

**INVEST IN TURKEY**



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# **INVESTORS' GUIDE FOR TURKEY**

**REPUBLIC OF TURKEY PRIME MINISTRY  
INVESTMENT SUPPORT AND  
PROMOTION AGENCY**



**YOUR ONE-STOP-SHOP  
IN TURKEY**

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## Establishing a Business in Turkey



Turkey's regulatory environment is extremely business-friendly. You can establish a business in Turkey irrespective of nationality or place of residence. The registration and establishment of a company in Turkey can be completed in one day.

The process is handled by one ministry which acts as the coordinator between all authorities.

The first step in establishing a business in Turkey is to fill out the business registration form at the local trade registry office located at the local chamber of commerce.

The process is as follows:

- Submit the notarized articles of association.
- Deposit 0.04% of the capital into either a state bank or the Central Bank of the Republic of Turkey.
- Complete the company establishment form and register with the trade registry office.

International companies may start their activities in Turkey in various forms depending on the investors' development strategies.

The most common types of legal entities in Turkey are:

- Limited liability company (Ltd. Sti.)
- Joint-stock company (A.S.)
- Branch office
- Liaison office

## Cost of Doing Business in Turkey



One of the most important aspects of Turkey's business environment is that 35.6% of the labor force earn the minimum wage - the highest rate in the EU.

Minimum Monthly Wage (gross and net)	
	USD
Net minimum wage	316
<a href="#">[+] Gross Minimum Wage</a>	441
- Social security premium payment (14%)	62
- Payment into unemployment insurance fund (1%)	4
- Income tax (15%)	56
- Stamp tax (0.6%)	3
<b>Total deduction</b>	<b>125</b>
Cost for Employer	
Gross minimum wage	441
- Employer's share of social security premium (19,5%)*	86
- Employer's payment into unemployment insurance fund (2%)	9
<a href="#">[+] Total Cost for Employer</a>	536
*Upon certain conditions, as an incentive, a five-point reduction in this rate is possible (down from 19.5% to 14.5%). Thereby, total cost for employer may decrease down to USD 514.	
<b>Source:</b> Ministry of Labor and Social Security of the Republic of Turkey. Valid for the first half of 2009. USD 1 = TRL 1.51 as of Dec. 25, 2008.	

<b>Cost of Electricity</b>		
<b>Cost of Electricity USD/kWh</b>		
	<b>Active Energy</b>	
	<b>Day</b>	<b>Night</b>
	<b>USD/kWh</b>	<b>USD/kWh</b>
<b>Double Term Tariff</b>		
Industry mid voltage	0.09374	0.04637
Direct connection to the local power grid with private line (industry)	0.08323	0.03612
<b>Single Term Tariff</b>		
Mid Voltage	0.10771	0.06022
Direct connection to the local power grid with private line (industry)	0.09825	0.05118
<b>Source:</b> TEDAS, as of Oct. 1, 2008. USD 1 =TRL 1.5898 as of Nov.11, 2008.		

<b>Cost of Water for Industrial Use</b>				
<b>Type of Customer</b>	<b>USD/m<sup>3</sup></b>			
	<b>Water</b>	<b>Industrial Waste Water</b>	<b>Total</b>	<b>VAT (%)</b>
<b>ISKI (Istanbul Water and Sewage Administration) – Reference price</b>				
Industry	3.10	0.22	3.59	8
<b>Organized industrial zones - Reference price</b>				
Gebze Org. Ind. Zone	1.87	n/a	2.03	8
Manisa Org. Ind. Zone	0.31	n/a	0.34	8
<b>Source:</b> ISKI, Gebze OIZ and Manisa OIZ, as of Nov. 11, 2008. USD 1 =TRL 1.5898 as of Nov.11, 2008.				

<b>Cost of Natural Gas for Industrial Purposes<sup>1</sup></b>	
<b>Price per kWh (USD)</b>	
<b>Non-Free Consumer</b>	<b>Free Consumer</b>
0.054202 USD/kWh	0.048442 USD/kWh
<b>Non-Free Consumer:</b> The group of consumers that has to purchase gas from the local supplier company. <b>Free Consumer:</b> The group of consumers that consumes more than 1 million m <sup>3</sup> annually and that is eligible to purchase gas from other suppliers.	
<b>Source:</b> IGDAS, as of Nov. 1, 2008. USD 1 =TRL 1.5898 as of Nov.11, 2008.	

<b>Domestic and Business Phone Calls (VAT &amp; SCT* included)</b>	
<b>[+] Business Line</b>	
<b>SirkethATT</b>	<b>Price – USD/min.</b>
- Monthly fixed fee	26.38
- Monthly free phone calls	0
<b>[+] Phone calls based on call direction</b>	
- City calls	0.042
- City calls (discount price)	0.021
- Domestic calls	0.059
<b>[+] International</b>	
- First stage PSTN	0.060
- First stage GSM	0.305
- Second stage PSTN	0.169
- Second stage GSM	0.305
- Third stage PSTN	0.566
- Third stage GSM	0.566
- Fourth stage PSTN	1.033
- Fourth stage GSM	1.033
- GSM Calls (Turkcell: 053.- Vodafone: 054.– Avea: 050. & 055.)	0.190
<b>[+] Internet</b>	
<b>G.SHDSL</b>	
Download and upload speed (Kbps)	USD/month, VAT and SCT included
256	66
512	108
1024	177
2048	297
Metro Ethernet	Requirements specific
ADSL	Various packages
<b>*SCT:</b> Special Communication Tax <b>Source:</b> Türk Telekom, as of Nov. 11, 2008. USD 1 =TRL 1.5898 as of Nov.11, 2008.	

## Incentives



### 1. The investment incentive system in Turkey

The investment incentive scheme was amended in 2006 to promote investment in manufacturing services and the energy sector and also to encourage exports. Local and foreign investors have equal access to these incentives.

#### 1.a. General investment incentive scheme

The general incentive scheme is mainly a tax benefit program, though in certain cases there are credit possibilities. Its application varies according to the location, scale, and subject of the investment.

The major investment incentive instruments:

- Exemption from customs duties for imported machinery and equipment with the investment incentive certificate.
- VAT exemption for imported or locally delivered machinery and equipment with the investment incentive certificate.

The interest rate of investment loans is partially held by the Treasury. Interest support is provided for:

- SMEs
- R&D projects
- Environmental projects
- Projects in 50 prioritized development provinces

#### 1.b. Incentives for priority development regions

[+] 50 Prioritized provinces and 4 provinces with free land allocation only



Incentives provided:

- Free land allocation
- Income tax relief
- Employer's share for social security relief
- Energy support

Incentive type	For companies in OIZs and industrial zones	Others
Income tax relief	100%	80%
Compensation for the employers social security contribution	100%	80%
Energy support	Varies: min. 20% – 50%	Varies: min. 20% – 40%
Free land allocation	Available	Available

### 1.c. Incentives granted to Small and Medium Sized Enterprises (SME incentives)

SMEs are defined as companies which operate in the manufacturing, agro-industry, tourism, education and health, mining, and software industries:

- **Medium size:** employing 50–250 workers and with yearly net sales or total value of assets less than TRL 25,000,000 (approx. USD 20 million)
- **Small size:** employing 10–49 workers and with yearly net sales or total value of assets less than TRL 5,000,000 (approx. USD 4 million)
- **Micro size:** employing 1–9 workers and a yearly net sale or total value of assets less than TRL 1,000,000 (approx. USD 800 thousands).

Investment and operational credit support for SMEs covers:

- Manufacturing or agricultural investments
- Tourism investments in selected regions
- Modernization investment in existing tourism facilities
- Healthcare investments in priority regions
- Education investments on primary and secondary school in developed and normal regions
- Mining investments
- Software development investments
- Investments utilizing capital goods (including building, machinery, equipment and/or raw materials) of not more than TRL 950,000

Incentives provided:

- Customs duties exemption
- VAT exemption
- Interest support
- KOSGEB support of SMEs; The Small and Medium Industry Development Organization (KOSGEB) makes significant contributions to strengthening SMEs by means of various support instruments in financing, R&D, common facilities, market research, investment sites, marketing, export, and training



#### **1.d. Research and development support**

TUBITAK (Scientific and Technological Research Council of Turkey) and TTGV (Turkish Technology Development Foundation) both reimburse and/or grant R&D related expenses and capital loans for R&D projects.

Projects eligible for TUBITAK Incentives cover:

- Concept development
- Technological research and technical feasibility research
- Laboratory studies in the transformation of a concept to a design
- Design and sketching studies
- Prototype production
- Construction of pilot facilities
- Test production
- Patent and license studies
- Activities related to post-sale problems stemming from product design

#### **1.e. New R&D law**

Turkey's new R&D law provides special incentives for R&D investment projects in Turkey provided that at least 50 personnel are employed.

The incentives within the new law, which will be available until 2024, are:

- 100% deduction of R&D expenditure from tax base
- Income withholding tax exemption for employees
- Exemption from 50% of employer's social security premium contribution for five years
- Stamp duty exemption for the documents to be drawn up
- Techno-initiative capital for new scientists up to TRL 100,000
- Deduction of certain funds granted by public bodies and internal organizations from tax base of the R&D company

#### **1.f. Technology development zone support**

- Infrastructure facilities are provided.
- Profits derived from software and R&D activities are exempt from income and corporate taxes until 12.31.2013.
- The salaries of researchers and software and R&D personnel employed in the zone are exempt from all taxes until 12.31.2013.
- VAT exemption during the exemption period of income and corporate taxes is provided for IT specific sectors.
- Exemption from customs duties and fund levies.

#### **1.g. State incentives for export**

The principle aims of this scheme are to encourage export and to increase the competitiveness of firms in international markets. This specific package mainly covers R&D activities, market research, participation in exhibitions and international fairs, and expenditure on patents, trademarks and industrial designs.



### 1.h. New employment incentives

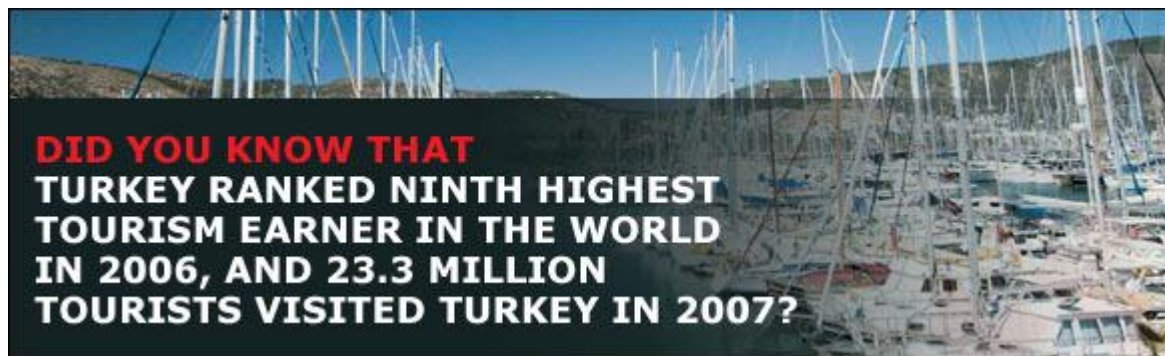
- Social Security premiums of newly employed women and young unemployed people between the ages of 18 and 29 will be paid by the Unemployment Insurance Fund for a 5-year period.
- 5 points payable by employers for insurance holders' disability, old-age and death insurance premiums will be paid by the Treasury.
- In businesses employing 50 or more persons, the premiums of those employed under the 3% disability contingent quota imposed on private sector employers will be paid by the Treasury on behalf of the employer. Where a business employs disabled persons despite having no obligation to do so, or where a business employs more disabled persons than the stipulated quota, half of the disabled persons' premiums will also be paid by the Treasury.

Eligibility for the incentive that Social Security premiums for newly employed women and newly employed young people between the ages of 18 and 29 who were previously unemployed will be paid by the Unemployment Insurance Fund for a period of five years is subject to the following conditions:

- The person to be employed should have been unemployed at least for the last six months.
- The person in question must be recruited and employed within a period of one year as of July 1st, 2008 (unless the effective period for this article is extended, employers will not be covered under this incentive with regard to employees employed after the termination of the effective period).
- The Unemployment Insurance Fund will pay the following proportions of the Social Security payments:

- a) One hundred percent for the first year,
- b) Eighty percent for the second year,
- c) Sixty percent for the third year,
- d) Forty percent for the fourth year,
- e) Twenty percent for the fifth year,

to be calculated from the lower earnings limit of the employed person defined as the basis for calculation of premiums (TRL 638.70 as of July 1st, 2008). There are no incentives for the amount remaining above the lower earnings limit defined as the basis for calculation of premiums, and the employer will continue to pay the corresponding amount of the Social Security contribution for this higher amount.



### 1. TAXES

Turkey has one of the most competitive corporate tax rates in the OECD region. The new Corporate Tax Law that was enacted on June 21st, 2006 has made some important amendments to the current applications and also included new concepts in the tax legislation. With the new Corporate Tax Law in place, Turkish corporate tax legislation now has noticeably clearer, more objective and greater harmonized provisions which are in line with international standards.

The Turkish tax regime can be classified under three main headings:

#### **[+] 1.1. Income Taxes**

Income taxes in Turkey are levied on all income, including domestic and foreign individuals and corporations residing in Turkey. Non-residents earning income in Turkey through employment, ownership of property, business transactions, or any other activity which generates income are also subject to taxation, but only on the income earned in Turkey.

##### **1.1.1. Corporate income taxes**

In Turkey, the basic corporate income tax rate levied on business profits is 20%.

Withholding taxes on selected payments of resident corporations:

- Dividends are subject to 15%.
- Interest on treasury-bill and treasury bonds derived by resident corporations is subject to 10%.
- Interest on other bonds and bills derived by resident corporations is subject to 10%, bank deposits are subject to 15%.
- Profit shares paid by participation banks in consideration of participation accounts are subject to 15%.
- REPO agreements are subject to 15%.

Withholding taxes on selected payments of non-resident corporations:

- Dividends are subject to 15%.
- Interest on treasury-bill and treasury bonds derived by non-resident corporations is subject to 0%.
- Interest on other bonds and bills derived by non-resident corporations is subject to 0%, bank deposits are subject to 15%.
- Profit shares paid by participation banks in consideration of participation accounts are subject to 15%.
- REPO agreements are subject to 15%.

### **1.1.2. Individual income tax**

The personal income tax rate varies from 15% to 35%.

Income tax rates applicable to yearly gross earnings from 2007 are as follows:

INCOME SCALES (TL)	RATE (%)
Up to 7,500	15
7,501–19,000	20
19,001–43,000	27
43,001 and over	35

### **1.1.3. Social Security**

Social security is not a tax but rather a payroll cost to the employer. The employer and employee contribute to a social security system comprised of items such as sick pay, work related accidents, unemployment coverage, pensions, and other programs.

- Employer's contribution: 19.5%
- Employee's contribution: 14%

## **[+] 1.2. Taxes on Expenditure**

### **1.2.1. Value Added Tax (VAT)**

The generally applied VAT rate varies between 1%, 8%, and 18%. Commercial, industrial, agricultural, and independent professional goods and services, goods and services imported into the country, and deliveries of goods and services caused by other activities are all subject to VAT.

### **1.2.2. Special Consumption Tax (SCT)**

There are four main product groups that are subject to special consumption tax at different tax rates:

- Petroleum products, natural gas, lubricating oil, solvents, and derivatives of solvents
- Automobiles and other vehicles, motorcycles, planes, helicopters, yachts
- Tobacco and tobacco products, alcoholic beverages
- Luxury products

Unlike VAT, which is applied on each delivery, special consumption tax is charged only once.

### **1.2.3. Banking and insurance transaction tax**

Banking and Insurance company transactions remain exempt from VAT but are subject to a Banking and Insurance Transaction Tax. This tax applies to income earned by banks, for example on loan interest. The general rate is 5%, while interest on deposit transactions between banks is taxed at 1% and sales from foreign exchange transactions at 0.1%.

### **1.2.4. Stamp duty**

Stamp duty applies to a wide range of documents, including contracts, agreements, notes payable, capital contributions, letters of credit, letters of guarantee, financial statements, and payrolls. Stamp duty is levied as a percentage of the value of the document at rates ranging from 0.15% to 0.75%.

## **[+] 1.3. Taxes on Wealth**

There are three kinds of taxes on wealth: inheritance and gift taxes, property taxes, and motor vehicle tax.

Buildings and land owned in Turkey are subject to real estate tax at the following rates:

- Residences 0.1%
- Other buildings 0.2%

CHART OF PRINCIPAL TURKISH TAXES		
Taxes	Details	Percentage
Corporate income tax	Increase in net worth	20%
Advance corporate tax	Net taxable income	20%
Individual/income tax		15-35% (all source of income including employment income)
Value Added Tax - VAT	Sales value	
. General		18%
. Financial leasing services etc.		Depends on the VAT of the leased item
. Basic foodstuff, textile products etc.		8%
. Certain agricultural products		1%
Banking & Insurance Transaction Tax		
. General		5%
. Interbank deposit transactions		1%
. Repossessions		1%
. Money market transactions between banks and brokers		1%
. Sale of Government bonds and T-bills		1%
. Sale of foreign currency		0.1%
Stamp Duty	Value specified in the documents	Usually at 0.75% (0.15% for rental contracts, 0.06% for salaries)
Gift and Inheritance Tax	Value	1-30%
Customs Duties	Value	Various
Transfer of real estate	Sales Value	1.5%, each buyer and seller
Special Consumption Tax		
. Petroleum products	Per liter, kilogram, etc.	Specific
. Vehicles	Value and engine size	1 to 84%
. Alcoholic beverages & tobacco products	Value, retail sale price for tobacco products	(*) 25% - 275.6% and lump-sum
. Certain luxury goods	Value	6.7% - 20%
Special Communication Tax	Service fee	
. Mobile telecommunication services		25%
. Radio & Television broadcasting services through satellite or cable		15%
. Other telecommunication services		15%
Motor Vehicle Tax	Model, engine, weight	Specified amount revised each year
Major Municipal & Local Taxes:		
Real estate taxes	Tax Value	
. Buildings		0.1 - 0.4%
. Land		0.1 - 0.6%
Entertainment tax	Per tariff, gross profit	Specific, 0-20%
Communication tax	Fee	1%
Electricity and Gas consumption tax	Sales Value	1.5%
Environment protection tax	Per dwelling and business premises	Specified amount revised each year
* Only the percentage tax rate is applied provided that it is not less than the tax calculated by using the minimum lump-sum tax amounts.		
Source: KPMG		

## 2. TAX INCENTIVES

- Prioritized development zones
- Technology development zones
- Organized industrial zones
- Free zones
- Research and development
- Educational corporations
- Cultural investments and enterprises

## 3. TAX EXEMPTIONS AND ALLOWANCES

VAT exemptions include but are not limited to the following transactions:

- Export of goods and services.
- Roaming services rendered in Turkey for customers outside Turkey (i.e. non-resident customers) in line with international roaming agreements, where a reciprocity condition is in place.
- Petroleum exploration activities.
- International transportation.
- Deliveries made to diplomatic representatives, consulates and international organizations with tax exemption status and to their employees.
- The supply of machinery and equipment, including importation to persons or corporations that are VAT taxpayers and that have an investment certificate issued by the relevant authority.
- Services rendered at harbors and airports for vessels and aircrafts.
- Social and other exemptions apply to deliveries made to the government and other related organizations for cultural, educational, health and similar purposes.
- Banking and insurance transactions are exempted from VAT as they are subject to a separate Banking and Insurance Transactions Tax at a rate of 5%.
- Tax exemptions are provided for earnings derived by corporations from their overseas branches and both their domestic and overseas ventures if they meet certain conditions.
- Research and development allowances.
- Deductions from the tax base of corporations related to certain donations, aid or sponsorship expenditures for sport activities.

## Special Investment Zones



There are four types of special investment zone in Turkey:

### 1. TECHNOLOGY DEVELOPMENT ZONES - TECHNOPARKS

- Technology Development Zones (TDZs) are areas designed to support R&D activities and attract investments in high technology fields.
- There are 30 TDZs of which 18 are operational, whereas 12 have been approved and are currently under construction. Ankara has six TDZs, Istanbul has three, Kocaeli has three, and other provinces listed in the pop-up table have one each.

[\[+\] List of TDZs in Turkey](#)





## ADVANTAGES OF TDZs:

- Offices ready to rent and infrastructure facilities provided.
- Profits derived from software and R&D activities are exempt from income and corporate taxes until December 31st, 2013.
- Deliveries of application software produced exclusively in TDZs are exempt from VAT until December 31st, 2013. Examples include software for systems management, data management, business applications, different business sectors, the Internet, mobile phones, and military command control.
- Salaries of researchers, along with software and R&D personnel employed in the zone are exempt from all taxes until December 31st, 2013.
- A VAT exemption is provided for IT specific sectors during the exemption period for income and corporate taxes.
- Exemption from customs duties as well as fund levies.
- Academic staff is encouraged to establish companies, participate in a recognized company or join its executive boards as well as to conduct research in the zones.

## 2. ORGANIZED INDUSTRIAL ZONES (OIZs)

Organized Industrial Zones (OIZs) are designed to allow companies providing goods and services to operate within approved boundaries with the necessary infrastructure, techno parks, and social facilities.

- The infrastructure provided in the zones includes roads, water, natural gas, electricity, communications, waste treatment, and other services.
- There are 251 OIZs in 81 provinces, 127 of which are currently operational, while the remaining 124 OIZs are being constructed throughout Turkey.

[\[+\] List of OIZs in operation by province](#)





## Advantages of OIZs in 54 prioritized provinces

Investors operating in the zones located in 50 selected provinces benefit from the following advantages:

Incentives for the 50 provinces seen in the map below (grey):

- 100% exemption from income tax for employed workers.
- 100% exemption from the employer's share of social security costs.
- Up to 50% support for electricity costs.
- Exemption from real estate tax, waste water charges, building construction duties, and the use-of-building.

[+] 50 Prioritized provinces and provinces with free land allocation only



## 3. INDUSTRIAL ZONES

- Industrial zones are designed to provide sites suitable for large scale and technology intensive investments.
- The Council of Ministers approves the industrial zones after evaluation of the investment sites by the Ministry of Industry and Trade.
- Investments made in an industrial zone should be in a high technology sector and have an investment site of a minimum of 1,500 m<sup>2</sup>.
- Industrial zones benefit from all of the same advantages provided to OIZs.

## 4. FREE ZONES

- Free zones are special sites considered outside the customs area although they are within the political borders of the country. These zones are designed to increase the number of export-focused investments.
- Legal and administrative regulations in commercial, financial and economic fields that are applicable within the customs area are either not implemented or partially implemented in the free zones.
- There are 20 free zones in Turkey operating close to the EU and Middle East markets adjacent to major Turkish ports on the Mediterranean, Aegean and Black Seas, with easy access to international trade routes.

### [+] Free zones



#### **Advantages of free zones:**

- 100% exemption from customs duties and other assorted duties.
- 100% exemption from corporate income tax for production companies.
- 100% exemption from value added tax (VAT) and special consumption taxes.
- Goods can remain in free zones for an unlimited period; earnings and revenues generated in free zones can be freely transferred to any country, including Turkey, without any prior permission.
- Goods in free circulation can be sent to Turkey or to EU countries from the free zones without any customs duty. Moreover, no customs duty is applied to goods of a third country origin at the entrance to the free zones or exit to third countries.
- Companies are free to transfer profits from free zones abroad as well as to Turkey without restrictions.

## Demography and Labor Force



### 1. DEMOGRAPHY

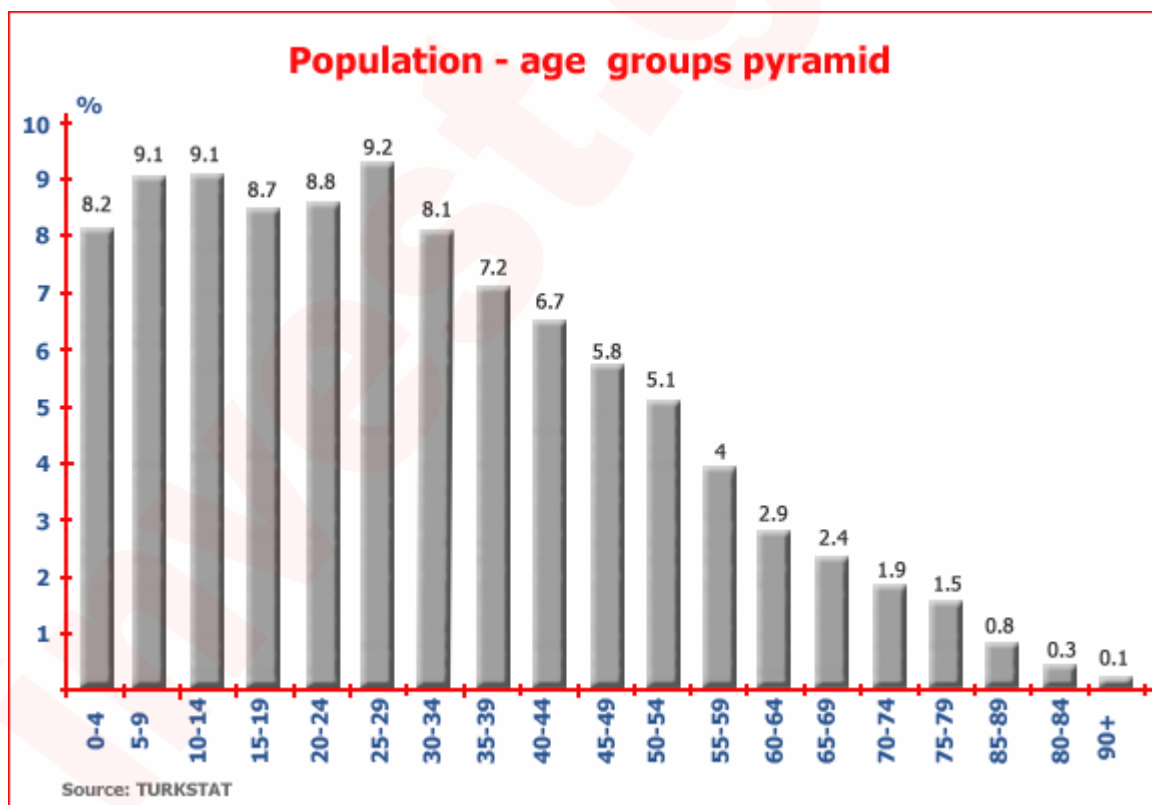
Turkey is located in the UTC+2 (GMT+2) time zone, which enables it to communicate with countries from both west and east in the same working day.

#### Area

Turkey's 783,562.38 km<sup>2</sup> of land is divided into seven geographic regions, namely the Marmara, Aegean, Mediterranean, Southeast Anatolian, East Anatolian, Central Anatolian, and Black Sea regions. The country is surrounded by four seas: the Mediterranean Sea, the Aegean Sea, the Sea of Marmara, and the Black Sea.

#### Population

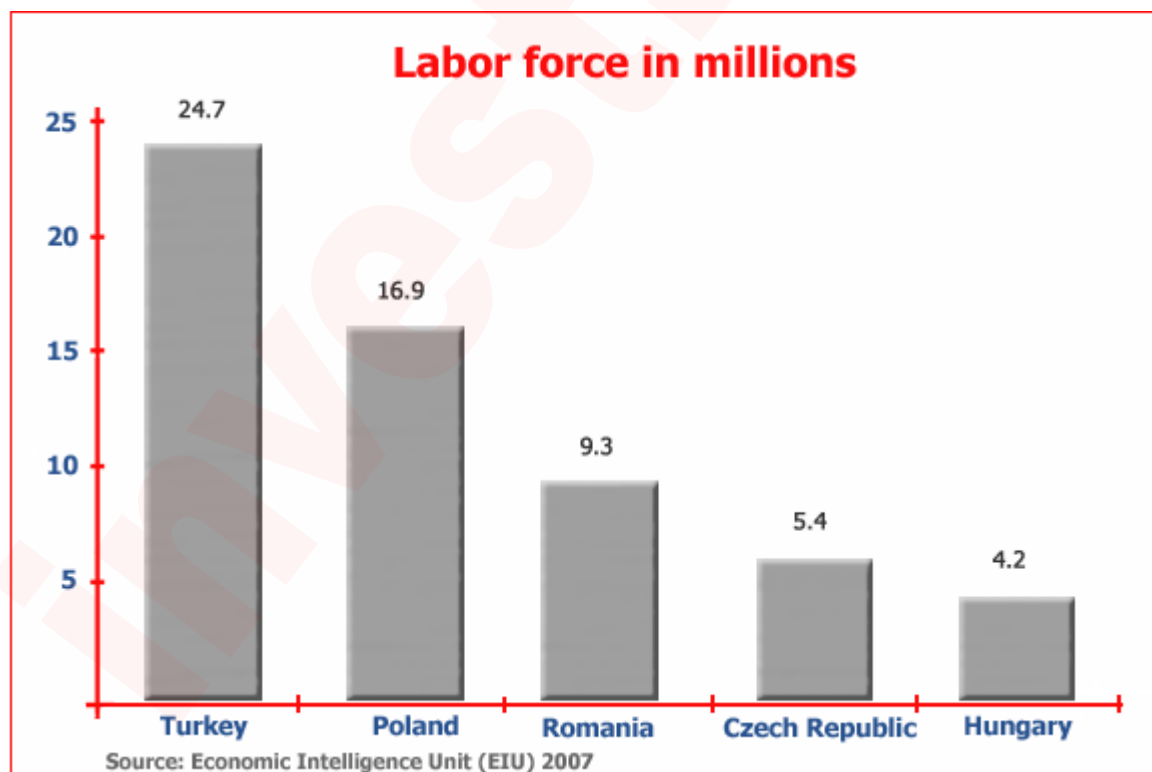
Turkey has a total population of 70 million, of which 24.7 million professionals are active in the labor force.



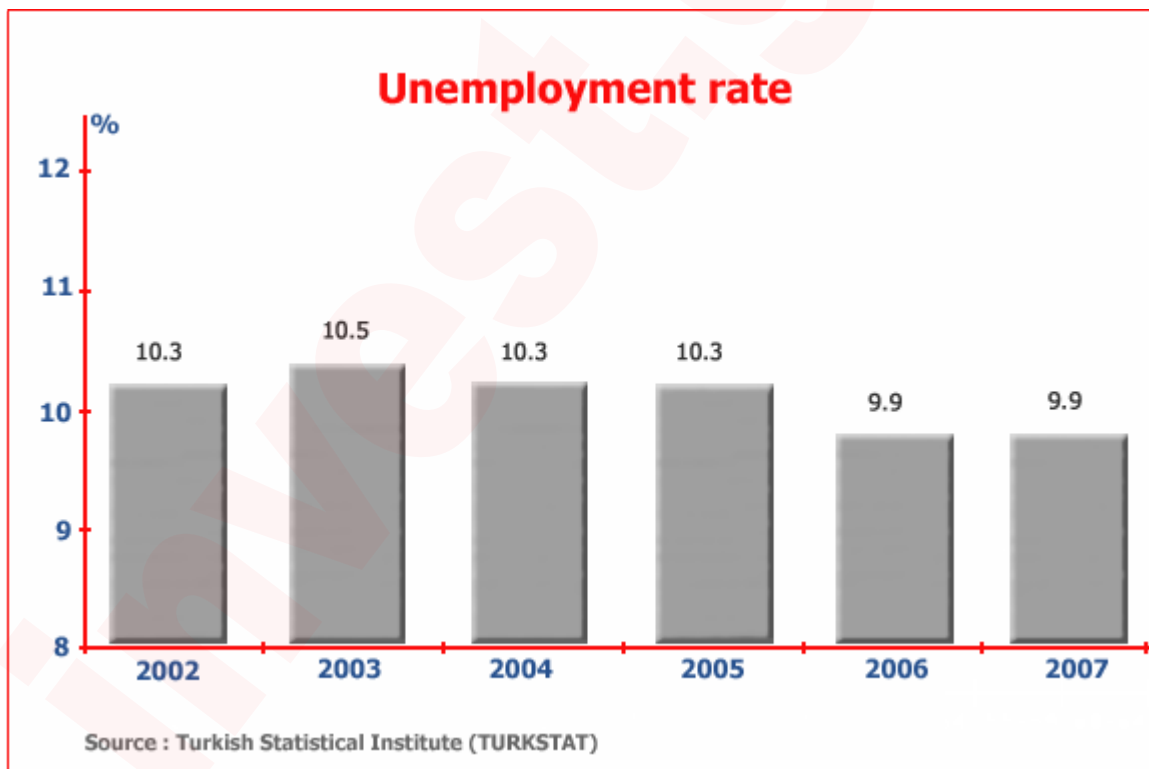
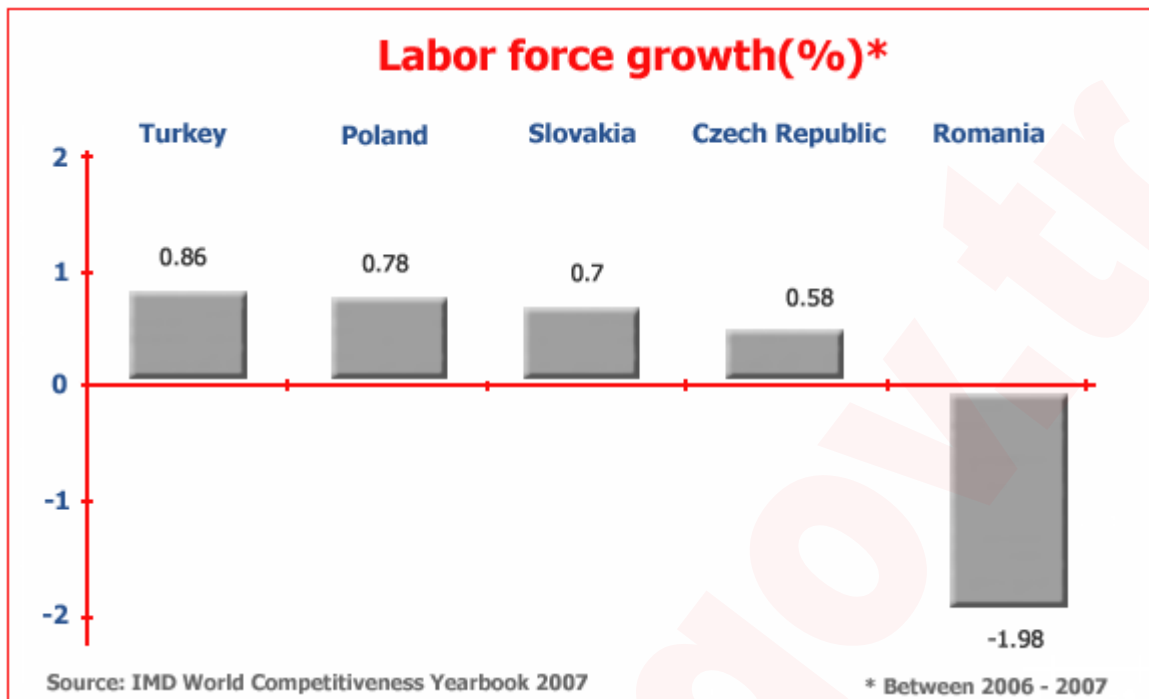
<b>Demographic Structure</b>	
Average Age	28.3
0–14 years	24.9%
15–64 years	68.1%
65 years and over	6.9%
<b>Population growth rate</b>	
1.04%	
<b>Life expectancy at birth</b>	
Total population	72.88 years
male	70.43 years
female	75.46 years
Source : Turkish Statistical Institute (TURKSTAT)	

## 2.LABOR FORCE

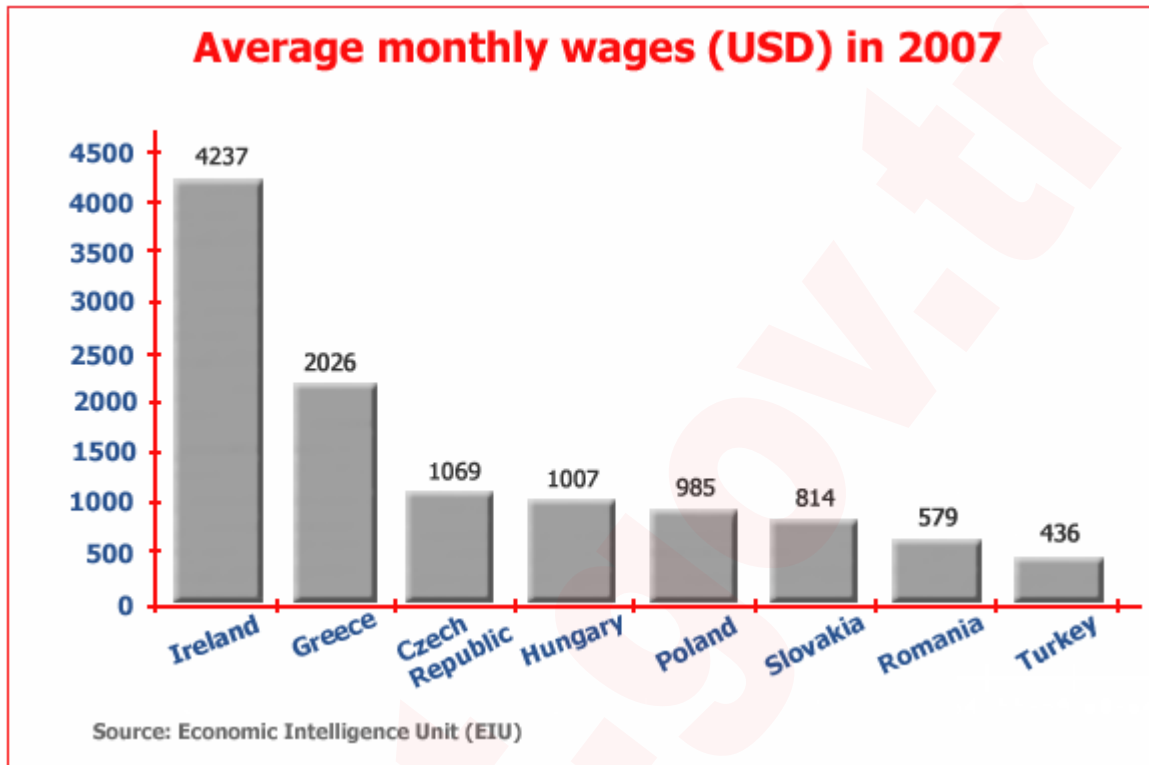
Turkey has a total population of 70 million, of which 24.7 million people are active in the labor force, and the country has the fourth largest labor force of the 27 countries of Europe.



Turkey's young population is an important contributor to labor force growth and has helped Turkey to rank highest among its competitors.

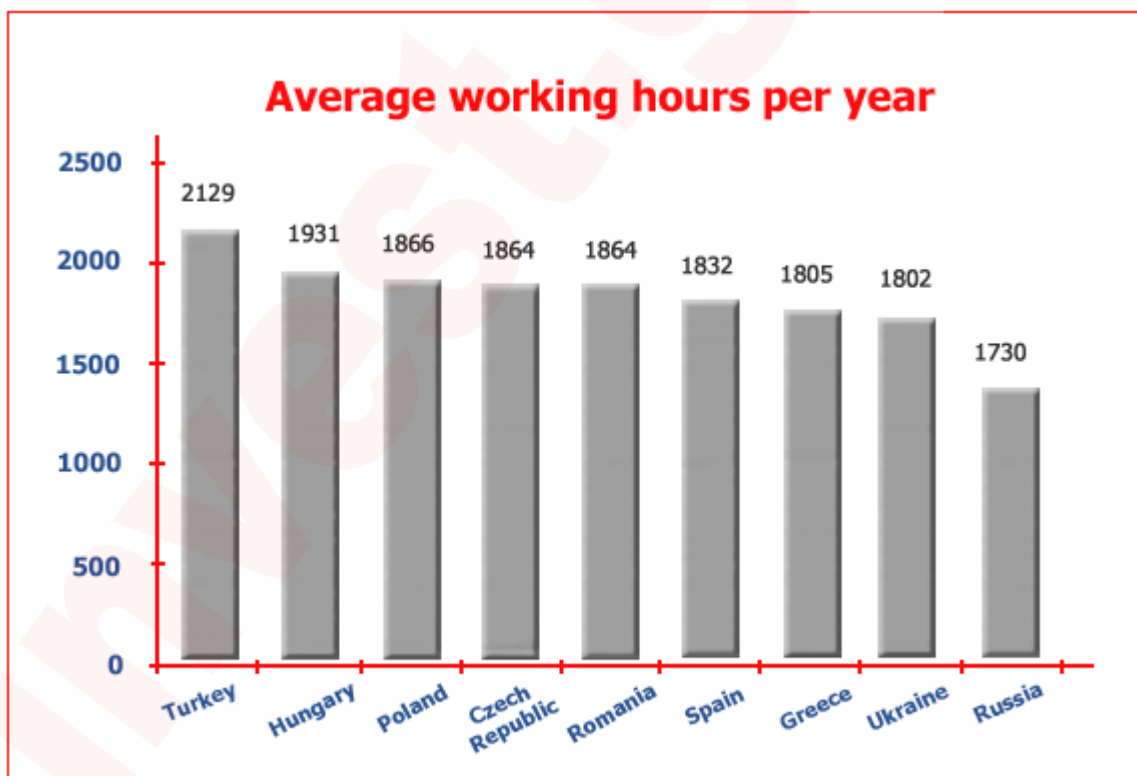


The distribution of the workforce among many diverse sectors reflects the wealth of opportunities offered to investors. Labor costs in Turkey are very competitive, and wages have remained lower than those in other countries.



The Turkish labor market is one of the best in the world because of the qualifications, skills, dedication, and motivation that it offers.





Turkey has a young, dynamic labor force with an average age of 28.3 years old, and a strong work ethic is an important part of Turkey's work culture. The workplace as an institution is cherished in Turkey because it allows individuals to utilize their skills and to work towards self advancement. The labor force's dedication to work is shown via Turkey's high productivity, low absenteeism, and its position as one of the countries with the highest annual working hour rates.



### 3. EDUCATION

At the end of every academic year, nearly 400,000 graduates from 116 universities in Turkey join the labor market, providing it with over 24.7 million young, well-educated, and motivated professionals. Moreover, around 730,000 students graduate every year from Turkey's high schools, one-third of whom graduate from vocational, technical, and professional high schools. Overall, Turkey has a labor market that continues to improve dramatically each year, in both quantity and quality (Source: Ministry of National Education of Turkey, 2008).



### AUTONOMOUS BODIES

Autonomous Bodies are established in order to regulate and monitor different types of markets in accordance with the requirements of a functioning market economy. The Bodies have both administrative and fiscal independency. Some of the important entities in Turkey are the Competition Authority, the Energy Market Regulation Authority, the Banking Regulation and Supervision Authority; Telecommunication Authority and the Tobacco, Tobacco Products and Alcoholic Beverages Market Regulation Board.

#### 1. Competition Authority

Competition Authority (CA) is responsible for the full achievement of competition in the markets. Main responsibilities and powers of the Competition Authority are:

- a. To carry out the examination, inquiry and investigation into activities and official transactions defined in Competition Code upon application or upon its own initiative; to take the necessary measures to expunge infringements of the Code; and to impose administrative regulations
- b. To evaluate the requests for exemption and to grant an exemption certificate to the appropriate agreements which may distort competition
- c. To constantly follow the markets to which exemption decisions and negative clearance certificates are related, and to re-evaluate the applications of those in case changes are established in these markets or in the positions of the parties
- d. To evaluate mergers and acquisition activities and approve them according to determined criteria

[www.rekabet.gov.tr](http://www.rekabet.gov.tr)

#### 2. Energy Market Regulatory Authority

Energy Market Regulatory Authority (EMRA) regulates and controls the energy market. The Authority ensures its independent duties in order to provide sufficient energy sources to consumers at high quality and at low cost, in a reliable and environmentally friendly manner. The main responsibilities of Energy Market Regulatory Authority are;

- a) To regulate and monitor the Electricity, Natural Gas, Petroleum and Liquid Petroleum Gas markets,
- b) To establish a financially viable, stable and transparent energy market within a competitive environment.

[www.epdk.gov.tr](http://www.epdk.gov.tr)

#### 3. Banking Regulation and Supervision Agency

Banking Regulation and Supervision Agency (BRSA) safeguards the rights and benefits of depositors; prevents all kinds of operations and transactions that may risk the orderly and safe operation of banks

or that may harm the economy; facilitates the efficient working of the credit system. The main goals of the Agency are as follows:

- a) To enhance the efficiency of the banking sector and its competitiveness
- b) To maintain confidence in the banking sector
- c) To minimize potential negative effects of banking sector on economy
- d) To improve the stability of the banking sector
- e) To protect the rights of depositors

[www.bddk.org.tr](http://www.bddk.org.tr)

#### **4. Capital Markets Board of Turkey**

Capital Markets Board of Turkey (CMB) is the regulatory and supervisory authority in charge of the securities markets in Turkey. Empowered by the Capital Markets Law (CML), which was enacted in 1981, the CMB has been making detailed regulations for organizing the markets and developing capital market instruments and institutions for the past nineteen years in Turkey. Based on the main objectives of fair and orderly functioning of the markets and protecting the rights of investors, the CMB has a wide range of responsibilities.

Depending on the development stages of the markets and the state of the country's economy, the list of priorities changes from time to time. However the major objective remains the same: to take the necessary measures for fostering the development of capital markets, and hence to contribute to the efficient allocation of financial resources in the country while ensuring investor protection. Its mission is to make innovative regulations, and perform supervision with the aim of ensuring fairness, efficiency and transparency in Turkish capital markets, and improving their international competitiveness.

The CMB implements the duties vested by the Law with due diligence. The CMB is authorized in and responsible for the following areas:

- a) Regulation and supervision of the securities markets and institutions,
- b) Determination of the operational principles of the capital markets,
- c) Protection of the rights and interests of the investors.

[www.cmb.gov.tr](http://www.cmb.gov.tr)

#### **5. Telecommunications Authority**

Telecommunications Authority undertakes the regulation, the authorization, the reconciliation and the supervision of activities within the telecommunication market. The main responsibilities of the Authority are;

- a) To prepare the required plans in the telecommunications area and present them to the Ministry of Transportation,
- b) To observe the developments in technology of the telecommunications area in cooperation with the universities and private establishments,
- c) To observe, control, examine and evaluate the telecommunication implementations,
- d) To give opinions on the concession contracts to be signed for telecommunication services and/or infrastructure,
- e) To define the general criteria on price tariffs, contract provisions and technical issues to be implemented for the users of the telecommunication services and infrastructure, and other operators for their use of interconnections between the telecommunication networks,
- f) To define and implement the performance standards considered as a basis for telecommunication items,
- g) To take the required measures to protect the consumer rights.

[www.tk.gov.tr](http://www.tk.gov.tr)

## **6. Tobacco, Tobacco Products and Alcoholic Beverages Market Regulation Board**

Tobacco, Tobacco Products and Alcoholic Beverages Market Regulation Board (TAMRB) establishes regulatory and supervisory systems in areas dealing with tobacco, tobacco products, alcohol and alcoholic drinks. The main responsibilities of the Board are as follows:

- a) Regulation and supervision of tobacco production; granting of permission for the import of tobacco seeds; issuing of authorization to trade in tobacco; regulating, monitoring, and supervising tobacco producers on the basis of a written contract; and buying and selling of tobacco products by public auctions
- b) Granting permissions for setting up tobacco processing plants, controlling their production, movements, handovers, and closures; monitoring of tobacco stocks and warehouses; and the granting of compatibility permissions to tobacco warehouses
- c) Supervision of companies operating within the sector
- d) The granting of production permits, sales permits as well as granting permission to establish factories aimed at producing tobacco products
- e) Regulating the market in Ethyl Alcohol, Methanol, Distilled Alcoholic Drinks, and Fermented Alcoholic Drinks; preparing national regulation policies; and harmonizing with the EU regulations

[www.tapdk.gov.tr](http://www.tapdk.gov.tr)

## **7. Privatization Administration**

Privatization Administration does not show the main characteristics of the above mentioned market regulating autonomous agencies. However, as an independent administrative body fully responsible for privatization in Turkey, it has a very high importance for the direct investors. The Privatization High Council and Privatization Administration are responsible for carrying out privatization transactions in Turkey. The main responsibilities of the Administration are;

- a) To decide which enterprises meet the criteria for inclusion in the privatization process,
- b) To prepare enterprises for privatization in both fiscal and legal matters,
- c) To determine a timeline for the completion of privatization procedures,
- d) To prepare the privatization process of enterprises which have been deemed suitable,
- e) To decide on the privatization methods required for selected enterprises,
- f) To decide on scaling down methods for enterprises that are already in the process of privatization,
- g) To conclude the activities of enterprises either temporarily or permanently, which are already in the process of privatization,
- h) To make a decision about the possible liquidation of companies in the privatization process.

[www.oib.gov.tr](http://www.oib.gov.tr)

## **ENVIRONMENTAL STANDARDS**

Turkey's policies regarding environmental protection and development are based on the harmonization of policies and solutions with both EU and international standards, reinforcement of existing legislation, improvement of environmental management, prevention of pollution and increasing awareness of environmental issues.

Turkey participates in 76 international agreements concerning environmental protection and management as well as 25 bilateral agreements.

On January 28, 2003, the Republic of Turkey ratified an act between Turkey and European Union countries regarding Turkey's participation in the European Environment Agency and the European Information and Observation Network. Furthermore, most of the legislation on the environment has already been harmonized with the exception of certain legislation that is at the last stage of full harmonization with the EU law.

## **TURKISH LABOR MARKET**

Turkey has been a member of the International Labor Organization (ILO) since 1932. Since it became a member, Turkey has approved 56 ILO Agreements. Moreover, Turkey has signed Bilateral Social Security Agreements with 22 countries.

According to the Turkish Constitution, the State is responsible for creating a suitable environment to prevent unemployment and to provide a peaceful labor environment.

The minimum wage is to be determined annually by the Ministry of Labor and Social Security. According to the Social Insurance Code, the social security services for employees are handled by the Social Insurance Agency. Recently, the Social Security Agency has been reorganized with the ultimate goals of consolidating all Social Security and Social Support Organizations into one single body; standardizing the regulations and principles of all social security institutions; and keeping track of the fiscal position and financial records of the institutions.

Is-Kur, a governmental body, is responsible for the domestic and international matching of jobs with employees; carrying out workforce planning; as well as safeguarding and developing employment. There is a large amount of private employment agencies in the market working effectively with employees and employers. It is also possible to find employment and employees via private employment agencies.

## **EMPLOYMENT OF EXPATRIATES**

### **1. How to get a work permit in Turkey**

Expatriates are required to obtain a work permit before they start to work dependently or independently in Turkey.

The Ministry of Labor and Social Security is responsible for:

- Processing the applications of companies that wish to employ expatriates
- Issuing work permits for expatriates
- Extending and/or restricting the term of work permits in accordance with the relevant legislation

Applications for work permits can be made both inside and outside of Turkey:

- Expatriates residing outside of Turkey need to apply to the relevant Turkish Consulate in either their residential country or their country of citizenship
- Expatriates with valid residence permits (a minimum 6 month period, with the exception of residence permits for educational purposes) can apply directly to the Ministry of Labor and Social Security

Other legal procedures regarding work permits are as follows:

- A work permit is valid only when a work visa and/or residence permit is also granted
- Applications are processed and answered within a fixed 90 day period by the Ministry. For key personnel of large foreign direct investors, this period is at most 15 days

### **2. Main categories of work permits**

Work permits are divided into 4 categories:

- Dependent work permits for a definite period of time
- Dependent work permits for an indefinite period of time
- Independent work permits
- Exceptional work permits

Exceptional work permits can be granted under certain conditions stipulated in Law. This type of work permit can be issued to an expatriate living in Turkey who is married to a Turkish citizen, to one who will temporarily come to Turkey with the aim of scientific and/or cultural activities, or to one employed

by ministries, public authorities or other similar organizations.

## **RESEARCH AND DEVELOPMENT ACTIVITIES**

### **1. TUBITAK**

In Turkey, public institutions and universities play an important role in R&D activities. The Scientific and Technological Research Council of Turkey is the public agency in charge of promoting, developing, organizing, conducting and coordinating research and development in different fields of natural sciences. This research is in line with the national targets for economical development and technical progress. The Council also makes important contributions to the relations between universities and industries.

The institution provides certain incentives in order to increase the scientific and technological competitiveness of Turkey; develop methods to rapidly transform scientific research into technological innovations; and provide an active contribution from the private sector into research and development.

[www.tubitak.gov.tr](http://www.tubitak.gov.tr)

### **2. TTGV**

The Turkish Technology Development Foundation was set up to raise the industrial sector's awareness of R&D and to support technological development projects in the Turkish Industry through the funds provided by the Under Secretariat of Treasury from the resources of the World Bank. This Foundation continues its activities as a successful example of Private and Public Sector cooperation. In this respect, the Foundation promotes the R&D activities of the industrial sector; contributes to the creation of the necessary infrastructure for technology to produce a commercial and marketable product, system or service; provides financial support; and undertakes studies aimed at improving the legislative and institutional framework for R&D.

[www.ttg.gov.tr](http://www.ttg.gov.tr)

### **3. KOSGEB**

Another institution, which conducts R&D research in Turkey, is the Small and Medium-sized Industry Development Organization (SMSIDO - KOSGEB). KOSGEB is focused on helping small and medium-sized industrial companies to adapt quickly to technological innovations; increasing their competitiveness and contributions to the economy; as well as improving their efficiency.

[www.kosgeb.gov.tr](http://www.kosgeb.gov.tr)

### **DID YOU KNOW THAT ...**

**TURKEY HAS THE CAPACITY TO TRANSPORT 121 MILLION TONS OF OIL TO THE WORLD MARKETS PER ANNUM? ONCE THE ONGOING PROJECTS ARE COMPLETED, THE ANNUAL TRANSIT CAPACITY WILL INCREASE TO 221 MILLION TONS OF OIL AND 43 BILLION M<sup>3</sup> OF NATURAL GAS.**

## ENERGY INFRASTRUCTURE

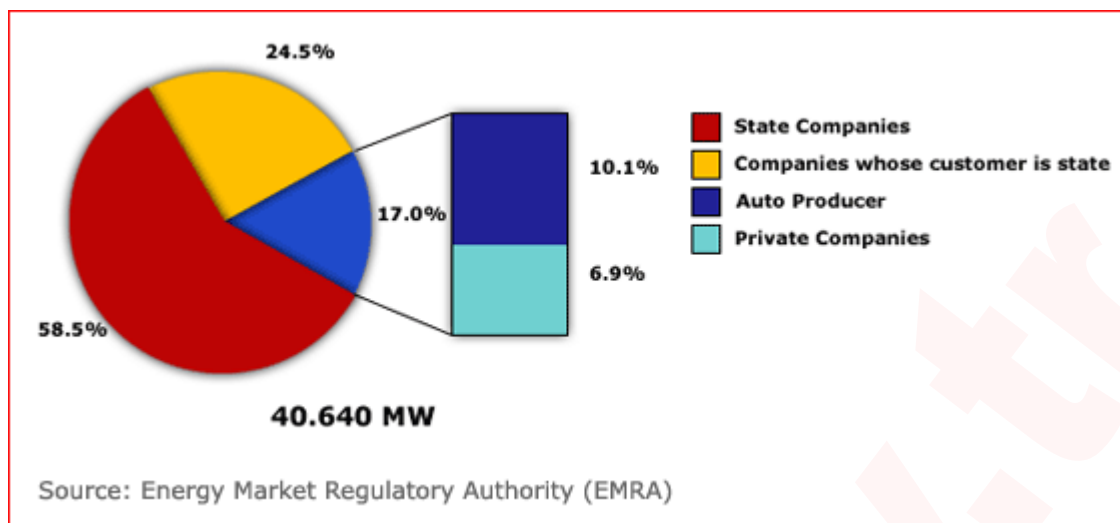
### 1. Energy strategy

- Turkey's strategy in the energy sector is to provide consumers with security and higher service quality.
- In addition to unused energy resources such as hydraulic power and lignite, Turkey's renewable energy potential is a great opportunity for investors. The new law promoting renewable energy, encourages these types of investment and makes them even more attractive.

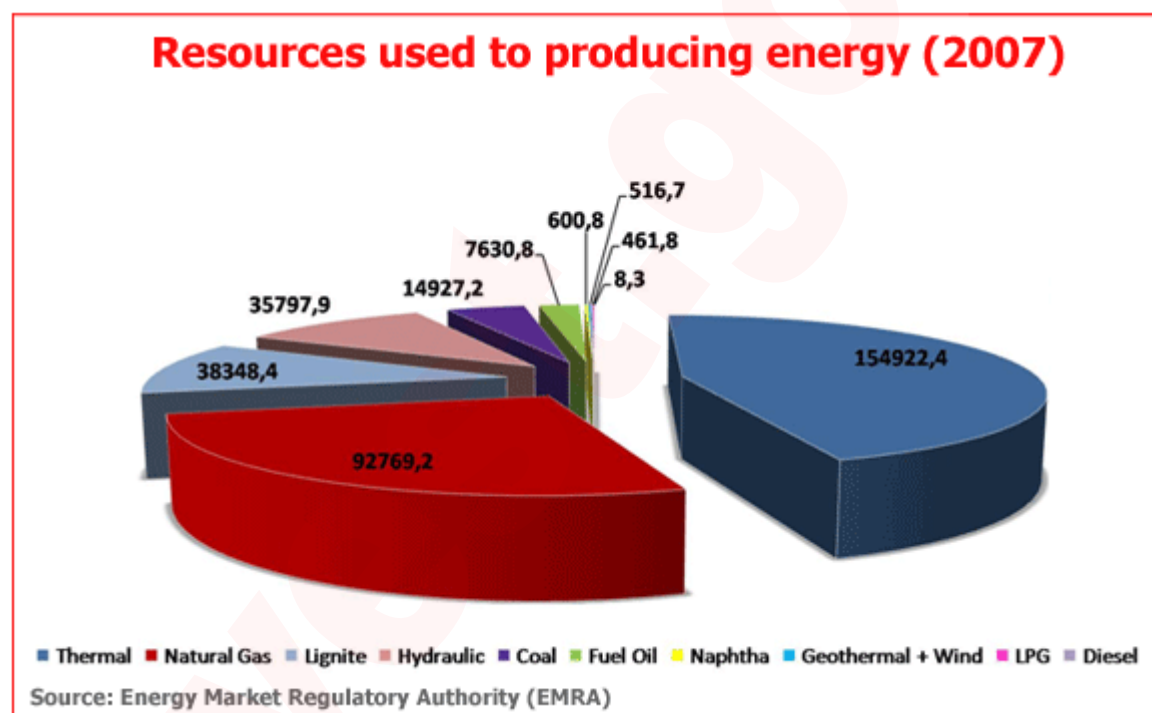
ENERGY INFRASTRUCTURE		2007
	UNIT	PROVISIONAL
<b>Primary Energy</b>		
<b>Production</b>	BTEP*	28,940
<b>Consumption</b>	BTEP	106,000
<b>Per Capita Consumption</b>	KEP**	1,435
<b>Electrical Power</b>		
<b>Installed Capacity</b>	MW	41,184
• Thermal	MW	27,535
• Hydraulic	MW	13,649
<b>Generation</b>	GWh***	191,124
• Thermal	GWh	155,058
• Hydro & Wind	GWh	44,540
<b>Import</b>	GWh	840
<b>Export</b>	GWh	2,638
<b>Consumption</b>	GWh	189,326
Per capita consumption (gross)	GWh	2,563
BTEP: Billion Tons Equivalent Petroleum		
KEP: Kilogram Equivalent Petroleum		
GWh Gigawatt Hour		
Source: Turkish Ministry of Energy		



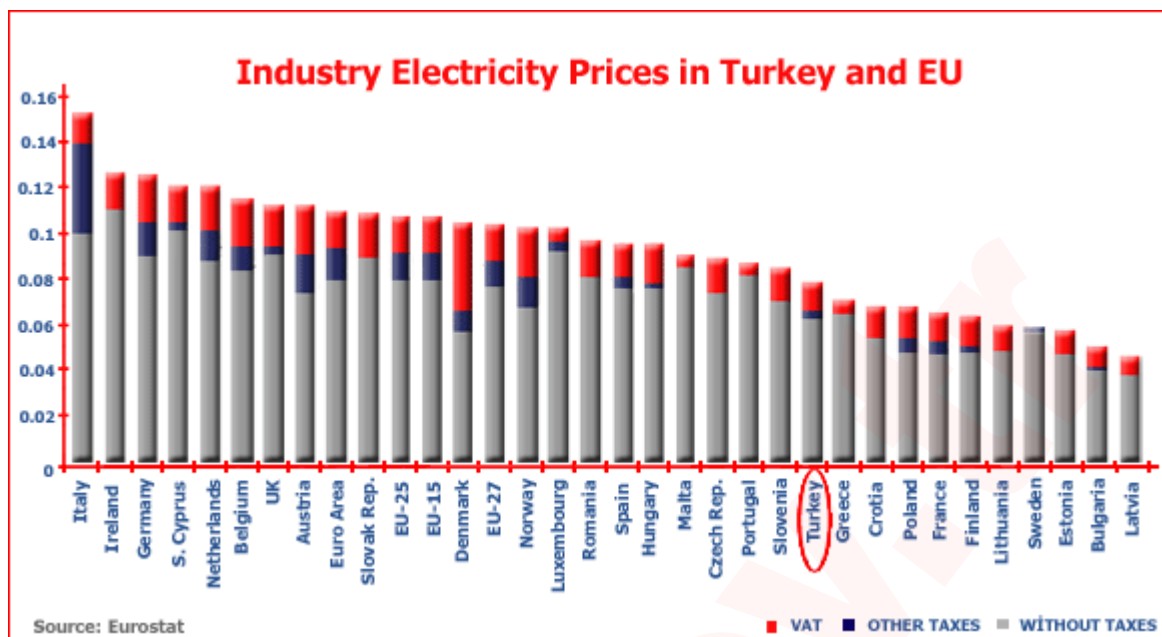
### 1.a. Installed power in Turkey (2006)



### 1.b. Energy resources (2007)



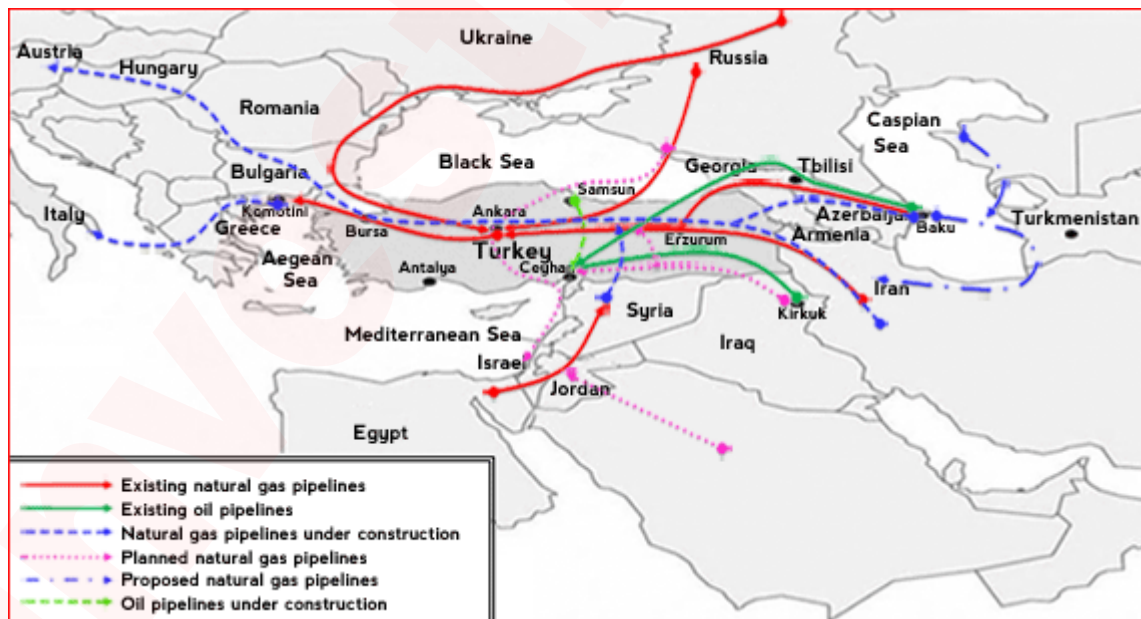
### 1.c. Industry electricity prices in Turkey and EU



Energy prices in Turkey (EUR 0.0832/kWh) are very competitive with respect to the global market.

### 1.d. Pipeline projects in Turkey

Turkey's priority is to secure its energy resources. In order to achieve this goal, Turkey is realizing many pipeline projects for both natural gas and oil. When they are completed, the following projects will provide secure energy resources for both Turkey and Europe.



- Baku-Tbilisi-Ceyhan\* COPL Project
- Turkey-Greece NGTL Project
- Transcaspian Turkmenistan-Turkey Europe NGTL Project
- Azerbaijan-Turkey NGTL Project
- Iraq-Turkey NGTL Project
- Egypt-Turkey NGTL Project
- Turkey-Bulgaria-Romania-Hungary-Austria NGTL Project (Nabucco Project)
- Eastern Black Sea NGTL
- Western Black Sea Project
- Natural Gas Underground Storage Project

\*Construction of the Baku-Tbilisi-Ceyhan pipeline was completed in 2005. The annual carriage capacity of this pipeline is 50 million tons of crude oil. It is an internationally recognized facility that will transport Caspian crude oil to the Mediterranean region via Turkey.

## 2. Telecommunications Infrastructure

<b>Telecommunications Infrastructure</b>	
<b>Mobile Telephone Subscribers</b>	63 mil
<b>PSTN users*</b>	21.1 mil
<b>Internet Users</b>	22 mil
<b>Broadband Subscribers</b>	4.7 mil
* Public Switched Telephone Network users	
Source: Turkish Ministry of Transport (2007)	

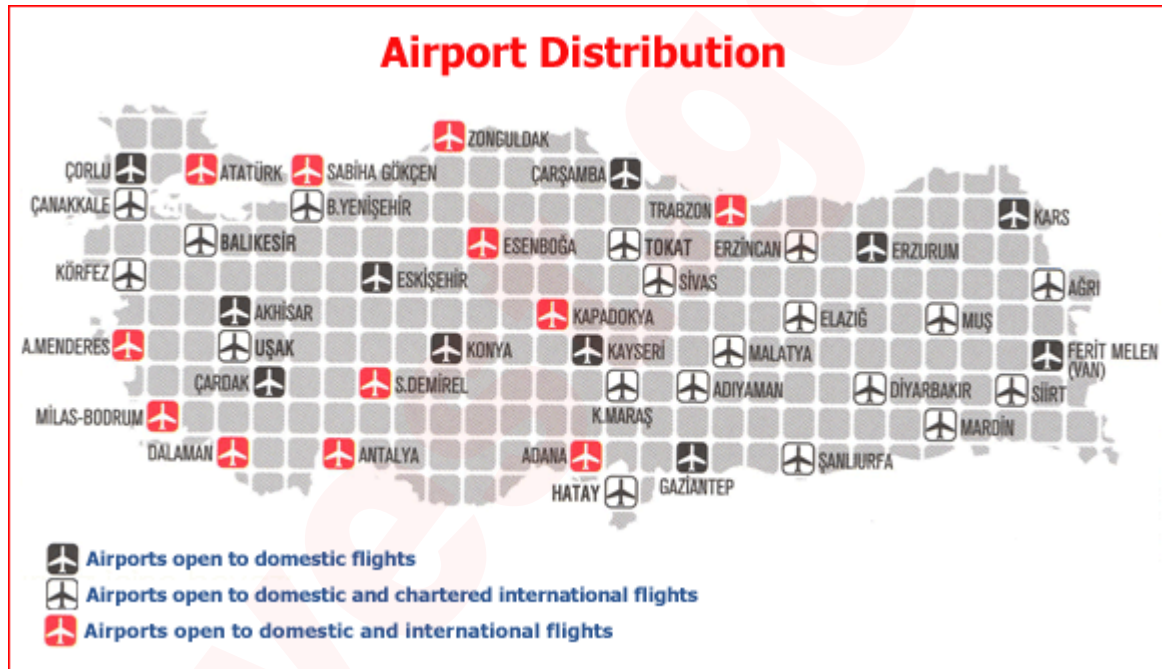
Communication technology (voice and data) meets business requirements

<b>Ranking (1: Does not meet business requirements - 9: Meets business requirements)</b>	
<b>Turkey</b>	7.74
<b>Romania</b>	7.15
<b>Greece</b>	6.75
<b>Russia</b>	6.39
<b>Italy</b>	6.35
<b>Ireland</b>	5.37
<b>Poland</b>	4.82
Source: IMD World Competitiveness Yearbook 2007	

The Telecommunication sector in Turkey has evolved considerably in recent years, starting with the privatization of 55% of Turk Telekom stock. The diversification of services within the telecommunication sector via mobile phones and the Internet has created new economies that form attractive areas for further investment.

### 3. Transportation Infrastructure

Transportation Infrastructure	
Air Passengers	70 million*
Number of Airports	52 (20 international)
Highway	63,805km
Railway	10,984km**
Seaway	243.5 million tons/year
Air cargo capacity	1.5 million tons/year
*Passenger number detail	
** +2,302 PLANNED	
Source: Turkish Ministry of Transport - 2007	



Turkey's advantages include its logistics industry, which has developed significantly since its entry into the EU Customs Union. Its geographic, physical, and corporate infrastructure is one of the key attractions for potential investors, as seen below:

- The length of divided highways reached 12,717 km at the end of 2007.
- In order to develop a more efficient railway transport infrastructure, the five year plan, covering the period 2005-2009, aims to renew 2,304 km and construct 2,320 km of railroad as well as manufacture 2,500 freight and 340 passenger cars.
- In 2007, international flight passenger traffic reached 38 million. Domestic flight passenger traffic reached 32 million, an annual increase of 15%.
- Turkey's proximity to major markets such as the CIS, the Middle East and North Africa means that 1.34 billion consumers can be easily reached.
- Important reductions in airline costs and price levels were made possible by rescinding a special

consumption tax on aircraft fuel. Accordingly five firms started domestic operation in the last few years to meet the increasing demand for air travel.

- Turkey, one of the most important members of the Black Sea Economic Cooperation (BSEC), has a pivotal role in connecting Pan-European transport corridors to Central Asia. Additionally, the Mediterranean basin to which Turkey is a natural conduit has gained greater prominence in both East-West and North-South connections.

- The national road and railroad networks are completely integrated into the Eurasian infrastructure. The Silk Road connection project will ensure a uniform railway connection between Europe, the Middle East, the Turkic Republics, and the Far East through Turkey. Regular truck transportation and Ro-Ro ferry routes are continuing to increase logistic services capacity.

- Two important gas export projects to Europe are underway, namely the "Interconnector", developed by Turkey, Greece, Italy, and "Nabucco", developed by Turkey, Austria, Bulgaria, and Romania.

**DID YOU KNOW THAT...**  
**IN THE PAST FIVE YEARS**  
**PRIVATIZATION WORTH \$25 BILLION**  
**HAS BEEN REALIZED IN TURKEY?**

Fiscal discipline and a tight fiscal policy continue to be the main pillars of Turkey's economic program, and have contributed a great deal to disinflation as well as to a strong growth performance. In addition to its sound macroeconomic policies, Turkey has implemented a comprehensive and far-reaching structural reform agenda. Compared with the experiences of other countries, Turkey's success has been remarkable, primarily because of the speed with which it has carried out structural and institutional changes. Indeed, Turkey has made great progress in restructuring its financial sector as well as in improving public sector governance and its business environment.

### 1. MACROECONOMIC INDICATORS

#### 2. FDI IN TURKEY

#### 3. INTERNATIONAL TRADE

## 1. MACROECONOMIC INDICATORS

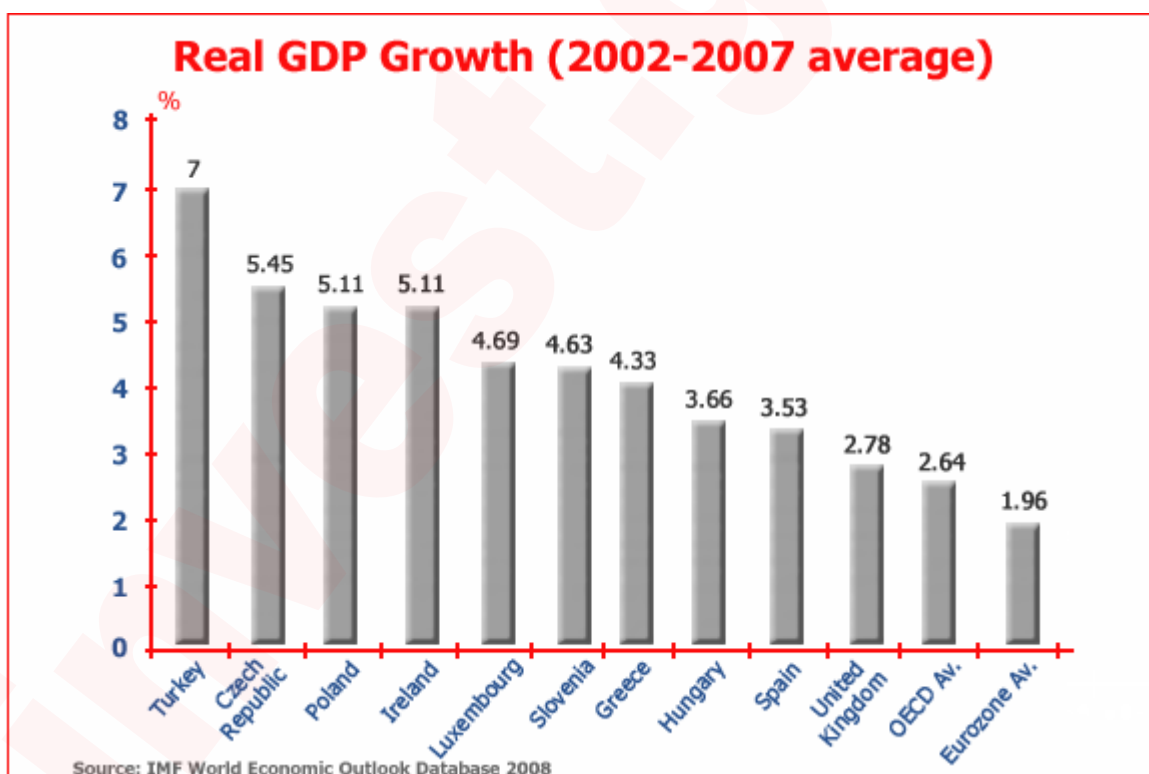
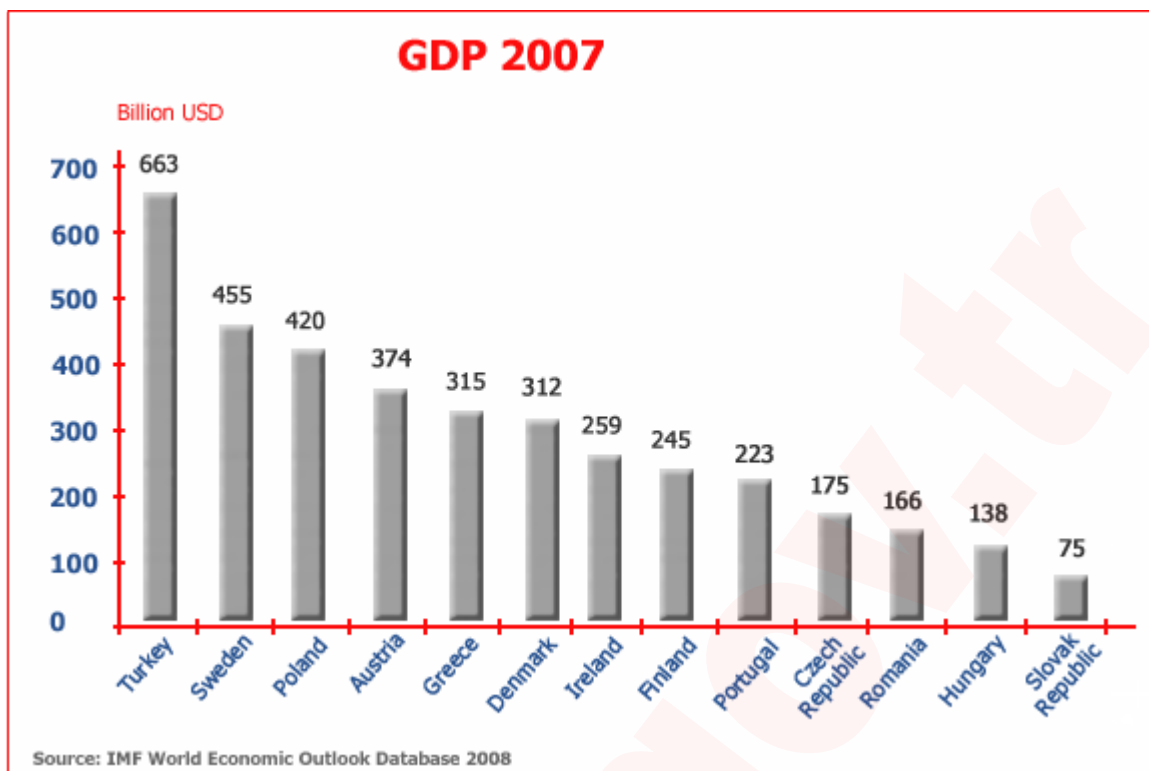
### A QUICK OVERVIEW

The Turkish economy has grown steadily over the last 20 quarters. GDP and GDP per capita figures highlight the strength and stability of the national economy as well as its integration into macroeconomic global trends.

Between 2002 and 2007:

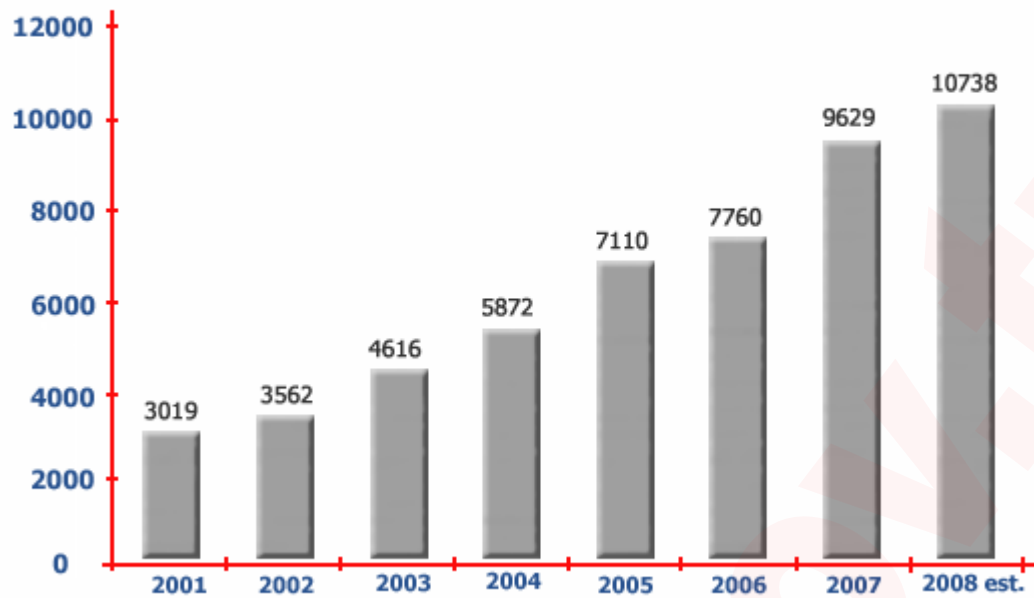
- GDP increased by 187%, reaching \$663bn.
- Annual average real GDP grew by appx. 7%.
- Exports increased by 197% and reached USD 107 billion in 2007.
- Foreign trade increased by 216%.
- Exports to neighboring countries rose 478%.
- Imports from neighboring countries grew by 340%.

## Benchmarking the performance of the Turkish economy





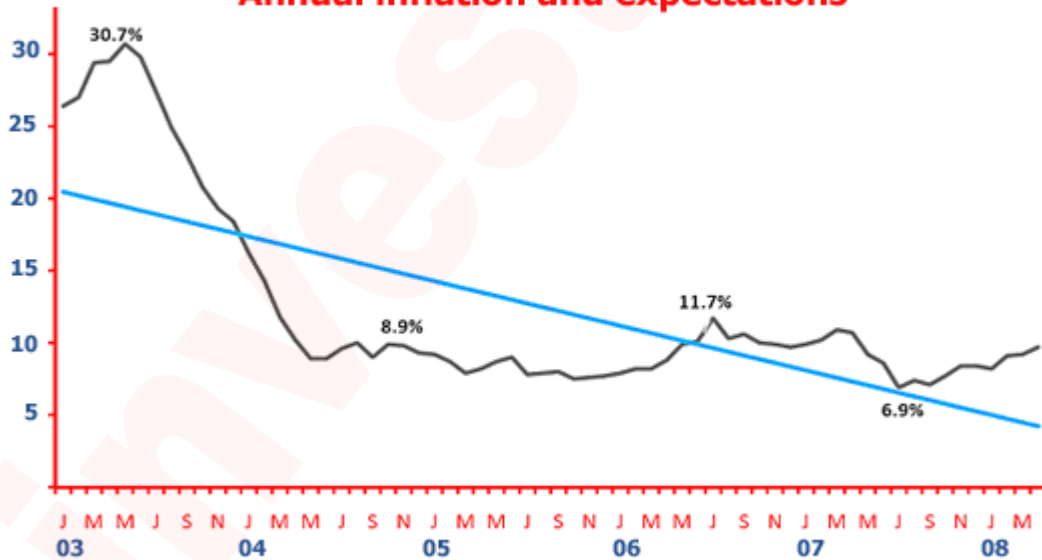
## GDP per capita - nominal (USD)



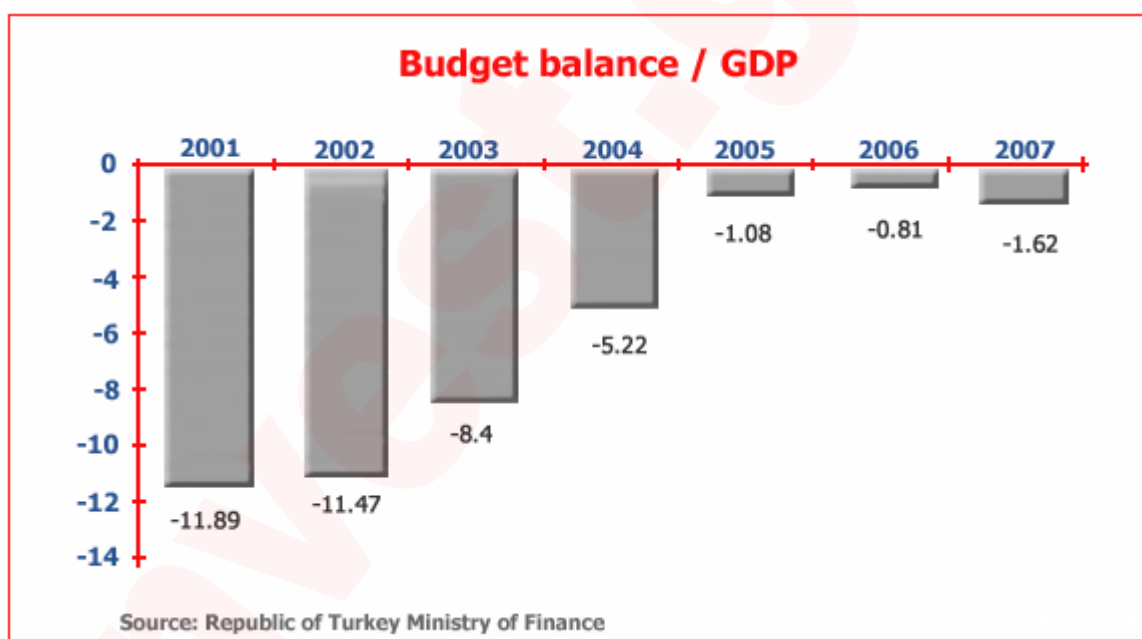
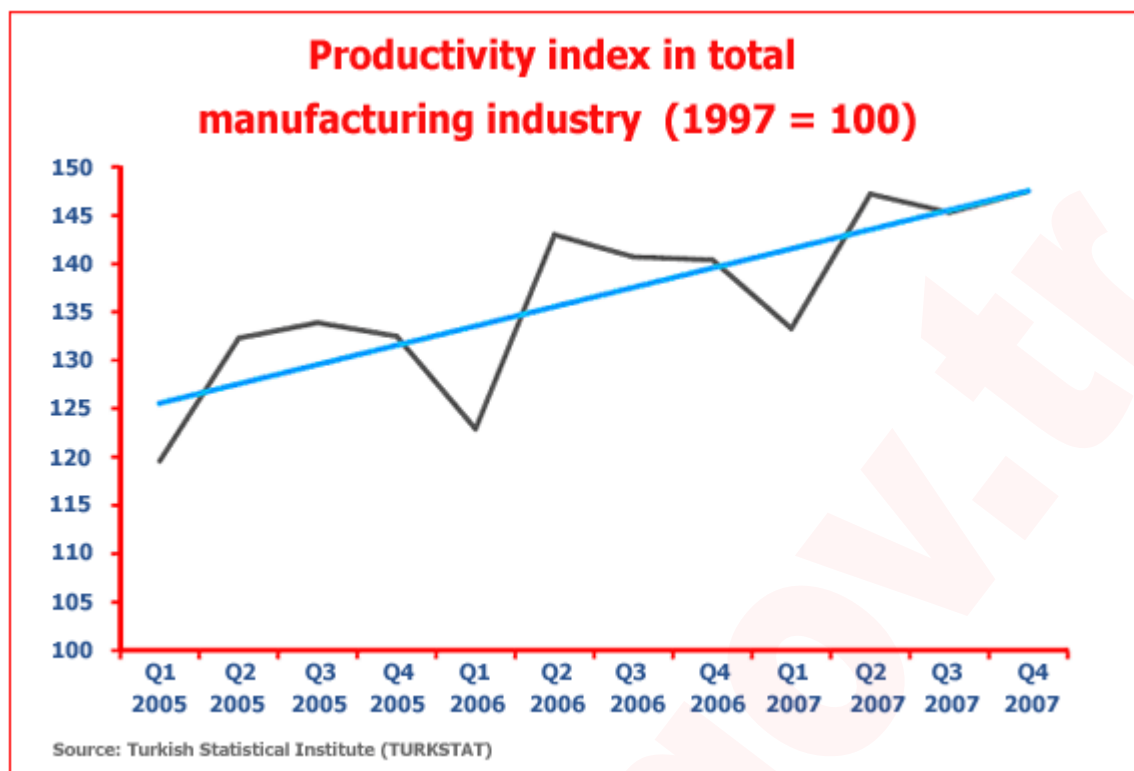
Source : IMF World Economic Outlook Database 2008

Stability and high performance in the economy

## Annual inflation and expectations



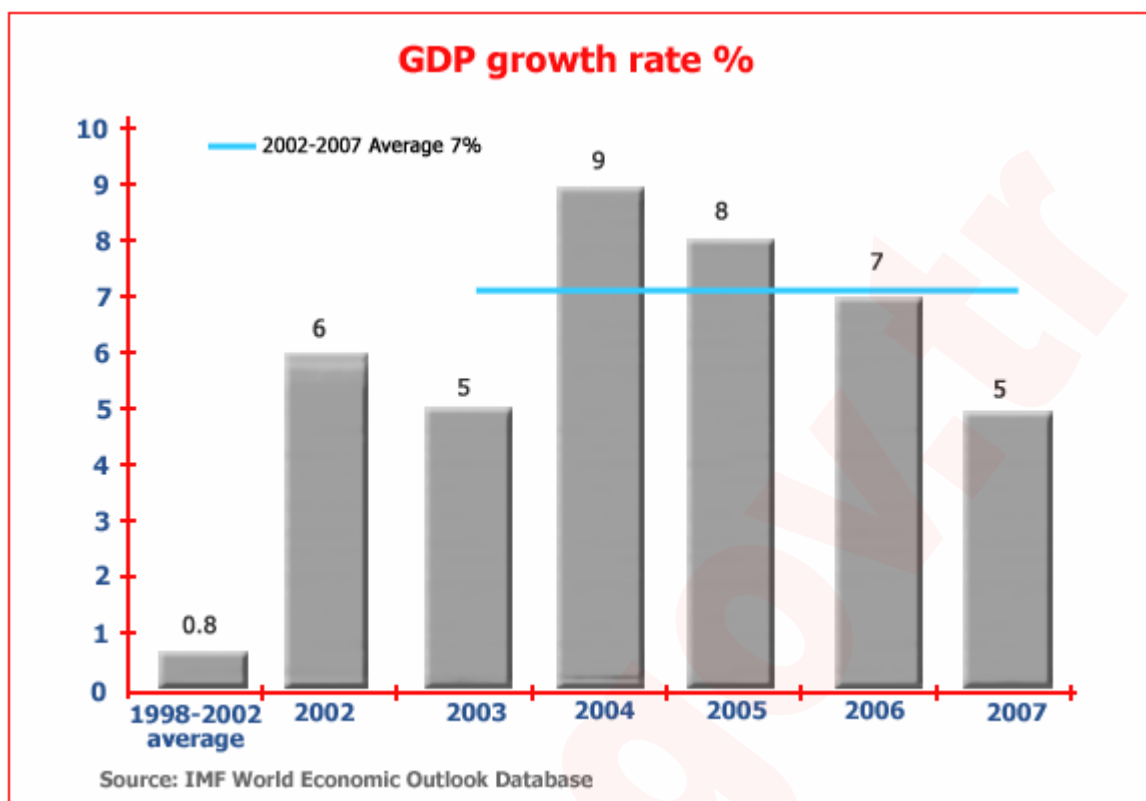
Source : Turkish Statistical Institute (TURKSTAT)



## ECONOMIC GROWTH IN DETAIL

### 1.a. Sustainable growth path

In recent years, the Turkish economy has displayed a high growth performance due to decisively implemented structural reforms and successful macroeconomic policies; it has become one of the fastest growing economies in the world. The annual average real GDP growth rate, which was 0.8% during the period 1998 to 2002, reached 7% in the period 2002 to 2007.



In the last five years, the driving force of economic growth has been the total factor productivity increase on the supply side and private sector investment on the demand side. In 2007, in line with expectations, GDP increased by 5% and reached USD 663 billion, while per capita income rose to USD 9,630. The observed economic growth is driven mainly by private sector investments supported by high export performances.

As a result of a sustained rate of growth, structural reforms, and the process of macroeconomic stabilization, the EU emphasized the improvements in the operation of market forces in Turkey. The accelerated reform process along with EU accession negotiations, robust private sector investments and favorable demographics promise faster convergence with the EU during the negotiation process. The expected rise in participation in the labor force and vast productivity gains through increasing investments are predicted to be the driving engines of the convergence; these factors also guarantee sustained high growth.

Year	GDP (current prices in billion USD)	GDP per capita (current prices USD)	Real growth (%)
2008*	748.301	10,737.68	4
2007	663.419	9,629.14	5
2006	528.686	7,759.61	7
2005	482.782	7,109.89	8
2004	392.886	5,872.37	9
2003	304.141	4,616.16	5
2002	231.03	3,562.29	6
2001	192.672	3,019.24	-6
2000	265.177	4,225.11	7
1999	245.482	4,097.50	-3
1998	265.605	4,500.78	3
1997	250.112	4,304.89	8

Source: IMF World Economic Outlook Database 2008

\*IMF estimate

### 1.b. Industrial production index

The 12-month average for 2007 shows a 5.4% increase for the total industry index (from 137.6 to 145.0), a 9.6% increase for the mining industry index (from 98.1 to 107.5), a 4.8% increase for the manufacturing industry index (from 136.8 to 143.3) and an 8.7% increase for electricity, gas, and water (from 170.5 to 185.3) compared to the previous year's 12-month average.

#### Growth rate comparison of industrial production over the same month of the previous year (%)

Economic Activities	June				Average of six-month			
	Index	Change	Index	Change	Index	Change	Index	Change
	2007		2006		2007		2006	
Total Industry	149.4	1.8	146.7	10.0	140.5	5.3	133.4	6.0
Mining	108.2	2.9	105.1	10.9	99.5	10.3	90.2	6.9
Manufacturing	148.6	1.1	147.0	9.6	139.2	4.7	133.0	5.6
Electricity, Gas & Water	182.1	8.2	168.3	13.8	178.5	9.2	163.4	8.9

#### Weight of sectors

Main Sectors	100	Mining	
C Mining	4.89	10 Coal Mining	41.7
D Manufacturing	86.92	11 Crude Petroleum	18.29
E Electricity, Gas & Water	8.19	12 Mining of Iron Ores	13.74
		13 Non Metallic Mineral	26.27
Manufacturing			
15 Food, Beverages	10.64	26 Non Metallic	6.85
16 Tobacco	1.35	27 Basic Metal	8.9
17 Textile	10.88	28 Metal Production	3.39
18 Clothing	5.42	29 Machines	5.76
19 Leather	1	30 Office Machines	0.05
20 Wood	0.59	31 Electric Machines	3.22
21 Paper	1.59	32 Radio, TV	1.49
22 Publishing	1.73	33 Medical Equipment	0.26
24 Petroleum Products	14.48	34 Motor Vehicle	6.27
24 Chemicals	10.34	35 Other Transports	1.07
25 Plastics	3.41	36 Furniture	1.3
Source: Turkish Statistical Institute (TURKSTAT)			

## Industrial production index

1997=100				
Economic Activities	12 Month Average			
	Index	Change	Index	Change
	2007		2006	
Industry Total	145.0	5.4	137.6	5.8
Mining	107.5	9.6	98.1	4.3
Manufacturing	143.3	4.8	136.8	5.5
Electricity, Gas, Water	185.3	8.7	170.5	9.1
Source: Turkish Statistical Institute (TURKSTAT)				

## 1.c. Balance of payments

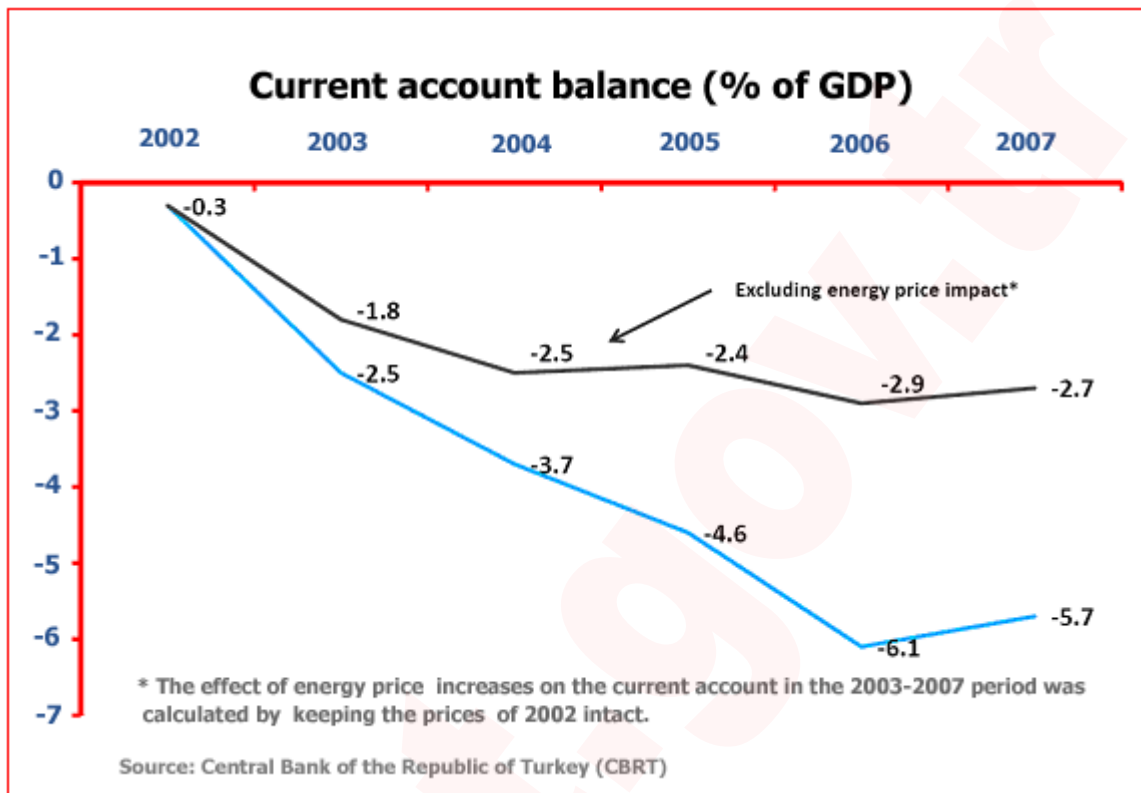
In 2007, the current account deficit increased nearly 14% over the 2006 level, rising to USD 38 billion. In the same year, capital and finance accounts produced a USD 37 billion surplus.

Billion USD				
	2004	2005	2006	2007
<b>CURRENT ACCOUNT BALANCE</b>	-15.6	-22.6	-32.9	-37.6
Foreign trade balance	-23.9	-33.5	-41.3	-46.7
Exports f.o.b.(including gold)	67.0	76.9	91.9	115.3
Imports f.o.b. (including gold)	-90.9	-110.1	-132.8	-162.0
Rate of imports covered by exports (%)	73.7	69.9	69.2	71.2
Balance of services	12.8	15.3	13.4	13.9
Balance of investment income	-5.6	-5.8	-6.6	-6.9
Current transfers	1.1	1.5	1.7	2.2
<b>CAPITAL &amp; FINANCIAL ACCOUNT</b>	13.4	20.4	35.1	36.5
Net foreign direct investment	2.0	8.9	19.0	19.9
• Abroad	-0.8	-1.1	-0.9	-2.1
• In Turkey	2.8	10	20	22
Portfolio investment	8.0	13.4	7.4	0.7
Other Investments	4.2	15.9	14.8	23.9
Reserve Assets	-0.8	-17.8	-6.1	-8.0
<b>NET ERRORS &amp; OMISSIONS</b>	2.2	2.2	-2.3	1.1
Source: Central Bank of the Republic of Turkey (CBRT)				

Wise and prudent economic policies accompanied by structural reforms have brought a new perspective to the Turkish economy. The outstanding growth performance in conjunction with strong disinflation brought the economic reforms to a new frontier. Turkey has been able to attract a significant level of foreign direct investment (FDI) in recent years because the stability of the economy was able to enhance the investment environment, and the projections for the future are quite positive.

In 2007, FDI inflows to the country hit a record high. They increased to USD 22 billion, having averaged around USD 1 billion in the past.

## Looking at external accounts



The 2007 current account deficit was realized at 5.7% of GDP with a 0.4 point decrease compared to 2006. The current account deficit was easily financed in 2007 mainly due to high export performance, privatization receipts, and rising FDI. The FDI inflows reached USD 22 billion in 2007, the highest ever in Turkish economic history. Receipts from FDI are expected to continue in future years with the acceleration of the EU accession process and efforts to improve the investment environment.

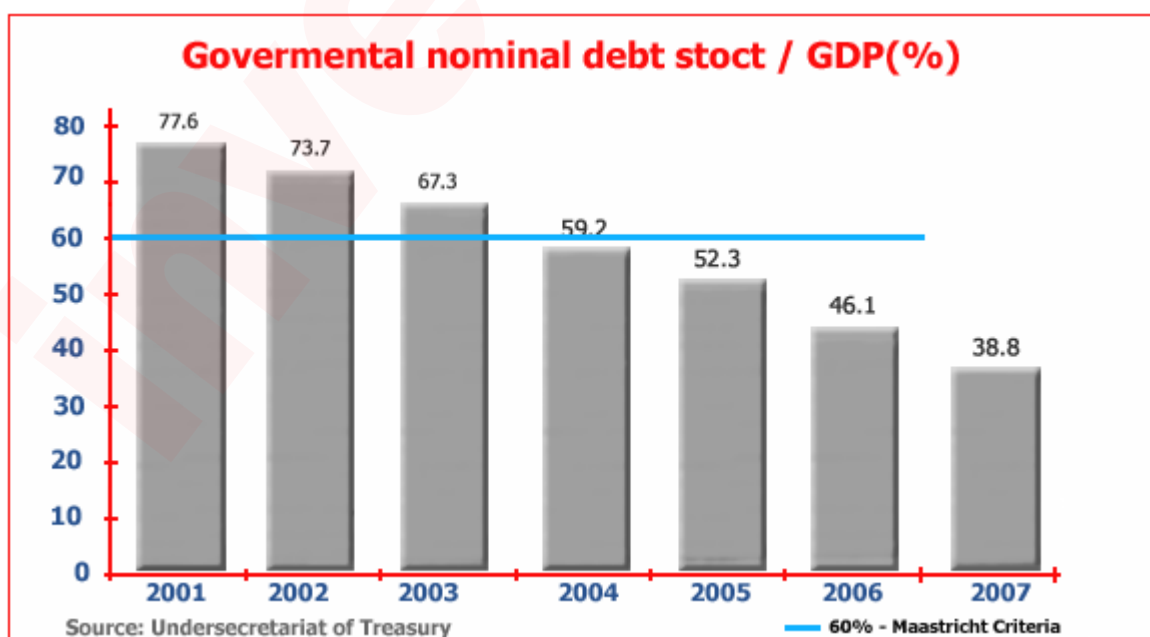
## Exports and tourism revenues

Turkey ranked ninth among top tourism earners in the world in 2006, and 23.3 million tourists visited Turkey in 2007.



### 1.d. Prudent fiscal and tight monetary policy

Fiscal discipline continues to be the cornerstone of the macroeconomic performance of the Turkish economy. Turkey reduced its debt stock and positively affected the expectations of the market toward a stable economic growth environment and low inflation rate. Turkey has met the EU Convergence Criteria (a.k.a. Maastricht Criteria) since 2004.





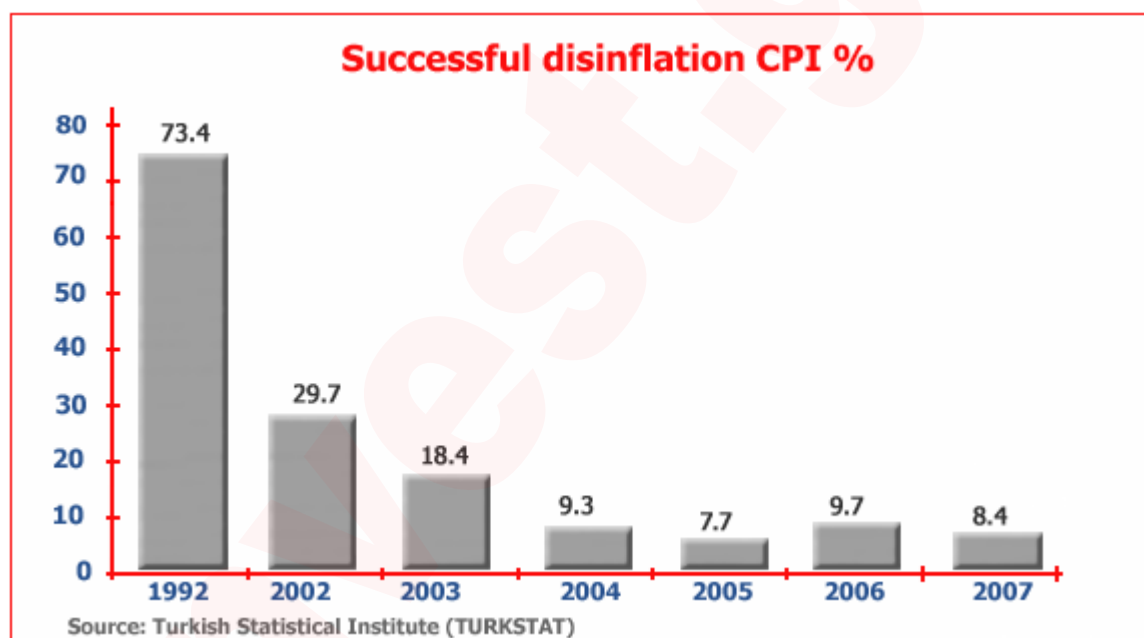
The implementation of tight fiscal and strict monetary policies has helped to decrease inflation significantly, bringing it down to single figures.

### Declining inflation

Year	Producer PI Annual Avg. Change (%)	Consumer PI Annual Avg. Change	GDP Deflator (%)
2007	6.31	8.39	8.1
2006	9.34	9.65	9.3
2005	5.89	7.72	7.1
2004	11.09	9.32	12.4
2003	25.56	18.36	23.3
2002	50.11	29.75	37.4
2001	61.63	68.53	52.9
2000	51.43	39.03	49.2
1999	53.06	68.79	54.2

Source: Turkish Statistical Institution (TURKSTAT)

One of the most striking aspects of the recent performance of the Turkish economy has been the substantial decline in inflation in a strong growth environment with soaring energy prices. The annual inflation rate declined from a level near 70% at the beginning of 2002 to 7.5% in October 2005, the lowest level in 35 years. To further support disinflation, the Central Bank of Turkey shifted to formal inflation targeting in 2006.

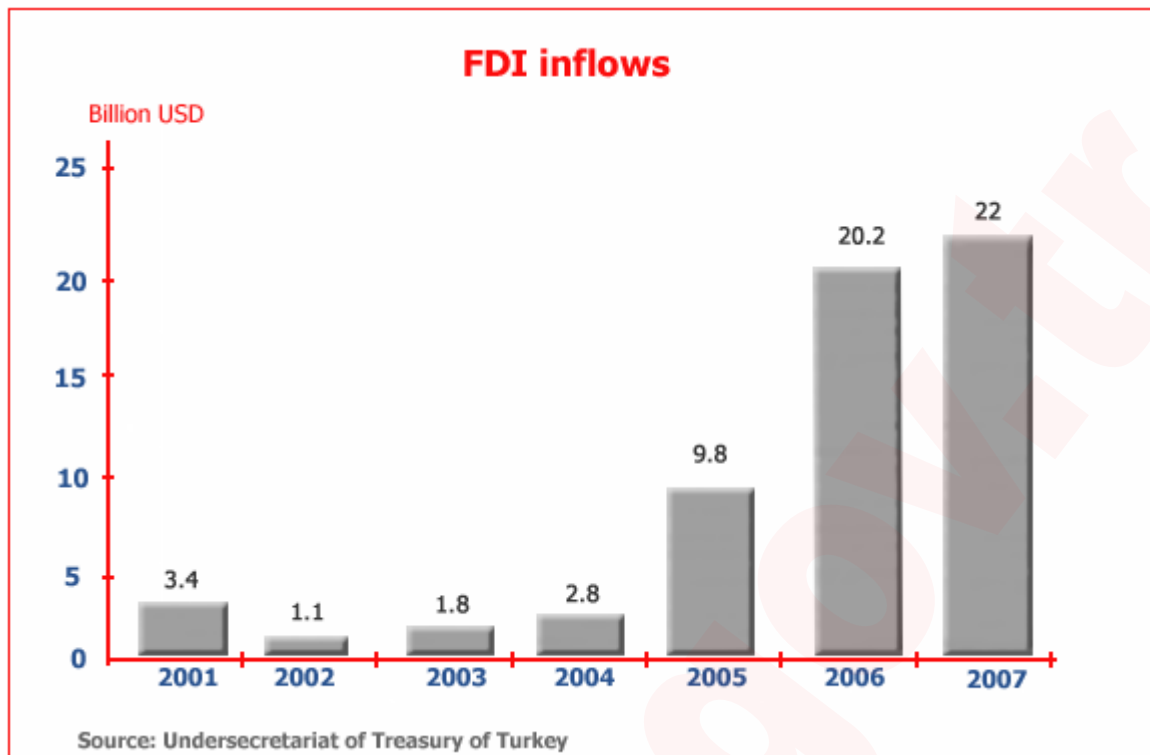


### In Conclusion

Thanks to prudent fiscal and monetary policies as well as comprehensive structural reforms, economic fundamentals and balance sheets have strengthened considerably in recent years, making the economy much more resilient to adverse shocks. In order to move forward, Turkey still faces important challenges. In this respect, Turkey is determined to continue and to accelerate the structural reforms on all fronts and transform itself into a well developed country in every respect.

## 2. FDI IN TURKEY

### 2.a. Turkey is the 15th most attractive country for FDI



### 2.b. International Direct Investment (Inflows)

	Millions (USD)							
	2000	2001	2002	2003	2004	2005	2006	2007
International direct investment total (net)	982	3,352	1,133	1,752	2,885	10,029	19,918	21,873
International direct investment	982	3,352	1,133	754	1,542	8,188	16,996	18,921
Equity investment (net) ↓	982	3,352	617	737	1,191	8,137	16,988	18,420
• inflows	1,707	3,374	622	745	1,291	8,538	17,645	19,190
• liquidation outflows	-725	-22	-5	-8	-100	-401	-657	-770
Intra company loans*	--	--	516	17	351	51	8	501
Real estate (net)	--	--	--	998	1,343	1,841	2,922	2,952

\*Loans that companies with foreign capital are given by foreign partners  
Source: Central Bank of the Republic of Turkey (Provisional data)

## 2.c. The number of companies with foreign capital

The number of the companies with international capital was 18,308 in 2007. 14,606 of these companies were established with full foreign capital and 3702 companies are jointly established with international partners.



## 2.d. Breakdown of companies with international capital by sector according to mode of establishment (2007)

2007				
Sectors	Company Establishment	Participation	Branch Office	Total
Agriculture, hunting, fishing and forestry	40	11	1	52
Mining and quarrying	61	21	0	82
Manufacturing ↓	382	105	13	500
• manufacture of food products and beverages	29	5	0	34
• manufacture of textiles	33	16	0	49
• manufacture of chemicals and chemical products	41	12	1	54
• manufacture of machinery and equipment n,e,c,	36	9	3	48
• manufacture of motor vehicles, trailers and semi-trailers,	13	4	2	19
• other manufacturing	230	59	7	296
Electricity, gas and water supply	64	12	0	76
Construction	442	60	10	512
Wholesale and retail trade	628	183	17	828
Hotels and Restaurants	183	41	0	224
Transport, storage and communications	232	70	7	309
Real estate, renting, and business activities	793	89	9	891
Other Community, social and personal service activities	166	59	3	228
<b>Total</b>	<b>2,991</b>	<b>651</b>	<b>60</b>	<b>3,702</b>

Source: Undersecretariat of the Treasury (Provisional Data )

## 2.e. Breakdown of companies with international capital by sector

Sectors	1954-1999	2000	2001	2002	2003	2004	2005	2006	2007	1954-2007
	Cumulative									Total
Agriculture, hunting, fishing and forestry	65	8	10	5	25	33	34	47	52	279
Mining and quarrying	65	8	6	18	12	34	54	48	82	327
Manufacturing ↓	1,112	95	90	75	264	356	433	469	500	3,394
• manufacture of food products and beverages	120	9	8	7	21	52	38	45	34	334
• manufacture of textiles	109	3	10	13	62	55	71	50	49	422
• manufacture of chemicals and chemical products	143	8	11	7	28	44	41	47	54	383
• manufacture of machinery and equipment	82	9	6	7	20	23	27	50	48	272
• manufacture of motor vehicles, trailers and semi-trailers	91	14	11	5	16	18	21	12	19	207
• other manufacturing	567	52	44	36	117	164	235	265	296	1,776
Electricity, gas and water supply	47	7	4	6	8	16	11	45	76	220
Construction	140	11	25	21	31	130	334	428	512	1,632
Wholesale and retail trade	1,429	144	163	204	427	860	765	815	828	5,635
Hotels and restaurants	453	36	52	42	60	76	171	213	224	1,327
Transport, storage and communications	287	45	46	46	96	216	248	274	309	1,567
Real estate, renting and business activities	236	54	42	37	91	226	519	708	891	2,804
Other community, social and personal service activities	216	29	24	35	77	92	181	241	228	1,123
<b>Total</b>	<b>4,050</b>	<b>437</b>	<b>462</b>	<b>489</b>	<b>1,091</b>	<b>2,039</b>	<b>2,750</b>	<b>3,288</b>	<b>3,702</b>	<b>18,308</b>
Source: Undersecretariat of Treasury (Provisional Data)										

Most of the 18,308 companies financed with international capital are in the wholesale and retail trade sectors; this is followed by manufacturing, real estate rental, and other business activities. Textile goods receive the highest amount of investment in the manufacturing sector, followed by chemicals and food and beverage products.

## 2.f. International Direct Investment Inflow by sector

During the last five years, the sectors attracting the highest amount of FDI have been manufacturing, financial services and energy.

Millions (USD)						
Sectors	2002	2003	2004	2005	2006	2007
Agriculture, hunting and forestry	--	1	4	5	5	2
Fishing	--	--	2	2	1	3
Mining and quarrying	2	14	75	40	122	341
Manufacturing	110	448	214	788	1,868	4,199
Manufacture of food products and beverages ↓	14	249	78	68	609	758
• manufacture of textiles	10	8	14	183	26	233

• manufacture of chemicals and chemical products	9	9	39	174	602	1,103
• manufacture of machinery and equipment,	13	17	8	13	54	47
• office machinery and computers	2	4	2	13	53	98
• manufacture of motor vehicles, trailers and semi-trailers	33	145	35	106	63	65
• other Manufacturing	19	14	38	227	461	1,895
Electricity, gas and water supply	68	86	69	4	112	555
Construction	3	8	23	80	222	260
Wholesale and retail trade	89	92	103	68	1,167	181
Hotels and restaurants	0	4	1	42	23	26
Transport, storage and communications	1	2	639	3,285	6,700	1,119
Financial intermediation	260	51	69	4,018	6,956	11,409
Real estate, renting and business activities	0	6	3	29	99	905
Health and social work	5	23	53	74	265	178
Other community, social and personal service activities	84	10	36	103	105	12
Total	622	745	1,291	8,538	17,645	19,190
Source: Central Bank of the Republic of Turkey (Provisional Data)						

## 2.g. International Direct Investment Inflow by Country

The main FDI exporting countries, such as the EU member countries and the USA, have shown great interest in investing in Turkey through various multinational companies.

Countries	2002	2003	2004	2005	2006	2007
European Union ↓	455	555	1,025	5,005	14,489	12,693
• Germany	86	142	73	391	357	1,004
• France	22	120	34	2,107	439	317
• Netherlands	73	50	568	383	5,069	5,682
• United Kingdom	8	141	126	165	628	688
• Italy	241	1	15	692	189	76
• Other European Countries	25	101	209	1,267	7,807	4,926
Other European Countries (Excluding EU)	64	70	109	1,650	91	379
Africa	0	0	--	3	21	5
U.S.A.	2	52	36	88	848	4,206
Canada	7	6	61	26	121	11
Central America And Caribbean	0	0	--	8	32	24
South America	0	0	--	--	1	466
Asian ↓	70	60	60	1,756	1,927	1,370
• Gulf Arabian Countries	5	0	--	1,675	1,783	296
• Near And Middle Eastern Countries	0	1	54	3	127	298
Other Asian Countries	65	59	6	78	17	776
Australia	0	0	--	1	108	26
Unclassified	24	2	--	1	7	10
Total	622	745	1,291	8,538	17,645	19,190
Source: Central Bank of the Republic of Turkey (Provisional Data)						

### 3. INTERNATIONAL TRADE

In 2007, exports and imports both reached an all time high: exports increased by 26%, reaching USD 107 billion, while imports rose by 24%, reaching USD 170 billion. The table below shows Turkey's historic trade figures for the years 1995 to 2007.

#### Foreign trade statistics

In Millions of USD	2002	2003	2004	2005	2006	2007
Export	36,059	47,253	63,121	73,275	85,142	107,213
Import	51,554	69,34	97,54	116,352	137,032	170,057
Trade volume	87,613	116,593	160,661	189,627	222,174	277,270
Foreign trade balance	-15,495	-22,087	-34,419	-43,076	-51,89	-62,844
Export / Import	69.9	68.1	64.7	63	62.1	63.0
Export / GDP	24.8	26.1	26.4	24.5	21.3	16.3
Import / GDP	35.4	38.3	40.8	38.9	34.3	25.8
Trade volume / GDP	47.8	48.8	53.6	63.3	55.6	42.1

Source: Turkish Statistical Institute (TURKSTAT)

Liberal policies and an export-based development model have been in operation since 1980, and Turkey now has an open economy that is fully integrated into the rest of the world economy. Furthermore, the persistent increase in its export rate ranks Turkey among the 30 leading exporting countries, making it an exemplary economic leader in the EMEA region.

#### 3.a. Turkey's foreign trade

1980 was a crucial turning point for Turkey's economy and foreign trade policies. With the introduction of an economic program based on the objectives of ensuring that the country's economy operates according to the principles of a free market mechanism, and of integrating it into the world economy, Turkey has abandoned the import-based industrial strategy that created a closed economy. It has adopted an "export-based industrialization" strategy.

Türk Eximbank was established in 1987 with the objective of increasing the competitive strength of Turkish exporters in foreign markets, and of supporting Turkey's export strategy. Turkey became a member of the World Trade Organization (WTO) in 1995. Following this move, it finalized an agreement with the EU, enabling it to join the Customs Union on January 1st, 1996.

Furthermore, the export of industrial products, which made up 36% of total exports in 1980, reached 80% by 1990.

By the year 2000, a continued structural transformation of exports was observed. Of the total exports for the year 2000, 91.2% were manufacturing products, 7.1% were agricultural and forestry products, and 1.4% were mining products.

As of 2003, Turkey was ranked the 24th largest exporting country in the world. Furthermore, the export rate increase of 31% in 2003 placed Turkey second among the 30 leading exporting countries to have achieved the highest rate of export growth.

These developments played a significant role in establishing Turkey's reputation as an attractive investment region, not least because trade and investment have complementary features. Furthermore, the open economy indicator, calculated as the GNP/foreign trade ratio, is regarded as a significant determining factor for foreign direct investors when it comes to identifying areas in which to invest. With its economic structure integrated into the world economy, Turkey has not only increased its trade volume and exports but has also created an export product range with an emphasis on

industrial products of high added value that require advanced technology. All of this was made possible by ensuring a structural transformation in Turkish exports. Furthermore, Turkey has continued to diversify its target markets.

It exports over 7,000 products to 170 countries as of 2007.

### **3.b. Foreign trade by economic activity**

In line with the policies implemented within the framework of the export-led development model followed since 1980, exportation has become important to Turkey in both qualitative and quantitative terms.

Starting in particular in 1980 and continuing up to the mid-1990s, very important developments have been observed in the market share held by labor-intensive industrial products such as textiles and clothing, iron and steel, and foodstuffs.

In 1996, with the establishment of a Customs Union with the European Union, Turkey's exports entered a new structural transformation process. Developments in recent years show that production and exportation have increased significantly in high technology sectors, where goods include electrical and electronic machinery and equipment, as well as in the automotive industry. In this respect, it can also be observed that the export market share of manufactured industrial products has increased in the period from 1999 to 2007.

Between 1980 and 2007, there were important changes in the distribution of imports within different sectors.

Since 1990, the manufacturing industry has been the leading importer. Taking into account the sub-sectors of the manufacturing industry, it is apparent that the share of imports of iron and steel, as well as of chemicals, in the total number of imports, has not changed significantly. However, imports of machinery and transportation vehicles, and of textile products, has increased.

### **3.c. Foreign Trade in terms of Countries**

The member countries of the European Union are Turkey's most important trade partners in terms of both imports and exports.

#### **Imports by Country**

With respect to Turkey's imports by group of countries, the European Union member countries with a 40% share in 2007 have maintained their position as suppliers of the highest number of imports since 1980. Between 1999 and 2007, there was also a marked increase in the number of imports from Asia, the Black Sea Economic Cooperation member countries, and the Common Wealth of Independent States, a state of affairs that has attracted significant attention.

In 2007, the share of imports from OECD countries was 54%. In 2007, the top five countries in terms of imports were China, Germany, Italy, Russia, and the USA. The overall share in imports of these five countries was 43%.



Millions (USD)												
GENERAL IMPORTS TOTAL	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	43,627	48,559	45,921	40,671	54,503	41,399	51,554	69,340	97,540	116,774	139,576	170,057
A-EU (27)	24,321	26,119	25,282	22,530	28,527	19,823	25,689	35,140	48,103	52,696	59,401	68,611
B-Free zones of Turkey	297	361	418	508	496	303	575	589	811	760	944	1,224
C-Other countries	19,009	22,080	20,221	17,633	25,480	21,273	25,290	33,611	48,626	63,318	79,231	100,223
1-Other European countries	3,974	4,513	4,414	4,172	6,149	5,738	7,487	10,342	15,757	20,386	25,695	34,253
2-Africa	1,994	2,197	1,758	1,687	2,714	2,819	2,696	3,338	4,820	6,047	7,405	6,784
• North Africa	1,618	1,813	1,493	1,404	2,257	2,115	2,138	2,519	3,231	4,212	4,878	3,616
• Other Africa	376	385	265	283	457	704	558	820	1,589	1,835	2,526	3,168
3-Americas	4,634	5,453	5,016	3,799	4,799	3,841	4,065	4,922	6,595	7,857	9,401	12,150
• Central America and Caribbeans	240	108	117	91	80	41	103	169	209	287	335	448
• South America	534	704	669	452	551	410	541	1,012	1,271	1,747	2,131	2,671
4-Asia	7,951	8,791	8,286	7,197	10,306	7,901	9,716	14,099	21,085	28,548	36,226	46,298
• Near and Middle East	3,315	2,774	2,084	2,124	3,373	3,016	3,186	4,455	5,585	7,967	10,568	12,640
• Other Asia	4,636	6,017	6,202	5,073	6,933	4,884	6,530	9,644	15,500	20,581	25,658	33,658
5-Australia and New Zealand	428	547	439	157	305	232	313	247	302	321	399	672
6-Other countries and regions	29	579	307	621	1,208	741	1,013	662	67	158	105	66
SELECTED COUNTRYGROUPS												
OECD countries	31,116	34,838	33,496	28,356	35,682	26,011	32,985	43,899	59,650	66,107	77,813	91,854
European Free Trade Association (EFTA)	1,112	1,287	1,169	926	1,155	1,481	2,512	3,396	3,911	4,440	4,522	5,775
Black Sea Economic Cooperation (BSEC)	3,897	4,495	4,358	4,308	6,746	5,553	6,588	9,298	15,368	20,480	27,021	34,809
Economic Cooperation Organization (ECO)	1,197	1,107	948	1,123	1,543	1,238	1,548	2,736	3,218	5,108	8,102	9,971
Commonwealth of Independent States	3,074	3,615	3,724	3,734	5,693	4,630	5,555	7,777	12,927	17,253	23,373	31,263
Turkic Republics	304	399	449	457	628	283	468	623	754	1,267	1,967	2,669
Organization of the Islamic Conference (OIC)	5,587	5,233	4,238	4,078	6,321	5,540	6,072	8,195	10,631	14,459	19,111	21,523
Source: Turkish Statistical Institute (TURKSTAT)												

## Exports by Country

Between 1980 and 2007, the share of Turkish exports to European Union member countries was around 50%; these countries continue to be the group to which Turkey exports the most. Between 1999 and 2007, there was also an increase in exports to Black Sea Economic Cooperation Countries, to countries of the Islamic Conference Organization, and to the Commonwealth of Independent States.

In 2007, the share of exports to OECD countries was 61%. In 2007, the top five countries in terms of exports were Germany, the UK, Italy, France, and Russia. The overall share of exports by these five countries was 36%.

Millions (USD)												
GENERAL EXPORTS TOTAL	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
A-EU (27)	12,569	13,435	14,813	15,424	15,664	17,546	20,415	27,394	36,581	41,365	47,935	60,397
B-Free zones of Turkey	447	611	831	780	895	934	1,438	1,928	2,564	2,973	2,967	2,943
C-Other countries	10,208	12,216	11,331	10,383	11,216	12,854	14,206	17,931	24,022	29,137	34,633	43,873
1-Other European countries	2,549	3,296	2,489	1,740	1,855	2,094	2,607	3,362	4,507	5,855	7,962	10,843
2-Africa	1,159	1,234	1,818	1,655	1,373	1,521	1,697	2,131	2,968	3,631	4,566	5,976
• North Africa	986	980	1,502	1,344	1,087	1,150	1,267	1,577	2,203	2,544	3,097	4,030
• Other Africa	174	253	316	311	285	371	430	554	765	1,087	1,469	1,947
3-Americas	1,898	2,376	2,657	2,869	3,596	3,685	3,914	4,269	5,733	5,960	6,328	5,601
• North America	1,740	2,149	2,389	2,586	3,309	3,297	3,596	3,973	5,207	5,276	5,439	4,538
• Central America and Caribbeans	72	103	146	163	167	201	197	166	334	411	548	549
• South America	86	124	122	120	120	186	121	131	193	274	341	514
4-Asia	4,520	4,783	3,984	3,817	3,871	4,592	5,230	7,813	10,465	13,213	15,257	20,254
• Near and Middle East	2,595	2,821	2,681	2,566	2,573	3,261	3,440	5,465	7,921	10,184	11,316	15,027
• Other Asia	1,925	1,962	1,304	1,250	1,298	1,331	1,790	2,348	2,544	3,029	3,942	5,227
5-Australia and New Zealand	65	80	76	87	135	98	122	158	264	271	327	343
6-Other countries and regions	18	447	306	215	385	864	637	197	84	208	192	857
SELECTED COUNTRY GROUPS												
OECD countries	14,456	15,609	17,003	18,077	19,006	20,616	23,551	30,425	40,518	44,355	54,481	65,671
European Free Trade Association (EFTA)	336	414	357	362	324	316	409	538	667	821	1,189	1,328
Black Sea Economic Cooperation (BSEC)	2,926	3,825	3,290	2,232	2,467	2,932	3,599	5,044	6,779	8,620	11,584	16,784
Economic Cooperation Organization (ECO)	1,129	1,286	1,125	866	874	972	1,042	1,569	2,206	2,670	3,341	4,646
Commonwealth of Independent States	2,664	3,512	2,667	1,533	1,649	1,978	2,279	2,963	3,962	5,057	6,993	10,088
Turkic Republics	747	908	835	574	572	557	619	899	1,194	1,409	1,982	2,874
Organization of the Islamic Conference (OIC)	4,143	4,218	4,391	3,961	3,573	4,197	4,725	7,205	10,214	13,061	15,007	20,256

Source: Turkish Statistical Institute (TURKSTAT)

### **Turkey's membership of international trade organizations**

Turkey has been a member of the World Trade Organization since 1995. Its commitment to integrating regional and international trade norms is seen in its participation in and membership of various organizations, including: Economic Cooperation Organization (ECO), UNCTAD, Black Sea Economic Cooperation Organization, World Customs Organization, International Chamber of Commerce, Organisation of the Islamic Conference, D-8, Stability Pact, and various other organizations.



Turkey offers a simple business legislation system with international standards through which all investors enjoy equal treatment. Recent amendments to the existing law will assist Turkey even further with the improvements it is currently making to its investment environment.

**Turkey offers:**

### 1. Legal framework of foreign direct investment

The aim of Foreign Direct Investment Law is:

- to encourage FDIs in the country
- to protect foreign investors' rights
- to bring investors and investments in line with international standards
- to establish a notification-based rather than approval-based system for FDIs
- to increase the volume of FDI through established policies.

The Foreign Direct Investment Law provides a definition of foreign investors and foreign direct investments. In addition, it explains the important principles of FDIs, such as freedom to invest, national treatment, expropriation and nationalization, transfers, access to real estate, dispute settlement, valuation of non-cash capital, employment of expatriates, and liaison offices.

The regulation on the implementation of the foreign direct investment law consists of:

- Specifying the procedures and principles of the issues that are laid down in Foreign Direct Investment (FDI) Law.

The target for the new FDI law on work permits for foreigners is:

- to regulate the work carried out by foreigners
- to stipulate the rules on working permits given to foreigners.

### 2. Bilateral Agreements

#### 2.a. Bilateral agreements on the promotion and protection of investments

Since 1962, Turkey has developed an impressive network of bilateral agreements with 80 countries. The main purpose of these agreements is to promote investment flows between parties, to ensure a more stable investment environment, to provide economic and legal assurance to foreign investors, and to establish a favorable environment for economic cooperation.

80 countries : Afghanistan, Albania, Algeria, Argentina, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Belarus, Belgium/Luxembourg, Bosnia and Herzegovina, Bulgaria, Chile, China, Croatia, Cuba, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kazakhstan, Kosovo, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lithuania, Macedonia, Malaysia, Malta, Moldova, Mongolia, Morocco, Netherlands, Nigeria, Oman, Pakistan, Philippines, Poland, Portugal, Qatar, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Singapore, Slovakia, Slovenia,

*South Africa, Spain, Sudan, Sweden, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Yemen, Yugoslavia (former).*

## **2.b. Double taxation prevention treaties**

Turkey has signed double taxation prevention treaties with **68 countries**. This enables tax paid in one of two countries to be offset against tax payable in the other, thus preventing double taxation.

Turkey is continuing to expand the area covered by the double taxation prevention treaty by adding more countries on an ongoing basis.

**68 countries** :Albania, Algeria, Azerbaijan, Austria, Bahrain, Bangladesh, Belarus, Belgium, Bulgaria, China, Croatia, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lithuania, Luxembourg, Macedonia, Malaysia, Moldova, Mongolia, Morocco, Netherlands, Norway, Pakistan, Poland, Portugal, Romania, Russian Federation, Saudi Arabia, Serbia-Montenegro, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sudan, Sweden, Syria, Tajikistan, Thailand, Tunisia, Turkish Republic of Northern Cyprus, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan.

## **2.c. Social security agreements**

Turkey has signed Social Security Agreements with **22 countries**. These Agreements make it easier for expatriates to move between countries. The number of these countries will increase in line with the increased sources of FDI.

**22 countries**: Albania, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Czech Republic, Denmark, France, Georgia, Germany, Libya, Luxembourg, Macedonia, Netherlands, Norway, Romania, Sweden, Switzerland, Turkish Republic of Northern Cyprus, United Kingdom.

## **3. Bilateral free trade agreements**

Turkey has free trade agreements with **15 countries**, thus creating a tax-free environment in intra-trade on an agreed list of goods. This framework explains why many global companies are now using Turkey as a second supply source, not only for the EU and rapidly growing Turkish markets, but also for the Middle East, Black Sea and North African markets, with the added advantage of a relatively cheaper but well-educated labor force, coupled with cost-effective transportation.

Turkey is carrying out negotiations aimed at including the Faroe Islands, member countries of the Gulf Cooperation Council, Jordan, and Lebanon in the existing network, in order to attract investors.

**15 countries**: Albania, Bosnia and Herzegovina, Croatia, EFTA member countries (Iceland, Norway, Switzerland and Lichtenstein), Egypt, Georgia, Israel, Macedonia, Morocco, Palestine, Syria, Tunisia.