



August 07, 2024

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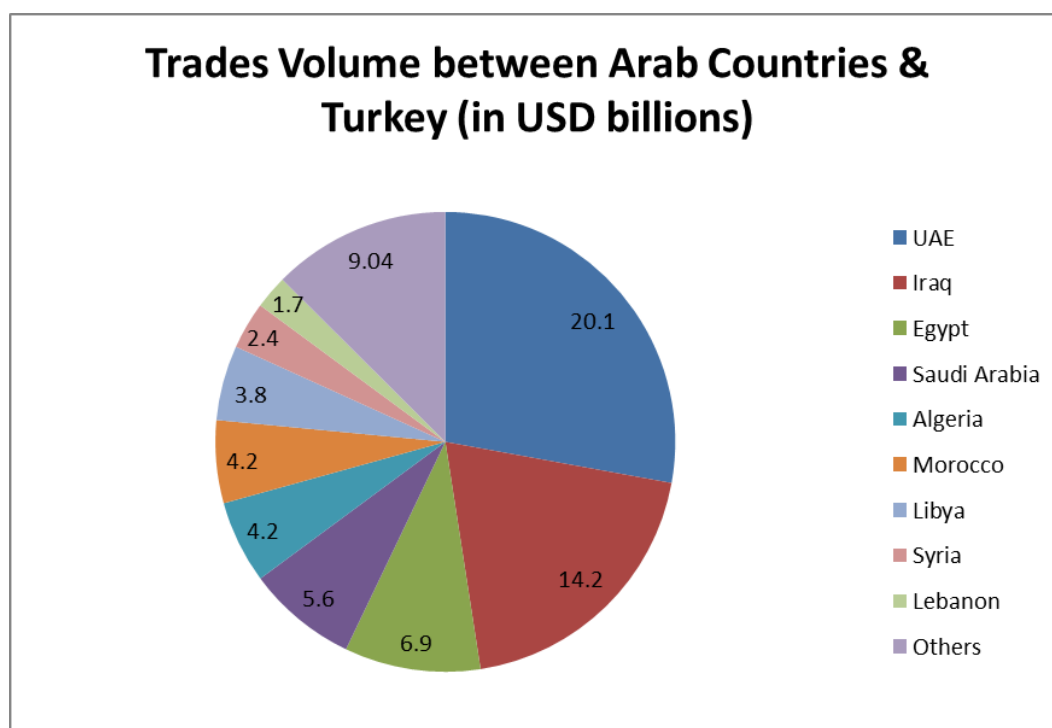
A Brief on Arab-Turkish Economic Relations

The Union of Arab Banks (UAB) published in its second issue - July 2024, a report on the “Economic Relations between Arab Countries and Turkey”. The report focused on the development of the Turkish economy, the economic relation between Arab countries and Turkey, specifically trade, tourism and investments. Lastly, the report discussed the constraints and opportunities related to future relations between Arab countries and Turkey.

Turkey is a member of the G-20 countries, being one of the 20 biggest economies worldwide. What is special about the Turkish economy is that it is well-diversified, along industrial, trade, tourism, agricultural, and services sectors. As per Turkish Statistics Authority, the growth in the economy recorded 4.5% in the fourth quarter of 2023 reaching \$842.2B, with forecasts of growth of 4%, 4.5%, and 5% in 2024, 2025, and 2026 respectively. In addition, Turkey’s geographic location makes it a connecting point between Western countries and Eastern countries including the Middle East.

Historically, Arab-Turkish relations go back centuries ago, with strong cultural, economic and geo-political relations especially that as Arab countries were part of the Ottoman Empire. Moreover, the Arab countries’ competitive advantages complement Turkish competitive advantages; therefore, there are opportunities for good financial and economic partnerships that will benefit both sides. The Arab countries have energy resources and vast economic potential, whereas Turkey has good infrastructure for industrial, trade, investment, and tourism sectors which are attracting investors. In the last decades, there was an improvement in economic relations in that Turkey shared its expertise in manufacturing and technology while Arab countries provided a huge market for Turkish products.

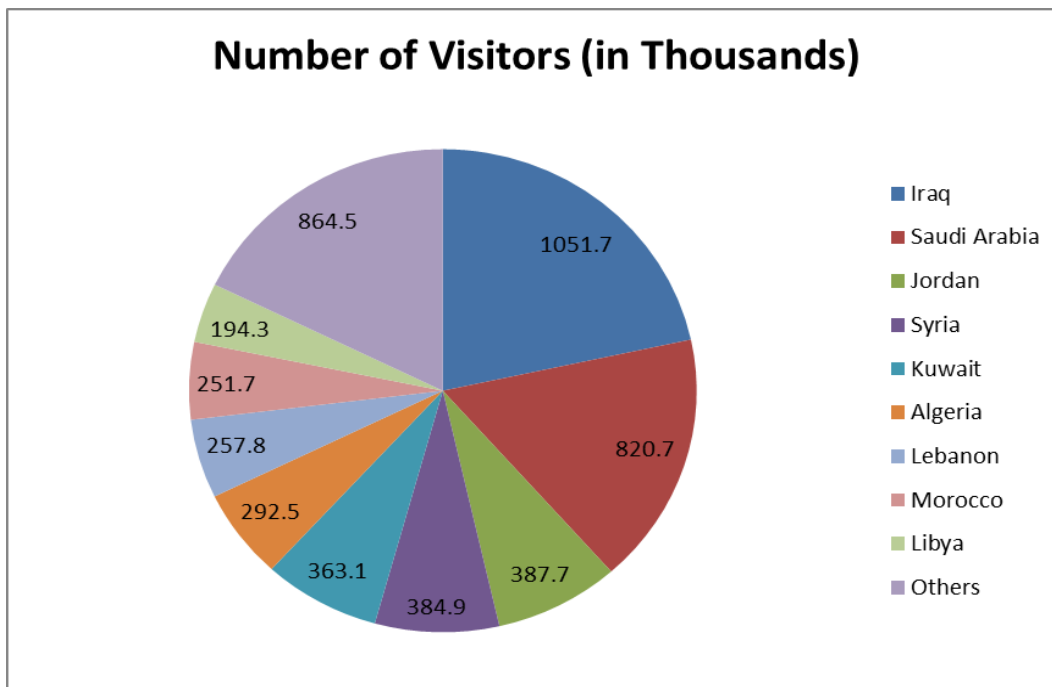
First, as per Turkish Statistical Authorities, the trade volume (exports plus imports) between Arab countries and Turkey in 2023 recorded around \$72 billion.



Source: Union of Arab Banks – Research & Studies Administration, based on Turkish Statistical Authorities

The above figure shows the nine countries with the largest trade volume between them and Turkey. UAE secured the first place with trade over \$20 billion followed by Iraq and Egypt where trade reached \$14.2 billion and \$6.9 billion respectively. For Lebanon, it came seventh with trade at around \$1.7 billion.

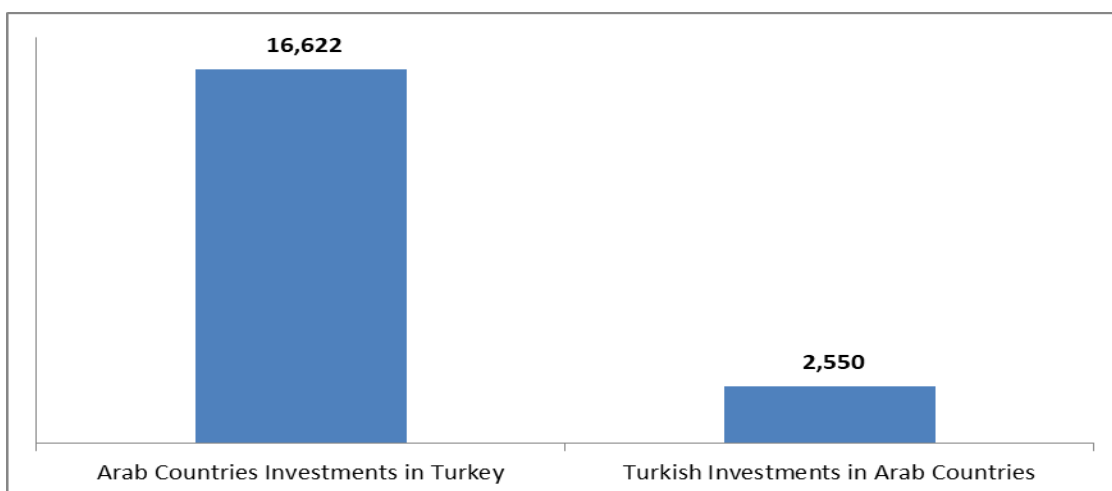
Second, the Turkish Culture and Tourism Ministry data showed that the number of Arab tourists who visited Turkey in 2023 per nationality totaled 4.86 million.



Source: Union of Arab Banks – Research & Studies Administration, based on Turkish Culture and Tourism Ministry

As the figure above shows, Iraqi citizens led Arabs who visited Turkey in 2023 (1.05 million visitors, representing 21.6% of total Arab tourists), second came Saudi Arabia and Jordan with 820.7 thousands visitors (16.9%) and 387.7 thousands (7.9%) respectively. For Lebanon, it came seventh with 257.8 thousands visitors (5.29% of total Arab tourists).

As for investments, data from the Turkish Central Bank regarding the value of Arab direct investments in Turkey and Turkish direct investments in Arab countries by the end of year 2022, were as shown in the below graph (in USD millions):



Source: Union of Arab Banks – Research & Studies Administration, based on Turkish Central Bank

The Arab countries' investments, at \$16.6 billion, were diversified in several sectors such as real estate, real estate development, banking, agriculture and food, to name a few.

There are several opportunities for cooperation in trade, infrastructure, energy, education, financial services and tourism. All this might lead to sustainable economic development for Arab countries as well as for Turkey. Regarding trade, free trade treaties could be signed which will enhance the exports of these countries. In energy specifically, where Arab countries and mainly the Gulf countries are major exporters of oil and gas, trade can meet Turkey's energy needs. In addition, there is an opportunity to enhance the cultural and educational links through exchange programs.

Despite these various economic opportunities, few obstacles are hindering their development, such as geo-political conflicts in addition to unstable economic conditions. These obstacles can be eased through efforts from both parties to enhance confidence, by streamlining rules and regulations, reducing political tensions, and increasing dialogue on shared interests.

In conclusion, due to historical ties, cultural similarity, geographic location, and the complementary competitive advantage between Arab countries and Turkey, developing economic and financial relations between them can have lasting benefits to both parties.

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