

The Economic Dimension in Turkish-Pakistani Relations 2002-2022

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Abstract

The idea of the research is focused on the study of Turkish-Pakistani relations 2002-2020 in the economic field and aims to clarify the level of development of these relations in this field under the AKP government. The importance of the research lies in shedding light on the details of economic relations between the two countries, particularly in areas such as trade, mutual investment, and industrial cooperation. The research consists of a preface addressing the roots of economic and trade relations between Turkey and Pakistan until 2002, as well as two main axes: the first deals with trade relations while the second includes economic cooperation and investment. In addition, the research is concluded with stating the key findings of the study. One of the most important results of the research is that, despite all the circumstances and challenges faced by the two countries during the aforementioned period, they were able to significantly develop mutual trade and economic relations and foster bilateral cooperation to serve common strategic interests.

Keywords: Turkey, Pakistan, Turkey-Pakistan trade relations.

Introduction:

Relations between Turkey and Pakistan have developed since the latter gained independence in 1947. Their multi-dimensional relationship demonstrated the same spirit of brotherhood that had prevailed for centuries in the relations between Indian Muslims and the Ottoman Empire, and later, the Republic of Turkey defining itself as secular system, while Pakistan was committed to Islamic ideology as the cornerstone of its nationalism. After a period of stable relations during the 1990s, Turkish-Pakistani relations gradually improved after 2002. The two countries enjoy close and friendly relations, and their mutual cooperation has been strengthened through the firm determination of their leadership to further deepen mutual cooperation in all fields. Since 2003, perceptions and interests of Turkey and Pakistan have begun to converge on a number of important issues.

The geostrategic location of both Pakistan and Turkey is unique and very similar. Turkey's geostrategic importance stems from its central location at the crossroads of the Balkans, the Caucasus, the Persian Gulf, and the Middle East, which were key areas of instability and conflict in the post-Cold War era. Similarly, Pakistan occupies a strategic

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geographical position at the crossroads of Central Asia, West Asia and South Asia, next to Afghanistan that has faced decades of war with different ethnic affiliations. After the September 11 attacks, Pakistan became a frontline state in the war against terrorism that brought the international community to Afghanistan. Both Pakistan and Turkey play important roles in conflict-torn regions, especially in light of rapid developments and changing international relations.

Research Objective: The research aims to shed light on the development of Turkish-Pakistani relations in the economic and trade fields during the rule of the Justice and Development Party, as well as its impact on the level of bilateral strategic partnership.

The Importance of the Research: The importance of the research lies in presenting the changes in the economic relations between the two countries, highlighting the differences and rapprochement that have surfaced between Turkey and Pakistan. The research also proposes new approaches to strengthen these relations in the future and emphasizes the strategic importance of the two countries in light of bilateral cooperation in political and military fields.

Research Problem: The research problem stems from the fact that the range and level of economic relations between the two countries have faced various obstacles and challenges, including political and internal and external security. Therefore, the governments of both countries have tried to develop strategies to confront these challenges and significantly enhance bilateral economic relations.

Research Methodology: The research adopts the historical and descriptive approach and cites the applications of the analytical method, which is the most common method in the study of international relations.

Research Structure: The research structure is divided into a preface to economic and trade relations, two main axes and a conclusion.

First: The Roots of Economic and Trade Relations

The roots of economic relations between Turkey and Pakistan, which gained independence in 1947, date back to the mid-1950s, as Pakistan launched a small trade between the two countries. Subsequently, both countries began exploring ways to expand mutual trade.

On July 26, 1951, the first cooperation agreement was signed between Pakistan and Turkey (Al-Nuaimy, 2023, 13). In this agreement, cooperation in the fields of politics and economics remained at the forefront between Karachi and Ankara. In addition, the two sides agreed upon concrete steps to promote cultural understanding and develop peace and prosperity. In 1954, the two governments of Pakistan and Turkey signed a treaty on economic cooperation (Almas et al., 2021, 41).

Since its independence in 1947, Pakistan has maintained friendly relations with Turkey, generally based on fundamental cultural and international considerations. However, both countries are members of important international organizations such as the Economic Cooperation Organization and the Organization of Islamic Cooperation. In order to strengthen economic and trade relations, Turkey and Pakistan have entered into several bilateral and multilateral agreements such as the 1965 Trade Agreement, the 1976 Economic and Technical Cooperation Agreement, the 1988 Double Taxation Prevention Agreement and the 1997 Mutual Investment Promotion and Protection Agreement. Under the 1976 Convention, the two countries established the Turkey-Pakistan Joint Economic Commission (Gul, 2014, 350). Since then, regular meetings have been held in Ankara and Islamabad with officials from both countries to assess their economic and trade relations (Haroon & Ozcan, 2021, 2).

Since the early eighties of the twentieth century, Pakistan and Turkey have promoted bilateral economic relations through the participation in various economic organizations,

which also have political implications supported and endorsed by the United States of America. However, several factors led to the disintegration of the Regional Cooperation for Development. Firstly, the revolution in Iran which accused political systems in neighboring Islamic countries, including Pakistan, of being agents of the West and the United States. Secondly, the Soviet invasion of Afghanistan in 1988, and the Iran-Iraq war (1980-1988) posed a threat to US interests in the Persian Gulf.

In 1981, during a visit by Turkish President "Kenan Evrin" to Pakistan, it was agreed to revive the Regional Cooperation for Development and include Iran as a member.

Given the war with Iraq and Iran's need for financial and military assistance, the invitation from the two countries came at an opportune time. One of the signs of the success of the Turkish-Pakistani endeavors in this field was Iran's initiative towards the Afghan crisis. In November 1981, the Iranian ambassador in Moscow proposed an initiative to the Minister of Foreign Affairs of the Soviet Union that included the formation of a joint force comprising Pakistan, Iran and other countries, although not named, but of course it would be none other than Turkey (Çelik, 2019).

The preparation for reviving the organization involved expanding trade exchange between the three countries and agreeing to implement economic projects. Pakistan's Foreign Minister, Sahib Qutbzadeh, said that Iran "is the one who wants to revive this organization now, and it is the link between Turkey and Pakistan. Iran wants this organization to progress and Pakistan supports that."

The year 1985 witnessed a meeting of committees from the three countries in Tehran, where the former name of the organization was changed to the "Economic Cooperation Organization" (ECO). It was decided to form the Council of Undersecretaries of Foreign Affairs of the Member States and choose Tehran as the permanent headquarters of the ECO Secretariat. The Organization aimed at to achieve several objectives, including revitalizing trade between member countries, increasing industrial cooperation, establishing a bank for investment and development, promoting tourism in the region and developing the communication and transportation system (Çelik, 2019).

In 1991, as a result of global transformations, especially the dissolution of the Soviet Union and the independence of the Islamic republics of Central Asia, the ECO countries were given the opportunity to revitalize and activate the role of the organization by inviting these republics to join. A meeting of the three countries was held in February 1992, followed by a meeting of the heads of the three countries in Tehran that same month. Azerbaijan, Turkmenistan, Tajikistan and Kyrgyzstan joined the organization, while Kazakhstan was granted observer status. On the other hand, the independence of the Central Asian republics sparked international competition in the region, with Pakistan attempting to establish a foothold. Nevertheless, it did not surpass Turkish-Iranian competition in these republics, despite the United States encouraging this competition to satisfy its desire to hold influence in the region. Turkey was the most likely to benefit from this encouragement due to its ties with these republics, such as language, ethnicity, and others. However, this did not deter Pakistan's attempts to build mutual cooperative relations with these republics.

It is worth mentioning that in 1997, Necmettin Erbakan, the leader of the Turkish government's Islamic Welfare Party, proposed establishing a new economic group consisting of eight Islamic countries known as the Group of Eight, namely, Turkey, Egypt, Pakistan, Iran, Bangladesh, Nigeria, Malaysia and Indonesia. The first meeting of its chairmen was held in Istanbul in June 1997.

Second: Trade Relations

Turkish-Pakistani relations entered a new phase following the victory of the Justice and Development Party (AKP) in the November 2002 elections. The Turkish government attached great importance to developing bilateral relations at both the regional and

international levels, serving its strategic interests. In particular, Turkey has focused on fostering its ties with Asian countries, including China, India, Pakistan and others (Al-Nuaimy, 2023, 17). In May 2003, Turkish Foreign Minister Abdullah Gul paid an official visit to Pakistan with the aim of setting the stage for the development of relations and the conclusion of various cooperation agreements between the two countries. A month later, Turkish Prime Minister Recep Tayyip Erdogan visited Islamabad in June 2003 accompanied by a large delegation of Turkish politicians and businessmen. The fact that this delegation included 110 businessmen showed Turkey's desire to increase trade and economic cooperation with Pakistan. In this context, the two sides signed three memorandums of understanding, notably on land transport, environment and combating drug trafficking (Husain, 2008, 72).

Under the AKP government, Turkish-Pakistani relations have been considerably developed. This is evident from enhanced economic cooperation between the two governments in diverse areas, such as energy, transportation, communications, raw materials, automobiles, horticulture, industry, food and dairy production, as well as oil and gas trade.

On June 1, 2005, the Prime Minister of Pakistan, Shaukat Aziz, visited Turkey at the request of the Turkish Government to further discuss issues of mutual interest. According to Turkey's Anadolu news agency, Aziz met with his Turkish counterpart Recep Tayyip Erdogan and President Ahmet Necdet Cesar, as well as senior Turkish officials, namely, Parliament Speaker Bülent Arinc and Foreign Minister Abdullah Gül. The top-level talks focused on strengthening bilateral relations between the two countries in the political and economic fields. During his visit, Aziz also met with Turkish businessmen and invited them to increase Turkish investments in Pakistan (KUNA, 2005).

The year 2009 marked an important breakthrough in trade relations between the two countries, especially after the visit of Turkish Prime Minister Recep Tayyip Erdogan to Islamabad on October 25, 2009. During his meeting with Erdogan, Pakistani Prime Minister Yousuf Raza Gilani underlined the pivotal role of Turkish private sector in developing the infrastructure of both countries. He presented a four-point strategy to improve mutual trade, stressing the need to strengthen economic and development ties between the two countries. He also noted the similarities between neighboring states and emphasized advancing cooperation in various areas, "Let us make trade and investment the cornerstone of this cooperation." (KUNA, 2005, 40)

Erdogan and Gilani also discussed increasing the volume of trade exchange between the two countries, revealing that it is expected to grow in the next few years. Erdogan announced that the current volume of trade exchange between the two countries is \$741 million and is expected to reach \$2 billion in the next few years, adding that there is a lot of room for improvement in bilateral trade between Pakistan and Turkey. He pointed out that through the proper use of bilateral agreements and their prompt implementation, regional trade in the region can be promoted (KUNA, 2005, 40).

Both countries revitalized business terms in 2011 by establishing Turkey-Pakistan Business council. In 2007, Territorial/ Trilateral Summit was held to bring up collaboration and cooperation on regional level. The member countries of the Summit include Turkey, Afghanistan and Pakistan. This Summit has strengthened mutual economic relations (Abbasi, 2020, 73). According to the Ministry of Foreign Affairs in Turkey, the economic relations improved after the establishment of High Level Cooperation Council (HLCC) in 2009, which aimed to boost trade and economic cooperation between both countries. The first meeting of HLCC took place on December 2010 in Ankara with the signing of eighteen MoUs and agreements between Pakistan and Turkey. The second HLCC round took place in May 2012 in Pakistan (Hadi, 2015) while the third round was held in 2013 in Ankara. In both rounds twelve MoUs were signed in terms of trade, energy, security, education, culture, science and technology. The fourth

round of HLCC took place in Islamabad in 2015 (Abbasi, 2020, 74), in which both countries agreed to sign eleven MoUs regarding trade, security and terrorism. In this meeting, the two countries decided to begin negotiation on Free Trade Agreement (FTA). Since 2015, three rounds of Free Trade Agreement (FTA) have taken place, two in Ankara and one in Islamabad. Both countries signed the Terms of References (ToRs) for negotiations on bilateral Free Trade Agreement in the first round of talks in October 2015.

In March 2016, Pakistan and Turkey took a step forward for future negotiations on the Free Trade Agreement (FTA) between the two countries by signing an FTA Framework Agreement. Commerce Minister of Pakistan, Khurram Dastgir, and Economics Minister of Turkey, Mustafa Elita^o, inked the Framework Agreement which stipulates the broad outlines and the areas along which the talks on FTA will proceed. The Framework Agreement states that the two sides would hold negotiations in fields such as trade in goods, services, intellectual property rights, competition policies and dispute settlement mechanism. In his meeting with Elita^o, Dastgir said, “We are living in an era of commercial diplomacy where trade is the foremost factor in shaping inter-state relations.” He added that international trade became an increasingly important factor in creating jobs, enhancing competitiveness and efficiency of the domestic industry and strengthening development efforts (Tribune, 2016). The Prime Minister of Turkey, Ahmet Davutoglu and his Pakistani counterpart, Nawaz Sharif, then agreed to eliminate 85% of tariffs and increase bilateral trade to \$10 billion by 2022 on the Free Trade Agreement (Abbasi, 2020, 74).

Turkey's exports to Pakistan in 2009 amounted to \$152 million, while its imports reached \$407 million. Trade between the two countries rose in 2010, with Turkey's exports hitting \$156 million and its imports from Pakistan exceeding \$644 million. The peak of bilateral trade volume was recorded in 2011 with Turkey's exports to Pakistan amounting to \$160 million, and its imports reaching \$756 million. This represented the highest level of Turkey's imports from Pakistan between 2009 and 2018.

Nevertheless, in 2012, trade between the two countries witnessed a significant decline, especially in Pakistan's exports to Turkey, which amounted to \$416 million. On the other hand, Turkey's exports to Pakistan increased to \$189 million.

Subsequently, exports and imports between the two countries experienced a gradual decline until 2016. However, they increased relatively in 2017 and 2018 (see Figure 1 and Table 1). One of the reasons cited for the stagnation of Pakistani exports to Turkey between 2015 and 2016 was the additional duties imposed by Turkey on imports from all countries including Pakistan (The Pakistan Business Council (PBC), 2020, 24).

Table 1: Pakistan's trade with Turkey (2009-2018) millions of dollars

2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	year
358	269	260	205	193	150	189	160	156	152	imports
303	327	237	235	391	407	416	756	644	407	exports
-55	59	-23	30	198	257	227	596	488	255	Trade balance

Source: (PBC, 2020)

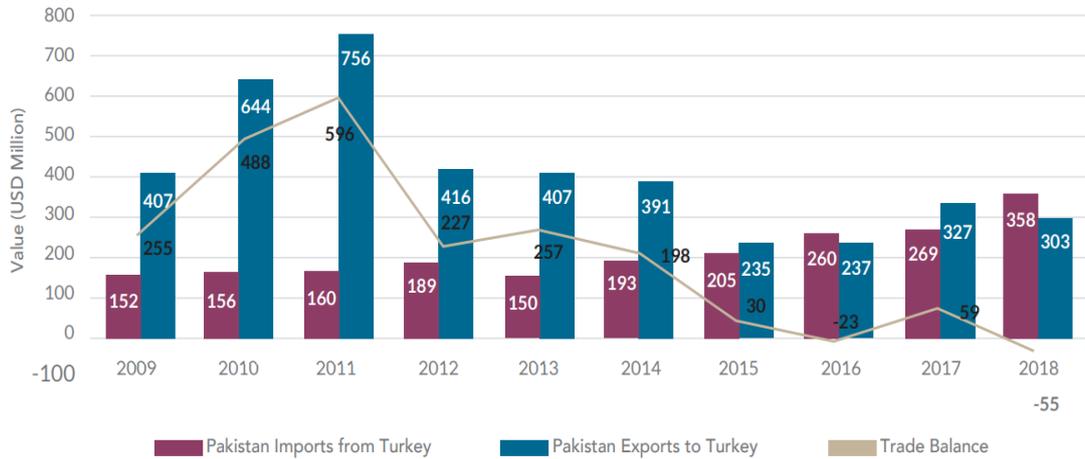


Figure 1: Trade volume between Turkey and Pakistan (2009-2018) millions of dollars
Source: (PBC, 2020)

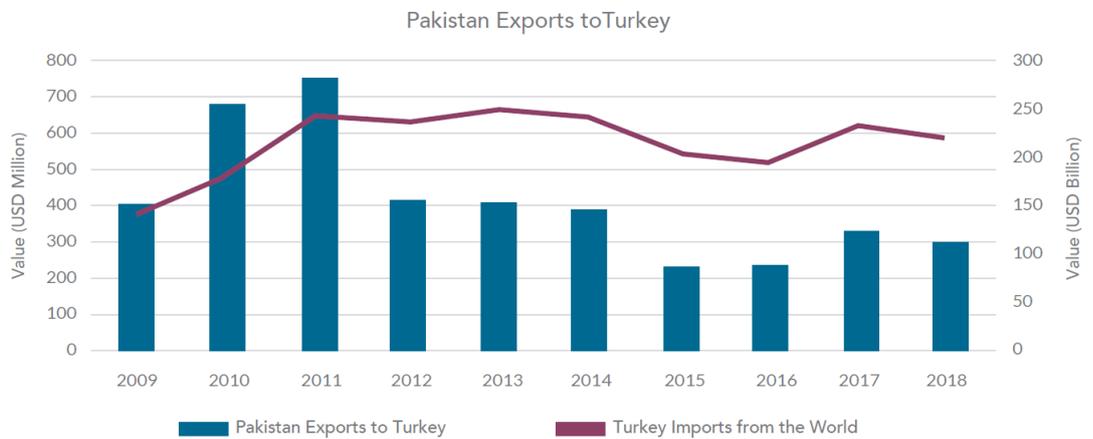


Figure (2) Pakistan's exports to Turkey in relation to Turkey's imports from the world (2009-2018)
Source: (PBC, 2020)

The figure above shows that Pakistan's exports to Turkey were at their lowest levels in 2015. Exports declined after reaching their peak in 2011 when Turkey imposed anti-dumping duties on separate wall air conditioning units from Pakistan and applied global safeguard measures to polyethylene terephthalate, cotton fabrics and ready-made garments. Exports fell further in 2014 as anti-dumping duties were imposed on synthetic yarns and fibers from Pakistan.

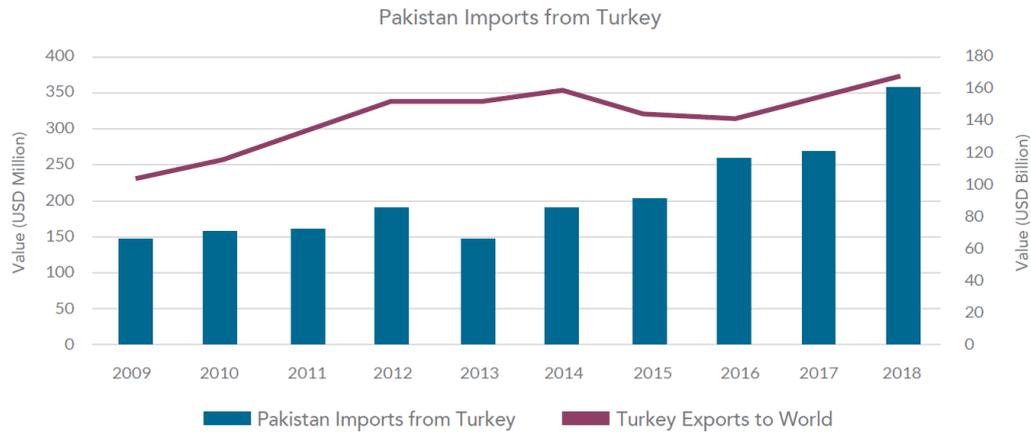


Figure (3) Pakistan's imports from Turkey in relation to Turkey's exports to the world (2009-2018)

Source: (PBC, 2020)

Figure (3) above illustrates that as Turkey increased its total exports to the world between 2009 and 2018, Pakistan's imports from Turkey also grew. Imports from Turkey peaked at \$358 million in 2018 and hit their lowest level of \$150 million in 2013. As can be seen from the above charts, Pakistan's exports to Turkey experienced significant volatility and an overall downward trend. In contrast, imports from Turkey have followed an upward trend since 2013. Thus, Pakistan's trade deficit with the Turkey in 2018 was the highest in the last decade (PBC, 2020, 24).

Furthermore, Table (2) shows Pakistan's top ten exports to Turkey at the HS-02 level along with the compound annual growth rate for the past ten years and the tariffs applied by Turkey.

Table (2) Top 10 materials exported from Pakistan to Turkey 2009-2018

Product Code	Product Description	2009 USD Million	2018 USD Million	Share in Total Exports to Turkey (%)	CAGR (2009-2018)	Average tariff applied by Turkey to Pakistan
	All Products	407.12	302.76		-3.24%	
	Top Ten Products	355.21	275.10	83.11	-2.80%	
52	Cotton	237.62	190.66	62.97	-2.42%	4
39	Plastics and articles thereof	30.14	23.80	7.86	-2.56%	1
22	Beverages, spirits and vinegar	13.87	21.59	7.13	5.04%	32
62	Articles of apparel and clothing accessories, not knitted or crocheted	22.27	8.56	2.83	-	9
55	Man-made staple fibres	9.29	7.01	2.31	-3.08%	4
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical...	2.16	6.24	2.06	12.53%	0
41	Raw hides and skins (other than furskins) and leather	8.60	5.89	1.95	-4.12%	1
61	Articles of apparel and clothing accessories, knitted or crocheted	2.21	5.28	1.74	10.15%	9
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	24.68	3.10	1.02	-20.59	1
95	Toys, games and sports requisites; parts and accessories thereof	4.37	2.97	0.98	-4.20%	0

Source: (PBC, 2020)

Table 2 reveals the following information (PBC, 2020, 24):

- The top 10 exports, as per the HS-02 code, accounted for 83.1% of Pakistan's total exports to Turkey in 2018.
- The largest export was cotton, valued at \$190.7 million (HS-52), which represented 63% of Pakistan's exports to Turkey. However, cotton exports have declined at a compound annual growth rate (CAGR) of approximately 3.1% since 2009.
- Four of the top 10 exports fall under the textile category. Together they accounted for 69.8% of Pakistan's total exports to Turkey.
- "Apparel Products & Accessories" (HS-61) showed the highest CAGR of 10.2%.

Table (3) Top 10 items imported from Pakistan to Turkey 2009-2018

Product Code	Product Description	2009 (USD Million)	2018 (USD Million)	Share in Total Exports to Turkey (%)	CAGR (2009-2018)	Average tariff applied by Turkey to Pakistan
	All Products	152.15	357.86		9.97%	
	Top Ten Products	66.56	226.32	48.22	11.16%	
84	Machinery, mechanical appliances, nuclear reactors boilers; parts thereof	33.39	93.08	26.1	12.06%	9
89	Ships, boats and floating structures	-	29.47	8.24	-	7
39	Plastics and articles thereof	10.95	19.87	5.55	6.85%	14
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	6.86	16.12	4.50	9.96%	14
73	Articles of iron or steel	5.54	14.02	3.92	8.84%	17
07	Edible vegetables and certain roots and tubers	0.59	11.98	3.35	39.62%	4
38	Miscellaneous chemical products	3.29	10.76	3.01	14.09%	10
96	Miscellaneous manufactured articles	1.84	10.71	2.99	21.65%	19
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere	0.76	10.45	2.92	33.90%	19
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	2.36	9.87	2.76	17.26%	20

Source: (PBC, 2020)

The following notes apply to Table 3 (PBC, 2020, 24):

- The top 10 imports accounted for 48.2% of Pakistan's total imports from Turkey in 2018.
- Pakistan's imports from Turkey have increased at a compound annual growth rate of 10.1% since 2009. All major imports have shown an increase in the value of imports since that year.

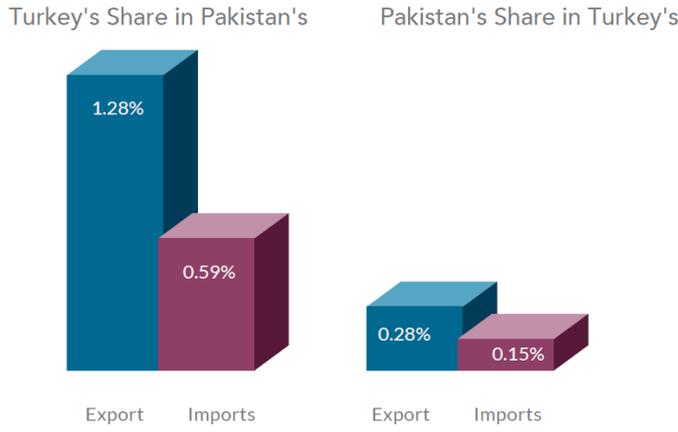


Figure (4) The importance of trade between Turkey and Pakistan

Source: (PBC, 2020)

Figure (4) shows the importance of bilateral trade for both countries, stating Turkey's share of Pakistan's exports and imports as well as Pakistan's share of those of Turkey. Pakistan's trade with Turkey is relatively more significant than Turkey's trade with Pakistan when compared to their respective trade with the rest of the world.

There seems to be a discrepancy in the reported trade data between the two countries. According to Pakistan, exports to Turkey in 2018 amounted to \$302.8 million, while total imports amounted to \$357.9 million. On the other hand, Turkey reported imports from Pakistan worth \$330.8 million and exports worth \$462.2 million in that same year. This shows uncounted trade of \$132.3 million in 2018.

Figure (7) illustrates Pakistan's exports to Turkey as recorded by both countries over the past five years, revealing that the discrepancy increased from \$4.2 million in 2017 to \$27.9 million in 2018. However, compared to 2014 and 2015, this discrepancy has actually decreased. According to data recorded by Pakistan at the HS-02 level, Pakistan reported higher values for exports of textile products (HS-63) and leather goods (HS-42) (PBC, 2020, 30) compared to Turkish statistics.

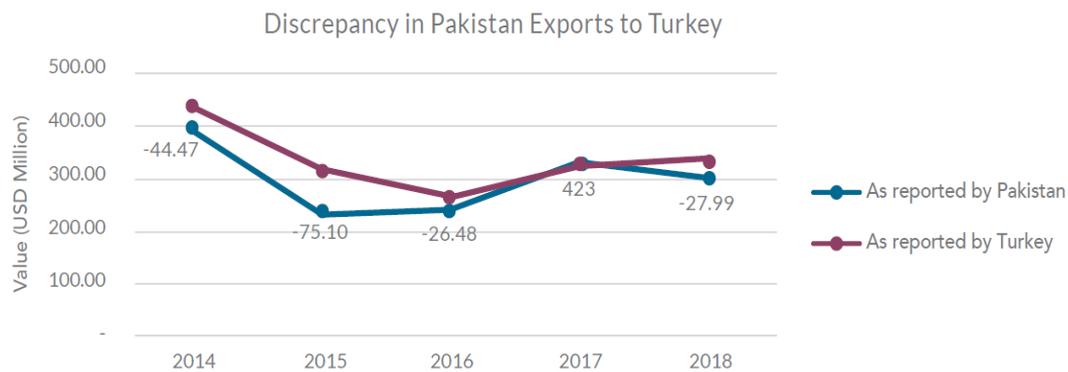


Figure 5: Variation in Pakistan's exports to Turkey

PBC, Potential for a Pakistan – Turkey Free Trade Agreement, June 2020:

Third: Economic Cooperation and Investment

The growing economic cooperation between Turkey and Pakistan has been largely manifested after the Preferential Trade Agreement (PTA) which consequently strengthened the bond between the two countries. As stated in The Tribune report (2013), Turkey and Pakistan enjoy cordial relations that are well connected by growing economic cooperation between the two governments in various sectors such as trade, oil and gas, information technology, dairy development, food processing, industry, agriculture,

automobile, textiles, infrastructure, telecommunications, transportation, energy, etc. The trade agreement has played a crucial role in the emerging link between these countries, leading to closer ties.

Jules (2014) noted that the bilateral economic relations have also provided several advantages, including a potential boost in 2013 when the Pakistani Prime Minister visited Istanbul and later the Turkish Prime Minister visited Pakistan. The research further stated that the heads of states had thus agreed to strengthen interdependence for cooperative gains.

Following the signing of the Framework Agreement for the Free Trade Agreement between Turkey and Pakistan on March 22, 2016, the Turkish Minister of Economy, Mustafa Elita^o, stressed the importance of Turkey's recent investments in Pakistan. "The next logical step to strengthen economic cooperation between the two countries is broader and deeper trade concessions," he said: "Islamic countries should focus on setting mutually and internationally recognized standards in Halal food so that their share may be enhanced," added the Minister, noting that "Turkish investment in the fields of renewable energy, housing, transportation, sanitation and infrastructure will be strengthened in the near future."

With the aim of enhancing cooperation, the two ministers launched the Pakistani branch of the All Industrialists and Businessmen Association, a Turkish government organization that provides support to small and medium enterprises and provides development and technical support to emerging entrepreneurs in Pakistan (Tribune, 2016).

By 2017, Turkish investment in Pakistan "surpassed \$1 billion, and Turkey has continued to pursue projects there, such as the export of its Metrobus rapid transit system. With the continued expansion of Turkish Airlines and the growth of Istanbul as a regional aviation hub, Pakistanis are increasingly flying on the airline and stopping in Turkey en route to the West. Although Pakistanis currently need a visa to enter Turkey, an FTA would also facilitate freedom of movement between the two countries, and Turkey, looking to boost tourism from Islamic countries to make up for a loss in Western European tourists in recent years, has much to gain from potential mass tourism from Pakistan" (Kowalski, 2019).

In this respect, Turkey offered an understanding on tourism to Pakistan, which was gladly accepted by Pakistan. During his first visit to Turkey in 2018, "the Prime Minister of Pakistan Mr. Imran Khan signed the MoU on tourism making considerable advancement on Strategic Economic Framework (SEF). Following the MoU, Turkey would provide all technical assistance to Pakistan for enhancing tourism advancing activities of Pakistan Turkish Tourism Council (PTTC). Both governments are negotiating visa-free travel to make the tourism smooth and easy. To facilitate tourism, business and investment, recently Erdoğan proposed the implementation of dual nationality for the nationals of both states (Abbasi, 2020, 74)."

The SEF consists of 71 significant items – such as a free trade agreement, technology transfer, capacity building and defense cooperation. Trade Minister Ruhsar Pekcan stated that, "We will utilize the sources of Türk Eximbank and the Asian Infrastructure Investment Bank (AIIB) to finance those projects." To make the economic zone viable "Pakistan has invited Turkey to be part of China-Pakistan Economic Corridor (CPEC). Turkey itself is also interested to become part of CPEC in order to advance relations with China and Pakistan. Turkey intends to invest on CPEC to make the economic zone strong (Abbasi, 2020, 74-75)." In this connection, Turkey will open flight pathways to connect Pakistan with Central Asian Countries. Vice president and Tahir Abbasi said that "Turkey will invest on CPEC to improve the trade relationship between the two countries," and added that, "Turkish airline have to open flight pathways to connect Pakistan with CEO Central Asian countries to progress the trade relations further. Turkey wants to find out ways to sign agreements and some of them were already done. Tayyib Erdogan have

planned, he will come on Pakistan coming days to belt business on private sector so Pakistan warmly welcomed him." No doubt both are in the growing struggle to improve the relationship among Asian Countries to build new opportunities for jobless people (Hayat, 2019).

Investments and the development of business relations is the most preferential task for expanding future relationships. In this regard, Pakistan intends to invite investments related to health, surveillance and agriculture from Turkey. The number of Pakistani companies investing in Turkey is 158 as of 2020 with investments of about \$100 million.

While attending the Turkish-Pakistani Business and Investment Forum in Islamabad on February 14, 2020, President Erdoğan stressed that to fully realize their enormous potential, Turkey and Pakistan aim to increase their trade and economic relations to the level of their political relations.

During his visit, Erdoğan was accompanied by a large delegation of Turkish businessmen, comprised of prominent representatives from engineering, energy, tourism, construction, defense, automotive, chemicals, information technology and other sectors.

"Despite the increasing trade and investments recently, unfortunately, we see that we are far behind our potential in this area," said Erdoğan, stressing the strong drive of both countries' political leadership to support the business world to propel ties to the level they deserve. He added, "I frankly do not plan for trade volume between Turkey and Pakistan, with a combined population of around 300 million, to stay at \$804 million. We should first rapidly bring our bilateral trade to over \$1 billion and then to our target of \$5 billion." (Daily Sabah, 2020)

An observable acceleration has been achieved concerning the investment, Erdoğan underlined. "Turkey's foreign direct investments in Pakistan have reached \$500 million." "Our firms are thinking of further increasing their current investments," he noted, adding that, "the conglomerate Anadolu Group and chemicals manufacturer Hayat Kimya have plans of additional investments worth about \$200 million and \$350 million, respectively."

Diary giant Süttaş will soon launch a milk processing plant, similar to the one it has in Turkey and which is the largest in the country, in Punjab with Pakistani partners, said Erdoğan.

The Turkish president said they hope the numbers and investments will continue to increase. He stressed that they do not see the difference between Turkish and foreign companies making investments in Turkey, noting the support they provide for investments and that the country's doors are open to anyone who believes in the country's investment potential (Daily Sabah, 2020).

For his part, Pakistani Prime Minister Imran Khan said, "We will provide all kinds of support in establishing partnerships between the businesspeople of the two countries, especially in the areas we prioritize. Tourism is one of these areas. The Turkish tourism sector is a very developed sector, and Pakistan has a lot to learn from it".

He added that, "Pakistan is a very virgin country in this area. We have infrastructure deficiencies. The infrastructure is established in Turkey, a country advanced in the sea and cultural tourism, and we want help in this area from Turkish investors."

Khan also said, "Our doors are open to investors from Turkey, which is far ahead of us in this area. We have fertile land for agriculture, but we cannot use water properly. We should learn the techniques in this field from Turkey." (Daily Sabah, 2020)

Erdoğan and Khan co-chaired the sixth meeting of the Turkey-Pakistan High-Level Strategic Cooperation Council, attended by senior politicians and cabinet members from both sides. The two countries signed a joint declaration at the conclusion of the session. Turkey and Pakistan inked a string of memorandums of understanding (MoUs) aimed at

boosting the existing bilateral trade, economic engagement, and cultural and communication ties.

The MoUs include cooperation between two countries' state-run broadcasters – TRT and PTV – education and overseas diaspora, culture and tourism development and facilitation, halal accreditation and conformity assessment and trade facilitation. They also intend to cooperate in areas like customs, postal services, railway and military training and e-commerce.

Ankara and Karachi agreed to formulate a declaration of an economic framework to increase bilateral trade volume to \$5 billion from the current volume of \$800 million.

The two countries also signed a MoU in the energy sector. The MoU proposes cooperation in the area of hydrocarbons, joint ventures in exploration and production, and sharing of best practices in natural gas distribution, transmission and wholesale markets in the liquefied petroleum gas market (Syed, 2020).

There are 17 Turkish companies operating in Pakistan. Turkish investments are mainly focused on energy, finance, infrastructure projects and contracting sectors. Construction is the leading sector for Turkish investors in Pakistan.

There are a total of 233 Pakistani capital companies in Turkey. In 2002-2019, the volume of direct investment of Pakistani companies in Turkey amounted to \$80 million. These companies operate mainly in the automotive, electronics, telecommunications, machinery, trade and banking sectors (Ministry of Foreign Affairs, 2023).

For example, Turkey's Zorlu has built a number of independent renewable energy initiatives (Akram et al., 2021, 68) in Pakistan, installing Pakistan's first wind power project at Jhimpir, which supplies more than 500 MW of power to Karachi (Husain, 2008, 72). Turkey's Arcelik, a subsidiary of Turkey's Koc Holding Group, paid Pakistan's Dawlance \$258 million for its acquisition in 2016.

Since 2012, two Turkish companies have been contracted to tackle the solid waste management in the Pakistani city of Lahore (Rafik, 2021).

The Turkish Federation of Chambers and Exchanges (TOBB) and Lahore Industrial Zone have agreed to sign a contract paving the way for Turkey's investment in Pakistani regions (May 2017).

Nearly 1 billion currencies were exchanged between the State Bank of Pakistan and the Central Bank of Turkey in November 2011. An agreement was signed between the Governor of the State Bank and the Central Bank of Turkey to promote bilateral trade in the next three years from 2011 onwards. Turkey's central bank declared that the agreement between them was nothing less than a reality and a historic deal.

On this occasion, the two countries signed an agreement on financial closing documents for the construction of the first 56.4 MW wind energy project that was likely to start producing electricity for the country in December 2012. The Turkish government has collaborated with the Pakistani government to build metro bus lines and facilitate nearly 1,100 passengers in Lahore. The first BRT project in Lahore was launched in February 2013 and inaugurated in the presence of the Chief Minister of Punjab, Mian Shahbaz Sharif, and Turkish Deputy Prime Minister Baher Bozdağ (Almas et al., 2021, 43).

Some Turkish companies have invested in the private sector in Pakistan including Bayinder, Enka and Tekser for various projects in the country, yet there are not many Pakistani companies that are actively operating in Turkey. There is hope that in line with global trends, economic interaction will take center stage in relations between Pakistan and Turkey (Husain, 2008, 72).

Despite this cooperation and investment in the field of transport, transport facilities between Turkey and Pakistan are insufficient and there is a need to establish a common

shipping line and regular charter ship services between Karachi and Istanbul. There is also a need to provide a permanent exhibition center for Pakistani products in Istanbul and organize Single Country Exhibition by Pakistan in Istanbul and vice versa. There is also enormous scope for strengthening cooperation in economy, trade, tourism, science and technology. The two countries have vast natural resources and have pools of scientific and skilled workforce. Despite various bilateral and regional efforts to achieve a direct shipping link between Turkey and Pakistan, the transport barrier remains almost intact. Air transportation is expensive and limited. An encouraging development in this context is the recent growth in trade among ECO member states through the shipping company ECO as a viable alternative to expanding mutual trade (Ahmad, 2000, 5–6).

On December 6, 2018, at the invitation of President Recep Tayyip Erdogan, Pakistani Prime Minister Imran Khan began his first foreign visit to Turkey after taking office. This visit opened new horizons of cooperation in trade and economic relations between the two countries (Çelik, 2019).

In this context, the development of economic and trade relations between Turkey and Pakistan has been of great importance, particularly since 2016. This is due to the historic brotherly ties between the two countries.

The two sides have great potential to strengthen their relations, and businessmen and investors from both countries have the opportunity to explore new areas of cooperation (Çelik, 2019).

On January 4, 2019, President Erdoğan and Pakistani Prime Minister Imran Khan agreed to develop a common economic strategic framework. This five-year framework will identify potential areas of economic and commercial interests of the two countries and remove obstacles in the way of promoting trade and investment, so that the economic relationship reflects the very close strategic and historical ties between the two countries.

“Turkish Vice President Fuad Ouktay and Pakistani Finance Minister Asad Umar will soon finalize the agreement, which will be signed at the next summit meeting of the Pakistan-Turkey High Level Strategic Cooperation Council to be held in the first half of 2019 in Pakistan,” (Ministry of Foreign Affairs, 2019) stated the Pakistani Foreign Ministry.

In implementation of the new vision of relations, 13 memorandums of understanding (MoUs) were signed on February 13, 2020 between the two countries, including a joint declaration after the sixth meeting of the High-Level Strategic Cooperation Council (HLSCC). In addition, the two sides approved the Strategic Economic Framework (SEF) and an accompanying detailed action plan.

The Social Investment Fund was also established, which aimed to promote mutual investments between the two countries and increase bilateral trade to \$5 billion by 2023 from \$800 million in 2020 (Syed, 2020).

Turkish President Recep Tayyip Erdogan, speaking at a press conference with Prime Minister Imran Khan after the signing ceremony, described the Social Investment Fund and the 71-point action plan as "a roadmap for deepening economic cooperation." During his visit to Pakistan and his two-day meeting with Pakistani Prime Minister Imran Khan to co-chair the high-level committee meeting, Erdogan pledged to provide all assistance in Pakistan's socio-economic development. "Turkey is ready to provide all support in the fields of transport, energy, tourism, healthcare, education and law enforcement, which will help in the socio-economic development of Pakistan," he said (Syed, 2020).

The MoUs signed by the two governments included standardization, conformity assessment, metrology and training; diaspora policy, tourism development and facilitation, trade facilitation and customs cooperation issues; railways, postal services, military training, and hydrocarbons. In another development, the two sides agreed to

expand the scope of the high-level committee, which previously included seven joint working groups focusing on political coordination, trade and investment, energy; banking and finance; transport and communications; culture and tourism; and education. HLCC has now acquired two new clusters on cooperation in the defense, water and agriculture industry. Erdogan said defense cooperation was the "most dynamic element" of bilateral cooperation. Emphasizing the importance of investments to create jobs and improve Pakistan's productivity and competitiveness, he expressed hope that Prime Minister Imran Khan will improve Pakistan's business climate (Syed, 2020).

Pakistani Prime Minister Shahbaz Sharif has called on Turkish businessmen to invest in his country. Sharif, who was in Turkey on an official visit at the invitation of President Recep Tayyip Erdogan on June 2, 2022, made the remarks at the Turkish-Pakistani Business Forum organized by the Federation of Chambers and Commodity Exchanges of Turkey (TOBB).

"I invite all Turkish businessmen to my country. We have learned from the mistakes we have made in the past. I am not making any political accusations," he said, adding that "We will roll out the red carpet in our country and serve you Turkish coffee." Speaking at the forum, Şirif drew attention to the fact that Turkey is a country that has made significant progress in recent years thanks to its visionary and energetic leader Erdogan. "Turkey is a country with leading contractors in the world. It also carries out many successful construction and infrastructure projects around the world, especially in the Middle East, Africa and Southeast Asia," he underlined.

Sharif pointed out that the volume of trade exchange between the two countries amounted to \$1.1 billion in 2021, which is an insufficient figure, saying: "Unfortunately, the brotherly relationship between Turkey and Pakistan is not sufficiently reflected in trade relations. Economic obstacles between the two countries must be overcome. Whatever is necessary should be done in this regard."

The prime minister stressed that they aim to increase the volume of trade between Turkey and Pakistan to the level of \$5 billion in three years. "We have everything necessary for this." Stating that they have learned from some malpractices in the past, Sharif sincerely apologized to the Turkish businessmen who were abused in Pakistan. "I apologize to you for what happened in the past, and I express my regret. I apologize to you for everything that has been done against Turkish businessmen," he said (Azernews, 2022).

On March 24th, 2023, Ihsan Mustafa Yurdakul, the Turkish ambassador to Pakistan, said it was time to expand Pakistan and Turkey's historically positive bilateral ties into more robust commercial and economic ties. During a meeting with a delegation from the Federation of Pakistan Chambers of Commerce & Industry (FPCCI), led by Capital Office Chairman Qurban Ali, the Turkish envoy made this statement.

Turkish businesses are eager to visit Pakistan, according to the envoy, to investigate new business and investment prospects. He stated that whenever the pandemic situation becomes better, a sizable Turkish trade group will travel to Pakistan.

Additionally, he extended an invitation to the FPCCI delegation to visit Turkey and pledged his full assistance and cooperation to make their trip successful (Sattar, 2023). Speaking at the event, Qurban Ali emphasized the importance of enhancing bilateral commerce and ties between the two friendly nations. He highlighted a number of investment prospects in Pakistan's oil and gas, mining, gemstone, tourism, IT, food processing, agriculture, dairy, furniture, and hospitality industries (Sattar, 2023).

Conclusion

In conclusion, it can be said that both Turkey and Pakistan have an important relationship politically, economically, strategically and geographically. On the one hand, Turkey has

the potential to act as a link between Asia and Europe, and on the other hand, Pakistan shares borders with two large and populous countries, and may serve as a gateway to the abundant energy resources of Central Asia. However, Pakistan needs Turkey more than Turkey needs Pakistan, due to its current trading systems and size. Given the delay in the preferential trade agreement since 2011, the governments of both countries should strive to implement it.

1. The growth in trade between Pakistan and Turkey has brought significant benefits to both countries. Given the current trade surplus and Turkey's massive, mostly unexplored market, there is potential for even greater benefits to be gained.

The two countries have enhanced their relations by fostering economic cooperation in the fields of agriculture, raw materials, industry, food and dairy products, oil and gas, etc. Therefore, both countries stand to gain from this cooperation on a global level. The growing economic cooperation between the Turkish and Pakistani governments was manifested in the proposed Preferential Trade Agreement (PTA), which has further promoted good relations and unlock potential gains for both countries.

2. The results of the research indicate that Pakistan has achieved a trade surplus with Turkey, with strong similarities in export, trade and industry, opening up greater opportunities for countries to achieve greater added value and increase their market share. In line with continued economic cooperation, economic relations have developed through huge infrastructure, trade and investments. Since Pakistan's independence, relations between the two countries have grown stronger as they are working together in the development phase to expand their economic scale globally.

3. The significance of the research lies in analyzing the fact that increased trade and strong bilateral ties have boosted the employment opportunities for Pakistanis in Turkey as they can travel and work there easily in a variety of sectors.

The research also highlighted that the partnership between Pakistan and Turkey has been developed based on shared cultural and religious ideologies as well as solidarity in fighting terrorism. Economic cooperation will also be important in the future with the development of several bilateral projects so that governments support each other in various sectors. It was also identified that the two countries also share a strong bond regarding the workforce and educational exchange. It is hoped that Turkish companies will increase their investments in Pakistan to exceed \$1 billion in order to further expand their cultural and trade ties.

4. Given the potential for greater synergies between firms, there are also significant indirect benefits, allowing for long-term structural changes that are critical to Pakistan's sustainable economic success. The most important characteristic of this partnership is the strong political will required to improve economic and trade cooperation between the two countries. Although Pakistan and Turkey have almost identical shares in the export market, the key element that favors Turkey is the predictability and better consistency that define its relations with Pakistan. Therefore, Pakistan should take advantage of some opportunities such as the planned Preferential Trade Agreement with Turkey to maximize its profits. It is time to turn the stocks of mutual goodwill between the two countries into big profits.

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