

Foreign Trade Between Bulgaria and Turkey

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Abstract: This study focuses on the foreign trade relationship between Turkey and Bulgaria. The patterns of Bulgaria's foreign trade partners is compatible with the gravity model of international trade which asserts that bilateral aggregate trade flows between two countries is proportional to the gross national products of those countries and inversely proportional to bilateral accessibility between them. Bilateral accessibility are time-invariant characteristics of a country pair such as distance or sharing the same language and culture. The role of distance, economic size and language-culture in Bulgarian foreign trade is strong. It can also be observed that main trade partners of Bulgaria have stayed the same since 2000's. Although Bulgaria's imports from and exports to the EU members have significantly increased since the Bulgaria's entrance into the EU in 2007, the imports from and exports to third non-member countries have kept their importance relatively unchanged. In other words, Bulgaria have not replaced trade partners from third countries with European ones.

Keywords: Foreign Trade, The Gravity Model of International Trade, Bulgaria, Turkey

1. INTRODUCTION

Bulgaria, which is a crossroads between Europe and Asia, has borders with Greece, North Macedonia,

Romania, Serbia, and Turkey by land (see Figure 1). The country joined the European Union as a full member in 2007. Bulgaria is ranked as the 62nd largest export and import economy in the world.

Figure 1: Bulgaria



Source: https://www.nordeatrade.com/en/explore-new-market/bulgaria/overview?vider_sticky=oui

Although Bulgaria has a structural/permanent trade deficit, it has positive trade balance when imports and exports of services are considered. In 2019, Bulgaria exported 33.3 bn USD of products while it imported 37.1 bn USD of products as such the country's trade deficit was 1.8 bn USD. Bulgaria's export volume increased from 29.2 bn USD in 2015 to 37.1 bn USD in 2019 while its imports also surged from 25.6 bn USD in 2015 to 33.3 bn USD in 2019. On the other hand, the country has trade surplus in foreign trade of services, causing permanent positive trade balance. In 2019 the country exported USD 10.5 billion worth of services while

importing USD 6 billion worth of services. During the period between 2015 and 2019, Bulgaria have experienced positive trade balance about 2.5% of GDP (see Table 1).

Bulgaria's trade openness has accelerated with the participation to the European Union. Openness of a country is measured by the ratio of the sum of imports and exports to GDP. As of 2019, trade openness ratio of Bulgaria (the ratio of the sum of imports and exports to GDP) is 123.7% which indicates that the country is very open to foreign trade.

Table 1: Foreign Trade Indicators of Bulgaria

	2015	2016	2017	2018	2019
Imports of Goods (million USD)	29,298	28,846	34,184	37,856	37,176
Exports of Goods (million USD)	25,690	25,978	31,438	33,617	33,303
Trade Balance (million USD)	-2,900	-1,086	-858	-2,199	-1,888
Foreign Trade (in % of GDP)	127.0	123.2	130.3	129.1	123.7
Imports of Services (million USD)	4,927	4,530	5,688	6,574	6,077
Exports of Services (million USD)	7,923	8,452	8,802	10,774	10,562
Trade Balance (Including Service) (million USD)	530	2,711	2,649	1,955	2,318

Source: World Trade Organization (WTO)

2. MAIN PRODUCTS SUBJECT TO FOREIGN TRADE

The main exports of Bulgaria are petroleum oils, refined and unrefined copper, medicaments and

wheat while the main imports of Bulgaria are petroleum oils, copper ores, medicaments, motor cars and petroleum gases in 2019 (see Table 2 and 3).

Table 2: Main Export Products of Bulgaria

Products Exported	2019
Petroleum oils and oils obtained from bituminous...	7.4%
Medicaments consisting of mixed or unmixed...	3.1%
Copper, refined, and copper alloys, unwrought ...	2.9%
Wheat and meslin	2.8%
Copper, unrefined; copper anodes for electrolytic...	2.3%
Precious metal ores and concentrates	1.7%
Insulated incl. enamelled or anodised wire, cable...	1.7%
Parts suitable for use solely or principally with...	1.6%
Electrical energy	1.5%
Maize or corn	1.4%

Source: <https://www.trademap.org>

Table 3: Main Import Products of Bulgaria

Products Imported	2019
Petroleum oils and oils obtained from bituminous minerals, crude	8.3%
Medicaments consisting of mixed or unmixed...	3.3%
Copper ores and concentrates	3.2%
Motor cars and other motor vehicles principally...	2.9%
Petroleum gas and other gaseous hydrocarbons	2.4%
Petroleum oils and oils obtained from bituminous...	2.0%
Electrical apparatus for line telephony or line...	1.8%
Tractors (other than tractors of heading 8709)	1.1%
Insulated incl. enamelled or anodised wire, cable...	0.9%
Parts suitable for use solely or principally with...	

Source: <https://www.trademap.org>

3. MAIN TRADING PARTNERS OF BULGARIA

Main export partners of Bulgaria in 2019 are Germany (14.8%), Romania (8.7%), Italy (7.3%), Turkey (7.3%), Greece (6.7%), France (3.8%), Belgium (2.8%), China (2.7%), Spain (2.7%), and Netherlands (2.5%) (see Table 4).

Table 4: Main Export Partners of Bulgaria (% of Exports)

	2018	2019
Germany	15.7	14.8%

Romania	8.15	8.7%
Italy	8.7	7.3%
Turkey	7.95	7.3%
Greece	6.21	6.7%
France	3.97	3.8%
Belgium	3.52	2.8%
China	3.1	2.7%
Spain	2.48	2.7%
Netherlands	2.77	2.5%

Source: <https://www.trademap.org>

Main import partners of Bulgaria in 2019 are Germany (12.2%), Russia (9.9%), Italy (7.5%),

Romania (7.2%), Turkey (6.5%), Greece (4.7%), China (4.5%), Spain (3.8%), Netherlands (3.6%), and Hungary (3.6%) (see Table 5).

Table 5: Main Import Partners of Bulgaria (% of Imports)

	2018	2019
Germany	11.7	12.2%
Russia	8.38	9.9%
Italy	7.23	7.5%
Romania	6.62	7.2%
Turkey	6.48	6.5%
Greece	4.21	4.7%
China	4.01	4.5%
Spain	4.61	3.8%
Netherlands	3.49	3.6%
Hungary	3.32	3.6%

Source: <https://www.trademap.org>

The patterns of Bulgaria's foreign trade partners is compatible with the gravity model of international trade which asserts that bilateral aggregate trade flows between two countries is proportional to the gross national products of those countries and inversely proportional to bilateral accessibility between them. Bilateral accessibility are time-invariant characteristics of a country pair such as distance or sharing the same language and culture (Morland et al, 2020). The role of distance, economic size and language-culture in Bulgarian foreign trade is strong.

It can also be observed that main trade partners of Bulgaria have stayed the same since 2000's. Vassilev (2003) argues that while Bulgaria's foreign trade has been gradually re-oriented towards the

West, especially Western Europe, this shift has not made up for the loss of traditional markets in the East. Confirming this argument, econometric study of Patonov and Zhegova (2019) indicate that although Bulgaria's imports from and exports to the EU members have significantly increased since the Bulgaria's entrance into the EU in 2007, the imports from and exports to third non-member countries have kept their importance relatively unchanged. In other words, Bulgaria have not replaced trade partners from third countries with European ones. On the contrary, the increase in the imports from and exports to EU members have enhanced increases in the imports from and exports to third countries. According to the authors, this is due to a higher income level and a better competitive position has been achieved with the EU membership.

4. TRADE BETWEEN TURKEY AND BULGARIA

Turkey is one of the top five trade partners of Bulgaria. As of 2019, exports to Turkey amounts 2.42 bn USD and accounts for 7.3% of total exports of Bulgaria while imports from Turkey amounts 2.43 bn USD and represents 6.5% of total imports of Bulgaria. During the period between 2004 and 2019, Bulgaria has positive trade balance in general against Turkey. It seems that trade balance between Turkey and Bulgaria is affected by the exchange rate. Depreciation of Turkish Lira leads to negative trade balance for Bulgaria as seen in the years 2008, 2009 and 2019 (see Table 6).

Table 6: Trade between Turkey and Bulgaria

	Imports from Turkey to Bulgaria	Exports from Bulgaria to Turkey	Trade Balance
2004	870,431	992,000	121,569
2005	1,099,423	1,228,563	129,140
2006	1,391,253	1,750,544	359,291
2007	2,072,260	2,122,243	49,983
2008	2,075,875	1,979,821	-96,054
2009	1,303,269	1,202,780	-100,489
2010	1,373,005	1,752,207	379,202
2011	1,544,664	2,400,252	855,588
2012	1,525,572	2,510,923	985,351
2013	2,016,959	2,659,720	642,761
2014	1,966,461	2,754,704	788,243
2015	1,659,509	2,226,661	567,152
2016	1,798,149	2,089,809	291,660
2017	2,159,917	2,808,037	648,120
2018	2,373,748	2,634,408	260,660
2019	2,437,336	2,423,349	-13,987

Source: <https://www.trademap.org>

When we look at exports from Turkey to Bulgaria by cities, 16 cities have export volume more than 20 million USD (see Table 7).

Table 7: Exports from Turkey to Bulgaria by Cities

	2019	2020
İSTANBUL	1.371.226,38	1.220.575,38
KOCAELI	180.125,51	202.005,52
ANKARA	111.978,21	168.905,02
BURSA	145.178,61	119.069,77
SAKARYA	85.422,35	85.401,04
İZMİR	78.983,83	69.049,99
MANISA	52.689,15	51.142,32
ANTALYA	38.922,75	50.924,49
GAZIANTEP	45.626,30	50.596,30
DENİZLİ	43.432,30	48.092,44
TEKİRDAĞ	36.722,79	39.178,67
HATAY	28.368,79	32.438,39
KAYSERİ	23.535,04	27.250,13
MERSİN	18.903,66	24.108,04
KONYA	37.082,63	21.864,70
ADANA	21.241,11	20.216,23
Total	2.517.084,03	2.455.071,20

Source: <https://www.tim.org.tr/tr/ihracat-rakamlari>

5. BORDER TRADE BETWEEN TURKEY AND BULGARIA

Border trade between Turkey and Bulgaria is also important. Most of the bilateral visits are daily or weekend visits for shopping and sightseeing. Direction of visits are determined by the exchange rate between two countries. If the lira appreciates against the Lev, the number of tourists visiting Bulgaria increases. Similarly, If the lev appreciates against the Turkish lira, the number of tourists visiting Turkey increases. The number of Bulgarian tourists increased from 1 million in 2003 to 1,5 million in 2013 and reached 2,7 million in 2019. Similarly, 649 thousand Turkish tourists visit Bulgaria in 2019 (see Table 8) (Ticaret Bakanlığı, 2020).

Table 8: The Number of Bulgarian Tourists Visiting Turkey

2002	834 073
2003	1 006 612
2004	1 310 082
2005	1 621 918
2006	1 177 906

2007	1 239 667
2008	1 255 343
2009	1 406 604
2010	1 433 970
2011	1 491 561
2012	1 492 073
2013	1 582 912
2014	1 693 591
2015	1 821 480
2016	1 690 766
2017	1 852 867
2018	2 386 885
2019	2 713 464

Source: Kültür ve Turizm Bakanlığı (2020)

Recently, the appreciation of the Lev against the Turkish lira has made products in Turkey cheaper and border city Edirne a center of attraction and favorite shopping spot for Bulgarian daily tourists. It is estimated that each Bulgaria tourists spend on average 100 euro per visit. Thus 2,7 million Bulgarian tourists spent 270 million euros in 2019 during their shopping visits (Daily Sabah, 2020).

6. CONCLUSION

This study focuses on the foreign trade relationship between Turkey and Bulgaria. The patterns of Bulgaria's foreign trade partners is compatible with the gravity model of international trade which asserts that bilateral aggregate trade flows between two countries is proportional to the gross national products of those countries and inversely proportional to bilateral accessibility between them. Bilateral accessibility are time-invariant characteristics of a country pair such as distance or sharing the same language and culture. The role of distance, economic size and language-culture in Bulgarian foreign trade is strong. It can also be observed that main trade partners of Bulgaria have stayed the same since 2000's. Although Bulgaria's imports from and exports to the EU members have significantly increased since the Bulgaria's entrance into the EU in 2007, the imports from and exports to third non-member countries have kept their importance relatively unchanged. In other words, Bulgaria have not replaced trade partners from third countries with European ones.

It seems that trade balance between Turkey and Bulgaria is affected by the exchange rate. Depreciation of Turkish Lira leads to negative trade balance for Bulgaria as seen in the years 2008, 2009 and 2019. Exchange rate also determines the

direction of border trade between two countries. Recently, the appreciation of the Lev against the Turkish lira has made products in Turkey cheaper and border city Edirne a center of attraction and favorite shopping spot for Bulgarian daily tourists. It is estimated that each Bulgaria tourists spend on average 100 euro per visit. Thus 2,7 million Bulgarian tourists spent 270 million euros in 2019 during their shopping visits.

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