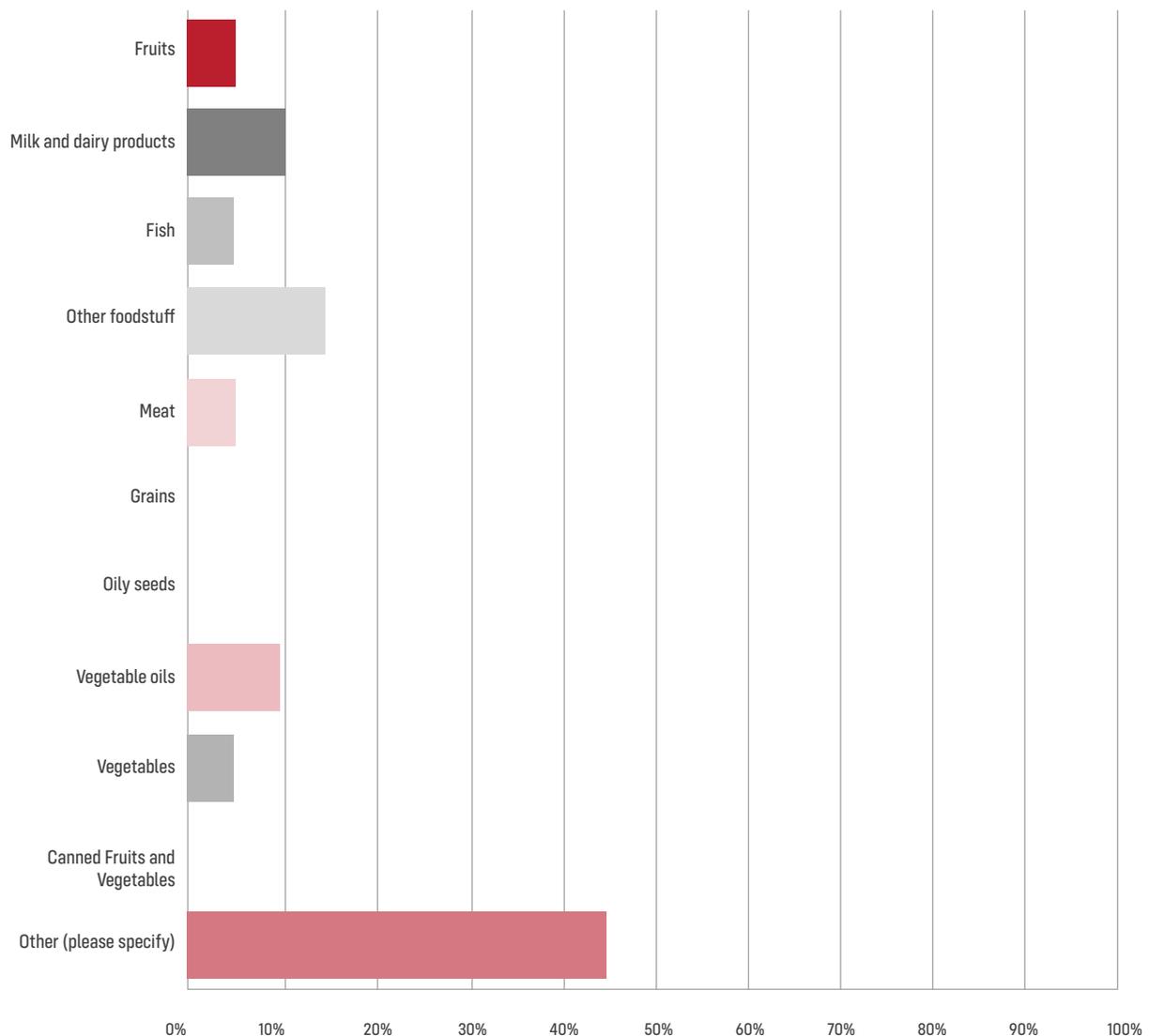
- Porcelain plates
- Mining products
- Cosmetics
- Furniture



Products that Respondents Consider Exporting to China in the Coming Period from among Potential “Agricultural Products” as Specified in Trade Ministry’s Far Countries Strategy

Potential “Agricultural Products” that the Ministry of Trade considers for exports to China as stated in its Far Countries Strategy are as follows: Fruits, milk and dairy products, fish, other foodstuff, meat, grains, oily seeds, vegetable oils, vegetables, canned fruits and vegetables.

Products that responding enterprises consider exporting to China in the coming period include other foodstuff (15%), milk and dairy products and vegetable oils (each representing 10%), and fruits, fish, vegetables and meat (each representing 5%). Aside from the potential products as specified in the Far Countries Strategy, 45% selected the “Other” option which included the following products: chocolate, tea/coffee, legumes, milk and dairy products, meat products, fisheries.





Enterprises' General Assessment on Their Foreign Trade with China in 2022 with a focus on Exports

The following observations and suggestions were provided along with responding enterprises' general assessment on their foreign trade with China in 2022 with a focus on exports:

Observations

- Enhanced relations in 2023 are expected to accelerate trade activities.
- In the coming period, the impact of the pandemic on China's domestic market is expected to diminish, and upward trend in exports is anticipated to continue when policies supportive of consumption are re-introduced.
- Closures that China introduced due to Covid resulted in the increase in the number of local competitors with domestic manufacturing operations and tougher competition vis-à-vis Turkish exporters. The negative impact of the closures were highlighted by respondents.
- The post-pandemic hike in logistics costs and long delivery times caused loss of customers/orders.
- Several exporters pointed attention to the relatively low export amount per unit compared to the unit amount China exported to Türkiye in the same product group.
- Respondents also stated that they had lacking knowledge on how to compete on the Chinese market.
- In general, enterprises think 2022 was a quiet year, while expressing their ambitious goals and expectations for 2023 and beyond.

Suggestions

- A comprehensive promotion activity to be conducted in China is among the suggestions. Demand for Turkish products will rise when Chinese end consumers get to know Türkiye better. Conducting activities to attract Chinese tourists, focusing on film/TV series exports, and inviting procurement officers of large chain markets (which will be determined by our Trade Counsellors and Attachés in China) to Türkiye are among the suggestions for the tourism industry in particular.
- For higher-segment product groups, selling products with the "MADE IN TÜRKİYE" label is anticipated to help boost Türkiye's visibility.
- As for developing and exporting high added-value products, a committee is suggested to serve as a shared platform of collaboration among enterprises and for the potential to boost exports.
- Conducting work on "services export" in addition to "product exports" in China is among the suggestions.
- Diversifying the subsidies for exports to China is suggested.
- Enterprises with high trade volumes request facilitation of entries to China.



China has been one of Türkiye's most important trade partners for a long period of time. A look at TÜİK's foreign trade data for 2022 reveals a trade volume of USD 44.63 billion between the two countries. This is, however, composed of imports worth USD 41.35 and exports worth USD 3.28 billion. In addition, Türkiye is among the top ten countries that China has trade surplus. To counterbalance this huge gap which is currently not to Türkiye's benefit, it is important to, first and foremost, identify hurdles in front of exports to China, develop solutions to such hurdles, and help the public and private sectors conduct studies / develop policy in this area with a view to boosting our exports.

In this respect, a survey was conveyed to our members in December 2022 for TÜSİAD and DEİK to identify problems faced in exports to China and rooms for improvement. A look at the general profile of responding enterprises, the following characteristics come to the fore:

- Large scale enterprises which have been operational for over 20 years
- and began exporting to China between 2010 in 2019
- export branded products,
- mostly food and agricultural products,
- in traditional channels,
- and without an intermediary (directly) to China,
- attaining an export volume of USD 1-50 million ²

Respondents are mostly large-scale enterprises, and thus do not experience major problems. However, logistics was a problematic area frequently highlighted by respondents due to quarantine measures and closures in place to help fight Covid in China. Difficulties in obtaining a visa for China were also pointed. Respondents stated that problems caused by legal regulations in China made it difficult for exporters to compete against domestic firms and penetrate the Chinese market. Additionally, problems faced in terms of market access and having a firm grip on the Chinese market due to low recognition of Türkiye and Turkish products were underlined.

Therefore, suggested efforts include activities to promote Türkiye and boost the visibility of Turkish brands. There are requests for more convenient visa procedures; emphasis is placed on introducing more subsidies for exports to China; attention is called for services exports in addition to product exports; and the benefits of a committee – to be established as a common ground of collaboration among enterprises for boosting exports of high added-value products – are underscored. Evidently, it is important to provide information to enterprises on the conditions for market access, legal regulations, and the rules of competition to better compete with domestic firms on the market.

² 45% of enterprises express less than USD 1 million, while two groups (each representing 25%) record USD 1-10 million and USD 10-50 million, respectively. Therefore, 50% of respondents perform exports worth USD 1-50 million.

From this vantage point, we think it is important for Turkish and Chinese public authorities to develop policy in the following areas with a view to boosting exports:

1. In order to balance the foreign trade between the two countries, China could consider to initiate Import Improvement Programme for Türkiye;
2. Conducting work based on GTIP for products to be exported to China, and establishing platforms through public-private partnerships whereby efforts to boost exports of high added-value products to China could be undertaken;
3. Carrying out work to promote Türkiye and raise the visibility of Turkish products; running promotion activities in Chinese provinces;
4. Carrying out joint work with China in the area of tourism so as to attract more tourists from China which will help promote Türkiye, raise our products' visibility and have a positive impact on our exports;
5. Visa facilitations for firms doing business in or with China;
6. As language is a major barrier, supporting Chinese language education and providing support to the employees of enterprises exporting to China so that they learn Chinese;
7. Considering that an established presence in China is an accelerator for exports, providing information and extending subsidies for the market access in China, environment of doing business, legal regulations and company establishments;
8. For the purposes of contributing to e-exports to China, prompt execution and implementation of the comprehensive memorandum of understanding (MoU) on E-Commerce between the Trade Ministries of both countries which addresses trade from all relevant aspects and for which negotiations have been finalized;
9. Establishing permanent pavilions on relevant platforms in the prominent cities of China where information on Türkiye will be provided and Turkish products exhibited;
10. Considering the fact that Chinese companies with investments in Türkiye act as an accelerator of exports, conducting efforts to attract Chinese investment to Türkiye for added-value areas in particular;
11. Effective use of intergovernmental dialogue mechanisms; enhancing dialogue and collaboration between the Trade Ministries of both countries; and holding the Joint Economic Commission meeting soon in a format allowing the private sector to contribute.

In conclusion, the current overview that the survey we conducted as TÜSİAD and DEİK has revealed will hopefully help identify the hurdles in front of Türkiye's exports to China, while enabling relevant Turkish and Chinese public authorities to develop tangible and effective policies and contributing to their implementation according to a well-established plan.



TUSIAD

Evliya Çelebi Mah., Meşrutiyet Cd.
No: 46, 34430 Beyoğlu/İstanbul, Türkiye

Tel: +90 212 249 19 29
E-mail: tusiad@tusiad.org

 **DEİK**

Huzur Mah. Azerbaycan Cad. Skyland Sky Office
No: 4 B Blok Kat: 21-22 Seyrantepe, Sarıyer/İstanbul, Türkiye

Tel: +90 212 339 50 00
E-mail: info@deik.org.tr